

**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 30 June 2014**

	Note	Economic Entity		The Bank	
		Current Financial Quarter 30/6/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000	Current Financial Quarter 30/6/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
<b>ASSETS</b>					
Cash and short-term funds		2,488,400	4,506,301	2,488,400	4,506,301
Deposits and placements with banks and other financial institutions		-	120,016	-	120,016
Derivatives financial assets	13	339	-	339	-
Financial investments available-for-sale	14	1,488,540	1,283,123	1,488,540	1,283,123
Financial investments held-to-maturity	15	85,048	85,064	85,048	85,064
Financing, advances and other financing	16	6,344,171	6,048,876	6,344,171	6,048,876
Other assets	17	405	42,517	405	42,517
Amount due from jointly controlled entity		13,897	4,185	13,897	4,185
Deferred tax assets		2,064	2,960	2,064	2,960
Statutory deposits with Bank Negara Malaysia		249,700	233,000	249,700	233,000
Investment in jointly controlled entity		-	-	650	650
Property and equipment		3,611	3,046	3,611	3,046
Intangible assets		1,279	1,666	1,279	1,666
<b>TOTAL ASSETS</b>		<b>10,677,454</b>	<b>12,330,754</b>	<b>10,678,104</b>	<b>12,331,404</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	18	8,568,009	9,290,544	8,568,009	9,290,544
Deposits and placements of banks and other financial institutions	19	1,237,292	2,242,480	1,237,292	2,242,480
Derivative financial liabilities	20	326	-	326	-
Other liabilities	21	51,645	31,167	51,645	31,167
Amount due to holding company		78,862	60,115	78,862	60,115
Provision for taxation		1,927	2,031	1,927	2,031
<b>TOTAL LIABILITIES</b>		<b>9,938,061</b>	<b>11,626,337</b>	<b>9,938,061</b>	<b>11,626,337</b>
Share capital		360,000	360,000	360,000	360,000
Reserves	22	379,393	344,417	380,043	345,067
<b>TOTAL EQUITY</b>		<b>739,393</b>	<b>704,417</b>	<b>740,043</b>	<b>705,067</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,677,454</b>	<b>12,330,754</b>	<b>10,678,104</b>	<b>12,331,404</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	29	2,036,258	1,667,189	2,036,258	1,667,189
<b>Capital Adequacy</b>					
CET1 capital ratio	32	13.006%	13.876%	13.015%	13.889%
Tier 1 capital ratio	32	13.006%	13.876%	13.015%	13.889%
Total capital ratio	32	13.399%	14.269%	13.399%	14.281%

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED INCOME STATEMENTS for the financial quarter ended 30 June 2014**

	Note	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
		Current Financial Quarter 30/6/2014 RM'000	Preceding Year Corresponding Quarter 30/6/2013 RM'000	Current Financial Quarter 30/6/2014 RM'000	Preceding Year Corresponding Quarter 30/6/2013 RM'000
Income derived from investment of depositors' funds and others	23	<b>114,627</b>	103,167	<b>228,496</b>	207,762
Income derived from investment of shareholders' funds	24	<b>8,451</b>	7,458	<b>16,146</b>	14,729
Allowances for losses on financing	25	<b>48</b>	497	<b>(114)</b>	311
<b>Total distributable income</b>		<b>123,126</b>	111,122	<b>244,528</b>	222,802
Income attributable to the depositors	26	<b>(71,301)</b>	(62,882)	<b>(143,309)</b>	(126,910)
<b>Total net income</b>		<b>51,825</b>	48,240	<b>101,219</b>	95,892
Personnel expenses	27	<b>(19,088)</b>	(16,149)	<b>(37,257)</b>	(32,037)
Other overheads and expenditures	28	<b>(11,148)</b>	(9,093)	<b>(21,358)</b>	(18,321)
<b>Operating profit</b>		<b>21,589</b>	22,998	<b>42,604</b>	45,534
Impairment losses on securities		<b>(550)</b>	-	<b>(550)</b>	-
		<b>21,039</b>	22,998	<b>42,054</b>	45,534
Share of joint venture's results		-	(29)	-	(45)
<b>Profit before zakat and taxation</b>		<b>21,039</b>	22,969	<b>42,054</b>	45,489
Zakat		-	(8,583)	-	(8,583)
<b>Profit before taxation</b>		<b>21,039</b>	14,386	<b>42,054</b>	36,906
Taxation		<b>(5,213)</b>	(4,960)	<b>(8,430)</b>	(10,376)
<b>Net profit after zakat and taxation</b>		<b>15,826</b>	9,426	<b>33,624</b>	26,530
<b>Attributable to:</b>					
Equity holders of the Bank		<b>15,826</b>	9,426	<b>33,624</b>	26,530
<b>Earnings per share (sen):</b>					
- Basic/fully diluted		<b>4.4</b>	2.6	<b>9.3</b>	7.4

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
*for the financial quarter ended 30 June 2014(continued)*

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Economic Entity</b>		<b>Economic Entity</b>	
	<b>Current</b>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>30/6/2014</b>	30/6/2013	<b>30/6/2014</b>	30/6/2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Profit after zakat and taxation</b>	<b>15,826</b>	9,426	<b>33,624</b>	26,530
Other comprehensive income:				
Items that may be reclassified subsequently to Profit and loss:				
Net fair value change in financial investments available-for-sale	<b>461</b>	(3,486)	<b>1,779</b>	(4,621)
Deferred tax on financial investments available-for-sale	<b>(111)</b>	871	<b>(427)</b>	1,155
Other comprehensive income for the financial period, net of tax	<b>350</b>	(2,615)	<b>1,352</b>	(3,466)
<b>Total comprehensive income for the financial period</b>	<b>16,176</b>	6,811	<b>34,976</b>	23,064
<b>Attributable to equity holders of the Bank:</b>				
- Total comprehensive income	<b>16,176</b>	6,811	<b>34,976</b>	23,064

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED INCOME STATEMENTS for the financial quarter ended 30 June 2014***(continued)*

	Note	Individual Quarter The Bank		Cumulative Quarter The Bank	
		Current Financial Quarter 30/6/2014 RM'000	Preceding Year Corresponding Quarter 30/6/2013 RM'000	Current Financial Quarter 30/6/2014 RM'000	Preceding Year Corresponding Quarter 30/6/2013 RM'000
Income derived from investment of depositors' funds and others	23	114,627	103,167	228,496	207,762
Income derived from investment of shareholders' funds	24	8,451	7,458	16,146	14,729
Allowances for losses on financing	25	48	497	(114)	311
<b>Total distributable income</b>		<b>123,126</b>	<b>111,122</b>	<b>244,528</b>	<b>222,802</b>
Income attributable to the depositors	26	(71,301)	(62,882)	(143,309)	(126,910)
<b>Total net income</b>		<b>51,825</b>	<b>48,240</b>	<b>101,219</b>	<b>95,892</b>
Personnel expenses	27	(19,088)	(16,149)	(37,257)	(32,037)
Other overheads and expenditures	28	(11,148)	(9,093)	(21,358)	(18,321)
<b>Operating profit</b>		<b>21,589</b>	<b>22,998</b>	<b>42,604</b>	<b>45,534</b>
Impairment losses on securities		(550)	-	(550)	-
<b>Profit before zakat and taxation</b>		<b>21,039</b>	<b>22,998</b>	<b>42,054</b>	<b>45,534</b>
Zakat		-	(8,583)	-	(8,583)
<b>Profit before taxation</b>		<b>21,039</b>	<b>14,415</b>	<b>42,054</b>	<b>36,951</b>
Taxation		(5,213)	(4,960)	(8,430)	(10,376)
<b>Net profit after zakat and taxation</b>		<b>15,826</b>	<b>9,455</b>	<b>33,624</b>	<b>26,575</b>
<b>Attributable to:</b>					
Equity holders of the Bank		15,826	9,455	33,624	26,575
<b>Earnings per share (sen):</b>					
- Basic/fully diluted		4.4	2.6	9.3	7.4

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
*for the financial quarter ended 30 June 2014(continued)*

