

AFFIN Bank Berhad
(Incorporated in Malaysia)

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

	Note	The Group		The Bank	
		Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
ASSETS					
Cash and short-term funds		4,592,892	4,364,490	3,077,836	3,337,831
Deposits and placements with banks and other financial institutions		151,596	152,234	304,095	406,075
Investment accounts due from designated financial institutions	13	-	-	2,201,522	2,110,079
Derivative financial assets	14	108,679	167,304	116,599	166,240
Financial investments available-for-sale	15	10,092,170	10,279,997	8,171,747	8,446,589
Financial investments held-to-maturity	16	374,054	373,524	300,658	301,402
Loans, advances and financing	17	43,530,518	42,668,297	30,775,212	30,753,354
Other assets	18	161,021	61,932	133,587	53,941
Amount due from subsidiaries		-	-	232,612	196,839
Amount due from joint ventures		49,189	46,725	-	-
Amount due from associate		500	500	-	-
Tax recoverable		3,380	15,492	3,380	15,462
Deferred tax assets		5,621	8,056	-	-
Statutory deposits with Bank Negara Malaysia		1,458,640	1,482,000	1,149,000	1,150,000
Investment in subsidiaries		-	-	774,724	575,224
Investment in associate		750	750	-	-
Property and equipment		411,632	401,799	404,531	394,717
Intangible assets		164,232	164,089	168,125	167,982
TOTAL ASSETS		61,104,874	60,187,189	47,813,628	48,075,735
LIABILITIES AND EQUITY					
Deposits from customers	19	46,327,884	47,633,056	35,392,599	37,106,463
Investment accounts of customers		831	-	-	-
Deposits and placements of banks and other financial institutions	20	5,113,795	3,547,203	3,321,928	2,583,235
Obligation on securities sold under repurchase agreements		1,011,526	999,740	1,011,526	999,740
Derivative financial liabilities	21	319,706	402,772	330,393	409,283
Bills and acceptances payable		53,807	37,726	53,807	37,726
Other liabilities	22	324,397	439,488	370,609	402,445
Amount due to subsidiaries		-	-	41,461	41,395
Provision for taxation		5,210	6,022	-	-
Deferred tax liabilities		22,513	12,884	22,513	12,884
Subordinated term loan & Medium Term Note		2,009,771	1,304,592	2,009,771	1,304,592
TOTAL LIABILITIES		55,189,440	54,383,483	42,554,607	42,897,763
Share capital		1,688,770	1,688,770	1,688,770	1,688,770
Reserves	23	4,226,664	4,114,936	3,570,251	3,489,202
TOTAL EQUITY		5,915,434	5,803,706	5,259,021	5,177,972
TOTAL LIABILITIES AND EQUITY		61,104,874	60,187,189	47,813,628	48,075,735
COMMITMENTS AND CONTINGENCIES					
	30	22,119,971	22,483,498	20,781,748	21,185,728
Capital Adequacy					
CET1 capital ratio	33	11.831%	12.026%	11.667%	12.378%
Tier 1 capital ratio	33	11.831%	12.026%	11.667%	12.378%
Total capital ratio	33	17.258%	15.685%	17.808%	15.986%

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UNAUDITED INCOME STATEMENTS for the financial quarter ended 31 March 2017

	Individual Quarter The Group		Cumulative Quarter The Group	
	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
Interest income	568,078	586,606	568,078	586,606
Interest expense	(363,787)	(389,822)	(363,787)	(389,822)
Net interest income	204,291	196,784	204,291	196,784
Income from Islamic banking business	76,983	58,930	76,983	58,930
	281,274	255,714	281,274	255,714
Other operating income	40,758	37,441	40,758	37,441
Net income	322,032	293,155	322,032	293,155
Other operating expense	(189,980)	(171,750)	(189,980)	(171,750)
Operating profit before allowances	132,052	121,405	132,052	121,405
(Allowances for)/write-back of impairment losses on loans, advances and financing	(6,720)	1,656	(6,720)	1,656
Profit before zakat and taxation	125,332	123,061	125,332	123,061
Zakat	-	-	-	-
Profit before taxation	125,332	123,061	125,332	123,061
Taxation	(35,099)	(28,738)	(35,099)	(28,738)
Net profit after zakat and taxation	90,233	94,323	90,233	94,323
Attributable to:				
Equity holder of the Bank	90,233	94,323	90,233	94,323
Earnings per share (sen):				
- Basic	5.3	5.6	5.3	5.6

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

	Individual Quarter The Group		Cumulative Quarter The Group	
	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
Profit after zakat and taxation	90,233	94,323	90,233	94,323
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in financial investments available-for-sale	28,283	97,502	28,283	97,502
Deferred tax on financial investments available-for-sale	(6,788)	(23,142)	(6,788)	(23,142)
Other comprehensive income for the financial period, net of tax	21,495	74,360	21,495	74,360
Total comprehensive income for the financial period	111,728	168,683	111,728	168,683
Attributable to equity holder of the Bank:				
- Total comprehensive income	111,728	168,683	111,728	168,683

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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS *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
Interest income	568,449	586,053	568,449	586,053
Interest expense	(363,787)	(389,824)	(363,787)	(389,824)
Net interest income	204,662	196,229	204,662	196,229
Income from Islamic banking business	-	-	-	-
	204,662	196,229	204,662	196,229
Other operating income	40,764	37,365	40,764	37,365
Net income	245,426	233,594	245,426	233,594
Other operating expense	(151,555)	(140,343)	(151,555)	(140,343)
Operating profit before allowances	93,871	93,251	93,871	93,251
(Allowances for)/write-back of impairment losses on loans, advances and financing	(1,328)	4,190	(1,328)	4,190
Profit before zakat and taxation	92,543	97,441	92,543	97,441
Zakat	-	-	-	-
Profit before taxation	92,543	97,441	92,543	97,441
Taxation	(26,367)	(22,193)	(26,367)	(22,193)
Net profit after zakat and taxation	66,176	75,248	66,176	75,248
Attributable to:				
Equity holder of the Bank	66,176	75,248	66,176	75,248
Earnings per share (sen):				
- Basic	3.9	4.5	3.9	4.5

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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
Profit after zakat and taxation	66,176	75,248	66,176	75,248
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in financial investments available-for-sale	19,570	81,752	19,570	81,752
Deferred tax on financial investments available-for-sale	(4,697)	(19,362)	(4,697)	(19,362)
Other comprehensive income for the financial period, net of tax	14,873	62,390	14,873	62,390
Total comprehensive income for the financial period	81,049	137,638	81,049	137,638
Attributable to equity holder of the Bank:				
- Total comprehensive income	81,049	137,638	81,049	137,638

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

	Attributable to Equity Holder of the Bank						
	Share capital	Share premium	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group							
At 1 January 2017	1,688,770	858,904	1,721,637	75,229	280,204	1,178,962	5,803,706
Net profit for the financial period	-	-	-	-	-	90,233	90,233
Other Comprehensive income (net of tax)							
- Financial investments available -for-sale	-	-	-	21,495	-	-	21,495
Total comprehensive income	-	-	-	21,495	-	90,233	111,728
Transfer to regulatory reserves	-	-	-	-	1,802	(1,802)	-
At 31 March 2017	1,688,770	858,904	1,721,637	96,724	282,006	1,267,393	5,915,434
At 1 January 2016	1,688,770	858,904	1,577,509	68,945	278,547	1,029,155	5,501,830
Net profit for the financial period	-	-	-	-	-	94,323	94,323
Other Comprehensive income (net of tax)							
- Financial investments available -for-sale	-	-	-	74,360	-	-	74,360
Total comprehensive income	-	-	-	74,360	-	94,323	168,683
Dividend paid	-	-	-	-	-	(104,366)	(104,366)
Transfer to regulatory reserves	-	-	-	-	(4,915)	4,915	-
At 31 March 2016	1,688,770	858,904	1,577,509	143,305	273,632	1,024,027	5,566,147

