

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION *as at 31 December 2019*

		Economic Entity		The Bank	
	Note	31/12/2019	31/12/2018	31/12/2019	31/12/2018
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		1,588,868	3,210,533	1,588,868	3,210,533
Derivative financial assets	13	1,000	2,042	1,000	2,042
Financial investments at fair value through other comprehensive income ('FVOCI')	14	2,390,806	2,804,257	2,390,806	2,804,257
Financing, advances and other financing	15	18,580,253	18,617,860	18,580,253	18,617,860
Other assets	16	34,593	43,194	34,593	43,194
Amount due from holding company		53,946	107,722	53,946	107,722
Amount due from joint ventures	17	28,402	31,295	28,402	31,295
Amount due from associate	18	900	500	900	500
Tax recoverable		15,550	-	15,550	-
Deferred tax assets		-	17,993	-	17,993
Statutory deposits with Bank Negara Malaysia		526,000	512,000	526,000	512,000
Investment in joint ventures		-	-	650	650
Investment in associate		750	750	750	750
Property and equipment		1,980	2,677	1,980	2,677
Right-of-use assets		1,554	-	1,554	-
Intangible assets		771	670	771	670
TOTAL ASSETS		23,225,373	25,351,493	23,226,023	25,352,143
LIABILITIES AND EQUITY					
Deposits from customers	19	17,306,338	19,687,388	17,306,338	19,687,388
Investment accounts of customers	20	1,447	875	1,447	875
Deposits and placements of banks and other financial institutions	21	536,011	245,582	536,011	245,582
Investment accounts due to designated financial institutions	22	1,918,295	2,368,295	1,918,295	2,368,295
Derivative financial liabilities	23	6,757	4,289	6,757	4,289
Other liabilities	24	422,685	89,863	422,685	89,863
Provision for taxation		-	8,743	-	8,743
Deferred tax liabilities		2,604	-	2,604	-
Lease liabilities	25	1,568	-	1,568	-
Subordinated term financing and medium term notes	26	1,111,034	1,111,231	1,111,034	1,111,231
TOTAL LIABILITIES		21,306,739	23,516,266	21,306,739	23,516,266
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	27	858,634	775,227	859,284	775,877
TOTAL EQUITY		1,918,634	1,835,227	1,919,284	1,835,877
TOTAL LIABILITIES AND EQUITY		23,225,373	25,351,493	23,226,023	25,352,143
COMMITMENTS AND CONTINGENCIES					
	35	4,051,316	5,543,823	4,051,316	5,543,823
CAPITAL ADEQUACY RATIOS					
CET1 capital ratio		11.720%	10.869%	11.720%	10.869%
Tier 1 capital ratio	38	13.826%	12.882%	13.826%	12.882%
Total capital ratio		20.631%	19.438%	20.631%	19.438%

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

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UNAUDITED INCOME STATEMENTS *for the financial quarter ended 31 December 2019*

		Economic Entity Individual Quarter Ended		Economic Entity Cumulative Quarter Ended	
	Note	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Income derived from investment of depositors' funds and others	29	263,151	254,321	1,113,114	945,482
Income derived from investment of investment account funds	30	27,941	46,302	107,323	122,023
Income derived from investment of shareholders' funds	31	27,775	24,267	104,541	91,315
Allowances for impairment losses on financing, advances and other financing	32	(37,603)	419	(54,848)	(19,403)
Allowance for impairment losses on other assets	33	(2,757)	-	(4,690)	(5,719)
Total distributable income		278,507	325,309	1,265,440	1,133,698
Income attributable to the depositors and others	34	(207,162)	(228,106)	(907,355)	(751,947)
Total net income		71,345	97,203	358,085	381,751
Other operating expenses	35	(63,671)	(59,039)	(261,923)	(223,259)
Profit before zakat and taxation		7,674	38,164	96,162	158,492
Zakat		-	-	(3,000)	(3,061)
Profit before taxation		7,674	38,164	93,162	155,431
Taxation		(4,936)	(10,410)	(26,075)	(42,989)
Net profit after zakat and taxation		2,738	27,754	67,087	112,442
Attributable to:					
Equity holder of the Bank		2,738	27,754	67,087	112,442
Earnings per share (sen):					
- Basic		0.3	2.6	6.3	10.6

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

AFFIN Islamic Bank Berhad
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INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
for the financial quarter ended 31 December 2019 (continued)

	Economic Entity		Economic Entity	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	2,738	27,754	67,087	112,442
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	(57)	2,886	101,557	17,050
Net credit impairment losses change in financial investments at FVOCI	(246)	27	26	42
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	(22,236)	(1,739)	(80,117)	(4,116)
Deferred tax on				
- financial investments at FVOCI	5,350	(275)	(5,146)	(3,104)
Other comprehensive income for the financial period, net of tax	(17,189)	899	16,320	9,872
Total comprehensive income for the financial period	(14,451)	28,653	83,407	122,314
Attributable to equity holder of the Bank:				
- Total comprehensive income	(14,451)	28,653	83,407	122,314

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

AFFIN Islamic Bank Berhad
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INTERIM FINANCIAL STATEMENTS

UNAUDITED INCOME STATEMENTS *for the financial quarter ended 31 December 2019*

(continued)

		The Bank		The Bank	
	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	29	263,151	254,321	1,113,114	945,482
Income derived from investment of investment account funds	30	27,941	46,302	107,323	122,023
Income derived from investment of shareholders' funds	31	27,775	24,267	104,541	91,315
Allowances for impairment losses on financing, advances and other financing	32	(37,603)	419	(54,848)	(19,403)
Allowance for impairment losses on other assets	33	(2,757)	-	(4,690)	(5,719)
Total distributable income		278,507	325,309	1,265,440	1,133,698
Income attributable to the depositors and others	34	(207,162)	(228,106)	(907,355)	(751,947)
Total net income		71,345	97,203	358,085	381,751
Other operating expenses	35	(63,671)	(59,039)	(261,923)	(223,259)
Profit before zakat and taxation		7,674	38,164	96,162	158,492
Zakat		-	-	(3,000)	(3,061)
Profit before taxation		7,674	38,164	93,162	155,431
Taxation		(4,936)	(10,410)	(26,075)	(42,989)
Net profit after zakat and taxation		2,738	27,754	67,087	112,442
Attributable to:					
Equity holder of the Bank		2,738	27,754	67,087	112,442
Earnings per share (sen):					
- Basic		0.3	2.6	6.3	10.6

