

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 30 September 2016**

	Note	Economic Entity		The Bank	
		Current Financial Quarter 30/9/2016 RM'000	Previous Financial Year-End 31/12/2015 RM'000	Current Financial Quarter 30/9/2016 RM'000	Previous Financial Year-End 31/12/2015 RM'000
<b>ASSETS</b>					
Cash and short-term funds		1,647,606	1,918,570	1,647,606	1,918,570
Deposits and placements with banks and other financial institutions		100,009	35,034	100,009	35,034
Derivative financial assets	13	5,796	132	5,796	132
Financial investments available-for-sale	14	1,631,698	1,475,373	1,631,698	1,475,373
Financial investments held-to-maturity	15	73,402	76,283	73,402	76,283
Financing, advances and other financing	16	11,054,038	9,201,909	11,054,038	9,201,909
Other assets	17	6,705	3,759	6,705	3,759
Amount due from holding company		185,530	367,172	185,530	367,172
Amount due from joint ventures	18	45,832	39,936	45,832	39,936
Deferred tax assets		-	3,598	-	3,598
Statutory deposits with Bank Negara Malaysia		327,500	259,600	327,500	259,600
Investment in joint ventures		-	-	650	650
Property and equipment		2,551	2,613	2,551	2,613
Intangible assets		78	426	78	426
<b>TOTAL ASSETS</b>		<b>15,080,745</b>	<b>13,384,405</b>	<b>15,081,395</b>	<b>13,385,055</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	10,268,494	10,001,695	10,268,494	10,001,695
Deposits and placements of banks and other financial institutions	20	1,524,523	1,041,392	1,524,523	1,041,392
Investment accounts due to designated financial institutions	21	2,112,540	1,331,318	2,112,540	1,331,318
Derivative financial liabilities	22	6,831	1,035	6,831	1,035
Other liabilities	23	101,661	44,119	101,661	44,119
Provision for taxation		8,067	10,031	8,067	10,031
Deferred tax liabilities		4,162	-	4,162	-
<b>TOTAL LIABILITIES</b>		<b>14,026,278</b>	<b>12,429,590</b>	<b>14,026,278</b>	<b>12,429,590</b>
Share capital		460,000	460,000	460,000	460,000
Reserves	24	594,467	494,815	595,117	495,465
<b>TOTAL EQUITY</b>		<b>1,054,467</b>	<b>954,815</b>	<b>1,055,117</b>	<b>955,465</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>15,080,745</b>	<b>13,384,405</b>	<b>15,081,395</b>	<b>13,385,055</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	31	2,748,832	2,499,754	2,748,832	2,499,754
<b>Capital Adequacy</b>					
CET1 capital ratio	34	12.592%	13.197%	12.596%	13.203%
Tier 1 capital ratio	34	12.592%	13.197%	12.596%	13.203%
Total capital ratio	34	13.716%	14.415%	13.716%	14.415%

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED INCOME STATEMENTS for the financial quarter ended 30 September 2016**

	Note	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
		Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000	Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000
Income derived from investment of depositors' funds and others	25	<b>142,059</b>	132,621	<b>415,514</b>	358,037
Income derived from investment of investment account funds	26	<b>26,535</b>	10,020	<b>72,254</b>	50,829
Income derived from investment of shareholders' funds	27	<b>13,274</b>	10,210	<b>37,335</b>	28,565
(Allowances for)/write-back of impairment losses on financing, advances and other financing	28	<b>(7,101)</b>	(3,032)	<b>1,772</b>	(4,943)
<b>Total distributable income</b>		<b>174,767</b>	149,819	<b>526,875</b>	432,488
Income attributable to the depositors	29	<b>(111,949)</b>	(89,380)	<b>(329,514)</b>	(262,402)
<b>Total net income</b>		<b>62,818</b>	60,439	<b>197,361</b>	170,086
Other operating expenses	30	<b>(34,220)</b>	(28,607)	<b>(97,332)</b>	(86,399)
<b>Profit before zakat and taxation</b>		<b>28,598</b>	31,832	<b>100,029</b>	83,687
Zakat		-	-	<b>(2,887)</b>	-
<b>Profit before taxation</b>		<b>28,598</b>	31,832	<b>97,142</b>	83,687
Taxation		<b>(7,818)</b>	(8,378)	<b>(21,717)</b>	(20,851)
<b>Net profit after zakat and taxation</b>		<b>20,780</b>	23,454	<b>75,425</b>	62,836
<b>Attributable to:</b>					
Equity holders of the Bank		<b>20,780</b>	23,454	<b>75,425</b>	62,836
<b>Earnings per share (sen):</b>					
- Basic		<b>4.5</b>	6.5	<b>16.4</b>	17.5

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME***for the financial quarter ended 30 September 2016(continued)*

	<b>Individual Quarter Economic Entity</b>		<b>Cumulative Quarter Economic Entity</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Preceding Year Corresponding Quarter 30/9/2015 RM'000</b>	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Preceding Year Corresponding Quarter 30/9/2015 RM'000</b>
<b>Profit after zakat and taxation</b>	<b>20,780</b>	23,454	<b>75,425</b>	62,836
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in financial investments available-for-sale	<b>10,040</b>	(19,006)	<b>31,877</b>	(16,121)
Deferred tax on financial investments available-for-sale	<b>(2,409)</b>	4,562	<b>(7,650)</b>	3,870
Other comprehensive income for the financial period, net of tax	<b>7,631</b>	(14,444)	<b>24,227</b>	(12,251)
<b>Total comprehensive income for the financial period</b>	<b>28,411</b>	9,010	<b>99,652</b>	50,585
<b>Attributable to equity holders of the Bank:</b>				
- Total comprehensive income	<b>28,411</b>	9,010	<b>99,652</b>	50,585

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED INCOME STATEMENTS for the financial quarter ended 30 September 2016***(continued)*

	Note	Individual Quarter The Bank		Cumulative Quarter The Bank	
		Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000	Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000
Income derived from investment of depositors' funds and others	25	<b>142,059</b>	132,621	<b>415,514</b>	358,037
Income derived from investment of investment account funds	26	<b>26,535</b>	10,020	<b>72,254</b>	50,829
Income derived from investment of shareholders' funds	27	<b>13,274</b>	10,210	<b>37,335</b>	28,565
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<b>Total distributable income</b>		<b>174,767</b>	149,819	<b>526,875</b>	432,488
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<b>Total net income</b>		<b>62,818</b>	60,439	<b>197,361</b>	170,086
Other operating expenses	30	<b>(34,220)</b>	(28,607)	<b>(97,332)</b>	(86,399)
<b>Profit before zakat and taxation</b>		<b>28,598</b>	31,832	<b>100,029</b>	83,687
Zakat		-	-	<b>(2,887)</b>	-
<b>Profit before taxation</b>		<b>28,598</b>	31,832	<b>97,142</b>	83,687
Taxation		<b>(7,818)</b>	(8,378)	<b>(21,717)</b>	(20,851)
<b>Net profit after zakat and taxation</b>		<b>20,780</b>	23,454	<b>75,425</b>	62,836
<b>Attributable to:</b>					
Equity holders of the Bank		<b>20,780</b>	23,454	<b>75,425</b>	62,836
<b>Earnings per share (sen):</b>					
- Basic		<b>4.5</b>	6.5	<b>16.4</b>	17.5

