

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 31 March 2020

	Note	Economic Entity		The Bank	
		31/3/2020 RM'000	31/12/2019 RM'000	31/3/2020 RM'000	31/12/2019 RM'000
ASSETS					
Cash and short-term funds		2,212,855	1,588,868	2,212,855	1,588,868
Derivative financial assets	13	3,854	1,000	3,854	1,000
Financial investments at fair value through other comprehensive income ('FVOCI')	14	2,525,418	2,390,806	2,525,418	2,390,806
Financing, advances and other financing	15	18,692,727	18,580,253	18,692,727	18,580,253
Other assets	16	13,541	34,593	13,541	34,593
Amount due from holding company		-	53,946	-	53,946
Amount due from joint ventures	17	28,504	28,402	28,504	28,402
Amount due from associate	18	900	900	900	900
Tax recoverable		13,296	15,550	13,296	15,550
Deferred tax assets		23,803	-	23,803	-
Statutory deposits with Bank Negara Malaysia		-	526,000	-	526,000
Investment in joint ventures		-	-	650	650
Investment in associate		-	750	750	750
Property and equipment		1,848	1,980	1,848	1,980
Right-of-use assets		1,781	1,554	1,781	1,554
Intangible assets		717	771	717	771
TOTAL ASSETS		23,519,244	23,225,373	23,520,644	23,226,023
LIABILITIES AND EQUITY					
Deposits from customers	19	18,351,286	17,306,338	18,351,286	17,306,338
Investment accounts of customers	20	1,179	1,447	1,179	1,447
Deposits and placements of banks and other financial institutions	21	151,450	536,011	151,450	536,011
Investment accounts due to designated financial institutions	22	1,888,268	1,918,295	1,888,268	1,918,295
Derivative financial liabilities	23	2,580	6,757	2,580	6,757
Other liabilities	24	111,374	422,685	111,374	422,685
Amount due to holding company		21,396	-	21,396	-
Deferred tax liabilities		-	2,604	-	2,604
Lease liabilities	25	1,839	1,568	1,839	1,568
Subordinated term financing and medium term notes	26	1,125,372	1,111,034	1,125,372	1,111,034
TOTAL LIABILITIES		21,654,744	21,306,739	21,654,744	21,306,739
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	27	804,500	858,634	805,900	859,284
TOTAL EQUITY		1,864,500	1,918,634	1,865,900	1,919,284
TOTAL LIABILITIES AND EQUITY		23,519,244	23,225,373	23,520,644	23,226,023
COMMITMENTS AND CONTINGENCIES					
	35	3,812,535	4,051,316	3,812,535	4,051,316
CAPITAL ADEQUACY RATIOS					
CET1 capital ratio		11.360%	11.720%	11.360%	11.720%
Tier 1 capital ratio	38	13.481%	13.826%	13.481%	13.826%
Total capital ratio		20.324%	20.631%	20.324%	20.631%

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
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS *for the financial quarter ended 31 March 2020*

	Note	Economic Entity		Economic Entity	
		Individual Quarter Ended	31/3/2019	Cumulative Quarter Ended	31/3/2019
		31/3/2020	31/3/2019	31/3/2020	31/3/2019
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	29	251,827	270,114	251,827	270,114
Income derived from investment of investment account funds	30	26,679	26,648	26,679	26,648
Income derived from investment of shareholders' funds	31	27,444	24,687	27,444	24,687
Allowances for impairment losses on financing, advances and other financing	32	(38,444)	(3,816)	(38,444)	(3,816)
Allowance for impairment losses on other assets	33	(1,015)	-	(1,015)	-
Total distributable income		266,491	317,633	266,491	317,633
Income attributable to the depositors and others	34	(184,428)	(224,179)	(184,428)	(224,179)
Total net income		82,063	93,454	82,063	93,454
Other operating expenses	35	(62,055)	(61,462)	(62,055)	(61,462)
		20,008	31,992	20,008	31,992
Share of associate's results		(750)	-	(750)	-
Profit before zakat and taxation		19,258	31,992	19,258	31,992
Zakat		-	-	-	-
Profit before taxation		19,258	31,992	19,258	31,992
Taxation		(6,191)	(7,556)	(6,191)	(7,556)
Net profit after zakat and taxation		13,067	24,436	13,067	24,436
Attributable to:					
Equity holder of the Bank		13,067	24,436	13,067	24,436
Earnings per share (sen):					
- Basic		1.2	2.3	1.2	2.3

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 March 2020 (continued)

	Economic Entity		Economic Entity	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2020	31/3/2019	31/3/2020	31/3/2019
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	13,067	24,436	13,067	24,436
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	(54,054)	34,178	(54,054)	34,178
Net credit impairment losses change in financial investments at FVOCI	126	(18)	126	(18)
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	(34,534)	(970)	(34,534)	(970)
Deferred tax on				
- financial investments at FVOCI	21,261	(7,970)	21,261	(7,970)
Other comprehensive income for the financial period, net of tax	(67,201)	25,220	(67,201)	25,220
Total comprehensive income for the financial period	(54,134)	49,656	(54,134)	49,656
Attributable to equity holder of the Bank:				
- Total comprehensive income	(54,134)	49,656	(54,134)	49,656

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INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS** *for the financial quarter ended 31 March 2020**(continued)*