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank</b>		<b>The Bank</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>30/6/2014</b>	<b>30/6/2013</b>	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit after zakat and taxation</b>	<b>15,826</b>	<b>9,455</b>	<b>33,624</b>	<b>26,575</b>
Other comprehensive income:				
Items that may be reclassified subsequently to Profit and loss:				
Net fair value change in financial investments available-for-sale	<b>461</b>	<b>(3,486)</b>	<b>1,779</b>	<b>(4,621)</b>
Deferred tax on financial investments available-for-sale	<b>(111)</b>	<b>871</b>	<b>(427)</b>	<b>1,155</b>
Other comprehensive income for the financial period, net of tax	<b>350</b>	<b>(2,615)</b>	<b>1,352</b>	<b>(3,466)</b>
<b>Total comprehensive income for the financial period</b>	<b>16,176</b>	<b>6,840</b>	<b>34,976</b>	<b>23,109</b>
<b>Attributable to equity holders of the Bank:</b>				
- Total comprehensive income	<b>16,176</b>	<b>6,840</b>	<b>34,976</b>	<b>23,109</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF CHANGES IN EQUITY***for the financial quarter ended 30 June 2014*

Economic Entity	Attributable to Equity Holders of the Bank				
	Share capital	Statutory reserves	AFS revaluation reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2014</b>	<b>360,000</b>	<b>173,026</b>	<b>(6,925)</b>	<b>178,316</b>	<b>704,417</b>
Comprehensive income:					
Net profit for the financial period	-	-	-	<b>33,624</b>	<b>33,624</b>
Other comprehensive income (net of tax)					
- Financial investments available-for-sale	-	-	<b>1,352</b>	-	<b>1,352</b>
Total comprehensive income	-	-	<b>1,352</b>	<b>33,624</b>	<b>34,976</b>
<b>At 30 June 2014</b>	<b>360,000</b>	<b>173,026</b>	<b>(5,573)</b>	<b>211,940</b>	<b>739,393</b>
Economic Entity	RM'000	RM'000	AFS revaluation reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	360,000	143,451	2,598	148,950	654,999
Comprehensive income:					
Net profit for the financial period	-	-	-	26,530	26,530
Other comprehensive income (net of tax)					
- Financial investments available-for-sale	-	-	(3,466)	-	(3,466)
Total comprehensive income	-	-	(3,466)	26,530	23,064
At 30 June 2013	360,000	143,451	(868)	175,480	678,063

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
*for the financial quarter ended 30 June 2014*  
*(continued)*

	Non-distributable			Distributable	Total
	Share capital	Statutory reserves	AFS revaluation reserves	Retained profits	
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2014</b>	<b>360,000</b>	<b>173,026</b>	<b>(6,925)</b>	<b>178,966</b>	<b>705,067</b>
Comprehensive income:					
Net profit for the financial period	-	-	-	<b>33,624</b>	<b>33,624</b>
Other comprehensive income (net of tax)					
- Financial investments available-for-sale	-	-	<b>1,352</b>	-	<b>1,352</b>
Total comprehensive income	-	-	<b>1,352</b>	<b>33,624</b>	<b>34,976</b>
<b>At 30 June 2014</b>	<b>360,000</b>	<b>173,026</b>	<b>(5,573)</b>	<b>212,590</b>	<b>740,043</b>
The Bank	RM'000	RM'000	AFS revaluation reserves	Retained profits	Total
			RM'000	RM'000	RM'000
At 1 January 2013	360,000	143,451	2,598	149,390	655,439
Comprehensive income:					
Net profit for the financial period	-	-	-	26,575	26,575
Other comprehensive income (net of tax)					
- Financial investments available-for-sale	-	-	(3,466)	-	(3,466)
Total comprehensive income	-	-	(3,466)	26,575	23,109
At 30 June 2013	360,000	143,451	(868)	175,965	678,548

**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 30 June 2014**

	Economic Entity		The Bank	
	30/6/2014 RM'000	30/6/2013 RM'000	30/6/2014 RM'000	30/6/2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before taxation</b>	<b>42,054</b>	36,906	<b>42,054</b>	36,951
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments available-for-sale	(23,592)	(29,854)	(23,592)	(29,854)
- financial investments held-to-maturity	(2,895)	(48)	(2,895)	(48)
Accretion of discount less amortisation of premium:				
- financial investments available-for-sale	(632)	(2,821)	(632)	(2,821)
Gain on sale from:				
- financial investments available-for-sale	(688)	(768)	(688)	(768)
Unrealised gain on revaluation:				
- foreign exchange	11	-	11	-
Allowance for impairment loss				
- Financial investments AFS	550	-	550	-
Depreciation of property and equipment	442	400	442	400
Amortisation of intangible assets	387	399	387	399
Net individual impairment	(3,074)	280	(3,074)	280
Net collective impairment	3,286	85	3,286	85
Bad debt on financing written-off	1	-	1	-
Zakat	-	8,583	-	8,583
Share of joint venture's results	-	45	-	-
<b>Operating profit before changes in working capital</b>	<b>15,850</b>	13,207	<b>15,850</b>	13,207
<i>Decrease/(increase) in operating assets:</i>				
Deposits and placements with banks and other financial institutions	120,016	74,788	120,016	74,788
Foreign exchange transaction	(4,016)	895	(4,016)	895
Financing, advances and other financing	(295,508)	(310,427)	(295,508)	(310,427)
Other assets	40,514	63,648	40,514	63,648
Statutory deposits with Bank Negara Malaysia	(16,700)	(9,500)	(16,700)	(9,500)
Amount due from jointly controlled entity	(9,712)	-	(9,712)	-
Derivative financial instruments	(13)	-	(13)	-
<i>(Decrease)/Increase in operating liabilities:</i>				
Deposits from customers	(722,535)	(1,288,569)	(722,535)	(1,288,569)
Deposits and placements of banks and other financial institutions	(1,005,188)	165,853	(1,005,188)	165,853
Amount due to holding company	18,747	41,125	18,747	41,125
Other liabilities	26,855	79,606	26,855	79,606
Cash used in operations	(1,831,690)	(1,169,374)	(1,831,690)	(1,169,374)
Zakat paid	(4,440)	(1,881)	(4,440)	(1,881)
Tax paid	(10,002)	(10,833)	(10,002)	(10,833)
Tax refund	1,937	25	1,937	25
<b>Net cash used in operating activities</b>	<b>(1,844,195)</b>	(1,182,063)	<b>(1,844,195)</b>	(1,182,063)



**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF CASH FLOWS** *for the financial quarter ended 30 June 2014*

*(continued)*

	Economic Entity		The Bank	
	30/6/2014 RM'000	30/6/2013 RM'000	30/6/2014 RM'000	30/6/2013 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment in jointly controlled entity	-	(150)	-	(150)
Finance income and hibah received from:				
- financial investments available-for-sale	23,592	29,854	23,592	29,854
- financial investments held-to-maturity	2,895	48	2,895	48
Redemption of financial investments held-to-maturity net of purchase	16	(85,048)	16	(85,048)
Net (purchase)/sale of financial investments available-for-sale	(202,868)	285,982	(202,868)	285,982
Purchase of property and equipment	(1,007)	(208)	(1,007)	(208)
<b>Net cash used in investing activities</b>	<b>(177,372)</b>	230,478	<b>(177,372)</b>	230,478
Net decrease in cash and cash equivalents	(2,021,567)	(951,585)	(2,021,567)	(951,585)
Net increase/ (decrease) in foreign exchange	3,666	(895)	3,666	(895)
Cash and cash equivalents at beginning of the financial period	4,506,301	4,076,266	4,506,301	4,076,266
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>2,488,400</b>	3,123,786	<b>2,488,400</b>	3,123,786

**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

**1 BASIS OF PREPARATION**

This unaudited condensed interim financial information for the 6 months ended 30 June 2014 has been prepared in accordance with MFRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ('MASB') Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia ('BNM') Guidelines and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Bank have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The unaudited condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with the Malaysian Financial Reporting Standards ('MFRS'). The explanatory notes to this interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Bank since the year ended 31 December 2013.

**2 ACCOUNTING POLICIES**

The consolidated financial statements include the financial statements of the Bank and a jointly controlled entity, made up to the quarter ended 30 June 2014.

The presentation of the comparative financial statements of the Bank has been restated to conform with the current period's presentation. The new and revised Malaysian Financial Reporting Standards ('MFRS') which became effective for the financial period beginning 1 January 2014 are duly adopted by the Bank when preparing the financial report for the quarter ended 30 June 2014 are as follows:

Amendment to MFRS 10 "Consolidated Financial Statements"  
Amendment to MFRS 12 "Disclosure of Interests in Other Entities"  
Amendment to MFRS 127 "Consolidated and Seperate Financial Statements"  
Amendment to MFRS 132 "Financial Instruments: Presentation"  
Amendment to MFRS 136 "Impairment of Assets"  
Amendment to MFRS 139 "Financial Instrument: Recognition and Measurement"

Classification and impairment provisions for financing - maintenance of Regulatory Reserves

Pursuant to Pagaraph 13 of the Policy Document on Classification and Impairment Povisions for Loans/Financing, Bank Negara Malaysia ('BNM') had issued a letter on 4 February 2014, which require banking institutions to maintain, in aggregate collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding financing (excluding financing with an explicit guarantee from the Federal Government of Malaysia), net of individual impairment provisions. Banking institutions are required to comply with the requirement by 31 December 2015.