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INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY for the financial quarter ended 31 March 2017 (continued)**

	Non-distributable				Distributable		Total
	Share capital	Share premium	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	1,688,770	858,904	1,416,621	93,292	207,026	913,359	5,177,972
Net profit for the financial period	-	-	-	-	-	66,176	66,176
Other Comprehensive income (net of tax)							
- Financial investments available -for-sale	-	-	-	14,873	-	-	14,873
Total comprehensive income	-	-	-	14,873	-	66,176	81,049
Transfer to regulatory reserves	-	-	-	-	(6,715)	6,715	-
At 31 March 2017	1,688,770	858,904	1,416,621	108,165	200,311	986,250	5,259,021
At 1 January 2016	1,688,770	858,904	1,328,792	76,852	220,148	805,289	4,978,755
Net profit for the financial period	-	-	-	-	-	75,248	75,248
Other Comprehensive income (net of tax)							
- Financial investments available -for-sale	-	-	-	62,390	-	-	62,390
Total comprehensive income	-	-	-	62,390	-	75,248	137,638
Dividend paid	-	-	-	-	-	(104,366)	(104,366)
Transfer to regulatory reserves	-	-	-	-	(8,807)	8,807	-
At 31 March 2016	1,688,770	858,904	1,328,792	139,242	211,341	784,978	5,012,027

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

	The Group		The Bank	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	125,332	123,061	92,543	97,441
Adjustments for items not involving the movement of cash and of cash and cash equivalents:				
Interest income:				
- financial assets held-for-trading	-	(134)	-	(134)
- financial investments available-for-sale	(74,232)	(82,781)	(74,232)	(82,781)
- financial investments held-to-maturity	(2,946)	(2,978)	(2,946)	(2,978)
Dividend income:				
- financial investments available-for-sale	(104)	(48)	(104)	(48)
Gain on sale:				
- financial assets held-for-trading	(135)	(8)	(135)	(8)
- financial investments available-for-sale	(3,095)	(2,153)	(3,095)	(2,153)
Unrealised (gains)/loss on revaluation:				
- financial assets held-for-trading	-	(2)	-	(2)
- derivatives	(286)	(1,587)	(286)	(1,587)
- foreign exchange	(19,110)	(112,680)	(19,110)	(112,680)
Depreciation of property and equipment	3,729	3,829	3,491	3,558
Property and equipment written off	21	-	19	-
Amortisation of intangible assets	2,453	2,019	2,453	1,903
Gain on sale of foreclosed properties	-	(104)	-	(104)
Net individual impairment	7,556	1,347	5,639	854
Net collective impairment	9,414	11,063	5,674	8,434
Bad debt and financing written-off	293	221	293	221
Interest expense - subordinated term loans	11,530	11,751	11,530	11,751
Gain on disposal of subsidiary	-	-	(162)	-
Operating profit before changes in working capital	60,420	(49,184)	21,572	(78,313)
Decrease/(increase) in operating assets:				
Deposits and placements with banks and other financial institutions	638	65,000	101,980	35,894
Investment accounts due from designated financial institutions	-	-	(91,443)	(793,234)
Financial assets held-for-trading	135	150,266	135	150,266
Loans, advances and financing	(879,484)	(425,116)	(33,464)	924,296
Other assets	62,050	571,071	86,309	595,275
Derivative financial instruments	(24,441)	(162,369)	(29,249)	(160,994)
Tax recoverable	-	16,804	-	16,804
Statutory deposits with Bank Negara Malaysia	23,360	77,600	1,000	115,000
Amount due from subsidiaries	-	-	(35,707)	(458,986)
Amount due from joint ventures	(2,463)	(442)	-	-

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

	The Group		The Bank	
	31/3/2017 RM'000	31/3/2016 RM'000	31/3/2017 RM'000	31/3/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(continued)				
<i>(Decrease)/increase in operating liabilities:</i>				
Deposits from customers	(1,305,172)	(497,952)	(1,713,864)	(181,206)
Investment accounts of customers	831	-	-	-
Deposits and placements of banks and other financial institutions	1,566,592	2,603,648	738,693	1,887,407
Obligation on securities sold under repurchase agreements	11,786	(603,899)	11,786	(603,899)
Bills and acceptances payable	16,081	(10,818)	16,081	(10,818)
Recourse obligation on loans sold to Cagamas Berhad	-	(1,178)	-	(1,178)
Other liabilities	(115,059)	(45,639)	(31,835)	(24,935)
Cash (used in)/generated from operations	(584,726)	1,687,792	(958,006)	1,411,379
Zakat paid	(32)	(383)	-	-
Tax paid	(18,544)	(54,584)	(9,354)	(49,324)
Net cash (used in)/generated from operating activities	(603,302)	1,632,825	(967,360)	1,362,055
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received:				
- financial investments available-for-sale	74,232	82,781	74,232	80,740
- financial investments held-to-maturity	2,946	2,978	2,946	2,978
Dividend income:				
- financial investments available-for-sale	104	48	104	48
Redemption of financial investments held-to-maturity net of purchase	(531)	6,941	743	8,297
Net sale of financial investments available-for-sale	219,206	652,877	297,507	634,678
Proceeds from disposal of:				
- foreclosed properties	-	394	-	394
Purchase of property and equipment	(15,641)	(8,296)	(15,397)	(8,093)
Purchase of intangible assets	(538)	(292)	(538)	(292)
Net cash generated from investing activities	279,778	737,431	359,597	718,750
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceed from disposal of subsidiary	-	-	662	-
Investment in subsidiary	-	-	(200,000)	-
Interest payment on subordinated term loan	(14,264)	(11,888)	(14,264)	(11,888)
Repayment of subordinated term loan	(300,000)	-	(300,000)	-
Drawdown of Medium Term Note	1,000,000	-	1,000,000	-
Payment of dividend	-	(104,366)	-	(104,366)
Net cash generated from/(used in) financing activities	685,736	(116,254)	486,398	(116,254)
Net increase/(decrease) in cash and cash equivalents	362,212	2,254,002	(121,365)	1,964,551
Net decrease in foreign exchange	(141,724)	(466,527)	(146,544)	(454,063)
Cash and cash equivalents at beginning of the financial period	4,364,490	4,070,710	3,337,831	2,203,022
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	4,584,978	5,858,185	3,069,922	3,713,510

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MFRS134 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 MFRS 134 "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 Group and 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 Group and the Bank since the year ended 31 December 2016.

2 ACCOUNTING POLICIES

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

The presentation of the comparative financial statements of the Group and the Bank have 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 2017 are as follows:

Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) ;
Amendments 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';
MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) 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 Group and 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 Group and the Bank except for MFRS 9. The financial effect of adoption of MFRS 9 is still being assessed by the Group and 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 Group and the Bank are not subject to material seasonal or cyclical fluctuation.

5 EXCEPTIONAL ITEMS

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

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MFRS134 INTERIM FINANCIAL REPORTING - 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 GROUP

There is no change in the composition of the Group between now and 31 December 2016 audited account.