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

AFFIN Islamic Bank Berhad
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
for the financial quarter ended 31 December 2019 (continued)

	The Bank		The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	2,738	27,754	67,087	112,442
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	(57)	2,886	101,557	17,050
Net credit impairment losses change in financial investments at FVOCI	(246)	27	26	42
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	(22,236)	(1,739)	(80,117)	(4,116)
Deferred tax on				
- financial investments at FVOCI	5,350	(275)	(5,146)	(3,104)
Other comprehensive income for the financial period, net of tax	(17,189)	899	16,320	9,872
Total comprehensive income for the financial period	(14,451)	28,653	83,407	122,314
Attributable to equity holder of the Bank:				
- Total comprehensive income	(14,451)	28,653	83,407	122,314

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

AFFIN Islamic Bank Berhad
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 31 December 2019

Economic Entity	Attributable to Equity Holder of the Bank				
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	1,060,000	3,172	194,384	577,671	1,835,227
Net profit for the financial period	-	-	-	67,087	67,087
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	16,320	-	-	16,320
Total comprehensive income for the financial period	-	16,320	-	67,087	83,407
Transfer to regulatory reserves	-	-	42,498	(42,498)	-
At 31 December 2019	1,060,000	19,492	236,882	602,260	1,918,634

Economic Entity	Attributable to Equity Holder of the Bank				
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	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 for the financial period	-	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

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

AFFIN Islamic Bank Berhad
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 31 December 2019
(continued)

	Non-distributable			Distributable	
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	1,060,000	3,172	194,384	578,321	1,835,877
Net profit for the financial period	-	-	-	67,087	67,087
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	16,320	-	-	16,320
Total comprehensive income for the financial period	-	16,320	-	67,087	83,407
Transfer to regulatory reserves	-	-	42,498	(42,498)	-
At 31 December 2019	1,060,000	19,492	236,882	602,910	1,919,284

	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	1,060,000	-	94,866	610,852	1,765,718
Adjustment arising from adoption of MFRS 9	-	(6,700)	(27,810)	(17,645)	(52,155)
At 1 January 2018, as restated	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 for the financial period	-	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 unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

AFFIN Islamic Bank Berhad
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOW *for the financial quarter ended 31 December 2019*

	Economic Entity		The Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	93,162	155,431	93,162	155,431
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments at FVOCI	(100,587)	(107,010)	(100,587)	(107,010)
Gain on sale/redemption:				
- financial investments at FVOCI	(80,432)	(3,457)	(80,432)	(3,457)
Loss on unrealised foreign exchange	3,510	1,613	3,510	1,613
Depreciation of property and equipment	766	777	766	777
Property and equipment written-off	2	3	2	3
Amortisation of intangible assets	180	93	180	93
Depreciation-Lease Premises Rental	1,347	-	1,347	-
Expected credit losses ('ECL') made on:				
- financing, advances and other financing	63,805	24,457	63,805	24,457
- securities	26	42	26	42
- financing commitments and financial guarantees	(5,618)	(4,331)	(5,618)	(4,331)
Bad debt on financing written-off	789	592	789	592
Allowance for impairment losses on other assets	4,690	5,719	4,690	5,719
Profit payment - Subordinated term financing and medium term notes	57,154	11,231	57,154	11,231
Finance expense on lease liabilities	52	-	52	-
Zakat	3,000	3,061	3,000	3,061
Operating profit before changes in working capital	41,846	88,221	41,846	88,221
Decrease/(Increase) in operating assets:				
Financing, advances and other financing	(26,987)	(3,316,293)	(26,987)	(3,316,293)
Other assets	8,435	(25,778)	8,435	(25,778)
Statutory deposits with Bank Negara Malaysia	(14,000)	(111,360)	(14,000)	(111,360)
Amount due from holding company	53,776	298,801	53,776	298,801
Amount due from joint ventures	(1,797)	(4,165)	(1,797)	(4,165)
Amount due from associate	(400)	-	(400)	-
Derivative financial instruments	3,510	1,612	3,510	1,612
Increase/(Decrease) in operating liabilities:				
Deposits from customers	(2,381,050)	5,488,056	(2,381,050)	5,488,056
Investment accounts of customers	572	426	572	426
Deposits and placements of banks and other financial institutions	290,429	(1,015,818)	290,429	(1,015,818)
Investment accounts due to designated financial institutions	(450,000)	(380,721)	(450,000)	(380,721)
Amount due to holding company	-	-	-	-
Other liabilities	337,651	11,109	337,651	11,109
Cash generated from operations	(2,138,015)	1,034,090	(2,138,015)	1,034,090
Zakat paid	(2,212)	(3,897)	(2,212)	(3,897)
Tax paid	(34,917)	(37,120)	(34,917)	(37,120)
Net cash generated from operating activities	(2,175,144)	993,073	(2,175,144)	993,073

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

AFFIN Islamic Bank Berhad
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INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF CASH FLOW *for the financial quarter ended 31 December 2019*

(continued)

	Economic Entity		The Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- financial investments at FVOCI	97,213	107,010	97,213	107,010
Purchase of financial investments at FVOCI	(2,976,220)	(1,010,735)	(2,976,220)	(1,010,735)
Purchase of financial investments at FVOCI	3,494,918	600,595	3,494,918	600,595
Purchase of property and equipment	(177)	(1,392)	(177)	(1,392)
Purchase of intangible assets	(10)	-	(10)	-
Net cash generated from/(used in) investing activities	615,724	(304,522)	615,724	(304,522)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of subordinated term financing and medium term notes	-	1,100,000	-	1,100,000
Profit payment - Subordinated term financing and medium term notes	(57,350)	-	(57,350)	-
Lease payments	(1,385)	-	(1,385)	-
Net cash generated from financing activities	(58,735)	1,100,000	(58,735)	1,100,000
Net increase in cash and cash equivalents	(1,618,155)	1,788,551	(1,618,155)	1,788,551
Effects of foreign exchange	(3,510)	(1,612)	(3,510)	(1,612)
Cash and cash equivalents at beginning of the financial period	3,210,533	1,423,594	3,210,533	1,423,594
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,588,868	3,210,533	1,588,868	3,210,533
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and short-term funds	1,588,868	3,210,533	1,588,868	3,210,533

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2019

1 BASIS OF PREPARATION

The unaudited interim financial statements for the financial period under review have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values :

- (i) financial assets at fair value through profit or loss ("FVTPL"),
- (ii) financial investments at fair value through other comprehensive income ("FVOCI"), and
- (iii) derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Policy Document on Financial Reporting issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2018. The explanatory notes to the 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 2018.

