

Company No.

716122	P
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ASIAN FINANCE BANK BERHAD

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

Company No.

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017

		Economic Entity and Bank	
		31-Mar-17	31-Dec-16
	Note	RM	RM
Assets			
Cash and short-term funds	2	294,790,395	210,124,388
Financial investments held-for-trading	3	20,347,570	20,140,038
Financial investments available-for-sale	4	242,028,777	266,448,176
Financial investments held-to-maturity	5	408,680,631	459,851,257
Financing and advances	6	1,442,294,889	1,456,983,213
Derivative assets	7	566,344	212,430
Other assets	8	6,815,824	3,603,242
Tax recoverable		5,416,157	5,416,157
Statutory deposits with Bank Negara Malaysia		32,073,822	30,373,822
Investment in joint venture		-	-
Deferred tax assets		349,226	349,226
Property, plant and equipment		900,532	1,021,876
Intangible assets		1,335,229	1,519,012
Total assets		<u>2,455,599,396</u>	<u>2,456,042,837</u>
Liabilities			
Deposits from customers	9	959,622,429	897,734,025
Deposits and placements of banks and other financial institutions	10	981,184,471	1,048,209,734
Derivative liabilities	7	30,700	558,050
Other liabilities	11	15,066,483	12,284,912
Total liabilities		<u>1,955,904,083</u>	<u>1,958,786,721</u>
Equity			
Ordinary share capital		532,530,020	532,530,020
Reserves		(32,834,707)	(35,273,904)
Total equity		<u>499,695,313</u>	<u>497,256,116</u>
Total Liabilities and Equity		<u>2,455,599,396</u>	<u>2,456,042,837</u>
Commitments and contingencies	19	<u>551,970,081</u>	<u>494,064,246</u>
Capital Adequacy	21	Economic Entity and Bank	
CET1 capital		24.619%	24.032%
Tier 1 capital		24.619%	24.032%
Total capital ratio		<u>25.431%</u>	<u>24.829%</u>

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ASIAN FINANCE BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2017

		Economic Entity and Bank	
		1st Quarter	1st Quarter
		Ended	Ended
Note		31-Mar-17	31-Mar-16
		RM	RM
	Income derived from investment of depositors' funds	20,721,012	23,185,789
	Income derived from investment of shareholders' funds	7,407,280	7,764,607
	Allowances for impairment on financing and advances	(174,882)	(1,621,865)
	Total distributable income	27,953,410	29,328,531
	Income attributable to depositors	(17,449,856)	(19,512,142)
		10,503,554	9,816,389
	Personnel expenses	(4,367,517)	(4,289,260)
	Other overheads and expenditures	(4,297,441)	(3,821,908)
	Profit before taxation	1,838,596	1,705,221
	Taxation	(441,264)	(942,761)
	Net profit for the financial period	1,397,332	762,460
	Profit attributable to:		
	Owners of the Bank	1,397,332	762,460
	Non-controlling interest	-	-
		1,397,332	762,460
	Earnings per shares (sen)		
	Basic and diluted	0.26	0.14
	Profit for the financial period	1,397,332	762,460
	Other comprehensive income/(loss) :		
	Financial investments available-for-sale		
	- Unrealised net gain on revaluation	1,041,865	1,115,864
	Income tax relating to components of other comprehensive income	-	-
	Other comprehensive income/(loss) for the financial period	1,041,865	1,115,864
	Total comprehensive income for the financial period	2,439,197	1,878,324
	Total comprehensive income attributable to:		
	Owners of the Bank	2,439,197	1,878,324
	Non-controlling interest	-	-
		2,439,197	1,878,324

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2017

	Share Capital RM	Accumulated Losses RM	Statutory Reserve RM	Regulatory Reserve RM	AFS Reserve RM	Total RM
<u>Economic Entity and Bank</u>						
<u>31-Mar-17</u>						
Balance as at 1 January 2017	532,530,020	(53,094,267)	13,363,710	5,233,721	(777,068)	497,256,116
Net profit for the financial period	-	1,397,332	-	-	-	1,397,332
Other comprehensive income:						
Financial investments available- for-sale - Unrealised net gain on revaluation	-	-	-	-	1,041,865	1,041,865
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	1,041,865	1,041,865
Balance as at 31 March 2017	<u>532,530,020</u>	<u>(51,696,935)</u>	<u>13,363,710</u>	<u>5,233,721</u>	<u>264,797</u>	<u>499,695,313</u>

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2017 (CONTINUED)

	Share Capital RM	Accumulated Losses RM	Statutory Reserve RM	Regulatory Reserve RM	AFS Reserve RM	Total RM
<u>Economic Entity and Bank</u>						
31-Dec-16						
Balance as at						
1 January 2016	532,530,020	(49,685,510)	11,538,745	-	(1,569,330)	492,813,925
Net profit for the financial year	-	3,649,929	-	-	-	3,649,929
Transfer to statutory reserve	-	(1,824,965)	1,824,965	-	-	-
Transfer to regulatory reserve	-	(5,233,721)	-	5,233,721	-	-
Other comprehensive income/(loss):						
Financial investments available- for-sale						
- Net amount transferred to profit or loss	-	-	-	-	826,446	826,446
- Unrealised net loss on revaluation	-	-	-	-	(44,979)	(44,979)
Income tax relating to components of other comprehensive income	-	-	-	-	10,795	10,795
Total other comprehensive income for the year	-	-	-	-	792,262	792,262
Balance as at						
31 December 2016	<u>532,530,020</u>	<u>(53,094,267)</u>	<u>13,363,710</u>	<u>5,233,721</u>	<u>(777,068)</u>	<u>497,256,116</u>