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.

13 INVESTMENT ACCOUNTS DUE FROM DESIGNATED FINANCIAL INSTITUTIONS

	The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/3/2017	31/12/2016
	RM'000	RM'000
Licensed banks	2,201,522	2,110,079

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**14 DERIVATIVE FINANCIAL ASSETS**

	The Group 31/3/2017		The Group 31/12/2016	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives:				
Currency forwards	1,208,579	68,784	1,764,528	113,263
Cross currency swaps	1,687,716	22,119	1,963,860	36,441
Currency options	10,076	(71)	-	-
Interest rate derivatives:				
Interest rate swap	1,126,000	17,847	1,013,500	17,600
	4,032,371	108,679	4,741,888	167,304

	The Bank 31/3/2017		The Bank 31/12/2016	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives:				
Currency forwards	1,203,136	68,783	1,738,521	111,513
Cross currency swaps	2,256,288	30,040	2,060,604	37,127
Currency options	10,076	(71)	-	-
Interest rate derivatives:				
Interest rate swap	1,126,000	17,847	1,013,500	17,600
	4,595,500	116,599	4,812,625	166,240

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**15 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
At fair value				
Malaysian Government treasury bills	12,208	-	-	-
Malaysian Government securities	79,969	90,237	79,969	90,237
Malaysian Government investment issues	1,615,597	1,527,767	947,194	898,982
Sukuk Perumahan Kerajaan	405,828	406,288	277,168	276,858
Negotiable Instruments of Deposit and Islamic Debt Certificates	2,217,902	2,514,468	2,217,902	2,514,468
Khazanah Bonds/Sukuk	444,295	439,219	269,062	265,931
	4,775,799	4,977,979	3,791,295	4,046,476
Unquoted securities:				
Shares in Malaysia	216,948	216,948	216,948	216,948
Corporate bonds/Sukuk				
- in Malaysia	4,767,330	4,663,751	3,831,411	3,761,846
- outside Malaysia	332,449	421,675	332,449	421,675
	10,092,526	10,280,353	8,172,103	8,446,945
Allowance for impairment losses	(356)	(356)	(356)	(356)
	10,092,170	10,279,997	8,171,747	8,446,589

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Quarter 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Quarter 31/12/2016 RM'000
Movement in allowance for impairment losses				
At beginning of the financial period	356	1,301	356	269
Allowance made during the financial period	-	318	-	318
Amount written-off	-	(1,263)	-	(231)
At end of the financial period	356	356	356	356

Included in the Group and the Bank's financial investments available-for-sale are corporate bonds amounting to RM1,055.8 million (31 December 2016: RM1,057.7 million) which are pledged as collateral for obligation on the securities sold under repurchase agreements.

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**16 FINANCIAL INVESTMENTS HELD-TO-MATURITY**

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
At amortised cost				
Unquoted securities:				
Corporate bonds/Sukuk in Malaysia	377,591	377,061	304,195	304,939
Allowance for impairment losses	(3,537)	(3,537)	(3,537)	(3,537)
	374,054	373,524	300,658	301,402
Movement in allowance for impairment losses				
At beginning of the financial period	3,537	178	3,537	178
Allowance made during the financial period	-	3,537	-	3,537
Amount written-off	-	(178)	-	(178)
At end of the financial period	3,537	3,537	3,537	3,537

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17 LOANS, ADVANCES AND FINANCING

(i) By type

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Overdrafts	2,020,897	1,919,668	1,731,635	1,640,789
Term loans/financing				
- Housing loans/financing	7,287,891	6,964,223	4,103,736	4,106,693
- Hire purchase receivables	12,146,828	11,920,683	8,738,773	8,739,325
- Syndicated financing	2,105,601	2,079,384	1,421,668	1,496,645
- Business term loans/financing	14,027,805	13,440,419	10,228,565	9,898,640
Bills receivables	28,271	30,113	18,677	8,738
Trust receipts	153,318	297,955	147,373	291,017
Claims on customers under acceptances credits	1,136,933	1,082,209	963,196	907,586
Staff loans/financing (of which RM Nil to Directors)	158,156	155,172	141,640	142,063
Credit/charge cards	89,564	91,091	89,564	91,091
Revolving credits	4,692,612	5,069,950	3,439,665	3,750,341
Factoring	6,596	1,560	6,596	1,560
Gross loans, advances and financing	43,854,472	43,052,427	31,031,088	31,074,488
Less:				
Allowance for impairment losses				
- Individual	(80,675)	(149,499)	(61,331)	(131,497)
- Collective	(243,279)	(234,631)	(194,545)	(189,637)
Total net loans, advances and financing	43,530,518	42,668,297	30,775,212	30,753,354

- Included in Group's business term loans/financing as at reporting date is RM53.7 million (31 December 2016: RM53.7 million) and RM72.3 million (31 December 2016: RM78.0 million) of term financing disbursed by AFFIN Islamic Bank Bhd to joint ventures AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd respectively.

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**17 LOANS, ADVANCES AND FINANCING (continued)****(ii) By maturity structure**

	The Group		The Bank	
	Current Financial Quarter	Previous Financial Year-End	Current Financial Quarter	Previous Financial Year-End
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	8,491,483	8,828,952	6,525,116	6,790,065
One year to three years	4,773,782	4,700,048	3,725,599	3,690,330
Three years to five years	7,039,777	7,072,074	5,638,557	5,696,213
Over five years	23,549,430	22,451,353	15,141,816	14,897,880
	43,854,472	43,052,427	31,031,088	31,074,488

(iii) By type of customer

	The Group		The Bank	
	Current Financial Quarter	Previous Financial Year-End	Current Financial Quarter	Previous Financial Year-End
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	4,666	3,033	4,666	3,033
Domestic non-banking institutions				
- Others	646,498	814,693	445,165	605,194
Domestic business enterprises				
- Small medium enterprises	12,295,917	12,504,565	10,355,261	10,729,868
- Others	11,285,200	10,225,035	8,171,543	7,708,023
Government and statutory bodies	977,112	1,467,488	43,166	85,570
Individuals	18,341,320	17,663,433	11,839,794	11,696,882
Other domestic entities	12,667	88,036	2,395	78,346
Foreign entities	291,092	286,144	169,098	167,572
	43,854,472	43,052,427	31,031,088	31,074,488

(iv) By interest/profit rate sensitivity

	The Group		The Bank	
	Current Financial Quarter	Previous Financial Year-End	Current Financial Quarter	Previous Financial Year-End
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	399,186	403,899	354,166	357,962
- Hire purchase receivables	12,146,828	11,920,683	8,738,773	8,739,326
- Other fixed rate loans/financing	3,758,750	3,434,446	1,990,534	2,079,862
Variable rate				
- BR/BLR	17,042,382	16,749,266	11,497,671	11,359,696
- Cost - plus	10,507,326	10,544,133	8,449,944	8,537,642
	43,854,472	43,052,427	31,031,088	31,074,488

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**17 LOANS, ADVANCES AND FINANCING (continued)****(v) By economic sectors**