	Note	The Bank		The Bank	
		Individual Quarter Ended 31/3/2020 RM'000	31/3/2019 RM'000	Cumulative Quarter Ended 31/3/2020 RM'000	31/3/2019 RM'000
Income derived from investment of depositors' funds and others	29	251,827	270,114	251,827	270,114
Income derived from investment of investment account funds	30	26,679	26,648	26,679	26,648
Income derived from investment of shareholders' funds	31	27,444	24,687	27,444	24,687
Allowances for impairment losses on financing, advances and other financing	32	(38,444)	(3,816)	(38,444)	(3,816)
Allowance for impairment losses on other assets	33	(1,015)	-	(1,015)	-
Total distributable income		266,491	317,633	266,491	317,633
Income attributable to the depositors and others	34	(184,428)	(224,179)	(184,428)	(224,179)
Total net income		82,063	93,454	82,063	93,454
Other operating expenses	35	(62,055)	(61,462)	(62,055)	(61,462)
Profit before zakat and taxation		20,008	31,992	20,008	31,992
Zakat		-	-	-	-
Profit before taxation		20,008	31,992	20,008	31,992
Taxation		(6,191)	(7,556)	(6,191)	(7,556)
Net profit after zakat and taxation		13,817	24,436	13,817	24,436
Attributable to:					
Equity holder of the Bank		13,817	24,436	13,817	24,436
Earnings per share (sen):					
- Basic		1.3	2.3	1.3	2.3

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 March 2020 (continued)

	The Bank		The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2020	31/3/2019	31/3/2020	31/3/2019
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	13,817	24,436	13,817	24,436
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	(54,054)	34,178	(54,054)	34,178
Net credit impairment losses change in financial investments at FVOCI	126	(18)	126	(18)
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	(34,534)	(970)	(34,534)	(970)
Deferred tax on				
- financial investments at FVOCI	21,261	(7,970)	21,261	(7,970)
Other comprehensive income for the financial period, net of tax	(67,201)	25,220	(67,201)	25,220
Total comprehensive income for the financial period	(53,384)	49,656	(53,384)	49,656
Attributable to equity holder of the Bank:				
- Total comprehensive income	(53,384)	49,656	(53,384)	49,656

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

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 31 March 2020

	Attributable to Equity Holder of the Bank				
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
Economic Entity	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	1,060,000	19,492	236,882	602,260	1,918,634
Net profit for the financial period	-	-	-	13,067	13,067
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(67,201)	-	-	(67,201)
Total comprehensive income for the financial period	-	(67,201)	-	13,067	(54,134)
Transfer to regulatory reserves	-	-	(17,926)	17,926	-
At 31 March 2020	1,060,000	(47,709)	218,956	633,253	1,864,500
Economic Entity	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	-	-	-	24,436	24,436
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	25,220	-	-	25,220
Total comprehensive income for the financial period	-	25,220	-	24,436	49,656
Transfer to regulatory reserves	-	-	10,082	(10,082)	-
At 31 March 2019	1,060,000	28,392	204,466	592,025	1,884,883

AFFIN Islamic Bank Berhad
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 31 March 2020 (continued)

	Non-distributable		Distributable		Total Equity
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	1,060,000	19,492	236,882	602,910	1,919,284
Net profit for the financial period	-	-	-	13,817	13,817
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(67,201)	-	-	(67,201)
Total comprehensive income for the financial period	-	(67,201)	-	13,817	(53,384)
Transfer to regulatory reserves	-	-	(17,926)	17,926	-
At 31 March 2020	1,060,000	(47,709)	218,956	634,653	1,865,900
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, as restated	1,060,000	3,172	194,384	578,321	1,835,877
Net profit for the financial period	-	-	-	24,436	24,436
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	25,220	-	-	25,220
Total comprehensive income for the financial period	-	25,220	-	24,436	49,656
Transfer to regulatory reserves	-	-	10,082	(10,082)	-
At 31 March 2019	1,060,000	28,392	204,466	592,675	1,885,533

AFFIN Islamic Bank Berhad
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOW for the financial quarter ended 31 March 2020

	Economic Entity		The Bank	
	31/03/2020 RM'000	31/3/2019 RM'000	31/03/2020 RM'000	31/3/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	19,258	31,992	20,008	31,992
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments at FVOCI	(22,171)	(29,615)	(22,171)	(29,615)
Gain on sale/redemption:				
- financial investments at FVOCI	(33,787)	(9,024)	(33,787)	(9,024)
Loss on unrealised foreign exchange	(7,032)	194	(7,032)	194
Depreciation of property and equipment	182	217	182	217
Amortisation of intangible assets	53	40	53	40
Depreciation-Lease Premises Rental	335	338	335	338
Expected credit losses ('ECL') made on:				
- financing, advances and other financing	39,505	4,831	39,505	4,831
- securities	126	(18)	126	(18)
- financing commitments and financial guarantees	(505)	(529)	(505)	(529)
Bad debt on financing written-off	194	29	194	29
Allowance for impairment losses on other assets	1,015	-	1,015	-
Profit payment - Subordinated term financing and medium term notes	14,338	14,141	14,338	14,141
Finance expense on lease liabilities	20	-	20	-
Share of joint venture's results	750	-	-	-
Operating profit before changes in working capital	12,281	12,596	12,281	12,596
Decrease/(Increase) in operating assets:				
Financing, advances and other financing	(152,173)	95,015	(152,173)	95,015
Other assets	21,043	21,266	21,043	21,266
Right-of-use assets -Lease Commitment	(561)	(1,373)	(561)	(1,373)
Statutory deposits with Bank Negara Malaysia	526,000	(39,000)	526,000	(39,000)
Amount due from holding company	53,946	107,722	53,946	107,722
Amount due from joint ventures	(1,117)	(548)	(1,117)	(548)
Derivative financial instruments	(7,032)	193	(7,032)	193
Increase/(Decrease) in operating liabilities:				
Deposits from customers	1,044,948	731,137	1,044,948	731,137
Investment accounts of customers	(268)	(106)	(268)	(106)
Deposits and placements of banks and other financial institutions	(384,561)	207,947	(384,561)	207,947
Investment accounts due to designated financial institutions	(30,027)	(401,025)	(30,027)	(401,025)
Amount due to holding company	21,396	387,880	21,396	387,880
Other liabilities	(311,064)	32,090	(311,064)	32,090
Lease liabilities	582	1,121	582	1,121
Cash generated from operations	793,393	1,154,915	793,393	1,154,915
Zakat paid	258	389	258	389
Tax paid	(9,083)	(11,667)	(9,083)	(11,667)
Net cash generated from operating activities	784,568	1,143,637	784,568	1,143,637