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2017

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,838,596	5,016,890
Adjustments for:		
Depreciation of property, plant and equipment (Note 17)	121,344	552,330
Amortisation of intangible assets (Note 17)	183,784	744,786
Profit income from:		
- Investment on financial investments held-for-trading	(173,617)	(117,889)
- Investment on financial investments available-for-sale	(2,696,665)	(14,395,698)
- Investment on financial investments held-to-maturity	(4,368,178)	(18,397,340)
Net loss on sale of financial investments available-for-sale	24,015	900,221
Unrealised gain from financial investments held-for-trading	(33,915)	38,892
Net Accretion of discount less amortisation of premium	12,274	251,173
Allowances for losses on financing and advances (Note 14 (a) & (b))	174,882	11,706,070
Operating loss before working capital changes	<u>(4,917,480)</u>	<u>(13,700,565)</u>
Adjustments for change in operating assets and liabilities:		
Financing and advances	14,513,442	(9,619,525)
Derivative assets	(353,914)	566,150
Other assets	(3,256,606)	422,717
Statutory deposit with Bank Negara Malaysia	(1,700,000)	4,310,000
Deposits from customers	61,888,404	(133,952,579)
Deposits and placements of banks and other financial institutions	(67,025,263)	55,317,117
Derivative liabilities	(527,350)	(382,234)
Other liabilities	2,781,571	198,111
Cash generated from/(used in) operating activities	<u>1,402,804</u>	<u>(96,840,808)</u>
Taxation paid	(397,240)	(2,804,050)
Net cash generated from/(used in) operating activities	<u>1,005,564</u>	<u>(99,644,858)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(566,255)
Purchase of intangible assets	-	(421,158)
Net proceeds from:		
- Purchase of financial investments held-for-trading	-	(20,061,041)
- Sale of financial investments available-for-sale	28,133,913	115,222,782
- Sale/(Purchase) of financial investments held-to-maturity	55,526,530	(47,840,953)
Net cash generated from/(used in) investing activities	<u>83,660,443</u>	<u>46,333,375</u>
ANALYSIS OF CASH AND CASH EQUIVALENT		
Net increase/(decrease) in cash and cash equivalents	84,666,007	(53,311,483)
Cash and cash equivalents at beginning of financial year	210,124,388	263,435,871
Cash and cash equivalents at end of financial period/year (Note 2)	<u>294,790,395</u>	<u>210,124,388</u>

ASIAN FINANCE BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS

FOR THREE MONTHS ENDED 31 MARCH 2017

**-PART A - EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING
FOR LICENSED ISLAMIC BANK ("BNM/RH/STD 033-4") ISSUED BY BANK NEGARA MALAYSIA**

1. General information

a) Performance Review

The Economic Entity and the Bank registered a profit before zakat and tax of RM1.84 million for the three months period ended 31 March 2017.

The Economic Entity and the Bank's gross financing and advances stood at RM1.49 billion whilst total Deposit at RM1.94 billion.

b) Business Plan and outlook for 2017

Global GDP growth is projected to increase, rising from just under 3% in 2016 – the slowest pace since 2009 – to 3.3% in 2017 and around 3.6% in 2018. While the modest pick-up is welcome, it would still leave global GDP growth below the historical average of around 4% in the two decades prior to the crisis. Domestic demand in the United States is set to strengthen over the next two years and expand at a solid pace, helped by gains in household wealth and a gradual upturn in energy production. In the euro area, GDP growth is projected to continue at the current moderate pace, supported by accommodative monetary policy and a modest fiscal easing over the coming years. (OECD)

Essentially, the global macroeconomic backdrop has slowly improved, however, rising political populism continues to re-define global economic risks. Of concern is the likelihood of trade protectionism measures, echoed by the United States (US) and United Kingdom (UK), which raises the possibility of trade friction among trading nations and hamper the prospects of global trade recovery. In addition, possible reactions by the US trading partners such as China – i.e. through weakening of the renminbi – would have negative ramifications on Asian export performance. Similarly, a weaker European trade performance would dent China's exports and affect the latter's appetite for Asian exports.

Developing Asia is forecast to maintain stable growth this year and the next. Aggregate gross domestic product (GDP) in the region will expand by 5.7% in 2017 and 2018, down slightly from 5.8% in 2016. Slower expansion reflects moderating growth in China that more than off sets faster expansion elsewhere. China continues its shift toward less dependence on investment and manufacturing. Nevertheless, growth in the region will remain steady as solid growth in India and a pickup in other larger economies, notably in Southeast Asia.