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Primary agriculture	963,656	896,922	525,515	494,803
Mining and quarrying	816,765	861,542	807,986	850,194
Manufacturing	1,911,142	2,102,831	1,591,264	1,768,086
Electricity, gas and water supply	131,695	182,805	67,890	118,436
Construction	2,818,977	2,509,215	2,119,360	1,986,124
Real estate	8,228,866	7,845,338	6,656,172	6,389,929
Wholesale & retail trade and restaurants & hotels	2,809,889	2,791,557	2,399,180	2,383,908
Transport, storage and communication	2,416,875	2,082,979	1,623,385	1,798,763
Finance, insurance and business services	2,650,536	2,835,367	2,131,567	2,374,384
Education, health and others	2,563,437	3,077,832	1,109,076	1,046,112
Household	18,473,075	17,795,793	11,930,916	11,793,554
Others	69,559	70,246	68,777	70,195
	43,854,472	43,052,427	31,031,088	31,074,488

(vi) By economic purpose

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Purchase of securities	710,273	664,778	434,961	389,262
Purchase of transport vehicles	12,489,970	12,281,400	9,011,426	9,030,869
Purchase of landed property of which:				
- Residential	7,175,996	7,078,070	4,077,656	4,134,200
- Non-residential	6,572,953	5,991,465	5,010,357	4,879,275
Fixed assets other than land and building	317,889	325,485	242,707	253,064
Personal use	789,117	691,241	741,374	637,648
Credit card	89,563	91,091	89,563	91,091
Consumer durable	814	879	814	879
Construction	3,113,846	3,215,672	2,316,989	2,319,987
Merger and acquisition	96,648	97,992	96,648	97,992
Working capital	11,943,438	12,251,552	8,875,443	9,114,083
Others	553,965	362,802	133,150	126,138
	43,854,472	43,052,427	31,031,088	31,074,488

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**17 LOANS, ADVANCES AND FINANCING (continued)****(vii) By geographical distribution**

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Perlis	179,066	195,079	45,370	47,641
Kedah	1,349,568	1,434,211	743,701	772,318
Pulau Pinang	2,392,447	2,369,676	1,984,942	2,007,416
Perak	1,510,730	1,416,128	974,078	973,397
Selangor	12,433,720	12,411,054	8,962,577	8,950,162
Wilayah Persekutuan	13,314,042	12,986,958	8,643,947	8,752,844
Negeri Sembilan	1,247,670	1,216,093	751,586	767,492
Melaka	1,022,967	1,030,455	815,323	831,300
Johor	4,345,287	4,046,707	3,298,295	3,212,336
Pahang	921,976	897,686	600,972	595,356
Terengganu	847,532	743,413	452,443	347,503
Kelantan	221,334	216,290	61,761	63,115
Sarawak	1,789,450	1,710,795	1,639,490	1,578,664
Sabah	1,659,929	1,626,472	1,585,404	1,570,576
Labuan	525,424	664,510	459,410	600,536
Outside Malaysia	93,330	86,900	11,789	3,832
	43,854,472	43,052,427	31,031,088	31,074,488

(viii) Movements of impaired loans

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
At beginning of the financial period	687,946	767,847	590,447	626,139
Classified as impaired	361,850	679,669	121,188	515,330
Reclassified as non-impaired	(96,260)	(383,917)	(75,288)	(272,326)
Amount recovered	(27,736)	(197,704)	(23,563)	(110,492)
Amount written-off	(78,078)	(177,949)	(78,078)	(168,204)
At end of the financial period	847,722	687,946	534,706	590,447
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing (*)	1.93%	1.60%	2.21%	1.78%

* For the Bank, RIA assets included in the ratio calculation.

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**17 LOANS, ADVANCES AND FINANCING (continued)****(ix) Movements allowance for impairment on loans, advances and financing**

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Individual impairment				
At beginning of the financial period	149,499	270,137	131,497	231,621
Allowance made during the financial period	20,124	81,349	14,377	62,010
Amount recovered	(12,568)	(59,431)	(8,738)	(23,569)
Amount written-off	(74,699)	(132,589)	(74,699)	(128,440)
Unwinding of income	(1,449)	(10,324)	(1,106)	(10,125)
Exchange differences	(232)	357	-	-
At end of the financial period	80,675	149,499	61,331	131,497
Collective impairment				
At beginning of the financial period	234,631	229,461	189,637	192,790
Net allowance made during the financial period	9,414	49,832	5,674	35,935
Amount written-off	(766)	(44,662)	(766)	(39,088)
At end of the financial period	243,279	234,631	194,545	189,637

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**17 LOANS, ADVANCES AND FINANCING (continued)****(x) Impaired loans by economic sectors**

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Primary agriculture	14,056	14,331	14,011	14,288
Mining and quarrying	107	120	51	63
Manufacturing	24,797	20,434	23,680	19,406
Electricity, gas and water supply	178	207	67	96
Construction	102,997	102,416	91,273	97,335
Real estate	265,195	56,931	35,322	23,296
Wholesale & retail trade and restaurants & hotels	55,593	46,878	54,458	46,289
Transport, storage and communication	2,833	2,106	2,368	1,799
Finance, insurance and business services	64,816	128,829	64,272	128,337
Education, health and others	864	732	679	570
Household	316,286	314,962	248,525	258,968
	847,722	687,946	534,706	590,447

(xi) Impaired loans by economic purpose

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Purchase of securities	8,749	158	8,749	158
Purchase of transport vehicles	94,397	86,062	74,957	69,732
Purchase of landed property of which:				
- Residential	194,179	203,075	143,539	161,680
- Non-residential	261,240	54,715	57,987	48,562
Fixed assets other than land and building	726	878	505	651
Personal use	24,825	28,441	24,026	27,616
Credit card	659	408	659	408
Consumer durable	17	17	17	17
Construction	53,010	39,998	46,187	39,998
Working capital	206,339	267,187	174,582	234,618
Others	3,581	7,007	3,498	7,007
	847,722	687,946	534,706	590,447

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**17 LOANS, ADVANCES AND FINANCING (continued)****(xii) Impaired loans by geographical distribution**

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Perlis	5,449	5,245	738	443
Kedah	56,129	48,834	45,418	45,818
Pulau Pinang	53,091	41,022	50,742	38,916
Perak	18,531	18,490	13,177	14,165
Selangor	211,181	264,698	176,220	233,730
Wilayah Persekutuan	278,504	79,564	72,914	76,894
Negeri Sembilan	78,879	79,423	74,407	74,573
Melaka	15,411	16,091	14,475	15,153
Johor	26,079	27,974	23,957	26,457
Pahang	9,033	9,574	7,686	7,880
Terengganu	6,752	6,245	1,301	1,229
Kelantan	5,522	5,337	1,731	1,694
Sarawak	7,061	7,951	6,850	7,753
Sabah	45,260	45,914	45,090	45,742
Outside Malaysia	30,840	31,584	-	-
	847,722	687,946	534,706	590,447

18 OTHER ASSETS

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Other debtors	97,189	21,343	95,563	19,424
Prepayments and deposits	21,768	21,898	21,332	21,429
Cheque clearing accounts	29,687	10,721	6,956	7,759
Foreclosed properties (a)	12,377	7,970	9,736	5,329
	161,021	61,932	133,587	53,941

(a) Foreclosed properties

At beginning of the financial period	7,970	4,906	5,329	4,315
Amount arising during the financial period	4,407	3,558	4,407	1,508
Disposal during the financial period	-	(435)	-	(435)
	12,377	8,029	9,736	5,388
Foreclosed properties - diminution in value	-	(59)	-	(59)
At end of the financial period	12,377	7,970	9,736	5,329