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 March 2020***(continued)*

	Economic Entity		The Bank	
	31/03/2020 RM'000	31/3/2019 RM'000	31/03/2020 RM'000	31/3/2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- financial investments at FVOCI	23,542	29,615	23,542	29,615
Purchase of financial investments at FVOCI	(2,922,851)	-	(2,922,851)	-
Purchase of financial investments at FVOCI	2,732,068	(102,804)	2,732,068	(102,804)
Purchase of property and equipment	(41)	(20)	(41)	(20)
Net cash generated from/(used in) investing activities	(167,282)	(73,209)	(167,282)	(73,209)
CASH FLOWS FROM FINANCING ACTIVITIES				
Lease payments	(311)	-	(311)	-
Profit element of lease payments	(20)	-	(20)	-
Net cash generated from financing activities	(331)	-	(331)	-
Net increase in cash and cash equivalents	616,955	1,070,428	616,955	1,070,428
Effects of foreign exchange	7,032	(193)	7,032	(193)
Cash and cash equivalents at beginning of the financial period	1,588,868	3,210,533	1,588,868	3,210,533
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	2,212,855	4,280,768	2,212,855	4,280,768
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and short-term funds	2,212,855	4,280,768	2,212,855	4,280,768

AFFIN Islamic Bank Berhad
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MFRS 134 INTERIM FINANCIAL REPORTING - 31 March 2020

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 2019. 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 2019.

There are no changes to the accounting policies adopted since the last financial year.

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 that are applicable to the Bank effective for the financial year beginning on 1 January 2020:

The MASB has made amendments to MFRS 101 'Presentation of Financial Statements' and MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective 1 January 2020) which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in MFRS 101 about immaterial information.

Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The MASB has issued a revised Conceptual Framework (effective 1 January 2020) which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The MASB has made limited scope amendments to MFRS 10 'Consolidated Financial Statements' and MFRS 128 'Investments in Associates and Joint Ventures'.

AFFIN Islamic Bank Berhad
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MFERS 134 INTERIM FINANCIAL REPORTING - 31 March 2020

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 March 2020.

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 2020 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 2020 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 March 2020 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 2020.

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 March 2020

13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	31/03/2020		31/12/2019	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	360,931	3,854	125,647	1,000
	360,931	3,854	125,647	1,000

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

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government investment issues	684,992	860,976
Khazanah Sukuk	53,588	53,074
	738,580	914,050
Unquoted securities:		
Corporate Sukuk in Malaysia	1,786,838	1,476,756
	2,525,418	2,390,806

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:

	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
	Economic Entity and The Bank			
31/03/2020				
At beginning of the financial year	283	-	-	283
Changes due to change in credit risk	126	-	-	126
At end of the financial year	409	-	-	409
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 in fair value	(137)	-	-	(137)
Changes in model/risk parameters	6	-	-	6
At end of the financial year	283	-	-	283

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MFERS 134 INTERIM FINANCIAL REPORTING - 31 March 2020

15 FINANCING, ADVANCES AND OTHER FINANCING

(i) By type

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Cash line	484,697	469,379
Term financing		
- House financing	7,434,452	7,351,173
- Hire purchase receivables	3,717,362	3,820,401
- Syndicated financing	809,894	746,036
- Business term financing	4,833,622	4,885,355
Bills receivables	10,616	11,668
Trust receipts	17,266	30,232
Claims on customers under acceptances credits	461,935	447,486
Staff financing (of which RM Nil to Directors)	65,815	62,761
Credit/charge card	29,836	30,828
Revolving credit	1,008,985	897,504
Gross financing, advances and other financing	18,874,480	18,752,823
Less:		
Allowance for impairment losses		
- Expected credit losses ("ECL")	(181,753)	(172,570)
Total net financing, advances and other financing	18,692,727	18,580,253

Included in business term financing as at reporting date is RM53.7 million (31 December 2019 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	
	31/03/2020	31/12/2019
	RM'000	RM'000
Maturing within one year	2,130,069	2,026,732
One year to three years	604,148	736,716
Three years to five years	1,753,983	1,819,649
Over five years	14,386,280	14,169,726
	18,874,480	18,752,823

AFFIN Islamic Bank Berhad
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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(iii) By contract

Economic Entity and The Bank

31/3/2020

RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Tawarruq	Musyarakah	Istisna'	Others	Total
Cash line	-	-	-	-	450,309	-	-	34,388	484,697
Term financing									
House financing	678,003	-	-	-	90,562	6,665,887	-	-	7,434,452
Hire purchase receivables	-	-	3,717,362	-	-	-	-	-	3,717,362
Syndicated financing	-	360,686	-	-	449,208	-	-	-	809,894
Business term financing	93,287	718,401	-	243,218	2,315,296	888,060	573,191	2,169	4,833,622
Bills receivables	-	-	-	1,891	-	-	-	8,725	10,616
Trust receipts	-	-	-	17,266	-	-	-	-	17,266
Claims on customers under acceptance credits	-	-	-	461,935	-	-	-	-	461,935
Staff financing	3,992	-	-	14,201	19,605	28,017	-	-	65,815
Credit/charge cards	-	-	-	-	29,836	-	-	-	29,836
Revolving credit	-	-	-	-	1,008,985	-	-	-	1,008,985
Total Financing	775,282	1,079,087	3,717,362	738,511	3,354,816	7,581,964	573,191	45,282	18,874,480