**3 QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2013 was not qualified.

**4 SEASONAL OR CYCLICAL FACTORS**

The business operations of the Bank are not subject to material seasonal or cyclical fluctuation.

**5 EXCEPTIONAL ITEMS**

There was no exceptional items for the quarter ended 30 June 2014.

**6 CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT**

Refer to Note 2

## AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

### MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014

#### 7 CHANGES IN DEBTS AND EQUITY SECURITIES

There were no purchases or disposal of quoted securities for the quarter ended 30 June 2014 other than in the ordinary course of business.

#### 8 DIVIDENDS

There were no interim dividend declared.

#### 9 SUBSEQUENT MATERIAL EVENT

There is no material subsequent event after the quarter ended 30 June 2014 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 2013 audited accounts.

#### 11 PURCHASE AND SALE OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the quarter ended 30 June 2014 other than in the ordinary course of business.

#### 12 STATUS OF CORPORATE PROPOSAL

There were no corporate proposals announced but not completed during the period ended 30 June 2014.

#### 13 DERIVATIVE ASSETS

	Economic Entity and The Bank			
	Current Financial Quarter 30/6/2014		Previous Financial Year End 31/12/2013	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
<b>At fair value</b>				
Foreign exchange derivatives				
- Currency forwards	45,890	339	-	-
	<u>45,890</u>	<u>339</u>	<u>-</u>	<u>-</u>

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
<b>By maturity structure of positive fair value</b>		
Maturing within one year	339	-
	<u>339</u>	<u>-</u>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****14 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
Malaysian Government treasury bills	39,492	-
Malaysian Government investment issues	672,704	616,840
Sukuk Perumahan Kerajaan	68,917	68,300
Bank Negara Malaysia Monetary Notes	178,371	58,514
Negotiable Islamic Debt Certificates	-	-
Khazanah Sukuk	49,601	29,684
	<b>1,009,085</b>	<b>773,338</b>
Unquoted securities:		
Share in Malaysia	575	69
Private debt securities		
- in Malaysia	479,430	509,716
	<b>1,489,090</b>	<b>1,283,123</b>
Allowance for impairment of securities	(550)	-
	<b>1,488,540</b>	<b>1,283,123</b>

**Movement in Allowance for Financial Investments Available-For-Sale**

At beginning of the financial period	-	-
Allowance made during the period	550	-
<b>At end of the financial period</b>	<b>550</b>	<b>-</b>

**15 FINANCIAL INVESTMENTS HELD-TO-MATURITY**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000
<b>At cost</b>		
Unquoted securities:		
Private debt securities in Malaysia	85,048	85,064
	<b>85,048</b>	<b>85,064</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****16 FINANCING, ADVANCES AND OTHER FINANCING****(i) By type**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Cash line	197,513	182,947
Term financing		
- House financing	1,760,119	1,712,692
- Hire purchase receivables	1,872,287	1,795,689
- Syndicated financing	260,178	268,072
- Other term financing	1,754,999	1,610,756
Bills receivables	2,302	32,260
Trust receipts	11,811	25,702
Claims on customers under acceptances credits	74,611	67,474
Staff financing (of which RM Nil to Directors)	10,260	10,880
Revolving credits	465,635	410,707
<b>Gross financing, advances and other financing</b>	<b>6,409,715</b>	<b>6,117,179</b>
Less:		
Allowance for impairment		
- Individual	(28,539)	(34,584)
- Collective	(37,005)	(33,719)
<b>Total net financing, advances and other financing</b>	<b>6,344,171</b>	<b>6,048,876</b>

**(ii) By maturity structure**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Maturing within one year	793,097	749,108
One year to three years	541,154	560,747
Three years to five years	748,161	770,939
Over five years	4,327,303	4,036,385
	<b>6,409,715</b>	<b>6,117,179</b>

**(iii) By contract**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Bai' Bithamin Ajil (deferred payment sale)	1,765,216	1,890,400
AITAB	1,872,287	1,795,689
Murabahah (cost-plus)	800,655	768,532
Others	1,971,557	1,662,558
	<b>6,409,715</b>	<b>6,117,179</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****16 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(iv) By type of customer**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Domestic non-banking institutions		
- Others	<b>344,611</b>	173,426
Domestic business enterprises		
- Small medium enterprises	<b>699,371</b>	479,727
- Others	<b>1,605,313</b>	1,584,730
Government and statutory bodies	<b>31,087</b>	53,835
Individuals	<b>3,609,799</b>	3,463,437
Other domestic entities	<b>4,895</b>	242,599
Foreign entities	<b>114,639</b>	119,425
	<b>6,409,715</b>	<b>6,117,179</b>

**(v) By profit rate sensitivity**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Fixed rate		
- House financing	<b>66,940</b>	72,091
- Hire purchase receivables	<b>1,872,287</b>	1,795,689
- Other fixed rate financing	<b>602,747</b>	621,817
Variable rate		
- BLR - plus	<b>2,877,721</b>	2,640,486
- Cost - plus	<b>990,020</b>	987,096
	<b>6,409,715</b>	<b>6,117,179</b>

**(vi) By economic sectors**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Primary agriculture	<b>16,869</b>	8,013
Mining and quarrying	<b>1,730</b>	1,133
Manufacturing	<b>209,687</b>	219,066
Electricity, gas and water supply	<b>54,227</b>	37,589
Construction	<b>521,054</b>	504,771
Real estate	<b>580,823</b>	431,177
Wholesale & retail trade and restaurants & hotels	<b>155,418</b>	146,859
Transport, storage and communication	<b>73,635</b>	106,927
Finance, insurance and business activities	<b>714,426</b>	523,514
Education, health and others	<b>444,497</b>	646,994
Household	<b>3,634,502</b>	3,488,349
Others	<b>2,847</b>	2,787
	<b>6,409,715</b>	<b>6,117,179</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****16 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(vii) By economic purpose**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Purchase of securities	11	13
Purchase of transport vehicles	1,870,866	1,794,188
Purchase of landed property of which:		
- Residential	1,771,652	1,729,436
- Non-residential	957,548	848,029
Fixed assets other than land and building	73,386	79,648
Personal use	40,683	34,056
Consumer durable	3	8
Construction	576,255	579,492
Working capital	945,436	1,016,670
Others	173,875	35,639
	<b>6,409,715</b>	<b>6,117,179</b>

**(viii) By geographical distribution**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Perlis	93,755	51,655
Kedah	371,011	333,380
Pulau Pinang	140,535	127,866
Perak	325,969	314,735
Selangor	2,226,392	2,141,066
Wilayah Persekutuan	1,689,970	1,627,566
Negeri Sembilan	158,203	136,922
Melaka	91,671	87,178
Johor	293,927	261,096
Pahang	253,968	250,289
Terengganu	389,940	380,028
Kelantan	182,052	194,116
Sarawak	29,858	28,701
Sabah	72,496	88,033
Labuan	77	88
Outside Malaysia	89,891	94,460
	<b>6,409,715</b>	<b>6,117,179</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****16 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(ix) Movements of impaired financing**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000
At beginning of the financial period	<b>131,630</b>	129,792
Classified as impaired	<b>36,978</b>	69,047
Reclassified as non-impaired	<b>(27,670)</b>	(45,964)
Amount recovered	<b>(28,747)</b>	(19,782)
Amount written-off	<b>(1,813)</b>	(1,463)
<b>At end of the financial period</b>	<b>110,378</b>	131,630
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing	<b>1.72%</b>	2.15%

**(x) Movements in allowance for impairment on financing**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000
<b>Individual impairment</b>		
At beginning of the financial period	<b>34,584</b>	35,095
Provision for loan impairment	<b>665</b>	690
Amount recovered	<b>(3,739)</b>	(434)
Amount written-off	<b>(1,813)</b>	-
Unwinding of discount of allowance	<b>(616)</b>	(1,045)
Exchange differences	<b>(542)</b>	278
<b>At end of the financial period</b>	<b>28,539</b>	34,584
<b>Collective impairment</b>		
At beginning of the financial period	<b>33,719</b>	34,936
Provision for loan impairment/(recovered)	<b>3,286</b>	242
Amount written-off	<b>-</b>	(1,459)
<b>At end of the financial period</b>	<b>37,005</b>	33,719