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**19 DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	The Group		The Bank	
	Current Financial Quarter	Previous Financial Year-End	Current Financial Quarter	Previous Financial Year-End
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Demand deposits	7,165,537	7,608,648	4,454,953	5,037,616
Savings deposits	2,176,506	2,043,157	1,674,430	1,565,872
Fixed deposits	28,047,693	26,549,515	21,099,460	19,839,651
Commodity Murabahah	774,392	768,412	-	-
Money market deposits	1,011,777	518,016	1,011,777	518,016
Negotiable instruments of deposit ('NID')	7,151,979	10,145,308	7,151,979	10,145,308
	46,327,884	47,633,056	35,392,599	37,106,463

(ii) Maturity structure of fixed deposits and NID

	The Group		The Bank	
	Current Financial Quarter	Previous Financial Year-End	Current Financial Quarter	Previous Financial Year-End
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Due within six months	27,200,797	29,695,766	22,275,943	24,967,259
Six months to one year	7,109,166	6,283,803	5,366,730	4,490,502
One year to three years	724,149	544,151	602,018	512,720
Three years to five years	165,560	171,103	6,748	14,478
	35,199,672	36,694,823	28,251,439	29,984,959

(iii) By type of customer

	The Group		The Bank	
	Current Financial Quarter	Previous Financial Year-End	Current Financial Quarter	Previous Financial Year-End
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	7,483,825	6,970,831	3,912,569	3,766,293
Business enterprise	13,329,431	12,855,326	9,349,429	8,536,353
Individuals	12,806,554	12,922,185	11,411,236	11,601,961
Domestic banking institutions	5,924,104	7,399,892	5,923,439	7,399,775
Domestic non-banking financial institutions	5,695,843	6,332,943	4,054,095	5,052,773
Foreign entities	464,849	499,655	387,919	425,962
Other entities	623,278	652,224	353,912	323,346
	46,327,884	47,633,056	35,392,599	37,106,463

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Licensed banks	3,272,541	2,211,825	1,949,916	1,611,023
Licensed investment banks	131,719	165,173	131,719	165,172
Bank Negara Malaysia	264,767	63,235	217,852	63,235
Other financial institutions	1,444,768	1,106,970	1,022,441	743,805
	5,113,795	3,547,203	3,321,928	2,583,235
Maturity structure of deposits				
Due within six months	5,057,744	3,499,664	3,320,925	2,583,235
Six months to one year	56,051	47,539	1,003	-
	5,113,795	3,547,203	3,321,928	2,583,235

21 DERIVATIVE FINANCIAL LIABILITIES

	The Group 31/3/2017		The Group 31/12/2016	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives:				
Currency forwards	875,157	10,774	411,616	15,223
Cross currency swaps	2,901,995	292,383	2,952,673	371,016
Currency options	8,922	43	-	-
Interest rate derivatives:				
Interest rate swap	1,336,461	16,506	1,596,773	16,533
	5,122,535	319,706	4,961,062	402,772

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**21 DERIVATIVE FINANCIAL LIABILITIES (continued)**

	The Bank 31/3/2017		The Bank 31/12/2016	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives:				
Currency forwards	864,690	10,557	404,467	14,510
Cross currency swaps	3,557,017	303,287	3,858,921	378,240
Currency options	8,922	43	-	-
Interest rate derivatives:				
Interest rate swap	1,336,461	16,506	1,596,773	16,533
	5,767,090	330,393	5,860,161	409,283

22 OTHER LIABILITIES

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	37,973	38,563	37,973	38,563
Margin and collateral deposits	133,577	149,616	124,492	141,203
Other creditors and accruals	57,618	52,647	53,410	49,165
Sundry creditors	33,167	128,000	96,656	108,502
Cheque clearing accounts	26,460	19,272	26,460	19,272
Provision for zakat	2,301	2,332	-	-
Defined contribution plan (a)	16,277	15,437	15,088	14,380
Accrued employee benefits (b)	17,024	33,621	16,530	31,360
	324,397	439,488	370,609	402,445

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

(b) 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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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**23 RESERVES**

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Retained profits	1,267,393	1,178,962	986,250	913,359
Share premium	858,904	858,904	858,904	858,904
AFS revaluation reserves	96,724	75,229	108,165	93,292
Statutory reserves	1,721,637	1,721,637	1,416,621	1,416,621
Regulatory reserves	282,006	280,204	200,311	207,026
	4,226,664	4,114,936	3,570,251	3,489,202
Statutory reserves				
At beginning of the financial period	1,721,637	1,577,509	1,416,621	1,328,792
Transfer from retained profits	-	144,128	-	87,829
At end of the financial period	1,721,637	1,721,637	1,416,621	1,416,621

- (a) As at reporting date, the Bank has a tax exempt account balance of RM10.9 million (31 December 2016: RM10.9 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 Group and the Bank are maintained in compliance with Section 47(2)(f) of the Financial Services Act 2013 and 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 in the income statement upon disposal or when the securities become impaired.
- (d) The Group and the Bank are required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans, advances and financing, net of individual impairment allowances.

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24 INTEREST INCOME

	Individual Quarter The Group		Cumulative Quarter The Group	
	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
Loans, advances and financing	437,349	458,724	437,349	458,724
Money at call and deposit placements with financial institutions	26,356	12,185	26,356	12,185
Financial assets held-for-trading	-	134	-	134
Financial investments:				
- Available-for-sale	74,232	82,781	74,232	82,781
- Held-to-maturity	2,946	2,978	2,946	2,978
Interest rate derivatives	27,195	29,804	27,195	29,804
	568,078	586,606	568,078	586,606
of which:				
Interest income earned on impaired loans, advances and financing	(222)	16	(222)	16

	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
Loans, advances and financing	409,630	440,041	409,630	440,041
Money at call and deposit placements with financial institutions	54,446	30,315	54,446	30,315
Financial assets held-for-trading	-	134	-	134
Financial investments:				
- Available-for-sale	74,232	82,781	74,232	82,781
- Held-to-maturity	2,946	2,978	2,946	2,978
Interest rate derivatives	27,195	29,804	27,195	29,804
	568,449	586,053	568,449	586,053
of which:				
Interest income earned on impaired loans, advances and financing	(222)	16	(222)	16

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25 INTEREST EXPENSE

	Individual Quarter		Cumulative Quarter	
	The Group		The Group	
	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
Deposits from customers	289,482	311,137	289,482	311,137
Deposits and placements of banks and other financial institutions	23,504	26,381	23,504	26,381
Securities sold under repurchase agreements	4,987	11,481	4,987	11,481
Interest rate derivatives	26,229	27,474	26,229	27,474
Loan sold to Cagamas Berhad	-	1,442	-	1,442
Subordinated term loan	11,530	11,751	11,530	11,751
Medium Term Note	7,914	-	7,914	-
Others	141	156	141	156
	363,787	389,822	363,787	389,822

	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
Deposits from customers	289,482	311,139	289,482	311,139
Deposits and placements of banks and other financial institutions	23,504	26,381	23,504	26,381
Securities sold under repurchase agreements	4,987	11,481	4,987	11,481
Interest rate derivatives	26,229	27,474	26,229	27,474
Loan sold to Cagamas Berhad	-	1,442	-	1,442
Subordinated term loan	3,616	11,751	11,530	11,751
Medium Term Note	7,914	-	7,914	-
Others	141	156	141	156
	355,873	389,824	363,787	389,824

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**26 INCOME FROM ISLAMIC BANKING BUSINESS**