Malaysia's economy is expected to pick up in 2017, after a slowdown in 2016 (4.2% GDP), to 4.4% and 4.6% in 2018 amid firmer growth in the major industrial economies and a mild recovery in domestic investment. The outlook for domestic investment improved with higher commodity price along with the execution of massive infrastructure projects such as Pan Borneo Highway, East Coast Rail Link and high-speed rail line to Singapore with high investment value. (ADB)

The Bank will continue to chart growth and is expected to record positive results to preserve its value and also ensure sustainability going forward. Strategies and approaches will constantly be reviewed to suit business needs, customers' expectations and business requirements, with appropriate risk mitigations in place while ensuring compliance with regulatory requirements. Relationships with all stakeholders will continued to be enhanced.

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2. Cash and short-term funds

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
Cash and balances with banks and other financial institutions	20,574,756	40,124,495
Money at call and deposit placements maturing within one month	274,215,639	169,999,893
	294,790,395	210,124,388

3. Financial investments held-for-trading

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
At fair value		
Quoted securities:		
<u>In Malaysia</u>		
Islamic Medium Term Notes	20,347,570	20,140,038
	20,347,570	20,140,038

4. Financial investments available-for-sale

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
At fair value		
Quoted securities:		
<u>In Malaysia</u>		
Islamic Medium Term Notes	227,006,334	251,300,985
Corporate Sukuk	15,022,443	15,147,191
	242,028,777	266,448,176

5. Financial investments held-to-maturity

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
At amortised cost		
Quoted securities:		
<u>In Malaysia</u>		
Islamic Medium Term Notes	408,680,631	459,851,257
	408,680,631	459,851,257

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6. Financing and advances

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
At amortised cost		
Term financing		
- house financing	24,289,979	24,697,460
- other term financing	267,683,169	285,314,677
Trusts receipts	2,869,467	2,869,467
Staff financing	427,480	322,627
Revolving Credit	1,101,344,307	1,126,793,273
Others	96,077,030	67,207,370
Gross financing and advances	<u>1,492,691,432</u>	<u>1,507,204,874</u>
Less: Allowance for impaired financing and advances:		
- individual impairment allowance	(37,932,540)	(37,822,797)
- collective impairment allowance	(12,464,003)	(12,398,864)
Net financing and advances	<u><u>1,442,294,889</u></u>	<u><u>1,456,983,213</u></u>
 (i) By type of customer		
Domestic non-bank financial institution		
- Others	50,044,932	50,060,246
Domestic business enterprises		
- Small medium enterprise	6,994,410	7,024,162
- Government	280,359,356	270,273,839
- Others	1,116,091,865	1,154,073,803
Individuals	13,770,473	13,826,327
Foreign entities	25,430,396	11,946,497
	<u><u>1,492,691,432</u></u>	<u><u>1,507,204,874</u></u>
 (ii) By contract		
Ijarah	6,237,986	6,313,929
Qard	243,866	321,181
Bai'	1,486,209,580	1,500,569,764
	<u><u>1,492,691,432</u></u>	<u><u>1,507,204,874</u></u>

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6. Financing and advances (continued)

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
(iii) By profit rate sensitivity		
Fixed rate		
- Other fixed rate financing	57,158,660	62,232,814
Variable		
- Base Financing Rate	344,651,836	325,600,657
- Cost-plus	1,090,637,070	1,119,050,222
Non-profit sensitive	243,866	321,181
	<u>1,492,691,432</u>	<u>1,507,204,874</u>
(iv) By contractual maturity		
Maturity within one year	1,099,353,022	1,049,715,344
More than one year to three years	83,330,403	92,762,708
More than three years to five years	125,894,997	132,645,365
More than five years	184,113,010	232,081,457
	<u>1,492,691,432</u>	<u>1,507,204,874</u>
(v) By geographical distribution		
Malaysia	1,478,527,270	1,506,790,229
United Kingdom	403,916	414,645
Singapore	13,760,246	414,645
	<u>1,492,691,432</u>	<u>1,507,619,519</u>

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6. Financing and advances (continued)

Economic Entity and Bank	
31-Mar-17	31-Dec-16
RM	RM

(vi) By economic purpose

Purchase of landed property:		
- Residential	22,240,914	23,076,504
- Non-Residential	89,225,387	97,259,346
Working Capital	1,260,367,769	1,261,596,683
Personal Use	254,135	334,964
Purchase of transport vehicles	7,001	2,347
Others	120,596,226	124,935,030
	<u>1,492,691,432</u>	<u>1,507,204,874</u>

(vii) By sector

Agriculture	303,170,470	294,428,962
Mining and quarrying	114,467,624	119,792,958
Manufacturing	201,756,581	201,371,451
Electricity, gas and water	90,090,986	110,081,776
Construction	150,008,274	166,516,602
Purchase of landed property	25,173,596	25,428,349
Wholesale & retail trade and restaurants & hotels	173,217,781	189,783,500
Transport, storage and communication	58,656,621	30,052,009
Finance, insurance and business services	375,881,734	369,404,793
Purchase of transport vehicles	7,001	2,347
Consumption credit	260,764	342,127
	<u>1,492,691,432</u>	<u>1,507,204,874</u>