**AFFIN Islamic Bank Berhad**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
*for the financial quarter ended 30 September 2016(continued)*

	Individual Quarter		Cumulative Quarter	
	The Bank		The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
<b>Profit after zakat and taxation</b>	<b>20,780</b>	23,454	<b>75,425</b>	62,836
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in financial investments available-for-sale	<b>10,040</b>	(19,006)	<b>31,877</b>	(16,121)
Deferred tax on financial investments available-for-sale	<b>(2,409)</b>	4,562	<b>(7,650)</b>	3,870
Other comprehensive income for the financial period, net of tax	<b>7,631</b>	(14,444)	<b>24,227</b>	(12,251)
<b>Total comprehensive income for the financial period</b>	<b>28,411</b>	9,010	<b>99,652</b>	50,585
<b>Attributable to equity holders of the Bank:</b>				
- Total comprehensive income	<b>28,411</b>	9,010	<b>99,652</b>	50,585

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
*for the financial quarter ended 30 September 2016*

	Attributable to Equity Holders of the Bank					Total
	Share capital	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	
Economic Entity	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2016</b>	<b>460,000</b>	<b>248,717</b>	<b>(7,908)</b>	<b>58,400</b>	<b>195,606</b>	<b>954,815</b>
Net profit for the financial period	-	-	-	-	75,425	75,425
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	24,227	-	-	24,227
Total comprehensive income	-	-	24,227	-	75,425	99,652
Transfer to statutory reserves/regulatory reserves	-	18,856	-	4,109	(22,965)	-
<b>At 30 September 2016</b>	<b>460,000</b>	<b>267,573</b>	<b>16,319</b>	<b>62,509</b>	<b>248,066</b>	<b>1,054,467</b>

  

	Attributable to Equity Holders of the Bank					Total
	Share capital	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	
Economic Entity	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2015</b>	<b>360,000</b>	<b>206,324</b>	<b>(5,876)</b>	<b>49,020</b>	<b>162,594</b>	<b>772,062</b>
Net profit for the financial period	-	-	-	-	62,836	62,836
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	(12,251)	-	-	(12,251)
Total comprehensive income	-	-	(12,251)	-	62,836	50,585
Transfer to statutory reserves/regulatory reserves	-	15,709	-	18,205	(33,914)	-
<b>At 30 September 2015</b>	<b>360,000</b>	<b>222,033</b>	<b>(18,127)</b>	<b>67,225</b>	<b>191,516</b>	<b>822,647</b>

**AFFIN Islamic Bank Berhad**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
*for the financial quarter ended 30 September 2016*  
(continued)

	Non-distributable			Distributable		Total
	Share capital	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2016</b>	<b>460,000</b>	<b>248,717</b>	<b>(7,908)</b>	<b>58,400</b>	<b>196,256</b>	<b>955,465</b>
Net profit for the financial period	-	-	-	-	75,425	75,425
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	24,227	-	-	24,227
Total comprehensive income	-	-	24,227	-	75,425	99,652
Transfer to statutory reserves/regulatory reserves	-	18,856	-	4,109	(22,965)	-
<b>At 30 September 2016</b>	<b>460,000</b>	<b>267,573</b>	<b>16,319</b>	<b>62,509</b>	<b>248,716</b>	<b>1,055,117</b>
The Bank	RM'000	RM'000	AFS revaluation reserves	Regulatory reserves	Retained profits	Total
<b>At 1 January 2015</b>	<b>360,000</b>	<b>206,324</b>	<b>(5,876)</b>	<b>49,020</b>	<b>163,244</b>	<b>772,712</b>
Net profit for the financial period	-	-	-	-	62,836	62,836
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	(12,251)	-	-	(12,251)
Total comprehensive income	-	-	(12,251)	-	62,836	50,585
Transfer to statutory reserves/regulatory reserves	-	15,709	-	18,205	(33,914)	-
<b>At 30 September 2015</b>	<b>360,000</b>	<b>222,033</b>	<b>(18,127)</b>	<b>67,225</b>	<b>192,166</b>	<b>823,297</b>

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS** for the financial quarter ended 30 September 2016

	Economic Entity		The Bank	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before taxation</b>	<b>97,142</b>	83,687	<b>97,142</b>	83,687
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments available-for-sale	(40,175)	(36,255)	(40,175)	(36,255)
- financial investments held-to-maturity	(4,003)	(4,252)	(4,003)	(4,252)
Accretion of discount less amortisation of premium:				
- financial investments available-for-sale	(3,893)	(6,307)	(3,893)	(6,307)
Gain on sale/redemption:				
- financial investments available-for-sale	(8,711)	(2,169)	(8,711)	(2,169)
Loss on unrealised foreign exchange	131	526	131	526
Depreciation of property and equipment	759	778	759	778
Property and equipment written-off	-	7	-	7
Amortisation of intangible assets	348	349	348	349
Net individual impairment	(9,323)	3,142	(9,323)	3,142
Net collective impairment	8,628	2,423	8,628	2,423
Bad debt on financing written-off	11	4	11	4
Zakat	2,887	-	2,887	-
<b>Operating profit before changes in working capital</b>	<b>43,801</b>	41,933	<b>43,801</b>	41,933
<i>(Increase)/Decrease in operating assets:</i>				
Deposits and placements with banks and other financial institutions	(64,975)	-	(64,975)	-
Financing, advances and other financing	(1,851,445)	(1,413,025)	(1,851,445)	(1,413,025)
Other assets	(5,212)	(3,350)	(5,212)	(3,350)
Statutory deposits with Bank Negara Malaysia	(67,900)	(1,000)	(67,900)	(1,000)
Amount due from holding company	181,642	242,058	181,642	242,058
Amount due from joint ventures	(5,896)	(22,174)	(5,896)	(22,174)
Derivative financial instruments	131	526	131	526
<i>Increase/(Decrease) in operating liabilities:</i>				
Deposits from customers	266,799	(1,026,922)	266,799	(1,026,922)
Deposits and placements of banks and other financial institutions	483,131	(465,718)	483,131	(465,718)
Investment accounts due to designated financial institutions	781,222	681,892	781,222	681,892
Amount due to holding company	-	94,226	-	94,226
Other liabilities	56,327	(1,641)	56,327	(1,641)
Cash used in operations	(182,375)	(1,873,195)	(182,375)	(1,873,195)
Zakat paid	(1,671)	(3,185)	(1,671)	(3,185)
Tax paid	(23,571)	(17,909)	(23,571)	(17,909)
<b>Net cash used in operating activities</b>	<b>(207,617)</b>	(1,894,289)	<b>(207,617)</b>	(1,894,289)



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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF CASH FLOWS** *for the financial quarter ended 30 September 2016*