**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****16 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(xi) Impaired financing by economic sectors**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Primary agriculture	44	113
Manufacturing	2,671	22,041
Construction	64,543	65,976
Wholesale & retail trade and restaurants & hotels	257	2,009
Transport, storage and communication	66	65
Finance, insurance and business activities	582	582
Household	42,215	40,844
	<b>110,378</b>	<b>131,630</b>

**(xii) Impaired financing by economic purpose**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Purchase of transport vehicles	10,851	8,570
Purchase of landed property of which:		
- Residential	31,098	30,746
- Non-residential	565	1,945
Personal use	320	195
Construction	64,316	65,656
Working capital	3,228	24,518
	<b>110,378</b>	<b>131,630</b>

**(xiii) Impaired financing by geographical distribution**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Perlis	91	12
Kedah	1,655	1,823
Pulau Pinang	1,602	1,472
Perak	3,618	3,066
Selangor	20,469	41,827
Wilayah Persekutuan	2,477	3,313
Negeri Sembilan	2,769	2,631
Melaka	283	357
Johor	2,430	2,613
Pahang	3,540	3,368
Terengganu	3,600	2,480
Kelantan	2,928	2,321
Sarawak	446	496
Sabah	154	198
Outside Malaysia	64,316	65,653
	<b>110,378</b>	<b>131,630</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****17 OTHER ASSETS**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000
Other debtors, deposits and prepayments	10	602
Clearing accounts	-	41,520
Foreclosed properties (a)	395	395
	<b>405</b>	<b>42,517</b>

**(a) Foreclosed properties**

At beginning of the financial period	395	395
At end of the financial period	<b>395</b>	<b>395</b>

**18 DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000
<b>Non-Mudharabah</b>		
Demand deposits	2,103,663	2,717,722
Savings deposits	384,417	227,884
Murabahah term deposits	3,489,290	1,021,789
<b>Mudharabah</b>		
Demand deposits	-	37,631
Savings deposits	-	136,702
General investment deposits	1,913,087	4,574,624
Special investment deposits	677,552	574,192
	<b>8,568,009</b>	<b>9,290,544</b>

**(ii) Maturity structure of general investment deposits and NID**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000
Due within six months	4,233,935	4,236,110
Six months to one year	1,149,091	1,357,552
One year to three years	18,839	2,478
Three years to five years	512	273
	<b>5,402,377</b>	<b>5,596,413</b>

**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

**18 DEPOSITS FROM CUSTOMERS (continued)**

**(iii) By type of customer**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000
Government and statutory bodies	2,878,605	3,309,130
Business enterprise	3,407,368	3,680,168
Individuals	1,133,046	1,056,745
Others	1,148,990	1,244,501
	<b>8,568,009</b>	<b>9,290,544</b>

**19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000
<b>Mudharabah</b>		
Licensed banks	844,867	2,032,108
Licensed investment banks	-	30,031
Other financial institutions	392,425	180,341
	<b>1,237,292</b>	<b>2,242,480</b>
<b>Maturity structure of deposits are as follows:</b>		
Due within six months	730,698	1,920,443
Six months to one year	178,134	-
One year to three years	224,299	219,884
Three years to five years	104,161	-
Over five years	-	102,153
	<b>1,237,292</b>	<b>2,242,480</b>

**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

**20 DERIVATIVE LIABILITIES**

	<b>Economic Entity and The Bank</b>			
	<b>Current Financial Quarter 30/6/2014</b>		<b>Previous Financial Year End 31/12/2013</b>	
	<b>Contract/ notional amount RM'000</b>	<b>Assets RM'000</b>	<b>Contract/ notional amount RM'000</b>	<b>Assets RM'000</b>
<b>At fair value</b>				
Foreign exchange derivatives				
- Currency forwards	170,435	326	-	-
	<u>170,435</u>	<u>326</u>	<u>-</u>	<u>-</u>

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
<b>By maturity structure of negative fair value</b>		
Maturing within one year	326	-
	<u>326</u>	<u>-</u>

**21 OTHER LIABILITIES**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Margin and collateral deposits	11,166	4,830
Sundry creditors	18,532	25,603
Clearing accounts	21,442	-
Defined contribution plan (a)	482	711
Accrued employee benefits (b)	23	23
	<u>51,645</u>	<u>31,167</u>

**(a) Defined contribution plan**

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

**(b) Accrued employee benefits**

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

**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

**22 RESERVES**

	Economic Entity		The Bank	
	Current Financial Quarter 30/6/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000	Current Financial Quarter 30/6/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Retained profits	211,940	178,316	212,590	178,966
AFS revaluation reserves	(5,573)	(6,925)	(5,573)	(6,925)
Statutory reserves	173,026	173,026	173,026	173,026
	<b>379,393</b>	<b>344,417</b>	<b>380,043</b>	<b>345,067</b>
<b>Statutory reserves</b>				
At beginning of the financial year	173,026	143,451	173,026	143,451
Transfer from retained profits	-	29,575	-	29,575
At end of the financial year	<b>173,026</b>	<b>173,026</b>	<b>173,026</b>	<b>173,026</b>

Movement of the AFS revaluation reserves

	Economic Entity and The Bank	
	30/6/2014 RM'000	31/12/2013 RM'000
At beginning of the financial year	(6,925)	2,598
Net fair value change in financial investments available-for-sale	1,779	(12,576)
Deferred tax on financial investments available-for-sale	(427)	3,053
At end of the financial year *	<b>(5,573)</b>	<b>(6,925)</b>

\* The depositors' portion of net unrealised gains or losses on 'Available-for-sale' at the end of financial year is net unrealised losses of RM6,849,111.(2013: net unrealised losses of RM8,519,546).

- (a) As at 30 June 2014, the Bank has a tax exempt account balance of RM11,869,772 (2013: RM6,779,562) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.
- (b) The statutory reserves of the Bank are maintained in compliance with the provisions of the Islamic Financial Services Act 2013 and are not distributable as cash dividends.
- (c) AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investment available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.

**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

**23 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Economic Entity and The Bank</b>		<b>Economic Entity and The Bank</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>30/6/2014</b>	<b>30/6/2013</b>	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	<b>114,627</b>	103,167	<b>228,496</b>	207,762
Income attributable to depositors	<b>(71,301)</b>	(62,882)	<b>(143,309)</b>	(126,910)
Income derived from investment of shareholders' funds	<b>8,451</b>	7,458	<b>16,146</b>	14,729
	<b>51,777</b>	47,743	<b>101,333</b>	95,581
of which:				
Profit earned on impaired financing, advances and other financing	<b>519</b>	(373)	<b>678</b>	498

**23 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Economic Entity and The Bank</b>		<b>Economic Entity and The Bank</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>30/6/2014</b>	<b>30/6/2013</b>	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:				
- General investment deposits (i)	<b>76,090</b>	66,254	<b>148,568</b>	131,805
- Other deposits (ii)	<b>38,537</b>	36,913	<b>79,928</b>	75,957
	<b>114,627</b>	103,167	<b>228,496</b>	207,762

**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

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

**(i) INCOME DERIVED FROM INVESTMENT OF GENERAL INVESTMENT DEPOSITS**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other loans	50,905	41,392	97,805	80,949
Financial investments available-for-sale	7,214	8,978	14,327	17,686
Financial investments held-to-maturity	900	28	1,758	28
Money at call and deposits with other financial institutions	13,409	12,948	28,708	27,330
Total finance income and hibah	72,428	63,346	142,598	125,993
Accretion of discount less amortisation of premium	415	598	384	1,671
	72,843	63,944	142,982	127,664
<b>Other operating income</b>				
Fee income				
Commission	176	168	382	313
Service charges and fees	885	719	1,671	1,564
Guarantee fees	273	251	533	615
	1,334	1,138	2,586	2,492
Income from financial instruments				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	19	443	418	455
	19	443	418	455
Other income				
Foreign exchange profit:				
- realised	1,576	116	2,039	254
- unrealised	67	-	(7)	-
Other non-operating income	251	613	550	940
	1,894	729	2,582	1,194
	76,090	66,254	148,568	131,805