Economic Entity and The Bank

2019

RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Tawarruq	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	-	256,757	2,267,785	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	-	-	14,402	19,169	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	748,877	4,191,867	7,473,202	668,452	50,177	18,752,823

(iv) By type of customer

Economic Entity and The Bank

31/03/2020 31/12/2019

RM'000 RM'000

Domestic non-banking institutions

- Others

50,014 54,004

Domestic business enterprises

- Small medium enterprises

1,649,255 1,856,190

- Others

4,483,319 4,126,493

Government and statutory bodies

757,838 766,167

Individuals

11,619,086 11,614,413

Other domestic entities

621 791

Foreign entities

314,347 334,765

18,874,480 18,752,823

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(v) **By profit rate sensitivity**

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Fixed rate		
- House financing	43,203	43,139
- Hire purchase receivables	3,717,362	3,820,401
- Other fixed rate financing	1,308,674	1,317,831
Variable rate		
- BFR plus	11,376,205	11,188,990
- Cost-plus	2,429,036	2,378,795
- Other variable rate	-	3,667
	18,874,480	18,752,823

(vi) **By economic sector**

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Primary agriculture	771,713	932,467
Mining and quarrying	288,818	291,515
Manufacturing	774,360	581,702
Electricity, gas and water supply	401,464	406,121
Construction	582,340	538,749
Real estate	1,827,710	1,933,214
Wholesale & retail trade and restaurants & hotels	569,096	552,127
Transport, storage and communication	308,487	312,231
Finance, takaful/insurance and business services	368,802	352,239
Education, health and others	1,306,540	1,182,078
Household	11,675,150	11,670,380
	18,874,480	18,752,823

(vii) **By economic purpose**

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Purchase of securities	336,365	299,615
Purchase of transport vehicles	3,770,374	3,875,863
Purchase of landed property of which:		
- Residential	7,589,002	7,493,000
- Non-residential	2,305,112	2,239,936
Fixed assets other than land and building	84,043	87,328
Personal use	105,082	91,521
Credit/charge card	29,848	30,829
Consumer durable	52	3
Construction	1,044,240	1,136,280
Working capital	3,181,568	3,064,617
Others	428,794	433,831
	18,874,480	18,752,823

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(viii) By geographical distribution

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Perlis	180,713	197,380
Kedah	788,588	804,254
Pulau Pinang	898,124	892,939
Perak	559,924	560,277
Selangor	6,329,863	6,129,408
Wilayah Persekutuan	3,946,293	4,020,100
Negeri Sembilan	939,850	946,808
Melaka	264,543	273,003
Johor	2,299,024	2,288,851
Pahang	618,379	649,610
Terengganu	481,537	490,462
Kelantan	203,866	204,564
Sarawak	503,713	497,834
Sabah	789,044	699,888
Labuan	27,456	27,651
Outside Malaysia	43,563	69,794
	18,874,480	18,752,823

(ix) Movements of impaired financing

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
At beginning of the financial year	607,312	530,829
Classified as impaired	68,991	315,874
Reclassified as non-impaired	(30,560)	(183,350)
Amount recovered	(16,511)	(35,889)
Amount written-off	(31,115)	(20,152)
At end of the financial year	598,117	607,312
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (exclude restricted investment accounts)	2.40%	2.47%

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 March 2020**15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(x) Impaired financing by economic sector**

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Primary agriculture	43	41
Manufacturing	62,832	62,644
Electricity, gas and water supply	45	47
Construction	8,757	8,613
Real estate	246,810	272,960
Wholesale & retail trade and restaurants & hotels	1,470	1,817
Transport, storage and communication	75,649	75,697
Finance, takaful/insurance and business services	835	1,039
Education, health and others	175	218
Household	201,501	184,236
	598,117	607,312

(xi) Impaired financing by economic purpose

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Purchase of securities	40	39
Purchase of transport vehicles	21,835	18,620
Purchase of landed property of which:		
- Residential	178,094	166,184
- Non-residential	214,782	212,960
Fixed assets other than land and building	-	-
Personal use	1,426	1,202
Credit/charge card	298	263
Construction	103,200	100,988
Working capital	78,438	107,052
Others	4	4
	598,117	607,312

(xii) Impaired financing by geographical distribution

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Perlis	2,488	2,543
Kedah	7,511	8,080
Pulau Pinang	8,986	8,044
Perak	82,988	82,361
Selangor	104,154	98,570
Wilayah Persekutuan	290,788	284,312
Negeri Sembilan	17,276	16,777
Melaka	4,478	4,894
Johor	23,544	19,911
Pahang	2,078	2,531
Terengganu	4,482	4,666
Kelantan	3,546	2,367
Sarawak	337	581
Sabah	1,914	1,899
Outside Malaysia	43,547	69,776
	598,117	607,312

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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 31/03/2020	12 - Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At beginning of the financial year	51,043	17,171	104,356	172,570
Total transfer between stages	845	7,262	(8,107)	-
Due to change in credit risk :-				
- Transfer to 12-month ECL (Stage 1)	2,215	(1,510)	(705)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,370)	9,534	(8,164)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(762)	762	-
Financing, advances and other financing derecognised during the financial year (other than write-offs)	(5,501)	(296)	(548)	(6,345)
New financing, advances and other financing originated or purchased	6,183	236	19	6,438
Changes due to change in credit risk	17,889	4,297	17,225	39,411
Changes in models/risk parameters	-	-	-	-
Write-offs	-	-	(31,115)	(31,115)
Other adjustments	1	-	793	794
At end of the financial year	70,460	28,670	82,623	181,753

Economic Entity and The Bank 31/12/2019	12 - Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 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

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 March 2020**16 OTHER ASSETS**