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6. Financing and advances (continued)

(viii) Financing by types and Shariah contracts

Economic Entity and Bank

31-Mar-17 Type	Bai'	Ijarah	Qard	Total financing and advances
	RM	RM	RM	RM
Term Financing	285,913,529	6,058,717	902	291,973,148
House Financing	22,072,851	2,217,128	-	24,289,979
Other term financing	263,840,678	3,841,589	902	267,683,169
Trust receipts	2,869,467	-	-	2,869,467
Staff financing	5,247	179,269	242,964	427,480
Revolving credit	1,101,344,307	-	-	1,101,344,307
Others	96,077,030	-	-	96,077,030
	1,486,209,580	6,237,986	243,866	1,492,691,432

31-Dec-16 Type	Bai'	Ijarah	Qard	Total financing and advances
	RM	RM	RM	RM
Term Financing	303,697,306	6,313,929	902	310,012,137
House Financing	22,461,796	2,235,664	-	24,697,460
Other term financing	281,235,510	4,078,265	902	285,314,677
Trust receipts	2,869,467	-	-	2,869,467
Staff financing	2,348	-	320,279	322,627
Revolving credit	1,126,793,273	-	-	1,126,793,273
Others	67,207,370	-	-	67,207,370
	1,500,569,764	6,313,929	321,181	1,507,204,874

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6. Financing and advances (continued)

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
(ix) Movement in the allowance for impaired advances and financing		
Individual Assessment Allowance		
Balance beginning of financial year	37,822,797	10,062,217
Allowance made during the financial period/year (Note 14 (a))	143,456	10,494,429
Amount written back in respect of recoveries (Note 14 (a))	(33,713)	(106,396)
Reclassified from collective assessment allowance	-	17,372,547
Balance as at end of financial period/year	<u>37,932,540</u>	<u>37,822,797</u>
Collective Assessment Allowance		
Balance beginning of financial year	12,398,864	28,453,374
Allowance made during the financial period/year (Note 14 (b))	65,139	1,318,037
Reclassified to individual assessment allowance	-	(17,372,547)
Balance as at end of financial period/year	<u>12,464,003</u>	<u>12,398,864</u>
Regulatory reserve	5,233,721	5,233,721
As % of gross financing and advances less individual assessment allowances	<u>1.22%</u>	<u>1.20%</u>
(x) Movement in impaired financing and advances		
Balance beginning of financial year	124,935,030	13,096,988
Classified as impaired during the financial period/year	768,394	113,040,116
Reclassified as non-impaired	(369,761)	(1,017,008)
Amount recovered	(4,737,437)	(185,066)
Balance as at end of financial period/year	<u>120,596,226</u>	<u>124,935,030</u>
Gross impaired financing and advances ratio	<u>8.08%</u>	<u>8.29%</u>

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6. Financing and advances (continued)

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
(xi) Impaired financing by sector		
Mining and quarrying	70,225,634	74,921,378
Manufacturing	299,778	299,778
Construction	5,596,139	5,596,139
Wholesale & retail trade and restaurants & hotels	1,172,542	1,172,542
Finance, insurance and business services	37,224,915	37,238,143
Purchase of landed property	6,070,589	5,699,887
Consumption credit	6,629	7,163
	120,596,226	124,935,030
(xi) Impaired financing by geographical distribution		
Malaysia	120,596,226	124,935,030

7. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period/year end and are indicative of neither the market risks nor the credit risk.

	Economic Entity and Bank					
	31-Mar-17			31-Dec-16		
	Contract/	Fair value		Contract/	Fair value	
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
amount	RM	RM	amount	RM	RM	
	RM	RM	RM	RM	RM	
<u>Trading derivatives</u>						
<u>Foreign exchange contracts:</u>						
Currency forward						
- Less than one year	194,911,659	566,344	(30,700)	209,997,225	212,430	(558,050)

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8. Other assets

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
Prepayment and deposit	1,728,198	1,001,878
Other debtors	5,087,626	2,601,364
	<u>6,815,824</u>	<u>3,603,242</u>

9. Deposits from customers

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
(i) By type of deposit:		
<u>Non-Mudharabah Funds:</u>		
Demand deposits	59,747,114	56,705,294
Savings deposits	1,688,779	1,650,497
Commodity Murabahah	874,359,300	814,821,973
General investment deposits	14,354,777	10,577,233
	<u>950,149,970</u>	<u>883,754,997</u>
<u>Mudharabah Funds:</u>		
Savings deposits	134,399	56,888
General investment deposits	9,338,060	13,922,140
	<u>9,472,459</u>	<u>13,979,028</u>
	<u>959,622,429</u>	<u>897,734,025</u>

(ii) The deposits are sourced from the following classes of customers:

Business enterprises	944,789,523	884,005,053
Individuals	14,832,906	13,728,972
	<u>959,622,429</u>	<u>897,734,025</u>

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9. Deposits from customers (continued)

Economic Entity and Bank	
31-Mar-17	31-Dec-16
RM	RM

(iii) **The maturity structure of saving deposits, amount payable on demand and term deposits are as follows:**