	Individual Quarter		Cumulative Quarter	
	The Group		The Group	
	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
Income derived from investment of depositors' funds and others	126,764	114,564	126,764	114,564
Income derived from investment of investment account funds	24,127	17,261	24,127	17,261
Income derived from investment of shareholders' funds	13,504	9,868	13,504	9,868
Total distributable income	164,395	141,693	164,395	141,693
Income attributable to depositors	(87,412)	(82,763)	(87,412)	(82,763)
	76,983	58,930	76,983	58,930
of which:				
Financing income earned on impaired financing, advances and other financing	725	196	725	196

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**27 OTHER OPERATING INCOME**

	Individual Quarter		Cumulative Quarter	
	The Group		The Group	
	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
Fee income				
Commission	5,047	3,709	5,047	3,709
Service charges and fees	14,422	12,563	14,422	12,563
Guarantee fees	5,450	7,588	5,450	7,588
	24,919	23,860	24,919	23,860
Income from financial instruments				
Gain arising on financial assets held-for-trading:				
- net gain on disposal	135	8	135	8
- unrealised gains	-	2	-	2
	135	10	135	10
Gain on derivatives:				
- realised	103	1,063	103	1,063
- unrealised	286	1,587	286	1,587
	389	2,650	389	2,650
Gain arising on financial investments available-for-sale:				
- net gain on disposal	3,095	2,153	3,095	2,153
- gross dividend income	104	48	104	48
	3,199	2,201	3,199	2,201
Other income				
Foreign exchange gains/(losses)				
- realised	(10,882)	(106,715)	(10,882)	(106,715)
- unrealised	19,110	112,680	19,110	112,680
Rental income	628	461	628	461
Gain on disposal of foreclosed properties	-	104	-	104
Other non-operating income	3,260	2,190	3,260	2,190
	12,116	8,720	12,116	8,720
	40,758	37,441	40,758	37,441

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**27 OTHER OPERATING INCOME (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
Fee income				
Commission	5,047	3,709	5,047	3,709
Service charges and fees	14,422	12,563	14,422	12,563
Guarantee fees	5,450	7,588	5,450	7,588
	24,919	23,860	24,919	23,860
Income from financial instruments				
Gain arising on financial assets held-for-trading:				
- net gain on disposal	135	8	135	8
- unrealised gains	-	2	-	2
	135	10	135	10
Gain on derivatives:				
- realised	103	1,063	103	1,063
- unrealised	286	1,587	286	1,587
	389	2,650	389	2,650
Gain arising on financial investments available-for-sale:				
- net gain on disposal	3,095	2,153	3,095	2,153
- gross dividend income	104	48	104	48
	3,199	2,201	3,199	2,201
Other income				
Foreign exchange gains/(losses)				
- realised	(10,882)	(106,715)	(10,882)	(106,715)
- unrealised	19,110	112,680	19,110	112,680
Rental income	628	461	628	461
Gain on disposal of foreclosed properties	-	104	-	104
Other non-operating income	3,104	2,114	3,104	2,114
Gain on disposal of subsidiary	162	-	162	-
	12,122	8,644	12,122	8,644
	40,764	37,365	40,764	37,365

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**28 OTHER OPERATING EXPENSES**

	Individual Quarter		Cumulative Quarter	
	The Group		The Group	
	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
Personnel costs (a)	109,337	97,249	109,337	97,249
Establishment costs (b)	53,759	53,539	53,759	53,539
Marketing expenses (c)	3,413	5,092	3,413	5,092
Administrative and general expenses (d)	23,471	15,870	23,471	15,870
	189,980	171,750	189,980	171,750

(a) Personnel costs

	Individual Quarter		Cumulative Quarter	
	The Group		The Group	
	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
Wages, salaries and bonuses	83,146	74,064	83,146	74,064
Defined contribution plan ('EPF')	13,858	12,323	13,858	12,323
Other personnel costs	12,333	10,862	12,333	10,862
	109,337	97,249	109,337	97,249

(b) Establishment costs

	Individual Quarter		Cumulative Quarter	
	The Group		The Group	
	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
Rental of premises	6,523	6,175	6,523	6,175
Equipment rental	125	340	125	340
Repair and maintenance	9,991	9,968	9,991	9,968
Depreciation of property and equipment	3,729	3,829	3,729	3,829
Amortisation of intangible assets	2,453	2,019	2,453	2,019
IT consultancy fees	15,265	16,076	15,265	16,076
Dataline rental	1,807	1,702	1,807	1,702
Security services	4,496	4,493	4,496	4,493
Electricity, water and sewerage	2,466	2,960	2,466	2,960
Insurance and indemnities	5,654	4,536	5,654	4,536
Other establishment costs	1,250	1,441	1,250	1,441
	53,759	53,539	53,759	53,539

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28 OTHER OPERATING EXPENSES (continued)

(c) Marketing expenses

	Individual Quarter The Group		Cumulative Quarter The Group	
	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
Business promotion and advertisement	1,158	3,132	1,158	3,132
Entertainment	512	622	512	622
Traveling and accommodation	1,139	830	1,139	830
Other marketing expenses	604	508	604	508
	3,413	5,092	3,413	5,092

(d) Administration and general expenses

	Individual Quarter The Group		Cumulative Quarter The Group	
	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
Telecommunication expenses	1,084	1,300	1,084	1,300
Auditors' remuneration	771	431	771	431
Professional fees	8,964	1,654	8,964	1,654
Property and equipment written-off	21	-	21	-
Mail and courier charges	587	1,147	587	1,147
Stationery and consumables	2,013	2,939	2,013	2,939
Commissions expenses	2,110	1,413	2,110	1,413
Brokerage expenses	493	482	493	482
Directors' fees and allowances	852	1,146	852	1,146
Donations	656	584	656	584
Settlement, clearing and bank charges	2,913	2,659	2,913	2,659
Stamp duties	41	47	41	47
Operational and litigation write-off expenses	-	19	-	19
GST input tax-non recoverable	2,445	1,568	2,445	1,568
Other administration and general expenses	521	481	521	481
	23,471	15,870	23,471	15,870

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**28 OTHER OPERATING EXPENSES (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
Personnel costs (a)	84,829	77,919	84,829	77,919
Establishment costs (b)	44,197	45,105	44,197	45,105
Marketing expenses (c)	2,648	4,552	2,648	4,552
Administrative and general expenses (d)	19,881	12,767	19,881	12,767
	151,555	140,343	151,555	140,343

(a) Personnel costs

	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
Wages, salaries and bonus	64,432	59,262	64,432	59,262
Defined contribution plan ('EPF')	10,636	9,857	10,636	9,857
Other personnel costs	9,761	8,800	9,761	8,800
	84,829	77,919	84,829	77,919

(b) Establishment costs

	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
Rental of premises	4,924	5,063	4,924	5,063
Equipment rental	86	303	86	303
Repair and maintenance	8,502	8,289	8,502	8,289
Depreciation of property and equipment	3,491	3,558	3,491	3,558
Amortisation of intangible assets	2,453	1,903	2,453	1,903
IT consultancy fees	12,460	13,750	12,460	13,750
Dataline rental	1,515	1,545	1,515	1,545
Security services	3,466	3,533	3,466	3,533
Electricity, water and sewerage	1,997	2,591	1,997	2,591
Insurance and indemnities	5,221	4,119	5,221	4,119
Other establishment costs	82	451	82	451
	44,197	45,105	44,197	45,105

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(c) Marketing expenses

	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	
Business promotion and advertisement	910	3,040	910	3,040
Entertainment	446	573	446	573
Traveling and accommodation	895	659	895	659
Other marketing expenses	397	280	397	280
	2,648	4,552	2,648	4,552