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Other debtors	570	497
Deposits and prepayments	490	481
Cheque clearing accounts	7,608	28,742
Foreclosed properties (a)	4,873	4,873
	13,541	34,593

(a) Foreclosed properties

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

17 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Advances to joint ventures	58,257	57,140
Expected credit losses (a)	(29,753)	(28,738)
	28,504	28,402

(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	28,738	24,048
Allowance made during the financial year	1,015	4,690
At end of the financial year	29,753	28,738

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	
	31/03/2020	31/12/2019
	RM'000	RM'000
Advances to associate	900	900

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

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 March 2020**19 DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Qard		
Demand deposits	2,622,633	2,954,059
Savings deposits	713,237	647,064
	<u>3,335,870</u>	<u>3,601,123</u>
Mudarabah		
General investment deposits	61,355	61,558
Tawarruq		
Murabahah term deposits	13,774,413	13,241,472
Commodity Murabahah	1,174,937	401,917
Savings deposits	3,574	157
Demand deposit	1,137	111
	<u>14,954,061</u>	<u>13,643,657</u>
	<u>18,351,286</u>	<u>17,306,338</u>

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

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Due within six months	8,527,398	6,476,907
Six months to one year	4,445,859	6,138,589
One year to three years	673,567	411,815
Three years to five years	188,944	275,719
	<u>13,835,768</u>	<u>13,303,030</u>

(iii) By type of customer

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Government and statutory bodies	7,652,155	6,655,399
Business enterprise	3,928,882	4,411,025
Individuals	5,816,460	5,269,030
Domestic banking institutions	103	1,160
Domestic non-banking financial institutions	646,272	658,945
Foreign entities	113,152	110,692
Others entities	194,262	200,087
	<u>18,351,286</u>	<u>17,306,338</u>

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20 INVESTMENT ACCOUNTS OF CUSTOMERS

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Mudarabah	1,179	1,447
Movement in investment accounts		
At beginning of the financial year	1,447	875
New placement during the financial year	-	1,395
Redemption during the financial year	(266)	(826)
Finance expense on RIA	20	101
Profit distributed	(22)	(98)
At end of the financial year	1,179	1,447

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

	Economic Entity and The Bank			
	31/03/2020		31/12/2019	
	Average profit sharing ratio (PSR)	Average rate of return (ROR)	Average profit sharing ratio (PSR)	Average rate of return (ROR)
	%	%	%	%
Investment accounts:				
Due within:				
Six months to one year	85	6.75	85	7.06
One year to three years	85	6.11	85	6.43

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Qard		
Licensed banks	73,610	69,968
	73,610	69,968
Tawarruq		
Licensed banks	-	132,227
Other financial institutions	77,840	333,816
	77,840	466,043
	151,450	536,011
Maturity structure of deposits are as follows:		
Due within six months	151,450	536,011
	151,450	536,011

22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Mudarabah		
Licensed banks	1,888,268	1,918,295

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22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS (Continued)

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Maturity structure of investment accounts are as follows:		
Due within six months	84,320	92,729
Six months to one year	617	398
One year to three years	81,307	113,864
Three years to five years	296,597	296,656
Five years and above	1,425,427	1,414,648
	1,888,268	1,918,295

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Movement in investment accounts		
At beginning of the financial year	1,918,295	2,368,295
New placement during the financial year	5,452	181,504
Redemption during the financial year	(49,115)	(628,637)
Finance expense on RIA	22,289	86,574
Profit distributed	(21,695)	(86,760)
Exchange difference	13,042	(2,681)
At end of the financial year	1,888,268	1,918,295

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

	Economic Entity and The Bank			
	31/03/2020		31/12/2019	
	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 to three months	70	3.43	83	4.33
Three to six months	95	0.03	-	-
Six months to one year	85	6.78	85	7.11
One year to three years	86	5.18	87	5.44
Three years to five years	83	5.31	83	5.45
Five years and above	93	5.49	93	5.67

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 RM1,895.4 million. These investments are used to fund certain specific financing. The RIA is a contract based on the Mudarabah 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.

23 DERIVATIVE FINANCIAL LIABILITIES

	Economic Entity and The Bank			
	31/03/2020		31/12/2019	
	Contract/ notional amount	Liabilities	Contract/ notional amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	198,732	2,580	388,806	6,757
	198,732	2,580	388,806	6,757

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 March 2020**24 OTHER LIABILITIES**

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	1,621	1,639
Margin and collateral deposits	13,869	16,979
Other creditors and accruals	10,913	8,067
Sundry creditors	67,882	27,841
Treasury and cheque clearing accounts	-	342,244
Provision for zakat	1,955	1,697
Defined contribution plan (a)	1,191	1,231
Accrued employee benefits	1,617	3,025
Charity funds (b)	49	23
Unearned income	6,267	13,424
Financing commitments (c)	6,010	6,515
	111,374	422,685

(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	
	31/03/2020	31/12/2019
	RM'000	RM'000
Sources and uses of charity funds		
At beginning of the financial year	52	67
Sources of charity funds		
- Non-Islamic/prohibited income	-	-
- AFFIN Barakah Charity Account-i	8	34
Uses of charity funds		
- Contribution to education	-	15
- Contribution to program/event	11	34
	11	49
At end of the financial year	49	52

The source of charity funds come from the following categories:

- a) Sources from Shariah non-compliant events.
- b) AFFIN Barakah Charity Account-i refers to a savings account with element of "Save and Donate" by transferring the earned Hibah* to charity with the flexibility to change the percentage of contribution agreed by the depositor. (*Hibah refers to the historical Hibah paid to the depositor at the Bank's discretion.)
- c) Any other charity allocation by the Bank or funds collected from customers/depositors.

