

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 31 March 2017**

	Note	Economic Entity		The Bank	
		Current	Previous	Current	Previous
		Financial Quarter 31/3/2017 RM'000	Financial Year-End 31/12/2016 RM'000	Financial Quarter 31/3/2017 RM'000	Financial Year-End 31/12/2016 RM'000
<b>ASSETS</b>					
Cash and short-term funds		1,646,144	1,057,844	1,646,144	1,057,844
Derivative financial assets	13	10,912	8,987	10,912	8,987
Financial investments available-for-sale	14	1,920,423	1,833,408	1,920,423	1,833,408
Financial investments held-to-maturity	15	73,396	72,122	73,396	72,122
Financing, advances and other financing	16	12,755,307	11,914,943	12,755,307	11,914,943
Other assets	17	27,194	7,901	27,194	7,901
Amount due from joint ventures	18	49,189	46,725	49,189	46,725
Amount due from associate	19	500	500	500	500
Deferred tax assets		5,621	8,056	5,621	8,056
Statutory deposits with Bank Negara Malaysia		309,640	332,000	309,640	332,000
Investment in joint ventures		-	-	650	650
Investment in associate		750	750	750	750
Property and equipment		2,379	2,347	2,379	2,347
<b>TOTAL ASSETS</b>		<b>16,801,455</b>	<b>15,285,583</b>	<b>16,802,105</b>	<b>15,286,233</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	20	10,936,358	10,528,698	10,936,358	10,528,698
Investment accounts of customers		831	-	831	-
Deposits and placements of banks and other financial institutions	22	2,075,454	1,248,993	2,075,454	1,248,993
Investment accounts due to designated financial institutions	23	2,129,988	2,110,049	2,129,988	2,110,049
Derivative financial liabilities	24	8,145	1,412	8,145	1,412
Other liabilities	25	24,932	36,331	24,932	36,331
Amount due to holding company		232,612	196,828	232,612	196,828
Provision for taxation		5,186	6,015	5,186	6,015
<b>TOTAL LIABILITIES</b>		<b>15,413,506</b>	<b>14,128,326</b>	<b>15,413,506</b>	<b>14,128,326</b>
Share capital		760,000	560,000	760,000	560,000
Reserves	26	627,949	597,257	628,599	597,907
<b>TOTAL EQUITY</b>		<b>1,387,949</b>	<b>1,157,257</b>	<b>1,388,599</b>	<b>1,157,907</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,801,455</b>	<b>15,285,583</b>	<b>16,802,105</b>	<b>15,286,233</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	33	3,795,066	3,317,468	3,795,066	3,317,468
<b>Capital Adequacy</b>					
CET1 capital ratio	36	13.346%	12.421%	13.347%	12.424%
Tier 1 capital ratio	36	13.346%	12.421%	13.347%	12.424%
Total capital ratio	36	14.493%	13.598%	14.493%	13.598%

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED INCOME STATEMENTS for the financial quarter ended 31 March 2017**

	Note	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
		Current Financial Quarter 31/3/2017 RM'000	Preceding Year Corresponding Quarter 31/3/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Preceding Year Corresponding Quarter 31/3/2016 RM'000
Income derived from investment of depositors' funds and others	27	148,082	129,905	148,082	129,905
Income derived from investment of investment account funds	28	28,394	19,181	28,394	19,181
Income derived from investment of shareholders' funds	29	15,638	11,290	15,638	11,290
Allowances for impairment losses on financing, advances and other financing	30	(5,392)	(2,535)	(5,392)	(2,535)
<b>Total distributable income</b>		<b>186,722</b>	157,841	<b>186,722</b>	157,841
Income attributable to the depositors	31	(115,502)	(100,893)	(115,502)	(100,893)
<b>Total net income</b>		<b>71,220</b>	56,948	<b>71,220</b>	56,948
Other operating expenses	32	(38,470)	(31,455)	(38,470)	(31,455)
<b>Profit before zakat and taxation</b>		<b>32,750</b>	25,493	<b>32,750</b>	25,493
Zakat		-	-	-	-
<b>Profit before taxation</b>		<b>32,750</b>	25,493	<b>32,750</b>	25,493
Taxation		(8,681)	(6,512)	(8,681)	(6,512)
<b>Net profit after zakat and taxation</b>		<b>24,069</b>	18,981	<b>24,069</b>	18,981
<b>Attributable to:</b>					
Equity holder of the Bank		<b>24,069</b>	18,981	<b>24,069</b>	18,981
<b>Earnings per share (sen):</b>					
- Basic		<b>3.7</b>	4.1	<b>3.7</b>	4.1

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME***for the financial quarter ended 31 March 2017 (continued)*

	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
	Current Financial Quarter 31/3/2017 RM'000	Preceding Year Corresponding Quarter 31/3/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Preceding Year Corresponding Quarter 31/3/2016 RM'000
<b>Profit after zakat and taxation</b>	<b>24,069</b>	18,981	<b>24,069</b>	18,981
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in financial investments available-for-sale	<b>8,714</b>	15,750	<b>8,714</b>	15,750
Deferred tax on financial investments available-for-sale	<b>(2,091)</b>	(3,780)	<b>(2,091)</b>	(3,780)
Other comprehensive income for the financial period, net of tax	<b>6,623</b>	11,970	<b>6,623</b>	11,970
<b>Total comprehensive income for the financial period</b>	<b>30,692</b>	30,951	<b>30,692</b>	30,951
<b>Attributable to equity holder of the Bank:</b>				
- Total comprehensive income	<b>30,692</b>	30,951	<b>30,692</b>	30,951

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED INCOME STATEMENTS for the financial quarter ended 31 March 2017***(continued)*

	Note	Individual Quarter The Bank		Cumulative Quarter The Bank	
		Current Financial Quarter 31/3/2017 RM'000	Preceding Year Corresponding Quarter 31/3/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Preceding Year Corresponding Quarter 31/3/2016 RM'000
Income derived from investment of depositors' funds and others	27	<b>148,082</b>	129,905	<b>148,082</b>	129,905
Income derived from investment of investment account funds	28	<b>28,394</b>	19,181	<b>28,394</b>	19,181
Income derived from investment of shareholders' funds	29	<b>15,638</b>	11,290	<b>15,638</b>	11,290
Allowances for impairment losses on financing, advances and other financing	30	<b>(5,392)</b>	(2,535)	<b>(5,392)</b>	(2,535)
<b>Total distributable income</b>		<b>186,722</b>	157,841	<b>186,722</b>	157,841
Income attributable to the depositors	31	<b>(115,502)</b>	(100,893)	<b>(115,502)</b>	(100,893)
<b>Total net income</b>		<b>71,220</b>	56,948	<b>71,220</b>	56,948
Other operating expenses	32	<b>(38,470)</b>	(31,455)	<b>(38,470)</b>	(31,455)
<b>Profit before zakat and taxation</b>		<b>32,750</b>	25,493	<b>32,750</b>	25,493
Zakat		-	-	-	-
<b>Profit before taxation</b>		<b>32,750</b>	25,493	<b>32,750</b>	25,493
Taxation		<b>(8,681)</b>	(6,512)	<b>(8,681)</b>	(6,512)
<b>Net profit after zakat and taxation</b>		<b>24,069</b>	18,981	<b>24,069</b>	18,981
<b>Attributable to:</b>					
Equity holder of the Bank		<b>24,069</b>	18,981	<b>24,069</b>	18,981
<b>Earnings per share (sen):</b>					
- Basic		<b>3.7</b>	4.1	<b>3.7</b>	4.1

## AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

### INTERIM FINANCIAL STATEMENTS

### UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

for the financial quarter ended 31 March 2017 (continued)

	Individual Quarter		Cumulative Quarter	
	The Bank		The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
<b>Profit after zakat and taxation</b>	<b>24,069</b>	18,981	<b>24,069</b>	18,981
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in financial investments available-for-sale	<b>8,714</b>	15,750	<b>8,714</b>	15,750
Deferred tax on financial investments available-for-sale	<b>(2,091)</b>	(3,780)	<b>(2,091)</b>	(3,780)
Other comprehensive income for the financial period, net of tax	<b>6,623</b>	11,970	<b>6,623</b>	11,970
<b>Total comprehensive income for the financial period</b>	<b>30,692</b>	30,951	<b>30,692</b>	30,951
<b>Attributable to equity holder of the Bank:</b>				
- Total comprehensive income	<b>30,692</b>	30,951	<b>30,692</b>	30,951

## AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

### INTERIM FINANCIAL STATEMENTS UNAUDITED STATEMENTS OF CHANGES IN EQUITY for the financial quarter ended 31 March 2017

Economic Entity	Attributable to Equity Holder of the Bank					
	Share capital	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2017</b>	<b>560,000</b>	<b>305,016</b>	<b>(18,064)</b>	<b>73,178</b>	<b>237,127</b>	<b>1,157,257</b>
Net profit for the financial period	-	-	-	-	24,069	24,069
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	6,623	-	-	6,623
Total comprehensive income	-	-	6,623	-	24,069	30,692
Issued during the financial period	200,000	-	-	-	-	200,000
Transfer to statutory reserves/regulatory reserves	-	-	-	8,518	(8,518)	-
<b>At 31 March 2017</b>	<b>760,000</b>	<b>305,016</b>	<b>(11,441)</b>	<b>81,696</b>	<b>252,678</b>	<b>1,387,949</b>

  

Economic Entity	Attributable to Equity Holder of the Bank					
	Share capital	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<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	-	-	-	-	18,981	18,981
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	11,970	-	-	11,970
Total comprehensive income	-	-	11,970	-	18,981	30,951
Transfer to statutory reserves/regulatory reserves	-	-	-	3,891	(3,891)	-
<b>At 31 March 2016</b>	<b>460,000</b>	<b>248,717</b>	<b>4,062</b>	<b>62,291</b>	<b>210,696</b>	<b>985,766</b>

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
*for the financial quarter ended 31 March 2017*  
*(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 2017</b>	<b>560,000</b>	<b>305,016</b>	<b>(18,064)</b>	<b>73,178</b>	<b>237,777</b>	<b>1,157,907</b>
Net profit for the financial period	-	-	-	-	24,069	24,069
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	6,623	-	-	6,623
Total comprehensive income	-	-	6,623	-	24,069	30,692
Issued during the financial period	200,000	-	-	-	-	200,000
Transfer to statutory reserves/regulatory reserves	-	-	-	8,518	(8,518)	-
<b>At 31 March 2017</b>	<b>760,000</b>	<b>305,016</b>	<b>(11,441)</b>	<b>81,696</b>	<b>253,328</b>	<b>1,388,599</b>
The Bank	Share capital	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	460,000	248,717	(7,908)	58,400	196,256	955,465
Net profit for the financial period	-	-	-	-	18,981	18,981
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	11,970	-	-	11,970
Total comprehensive income	-	-	11,970	-	18,981	30,951
Transfer to statutory reserves/regulatory reserves	-	-	-	3,891	(3,891)	-
At 31 March 2016	460,000	248,717	4,062	62,291	211,346	986,416

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 31 March 2017**

	Economic Entity		The Bank	
	31/3/2017 RM'000	31/3/2016 RM'000	31/3/2017 RM'000	31/3/2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before taxation</b>	<b>32,750</b>	25,493	<b>32,750</b>	25,493
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments available-for-sale	(17,253)	(13,066)	(17,253)	(13,066)
- financial investments held-to-maturity	(1,274)	(1,355)	(1,274)	(1,355)
Accretion of discount less amortisation of premium:				
- financial investments available-for-sale	(1,301)	(1,346)	(1,301)	(1,346)
Gain on sale/redemption:				
- financial investments available-for-sale	(1,073)	(745)	(1,073)	(745)
Loss/(Gain) on unrealised foreign exchange	4,808	(1,375)	4,808	(1,375)
Depreciation of property and equipment	225	258	225	258
Property and equipment written-off	1	-	1	-
Amortisation of intangible assets	-	116	-	116
Net individual impairment	1,917	493	1,917	493
Net collective impairment	3,739	2,629	3,739	2,629
<b>Operating profit before changes in working capital</b>	<b>22,539</b>	11,102	<b>22,539</b>	11,102
<i>(Increase)/Decrease in operating assets:</i>				
Deposits and placements with banks and other financial institutions	-	35,034	-	35,034
Financing, advances and other financing	(846,020)	(1,349,413)	(846,020)	(1,349,413)
Other assets	(28,934)	(23,027)	(28,934)	(23,027)
Statutory deposits with Bank Negara Malaysia	22,360	(37,400)	22,360	(37,400)
Amount due from holding company	-	367,172	-	367,172
Amount due from joint ventures	(2,464)	(442)	(2,464)	(442)
Derivative financial instruments	4,808	(1,375)	4,808	(1,375)
<i>Increase/(Decrease)in operating liabilities:</i>				
Deposits from customers	407,660	(317,910)	407,660	(317,910)
Investment accounts of customers	831	-	831	-
Deposits and placements of banks and other financial institutions	826,461	705,649	826,461	705,649
Investment accounts due to designated financial institutions	19,939	793,234	19,939	793,234
Amount due to holding company	35,784	91,957	35,784	91,957
Other liabilities	(11,243)	(19,380)	(11,243)	(19,380)
Cash generated from operations	451,721	255,201	451,721	255,201
Zakat paid	(156)	(383)	(156)	(383)
Tax paid	(9,167)	(5,227)	(9,167)	(5,227)
<b>Net cash generated from operating activities</b>	<b>442,398</b>	249,591	<b>442,398</b>	249,591



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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 31 March 2017**

(continued)

