

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 30 June 2020**

	Note	Economic Entity		The Bank	
		30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
<b>ASSETS</b>					
Cash and short-term funds		2,996,234	1,588,868	2,996,234	1,588,868
Derivative financial assets	13	1,105	1,000	1,105	1,000
Financial investments at fair value through other comprehensive income ('FVOCI')	14	2,242,706	2,390,806	2,242,706	2,390,806
Financing, advances and other financing	15	18,721,073	18,580,253	18,721,073	18,580,253
Other assets	16	83,843	34,593	83,843	34,593
Amount due from holding company		-	53,946	-	53,946
Amount due from joint ventures	17	28,675	28,402	28,675	28,402
Amount due from associate	18	900	900	900	900
Tax recoverable		17,803	15,550	17,803	15,550
Deferred tax assets		9,644	-	9,644	-
Statutory deposits with Bank Negara Malaysia		-	526,000	-	526,000
Investment in joint ventures		-	-	650	650
Investment in associate		-	750	750	750
Property and equipment		1,700	1,980	1,700	1,980
Right-of-use assets		1,933	1,554	1,933	1,554
Intangible assets		664	771	664	771
<b>TOTAL ASSETS</b>		<b>24,106,280</b>	<b>23,225,373</b>	<b>24,107,680</b>	<b>23,226,023</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	17,602,519	17,306,338	17,602,519	17,306,338
Investment accounts of customers	20	904	1,447	904	1,447
Deposits and placements of banks and other financial institutions	21	1,331,888	536,011	1,331,888	536,011
Investment accounts due to designated financial institutions	22	1,895,557	1,918,295	1,895,557	1,918,295
Derivative financial liabilities	23	1,097	6,757	1,097	6,757
Other liabilities	24	112,970	422,685	112,970	422,685
Amount due to holding company		111,156	-	111,156	-
Deferred tax liabilities		-	2,604	-	2,604
Lease liabilities	25	1,957	1,568	1,957	1,568
Subordinated term financing and medium term notes	26	1,111,034	1,111,034	1,111,034	1,111,034
<b>TOTAL LIABILITIES</b>		<b>22,169,082</b>	<b>21,306,739</b>	<b>22,169,082</b>	<b>21,306,739</b>
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	27	877,198	858,634	878,598	859,284
<b>TOTAL EQUITY</b>		<b>1,937,198</b>	<b>1,918,634</b>	<b>1,938,598</b>	<b>1,919,284</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24,106,280</b>	<b>23,225,373</b>	<b>24,107,680</b>	<b>23,226,023</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	37	<b>3,527,926</b>	<b>4,051,316</b>	<b>3,527,926</b>	<b>4,051,316</b>
<b>CAPITAL ADEQUACY RATIOS</b>					
CET1 capital ratio		11.626%	11.720%	11.626%	11.720%
Tier 1 capital ratio	40	13.702%	13.826%	13.702%	13.826%
Total capital ratio		20.428%	20.631%	20.428%	20.631%

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS** *for the financial quarter ended 30 June 2020*

	Note	Economic Entity		Economic Entity	
		Individual Quarter Ended 30/6/2020 RM'000	30/6/2019 RM'000	Cumulative Quarter Ended 30/6/2020 RM'000	30/6/2019 RM'000
Income derived from investment of depositors' funds and others	29	238,841	291,629	490,668	561,743
Income derived from investment of investment account funds	30	25,171	26,671	51,850	53,319
Income derived from investment of shareholders' funds	31	26,016	25,902	53,460	50,589
Modification loss	32	(29,454)	-	(29,454)	-
Allowances for impairment losses on financing, advances and other financing	33	489	(3,645)	(37,955)	(7,461)
Allowance for impairment losses on other assets	34	-	-	(1,015)	-
<b>Total distributable income</b>		<b>261,063</b>	<b>340,557</b>	<b>527,554</b>	<b>658,190</b>
Income attributable to the depositors and others	35	(171,257)	(236,081)	(355,685)	(460,260)
<b>Total net income</b>		<b>89,806</b>	<b>104,476</b>	<b>171,869</b>	<b>197,930</b>
Other operating expenses	36	(62,469)	(65,293)	(124,524)	(126,755)
		27,337	39,183	47,345	71,175
Share of associate's results		-	-	(750)	-
<b>Profit before zakat and taxation</b>		<b>27,337</b>	<b>39,183</b>	<b>46,595</b>	<b>71,175</b>
Zakat		-	(3,000)	-	(3,000)
<b>Profit before taxation</b>		<b>27,337</b>	<b>36,183</b>	<b>46,595</b>	<b>68,175</b>
Taxation		(5,837)	(10,729)	(12,028)	(18,285)
<b>Net profit after zakat and taxation</b>		<b>21,500</b>	<b>25,454</b>	<b>34,567</b>	<b>49,890</b>
<b>Attributable to:</b>					
Equity holder of the Bank		21,500	25,454	34,567	49,890
<b>Earnings per share (sen):</b>					
- Basic		2.0	2.4	3.3	4.7

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
*for the financial quarter ended 30 June 2020 (continued)*