There are no changes to the accounting policies adopted since the last financial year except for the adoption of MFRS 16 "Leases" with effect from 1 January 2019.

2 ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2019, except for the adoption of the following amendments to MFRS 16 that are applicable to the Bank effective for the financial year beginning on 1 January 2019.

The Bank has adopted MFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of MFRS 16

On adoption of MFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of MFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2019

3 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2019 was not subjected to any qualification.

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 2019.

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 2019 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 2019 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 2019 audited accounts.

11 PURCHASE AND SALE OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the quarter ended 31 December 2019 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 2019.

AFFIN Islamic Bank Berhad
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MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2019

13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	31/12/2019		31/12/2018	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	125,647	1,000	436,525	2,042
	125,647	1,000	436,525	2,042

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

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government treasury bills	-	79,728
Malaysian Government investment issues	860,976	861,677
Sukuk Perumahan Kerajaan	-	90,749
Khazanah Sukuk	53,074	163,172
Cagamas Sukuk	-	5,161
	914,050	1,200,487
Unquoted securities:		
Corporate Sukuk in Malaysia	1,476,756	1,603,770
	2,390,806	2,804,257

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

	Lifetime ECL			Total
	12-Month ECL Stage 1 RM'000	not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	
Economic Entity and The Bank				
31/12/2019				
At beginning of the financial year	257	-	-	257
Financial assets derecognised during the financial year (other than write-offs)	(17)	-	-	(17)
New financial assets originated or purchased	174	-	-	174
Changes due to change in credit risk	(137)	-	-	(137)
Changes in model/risk parameters	6	-	-	6
At end of the financial year	283	-	-	283
	Lifetime ECL			Total
	12-Month ECL Stage 1 RM'000	not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	
Economic Entity and The Bank				
31/12/2018				
At beginning of the financial year	215	-	-	215
Financial assets derecognised during the financial year (other than write-offs)	(114)	-	-	(114)
New financial assets originated or purchased	13	-	-	13
Changes in fair value	143	-	-	143
At end of the financial year	257	-	-	257

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2019

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

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

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/12/2019				
At beginning of the financial year	2,804,257	-	-	2,804,257
Financial assets derecognised during the year (other than write-offs)	(3,380,311)	-	-	(3,380,311)
New financial assets originated or purchased	2,946,228	-	-	2,946,228
Changes in profit accrual/discount/premium	(808)	-	-	(808)
Changes in fair value	21,440	-	-	21,440
At end of the financial year	2,390,806	-	-	2,390,806
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/12/2018				
At beginning of the financial year	2,377,724	-	-	2,377,724
Financial assets derecognised during the year (other than write-offs)	(603,667)	-	-	(603,667)
New financial assets originated or purchased	1,006,984	-	-	1,006,984
Changes in profit accrual/discount/premium	10,282	-	-	10,282
Changes in market value	12,934	-	-	12,934
At end of the financial year	2,804,257	-	-	2,804,257

15 FINANCING, ADVANCES AND OTHER FINANCING

(i) By type

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Cash line	469,379	374,079
Term financing		
- House financing	7,351,173	6,434,202
- Hire purchase receivables	3,820,401	4,243,662
- Syndicated financing	746,036	700,118
- Business term financing	4,885,355	5,591,252
Bills receivables	11,668	5,150
Trust receipts	30,232	16,329
Claims on customers under acceptances credits	447,486	352,435
Staff financing (of which RM Nil to Directors)	62,761	42,224
Credit/charge card	30,828	11,408
Revolving credit	897,504	976,018
Gross financing, advances and other financing	18,752,823	18,746,877
Less:		
Allowance for impairment losses		
- Expected credit losses ("ECL")	(172,570)	(129,017)
Total net financing, advances and other financing	18,580,253	18,617,860

Included in business term financing as at reporting date is RM53.7 million (31 December 2018: RM53.7 million) of term financing disbursed by the Bank to joint venture with AFFIN-i Nadayu Sdn Bhd.

(ii) By maturity structure

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Maturing within one year	2,026,732	2,227,193
One year to three years	736,716	694,582
Three years to five years	1,819,649	1,425,456
Over five years	14,169,726	14,399,646
	18,752,823	18,746,877

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(iii) By contract

Economic Entity and The Bank
31/12/2019
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musyarakah	Istisna'	Others	Total
Cash line	-	-	-	435,716	-	-	33,663	469,379
Term financing								
House financing	695,350	-	-	83,744	6,572,079	-	-	7,351,173
Hire purchase receivables	-	-	3,820,401	-	-	-	-	3,820,401
Syndicated financing	-	288,915	-	457,121	-	-	-	746,036
Business term financing	97,231	714,253	-	2,524,542	876,031	668,452	4,846	4,885,355
Bills receivables	-	-	-	-	-	-	11,668	11,668
Trust receipts	-	-	-	30,232	-	-	-	30,232
Claims on customers under acceptance credits	-	-	-	447,486	-	-	-	447,486
Staff financing	4,098	-	-	33,571	25,092	-	-	62,761
Credit/charge cards	-	-	-	-	-	-	30,828	30,828
Revolving credit	-	-	-	897,504	-	-	-	897,504
Total Financing	796,679	1,003,168	3,820,401	4,909,916	7,473,202	668,452	81,005	18,752,823

Economic Entity and The Bank
31/12/2018
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musyarakah	Istisna'	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

(iv) By type of customer

	Economic Entity and The Bank 31/12/2019 RM'000	31/12/2018 RM'000
Domestic non-banking institutions		
- Others	54,004	155,406
Domestic business enterprises		
- Small medium enterprises	1,856,190	2,009,531
- Others	4,126,493	4,297,466
Government and statutory bodies	766,167	1,064,147
Individuals	11,614,413	10,812,205
Other domestic entities	791	1,220
Foreign entities	334,765	406,902
	18,752,823	18,746,877