*(continued)*

	Economic Entity		The Bank	
	30/9/2016 RM'000	30/9/2015 RM'000	30/9/2016 RM'000	30/9/2015 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Finance income and hibah received from:				
- financial investments available-for-sale	<b>40,175</b>	36,255	<b>40,175</b>	36,255
- financial investments held-to-maturity	<b>4,003</b>	4,252	<b>4,003</b>	4,252
Redemption of financial investments held-to-maturity	<b>2,880</b>	5,130	<b>2,880</b>	5,130
Net (purchase)/sale of financial investments available-for-sale	<b>(111,844)</b>	17,110	<b>(111,844)</b>	17,110
Purchase of property and equipment	<b>(533)</b>	(370)	<b>(533)</b>	(370)
<b>Net cash (used in)/generated from investing activities</b>	<b>(65,319)</b>	62,377	<b>(65,319)</b>	62,377
Net decrease in cash and cash equivalents	<b>(272,936)</b>	(1,831,912)	<b>(272,936)</b>	(1,831,912)
Net increase in foreign exchange	<b>1,972</b>	812	<b>1,972</b>	812
Cash and cash equivalents at beginning of the financial period	<b>1,918,570</b>	3,333,472	<b>1,918,570</b>	3,333,472
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>1,647,606</b>	1,502,372	<b>1,647,606</b>	1,502,372

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 SEPTEMBER 2016**

**1 BASIS OF PREPARATION**

This unaudited condensed interim financial information for the 9 months ended 30 September 2016 has been prepared in accordance with MFRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ('MASB'), Bank Negara Malaysia ('BNM') Guidelines and the requirements of the Companies Act, 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 2015, 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 2015.

**2 ACCOUNTING POLICIES**

The consolidated financial statements include the financial statements of the Bank and a joint ventures, made up to the quarter ended 30 September 2016.

The presentation of the comparative financial statements of the Bank has been restated to conform with the current period's presentation. The new and revised Malaysian Financial Reporting Standards ('MFRS') which became effective for the financial period beginning on or after 1 January 2016 are as follows:

Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016);  
Amendment to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016);  
MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial instruments : Recognition and Measurement' and  
MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The Bank will apply these standards when effective. The adoption of the above standards, amendments to published standards and interpretations to existing standards are not expected to have any significant impact on the financial statements of the Bank except for MFRS 9. The financial effect of adoption of MFRS 9 is still being assessed by the Bank.

**3 QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2015 was not qualified.

**4 SEASONAL OR CYCLICAL FACTORS**

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

## **AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

### **MFRS 134 INTERIM FINANCIAL REPORTING - 30 SEPTEMBER 2016**

#### **5 EXCEPTIONAL ITEMS**

There was no exceptional items for the quarter ended 30 September 2016.

#### **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 30 September 2016 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 September 2016 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 30 September 2016 audited accounts.

#### **11 PURCHASE AND SALE OF QUOTED SECURITIES**

There were no purchases or disposals of quoted securities for the quarter ended 30 September 2016 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 September 2016.

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 SEPTEMBER 2016**

**13 DERIVATIVE FINANCIAL ASSETS**

	<b>Economic Entity and The Bank</b>			
	<b>Current Financial Quarter</b>		<b>Previous Financial Year End</b>	
	<b>30/9/2016</b>		<b>31/12/2015</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	<b>292,064</b>	<b>5,796</b>	61,967	132
	<b>292,064</b>	<b>5,796</b>	61,967	132

**14 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
<b>At fair value</b>		
Money market instruments:		
Malaysian Government investment issues	<b>391,414</b>	613,857
Sukuk Perumahan Kerajaan	<b>132,473</b>	187,219
Khazanah Sukuk	<b>174,258</b>	165,280
	<b>698,145</b>	966,356
Unquoted securities:		
Shares in Malaysia	<b>1,250</b>	1,075
Corporate bonds/sukuk - in Malaysia	<b>932,303</b>	508,492
	<b>1,631,698</b>	1,475,923
Allowance for impairment losses	-	(550)
	<b>1,631,698</b>	1,475,373
<b>Movement in allowance for impairment losses</b>		
At beginning of the financial period	<b>550</b>	550
Writeback of allowance for impairment loss	<b>(550)</b>	
<b>At end of the financial period</b>	<b>-</b>	550

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**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>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
<b>At amortised cost</b>		
Unquoted securities:		
Corporate bonds/sukuk in Malaysia	<u>73,402</u>	76,283
	<u>73,402</u>	<u>76,283</u>

**16 FINANCING, ADVANCES AND OTHER FINANCING**

**(i) By type**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
Cash line	228,585	314,426
Term financing		
- House financing	2,621,228	2,096,258
- Hire purchase receivables	3,009,381	2,710,393
- Syndicated financing	445,984	490,723
- Business term financing	3,469,691	2,860,153
Bills receivables	2,873	36,637
Trust receipts	9,051	12,600
Claims on customers under acceptances credits	130,195	123,897
Staff financing (of which RM Nil to Directors)	11,211	9,536
Revolving credits	<u>1,194,523</u>	622,473
<b>Gross financing, advances and other financing</b>	<u>11,122,722</u>	9,277,096
Less:		
Allowance for impairment losses		
- Individual	(23,385)	(38,516)
- Collective	<u>(45,299)</u>	<u>(36,671)</u>
<b>Total net financing, advances and other financing</b>	<u>11,054,038</u>	9,201,909

Included in business term financing as at reporting date is RM53.7 million (31 December 2015: RM53.7 million) and RM81.7 million (31 December 2015: RM63.9 million) of term financing disbursed by the Bank to joint ventures with AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd respectively.

As at 30 September 2016, the gross exposure of financing and advances funded by RIA is RM2,115.3 million (31 December 2015: RM1,316.0 million). The collective allowance relating to RIA amounting to RM2.7 million (31 December 2015: RM2.7 million) is recognised in the financial statements of AFFIN Bank Berhad. During the period, no individual impairment provided on this RIA financing.

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	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	<b>Previous</b>
	<b>Financial</b>	<b>Financial</b>
	<b>Quarter</b>	<b>Year-End</b>
	<b>30/9/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	<b>1,810,220</b>	1,426,334
One year to three years	<b>1,145,827</b>	542,303
Three years to five years	<b>1,103,405</b>	927,366
Over five years	<b>7,063,270</b>	6,381,093
	<b><u>11,122,722</u></b>	<b><u>9,277,096</u></b>

**(iii) By contract**

Economic Entity and The Bank  
30/9/2016  
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musarakah	Istisna'	Others	Total
Cash line	-	-	-	127,971	-	-	100,614	228,585
Term financing								
House financing	944,639	-	-	1,187	1,675,402	-	-	2,621,228
Hire purchase receivables	-	-	3,009,381	-	-	-	-	3,009,381
Syndicated financing	-	142,716	-	204,495	-	-	98,773	445,984
Business term financing	433,195	636,844	-	1,444,829	221,966	726,988	5,869	3,469,691
Bills receivables	-	-	-	-	-	-	2,873	2,873
Trust receipts	-	-	-	9,051	-	-	-	9,051
Claims on customers under acceptance credits	-	-	-	130,195	-	-	-	130,195
Staff financing	7,847	-	-	3,364	-	-	-	11,211
Revolving credit	-	-	-	1,194,523	-	-	-	1,194,523
<b>Total Financing</b>	<b>1,385,681</b>	<b>779,560</b>	<b>3,009,381</b>	<b>3,115,615</b>	<b>1,897,368</b>	<b>726,988</b>	<b>208,129</b>	<b>11,122,722</b>