(d) Administration and general expenses

	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	
Telecommunication expenses	823	1,063	823	1,063
Auditors' remuneration	659	309	659	309
Professional fees	8,637	1,401	8,637	1,401
Property and equipment written-off	19	-	19	-
Mail and courier charges	481	961	481	961
Stationery and consumables	1,317	2,375	1,317	2,375
Commissions expenses	1,863	1,204	1,863	1,204
Brokerage expenses	277	257	277	257
Directors' fees and allowances	483	661	483	661
Donations	629	565	629	565
Settlement, clearing and bank charges	2,637	2,381	2,637	2,381
Stamp duties	38	47	38	47
Operational and litigation write-off expenses	-	19	-	19
GST input tax-non recoverable	1,543	1,137	1,543	1,137
Other administration and general expenses	475	387	475	387
	19,881	12,767	19,881	12,767

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29 ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	Individual Quarter The Group		Cumulative Quarter The Group	
	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
Individual impairment				
- made during the financial period	20,124	5,197	20,124	5,197
- written-back	(12,568)	(3,850)	(12,568)	(3,850)
Collective impairment				
- net allowance made during the financial period	9,414	11,063	9,414	11,063
Bad debts and financing				
- recovered	(10,543)	(14,287)	(10,543)	(14,287)
- written-off	293	221	293	221
	6,720	(1,656)	6,720	(1,656)

	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
Individual impairment				
- made during the financial period	14,377	4,615	14,377	4,615
- written-back	(8,738)	(3,761)	(8,738)	(3,761)
Collective impairment				
- net allowance made during the financial period	5,674	8,434	5,674	8,434
Bad debts and financing				
- recovered	(10,278)	(13,699)	(10,278)	(13,699)
- written-off	293	221	293	221
	1,328	(4,190)	1,328	(4,190)

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30 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make 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 commitment and contingencies are not secured over the assets of the Group and the Bank.

The commitments and contingencies consist of:

	The Group		The Bank	
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	Principal amount	Principal amount	Principal amount	Principal amount
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes (*)	564,098	423,565	378,794	390,178
Transaction-related contingent items	2,198,382	2,252,924	1,926,437	1,970,056
Short-term self-liquidating trade-related contingencies	516,189	496,339	218,318	183,789
Irrevocable commitments to extend credit:	9,083,465	9,178,584	7,336,187	7,579,320
- maturity less than one year	7,698,497	7,663,856	6,419,513	6,534,578
- maturity more than one year	1,384,968	1,514,728	916,674	1,044,742
Foreign exchange related contracts (#):	6,692,445	7,092,677	7,900,128	8,062,513
- less than one year	6,266,925	6,667,157	7,474,608	7,636,993
- one year to less than five years	383,035	383,035	383,035	383,035
- more than five years	42,485	42,485	42,485	42,485
Interest rate related contracts (#):	2,462,461	2,610,273	2,462,461	2,610,273
- less than one year	400,313	593,125	400,313	593,125
- one year to less than five years	1,197,148	1,187,148	1,197,148	1,187,148
- more than five years	865,000	830,000	865,000	830,000
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	339,160	198,586	295,652	159,049
Unutilised credit card lines	263,771	230,550	263,771	230,550
	22,119,971	22,483,498	20,781,748	21,185,728

* Included in direct credit substitutes as above are financial guarantee contracts of RM416.4 million and RM378.6 million at the Group and the Bank, respectively (31 December 2016: RM423.4 million and RM390.0 million at the Group and the Bank, respectively), 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 14 and 21 to the financial statements.

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31 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 Group and 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 prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and 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 are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's and 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 Group and 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 period (31 December 2016: Nil).

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MFRS134 INTERIM FINANCIAL REPORTING - 31 March 2017**31 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
31/3/2017				
Assets				
Derivative financial assets	-	108,679	-	108,679
Financial investments available-for-sale *				
- Money market instruments	-	4,775,799		4,775,799
- Equity securities	-	-	216,592	216,592
- Corporate bonds/Sukuk	-	5,069,283	30,496	5,099,779
	-	9,953,761	247,088	10,200,849
Liabilities				
Derivative financial liabilities	-	319,706	-	319,706
	-	319,706	-	319,706
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
31/12/2016				
Assets				
Derivative financial assets	-	167,304	-	167,304
Financial investments available-for-sale *				
- Money market instruments	-	4,977,979	-	4,977,979
- Equity securities	-	-	216,592	216,592
- Corporate bonds/Sukuk	-	5,055,381	30,045	5,085,426
	-	10,200,664	246,637	10,447,301
Liabilities				
Derivative financial liabilities	-	402,772	-	402,772
	-	402,772	-	402,772

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31 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Bank				
31/3/2017				
Assets				
Derivative financial assets	-	116,599	-	116,599
Financial investments available-for-sale *				
- Money market instruments	-	3,791,295	-	3,791,295
- Equity securities	-	-	216,592	216,592
- Corporate bonds/Sukuk	-	4,133,364	30,496	4,163,860
	-	8,041,258	247,088	8,288,346
Liabilities				
Derivative financial liabilities	-	330,393	-	330,393
	-	330,393	-	330,393

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Bank				
31/12/2016				
Assets				
Derivative financial assets	-	166,240	-	166,240
Financial investments available-for-sale *				
- Money market instruments	-	4,046,476	-	4,046,476
- Equity securities	-	-	216,592	216,592
- Corporate bonds/Sukuk	-	4,153,476	30,045	4,183,521
	-	8,366,192	246,637	8,612,829
Liabilities				
Derivative financial liabilities	-	409,283	-	409,283
	-	409,283	-	409,283

* Net of allowance for impairment.

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

	The Group		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
At beginning of the financial period	246,637	205,423	246,637	204,898
Purchases	-	30,045	-	30,045
Sales	-	(25)	-	-
Reclassify to investment in associate	-	(500)	-	-
Interest income recognised in Income Statements	451	-	451	-
Total gains recognised in other comprehensive income	-	12,012	-	12,012
Allowance for impairment losses	-	(318)	-	(318)
At end of the financial period	247,088	246,637	247,088	246,637

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			
Financial investments available-for-sale					
The Group					
Unquoted shares	216,592	216,592	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
The Bank					
Unquoted shares	216,592	216,592	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

In estimating its significance, the Group and the Bank used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflects the values that the Group and the Bank estimate are 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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32 CAPITAL MANAGEMENT

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

The Group and the Bank are 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 **5.750% and 7.250%** respectively for year 2017. The minimum regulatory capital adequacy and capital buffer requirements remains at 9.250% (31 December 2016: 8.625%) for total capital ratio.

The Group and 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 Group and the Bank operates;
- To safeguard the Group and 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 Group and the Bank maintain 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 Group and the Bank.

The table in Note 33 summarises the composition of regulatory capital and the ratios of the Group and the Bank for the quarter ended 31 March 2017.