Due within six months	815,573,247	746,928,809
More than six months to one year	1,639,159	3,774,280
More than one year to three years	142,410,023	104,879,947
More than three years	-	42,150,989
	<u>959,622,429</u>	<u>897,734,025</u>

(iv) **By type of contract:**

Mudharabah	9,472,459	13,979,028
Tawarruq	888,714,077	825,399,206
Wadiah	61,435,893	58,355,791
	<u>959,622,429</u>	<u>897,734,025</u>

10. Deposits and placements of banks and other financial institutions

Economic Entity and Bank	
31-Mar-17	31-Dec-16
RM	RM

(i) **By type of deposit:**

Non-Mudharabah Funds:

Licensed Islamic banks	225,025,591	-
Other financial institutions	756,158,880	1,048,209,734
	<u>981,184,471</u>	<u>1,048,209,734</u>

(ii) **By type of contract:**

Tawarruq	980,913,445	1,048,124,742
Wadiah	271,026	84,992
	<u>981,184,471</u>	<u>1,048,209,734</u>

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11. Other liabilities

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
Sundry creditors	10,113,949	8,236,494
Other provisions and accruals	4,952,534	4,048,418
	15,066,483	12,284,912

12. Income derived from investment of depositors' funds

	Economic Entity and Bank	
	31-Mar-17	31-Mar-16
	RM	RM
Income derived from investment of:		
(i) General investment deposit	253,287	300,579
(ii) Other deposits	20,467,725	22,885,210
	20,721,012	23,185,789

(i) Income derived from investment of general investment deposits

Finance income and hibah:

Financing and advances	163,029	196,168
Financial investment held-for-trading	2,016	-
Financial investment available-for-sale	25,967	36,837
Financial investment held-to-maturity	42,321	43,381
Money at call and deposits with financial institutions	19,954	24,193
	253,287	300,579

(ii) Income derived from investment of other deposits

Finance income and hibah:

Financing and advances	13,174,129	14,935,704
Financial investment held-for-trading	162,936	-
Financial investment available-for-sale	2,098,332	2,804,627
Financial investment held-to-maturity	3,419,877	3,302,924
Money at call and deposits with financial institutions	1,612,451	1,841,955
	20,467,725	22,885,210

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13. Income derived from investment of shareholders' funds

	Economic Entity and Bank	
	31-Mar-17	31-Mar-16
	RM	RM
<u>Finance income and hibah</u>		
Financing and advances	3,442,756	3,726,458
Financial investment held-for-trading	42,579	-
Financial investment available-for-sale	548,351	699,755
Financial investments held-to-maturity	893,706	824,079
Money at call and deposits with financial institutions	421,377	459,568
Total finance income and hibah	<u>5,348,769</u>	<u>5,709,860</u>
Other operating income (note 13 (a))	<u>2,058,511</u>	<u>2,054,747</u>
	<u><u>7,407,280</u></u>	<u><u>7,764,607</u></u>
Other operating income comprise of:		
(a) Fee and other income:		
Commission	174,932	215,345
Fees and other income	1,347,935	(5,471,333)
Net gain on derivatives foreign exchange contracts	535,644	7,310,735
Total other operating income	<u>2,058,511</u>	<u>2,054,747</u>

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14. Allowance for impairment on financing and advances

	Economic Entity and Bank	
	31-Mar-17	31-Mar-16
	RM	RM
Allowance for impaired financing and advances:		
(a) Individual impairment allowance (Note 6 (ix))		
- made during the financial period	143,456	244,006
- written back during the financial period	(33,713)	(45,035)
(b) Collective impairment allowance (Note 6 (ix))		
- made during the financial period	65,139	1,277,323
- written back during the financial period	-	-
(c) Sundry debtors impairment allowance		
- made during the financial period	-	274,832
- written back during the financial period	-	(129,261)
	174,882	1,621,865

15. Income attributable to depositors

	Economic Entity and Bank	
	31-Mar-17	31-Mar-16
	RM	RM
Deposits from customers:		
- Mudharabah funds	54,210	82,279
- Non-mudharabah funds	7,620,155	7,865,905
	7,674,365	7,948,184
Deposits and placements of banks and other financial institutions:		
- Mudharabah funds	-	-
- Non-mudharabah funds	9,775,491	11,563,958
	9,775,491	11,563,958
	17,449,856	19,512,142

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16. Personnel expenses

	Economic Entity and Bank	
	31-Mar-17	31-Mar-16
	RM	RM
Salaries, allowances and bonuses	3,653,975	3,797,448
Contributions to Employee Provident Fund and SOCSO	408,567	390,540
Medical related expenses	178,761	63,687
Travelling and parking	7,470	11,454
Other staff related cost	118,744	26,131
	4,367,517	4,289,260

17. Other overheads and expenditures

	Economic Entity and Bank	
	31-Mar-17	31-Mar-16
	RM	RM
<u>Establishment expenses</u>		
Depreciation of property, plant and equipment	121,344	148,392
Amortisation of intangible assets	183,784	184,600
Rental of premises	487,163	483,997
Software and hardware maintenance	1,677,160	1,517,227
Rental of equipment and network line	74,107	100,363
Security expenses	100,372	101,007
Others	619,060	410,869
	3,262,990	2,946,455
<u>Marketing expenses</u>		
Advertising and promotional activities	7,762	12,535
Entertainment expenses	5,137	7,989
Travelling expenses	38,571	39,687
Others	-	-
	51,470	60,211