Economic Entity and The Bank  
31/12/2015  
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musarakah	Istisna'	Others	Total
Cash line	-	-	-	237,431	-	-	76,995	314,426
Term financing								
House financing	1,011,560	-	-	-	1,084,698	-	-	2,096,258
Hire purchase receivables	-	-	2,710,393	-	-	-	-	2,710,393
Syndicated financing	-	191,591	-	192,317	-	-	106,815	490,723
Business term financing	470,659	596,813	-	912,308	150,671	724,333	5,369	2,860,153
Bills receivables	-	-	-	-	-	-	36,637	36,637
Trust receipts	-	-	-	12,600	-	-	-	12,600
Claims on customers under acceptance credits	-	-	-	123,897	-	-	-	123,897
Staff financing	8,499	-	-	1,037	-	-	-	9,536
Revolving credit	-	-	-	622,473	-	-	-	622,473
<b>Total Financing</b>	<b>1,490,718</b>	<b>788,404</b>	<b>2,710,393</b>	<b>2,102,063</b>	<b>1,235,369</b>	<b>724,333</b>	<b>225,816</b>	<b>9,277,096</b>

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**16 FINANCING, ADVANCES AND OTHER FINANCING**

(iv) **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>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
Domestic non-banking institutions		
- Others	<b>195,472</b>	128,201
Domestic business enterprises		
- Small medium enterprises	<b>1,700,471</b>	1,009,214
- Others	<b>2,227,216</b>	2,630,241
Government and statutory bodies	<b>1,326,211</b>	603,070
Individuals	<b>5,553,808</b>	4,731,527
Other domestic entities	<b>9,885</b>	25,785
Foreign entities	<b>109,659</b>	149,058
	<b><u>11,122,722</u></b>	<u>9,277,096</u>

(v) **By profit rate sensitivity**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
Fixed rate		
- House financing	<b>47,171</b>	52,555
- Hire purchase receivables	<b>3,009,381</b>	2,710,393
- Other fixed rate financing	<b>1,246,004</b>	1,315,546
Variable rate		
- BFR	<b>4,905,629</b>	3,786,002
- Cost - plus	<b>1,914,537</b>	1,412,600
	<b><u>11,122,722</u></b>	<u>9,277,096</u>

(vi) **By economic sectors**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
Primary agriculture	<b>354,563</b>	278,908
Mining and quarrying	<b>11,068</b>	13,037
Manufacturing	<b>316,167</b>	225,820
Electricity, gas and water supply	<b>194,841</b>	57,371
Construction	<b>516,010</b>	554,160
Real estate	<b>1,354,835</b>	1,170,597
Wholesale & retail trade and restaurants & hotels	<b>312,436</b>	218,502
Transport, storage and communication	<b>290,193</b>	206,002
Finance, insurance and business activities	<b>333,863</b>	566,877
Education, health and others	<b>1,852,362</b>	1,201,117
Household	<b>5,586,330</b>	4,761,002
Others	<b>54</b>	23,703
	<b><u>11,122,722</u></b>	<u>9,277,096</u>

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**16 FINANCING, ADVANCES AND OTHER FINANCING (continued)**

**(vii) By economic purpose**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
Purchase of securities	2,014	2,433
Purchase of transport vehicles	3,084,345	2,735,838
Purchase of landed property of which:		
- Residential	2,706,194	2,175,552
- Non-residential	1,075,427	979,335
Fixed assets other than land and building	62,451	76,336
Personal use	42,326	36,495
Construction	914,482	801,745
Working capital	3,026,895	2,336,306
Others	208,588	133,056
	<b>11,122,722</b>	<b>9,277,096</b>

**(viii) By geographical distribution**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
Perlis	107,887	121,729
Kedah	637,608	559,401
Pulau Pinang	330,170	231,126
Perak	396,729	387,683
Selangor	3,125,198	3,078,014
Wilayah Persekutuan	4,135,368	2,882,646
Negeri Sembilan	410,737	330,752
Melaka	187,393	148,843
Johor	639,073	445,391
Pahang	287,831	293,827
Terengganu	400,277	418,636
Kelantan	155,557	161,609
Sarawak	114,765	69,266
Sabah	53,027	28,552
Labuan	63,785	56
Outside Malaysia	77,317	119,565
	<b>11,122,722</b>	<b>9,277,096</b>



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**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>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
At beginning of the financial period	<b>141,708</b>	129,157
Classified as impaired	<b>118,117</b>	108,375
Reclassified as non-impaired	<b>(44,425)</b>	(67,897)
Amount recovered	<b>(60,564)</b>	(18,862)
Amount written-off	<b>(4,155)</b>	(9,065)
<b>At end of the financial period</b>	<b>150,681</b>	141,708
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing	<b>1.35%</b>	1.53%
Gross financing, advances and other financing	<b>11,122,722</b>	9,277,096
RIA financing	<b>(2,115,349)</b>	(1,316,026)
	<b>9,007,373</b>	7,961,070
Less:		
- Individual impairment allowance	<b>(23,385)</b>	(38,516)
- Collective impairment allowance on impaired financing	<b>(19,897)</b>	(12,921)
<b>Total net financing, advances and other financing</b>	<b>8,964,091</b>	<b>7,909,633</b>
Net impaired financing, advances and other financing as a percentage of net financing, advances and other financing	<b>1.20%</b>	1.14%

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**16 FINANCING, ADVANCES AND OTHER FINANCING (continued)**

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
<b>Individual impairment</b>		
At beginning of the financial period	38,516	31,519
Allowance made during the financial period	5,366	3,559
Amount recovered	(14,689)	(47)
Amount written-off	(4,149)	(2,383)
Unwinding of income	(195)	(628)
Exchange differences	(1,464)	6,496
<b>At end of the financial period</b>	<b>23,385</b>	<b>38,516</b>
<b>Collective impairment</b>		
At beginning of the financial period	36,671	37,393
Allowance made during the financial period	8,628	5,959
Amount written-off	-	(6,681)
<b>At end of the financial period</b>	<b>45,299</b>	<b>36,671</b>
As a percentage of gross financing and advances (excluding RIA financing) less individual impairment allowance	<b>0.50%</b>	<b>0.46%</b>

(xi) **Impaired financing by economic sectors**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
Primary agriculture	43	-
Manufacturing	9,587	348
Electricity, gas and water supply	163	-
Construction	2,357	388
Real estate	77,062	85,867
Wholesale & retail trade and restaurants & hotels	621	1,900
Transport, storage and communication	247	301
Finance, insurance and business activities	640	111
Education, health and others	89	142
Household	59,872	52,651
	<b>150,681</b>	<b>141,708</b>

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	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
Purchase of transport vehicles	<b>18,909</b>	12,626
Purchase of landed property of which:		
- Residential	<b>39,766</b>	39,463
- Non-residential	<b>4,718</b>	1,376
Personal use	<b>480</b>	495
Construction	<b>47,204</b>	85,867
Working capital	<b>39,604</b>	1,881
	<b>150,681</b>	141,708