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(v) By profit rate sensitivity

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Fixed rate		
- House financing	43,139	45,349
- Hire purchase receivables	3,820,401	4,243,662
- Other fixed rate financing	1,317,831	1,493,163
Variable rate		
- BFR plus	11,188,990	10,029,219
- Cost-plus	2,378,795	2,863,008
- Other variable rate	3,667	72,476
	18,752,823	18,746,877

(vi) By economic sector

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Primary agriculture	932,467	924,391
Mining and quarrying	291,515	318,505
Manufacturing	581,702	567,021
Electricity, gas and water supply	406,121	509,080
Construction	538,749	546,984
Real estate	1,933,214	1,956,198
Wholesale & retail trade and restaurants & hotels	552,127	590,747
Transport, storage and communication	312,231	316,339
Finance, takaful/insurance and business services	352,239	464,736
Education, health and others	1,182,078	1,682,738
Household	11,670,380	10,869,949
Others	-	189
	18,752,823	18,746,877

(vii) By economic purpose

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Purchase of securities	299,615	325,481
Purchase of transport vehicles	3,875,863	4,300,093
Purchase of landed property of which:		
- Residential	7,493,000	6,570,340
- Non-residential	2,239,936	2,191,771
Fixed assets other than land and building	87,328	135,413
Personal use	91,521	64,577
Credit/charge card	30,829	11,408
Consumer durable	3	47
Construction	1,136,280	1,233,103
Working capital	3,064,617	3,455,407
Others	433,831	459,237
	18,752,823	18,746,877

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(viii) **By geographical distribution**

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Perlis	197,380	192,981
Kedah	804,254	781,062
Pulau Pinang	892,939	798,332
Perak	560,277	728,637
Selangor	6,129,408	5,899,212
Wilayah Persekutuan	4,020,100	4,422,583
Negeri Sembilan	946,808	900,252
Melaka	273,003	286,179
Johor	2,288,851	2,190,243
Pahang	649,610	600,886
Terengganu	490,462	476,001
Kelantan	204,564	185,228
Sarawak	497,834	477,656
Sabah	699,888	695,052
Labuan	27,651	41,996
Outside Malaysia	69,794	70,577
	18,752,823	18,746,877

(ix) **Movements of impaired financing**

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
At beginning of the financial year	530,829	141,716
Classified as impaired	315,874	551,758
Reclassified as non-impaired	(183,350)	(117,229)
Amount recovered	(35,889)	(27,139)
Amount written-off	(20,152)	(18,277)
At end of the financial year	607,312	530,829
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (exclude restricted investment accounts)	2.47%	2.05%

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2019**15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(x) Impaired financing by economic sector**

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Primary agriculture	41	-
Manufacturing	62,644	62,739
Electricity, gas and water supply	47	-
Construction	8,613	11,946
Real estate	272,960	315,973
Wholesale & retail trade and restaurants & hotels	1,817	5,775
Transport, storage and communication	75,697	415
Finance, takaful/insurance and business services	1,039	1,217
Education, health and others	218	92
Household	184,236	132,672
	607,312	530,829

(xi) Impaired financing by economic purpose

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Purchase of securities	39	6
Purchase of transport vehicles	18,620	23,213
Purchase of landed property of which:		
- Residential	166,184	115,070
- Non-residential	212,960	210,649
Fixed assets other than land and building	-	62
Personal use	1,202	983
Credit/charge card	263	13
Construction	100,988	107,642
Working capital	107,052	73,108
Others	4	83
	607,312	530,829

(xii) Impaired financing by geographical distribution

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Perlis	2,543	2,135
Kedah	8,080	6,920
Pulau Pinang	8,044	3,274
Perak	82,361	6,604
Selangor	98,570	80,494
Wilayah Persekutuan	284,312	315,896
Negeri Sembilan	16,777	13,683
Melaka	4,894	2,184
Johor	19,911	12,982
Pahang	2,531	1,155
Terengganu	4,666	5,338
Kelantan	2,367	2,568
Sarawak	581	170
Sabah	1,899	6,860
Outside Malaysia	69,776	70,566
	607,312	530,829

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(xiii) Movement in expected credit losses for financing, advances and other financing

Economic Entity and The Bank 31/12/2019	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	50,292	10,864	67,861	129,017
Total transfer between stages	6,337	25,385	(31,722)	-
Due to change in credit risk :-				
- Transfer to 12-month ECL (Stage 1)	9,134	(7,380)	(1,754)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,772)	36,096	(33,324)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(25)	(3,331)	3,356	-
Financing, advances and other financing derecognised during the financial year (other than write-offs)	(31,489)	(2,865)	(1,909)	(36,263)
New financing, advances and other financing originated or purchased	30,171	1,702	10,681	42,554
Changes due to change in credit risk	(9,546)	(19,562)	72,892	43,784
Changes in models/risk parameters	5,278	1,647	6,805	13,730
Write-offs	-	-	(19,399)	(19,399)
Other adjustments	-	-	(853)	(853)
At end of the financial year	51,043	17,171	104,356	172,570
Economic Entity and The Bank 31/12/2018	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	54,528	10,975	58,334	123,837
Total transfer between stages	8,431	4,517	(12,948)	-
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 financial year (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 end of the financial year	50,292	10,864	67,861	129,017

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

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

Economic Entity and The Bank
31/12/2019

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	17,490,102	725,946	530,829	18,746,877
Total transfer between stages	(300,731)	218,619	82,112	-
Due to change in credit risk :-				
- Transfer to 12-month ECL (Stage 1)	428,709	(420,963)	(7,746)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(717,764)	893,368	(175,604)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(11,676)	(253,786)	265,462	-
Financing, advances and other financing derecognised during the financial year (other than write-offs)	(9,270,780)	(325,901)	(10,745)	(9,607,426)
New financing, advances and other financing originated or purchased	9,620,019	308,629	43,031	9,971,679
Changes due to change in credit risk	(191,137)	(125,844)	(24,259)	(341,240)
Write-offs	-	-	(20,152)	(20,152)
Other adjustments	(42)	(3,369)	6,496	3,085
At end of the financial year	17,347,431	798,080	607,312	18,752,823