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17. Other overheads and expenditures (continued)

	Economic Entity and Bank	
	31-Mar-17	31-Mar-16
	RM	RM
<u>Administration and general expenses</u>		
License and association fees and levies	126,143	120,556
Travelling, transport and accomodation expenses	83,542	51,028
Printing, stationery, postage and clearing charges	67,936	83,008
Telecommunication charges	171,522	176,875
Shariah Committee remunerations	-	-
Electricity and water	59,709	76,563
Directors related fees	127,500	106,543
Other professional fees	102,086	41,119
Auditors remuneration	95,247	67,500
Others	149,296	92,050
	982,981	815,242
	4,297,441	3,821,908

18. Other comprehensive income

	Economic Entity and Bank	
	31-Mar-17	31-Mar-16
	RM	RM
Financial investment available-for-sale		
- Unrealised net gain / (loss) on revaluation	1,041,865	1,115,864
Income tax relating to components of other comprehensive income	-	-
	1,041,865	1,115,864

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19. Commitments and contingencies

In the normal course of business, the Economic Entity and 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 transaction, hence, they are not provided for in the financial statements.

	Principal amount RM	Gross Positive Fair Value - Derivative Contract RM	Credit equivalent amount* RM	Risk weighted amount RM
Economic Entity and Bank				
31-Mar-17				
Direct credit substitutes	25,650,875	-	25,650,875	25,525,438
Trade-related contingencies	54,199,390	-	10,839,878	10,839,878
Irrevocable commitments to extend credit:				
- one year or less	163,492,361	-	81,746,181	61,746,181
- over one year to five years	13,498,480	-	6,749,240	6,743,581
- over five years	100,217,316	-	50,108,658	50,081,494
Foreign exchange related contracts				
- one year or less	194,911,659	566,344	3,459,319	920,253
Total	551,970,081	566,344	178,554,151	155,856,825

	Principal amount RM	Gross Positive Fair Value - Derivative Contract RM	Credit equivalent amount* RM	Risk weighted amount RM
31-Dec-16				
Direct credit substitutes	24,772,375	-	24,772,375	24,646,938
Trade-related contingencies	24,638,085	-	4,927,617	4,927,617
Irrevocable commitments to extend credit:				
- one year or less	218,998,924	-	109,499,462	89,499,462
- over one year to five years	10,026,600	-	5,013,300	5,013,300
- over five years	5,631,037	-	2,815,518	2,737,264
Foreign exchange related contracts				
- one year or less	209,997,225	212,430	3,149,958	954,870
Total	494,064,246	212,430	150,178,230	127,779,451

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20. Financial risk management (continued)

20.1 Credit risk management (continued)

(i) Financing and advances

Financing and advances are summarised as follows:

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
Neither past due nor impaired	1,315,794,141	1,282,522,598
Past due but not impaired	56,301,065	99,747,246
Impaired	120,596,226	124,935,030
Gross financing and advances	1,492,691,432	1,507,204,874
Less: Individual allowance	(37,932,540)	(37,822,797)
Collective allowance	(12,464,003)	(12,398,864)
Net financing and advances	1,442,294,889	1,456,983,213

(a) Financing and advances neither past due nor impaired

Analysis of financing and advances that are neither past due nor impaired analysed based on the Bank's internal credit grading system is as follows:

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
<u>Internal Credit Rating (CRR)</u>		
CRR1 - CRR3	97,050,210	257,713,382
CRR4 - CRR6	1,046,423,788	864,883,355
CRR7 - CRR10	164,229,579	151,385,541
Non rated CRR	8,090,564	8,540,320
	1,315,794,141	1,282,522,598

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20. Financial risk management (continued)

20.1 Credit risk management (continued)

(i) Financing and advances (continued)

(a) Financing and advances neither past due nor impaired (continued)

The above detailed out the Bank's financing and advances which are rated using the Bank's internal risk rating, and none are rated by the External Credit Assessment Institution (ECAI). For the purpose of Pillar 3 disclosures, the Unrated and Rated Counterparties are rated specific to the credit exposures, using the issue rating of the ECAI based on the assigned risk weights as follows:-

Risk Weights	20%	50%	100%	150%	100%
ECAI	-----RATINGS-----				
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
RAM	AAA to AA	A+ to A-	BBB to BB	B to D	Unrated
MARC	AAA to AA	A+ to A-	BBB to BB-	B to D	Unrated

(b) Financing and advances past due but not impaired

Analysis of aging of financing and advances that are past due but not impaired is as follows:

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
Past due up to 30 days	55,025,535	98,630,252
Past due 30 to 60 days	-	885,922
Past due 60 to 90 days	1,275,530	231,072
	56,301,065	99,747,246

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20. Financial risk management (continued)

20.1 Credit risk management (continued)

(i) Financing and advances (continued)

(c) Impaired financing and advances

Financing and advances that are individually determined to be impaired are as follows:

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
Gross impaired financing and advances	120,596,226	124,935,030
Less: Impairment allowance	(37,932,540)	(37,822,797)
Net impaired financing and advances	82,663,686	87,112,233

The movements of allowances for impaired financing and advances are set out in Note 6.