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
Perlis	<b>84</b>	41
Kedah	<b>3,773</b>	1,008
Pulau Pinang	<b>1,685</b>	1,525
Perak	<b>4,812</b>	3,922
Selangor	<b>29,878</b>	28,622
Wilayah Persekutuan	<b>14,337</b>	5,930
Negeri Sembilan	<b>4,313</b>	2,719
Melaka	<b>979</b>	482
Johor	<b>2,367</b>	2,078
Pahang	<b>1,368</b>	1,345
Terengganu	<b>5,619</b>	3,918
Kelantan	<b>3,930</b>	3,633
Sarawak	<b>200</b>	252
Sabah	<b>275</b>	366
Outside Malaysia	<b>77,061</b>	85,867
	<b>150,681</b>	141,708

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**17 OTHER ASSETS**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
Other debtors, deposits and prepayments	2,376	3,062
Clearing accounts	1,884	302
Foreclosed properties (a)	2,445	395
	<b>6,705</b>	<b>3,759</b>

**(a) Foreclosed properties**

At beginning of the financial period	395	395
Amount arising during the financial period	2,050	-
At end of the financial period	<b>2,445</b>	<b>395</b>

**18 AMOUNT DUE FROM JOINT VENTURES**

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
Advances to joint ventures	<b>45,832</b>	39,936

The advances to joint ventures are unsecured, bear profit rate of 7.74% (31 December 2015: 7.85%) and payable on demand.

**19 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>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
<b>Wadiah</b>		
Demand deposits	2,163,766	2,435,998
Savings deposits	463,041	412,394
	<b>2,626,807</b>	<b>2,848,392</b>
<b>Mudharabah</b>		
General investment deposits	<b>104,853</b>	109,796
<b>Tawarruq</b>		
Murabahah term deposits	6,002,280	6,413,389
Commodity Murabahah	1,534,554	630,118
	<b>7,536,834</b>	<b>7,043,507</b>
	<b>10,268,494</b>	<b>10,001,695</b>

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	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
Due within six months	3,426,455	4,781,599
Six months to one year	2,463,620	1,630,224
One year to three years	58,790	111,216
Three years to five years	158,268	146
	<b>6,107,133</b>	<b>6,523,185</b>

**(iii) By type of customer**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
Government and statutory bodies	3,845,299	2,945,481
Business enterprise	3,914,658	4,004,165
Individuals	1,295,583	1,278,221
Domestic banking institutions	63	814
Domestic non-banking financial institutions	940,757	1,313,150
Foreign entities	70,851	64,584
Others entities	201,283	395,280
	<b>10,268,494</b>	<b>10,001,695</b>

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
<b>Wadiah</b>		
Licensed banks	77,900	84,001
	<b>77,900</b>	<b>84,001</b>
<b>Tawarruq</b>		
Licensed banks	1,154,257	552,216
Other financial institutions	292,366	405,175
	<b>1,446,623</b>	<b>957,391</b>
	<b>1,524,523</b>	<b>1,041,392</b>
<b>Maturity structure of deposits are as follows:</b>		
Due within six months	1,524,523	1,041,392
	<b>1,524,523</b>	<b>1,041,392</b>

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**21 INVESTMENT ACCOUNTS DUE FROM DESIGNATED FINANCIAL INSTITUTIONS**

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
<b>Mudharabah</b>		
Licensed banks	<b>2,112,540</b>	1,331,318
<b>Maturity structure of investment accounts are as follows:</b>		
Due within six months	<b>699,563</b>	-
Six months to one year	-	202,205
One year to three years	<b>471,735</b>	130,036
Three years to five years	-	40,406
Five years and above	<b>941,242</b>	958,671
	<b>2,112,540</b>	1,331,318

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>30/9/2016</b>	31/12/2015
	<b>RM'000</b>	RM'000
<b>Movement in investment accounts</b>		
At beginning of the financial period	<b>1,331,318</b>	-
Amount transferred from RPSIA	-	695,588
New placement during the period	<b>800,000</b>	1,630,000
Redemption during the period	<b>(7,954)</b>	(1,012,803)
Finance expense on RIA	<b>65,830</b>	33,414
Profit distributed	<b>(76,654)</b>	(14,881)
At end of the financial period	<b>2,112,540</b>	1,331,318

**Profit Sharing Ratio and Rate of Return**

	<b>Economic Entity and The Bank</b>			
	<b>30/9/2016</b>		<b>31/12/2015</b>	
	<b>Average profit</b>	<b>Average rate</b>	Average profit	Average rate of
	<b>sharing ratio</b>	<b>of return</b>	sharing ratio	return (ROR)
	<b>(PSR)</b>	<b>(ROR)</b>	(PSR)	
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Investment accounts:				
Due within six months	<b>96</b>	<b>4.41</b>	-	-
Six months to one year	-	-	98	4.87
One year to three years	<b>95</b>	<b>5.23</b>	96	4.68
Three years to five years	-	-	93	6.37
Five years and above	<b>96</b>	<b>4.88</b>	96	4.81

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

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**22 DERIVATIVE FINANCIAL LIABILITIES**

	<b>Economic Entity and The Bank</b>			
	<b>Current Financial Quarter</b>		<b>Previous Financial Year End</b>	
	<b>30/9/2016</b>		<b>31/12/2015</b>	
	<b>Contract/ notional amount RM'000</b>	<b>Liabilities RM'000</b>	<b>Contract/ notional amount RM'000</b>	<b>Liabilities RM'000</b>
<b>At fair value</b>				
Foreign exchange derivatives				
- Currency forwards				
	<b>274,804</b>	<b>6,831</b>	160,810	1,035
	<b>274,804</b>	<b>6,831</b>	160,810	1,035

**23 OTHER LIABILITIES**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
Margin and collateral deposits	<b>9,857</b>	13,000
Other creditors and accruals	<b>5,116</b>	5,370
Cheque clearing accounts	<b>76,103</b>	13,621
Sundry creditors	<b>6,035</b>	8,292
Provision for zakat	<b>3,524</b>	2,307
Defined contribution plan (a)	<b>803</b>	1,143
Accrued employee benefits (b)	<b>23</b>	23
Charity funds	<b>200</b>	363
	<b>101,661</b>	44,119

**(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.

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**24 RESERVES**

	Economic Entity		The Bank	
	Current Financial Quarter 30/9/2016 RM'000	Previous Financial Year-End 31/12/2015 RM'000	Current Financial Quarter 30/9/2016 RM'000	Previous Financial Year-End 31/12/2015 RM'000
Retained profits	248,066	195,606	248,716	196,256
AFS revaluation reserves	16,319	(7,908)	16,319	(7,908)
Statutory reserves	267,573	248,717	267,573	248,717
Regulatory reserves	62,509	58,400	62,509	58,400
	<b>594,467</b>	<b>494,815</b>	<b>595,117</b>	<b>495,465</b>
<b>Statutory reserves</b>				
At beginning of the financial period	248,717	206,324	248,717	206,324
Transfer from retained profits	18,856	42,393	18,856	42,393
At end of the financial period	<b>267,573</b>	<b>248,717</b>	<b>267,573</b>	<b>248,717</b>

- (a) As at 30 September 2016, the Bank has tax exempt account balance of RM15.3 million (31 December 2015: RM13.3 million) 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 Section 57(2)(f) of the Islamic Financial Services Act 2013 and is 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 to the income statement upon disposal or when the securities become impaired. The depositors' portion of net unrealised gains or losses on 'Available-for-sale' at the end of financial year is net unrealised gain of RM18.0 million (31 December 2015: net unrealised losses of RM9.7 million).
- (d) The Bank is required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding financing, advances and other financing, net of individual impairment allowances.