	Economic Entity		The Bank	
	31/3/2017 RM'000	31/3/2016 RM'000	31/3/2017 RM'000	31/3/2016 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Finance income and hibah received from:				
- financial investments available-for-sale	18,554	13,066	18,554	13,066
- financial investments held-to-maturity	1,274	1,355	1,274	1,355
Redemption of financial investments held-to-maturity	(1,274)	(1,355)	(1,274)	(1,355)
Net sale of financial investments available-for-sale	(77,227)	22,333	(77,227)	22,333
Purchase of property and equipment	(244)	(203)	(244)	(203)
<b>Net cash (used in)/generated from investing activities</b>	<b>(58,917)</b>	<b>35,196</b>	<b>(58,917)</b>	<b>35,196</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in share capital	200,000	-	200,000	-
<b>Net cash generated from financing activities</b>	<b>200,000</b>	<b>-</b>	<b>200,000</b>	<b>-</b>
Net increase in cash and cash equivalents	583,481	284,787	583,481	284,787
Net increase/(decrease) in foreign exchange	4,819	(12,464)	4,819	(12,464)
Cash and cash equivalents at beginning of the financial period	1,057,844	1,918,570	1,057,844	1,918,570
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>1,646,144</b>	<b>2,190,893</b>	<b>1,646,144</b>	<b>2,190,893</b>

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**1 BASIS OF PREPARATION**

This unaudited condensed interim financial information for the 3 months ended 31 March 2017 has been prepared in accordance with MFRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ('MASB'), Bank Negara Malaysia ('BNM') Guidelines and the requirements of the Companies Act, 2016 in Malaysia.

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

The unaudited condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, 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 2016.

**2 ACCOUNTING POLICIES**

The consolidated financial statements include the financial statements of the Bank and a joint ventures, made up to the quarter ended 31 March 2017.

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 107 'Statement of Cash Flows - Disclosure Initiative' (effective from 1 January 2017);  
Amendment to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017);  
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.  
MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the 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 2016 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 - 31 MARCH 2017**

**5 EXCEPTIONAL ITEMS**

There was no exceptional items for the quarter ended 31 March 2017.

**6 CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT**

Refer to Note 2

**7 CHANGES IN DEBTS AND EQUITY SECURITIES**

There were no purchases or disposal of quoted securities for the quarter ended 31 March 2017 other than in the ordinary course of business.

**8 DIVIDENDS**

There were no interim dividend declared.

**9 SUBSEQUENT MATERIAL EVENT**

There is no material subsequent event after the quarter ended 31 March 2017 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 March 2017 audited accounts.

**11 PURCHASE AND SALE OF QUOTED SECURITIES**

There were no purchases or disposals of quoted securities for the quarter ended 31 March 2017 other than in the ordinary course of business.

**12 STATUS OF CORPORATE PROPOSAL**

There were no corporate proposals announced but not completed during the period ended 31 March 2017.

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**13 DERIVATIVE FINANCIAL ASSETS**

	<b>Economic Entity and The Bank</b>			
	<b>Current Financial Quarter</b>		<b>Previous Financial Year End</b>	
	<b>31/3/2017</b>		<b>31/12/2016</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>663,597</b>	<b>10,912</b>	939,223	8,987
	<b>663,597</b>	<b>10,912</b>	939,223	8,987

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
<b>At fair value</b>		
Money market instruments:		
Malaysian Government treasury bills	<b>12,208</b>	-
Malaysian Government investment issues	<b>668,403</b>	628,785
Sukuk Perumahan Kerajaan	<b>128,660</b>	129,431
Khazanah Sukuk	<b>175,233</b>	173,287
	<b>984,504</b>	931,503
Unquoted securities:		
Corporate bonds/sukuk		
- in Malaysia	<b>935,919</b>	901,905
	<b>1,920,423</b>	1,833,408
Allowance for impairment losses	-	-
	<b>1,920,423</b>	1,833,408
<b>Movement in allowance for impairment losses</b>		
At beginning of the financial period	-	550
Writeback of allowance for impairment loss	-	(550)
<b>At end of the financial period</b>	<b>-</b>	<b>-</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****15 FINANCIAL INVESTMENTS HELD-TO-MATURITY**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
<b>At amortised cost</b>		
Unquoted securities:		
Corporate bonds/sukuk in Malaysia	<u>73,396</u>	<u>72,122</u>
	<b>73,396</b>	<b>72,122</b>

**16 FINANCING, ADVANCES AND OTHER FINANCING****(i) By type**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Cash line	289,262	278,880
Term financing		
- House financing	3,183,896	2,857,530
- Hire purchase receivables	3,408,055	3,181,358
- Syndicated financing	683,934	582,739
- Business term financing	3,799,498	3,541,779
Bills receivables	9,594	21,376
Trust receipts	5,945	6,938
Claims on customers under acceptances credits	173,737	174,623
Staff financing (of which RM Nil to Directors)	16,516	13,109
Revolving credits	<u>1,252,947</u>	<u>1,319,609</u>
<b>Gross financing, advances and other financing</b>	<b>12,823,384</b>	<b>11,977,941</b>
Less:		
Allowance for impairment losses		
- Individual	(19,343)	(18,003)
- Collective	<u>(48,734)</u>	<u>(44,995)</u>
<b>Total net financing, advances and other financing</b>	<b>12,755,307</b>	<b>11,914,943</b>

Included in business term financing as at reporting date is RM53.7 million (31 December 2016: RM53.7 million) and RM54.8 million (31 December 2016: RM78.0 million) of term financing disbursed by the Bank to joint ventures with AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd respectively.

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**16 FINANCING, ADVANCES AND OTHER FINANCING**

**(ii) By maturity structure**

	<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>31/3/2017</b>	<b>31/12/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	<b>1,966,367</b>	2,038,888
One year to three years	<b>1,048,183</b>	1,009,718
Three years to five years	<b>1,401,220</b>	1,375,861
Over five years	<b>8,407,614</b>	7,553,474
	<b><u>12,823,384</u></b>	<b><u>11,977,941</u></b>

**(iii) By contract**

Economic Entity and The Bank  
31/3/2017  
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musarakah	Istisna'	Others	Total
Cash line	-	-	-	218,854	-	-	70,408	289,262
Term financing								
House financing	901,753	-	-	2,159	2,279,984	-	-	3,183,896
Hire purchase receivables	-	-	3,408,055	-	-	-	-	3,408,055
Syndicated financing	-	339,371	-	344,563	-	-	-	683,934
Business term financing	402,681	877,528	-	1,497,356	400,582	615,433	5,918	3,799,498
Bills receivables	-	-	-	-	-	-	9,594	9,594
Trust receipts	-	-	-	5,945	-	-	-	5,945
Claims on customers under acceptance credits	-	-	-	173,737	-	-	-	173,737
Staff financing	7,229	-	-	8,180	1,107	-	-	16,516
Revolving credit	-	-	-	1,252,947	-	-	-	1,252,947
Total Financing	1,311,663	1,216,899	3,408,055	3,503,741	2,681,673	615,433	85,920	12,823,384