The charity fund was channeled to a number of charitable or public purposes; for example, centres for disabled children and the less fortunate and are inclusive of non-Muslims.

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24 OTHER LIABILITIES (Continued)

(c) Movement in expected credit losses

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
At beginning of the financial year	6,515	12,132
Net remeasurement of loss allowance	(616)	(8,706)
Changes in model/risk parameters	-	538
New financing commitments and financial guarantees issued during the financial year	111	2,551
At end of the financial year	<u>6,010</u>	<u>6,515</u>

25 LEASE LIABILITIES

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
At beginning of financial year, on adoption of MFRS 16	1,568	1,373
Addition	562	1,528
Finance expense	20	52
Lease payment	(311)	(1,385)
At end of the financial year	<u>1,839</u>	<u>1,568</u>

26 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	RM'000	RM'000
(a) Medium Term Notes ("MTN") Tier-2 Sukuk Murabahah	817,709	807,609
(b) Additional Tier-1 Sukuk Wakalah ("AT1S")	307,663	303,425
	<u>1,125,372</u>	<u>1,111,034</u>

	At 1 January 2020 RM'000	Cash flow RM'000	Profit expense RM'000	At 31 March 2020 RM'000
MTN Tier-2 Sukuk Murabahah	807,609	-	10,100	817,709
AT1S	303,425	-	4,238	307,663
	<u>1,111,034</u>	<u>-</u>	<u>14,338</u>	<u>1,125,372</u>

	At 1 January 2019 RM'000	Cash flow RM'000	Profit expense RM'000	At 31 December 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
	<u>1,111,231</u>	<u>(57,350)</u>	<u>57,153</u>	<u>1,111,034</u>

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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	
	31/03/2020 RM'000	31/12/2019 RM'000	31/03/2020 RM'000	31/12/2019 RM'000
Retained profits (a)	633,253	602,260	634,653	602,910
FVOCI revaluation reserves (b)	(47,709)	19,492	(47,709)	19,492
Regulatory reserves	218,956	236,882	218,956	236,882
	804,500	858,634	805,900	859,284

- (a) As at 31 March 2020, the Bank has tax exempt account balance of RM38,018,355 (2019: 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 loss of RM52,112,344,482 in 2020 (2019: Net unrealised gain of RM21,232,342).

28 INCOME FROM ISLAMIC BANKING BUSINESS

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Income derived from investment of depositors' funds and others	251,827	270,114	251,827	270,114
Income derived from investment of investment account funds	26,679	26,648	26,679	26,648
Income derived from investment of shareholders' funds	27,444	24,687	27,444	24,687
Income attributable to depositors	(184,428)	(224,179)	(184,428)	(224,179)
	121,522	97,270	121,522	97,270
of which:				
Profit earned on impaired financing, advances and other financing	1,647	943	1,647	943

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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	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Income derived from investment of:				
- General investment deposits (i)	183,532	210,392	183,532	210,392
- Other deposits (ii)	68,295	59,722	68,295	59,722
	251,827	270,114	251,827	270,114

(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	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Finance income and hibah				
Financing, advances and other financing	136,726	156,047	136,726	156,047
Financial investments at FVOCI	14,122	17,957	14,122	17,957
Money at call and deposits with other financial institutions	7,230	20,894	7,230	20,894
	158,078	194,898	158,078	194,898
Accretion of discount less amortisation of premium	(822)	1,427	(822)	1,427
Total finance income and hibah	157,256	196,325	157,256	196,325
Other operating income				
Fee income:				
Commission	699	685	699	685
Service charges and fees	1,436	1,413	1,436	1,413
Guarantee fees	571	599	571	599
	2,706	2,697	2,706	2,697
Commission paid on will/wasiat	(1)	(3)	(1)	(3)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	20,268	5,906	20,268	5,906
	20,268	5,906	20,268	5,906
Other income:				
Foreign exchange profit/(loss)				
- realised	(1,574)	2,590	(1,574)	2,590
- unrealised	4,218	(126)	4,218	(126)
Other non-operating income	659	3,003	659	3,003
	3,303	5,467	3,303	5,467
Total income derived from investment of general investment deposits	183,532	210,392	183,532	210,392

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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	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Finance income and hibah				
Financing, advances and other financing	50,878	44,296	50,878	44,296
Financial investments at FVOCI	5,255	5,097	5,255	5,097
Money at call and deposits with other financial institutions	2,690	5,931	2,690	5,931
	58,823	55,324	58,823	55,324
Accretion of discount less amortisation of premium	(306)	405	(306)	405
Total finance income and hibah	58,517	55,729	58,517	55,729
Other operating income				
Fee income:				
Commission	260	195	260	195
Service charges and fees	534	401	534	401
Guarantee fees	213	170	213	170
	1,007	766	1,007	766
Commission paid on will/wasiat	-	(1)	-	(1)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	7,542	1,677	7,542	1,677
	7,542	1,677	7,542	1,677
Other income:				
Foreign exchange profit/(loss)				
- realised	(586)	735	(586)	735
- unrealised	1,570	(36)	1,570	(36)
Other non-operating income	245	852	245	852
	1,229	1,551	1,229	1,551
Total income derived from investment of other deposits	68,295	59,722	68,295	59,722