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**INCOME FROM ISLAMIC BANKING BUSINESS**

	<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>30/9/2016</b>	<b>30/9/2015</b>	<b>30/9/2016</b>	<b>30/9/2015</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>142,059</b>	132,621	<b>415,514</b>	358,037
Income derived from investment of investment account funds	<b>26,535</b>	10,020	<b>72,254</b>	50,829
Income derived from investment of shareholders' funds	<b>13,274</b>	10,210	<b>37,335</b>	28,565
Income attributable to depositors	<b>(111,949)</b>	(89,380)	<b>(329,514)</b>	(262,402)
	<b>69,919</b>	63,471	<b>195,589</b>	175,029
of which:				
Profit earned on impaired financing, advances and other financing	<b>290</b>	157	<b>391</b>	213

**25 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>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>30/9/2016</b>	<b>30/9/2015</b>	<b>30/9/2016</b>	<b>30/9/2015</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>74,024</b>	70,076	<b>209,959</b>	204,690
- Other deposits (ii)	<b>68,035</b>	62,551	<b>205,555</b>	153,347
	<b>142,059</b>	132,627	<b>415,514</b>	358,037

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**25 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
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	56,233	50,366	159,691	140,994
Financial investments available-for-sale	5,581	5,843	16,064	16,965
Financial investments held-to-maturity	528	618	1,600	1,987
Money at call and deposits with other financial institutions	5,615	8,174	18,656	31,179
	<u>67,957</u>	<u>65,001</u>	<u>196,011</u>	<u>191,125</u>
Accretion of discount less amortisation of premium	515	576	1,557	2,951
Total finance income and hibah	<u>68,472</u>	<u>65,577</u>	<u>197,568</u>	<u>194,076</u>
<b>Other operating income</b>				
Fee income:				
Commission	170	208	544	694
Service charges and fees	925	511	2,096	1,990
Guarantee fees	270	285	861	764
	<u>1,365</u>	<u>1,004</u>	<u>3,501</u>	<u>3,448</u>
Income from financial instruments:				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	2,252	489	3,483	1,018
	<u>2,252</u>	<u>489</u>	<u>3,483</u>	<u>1,018</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	947	3,101	3,891	5,577
- unrealised	361	(262)	(52)	(246)
Other non-operating income	627	167	1,568	817
	<u>1,935</u>	<u>3,006</u>	<u>5,407</u>	<u>6,148</u>
	<u>74,024</u>	<u>70,076</u>	<u>209,959</u>	<u>204,690</u>

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**25 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
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other loans	51,676	44,503	156,341	105,629
Financial investments available-for-sale	5,122	5,207	15,727	12,709
Financial investments held-to-maturity	482	563	1,567	1,487
Money at call and deposits with other financial institutions	5,072	7,843	18,265	23,359
	<u>62,352</u>	<u>58,116</u>	<u>191,900</u>	<u>143,184</u>
Accretion of discount less amortisation of premium	470	609	1,524	2,211
Total finance income and hibah	<u>62,822</u>	<u>58,725</u>	<u>193,424</u>	<u>145,395</u>
<b>Other operating income</b>				
Fee income:				
Commission	155	192	533	520
Service charges and fees	868	494	2,052	1,491
Guarantee fees	245	249	843	572
	<u>1,268</u>	<u>935</u>	<u>3,428</u>	<u>2,583</u>
Income from financial instruments:				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	2,165	404	3,410	762
	<u>2,165</u>	<u>404</u>	<u>3,410</u>	<u>762</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	831	2,508	3,809	4,178
- unrealised	366	(195)	(51)	(184)
Other non-operating income	583	174	1,535	613
	<u>1,780</u>	<u>2,487</u>	<u>5,293</u>	<u>4,607</u>
	<u>68,035</u>	<u>62,551</u>	<u>205,555</u>	<u>153,347</u>

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**26 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000	Economic Entity and The Bank Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000
<b>Finance income and hibah</b>				
Financing, advances and other loans	20,159	7,539	54,955	35,012
Financial investments available-for-sale	2,002	841	5,528	4,213
Financial investments held-to-maturity	190	78	551	493
Money at call and deposits with other financial institutions	2,035	768	6,421	7,742
	<b>24,386</b>	<b>9,226</b>	<b>67,455</b>	<b>47,460</b>
Accretion of discount less amortisation of premium	185	13	535	733
Total finance income and hibah	<b>24,571</b>	<b>9,239</b>	<b>67,990</b>	<b>48,193</b>
<b>Other operating income</b>				
Fee income:				
Commission	61	25	187	172
Service charges and fees	327	46	721	494
Guarantee fees	97	45	296	190
	<b>485</b>	<b>116</b>	<b>1,204</b>	<b>856</b>
Income from financial instruments:				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	785	91	1,199	253
	<b>785</b>	<b>91</b>	<b>1,199</b>	<b>253</b>
Other income:				
Foreign exchange profit/(loss)				
- realised	349	634	1,339	1,385
- unrealised	121	(66)	(18)	(61)
Other non-operating income	224	6	540	203
	<b>694</b>	<b>574</b>	<b>1,861</b>	<b>1,527</b>
	<b>26,535</b>	<b>10,020</b>	<b>72,254</b>	<b>50,829</b>

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**27 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
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	10,084	7,319	28,396	19,676
Financial investments available-for-sale	1,000	850	2,856	2,367
Financial investments held-to-maturity	95	91	285	278
Money at call and deposits with other financial institutions	1,009	1,214	3,317	4,351
	<b>12,188</b>	<b>9,474</b>	<b>34,854</b>	<b>26,672</b>
Accretion of discount less amortisation of premium	93	88	277	412
Total finance income and hibah	<b>12,281</b>	<b>9,562</b>	<b>35,131</b>	<b>27,084</b>
<b>Other operating income</b>				
Fee income:				
Commission	31	31	97	97
Service charges and fees	166	77	373	278
Guarantee fees	48	42	153	107
	<b>245</b>	<b>150</b>	<b>623</b>	<b>482</b>
Income from financial instruments:				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	401	69	619	142
	<b>401</b>	<b>69</b>	<b>619</b>	<b>142</b>
Other income:				
Foreign exchange profit/(loss)				
- realised	171	440	692	778
- unrealised	64	(36)	(9)	(34)
Other non-operating income	112	25	279	113
	<b>347</b>	<b>429</b>	<b>962</b>	<b>857</b>
	<b>13,274</b>	<b>10,210</b>	<b>37,335</b>	<b>28,565</b>

**28 ALLOWANCES FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON FINANCING, ADVANCES AND OTHER FINANCING**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
Individual impairment				
- made in the financial period	3,901	462	5,366	3,188
- written-back	-	(3)	(14,689)	(46)
Collective impairment				
- made in the financial period	3,289	2,586	8,628	2,423
Bad debts on financing				
- recovered	(96)	(11)	(1,088)	(626)
- written-off	7	(2)	11	4
	<b>7,101</b>	<b>3,032</b>	<b>(1,772)</b>	<b>4,943</b>