Economic Entity and The Bank  
31/12/2016  
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musarakah	Istisna'	Others	Total
Cash line	-	-	-	192,690	-	-	86,189	278,879
Term financing								
House financing	921,406	-	-	1,612	1,934,289	-	-	2,857,307
Hire purchase receivables	-	-	3,181,357	-	-	-	-	3,181,357
Syndicated financing	-	144,898	-	341,769	-	-	96,072	582,739
Business term financing	419,323	789,192	-	1,382,270	258,827	686,279	6,113	3,542,004
Bills receivables	-	-	-	-	-	-	21,376	21,376
Trust receipts	-	-	-	6,938	-	-	-	6,938
Claims on customers under acceptance credits	-	-	-	174,623	-	-	-	174,623
Staff financing	7,546	-	-	5,289	274	-	-	13,109
Revolving credit	-	-	-	1,319,609	-	-	-	1,319,609
Total Financing	1,348,275	934,090	3,181,357	3,424,800	2,193,390	686,279	209,750	11,977,941

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**16 FINANCING, ADVANCES AND OTHER FINANCING**

(iv) **By type of customer**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Domestic non-banking institutions		
- Others	<b>201,333</b>	209,499
Domestic business enterprises		
- Small medium enterprises	<b>1,940,656</b>	1,774,697
- Others	<b>3,113,656</b>	2,517,012
Government and statutory bodies	<b>933,946</b>	1,381,918
Individuals	<b>6,501,527</b>	5,966,553
Other domestic entities	<b>10,272</b>	9,690
Foreign entities	<b>121,994</b>	118,572
	<b><u>12,823,384</u></b>	<b><u>11,977,941</u></b>

(v) **By profit rate sensitivity**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Fixed rate		
- House financing	<b>45,020</b>	45,937
- Hire purchase receivables	<b>3,408,055</b>	3,181,357
- Other fixed rate financing	<b>1,768,216</b>	1,354,586
Variable rate		
- BR/BFR	<b>5,544,711</b>	5,389,570
- Cost - plus	<b>2,057,382</b>	2,006,491
	<b><u>12,823,384</u></b>	<b><u>11,977,941</u></b>

(vi) **By economic sectors**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Primary agriculture	<b>438,141</b>	402,119
Mining and quarrying	<b>8,779</b>	11,348
Manufacturing	<b>319,878</b>	334,745
Electricity, gas and water supply	<b>63,805</b>	64,369
Construction	<b>699,617</b>	523,091
Real estate	<b>1,572,694</b>	1,455,409
Wholesale & retail trade and restaurants & hotels	<b>410,709</b>	407,649
Transport, storage and communication	<b>793,490</b>	284,216
Finance, insurance and business activities	<b>518,969</b>	460,983
Education, health and others	<b>1,454,361</b>	2,031,720
Household	<b>6,542,159</b>	6,002,241
Others	<b>782</b>	51
	<b><u>12,823,384</u></b>	<b><u>11,977,941</u></b>

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

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

**(vii) By economic purpose**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Purchase of securities	275,312	275,516
Purchase of transport vehicles	3,478,544	3,250,531
Purchase of landed property of which:		
- Residential	3,098,340	2,943,870
- Non-residential	1,562,596	1,112,190
Fixed assets other than land and building	75,182	72,421
Personal use	47,743	53,593
Construction	796,857	895,685
Working capital	3,067,995	3,137,471
Others	420,815	236,664
	<b>12,823,384</b>	<b>11,977,941</b>

**(viii) By geographical distribution**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Perlis	133,696	147,438
Kedah	605,867	661,893
Pulau Pinang	407,505	362,260
Perak	536,652	442,731
Selangor	3,471,143	3,460,892
Wilayah Persekutuan	4,670,095	4,234,116
Negeri Sembilan	496,084	448,601
Melaka	207,644	199,155
Johor	1,046,992	834,371
Pahang	321,004	302,330
Terengganu	395,089	395,910
Kelantan	159,573	153,175
Sarawak	149,960	132,131
Sabah	74,525	55,896
Labuan	66,014	63,974
Outside Malaysia	81,541	83,068
	<b>12,823,384</b>	<b>11,977,941</b>



**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****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>31/3/2017</b>	31/12/2016
	<b>RM'000</b>	RM'000
At beginning of the financial period	97,498	141,708
Classified as impaired	240,663	164,338
Reclassified as non-impaired	(20,972)	(111,590)
Amount recovered	(4,173)	(87,213)
Amount written-off	-	(9,745)
<b>At end of the financial period</b>	<b>313,016</b>	<b>97,498</b>
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (*)	<b>1.08%</b>	0.99%
* RIA assets excluded in the ratio calculation.		
Gross financing, advances and other financing	12,823,384	11,977,941
RIA financing	(2,132,040)	(2,112,243)
	<b>10,691,344</b>	9,865,698
Less:		
- Individual impairment allowance	(19,343)	(18,003)
- Collective impairment allowance on impaired financing	(20,918)	(16,454)
<b>Total net financing, advances and other financing</b>	<b>10,651,083</b>	<b>9,831,241</b>
Net impaired financing, advances and other financing as a percentage of net financing, advances and other financing	<b>0.71%</b>	0.64%

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****16 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(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>31/3/2017</b>	31/12/2016
	<b>RM'000</b>	RM'000
<b>Individual impairment</b>		
At beginning of the financial period	<b>18,003</b>	38,516
Allowance made during the financial period	<b>5,748</b>	19,340
Amount recovered	<b>(3,831)</b>	(35,863)
Amount written-off	-	(4,149)
Unwinding of income	<b>(345)</b>	(198)
Exchange differences	<b>(232)</b>	357
<b>At end of the financial period</b>	<b>19,343</b>	18,003
<b>Collective impairment</b>		
At beginning of the financial period	<b>44,995</b>	36,671
Allowance made during the financial period	<b>3,739</b>	13,897
Amount written-off	-	(5,573)
<b>At end of the financial period</b>	<b>48,734</b>	44,995
As a percentage of gross financing and advances (excluding RIA financing) less individual impairment allowance	<b>0.46%</b>	0.46%

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

	<b>Economic Entity and The Bank</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>31/3/2017</b>	31/12/2016
	<b>RM'000</b>	RM'000
Primary agriculture	<b>45</b>	43
Mining and quarrying	<b>56</b>	57
Manufacturing	<b>1,117</b>	1,028
Electricity, gas and water supply	<b>111</b>	111
Construction	<b>11,724</b>	5,081
Real estate	<b>229,873</b>	33,635
Wholesale & retail trade and restaurants & hotels	<b>1,135</b>	589
Transport, storage and communication	<b>465</b>	307
Finance, insurance and business activities	<b>544</b>	492
Education, health and others	<b>185</b>	162
Household	<b>67,761</b>	55,993
	<b>313,016</b>	97,498