**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

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

**(ii) INCOME DERIVED FROM INVESTMENT OF OTHER DEPOSITS**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other loans	25,834	23,088	52,618	46,650
Financial investments available-for-sale	3,646	5,005	7,708	10,192
Financial investments held-to-maturity	456	16	946	16
Money at call and deposits with other financial institutions	6,707	7,183	15,444	15,750
Total finance income and hibah	36,643	35,292	76,716	72,608
Accretion of discount less amortisation of premium	225	324	207	963
	36,868	35,616	76,923	73,571
<b>Other operating income</b>				
Fee income				
Commission	87	95	205	181
Service charges and fees	450	398	899	901
Guarantee fees	139	138	287	355
	676	631	1,391	1,437
Income from financial instruments				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	(3)	255	225	262
	(3)	255	225	262
Other income				
Foreign exchange profit:				
- realised	833	64	1,097	146
- unrealised	38	-	(4)	-
Other non-operating income	125	347	296	541
	996	411	1,389	687
	38,537	36,913	79,928	75,957



**AFFIN Islamic Bank Berhad**  
(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

**24 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	5,649	4,658	10,629	9,046
Financial investments available-for-sale	802	1,010	1,557	1,976
Financial investments held-to-maturity	100	3	191	3
Money at call and deposits with other financial institutions	1,496	1,459	3,120	3,054
Total finance income and hibah	8,047	7,130	15,497	14,079
Accretion of discount less amortisation of premium	45	68	42	187
	8,092	7,198	15,539	14,266
<b>Other operating income</b>				
Fee income				
Commission	19	19	41	35
Service charges and fees	99	81	182	175
Guarantee fees	30	29	58	69
	148	129	281	279
Income from financial instruments				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	3	50	45	51
	3	50	45	51
Other income				
Foreign exchange profit:				
- realised	173	13	222	28
- unrealised	7	-	(1)	-
Other non-operating income	28	68	60	105
	208	81	281	133
	8,451	7,458	16,146	14,729

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****25 ALLOWANCES FOR LOSSES ON FINANCING**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Economic Entity and The Bank</b>		<b>Economic Entity and The Bank</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>30/6/2014</b>	<b>30/6/2013</b>	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Individual impairment				
- made in the financial period	<b>16</b>	85	<b>665</b>	323
- written-back	<b>(1,774)</b>	(12)	<b>(3,739)</b>	(43)
Collective impairment				
- made in the financial period	<b>1,746</b>	(412)	<b>3,286</b>	85
Bad debts on financing				
- recovered	<b>(36)</b>	(158)	<b>(99)</b>	(676)
- written-off	<b>-</b>	-	<b>1</b>	-
	<b>(48)</b>	(497)	<b>114</b>	(311)

**26 INCOME ATTRIBUTABLE TO DEPOSITORS**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Economic Entity and The Bank</b>		<b>Economic Entity and The Bank</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>30/6/2014</b>	<b>30/6/2013</b>	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers				
- Mudharabah	<b>49,429</b>	43,388	<b>99,443</b>	87,883
- Non-mudharabah	<b>8,381</b>	7,880	<b>16,799</b>	15,885
Deposits and placements of banks and other financial institutions				
- Mudharabah	<b>13,349</b>	10,644	<b>26,433</b>	20,823
Others	<b>142</b>	970	<b>634</b>	2,319
	<b>71,301</b>	62,882	<b>143,309</b>	126,910

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****27 PERSONNEL EXPENSES**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Economic Entity and The Bank</b>	<b>Economic Entity and The Bank</b>	<b>Economic Entity and The Bank</b>	<b>Economic Entity and The Bank</b>
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>30/6/2014</b>	<b>30/6/2013</b>	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Wages, salaries and bonuses	<b>14,940</b>	12,561	<b>29,247</b>	24,975
Defined contribution plan ('EPF')	<b>2,386</b>	2,042	<b>4,719</b>	4,054
Other personnel costs	<b>1,762</b>	1,546	<b>3,291</b>	3,008
	<b>19,088</b>	16,149	<b>37,257</b>	32,037

**28 OTHER OVERHEADS AND EXPENDITURES**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Economic Entity and The Bank</b>	<b>Economic Entity and The Bank</b>	<b>Economic Entity and The Bank</b>	<b>Economic Entity and The Bank</b>
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>30/6/2014</b>	<b>30/6/2013</b>	<b>30/6/2014</b>	<b>30/6/2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Establishment costs</b>				
Rental of premises	<b>1,240</b>	997	<b>2,479</b>	1,967
Equipment rental	<b>13</b>	13	<b>26</b>	23
Repair and maintenance	<b>1,479</b>	1,027	<b>2,795</b>	2,107
Depreciation of property and equipment	<b>239</b>	174	<b>442</b>	400
Amortisation of intangible assets	<b>193</b>	200	<b>387</b>	399
IT consultancy fees	<b>2,381</b>	2,172	<b>4,651</b>	4,370
Dataline rental	<b>183</b>	136	<b>357</b>	232
Security services	<b>909</b>	684	<b>1,738</b>	1,272
Electricity, water and sewerage	<b>468</b>	398	<b>900</b>	749
Licence fee	<b>50</b>	47	<b>105</b>	97
Insurance/takaful and indemnities	<b>1</b>	31	<b>11</b>	60
Other establishment costs	<b>791</b>	843	<b>1,655</b>	1,710
	<b>7,947</b>	6,722	<b>15,546</b>	13,386

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****28 OTHER OVERHEADS AND EXPENDITURES (continued)**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
30/6/2014	30/6/2013	30/6/2014	30/6/2013	
	RM'000	RM'000	RM'000	RM'000
<b>Marketing expenses</b>				
Business promotion and advertisement	366	124	541	157
Entertainment	95	79	198	170
Traveling and accommodation	215	323	424	575
Other marketing expenses	93	61	242	205
	<b>769</b>	<b>587</b>	<b>1,405</b>	<b>1,107</b>

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
30/6/2014	30/6/2013	30/6/2014	30/6/2013	
	RM'000	RM'000	RM'000	RM'000
<b>Administration and general expenses</b>				
Telecommunication expenses	325	218	616	439
Auditors' remuneration	118	95	228	171
Professional fees	372	261	566	490
Mail and courier charges	193	105	341	254
Stationery and consumables	616	496	1,186	1,108
Commissions expenses	76	39	132	91
Brokerage expenses	96	34	163	54
Directors' fees and allowances	393	282	718	737
Donations	53	24	59	28
Settlement, clearing and bank charges	124	69	278	171
Stamp duties	3	-	3	1
Other administration and general expenses	63	161	117	284
	<b>2,432</b>	<b>1,784</b>	<b>4,407</b>	<b>3,828</b>
	<b>11,148</b>	<b>9,093</b>	<b>21,358</b>	<b>18,321</b>

**29 COMMITMENTS AND CONTINGENCIES**

	Current financial quarter ended				Previous financial year ended			
	30/6/2014				31/12/2013			
Economic Entity and The Bank	Positive fair value of		* Risk-weighted		Positive fair value of		* Risk-weighted	
	Principal Amount	derivative contracts	* Credit Equivalent	Amount	Principal Amount	derivative contracts	* Credit Equivalent	Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	9,187	-	9,187	7,658	8,454	-	8,454	6,876
Transaction-related contingent items	153,972	-	76,986	74,340	125,567	-	62,784	60,717
Short-term self-liquidating trade-related contingencies	148,741	-	29,748	10,510	220,392	-	44,078	13,104
Irrevocable commitments to extend credit:								
- Maturity less than one year	1,207,335	-	241,467	194,536	978,152	-	195,630	157,426
- Maturity more than one year	264,151	-	132,076	117,793	334,624	-	167,312	151,793
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	36,547	-	-	-	-	-	-	-
Foreign exchange related contracts								
- Less than one year	216,325	339	1,318	1,052	-	-	-	-
	<b>2,036,258</b>	<b>339</b>	<b>490,782</b>	<b>405,889</b>	<b>1,667,189</b>	<b>-</b>	<b>478,258</b>	<b>389,916</b>

\* The credit equivalent amount and risk-weighted amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****30 FAIR VALUE MEASUREMENTS**

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

- (a) Level 1 - quoted price (unadjusted) in active markets for identical assets and liabilities;
- (b) Level 2 - inputs other than quoted price included within level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 - inputs for the asset and liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Economic Entity and The Bank</b>				
<b>30/6/2014</b>				
<b>Assets</b>				
Financial investments available- for-sale				
- Private debt securities	-	479,430	-	479,430
- Equity securities	-	-	25	25
- Other financial assets	-	1,009,085	-	1,009,085

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Economic Entity and The Bank</b>				
<b>31/12/2013</b>				
<b>Assets</b>				
Financial investments available- for-sale				
- Private debt securities	-	509,716	-	509,716
- Equity securities	-	-	69	69
- Other financial assets	-	773,338	-	773,338

Financial instruments that are valued using quoted prices in active market are classified as Level 1 of the valuation hierarchy. These would include listed equities which are actively traded.