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**MFRS 134 INTERIM FINANCIAL REPORTING - 30 SEPTEMBER 2016****29 INCOME ATTRIBUTABLE TO DEPOSITORS**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000	Economic Entity and The Bank Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000
Deposits from customers				
- Mudharabah	722	278	2,340	3,384
- Non-mudharabah	70,618	64,384	209,613	194,386
Deposits and placements of banks and other financial institutions				
- Mudharabah	16,659	9,080	51,731	33,568
Profit distributed to Restricted Profit Sharing Investment Account ('RPSIA') account holders	-	-	-	13,292
Profit distributed to investment account holders	23,950	15,638	65,830	17,772
	<b>111,949</b>	<b>89,380</b>	<b>329,514</b>	<b>262,402</b>

**30 OTHER OPERATING EXPENSES**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000	Economic Entity and The Bank Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000
Personnel costs (a)	20,907	17,989	59,513	54,466
Establishment costs (b)	9,235	7,599	26,253	22,990
Marketing expenses (c)	568	517	1,823	1,759
Administrative and general expenses (d)	3,510	2,502	9,743	7,184
	<b>34,220</b>	<b>28,607</b>	<b>97,332</b>	<b>86,399</b>

(a) Personnel costs

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000	Economic Entity and The Bank Current Financial Quarter 30/9/2016 RM'000	Preceding Year Corresponding Quarter 30/9/2015 RM'000
Wages, salaries and bonuses	16,075	14,007	45,488	42,113
Defined contribution plan ('EPF')	2,699	2,174	7,610	6,789
Other personnel costs	2,133	1,808	6,415	5,564
	<b>20,907</b>	<b>17,989</b>	<b>59,513</b>	<b>54,466</b>

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**30 OTHER OPERATING EXPENSES (continued)**

(b) Establishment costs

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
Rental of premises	1,329	1,112	3,811	3,423
Equipment rental	21	43	53	71
Repair and maintenance	1,857	1,311	5,294	3,972
Depreciation of property and equipment	240	269	759	778
Amortisation of intangible assets	116	117	348	349
IT consultancy fees	2,579	2,170	7,381	6,733
Dataline rental	325	183	737	564
Security services	929	792	2,827	2,410
Electricity, water and sewerage	531	322	1,329	1,244
Licence fee	84	89	259	272
Insurance/takaful and indemnities	186	476	600	976
Other establishment costs	1,038	715	2,855	2,198
	<b>9,235</b>	<b>7,599</b>	<b>26,253</b>	<b>22,990</b>

(c) Marketing expenses

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
Business promotion and advertisement	213	125	599	612
Entertainment	88	71	275	249
Traveling and accommodation	178	230	563	563
Other marketing expenses	89	91	386	335
	<b>568</b>	<b>517</b>	<b>1,823</b>	<b>1,759</b>

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**30 OTHER OPERATING EXPENSES (continued)**

(d) Administration and general expenses

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
Telecommunication expenses	243	233	701	653
Auditors' remuneration	71	105	340	265
Professional fees	239	215	799	665
Property and equipment written-off	-	-	-	7
Mail and courier charges	166	177	498	435
Stationery and consumables	602	739	1,789	1,728
Commissions expenses	270	129	734	326
Brokerage expenses	232	389	806	963
Directors' fees and allowances	409	(102)	954	694
Donations	262	42	562	102
Settlement, clearing and bank charges	236	144	748	533
Stamp duties	-	1	1	3
Operational and litigation write-off expenses	261	-	261	40
GST Input tax-non recoverable	469	(256)	1,337	-
Other administration and general expenses	50	686	213	770
	<b>3,510</b>	<b>2,502</b>	<b>9,743</b>	<b>7,184</b>

**31 COMMITMENTS AND CONTINGENCIES**

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

The commitments and contingencies consist of:

	Economic Entity and The Bank	
	Principal amount	Principal amount
	30/9/2016	31/12/2015
	RM'000	RM'000
Direct credit substitutes (*)	16,883	9,383
Transaction-related contingent items (*)	296,812	147,960
Short-term self-liquidating trade related contingencies	186,300	368,567
Irrevocable commitments to extend credit:		
- maturity less than one year	1,305,929	1,387,337
- maturity more than one year	309,665	348,409
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	66,375	15,321
Foreign exchange related contracts (#):		
- less than one year	566,868	222,777
	<b>2,748,832</b>	<b>2,499,754</b>

\* Included in direct credit substitutes as above are financial guarantee contracts of RM16.9 million at the Bank (31 December 2015: RM9.4 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 22 to the financial statements.



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**32 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.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Economic Entity and The Bank</b>				
<b>30/9/2016</b>				
<b>Assets</b>				
Derivative financial assets		5,796		5,796
Financial investments available-for-sale				
- Money market instruments	-	932,303	-	932,303
- Equity securities	-	-	1,250	1,250
- Corporate bonds/sukuk	-	698,145	-	698,145
	-	1,636,244	1,250	1,637,494
<b>Liabilities</b>				
Derivative financial liabilities	-	6,831	-	6,831
	-	6,831	-	6,831

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Economic Entity and The Bank</b>				
<b>31/12/2015</b>				
<b>Assets</b>				
Derivative financial assets		132		132
Financial investments available-for-sale				
- Money market instruments	-	966,356	-	966,356
- Equity securities	-	-	525	525
- Corporate bonds/sukuk	-	508,492	-	508,492
	-	1,474,980	525	1,475,505
<b>Liabilities</b>				
Derivative financial liabilities	-	1,035	-	1,035
	-	1,035	-	1,035

\* Net of allowance for impairment.

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**32 FAIR VALUE MEASUREMENTS (continued)**

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

The Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (31 December 2015: Nil)

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 30/9/2016 RM'000</b>	<b>Previous Financial Year-End 31/12/2015 RM'000</b>
As at beginning of the financial year	525	25
Purchases	750	500
Sales	(25)	-
As at end of the financial year	<u>1,250</u>	<u>525</u>

**Effect of changes in significant unobservable assumptions to reasonably possible alternatives**

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

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

<b>Description</b>	<b>Fair value assets</b>		<b>Valuation techniques</b>	<b>Unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
	<b>30/9/2016 RM'000</b>	<b>31/12/2015 RM'000</b>			
<b>Economic Entity and The Bank Financial investments available-for-sale</b>					
Unquoted shares	1,250	525	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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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 and capital buffer requirements for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 5.125% and 6.625% respectively for year 2016. The minimum regulatory capital adequacy and capital buffer requirements is 8.625% (31 December 2015: 8.0%) for total capital ratio.

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 34 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 30 September 2016.