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

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

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Purchase of transport vehicles	19,440	16,330
Purchase of landed property of which:		
- Residential	50,640	41,395
- Non-residential	203,253	6,153
Fixed assets other than land and building	221	227
Personal use	799	825
Construction	6,823	-
Working capital	31,757	32,568
Others	83	-
	<b>313,016</b>	<b>97,498</b>

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Perlis	4,711	4,801
Kedah	10,711	3,016
Pulau Pinang	2,349	2,105
Perak	5,354	4,326
Selangor	34,960	30,969
Wilayah Persekutuan	205,592	2,670
Negeri Sembilan	4,472	4,849
Melaka	936	938
Johor	2,122	1,517
Pahang	1,347	1,694
Terengganu	5,451	5,016
Kelantan	3,790	3,643
Sarawak	211	198
Sabah	170	172
Outside Malaysia	30,840	31,584
	<b>313,016</b>	<b>97,498</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****17 OTHER ASSETS**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Other debtors	1,586	2,330
Prepayment and deposits	432	-
Clearing accounts	22,731	2,962
Foreclosed properties (a)	2,445	2,445
Others	-	164
	<b>27,194</b>	<b>7,901</b>

**(a) Foreclosed properties**

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

**18 AMOUNT DUE FROM JOINT VENTURES**

	<b>Economic Entity and The Bank</b>	
	<b>31/3/2017 RM'000</b>	<b>31/12/2016 RM'000</b>
Advances to joint ventures	<b>49,189</b>	46,725

The advances to joint ventures are unsecured, bear profit rate of 7.60% (31 December 2016: 7.60%) and payable on demand.

**19 AMOUNT DUE FROM ASSOCIATE**

	<b>Economic Entity and The Bank</b>	
	<b>31/3/2017 RM'000</b>	<b>31/12/2016 RM'000</b>
Advances to associate	<b>500</b>	500

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

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****20 DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
<b>Wadiah</b>		
Demand deposits	2,711,238	2,572,559
Savings deposits	502,076	477,284
	<b>3,213,314</b>	<b>3,049,843</b>
<b>Mudharabah</b>		
General investment deposits	103,400	104,047
<b>Tawarruq</b>		
Murabahah term deposits	6,845,252	6,606,396
Commodity Murabahah	774,392	768,412
	<b>7,619,644</b>	<b>7,374,808</b>
	<b>10,936,358</b>	<b>10,528,698</b>

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Due within six months	4,925,274	4,729,087
Six months to one year	1,742,436	1,793,301
One year to three years	122,130	31,531
Three years to five years	158,812	156,624
	<b>6,948,652</b>	<b>6,710,543</b>

**(iii) By type of customer**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
Government and statutory bodies	3,571,256	3,204,538
Business enterprise	3,980,002	4,318,973
Individuals	1,395,317	1,320,223
Domestic banking institutions	666	117
Domestic non-banking financial institutions	1,641,748	1,280,170
Foreign entities	76,930	73,693
Others entities	270,439	330,984
	<b>10,936,358</b>	<b>10,528,698</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****21 INVESTMENT ACCOUNTS OF CUSTOMERS**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter</b>	<b>Previous Financial Year-End</b>
	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Mudharabah</b>	<b>831</b>	-

**Maturity structure of investment accounts are as follows:**

One year to three years

<b>831</b>	-
<b>831</b>	-

**Movement in investment accounts**

At beginning of the financial period

New placement during the period

Redemption during the period

Finance expense on RIA

At end of the financial period

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter</b>	<b>Previous Financial Year-End</b>
	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the financial period	-	-
New placement during the period	<b>870</b>	-
Redemption during the period	<b>(46)</b>	-
Finance expense on RIA	<b>7</b>	-
At end of the financial period	<b>831</b>	-

**Profit Sharing Ratio and Rate of Return**

	<b>Economic Entity and The Bank</b>			
	<b>31/3/2017</b>		<b>31/12/2016</b>	
	<b>Average profit sharing ratio</b>	<b>Average rate of return</b>	<b>Average profit sharing ratio</b>	<b>Average rate of return</b>
	<b>(PSR)</b>	<b>(ROR)</b>	<b>(PSR)</b>	<b>return (ROR)</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Investment accounts:				
One year to three years	<b>80</b>	<b>6.08</b>	-	-

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

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
<b>Wadiah</b>		
Licensed banks	83,272	84,392
	<b>83,272</b>	<b>84,392</b>
<b>Tawarruq</b>		
Licensed banks	1,569,855	801,436
Other financial institutions	422,327	363,165
	<b>1,992,182</b>	<b>1,164,601</b>
	<b>2,075,454</b>	<b>1,248,993</b>
<b>Maturity structure of deposits are as follows:</b>		
Due within six months	2,020,405	1,201,454
Six months to one year	55,049	47,539
	<b>2,075,454</b>	<b>1,248,993</b>

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
<b>Mudharabah</b>		
Licensed banks	2,129,988	2,110,049
<b>Maturity structure of investment accounts are as follows:</b>		
Due within six months	196,481	699,591
Six months to one year	532,008	130,514
One year to three years	445,377	341,280
Five years and above	956,122	938,664
	<b>2,129,988</b>	<b>2,110,049</b>

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
<b>Movement in investment accounts</b>		
At beginning of the financial period	2,110,049	1,331,318
New placement during the period	688,380	800,000
Redemption during the period	(668,298)	(10,606)
Finance expense on RIA	26,473	89,272
Profit distributed	(26,616)	(99,935)
At end of the financial period	<b>2,129,988</b>	<b>2,110,049</b>

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**23 INVESTMENT ACCOUNTS DUE FROM DESIGNATED FINANCIAL INSTITUTIONS (continued)**

**Profit Sharing Ratio and Rate of Return**

	Economic Entity and The Bank			
	31/3/2017		31/12/2016	
	Average profit sharing ratio (PSR)	Average rate of return (ROR)	Average profit sharing ratio (PSR)	Average rate of return (ROR)
	%	%	%	%
Investment accounts:				
Six months to one year	96	4.54	96	4.37
One year to three years	92	5.26	-	-
Three years to five years	-	-	96	4.75
Five years and above	96	5.30	95	5.07

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

**24 DERIVATIVE FINANCIAL LIABILITIES**

	Economic Entity and The Bank			
	Current Financial Quarter 31/3/2017		Previous Financial Year End 31/12/2016	
	Contract/notional amount RM'000	Liabilities RM'000	Contract/notional amount RM'000	Liabilities RM'000
<b>At fair value</b>				
Foreign exchange derivatives				
- Currency forwards	585,563	8,145	110,639	1,412
	<b>585,563</b>	<b>8,145</b>	<b>110,639</b>	<b>1,412</b>