Economic Entity and The Bank
31/12/2018

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	14,610,901	697,836	141,716	15,450,453
Total transfer between stages	(544,967)	123,672	421,295	-
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 financial year (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 end of the financial year	17,490,102	725,946	530,829	18,746,877

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16 OTHER ASSETS

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Other debtors	497	2,872
Deposits and prepayments	481	657
Cheque clearing accounts	28,742	34,792
Foreclosed properties (a)	4,873	4,873
	34,593	43,194
(a) Foreclosed properties		
At beginning of the financial year	4,873	2,445
Amount arising during the financial year	-	2,428
At end of the financial year	4,873	4,873

17 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Advances to joint ventures	57,140	55,343
Expected credit losses (a)	(28,738)	(24,048)
	28,402	31,295
(a) Movement in expected credit losses		
	Lifetime ECL credit impaired Stage 3	Lifetime ECL credit impaired Stage 3
	RM'000	RM'000
At beginning of the financial year	24,048	18,329
Allowance made during the financial year	4,690	5,719
At end of the financial year	28,738	24,048

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	
	31/12/2019	31/12/2018
	RM'000	RM'000
Advances to associate	900	500

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

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19 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Qard		
Demand deposits	2,954,170	2,598,371
Savings deposits	647,064	600,701
	3,601,234	3,199,072
Mudharabah		
General investment deposits	61,558	68,476
Tawarruq		
Murabahah term deposits	13,241,472	16,024,673
Commodity Murabahah	402,074	395,167
	13,643,546	16,419,840
	17,306,338	19,687,388

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

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Due within six months	6,476,907	8,707,686
Six months to one year	6,138,589	6,247,341
One year to three years	411,815	760,535
Three years to five years	275,719	377,587
	13,303,030	16,093,149

(iii) By type of customer

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Government and statutory bodies	6,655,399	9,628,596
Business enterprise	4,411,025	5,204,019
Individuals	5,269,030	1,887,907
Domestic banking institutions	1,160	5,360
Domestic non-banking financial institutions	658,945	2,633,437
Foreign entities	110,692	98,822
Others entities	200,087	229,247
	17,306,338	19,687,388

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20 INVESTMENT ACCOUNTS OF CUSTOMERS

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Mudharabah	1,447	875

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Movement in investment accounts		
At beginning of the financial year	875	449
New placement during the financial year	1,395	1,135
Redemption during the financial year	(826)	(712)
Finance expense on RIA	101	69
Profit distributed	(98)	(66)
At end of the financial year	1,447	875

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

	Economic Entity and The Bank			
	31/12/2019		31/12/2018	
	Average profit sharing ratio	Average rate of return (ROR)	Average profit sharing ratio	Average rate of return (ROR)
	(PSR)		(PSR)	
	%	%	%	%
Investment accounts:				
Due within:				
Six months to one year	85	7.06	-	-
One year to three years	85	6.43	85	7.19

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Qard		
Licensed banks	69,968	70,708
	69,968	70,708

Tawarruq		
Licensed banks	132,227	-
Other financial institutions	333,816	174,874
	466,043	174,874
	536,011	245,582

Maturity structure of deposits are as follows:

Due within six months	536,011	245,582
	536,011	245,582

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22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Mudharabah		
Licensed banks	1,918,295	2,368,295
Maturity structure of investment accounts are as follows:		
Due within six months	92,729	424,677
Six months to one year	398	-
One year to three years	113,864	41,836
Three years to five years	296,656	240,071
Five years and above	1,414,648	1,661,711
	1,918,295	2,368,295

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
Movement in investment accounts		
At beginning of the financial year	2,368,295	2,749,016
New placement during the financial year	181,504	1,296,030
Redemption during the financial year	(628,637)	(1,676,765)
Finance expense on RIA	86,574	116,662
Profit distributed	(86,760)	(118,577)
Exchange difference	(2,681)	1,929
At end of the financial year	1,918,295	2,368,295

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

	Economic Entity and The Bank			
	31/12/2019		31/12/2018	
	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
One to three months	83	4.33	95	5.11
Three to six months	-	-	98	4.41
Six months to one year	85	7.11	-	-
One year to three years	87	5.44	89	6.82
Three years to five years	83	5.45	83	4.78
Five years and above	93	5.67	93	5.13

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 RM1,918.3 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.

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23 DERIVATIVE FINANCIAL LIABILITIES

	Economic Entity and The Bank			
	31/12/2019		31/12/2018	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	388,806	6,757	591,701	4,289
	<u>388,806</u>	<u>6,757</u>	<u>591,701</u>	<u>4,289</u>

24 OTHER LIABILITIES

	Economic Entity and The Bank	
	31/12/2019 RM'000	31/12/2018 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	1,639	1,000
Margin and collateral deposits	16,979	13,828
Other creditors and accruals	8,067	8,740
Sundry creditors	27,841	14,897
Treasury and cheque clearing accounts	342,244	17,934
Provision for zakat	1,697	910
Defined contribution plan (a)	1,231	1,337
Accrued employee benefits	3,025	3,065
Charity funds (b)	23	23
Unearned income	13,424	15,997
Financing commitments (c)	6,515	12,132
	<u>422,685</u>	<u>89,863</u>

(a) Defined contribution plan

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

(b) Charity funds

	Economic Entity and The Bank	
	31/12/2019 RM'000	31/12/2018 RM'000
Sources and uses of charity funds		
At beginning of the financial year	23	63
Uses of charity funds		
- Contribution to education	-	10
- Contribution to program/event	-	30
	<u>-</u>	<u>40</u>
At end of the financial year	23	23

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.