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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	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Finance income and hibah				
Financing, advances and other financing	19,875	19,765	19,875	19,765
Financial investments at FVOCI	2,053	2,274	2,053	2,274
Money at call and deposits with other financial institutions	1,051	2,646	1,051	2,646
	<u>22,979</u>	<u>24,685</u>	<u>22,979</u>	<u>24,685</u>
Accretion of discount less amortisation of premium	(120)	181	(120)	181
Total finance income and hibah	<u>22,859</u>	<u>24,866</u>	<u>22,859</u>	<u>24,866</u>
Other operating income				
Fee income:				
Commission	102	87	102	87
Service charges and fees	209	179	209	179
Guarantee fees	83	76	83	76
	<u>394</u>	<u>342</u>	<u>394</u>	<u>342</u>
Commission paid on will/wasiat	-	-	-	-
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	2,946	748	2,946	748
	<u>2,946</u>	<u>748</u>	<u>2,946</u>	<u>748</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	(229)	328	(229)	328
- unrealised	613	(16)	613	(16)
Other non-operating income	96	380	96	380
	<u>480</u>	<u>692</u>	<u>480</u>	<u>692</u>
Total income derived from investment of investment account funds	<u>26,679</u>	<u>26,648</u>	<u>26,679</u>	<u>26,648</u>

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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	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Finance income and hibah				
Financing, advances and other financing	20,445	18,311	20,445	18,311
Financial investments at FVOCI	2,112	2,107	2,112	2,107
Money at call and deposits with other financial institutions	1,081	2,452	1,081	2,452
	<u>23,638</u>	<u>22,870</u>	<u>23,638</u>	<u>22,870</u>
Accretion of discount less amortisation of premium	(123)	167	(123)	167
Total finance income and hibah	<u>23,515</u>	<u>23,037</u>	<u>23,515</u>	<u>23,037</u>
Other operating income				
Fee income:				
Commission	105	80	105	80
Service charges and fees	215	166	215	166
Guarantee fees	85	70	85	70
	<u>405</u>	<u>316</u>	<u>405</u>	<u>316</u>
Commission paid on will/wasiat	(2)	-	(2)	-
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	3,031	693	3,031	693
	<u>3,031</u>	<u>693</u>	<u>3,031</u>	<u>693</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	(235)	304	(235)	304
- unrealised	631	(15)	631	(15)
Other non-operating income	99	352	99	352
	<u>495</u>	<u>641</u>	<u>495</u>	<u>641</u>
Total income derived from investment of shareholders' fund	<u>27,444</u>	<u>24,687</u>	<u>27,444</u>	<u>24,687</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	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Expected credit loss ("ECL") made on/(written-back):				
- Financing, advances and other financing	39,505	4,831	39,505	4,831
- Securities	126	(18)	126	(18)
- Financing commitments and financial guarantees	(505)	(528)	(505)	(528)
Bad debts and financing				
- recovered	(876)	(498)	(876)	(498)
- written-off	194	29	194	29
	<u>38,444</u>	<u>3,816</u>	<u>38,444</u>	<u>3,816</u>

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 March 2020**33 ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER ASSETS**

	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
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment for amount due from joint ventures	1,015	-	1,015	-

34 INCOME ATTRIBUTABLE TO DEPOSITORS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended	Individual Quarter Ended	Cumulative Quarter Ended	Cumulative Quarter Ended
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudarabah	391	446	391	446
- Non-Mudarabah	144,445	183,431	144,445	183,431
Deposits and placements of banks and other financial institutions				
- Mudarabah	2,937	2,062	2,937	2,062
Finance expense-Subordinated term financing and medium term notes	14,338	14,141	14,338	14,141
Restricted investment account - Mudarabah	22,291	24,092	22,291	24,092
Others	26	7	26	7
	184,428	224,179	184,428	224,179

35 OTHER OPERATING EXPENSES

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended	Individual Quarter Ended	Cumulative Quarter Ended	Cumulative Quarter Ended
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Personnel costs (a)	40,579	42,343	40,579	42,343
Establishment costs (b)	16,672	14,296	16,672	14,296
Marketing expenses (c)	1,392	1,850	1,392	1,850
Administrative and general expenses (d)	3,412	2,973	3,412	2,973
	62,055	61,462	62,055	61,462

(a) Personnel costs

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended	Individual Quarter Ended	Cumulative Quarter Ended	Cumulative Quarter Ended
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	31,382	32,441	31,382	32,441
Defined contribution plan ('EPF')	5,219	5,464	5,219	5,464
Other personnel costs	3,978	4,438	3,978	4,438
	40,579	42,343	40,579	42,343

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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	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Equipment rental	217	40	217	40
Repair and maintenance	6,024	2,351	6,024	2,351
Depreciation of property and equipment	182	217	182	217
Amortisation of intangible assets	53	40	53	40
Depreciation of right-of-use assets	335	338	335	338
IT consultancy fees	4,343	3,578	4,343	3,578
Dataline rental	1,441	2,124	1,441	2,124
Security services	1,229	1,718	1,229	1,718
Electricity, water and sewerage	1,323	895	1,323	895
Licence fee	91	105	91	105
Insurance/takaful and indemnities	1,019	501	1,019	501
Other establishment costs	415	2,389	415	2,389
	16,672	14,296	16,672	14,296

(c) Marketing expenses

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Business promotion and advertisement	33	213	33	213
Entertainment	114	60	114	60
Traveling and accommodation	344	465	344	465
Commissions expenses	92	213	92	213
Brokerage expenses	276	393	276	393
Other marketing expenses	533	506	533	506
	1,392	1,850	1,392	1,850

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(d) Administration and general expenses

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Telecommunication expenses	498	513	498	513
Auditors' remuneration	180	180	180	180
Professional fees	509	114	509	114
Mail and courier charges	224	251	224	251
Stationery and consumables	683	887	683	887
Directors' fees and allowances	559	525	559	525
Shariah fees	150	104	150	104
Donations	-	14	-	14
Settlement, clearing and bank charges	383	378	383	378
GST Input tax-non recoverable	14	9	14	9
Other administration and general expenses	212	(2)	212	(2)
	3,412	2,973	3,412	2,973