Where fair value is determined using quoted prices 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. These would include corporate private debt securities and corporate notes.

The Bank classify financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The Bank may also use valuation models or discounted cash flow technique to determine the fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models.

## **AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

### **MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

#### **30 FAIR VALUE MEASUREMENTS (continued)**

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2014 RM'000</b>	<b>Previous Financial Year-End 31/12/2013 RM'000</b>
Opening	<b>69</b>	69
AFS revaluation reserves	<b>506</b>	-
Allowance for impairment	<b>(550)</b>	-
Closing	<b>25</b>	69

#### **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.

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 estimates is appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****31 CAPITAL MANAGEMENT**

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012.

The Bank is currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 4.0% and 5.5% respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.0% (2013 : 8.0%) for total capital ratio.

The Bank has adopted and to comply with the Guidelines and are subject to the transition arrangements as set out by BNM.

The Bank's objectives when managing capital, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the management which takes into account the risk profile of the Bank.

The table in Note 32 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 30 June 2014.

**32 CAPITAL ADEQUACY**

The capital adequacy ratios are as follows:

	<b>Economic Entity</b>		<b>The Bank</b>	
	<b>Current</b>	Previous	<b>Current</b>	Previous
	<b>Financial</b>	Financial	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End	<b>Quarter</b>	Year-End
	<b>30/6/2014</b>	31/12/2013	<b>30/6/2014</b>	31/12/2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Paid-up share capital	<b>360,000</b>	360,000	<b>360,000</b>	360,000
Retained profits	<b>178,316</b>	178,316	<b>178,966</b>	178,966
Statutory reserves	<b>173,026</b>	173,026	<b>173,026</b>	173,026
Unrealised gains and losses on AFS	<b>(7,333)</b>	(9,112)	<b>(7,333)</b>	(9,112)
	<b>704,009</b>	702,230	<b>704,659</b>	702,880
Less:				
Goodwill and other intangibles	<b>(1,279)</b>	-	<b>(1,279)</b>	-
Deferred tax assets	<b>(2,064)</b>	(773)	<b>(2,064)</b>	(773)
Investment in subsidiaries/associates/ jointly controlled entity	-	-	<b>(130)</b>	-
<b>CET1 Capital</b>	<b>700,666</b>	701,457	<b>701,186</b>	702,107
<b>Tier 1 Capital</b>	<b>700,666</b>	701,457	<b>701,186</b>	702,107

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****32 CAPITAL ADEQUACY (continued)**

	<b>Economic Entity</b>		<b>The Bank</b>	
	<b>Current Financial Quarter Financial 30/6/2014 RM'000</b>	<b>Previous Financial Year-End Financial 31/12/2013 RM'000</b>	<b>Current Financial Quarter Financial 30/6/2014 RM'000</b>	<b>Previous Financial Year-End Financial 31/12/2013 RM'000</b>
Collective impairment ^	<b>21,196</b>	20,470	<b>21,196</b>	20,470
Less:				
Investment in subsidiaries/associates/ jointly controlled entity	-	(650)	<b>(520)</b>	(650)
<b>Tier II capital</b>	<b>21,196</b>	19,820	<b>20,676</b>	19,820
<b>Total capital</b>	<b>721,862</b>	721,277	<b>721,862</b>	721,927
CET1 capital ratio	<b>13.006%</b>	13.876%	<b>13.015%</b>	13.889%
Tier 1 capital ratio	<b>13.006%</b>	13.876%	<b>13.015%</b>	13.889%
Total capital ratio	<b>13.399%</b>	14.269%	<b>13.399%</b>	14.281%
CET1 capital ratio (net of proposed dividends)	<b>13.006%</b>	13.876%	<b>13.015%</b>	13.889%
Tier 1 capital ratio (net of proposed dividends)	<b>13.006%</b>	13.876%	<b>13.015%</b>	13.889%
Total capital ratio (net of proposed dividends)	<b>13.399%</b>	14.269%	<b>13.399%</b>	14.281%

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



**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014****32 CAPITAL ADEQUACY (continued)**

Breakdown of gross risk weighted assets in the various categories of risk-weights:

	Economic Entity		The Bank	
	Principal Current Financial Quarter 30/6/2014 RM'000	Principal Previous Financial Year-End 31/12/2013 RM'000	Principal Current Financial Quarter 30/6/2014 RM'000	Principal Previous Financial Year-End 31/12/2013 RM'000
0%	3,800,400	5,524,677	3,800,400	5,524,677
10%	-	-	-	-
20%	521,029	743,693	521,029	743,693
35%	1,371,334	1,219,206	1,371,334	1,219,206
50%	171,730	221,326	171,730	221,326
75%	2,104,778	2,006,120	2,104,778	2,006,120
100%	2,599,759	2,440,815	2,599,759	2,440,815
150%	54,713	53,693	54,713	53,693
Total risk-weighted assets for credit risk	<b>10,623,743</b>	<b>12,209,530</b>	<b>10,623,743</b>	<b>12,209,530</b>

	Economic Entity		The Bank	
	Risk- Weighted Current Financial Quarter 30/6/2014 RM'000	Risk- Weighted Previous Financial Year-End 31/12/2013 RM'000	Risk- Weighted Current Financial Quarter 30/6/2014 RM'000	Risk- Weighted Previous Financial Year-End 31/12/2013 RM'000
0%	-	-	-	-
10%	-	-	-	-
20%	104,206	148,739	104,206	148,739
35%	479,967	426,722	479,967	426,722
50%	85,865	110,663	85,865	110,663
75%	1,578,584	1,504,590	1,578,584	1,504,590
100%	2,599,759	2,440,815	2,599,759	2,440,815
150%	82,069	80,539	82,069	80,539
Total risk-weighted assets for credit risk	<b>4,930,450</b>	<b>4,712,068</b>	<b>4,930,450</b>	<b>4,712,068</b>
Risk-weighted assets for market risk	<b>107,812</b>	<b>3,570</b>	<b>107,812</b>	<b>3,570</b>
Risk-weighted assets for operational risk	<b>349,185</b>	<b>339,365</b>	<b>349,185</b>	<b>339,365</b>
Total risk-weighted assets	<b>5,387,447</b>	<b>5,055,003</b>	<b>5,387,447</b>	<b>5,055,003</b>

Effective 1 January 2008, the Bank's capital ratios is being computed in accordance with the RWCAF (Basel II - Risk Weighted Assets Computation) or Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

The following information concerning the Bank's risk exposures are disclosed in Appendix I, II, III and IV.

## **AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

### **MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

#### **33 REVIEW OF PERFORMANCE OF THE BANK**

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

During the 2nd quarter of 2014, the Bank registered a profit before tax of RM21.0 million as compared to the previous year's corresponding quarter of RM23.0 million, a decrease of RM2.0 million or 8.7%.

This was due to:

- i) higher income attributable to the depositors' funds by RM8.4 million.
- ii) higher operating expenses by RM5.0 million.
- iii) higher allowances for losses on financing by RM0.4 million.
- iv) higher impairment losses on securities of RM0.6 million.

The above was off-set by:

- i) higher income derived from investment of depositors' funds and others by RM11.4 million.
- ii) higher income derived from investment of shareholders' funds by RM1.0 million.

#### **34 COMMENT ON FINANCIAL RESULTS**

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

The Bank's profit before tax for 2nd quarter of 2014 stood at RM21.0 million as compared to RM21.0 million reported in the 1st quarter of 2014. There is a small marginal increase at 0.1%.

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

- i) higher income derived from investment of depositors' funds and others by RM0.8 million
- ii) higher income derived from investment of shareholders' funds by RM0.7 million.
- iii) higher net writeback of allowances for losses on financing by RM0.2 million.
- iv) lower income attributable to the depositors' funds by RM0.7 million.

The above was off-set by:

- i) higher other operating expenses by RM1.8 million.
- ii) higher impairment losses on securities of RM0.6 million.

#### **35 PROSPECT FOR THE CURRENT FINANCIAL YEAR**

The Malaysian economy registered a strong growth of 6.2 percent in the first quarter of 2014 (4Q 2013: 5.1%), driven by a stronger expansion in domestic demand with a turnaround in net exports (14.9%).