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24 OTHER LIABILITIES (Continued)

(c) Movement in expected credit losses

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
At beginning of the financial year	12,132	16,463
Net remeasurement of loss allowance	(8,706)	(9,293)
Changes in model/risk parameters	538	
New financing commitments and financial guarantees issued during the financial year	2,551	4,962
At end of the financial year	6,515	12,132

25 LEASE LIABILITIES

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
At beginning of financial year, on adoption of MFRS 16	1,373	-
Addition	1,528	
Finance expense	52	
Lease payment	(1,385)	-
At end of the financial year	1,568	-

26 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
(a) Medium Term Notes ("MTN") Tier-2 Sukuk Murabahah	807,609	807,748
(b) Additional Tier-1 Sukuk Wakalah ("AT1S")	303,425	303,483
	1,111,034	1,111,231

	At 1 January 2019 RM'000	Cash flow RM'000	Profit expense RM'000	At 30 September 2019 RM'000
MTN Tier-2 Sukuk Murabahah	807,748	(40,400)	40,261	807,609
AT1S	303,483	(16,950)	16,892	303,425
	1,111,231	(57,350)	57,153	1,111,034

	At 1 January 2018 RM'000	Cash flow RM'000	Profit expense RM'000	At 31 December 2018 RM'000
MTN Tier-2 Sukuk Murabahah	-	800,000	7,748	807,748
AT1S	-	300,000	3,483	303,483
	-	1,100,000	11,231	1,111,231

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26 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES (continued)

- (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.

27 RESERVES

	Economic Entity		The Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Retained profits (a)	602,260	577,671	602,910	578,321
FVOCI revaluation reserves (b)	19,492	3,172	19,492	3,172
Regulatory reserves	236,882	194,384	236,882	194,384
	858,634	775,227	859,284	775,877

- (a) As at 30 September 2019, the Bank has tax exempt account balance of RM38,018,355 (2018: RM38,018,355) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.
- (b) Fair value reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial 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 RM21,232,342 in 2019 (2018: RM3,130,253).

28 INCOME FROM ISLAMIC BANKING BUSINESS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	263,151	254,321	1,113,114	945,482
Income derived from investment of investment account funds	27,941	46,302	107,323	122,023
Income derived from investment of shareholders' funds	27,775	24,267	104,541	91,315
Income attributable to depositors	(207,162)	(228,106)	(907,355)	(751,947)
	111,705	96,784	417,623	406,873
of which:				
Profit earned on impaired financing, advances and other financing	970	1,235	3,409	4,431

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29 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	193,631	187,631	862,552	641,793
- Other deposits (ii)	69,520	66,690	250,562	303,689
	263,151	254,321	1,113,114	945,482

(i) INCOME DERIVED FROM INVESTMENT OF GENERAL INVESTMENT DEPOSITS

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	145,210	142,629	623,495	503,511
Financial investments at FVOCI	13,487	15,393	63,285	55,069
Money at call and deposits with other financial institutions	13,980	19,718	90,637	47,018
	172,677	177,740	777,417	605,598
Accretion of discount less amortisation of premium	(676)	1,131	2,197	4,197
Total finance income and hibah	172,001	178,871	779,614	609,795
Other operating income				
Fee income:				
Commission	1,122	461	3,551	1,714
Service charges and fees	2,002	942	6,531	7,676
Guarantee fees	874	618	2,806	2,262
	3,998	2,021	12,888	11,652
Commission paid on will/wasiat	(2)	(2)	(12)	(10)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	13,227	729	52,361	1,915
	13,227	729	52,361	1,915
Other income:				
Foreign exchange profit/(loss)				
- realised	8,426	7,553	12,796	10,180
- unrealised	(4,930)	(3,999)	(2,285)	(893)
Other non-operating income	911	2,458	7,190	9,154
	4,407	6,012	17,701	18,441
Total income derived from investment of general investment deposits	193,631	187,631	862,552	641,793

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

(ii) INCOME DERIVED FROM INVESTMENT OF OTHER DEPOSITS

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	51,672	49,934	181,119	238,256
Financial investments at FVOCI	4,906	5,354	18,384	26,058
Money at call and deposits with other financial institutions	5,582	8,002	26,329	22,248
	62,160	63,290	225,832	286,562
Accretion of discount less amortisation of premium	(139)	386	638	1,986
Total finance income and hibah	62,021	63,676	226,470	288,548
Other operating income				
Fee income:				
Commission	374	157	1,031	811
Service charges and fees	671	118	1,897	3,632
Guarantee fees	292	212	815	1,070
	1,337	487	3,743	5,513
Commission paid on will/wasiat	-	(1)	(3)	(5)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	4,618	287	15,210	906
	4,618	287	15,210	906
Other income:				
Foreign exchange profit/(loss)				
- realised	2,534	3,447	3,717	4,818
- unrealised	(1,380)	(2,044)	(664)	(423)
Other non-operating income	390	838	2,089	4,332
	1,544	2,241	5,142	8,727
Total income derived from investment of other deposits	69,520	66,690	250,562	303,689

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30 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	20,819	35,564	77,578	95,732
Financial investments at FVOCI	1,964	3,855	7,874	10,470
Money at call and deposits with other financial institutions	2,180	4,388	11,277	8,940
	24,963	43,807	96,729	115,142
Accretion of discount less amortisation of premium	(68)	287	273	798
Total finance income and hibah	24,895	44,094	97,002	115,940
Other operating income				
Fee income:				
Commission	154	117	442	326
Service charges and fees	276	336	813	1,459
Guarantee fees	120	156	349	430
	550	609	1,604	2,215
Commission paid on will/wasiat	-	(1)	(1)	(2)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	1,871	166	6,515	364
	1,871	166	6,515	364
Other income:				
Foreign exchange profit/(loss)				
- realised	1,073	1,498	1,592	1,936
- unrealised	(598)	(688)	(284)	(170)
Other non-operating income	150	624	895	1,740
	625	1,434	2,203	3,506
Total income derived from investment of investment account funds	27,941	46,302	107,323	122,023

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31 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	20,678	18,363	75,567	71,640
Financial investments at FVOCI	1,955	1,978	7,670	7,835
Money at call and deposits with other financial institutions	2,188	2,660	10,985	6,690
	<u>24,821</u>	<u>23,001</u>	<u>94,222</u>	<u>86,165</u>
Accretion of discount less amortisation of premium	(64)	144	266	597
Total finance income and hibah	<u>24,757</u>	<u>23,145</u>	<u>94,488</u>	<u>86,762</u>
Other operating income				
Fee income:				
Commission	151	59	430	244
Service charges and fees	272	98	792	1,092
Guarantee fees	118	79	340	322
	<u>541</u>	<u>236</u>	<u>1,562</u>	<u>1,658</u>
Commission paid on will/wasiat	-	-	(1)	(1)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	1,855	97	6,346	272
	<u>1,855</u>	<u>97</u>	<u>6,346</u>	<u>272</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	1,050	1,060	1,551	1,448
- unrealised	(580)	(585)	(277)	(127)
Other non-operating income	152	314	872	1,303
	<u>622</u>	<u>789</u>	<u>2,146</u>	<u>2,624</u>
Total income derived from investment of shareholders' fund	<u>27,775</u>	<u>24,267</u>	<u>104,541</u>	<u>91,315</u>