Credit Risk Mitigation (CRM) Disclosures

In mitigating its credit exposure, the Bank currently employs the cash collateral (one of the form of collaterals under Credit Risk Mitigants), which provides 0% risk weights. Other form of collaterals such as financing facility against charges over residential and commercial properties, pledged over shares, and supports in the form of debentures, assignments and guarantees are not taken into consideration as CRM and are therefore assigned with 100% risk weights.

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20. Financial risk management (continued)

20.1 Credit risk management (continued)

(ii) Short term funds, financial assets and investments portfolios

Short-term funds, financial assets and investments portfolios for the Economic Entity and the Bank by rating agency designation are as follows:

	Short term funds RM	Financial investments portfolios RM	Derivative assets RM	Other assets RM
Economic Entity and Bank				
31-Mar-17				
Neither past due nor impaired				
AAA	257,023,867	257,013,675	-	-
AA and below	12,126,376	141,929,526	-	-
Unrated	22,160,648	272,113,777	566,344	6,815,824
	<u>291,310,891</u>	<u>671,056,978</u>	<u>566,344</u>	<u>6,815,824</u>
Individually impaired	-	-	-	-
	<u>291,310,891</u>	<u>671,056,978</u>	<u>566,344</u>	<u>6,815,824</u>
31-Dec-16				
Neither past due nor impaired				
AAA	171,209,514	267,490,977	-	-
AA and below	35,272,124	206,842,879	-	-
Unrated	46,300	272,105,615	212,430	3,603,242
	<u>206,527,938</u>	<u>746,439,471</u>	<u>212,430</u>	<u>3,603,242</u>
Individually impaired	-	-	-	-
	<u>206,527,938</u>	<u>746,439,471</u>	<u>212,430</u>	<u>3,603,242</u>

*The unrated financial assets/investment portfolios are all government guaranteed securities.

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ASIAN FINANCE BANK BERHAD
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19. Financial risk management (continued)

20.2 Market risk

(i) Profit Rate Risk

Economic Entity and Bank	←----- Non-trading book ----->						Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years					
	RM	RM	RM	RM	RM	RM	RM	RM	%	
31-Mar-17										
Assets										
Cash and short term funds	274,215,639	-	-	-	-	20,574,756	-	294,790,395	2.88	
Financial investments										
held-for-trading	20,347,570	-	-	-	-	-	-	20,347,570	4.10	
Financial investments										
available-for-sale	-	20,254,997	5,023,430	216,749,754	-	596	-	242,028,777	4.19	
Financial investments										
held-to-maturity	-	5,051,485	-	271,822,121	131,807,025	-	-	408,680,631	4.18	
Financing and advances										
- performing	722,463,826	338,124,563	38,764,632	209,225,401	63,516,784	(12,464,003)	-	1,359,631,203	4.64	
- non performing	-	-	-	-	-	82,663,686	-	82,663,686	-	
Derivative assets	544,344	22,000	-	-	-	-	-	566,344		
Tax recoverable	-	-	-	-	-	5,416,157	-	5,416,157		
Other assets	-	-	-	-	-	6,815,824	-	6,815,824		
Statutory deposits	-	-	-	-	-	32,073,822	-	32,073,822		
Deferred tax assets	-	-	-	-	-	349,226	-	349,226		
Property and equipment	-	-	-	-	-	900,532	-	900,532		
Intangible assets	-	-	-	-	-	1,335,229	-	1,335,229		
Total assets	1,017,571,379	363,453,045	43,788,062	697,797,276	195,323,809	137,665,825	-	2,455,599,396		

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ASIAN FINANCE BANK BERHAD
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19. Financial risk management (continued)

20.2 Market risk (continued)

(i) Profit Rate Risk

Economic Entity and Bank	----- Non-trading book ----->							Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive	RM			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	%
31-Mar-17										
Liabilities										
Deposits from customers	217,740,842	454,509,534	141,504,934	142,000,000	-	3,867,119	-	959,622,429		3.48
Deposits and placements of banks and other financial institutions	247,788,217	421,535,559	304,310,689	-	-	7,550,006	-	981,184,471		3.73
Derivative liabilities	28,700	2,000	-	-	-	-	-	30,700		
Other liabilities	-	-	-	-	-	15,066,483	-	15,066,483		
Total liabilities	465,557,759	876,047,093	445,815,623	142,000,000	-	26,483,608	-	1,955,904,083		
Total shareholders equity	-	-	-	-	499,695,313	-	-	499,695,313		
	465,557,759	876,047,093	445,815,623	142,000,000	499,695,313	26,483,608	-	2,455,599,396		
Total profit-sensitivity gap	552,013,620	(512,594,048)	(402,027,561)	555,797,276	(304,371,504)	111,182,217	-	-		

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19. Financial risk management (continued)