On the supply side, growth was supported by the major economic sectors. The services sector expanded further, driven by the improvement in finance and insurance and sustained growth in retail, communication and production related services. Growth in the manufacturing sector was underpinned by the stronger performance in the export-oriented industries. The construction sector recorded stronger growth, driven mainly by the residential sub-sector.

On the demand side, the expansion in private final consumption expenditure, gross fixed capital formation and a brisk recovery in external demand have boosted the growth. Private final consumption expenditure rose to 7.1 percent supported by higher consumption on food & beverages, communication and transport, in line with steady momentum in retail activities. The higher external demand for electrical & electronics and petroleum products has influenced the exports' expansion.

## **AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

### **MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2014**

#### **35 PROSPECT FOR THE CURRENT FINANCIAL YEAR (continued)**

Moving forward, judging by the exceptionally strong 1Q14 GDP growth and positive outlook for the rest of the year, we expect that Malaysian economy to remain on a steady growth path and GDP to expand at a faster rate to achieve the projection between 4.5% and 5.5% in the 2H2014. The strong growth trends factors and driven by strong demand together with the government's comprehensive and coherent strategy is in line to increase the proportion of Islamic financing to 40 percent of total domestic financing by 2020 from 24 percent at the end of May 2014.

For 2H14, AFFIN Islamic ('The Bank') will continue to focus on both Consumer and Business Financing using globally accepted Shariah concepts. For the period 1H14, the Bank had launched two new financing products; namely Affin Tawarruq Term Financing-i and Hajj Umrah & Ziarah Financing-i to further increase its financing products offering and will continue to introduce new products to generate new areas of growth for the Bank.

On deposit taking activities, the Bank will continue to source cheap deposits, namely from Current and Saving Accounts, and will continue to focus on increasing its retail deposits base. With the introduction of the Islamic Financial Services Act 2013 ('IFSA'), the Bank has also introduced Term Deposit-i (TD-i) as an alternative to replace General Investment Account which has been classified as an investment product, thus no longer be considered as a deposit product. The purpose of introducing TD-i is to ensure that customers will continue to enjoy the benefit of principal amount guaranteed by the Bank with certainty in profit amount payment. In addition, the Bank has also reclassified all Current Account and Saving Account products using Mudharabah Shariah concept to Wadiah concept to ensure that these products continue to remain classified as deposit product under the IFSA.

#### **36 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

The Bank's profit before tax registered an adverse variance of RM13.0 million. The main contributing factors are follows:

Net income and other operating income

The net income and other operating income showed an adverse variance of RM10.4 million.

Other operating expenses

Operating costs showed an adverse variance of RM1.5 million.

Allowance for losses on financing

Allowance for losses on financing showed an adverse variance of RM0.5 million.

Impairment losses on securities

Impairment losses on securities showed an adverse variance of RM0.6 million.

#### **37 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)	623,493
ii)	The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	7%
iii)	The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures**

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

Economic Entity/The Bank

30.6.2014

	Exposure Class	Gross Exposures		Net Exposures	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
		/EAD before CRM	/EAD after CRM				
<b>1</b>	<b><u>CREDIT RISK</u></b>						
	<u>On Balance Sheet Exposures</u>						
	Corporates	2,606,203	2,528,196	2,082,668	2,082,668	166,614	
	Regulatory Retail	2,041,147	2,032,052	1,524,093	1,524,093	121,927	
	Other Assets	337,098	337,098	35,266	35,266	2,821	
	Sovereigns/Central Banks	3,279,115	3,279,115	-	-	-	
	Banks, Development Financial Institutions & MDBs	165,487	165,487	29,233	29,233	2,339	
	Insurance Companies, Securities Firms & Fund Managers	95,220	95,220	95,220	95,220	7,617	
	Residential Mortgages	1,621,972	1,613,762	641,541	641,541	51,323	
	Higher Risk Assets	18,048	17,991	26,986	26,986	2,159	
	Defaulted Exposures	72,961	72,954	89,555	89,555	7,165	
	<b>Total for On-Balance Sheet Exposures</b>	<b>10,237,251</b>	<b>10,141,875</b>	<b>4,524,562</b>	<b>4,524,562</b>	<b>361,965</b>	
	<u>Off Balance Sheet Exposures</u>						
	Off Balance sheet Exposures other than OTC derivatives or credit derivatives	490,206	481,293	405,026	405,026	32,402	
	Defaulted Exposures	575	575	862	862	69	
	<b>Total for Off-Balance Sheet Exposures</b>	<b>490,781</b>	<b>481,868</b>	<b>405,888</b>	<b>405,888</b>	<b>32,471</b>	
	<b>Total for On and Off-Balance Sheet Exposures</b>	<b>10,728,032</b>	<b>10,623,743</b>	<b>4,930,450</b>	<b>4,930,450</b>	<b>394,436</b>	
<b>2</b>	<b><u>MARKET RISK</u></b>						
		<b>Long Position</b>	<b>Short Position</b>				
	Interest Rate Risk	64,785	64,629	156	1,419	113	
	Foreign Currency Risk	106,393	-	106,393	-	8,511	
<b>3</b>	<b><u>OPERATIONAL RISK</u></b>						
	Operational Risk			349,185		27,935	
	<b>Total RWA and Capital Requirements</b>			<b>5,387,447</b>	<b>4,930,450</b>	<b>430,995</b>	

OTC "Over The Counter"

PSIA "Profit Sharing Investment Account"

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)****Disclosure on Capital Adequacy under the Standardised Approach (RM'000)****Economic Entity/The Bank**

31.12.2013

	Exposure Class	Gross Exposures /EAD before CRM		Net Exposures /EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	<b>CREDIT RISK</b>						
	<u>On Balance Sheet Exposures</u>						
	Corporates	2,390,334	2,316,288		1,869,029	1,869,029	149,523
	Regulatory Retail	1,947,267	1,941,537		1,456,361	1,456,361	116,509
	Other Assets	308,198	308,198		28,746	28,746	2,300
	Sovereigns/Central Banks	5,015,942	5,015,942		-	-	-
	Banks, Development Financial Institutions & MDBs	385,870	385,870		73,342	73,342	5,867
	Insurance Companies, Securities Firms & Fund Managers	110,249	110,249		95,210	95,210	7,617
	Residential Real Estate (RRE) Financing	1,578,649	1,571,093		677,007	677,007	54,161
	Higher Risk Assets	21,118	21,106		31,660	31,660	2,533
	Defaulted Exposures	77,349	77,338		90,797	90,797	7,262
	Total for On-Balance Sheet Exposures	11,834,976	11,747,621		4,322,152	4,322,152	345,772
	<u>Off Balance Sheet Exposures</u>						
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	477,565	461,215		388,876	388,876	31,110
	Defaulted Exposures	694	694		1,040	1,040	83
	Total for Off-Balance Sheet Exposures	478,259	461,909		389,916	389,916	31,193
	Total for On and Off-Balance Sheet Exposures	12,313,235	12,209,530		4,712,068	4,712,068	376,965
2	<b>MARKET RISK</b>						
		Long Position	Short Position				
	Foreign Currency Risk	3,570	-	3,570	3,570	-	286
3	<b>OPERATIONAL RISK</b>						
	Operational Risk				339,365		27,149
	Total RWA and Capital Requirements				5,055,003	4,712,068	404,400

OTC "Over The Counter"

PSIA "Profit Sharing Investment Account"

**AFFIN Islamic Bank Berhad****(Incorporated in Malaysia)****BASEL II Pillar 3 Disclosures (continued)****Disclosure on Capital Adequacy under the Standardised Approach (RM'000)**

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. The Bank's Capital-at-Risk ('CaR') is defined as the amount of the Bank's capital that is exposed to the risk of unexpected losses arising particularly from movements in profit rates and foreign exchange rates. A CaR Limit is set as a management trigger to ensure that the Bank's exposure to such movements do not compromise the Bank's capital adequacy. The Bank is currently adopting BNM's Standardised Approach for the computation of market risk capital charges. The market risk capital charges addresses among others, capital requirement for market risk which includes the profit rate risk pertaining to the Bank's exposure in the trading book as well as foreign exchange risk in the trading and banking books.