**25 OTHER LIABILITIES**

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Margin and collateral deposits	9,085	8,413
Other creditors and accruals	4,182	3,449
Sundry creditors	7,601	18,729
Provision for zakat	2,301	2,332
Defined contribution plan (a)	1,189	1,057
Accrued employee benefits (b)	494	2,261
Charity funds	80	90
	<b>24,932</b>	<b>36,331</b>

**(a) Defined contribution plan**

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

**(b) Accrued employee benefits**

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



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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**26 RESERVES**

	<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>31/3/2017</b>	31/12/2016	<b>31/3/2017</b>	31/12/2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Retained profits	<b>252,678</b>	237,127	<b>253,328</b>	237,777
AFS revaluation reserves	<b>(11,441)</b>	(18,064)	<b>(11,441)</b>	(18,064)
Statutory reserves	<b>305,016</b>	305,016	<b>305,016</b>	305,016
Regulatory reserves	<b>81,696</b>	73,178	<b>81,696</b>	73,178
	<b>627,949</b>	597,257	<b>628,599</b>	597,907
<b>Statutory reserves</b>				
At beginning of the financial period	<b>305,016</b>	248,717	<b>305,016</b>	248,717
Transfer from retained profits	-	56,299	-	56,299
At end of the financial period	<b>305,016</b>	305,016	<b>305,016</b>	305,016

- (a) As at 31 March 2017, the Bank has tax exempt account balance of RM34,165,467 (31 December 2016: RM34,165,467) 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 losses of RM5,910,283.32 (31 December 2016: net unrealised losses of RM28,835,478).
- (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.

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**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>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>31/3/2017</b>	<b>31/03/2016</b>	<b>31/3/2017</b>	<b>31/03/2016</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>148,082</b>	129,905	<b>148,082</b>	129,905
Income derived from investment of investment account funds	<b>28,394</b>	19,181	<b>28,394</b>	19,181
Income derived from investment of shareholders' funds	<b>15,638</b>	11,290	<b>15,638</b>	11,290
Income attributable to depositors	<b>(115,502)</b>	(100,893)	<b>(115,502)</b>	(100,893)
	<b>76,612</b>	59,483	<b>76,612</b>	59,483
of which:				
Profit earned on impaired financing, advances and other financing	<b>725</b>	196	<b>725</b>	196

**27 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>31/3/2017</b>	<b>31/03/2016</b>	<b>31/3/2017</b>	<b>31/03/2016</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>80,172</b>	66,719	<b>80,172</b>	66,719
- Other deposits (ii)	<b>67,910</b>	63,186	<b>67,910</b>	63,186
	<b>148,082</b>	129,905	<b>148,082</b>	129,905

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**27 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
	31/3/2017	31/03/2016	31/3/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	<b>64,371</b>	52,314	<b>64,371</b>	52,314
Financial investments available-for-sale	<b>7,200</b>	5,435	<b>7,200</b>	5,435
Financial investments held-to-maturity	<b>532</b>	564	<b>532</b>	564
Money at call and deposits with other financial institutions	<b>3,854</b>	5,301	<b>3,854</b>	5,301
	<b>75,957</b>	63,614	<b>75,957</b>	63,614
Accretion of discount less amortisation of premium	<b>543</b>	560	<b>543</b>	560
Total finance income and hibah	<b>76,500</b>	64,174	<b>76,500</b>	64,174
<b>Other operating income</b>				
Fee income:				
Commission	<b>368</b>	208	<b>368</b>	208
Service charges and fees	<b>963</b>	590	<b>963</b>	590
Guarantee fees	<b>372</b>	255	<b>372</b>	255
	<b>1,703</b>	1,053	<b>1,703</b>	1,053
Income from financial instruments:				
Gain on arising on financial investments available-for-sale:				
- net gain on disposal	<b>448</b>	310	<b>448</b>	310
	<b>448</b>	310	<b>448</b>	310
Other income:				
Foreign exchange profit/(loss)				
- realised	<b>2,885</b>	331	<b>2,885</b>	331
- unrealised	<b>(2,006)</b>	572	<b>(2,006)</b>	572
Other non-operating income	<b>642</b>	279	<b>642</b>	279
	<b>1,521</b>	1,182	<b>1,521</b>	1,182
	<b>80,172</b>	66,719	<b>80,172</b>	66,719

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**27 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
	31/3/2017	31/03/2016	31/3/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other loans	54,527	49,543	54,527	49,543
Financial investments available-for-sale	6,099	5,148	6,099	5,148
Financial investments held-to-maturity	450	534	450	534
Money at call and deposits with other financial institutions	3,264	5,020	3,264	-
	<b>64,340</b>	60,245	<b>64,340</b>	60,245
Accretion of discount less amortisation of premium	460	530	460	530
Total finance income and hibah	<b>64,800</b>	60,775	<b>64,800</b>	60,775
<b>Other operating income</b>				
Fee income:				
Commission	311	197	311	197
Service charges and fees	816	559	816	559
Guarantee fees	315	242	315	242
	<b>1,442</b>	998	<b>1,442</b>	998
Income from financial instruments:				
Gain on arising on financial investments available-for-sale:				
- net gain on disposal	379	294	379	294
	<b>379</b>	294	<b>379</b>	294
Other income:				
Foreign exchange profit/(loss)				
- realised	2,444	313	2,444	313
- unrealised	(1,699)	542	(1,699)	542
Other non-operating income	544	264	544	264
	<b>1,289</b>	1,119	<b>1,289</b>	1,119
	<b>67,910</b>	63,186	<b>67,910</b>	63,186

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

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

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2017	31/03/2016	31/3/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other loans	22,799	15,040	22,799	15,040
Financial investments available-for-sale	2,550	1,563	2,550	1,563
Financial investments held-to-maturity	188	162	188	162
Money at call and deposits with other financial institutions	1,365	1,524	1,365	1,524
	<b>26,902</b>	<b>18,289</b>	<b>26,902</b>	<b>18,289</b>
Accretion of discount less amortisation of premium	192	161	192	161
Total finance income and hibah	<b>27,094</b>	<b>18,450</b>	<b>27,094</b>	<b>18,450</b>
<b>Other operating income</b>				
Fee income:				
Commission	130	60	130	60
Service charges and fees	341	170	341	170
Guarantee fees	132	73	132	73
	<b>603</b>	<b>303</b>	<b>603</b>	<b>303</b>
Income from financial instruments:				
Gain on arising on financial investments available-for-sale:				
- net gain on disposal	159	89	159	89
	<b>159</b>	<b>89</b>	<b>159</b>	<b>89</b>
Other income:				
Foreign exchange profit/(loss)				
- realised	1,022	95	1,022	95
- unrealised	(711)	164	(711)	164
Other non-operating income	227	80	227	80
	<b>538</b>	<b>339</b>	<b>538</b>	<b>339</b>
	<b>28,394</b>	<b>19,181</b>	<b>28,394</b>	<b>19,181</b>