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

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Expected credit loss ("ECL") (written-back)/made on:				
- Financing, advances and other financing	39,598	2,188	63,805	24,457
- Securities	(246)	27	26	42
- Financing commitments and financial guarantees	(968)	(2,819)	(5,618)	(4,331)
Bad debts and financing				
- recovered	(1,359)	(377)	(4,154)	(1,357)
- written-off	578	562	789	592
	<u>37,603</u>	<u>(419)</u>	<u>54,848</u>	<u>19,403</u>

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2019**33 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
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment for amount due from joint ventures	2,757	-	4,690	5,719

34 INCOME ATTRIBUTABLE TO DEPOSITORS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	414	455	1,771	1,987
- Non-mudharabah	167,385	176,235	746,505	565,705
Deposits and placements of banks and other financial institutions				
- Mudharabah	1,572	5,816	7,771	56,075
Finance expense-Subordinated term financing and medium term notes	14,338	11,231	57,154	11,231
Restricted investment account - Mudarabah	23,432	34,365	94,088	116,936
Others	21	4	66	13
	207,162	228,106	907,355	751,947

35 OTHER OPERATING EXPENSES

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Personnel costs (a)	43,711	40,013	181,220	149,819
Establishment costs (b)	17,145	13,047	64,591	48,671
Marketing expenses (c)	1,920	1,481	6,418	7,030
Administrative and general expenses (d)	895	4,498	9,694	17,739
	63,671	59,039	261,923	223,259

(a) Personnel costs

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	33,104	31,958	137,359	118,160
Defined contribution plan ('EPF')	5,471	5,156	22,881	20,022
Voluntary separation scheme	-	30	-	-
Other personnel costs	5,136	2,869	20,980	11,637
	43,711	40,013	181,220	149,819

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34 OTHER OPERATING EXPENSES (continued)

(b) Establishment costs

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Rental of premises	-	2,180	-	8,318
Equipment rental	360	86	982	258
Repair and maintenance	3,497	2,455	12,394	8,810
Depreciation of property and equipment	182	213	766	777
Amortisation of intangible assets	50	(55)	180	-
Depreciation of right-of-use assets	336	93	1,347	93
IT consultancy fees	6,818	3,560	19,382	12,981
Dataline rental	996	1,569	9,001	5,415
Security services	2,836	1,765	11,028	5,950
Electricity, water and sewerage	1,361	943	5,375	3,550
Licence fee	98	103	381	404
Insurance/takaful and indemnities	517	515	2,250	2,090
Other establishment costs	94	(380)	1,505	25
	17,145	13,047	64,591	48,671

(c) Marketing expenses

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Business promotion and advertisement	1,057	302	2,012	1,438
Entertainment	62	2	339	277
Traveling and accommodation	385	459	1,657	1,729
Commissions expenses	88	304	541	1,365
Brokerage expenses	156	243	677	1,163
Other marketing expenses	172	171	1,192	1,058
	1,920	1,481	6,418	7,030

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34 OTHER OPERATING EXPENSES (continued)

(d) Administration and general expenses

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Telecommunication expenses	238	62	1,710	1,176
Auditors' remuneration	46	1,014	662	1,403
Professional fees	125	860	459	2,754
Property and equipment written-off	2	-	2	3
Mail and courier charges	227	517	986	966
Stationery and consumables	379	668	2,766	3,948
Directors' fees and allowances	(244)	(464)	1,342	1,055
Shariah fees	134	389	423	389
Donations	115	209	163	439
Settlement, clearing and bank charges	(171)	1,166	996	2,080
Stamp duties	-	-	2	2
GST Input tax-non recoverable	-	-	9	2,867
Other administration and general expenses	44	77	174	657
	895	4,498	9,694	17,739

35 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	
	31/12/2019	31/12/2018
	Principal amount	Principal amount
	RM'000	RM'000
Direct credit substitutes (*)	110,704	101,288
Transaction-related contingent items	383,531	281,206
Short-term self-liquidating trade related contingencies	279,759	318,969
Irrevocable commitments to extend credit:		
- maturity less than one year	1,450,127	1,605,783
- maturity more than one year	1,112,733	1,998,265
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	32,861	14,139
Unutilised credit card lines	167,149	195,947
Foreign exchange related contracts (#):		
- less than one year	514,452	1,028,226
	4,051,316	5,543,823

* Included in direct credit substitutes as above are financial guarantee contracts of RM110.7 million at the Bank (31 December 2018: RM101.3 million), of which fair value at the time of issuance is zero.

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

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36 FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell as 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 2018: 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 31/12/2019				
Assets				
Derivative financial assets	-	1,000	-	1,000
Financial investments at FVOCI				
- Money market instruments	-	914,050	-	914,050
- Corporate Sukuk	-	1,476,756	-	1,476,756
	<u>-</u>	<u>2,391,806</u>	<u>-</u>	<u>2,391,806</u>
Liabilities				
Derivative financial liabilities	-	6,757	-	6,757
	<u>-</u>	<u>6,757</u>	<u>-</u>	<u>6,757</u>
	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
	<u>-</u>	<u>2,806,299</u>	<u>-</u>	<u>2,806,299</u>
Liabilities				
Derivative financial liabilities	-	4,289	-	4,289
	<u>-</u>	<u>4,289</u>	<u>-</u>	<u>4,289</u>

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36 FAIR VALUE MEASUREMENTS (continued)

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

	Economic Entity and The Bank	
	31/12/2019	31/12/2018
	RM'000	RM'000
As at beginning of the financial period/year	-	-
As at end of the financial period/year	-	-

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
	31/12/2019	31/12/2018			
	RM'000	RM'000			
Economic Entity and The Bank					
Financial investments at FVOCI					
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.