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33 CAPITAL ADEQUACY

	The Group (#)		The Bank	
	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000	Current Financial Quarter 31/3/2017 RM'000	Previous Financial Year-End 31/12/2016 RM'000
Paid-up share capital	1,688,770	1,688,770	1,688,770	1,688,770
Share premium	858,904	858,904	858,904	858,904
Statutory reserves	1,721,637	1,721,637	1,416,621	1,416,621
Retained profits	1,177,160	1,178,962	920,074	913,359
Less: Proposed dividend	(76,300)	-	(76,300)	-
Unrealised gains and losses on AFS	127,269	98,985	142,323	122,753
	5,497,440	5,547,258	4,950,392	5,000,407
Less:				
Goodwill and other intangibles	(164,232)	(164,089)	(168,125)	(167,982)
55% of cumulative unrealised gains of AFS	(69,998)	(54,442)	(78,278)	(67,514)
Investment in associate/subsidiaries	(600)	(450)	(619,779)	(345,134)
CET1 capital	5,262,610	5,328,277	4,084,210	4,419,777
Tier I capital	5,262,610	5,328,277	4,084,210	4,419,777
Subordinated term loan	2,000,000	1,180,000	2,000,000	1,180,000
Collective impairment [Ⓜ]	132,150	137,903	104,334	109,362
Regulatory adjustments	282,005	280,204	200,311	207,026
Less:				
Investment in associate/subsidiaries	(150)	(300)	(154,945)	(230,090)
Tier II capital	2,414,005	1,597,807	2,149,700	1,266,298
Total capital	7,676,615	6,926,084	6,233,910	5,686,075
CET1 capital ratio	11.831%	12.201%	11.667%	12.595%
Tier 1 capital ratio	11.831%	12.201%	11.667%	12.595%
Total capital ratio	17.258%	15.860%	17.808%	16.204%
CET1 capital ratio (net of proposed dividends)	11.831%	12.026%	11.667%	12.378%
Tier 1 capital ratio (net of proposed dividends)	11.831%	12.026%	11.667%	12.378%
Total capital ratio (net of proposed dividends)	17.258%	15.685%	17.808%	15.986%

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	The Group (#)		The Bank	
	Current	Previous	Current	Previous
	Financial	Financial	Financial	Financial
	Quarter	Year-End	Quarter	Year-End
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Risk-weighted assets for:				
Credit risk	41,738,073	40,928,681	32,778,408	32,838,523
Market risk	326,145	333,445	279,979	296,191
Operational risk	2,417,763	2,408,896	1,948,403	1,956,481
Total risk-weighted assets	44,481,981	43,671,022	35,006,790	35,091,195

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

The Group comprises the Bank and all the Bank's financial and non-financial subsidiaries.

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are included in calculation of capital adequacy for the Bank. As at 31 March 2017, RIA assets included in the Total Capital Ratio calculation amounted to RM2,132.0 million (31 December 2016: RM2,112.2 million).

The capital adequacy ratios of the AFFIN Islamic Bank Berhad is as follows:

	Economic Entity		The Bank	
	Current	Previous	Current	Previous
	Financial	Financial	Financial	Financial
	Quarter	Year-End	Quarter	Year-End
	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
(Before and after deducting proposed dividend)				
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%

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34 REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES
(Analysis of financial performance of current quarter comparing to previous year's corresponding quarter)

Overall the Group registered a profit before tax of RM125.3 million for the 1st quarter of 2017 as compared the previous year's corresponding quarter profit of RM123.1 million, an increase of RM2.2 million. This was due to:

- i) higher net interest income by RM7.5 million;
- ii) higher Islamic Banking income by RM18.0 million;
- iii) higher other operating income by RM3.3 million.

The above was off-set by:

- i) higher other operating expenses by RM18.2 million;
- ii) higher allowance for impairment losses on loans, advances and financing by RM8.4 million.

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

The Group's profit before tax for 1st quarter of 2017 stood at RM125.3 million as compared to RM167.3 million reported in the 4th quarter of 2016, a decrease of RM42.0 million.

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

- i) lower net interest income by RM5.9 million;
- ii) lower Islamic Banking income by RM2.5 million;
- iii) lower other operating income by RM28.2 million;
- iv) higher other operating expenses by RM17.6 million.

The above was off-set by:

- i) lower allowance for impairment losses on loans, advances and financing by RM11.9 million;
- ii) lower allowance of impairment losses on securities by RM0.3 million.

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36 PROSPECT FOR THE CURRENT FINANCIAL YEAR

BUSINESS PLAN AND FUTURE OUTLOOK FOR 2017

Malaysia's Gross Domestic Product (GDP) is projected to expand from 4.3% to 4.8% in 2017. The recovery momentum of 1Q17 is strengthened by domestic demand as the main driver supported by private sector activity and positive expectation of General Election. The private consumption growth is forecasted to be sustained by continued wage growth and the increase in disposable income; reflecting the government measures and higher global commodity prices despite the higher inflation. Inflation is expected to be manageable but on higher trending (3.0%-4.0%) due to higher fuel prices and sustained food price inflation.

In year 2017, AFFIN Bank Group strategic objectives will be focusing on strengthening our fee-based income from digital banking, unit trust and credit card to mitigate the impact of margin compression on net interest income. The bank's current asset quality is in a good position. However, the bank will cautiously grow our assets through prudent underwriting standards, active recovery efforts and manage our resources with effective operational costs.

The Bank's also will continue to enhance the AFFIN Bank Group's Islamic financing portfolio to 40% by the year 2020. AFFIN Bank is targeting moderate loan growth (6 -7%) and to remain focus on the two sectors (household and SME loans) in generating sustainable returns. Priority is also placed on increasing deposits to further strengthen the bank's liquidity and funding profile.

The bank remains optimistic for the year 2017, and will continue to support AFFIN Group's strategic vision in providing excellent banking services to meet our customer needs and expectations.

37 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

Profit before tax for the Group registered an adverse variance of RM52.3 million. The main contributing factors are as follows:

Net interest income

The net interest income showed an adverse variance of RM17.1 million.

Islamic banking income

Islamic banking income showed a favourable variance of RM0.4 million.

Other operating income

The non interest income showed an adverse variance of RM20.5 million.

Other operating expenses

Operating costs showed an adverse variance of RM3.4 million.

Allowance for impairment losses on loans, advances and financing

Allowance for losses on loans, advances and financing showed an adverse variance of RM11.7 million.

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38 MATERIAL LITIGATION

- (a) The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ('Chenet') being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ('DGI') as receiver of Plaintiff's Estate. The Bank has appealed and Case Management ('CM') has been fixed on 24 June 2016.

The Plaintiff's claim ('Claim') is premised on alleged wrongful acts by the Bank as follows:

- failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ('NDSB shares') which was pledged by Suria to the Bank as security for the Facility on a timely basis. On this claim, Plaintiff claims damages under (i) above;
- allowed the release of the Guarantor from her liability upon payment of a certain sum pursuant to her Guarantee without giving the same opportunity to the Plaintiff;
- the Bank had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between the Bank and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- the Bank had wrongfully made Plaintiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plaintiff claims losses under (iii) above;
- The Plaintiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

The Bank has a good defence ('Defence') on the merits with regard to each of the alleged wrongful act as follows:

- the sale of NDSB Shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- the release of the Guarantor is the prerogative of the Bank pursuant to the terms of the Guarantee Agreement;
- the Plaintiff's bankruptcy is based on a judgement of Court;
- the Bank's legal firm had corresponded with the legal firm of the Plaintiff's opponent in Singapore only to inform the status of the Plaintiff proceedings in Malaysia and any alleged conspiracy is denied; and
- the claim for cost is unreasonable as the Bank was not in any way involved in the Singapore proceedings.

The above Claim against the Bank by the Plaintiff is a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of the Bank are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will materialize only if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material, financial and operational impact on the Bank for the current financial period ended 31 March 2017.

- (b) Other than the above, there are various legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM70.9 million (31 December 2016: RM71.8 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.