**34 CAPITAL ADEQUACY**

The capital adequacy ratios are as follows:

	<b>Economic Entity</b>		<b>The Bank</b>	
	<b>Current</b> <b>Financial</b> <b>Quarter</b> <b>30/9/2016</b> <b>RM'000</b>	<b>Previous</b> <b>Financial</b> <b>Year-End</b> <b>31/12/2015</b> <b>RM'000</b>	<b>Current</b> <b>Financial</b> <b>Quarter</b> <b>30/9/2016</b> <b>RM'000</b>	<b>Previous</b> <b>Financial</b> <b>Year-End</b> <b>31/12/2015</b> <b>RM'000</b>
Paid-up share capital	460,000	460,000	460,000	460,000
Statutory reserves	267,573	248,717	267,573	248,717
Retained profits	248,066	195,606	248,716	196,256
Unrealised gains and losses on AFS	21,472	(10,405)	21,472	(10,405)
	<b>997,111</b>	<b>893,918</b>	<b>997,761</b>	<b>894,568</b>
Less:				
Goodwill and other intangibles	(78)	(426)	(78)	(426)
Deferred tax assets	-	(3,598)	-	(3,598)
55% of cumulative unrealised gains of AFS	(11,810)	-	(11,810)	-
Investment in joint ventures	-	-	(390)	(260)
<b>CET1 Capital</b>	<b>985,223</b>	<b>889,894</b>	<b>985,483</b>	<b>890,284</b>
<b>Tier 1 Capital</b>	<b>985,223</b>	<b>889,894</b>	<b>985,483</b>	<b>890,284</b>

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**34 CAPITAL ADEQUACY (continued)**

	Economic Entity		The Bank	
	Current Financial Quarter Financial 30/9/2016 RM'000	Previous Financial Year-End Financial 31/12/2015 RM'000	Current Financial Quarter Financial 30/9/2016 RM'000	Previous Financial Year-End Financial 31/12/2015 RM'000
Collective impairment <sup>@</sup>	25,402	23,750	25,402	23,750
Regulatory adjustments	62,509	58,400	62,509	58,400
Less:				
Investment in joint ventures	-	-	(260)	(390)
<b>Tier II capital</b>	<b>87,911</b>	<b>82,150</b>	<b>87,651</b>	<b>81,760</b>
<b>Total capital</b>	<b>1,073,134</b>	<b>972,044</b>	<b>1,073,134</b>	<b>972,044</b>
CET1 capital ratio	12.592%	13.197%	12.596%	13.203%
Tier 1 capital ratio	12.592%	13.197%	12.596%	13.203%
Total capital ratio	13.716%	14.415%	13.716%	14.415%
CET1 capital ratio (net of proposed dividends)	12.592%	13.197%	12.596%	13.203%
Tier 1 capital ratio (net of proposed dividends)	12.592%	13.197%	12.596%	13.203%
Total capital ratio (net of proposed dividends)	13.716%	14.415%	13.716%	14.415%
Risk-weighted assets for:				
Credit risk	7,387,513	6,336,026	7,387,513	6,336,026
Market risk	4,190	3,650	4,190	3,650
Operational risk	432,248	403,377	432,248	403,377
<b>Total risk-weighted assets</b>	<b>7,823,951</b>	<b>6,743,053</b>	<b>7,823,951</b>	<b>6,743,053</b>

<sup>@</sup> Qualifying collective impairment is restricted to allowances on unimpaired portion of the financing, advances and other financing.

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are excluded from calculation of capital adequacy. As at 30 September 2016, RIA assets excluded from Total Capital Ratio calculation amounted to RM2,115.3 million (31 December 2015: RM1,316.0 million).

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**35 REVIEW OF PERFORMANCE OF THE BANK**  
(Analysis of financial performance of current quarter comparing to previous year's corresponding quarter)

During the 3rd quarter of 2016, the Bank registered a profit before tax of RM28.6 million as compared to the previous year's corresponding quarter of RM31.8 million, a decrease of RM3.2 million or 10.1%.

This was due to:

- i) higher allowances for impairment losses on financing, advances and other financing by RM4.1 million.
- ii) higher operating expenses by RM5.6 million.

The above was off-set by:

- i) higher income derived from investments after netting off income attributable to depositors' funds by RM6.5 million.

**36 COMMENT ON FINANCIAL RESULTS**  
(Analysis of financial performance of current quarter comparing to immediate preceding quarter)

The Bank's profit before tax for 3rd quarter of 2016 stood at RM28.6 million as compared to RM45.9 million reported in the 2nd quarter of 2016, a decrease of RM17.3 million or 37.7%.

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

- i) higher allowances for impairment losses on financing, advances and other financing by RM18.5 million.
- ii) higher operating expenses by RM2.5 million.

The above was off-set by:

- i) higher income derived from investments after netting off income attributable to the depositors' funds by RM3.7 million.

**37 PROSPECT FOR THE CURRENT FINANCIAL YEAR**

Business Outlook for Remaining Period Financial Year 2016

The second half of 2016 seems to be looking up for the Banking industry where a higher consumer confidence level and stronger Bank's valuation is projected, a much needed relief after the challenging first half of the year. Malaysia's economy has weathered the fall of oil price better than most of big producers, although the earlier loss still weighs on the revenues of businesses.

The economy is on track to expand 4.0% to 4.5 % as projected and the inflation is forecasted to lower between 2.0% and 3.0%. Moreover, BNM still maintains the highly accommodative and supportive monetary policy with the OPR lowered by 25 b.p. from 3.25% to 3.00%. Furthermore, the Bank is being cautious while waiting for BNM future direction in addressing to potential challenges posed by the Brexit event. Nevertheless, economic growth is expected to improve in the second half in terms of consumer spending and export sector, with the factors of higher minimum wages placed and improved commodities production playing into effect.

Both the domestic and global Islamic Banking industry is expected to grow in 2016 at 12% in term of financing assets and Malaysia is estimated to see an additional RM287.91 billion\* in its asset pool. The momentum is expected to continue until year 2020, in line with the government's "10-year financial sector blueprint" to increase Islamic financing share of total financing to at least 40%.

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**37 PROSPECT FOR THE CURRENT FINANCIAL YEAR (continued)**

Business Outlook for Remaining Period Financial Year 2016 (continued)

Advancing on the Group's Strategic Transformation Program, the Bank is currently looking into business efficiency by improving technical capabilities and building up talents. Moving forward, the Bank also actively exploring into the digitalization environment in order to capture opportunities provided by the market's direction.

The Bank is progressing well on extending its customer reach with the launching of two new branches in Denai Alam and Tabuan Jaya. Furthermore, thru refining our product and services; we will continue to support business activities of small medium enterprise (SME), and we will also enhance product offerings for Generation Y population and Royal Armed Forces customer segments. Currently, we are on the stage of diversifying our portfolio with the development of Bancatakaful, credit card and mobile banking services.

The development of the Bank's digital banking and transactional banking capabilities within is expected to further enhance our business proposition to our customer. AFFIN Islamic will continue its efforts to best serve its customers by providing comprehensive Islamic product offerings.

\*According to the currency exchange rate of USD1=RM4.22 +0.02 (+0.43%) as of 27th June 2016.

**38 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

The Bank's profit before tax registered an adverse variance of RM20.1 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 RM7.5 million.

Other operating expenses

Operating costs showed an favourable variance of RM3.2 million.

Allowances for impairment losses on financing, advances and other financing

Allowances for impairment losses on financing, advances and other financing showed an adverse variance of RM15.8 million.