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

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

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2017	31/03/2016	31/3/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	12,556	8,853	12,556	8,853
Financial investments available-for-sale	1,404	920	1,404	920
Financial investments held-to-maturity	104	95	104	95
Money at call and deposits with other financial institutions	752	897	752	897
	<b>14,816</b>	<b>10,765</b>	<b>14,816</b>	<b>10,765</b>
Accretion of discount less amortisation of premium	106	95	106	95
Total finance income and hibah	<b>14,922</b>	<b>10,860</b>	<b>14,922</b>	<b>10,860</b>
<b>Other operating income</b>				
Fee income:				
Commission	72	35	72	35
Service charges and fees	188	100	188	100
Guarantee fees	72	43	72	43
	<b>332</b>	<b>178</b>	<b>332</b>	<b>178</b>
Income from financial instruments:				
Gain on arising on financial investments available-for-sale:				
- net gain on disposal	87	52	87	52
	<b>87</b>	<b>52</b>	<b>87</b>	<b>52</b>
Other income:				
Foreign exchange profit/(loss)				
- realised	563	56	563	56
- unrealised	(391)	97	(391)	97
Other non-operating income	125	47	125	47
	<b>297</b>	<b>200</b>	<b>297</b>	<b>200</b>
	<b>15,638</b>	<b>11,290</b>	<b>15,638</b>	<b>11,290</b>

**30 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
	31/3/2017	31/03/2016	31/3/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
Individual impairment				
- made in the financial period	5,748	582	5,748	582
- written-back	(3,831)	(89)	(3,831)	(89)
Collective impairment				
- net allowance made in the financial period	3,739	2,629	3,739	2,629
Bad debts on financing				
- recovered	(264)	(587)	(264)	(587)
	<b>5,392</b>	<b>2,535</b>	<b>5,392</b>	<b>2,535</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****31 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>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2017</b>	31/03/2016	<b>31/3/2017</b>	31/03/2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits from customers				
- Mudharabah	<b>653</b>	820	<b>653</b>	820
- Non-mudharabah	<b>77,177</b>	68,531	<b>77,177</b>	68,531
Deposits and placements of banks and other financial institutions				
- Mudharabah	<b>11,192</b>	13,590	<b>11,192</b>	13,590
Profit distributed to investment account holders	<b>26,480</b>	17,952	<b>26,480</b>	17,952
	<b>115,502</b>	100,893	<b>115,502</b>	100,893

**32 OTHER OPERATING EXPENSES**

	<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>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2017</b>	31/03/2016	<b>31/3/2017</b>	31/03/2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel costs (a)	<b>24,508</b>	19,331	<b>24,508</b>	19,331
Establishment costs (b)	<b>9,606</b>	8,484	<b>9,606</b>	8,484
Marketing expenses (c)	<b>766</b>	538	<b>766</b>	538
Administrative and general expenses (d)	<b>3,590</b>	3,102	<b>3,590</b>	3,102
	<b>38,470</b>	31,455	<b>38,470</b>	31,455

## (a) Personnel costs

	<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>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2017</b>	31/03/2016	<b>31/3/2017</b>	31/03/2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Wages, salaries and bonuses	<b>18,714</b>	14,802	<b>18,714</b>	14,802
Defined contribution plan ('EPF')	<b>3,222</b>	2,466	<b>3,222</b>	2,466
Other personnel costs	<b>2,572</b>	2,063	<b>2,572</b>	2,063
	<b>24,508</b>	19,331	<b>24,508</b>	19,331

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**32 OTHER OPERATING EXPENSES (continued)**

(b) Establishment costs

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2017	31/03/2016	31/3/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
Rental of premises	1,701	1,214	1,701	1,214
Equipment rental	18	15	18	15
Repair and maintenance	1,481	1,677	1,481	1,677
Depreciation of property and equipment	225	258	225	258
Amortisation of intangible assets	-	116	-	116
IT consultancy fees	2,804	2,326	2,804	2,326
Dataline rental	292	157	292	157
Security services	1,031	960	1,031	960
Electricity, water and sewerage	469	369	469	369
Licence fee	93	90	93	90
Insurance/takaful and indemnities	433	417	433	417
Other establishment costs	1,059	885	1,059	885
	<b>9,606</b>	<b>8,484</b>	<b>9,606</b>	<b>8,484</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
	31/3/2017	31/03/2016	31/3/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
Business promotion and advertisement	248	92	248	92
Entertainment	67	49	67	49
Traveling and accommodation	244	171	244	171
Other marketing expenses	207	226	207	226
	<b>766</b>	<b>538</b>	<b>766</b>	<b>538</b>



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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**32 OTHER OPERATING EXPENSES (continued)**

(d) Administration and general expenses

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2017	31/03/2016	31/3/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
Telecommunication expenses	262	236	262	236
Auditors' remuneration	112	122	112	122
Professional fees	327	254	327	254
Property and equipment written-off	1	-	1	-
Mail and courier charges	106	186	106	186
Stationery and consumables	695	563	695	563
Commissions expenses	248	209	248	209
Brokerage expenses	216	225	216	225
Directors' fees and allowances	368	486	368	486
Donations	27	18	27	18
Settlement, clearing and bank charges	276	278	276	278
Stamp duties	3	-	3	-
GST Input tax-non recoverable	902	431	902	431
Other administration and general expenses	47	94	47	94
	<b>3,590</b>	<b>3,102</b>	<b>3,590</b>	<b>3,102</b>

**33 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
	31/3/2017	31/12/2016
	RM'000	RM'000
Direct credit substitutes (*)	185,304	33,386
Transaction-related contingent items (*)	271,945	282,867
Short-term self-liquidating trade related contingencies	297,871	312,550
Irrevocable commitments to extend credit:		
- maturity less than one year	1,278,984	1,129,279
- maturity more than one year	468,294	469,986
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	43,508	39,538
Foreign exchange related contracts (#):		
- less than one year	1,249,160	1,049,862
	<b>3,795,066</b>	<b>3,317,468</b>

\* Included in direct credit substitutes as above are financial guarantee contracts of RM185.3 million at the Bank (31 December 2016: RM33.4 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 24 to the financial statements.

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****34 FAIR VALUE MEASUREMENTS**

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

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

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

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

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

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

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Economic Entity and The Bank</b>				
<b>31/3/2017</b>				
<b>Assets</b>				
Derivative financial assets		10,912		10,912
Financial investments available-for-sale				
- Money market instruments	-	984,504	-	984,504
- Corporate bonds/sukuk	-	935,919	-	935,919
	-	1,931,335	-	1,931,335
<b>Liabilities</b>				
Derivative financial liabilities	-	8,145	-	8,145
	-	8,145	-	8,145
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Economic Entity and The Bank</b>				
<b>31/12/2016</b>				
<b>Assets</b>				
Derivative financial assets	-	8,987	-	8,987
Financial investments available-for-sale				
- Money market instruments	-	931,503	-	931,503
- Corporate bonds/sukuk	-	901,905	-	901,905
	-	1,842,395	-	1,842,395
<b>Liabilities</b>				
Derivative financial liabilities	-	1,412	-	1,412
	-	1,412	-	1,412

\* Net of allowance for impairment.