20.2 Market risk (continued)

(i) Profit Rate Risk

Economic Entity and Bank	←----- Non-trading book ----->						Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive			
	RM	RM	RM	RM	RM	RM	RM	RM	%
31-Dec-16									
Assets									
Cash and short term funds	169,999,893	-	-	-	-	40,124,495	-	210,124,388	3.03
Financial investments									
held-for-trading	-	-	20,140,038	-	-	-	-	20,140,038	2.32
Financial investments									
available-for-sale	-	15,159,594	25,118,866	226,167,353	-	2,363	-	266,448,176	4.01
Financial investments									
held-to-maturity	51,008,219	-	5,008,581	253,000,560	150,833,897	-	-	459,851,257	4.29
Financing and advances									
- performing	668,375,058	294,547,042	86,793,244	225,408,073	107,146,427	(12,398,864)	-	1,369,870,980	5.06
- non performing	-	-	-	-	-	87,112,233	-	87,112,233	-
Derivative assets	202,203	10,227	-	-	-	-	-	212,430	
Other assets	-	-	-	-	-	3,603,242	-	3,603,242	
Tax recoverable	-	-	-	-	-	5,416,157	-	5,416,157	
Statutory deposits	-	-	-	-	-	30,373,822	-	30,373,822	
Deferred tax assets	-	-	-	-	-	349,226	-	349,226	
Property and equipment	-	-	-	-	-	1,021,876	-	1,021,876	
Intangible assets	-	-	-	-	-	1,519,012	-	1,519,012	
Total assets	889,585,373	309,716,863	137,060,729	704,575,986	257,980,324	157,123,562	-	2,456,042,837	

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19. Financial risk management (continued)

20.2 Market risk (continued)

(i) Profit Rate Risk

Economic Entity and Bank	←----- Non-trading book ----->							Trading book	Total	Effective profit rate
	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive	RM			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	%
31-Dec-16										
Liabilities										
Deposits from customers	221,015,819	453,349,856	72,020,221	146,485,307	-	4,862,822	-	897,734,025		3.59
Deposits and placements of banks and other financial institutions	219,043,157	449,282,827	373,736,015	-	-	6,147,735	-	1,048,209,734		3.87
Derivative liabilities	460,959	97,091	-	-	-	-	-	558,050		
Other liabilities	-	-	-	-	-	12,284,912	-	12,284,912		
Total liabilities	440,519,935	902,729,774	445,756,236	146,485,307	-	23,295,469	-	1,958,786,721		
Total shareholders equity	-	-	-	-	497,256,116	-	-	497,256,116		
	440,519,935	902,729,774	445,756,236	146,485,307	497,256,116	23,295,469	-	2,456,042,837		
Total profit-sensitivity gap	449,065,438	(593,012,911)	(308,695,507)	558,090,679	(239,275,792)	133,828,093	-	-		

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21. Capital adequacy

	Economic Entity and Bank	
	31-Mar-17	31-Dec-16
	RM	RM
<u>CET1 Capital</u>		
Paid-up ordinary share capital	532,530,020	532,530,020
Accumulated losses	(53,094,267)	(53,094,267)
AFS revaluation reserve	264,797	(777,068)
Statutory reserve	13,363,710	13,363,710
Regulatory reserve**	5,233,721	5,233,721
	<u>498,297,981</u>	<u>497,256,116</u>
Less : CET1 regulatory adjustments		
Deferred tax assets	(349,226)	(349,226)
Cumulative (gains)/losses of AFS financial instruments	(10,674)	562,352
Regulatory reserve attributable to financing**	(5,233,721)	(5,233,721)
Total CET1 capital	<u>492,704,360</u>	<u>492,235,521</u>
<u>Tier 1 Capital</u>		
Additional Tier 1 capital instruments	-	-
Less: Tier 1 regulatory adjustments	-	-
Total Tier 1 capital	<u>492,704,360</u>	<u>492,235,521</u>
<u>Tier II Capital</u>		
Collective impairment/allowance for bad and doubtful financing ^	16,253,886	11,090,712
Regulatory reserve**	-	5,233,721
Total Tier II capital	<u>16,253,886</u>	<u>16,324,433</u>
Total capital base	<u>508,958,246</u>	<u>508,559,954</u>
Breakdown of risk weighted assets in various categories of risk weights are as follows:		
	31-Mar-17	31-Dec-16
	RM'000	RM'000
<u>Total risk weighted assets ("RWA")</u>		
- Credit risk	1,904,505	1,952,246
- Market risk	3,938	1,744
- Operational risk	92,871	94,281
Total RWA	<u>2,001,314</u>	<u>2,048,271</u>
<u>Capital ratios</u>		
CET1 capital	24.619%	24.032%
Tier 1 capital	24.619%	24.032%
Total capital ratio	<u>25.431%</u>	<u>24.829%</u>

^ Excludes collective assessment impairment allowance attributable to financing and advances classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and impairment Provisions for Loans/Financing" issued 6 April 2015.

** The regulatory reserve is maintained in aggregate with collective impairment allowance representing financing loss provision required to be maintained at a minimum level of 1.2% of total outstanding financing and advances less individual impairment allowance.