The computation of market risk capital charge covers the following outstanding financial instruments:

- a) Foreign Exchange
- b) Islamic Profit Rate Swap
- c) Cross Currency Swap ('CCS')
- d) Fixed Income instruments (i.e. Private Debt and Government Securities)

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

## BASEL II Pillar 3 Disclosures (continued)

## Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)

Economic Entity/The Bank

30.6.2014

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitization	Equity		
0%	3,301,931	-	19,320	-	183,566	-	-	-	295,583	-	-	-	3,800,400	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	24,048	-	149,497	-	339,671	-	-	-	7,813	-	-	-	521,029	104,206
35%	-	-	-	-	-	-	1,371,334	-	-	-	-	-	1,371,334	479,967
50%	-	-	142	-	7,651	-	163,937	-	-	-	-	-	171,730	85,865
70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	2,104,406	372	-	-	-	-	-	2,104,778	1,578,584
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	95,220	2,355,294	3,079	112,206	256	33,704	-	-	-	2,599,759	2,599,759
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	7,360	16,449	11,425	19,479	-	-	-	-	54,713	82,069
250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight														
Deduction from Capital Base														

PSE "Public Sector Entities"

MDB "Multilateral Development Banks"

FDI "Financial Development Institutions"

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)****Disclosure on Credit Risk: Disclosures on Risk Weights (RM'000)**

Economic Entity/The Bank

31.12.2013

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitization	Equity		
0%	5,020,813	-	19,161	15,039	193,530	-	-	-	276,134	-	-	-	5,524,677	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	38,677	-	370,195	-	330,674	-	-	-	4,147	-	-	-	743,693	148,739
35%	-	-	-	-	-	-	1,219,206	-	-	-	-	-	1,219,206	426,722
50%	-	-	1,800	-	15,158	-	204,368	-	-	-	-	-	221,326	110,663
70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	2,000,002	6,118	-	-	-	-	-	2,006,120	1,504,590
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	115,137	2,125,904	2,887	168,765	205	27,917	-	-	-	2,440,815	2,440,815
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	1,601	17,768	12,373	21,951	-	-	-	-	53,693	80,539
250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight														
Deduction from Capital Base														

PSE "Public Sector Entities"

MDB "Multilateral Development Banks"

FDI "Financial Development Institutions"



**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)**

- (i) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)**  
**Economic Entity/The Bank**  
**30.6.2014**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<b>On and Off-Balance-Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
		-	-	-	-	-
	Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	95,220
	Corporates	19,915	7,500	30,000	-	2,920,032
	<b>Total</b>	19,915	7,500	30,000	-	3,015,252

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)**(i) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)****Economic Entity/The Bank**

31.12.2013

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	130,849
Corporates		22,099	15,000	-	-	2,717,535
Total		22,099	15,000	-	-	2,848,384

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)****(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)**

Economic Entity/The Bank

30.6.2014

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<b>On and Off-Balance-Sheet Exposures</b>							
Sovereigns and Central Banks		-	3,325,979	-	-	-	-
<b>Total</b>		-	3,325,979	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<b>On and Off-Balance-Sheet Exposures</b>							
Banks, MDBs and FDIs		3,086	26,167	-	-	-	139,706
<b>Total</b>		3,086	26,167	-	-	-	139,706

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)****(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)****Economic Entity/The Bank**

31.12.2013

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Sovereigns and Central Banks		-	5,059,490	-	-	-	-
Total		-	5,059,490	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	CI+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Banks, MDBs and FDIs		63,486	26,709	-	-	-	300,961
Total		63,486	26,709	-	-	-	300,961

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)**

- a) **Disclosures on Credit Risk Mitigation (RM'000)**  
**Economic Entity/The Bank**  
**30.6.2014**

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	3,279,115	-	-	-
Banks, Development Financial Institutions & MDBs	165,487	-	-	-
Insurance Cos, Securities Firms & Fund Managers	95,220	-	-	-
Corporates	2,606,203	-	83,904	-
Regulatory Retail	2,041,147	-	12,110	-
Residential Mortgages	1,621,972	-	8,210	-
Higher Risk Assets	18,048	-	57	-
Other Assets	337,098	-	-	-
Defaulted Exposures	72,961	-	-	-
<b>Total for On-Balance Sheet Exposures</b>	<b>10,237,251</b>	<b>-</b>	<b>104,281</b>	<b>-</b>
<b>Off-Balance Sheet Exposures</b>				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	490,206	-	-	-
Defaulted Exposures	575	-	8	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>490,781</b>	<b>-</b>	<b>8</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>10,728,032</b>	<b>-</b>	<b>104,289</b>	<b>-</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)****a) Disclosures on Credit Risk Mitigation (RM'000)****Economic Entity/The Bank**

31.12.2013

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	5,015,942	-	-	-
Banks, Development Financial Institutions & MDBs	385,870	-	-	-
Insurance Cos, Securities Firms & Fund Managers	110,249	-	673	-
Corporates	2,390,334	3,200	87,768	-
Regulatory Retail	1,947,267	-	7,684	-
Residential Mortgages	1,578,649	-	7,557	-
Higher Risk Assets	21,118	-	12	-
Other Assets	308,198	-	-	-
Defaulted Exposures	77,349	-	11	-
<b>Total for On-Balance Sheet Exposures</b>	<b>11,834,976</b>	<b>3,200</b>	<b>103,705</b>	<b>-</b>
<u>Off-Balance Sheet Exposures</u>				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	477,565	-	-	-
Defaulted Exposures	694	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>478,259</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>12,313,235</b>	<b>3,200</b>	<b>103,705</b>	<b>-</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)****b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000)**

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cashflows. An economic loss could occur if the transactions with the counterparty has a positive economic value for the Bank at the time of default.

In contrast to the exposure to credit risk through a financing, where the exposure to credit risk is unilateral and only the financing bank faces the risk of loss, Counterparty Credit Risk creates a bilateral risk of loss where the market value for many types of transactions can be positive or negative to either counterparty.

In respect of Off-balance sheet items, the credit risk inherent in each off-balance sheet instrument is translated into an on-balance sheet exposure equivalent (credit equivalent) by multiplying the nominal principal amount with a credit conversion factor ('CCF') as prescribed by the Standardised Approach under the Risk Weighted Capital Adequacy Framework. The resulting amount is then weighted against the risk weight of the counterparty. In addition, counterparty risk weights for over-the-counter ('OTC') derivative transactions will be determined based on the external rating of the counterparty and will not be subject to any specific ceiling.

**Economic Entity/The Bank****30.6.2014**

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	9,187		9,187	7,658
Transaction related contingent Items	153,972		76,986	74,339
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	264,151		132,076	117,793
Short Term Self Liquidating trade related contingencies	148,741		29,748	10,510
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,207,335		241,466	194,536
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	36,547		-	-
<b>Foreign exchange related contracts</b>				
-less than one year	216,325	339	1,318	1,052
<b>Total</b>	<b>2,036,258</b>	<b>339</b>	<b>490,781</b>	<b>405,888</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)****b) Disclosure on Off Balance Sheet and Counterparty Credit Risk (RM'000)****Economic Entity/The Bank**

31.12.2013

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	8,454		8,454	6,876
Transaction related contingent Items	125,567		62,784	60,717
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	334,624		167,312	151,793
Short Term Self Liquidating trade related contingencies	220,392		44,078	13,104
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	978,152		195,630	157,426
<b>Total</b>	<b>1,667,189</b>	<b>-</b>	<b>478,258</b>	<b>389,916</b>



**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**BASEL II Pillar 3 Disclosures (continued)****c) Disclosures on Market Risk - Profit Rate Risk/Rate of Return Risk in the Banking Book (RM million)**

Profit rate risk is the current and prospective impact to the Bank's financial condition due to adverse changes in the profit rates to which the statement of financial position is exposed. The objective is to manage profit rate risk to achieve stable and sustainable net gap income in the long term which impact can be viewed from the perspectives of (1) earnings in the next 12 months, and (2) economic value.

(1) Next 12 months' Earnings - Profit rate risk from the earnings perspective is the impact based on changes to the net gap income over the next 12 months. This risk is measured monthly through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in profit rates across the yield curve. The prospective change to the net gap income is measured using an Asset Liability Management simulation model which incorporates the assessment of both existing and new business.

(2) Economic Value - Measuring the change in the economic value of equity is an assessment of the long term impact to the earnings potential. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in profit rates.

The above calculations do not take into account loan prepayments.

Type of Currency	The Bank/Economic Entity 30.6.2014		The Bank/Economic Entity 31.12.2013	
	Impact on Positions (100 basis points) Parallel Shift		Impact on Positions (100 basis points) Parallel Shift	
	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value
Ringgit Malaysia	3.2	45.8	3.4	101.5
US Dollar	(0.4)	-	(0.4)	-
<b>Total</b>	<b>2.8</b>	<b>45.8</b>	<b>3.0</b>	<b>101.5</b>