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	
	31/03/2020 Principal amount RM'000	31/12/2019 Principal amount RM'000
Direct credit substitutes (*)	57,791	110,704
Transaction-related contingent items	373,445	383,531
Short-term self-liquidating trade related contingencies	261,259	279,759
Irrevocable commitments to extend credit:		
- maturity less than one year	1,450,649	1,450,127
- maturity more than one year	903,807	1,112,733
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	35,861	32,861
Unutilised credit card lines	170,061	167,149
Foreign exchange related contracts (#):		
- less than one year	559,662	514,452
	3,812,535	4,051,316

* Included in direct credit substitutes as above are financial guarantee contracts of RM57.8million at the Bank (31 December 2019: RM110.7 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

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				
31/03/2020				
Assets				
Derivative financial assets	-	3,854	-	3,854
Financial investments at FVOCI				
- Money market instruments	-	738,580	-	738,580
- Corporate Sukuk	-	1,786,838	-	1,786,838
	-	2,529,272	-	2,529,272
Liabilities				
Derivative financial liabilities	-	2,580	-	2,580
	-	2,580	-	2,580

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36 FAIR VALUE MEASUREMENTS (continued)

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy (continued):

	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
	-	2,391,806	-	2,391,806
Liabilities				
Derivative financial liabilities	-	6,757	-	6,757
	-	6,757	-	6,757

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

	Economic Entity and The Bank	
	31/03/2020	31/12/2019
	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
	31/03/2020 RM'000	31/12/2019 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% (2019: 7.000%) and 8.500% (2019: 8.500%) and Total Capital Ratio are 10.500% (2019: 10.500%) respectively for year 2020.

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 31 March 2020.

38 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	31/03/2020 RM'000	31/12/2019 RM'000	31/03/2020 RM'000	31/12/2019 RM'000
Paid-up share capital	1,060,000	1,060,000	1,060,000	1,060,000
Retained profits	619,436	602,260	620,836	602,910
FVOCI revaluation reserves	(47,709)	19,492	(47,709)	19,492
	1,631,727	1,681,752	1,633,127	1,682,402
Less:				
Intangible assets	(718)	(771)	(718)	(771)
Deferred tax assets	(23,803)	-	(23,803)	-
55% of cumulative unrealised gains of FVOCI	-	(10,721)	-	(10,721)
Investment in associate/joint ventures	-	(750)	(1,400)	(1,400)
CET1 Capital	1,607,206	1,669,510	1,607,206	1,669,510

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38 CAPITAL ADEQUACY (continued)

	Economic Entity		The Bank	
	31/03/2020 RM'000	31/12/2019 RM'000	31/03/2020 RM'000	31/12/2019 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	1,907,206	1,969,510	1,907,206	1,969,510
Subordinated medium term financing	800,000	800,000	800,000	800,000
Expected loss provision #	168,080	169,336	168,080	169,336
Tier II capital	968,080	969,336	968,080	969,336
Total capital	2,875,286	2,938,846	2,875,286	2,938,846
CET1 capital ratio	11.360%	11.720%	11.360%	11.720%
Tier 1 capital ratio	13.481%	13.826%	13.481%	13.826%
Total capital ratio	20.324%	20.631%	20.324%	20.631%
Risk-weighted assets for:				
Credit risk	13,446,382	13,546,898	13,446,382	13,546,898
Market risk	6,908	13,303	6,908	13,303
Operational risk	694,087	684,842	694,087	684,842
Total risk-weighted assets	14,147,377	14,245,043	14,147,377	14,245,043

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 March 2020, RIA assets excluded from Total Capital Ratio calculation amounted to RM1,895,425,456 (31 December 2019: RM1,919,347,918).

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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)

The Bank registered a lower profit before tax ("PBT") of RM20.0 million for the 3 months ended 31 March 2020 as compared to RM32.0 million for preceding year's corresponding quarter. The decline in PBT was mainly due to additional allowances for credit impairment losses of RM38.4 million as compare to RM3.8 million in preceding year's corresponding quarter, however cushioned by higher net gain on sale of financial instrument of RM25.0 million.

40 COMMENT ON FINANCIAL RESULTS

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

For the current financial quarter, the Bank reported a higher profit before tax ("PBT") of RM20.0 million as compared to RM7.7 million achieved in the preceding financial quarter. The increase in PBT mainly contributed by higher net income of RM9.8 million, resulted from higher net gain on sale of financial instruments, lower allowances for impairment of RM1.0 million and lower overhead expenses of RM0.6 million.

41 PROSPECT FOR THE CURRENT FINANCIAL YEAR

The global economy is expected to contract throughout the year weighted by unprecedented measures taken to suppress COVID-19. As the pandemic escalates, it is expected to give a strident slowdown in most major advanced and emerging market economies. Malaysia's Gross Domestic Product ("GDP") growth is expected to be between -2.0% to 0.5% weighted by COVID-19 headwinds. The growth will be supported by Government's stimulus measures and accommodative policies steered by Bank Negara Malaysia ("BNM"). Banking sector is well positioned with strong capital position and ample liquidity buffers.

AFFIN Islamic Bank will continue assess the impact of COVID-19 and challenging economic environment to our portfolio for the remaining financial year. For the benefits of our customers, we are focusing to support the implementation of financial measures announced by BNM and the Government. Under BNM's financial measures, effective April 1, 2020, we have introduced an automatic six-month moratorium on financing payments to eligible customers.

Sustaining stable profitability and preserving strong asset quality will remain as our strategic focus going forward. We continue to ensure prudent risk assessments, monitoring and reviewing credit risks exposures taking into consideration the impact of COVID-19. The Bank is focusing to improve the operating income through operating efficiency by sourcing from lower funding options, cost optimization and further strengthen our liquidity management via prudent assessment on regulatory compliance flexibility. The Bank will continue to support AFFIN Group's strategic vision in providing excellent banking services to meet our customer needs and expectations.