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37 CAPITAL MANAGEMENT

The 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') ,Tier 1 Capital Ratio are 7.000% (2018: 6.375%) and 8.500% (2018: 7.875%)and Total Capital Ratio are 10.500% (2018:9.875) respectively for year 2019.

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 38 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 30 September 2019.

38 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	1,060,000	1,060,000	1,060,000	1,060,000
Retained profits	602,260	577,671	602,910	578,321
FVOCI revaluation reserves	19,492	3,172	19,492	3,172
	1,681,752	1,640,843	1,682,402	1,641,493
Less:				
Intangible assets	(771)	(670)	(771)	(670)
Deferred tax assets	-	(17,993)	-	(17,993)
55% of cumulative unrealised gains of FVOCI	(10,721)	(1,745)	(10,721)	(1,745)
Investment in associate/joint ventures	(750)	(750)	(1,400)	(1,400)
CET1 Capital	1,669,510	1,619,685	1,669,510	1,619,685

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38 CAPITAL ADEQUACY (continued)

	Economic Entity		The Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Additional Tier 1 capital				
Sukuk Wakalah	300,000	300,000	300,000	300,000
	300,000	300,000	300,000	300,000
Total Tier 1 capital	1,969,510	1,919,685	1,969,510	1,919,685
Subordinated medium term financing	800,000	800,000	800,000	800,000
Expected loss provision #	169,336	177,100	169,336	177,100
Tier II capital	969,336	977,100	969,336	977,100
Total capital	2,938,846	2,896,785	2,938,846	2,896,785
CET1 capital ratio	11.720%	10.869%	11.720%	10.869%
Tier 1 capital ratio	13.826%	12.882%	13.826%	12.882%
Total capital ratio	20.631%	19.438%	20.631%	19.438%
Risk-weighted assets for:				
Credit risk	13,546,898	14,167,963	13,546,898	14,167,963
Market risk	13,303	98,198	13,303	98,198
Operational risk	684,842	636,209	684,842	636,209
Total risk-weighted assets	14,245,043	14,902,370	14,245,043	14,902,370

Qualifying loss provisions are restricted to allowances on the 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 31 December 2019, RIA assets excluded from Total Capital Ratio calculation amounted to RM1,919,347,918 (31 December 2018: RM2,369,729,422).

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39 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 2019, the Bank registered a profit before tax of RM7.7 million as compared to the previous year's corresponding quarter of RM38.2 million, a decrease of RM30.5 million or 79.8%.

This was mainly due to:

- i) higher operating expenses by RM4.6 million.
- ii) higher allowances for impairment losses on financing, advances and other financing & other assets by RM38.1 million.
- iii) higher allowances for impairment loss on other assets of RM2.7 million.

The above was offsetted by:

- i) higher income derived from investments after netting off income attributable to depositors' funds by RM14.9 million.

40 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 2019 stood at RM7.7 million as compared to RM17.3 million reported in the 3rd quarter of 2019, an increase of RM9.6 million or 55.5%.

This was mainly due to:

- i) higher income derived from investments after netting off income attributable to depositors' funds by RM11.2 million.
- ii) lower operating expenses by RM7.8 million.

The above was offsetted by:

- i) higher allowances for impairment losses on financing, advances and other financing & other assets by RM27.8 million.
- ii) higher allowances for impairment losses on other assets of RM0.8million.

43 PROSPECT FOR THE CURRENT FINANCIAL YEAR

Global Gross Domestic Product (GDP) growth is expected to improve to 3.5% in 2020 (IMF,2019). The growth will be mainly supported by stronger performance in Emerging Market and Developing Economies (EMDE) which is expected to rise from 4.1% in 2019 to 4.7% in 2020 due to recovering from the effect of financial market pressure. Advanced economies are forecasted to ease from 1.9% in 2019 to 1.7% in 2020 resulted from the winding down of fiscal stimulus as well as on-going inward-looking trade policies.

Malaysia economy remain robust amid increasing uncertainty in the external environment. Gross Domestic Product (GDP) expected to increase to 4.8% in 2020 underpinned by household spending supported by stable labour market and low inflation. Accommodative monetary policy stance will continue to support economic growth in environmental of low inflation and stable financial conditions. Banking sector is expected to remain robust and orderly backed by ample liquidity and strong capital buffer.

For the year 2020, AFFIN Islamic Bank is emphasizing in becoming a niche player by collaborating with selected organization as a strategic-partners and further concentration of enhancing customers experience through digital initiatives such as AFFIN Max, Genius Pocket and SME Colony. The focus also includes revenue upliftment by accelerating fee and fund-based income with the offering of unique integrated products on various customers segment in addition to fee-based services through Wealth and Bancatakaful Business.

The bank is focusing to improve its operating income by having a sustainable cost structure and operating efficiency. To support this initiative, the bank will continue to reduce its funding expenses through lower funding options and enhancement of cost optimization. The bank will further strengthen its liquidity management through prudent assessment on regulatory compliance. Preservation of asset quality will be one of the key focus in 2020 as the bank is targeting for a lower level of Gross Impaired Ratio (GIR) that simultaneously giving a positive impact on profitability.

Giving back to the community has always been a priority by AFFIN Islamic Bank. This element will be further increased by social media engagement and participation in the community events to strengthen the bank identity within the community. Going forward, the bank is exploring on the engagement with Halal product community and producer to boost the Bank's SME business portfolio. The Bank stays optimistic for the year 2020 and will continue to support AFFIN Group's strategic vision in providing excellent banking services to meet our customer needs and expectations.

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42 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Bank's profit before tax registered an adverse variance of RM69.7 million. The main contributing factors are follows:

Income derived from investments after netting off income attributable to the depositors' funds showed as an adverse variance of RM5.5 million.

Allowances for impairment losses on financing, advances and other financing showed an adverse variance of RM44.5 million.

Other operating expenses showed an adverse variance of RM14.6 million.

Zakat expenses showed a adverse variance of RM0.4 million.

Allowances for impairment losses on other assets showed an adverse variance of RM4.7 million.

41 CONNECTED PARTIES TRANSACTIONS AND BALANCES

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

i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	1,658,506
ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	6%
iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>Nil</u>