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**34 FAIR VALUE MEASUREMENTS (continued)**

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

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

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

	<b>Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 31/3/2017 RM'000</b>	<b>Previous Financial Year-End 31/12/2016 RM'000</b>
As at beginning of the financial year	-	525
Purchases	-	-
Sales	-	(25)
Reclassify to investment in associate	-	(500)
As at end of the financial year	<u>-</u>	<u>-</u>

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

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

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

Description	Fair value assets		Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	31/3/2017 RM'000	31/12/2016 RM'000			
<b>Economic Entity and The Bank</b>					
<b>Financial investments available-for-sale</b>					
Unquoted shares	-	-	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

In estimating its significance, the Bank used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflects the values that the Bank estimate is appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017****35 CAPITAL MANAGEMENT**

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

The Bank is currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 5.750% (2016: 5.125%) and 7.725% (2016: 6.625%) respectively for year 2016. The minimum regulatory capital adequacy requirement has increased to 9.250% (2016 : 8.625%) for total capital ratio.

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

The Bank's objectives when managing capital, are:

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

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

The table in Note 36 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 31 March 2017.

**36 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>31/3/2017</b>	31/12/2016	<b>31/3/2017</b>	31/12/2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Paid-up share capital	<b>760,000</b>	560,000	<b>760,000</b>	560,000
Statutory reserves	<b>305,016</b>	305,016	<b>305,016</b>	305,016
Retained profits	<b>228,610</b>	237,127	<b>229,260</b>	237,777
Unrealised gains and losses on AFS	<b>(15,054)</b>	(23,768)	<b>(15,054)</b>	(23,768)
	<b>1,278,572</b>	1,078,375	<b>1,279,222</b>	1,079,025
Less:				
Deferred tax assets	<b>(5,621)</b>	(8,056)	<b>(5,621)</b>	(8,056)
Investment in associate/joint ventures	<b>(600)</b>	(450)	<b>(1,120)</b>	(840)
<b>CET1 Capital</b>	<b>1,272,351</b>	1,069,869	<b>1,272,481</b>	1,070,129
<b>Tier 1 Capital</b>	<b>1,272,351</b>	1,069,869	<b>1,272,481</b>	1,070,129

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**36 CAPITAL ADEQUACY (continued)**

	Economic Entity		The Bank	
	Current Financial Quarter Financial 31/3/2017 RM'000	Previous Financial Year-End Financial 31/12/2016 RM'000	Current Financial Quarter Financial 31/3/2017 RM'000	Previous Financial Year-End Financial 31/12/2016 RM'000
Collective impairment <sup>@</sup>	27,816	28,541	27,816	28,541
Regulatory adjustments	81,695	73,178	81,695	73,178
Less:				
Investment in associate/joint ventures	(150)	(300)	(280)	(560)
<b>Tier II capital</b>	<b>109,361</b>	101,419	<b>109,231</b>	101,159
<b>Total capital</b>	<b>1,381,712</b>	1,171,288	<b>1,381,712</b>	1,171,288
CET1 capital ratio	13.346%	12.421%	13.347%	12.424%
Tier 1 capital ratio	13.346%	12.421%	13.347%	12.424%
Total capital ratio	14.493%	13.598%	14.493%	13.598%
CET1 capital ratio (net of proposed dividends)	13.346%	12.421%	13.347%	12.424%
Tier 1 capital ratio (net of proposed dividends)	13.346%	12.421%	13.347%	12.424%
Total capital ratio (net of proposed dividends)	14.493%	13.598%	14.493%	13.598%
Risk-weighted assets for:				
Credit risk	9,018,483	8,124,441	9,018,483	8,124,441
Market risk	46,165	37,254	46,165	37,254
Operational risk	468,971	451,894	468,971	451,894
<b>Total risk-weighted assets</b>	<b>9,533,619</b>	8,613,589	<b>9,533,619</b>	8,613,589

<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 31 March 2017, RIA assets excluded from Total Capital Ratio calculation amounted to RM2,132,039,934 (31 December 2016: RM2,112,242,742).

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**37 REVIEW OF PERFORMANCE OF THE BANK**

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

During the 1st quarter of 2017, the Bank registered a profit before tax of RM32.8 million as compared to the previous year's corresponding quarter of RM25.5 million, an increase of RM7.3 million or 28.6%.

This was due to:

- i) higher income derived from investments after netting off income attributable to depositors' funds by RM17.1 million.

The above was off-set by:

- i) higher allowances for impairment losses on financing, advances and other financing by RM2.8 million.
- ii) higher operating expenses by RM7.0 million.

**38 COMMENT ON FINANCIAL RESULTS**

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

The Bank's profit before tax for 1st quarter of 2017 stood at RM32.8 million as compared to RM46.3 million reported in the 4th quarter of 2016, a decrease of RM13.5 million or 29.2%.

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 RM7.4 million.
- ii) higher operating expenses by RM3.0 million.
- iii) lower income derived from investments after netting off income attributable to the depositors' funds by RM3.1 million.

**39 PROSPECT FOR THE CURRENT FINANCIAL YEAR**

Business Outlook for Remaining Period Financial Year 2017

The Malaysian economy is projected to register a sustainable growth of 4.3% - 4.8% (4.0% - 5.0%) in 2017, strengthen by domestic demand as the principal driver of growth and underpinned by private sector activity. The private consumption growth is expected to be stable with continued wage growth and the increase in disposable income despite the higher inflation rate of between 3.0% - 4.0%. In an environment of cautious business sentiment and challenging economic situation, investment growth is projected to remain modest.

In line with BNM's 10-year Financial Sector Blueprint, AFFIN Group also emphasis and prioritize on the growth of Shariah-compliant assets and this is the main contributing factors to the financing growth of the Bank assets in the first quarter 2017.

Moving ahead into 2017, the Bank anticipating that SME and millennials segments will remain as key business focus in supporting our financing growth and profitability. In consumer market, hire purchase financing ('HP') and residential property mortgages will continue as key business drivers. The bank will deepen our relationship and strengthen group synergy with Lembaga Angkatan Tentera (LTAT) and Boustead Group of companies in accelerating our financing base through on working capital financing of Economic Transformation Program (ETP) related projects.

Overall performance is expected to remain steady supported by stable funding position through emplacement of CASA. With the implementation of "Priority Islamic" approach and Affinity Transformation Program initiatives, the pace of the Bank income growth is expected to meet our financial year targets and support AFFIN Bank group overall performance.

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2017**

**40 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

The Bank's profit before tax registered an adverse variance of RM5.4 million. The main contributing factors are follows:

Other operating expenses

Operating costs showed an adverse variance of RM2.5 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 RM2.9 million.