	Economic Entity		Economic Entity	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
<b>Profit after zakat and taxation</b>	<b>21,500</b>	25,454	<b>34,567</b>	49,890
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	<b>105,743</b>	37,825	<b>51,689</b>	72,003
Net credit impairment losses change in financial investments at FVOCI	<b>1,117</b>	175	<b>1,243</b>	157
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	<b>(39,847)</b>	(31,602)	<b>(74,381)</b>	(32,572)
Deferred tax on				
- financial investments at FVOCI	<b>(15,815)</b>	(1,493)	<b>5,446</b>	(9,463)
Other comprehensive income for the financial period, net of tax	<b>51,198</b>	4,905	<b>(16,003)</b>	30,125
<b>Total comprehensive income for the financial period</b>	<b>72,698</b>	30,359	<b>18,564</b>	80,015
<b>Attributable to equity holder of the Bank:</b>				
- Total comprehensive income	<b>72,698</b>	30,359	<b>18,564</b>	80,015

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS** *for the financial quarter ended 30 June 2020*

(continued)

	Note	The Bank		The Bank	
		Individual Quarter Ended 30/6/2020 RM'000	30/6/2019 RM'000	Cumulative Quarter Ended 30/6/2020 RM'000	30/6/2019 RM'000
Income derived from investment of depositors' funds and others	29	238,841	291,629	490,668	561,743
Income derived from investment of investment account funds	30	25,171	26,671	51,850	53,319
Income derived from investment of shareholders' funds	31	26,016	25,902	53,460	50,589
Modification loss	32	(29,454)	-	(29,454)	-
Allowances for impairment losses on financing, advances and other financing	33	489	(3,645)	(37,955)	(7,461)
Allowance for impairment losses on other assets	34	-	-	(1,015)	-
<b>Total distributable income</b>		<b>261,063</b>	<b>340,557</b>	<b>527,554</b>	<b>658,190</b>
Income attributable to the depositors and others	35	(171,257)	(236,081)	(355,685)	(460,260)
<b>Total net income</b>		<b>89,806</b>	<b>104,476</b>	<b>171,869</b>	<b>197,930</b>
Other operating expenses	36	(62,469)	(65,293)	(124,524)	(126,755)
<b>Profit before zakat and taxation</b>		<b>27,337</b>	<b>39,183</b>	<b>47,345</b>	<b>71,175</b>
Zakat		-	(3,000)	-	(3,000)
<b>Profit before taxation</b>		<b>27,337</b>	<b>36,183</b>	<b>47,345</b>	<b>68,175</b>
Taxation		(5,837)	(10,729)	(12,028)	(18,285)
<b>Net profit after zakat and taxation</b>		<b>21,500</b>	<b>25,454</b>	<b>35,317</b>	<b>49,890</b>
<b>Attributable to:</b>					
Equity holder of the Bank		21,500	25,454	35,317	49,890
<b>Earnings per share (sen):</b>					
- Basic		2.0	2.4	3.3	4.7

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
*for the financial quarter ended 30 June 2020 (continued)*

	The Bank		The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
<b>Profit after zakat and taxation</b>	<b>21,500</b>	25,454	<b>35,317</b>	49,890
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	<b>105,743</b>	37,825	<b>51,689</b>	72,003
Net credit impairment losses change in financial investments at FVOCI	<b>1,117</b>	175	<b>1,243</b>	157
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	<b>(39,847)</b>	(31,602)	<b>(74,381)</b>	(32,572)
Deferred tax on				
- financial investments at FVOCI	<b>(15,815)</b>	(1,493)	<b>5,446</b>	(9,463)
Other comprehensive income for the financial period, net of tax	<b>51,198</b>	4,905	<b>(16,003)</b>	30,125
<b>Total comprehensive income for the financial period</b>	<b>72,698</b>	30,359	<b>19,314</b>	80,015
<b>Attributable to equity holder of the Bank:</b>				
- Total comprehensive income	<b>72,698</b>	30,359	<b>19,314</b>	80,015

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
*for the financial quarter ended 30 June 2020*

	Attributable to Equity Holder of the Bank				
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
Economic Entity	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2020</b>	<b>1,060,000</b>	<b>19,492</b>	<b>236,882</b>	<b>602,260</b>	<b>1,918,634</b>
Net profit for the financial period	-	-	-	34,567	34,567
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(16,003)	-	-	(16,003)
Total comprehensive income for the financial period	-	(16,003)	-	34,567	18,564
Transfer to regulatory reserves	-	-	(26,895)	26,895	-
<b>At 30 June 2020</b>	<b>1,060,000</b>	<b>3,489</b>	<b>209,987</b>	<b>663,722</b>	<b>1,937,198</b>
Economic Entity	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2019</b>	<b>1,060,000</b>	<b>3,172</b>	<b>194,384</b>	<b>577,671</b>	<b>1,835,227</b>
Net profit for the financial period	-	-	-	49,890	49,890
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	30,125	-	-	30,125
Total comprehensive income for the financial period	-	30,125	-	49,890	80,015
Transfer to regulatory reserves	-	-	33,150	(33,150)	-
<b>At 30 June 2019</b>	<b>1,060,000</b>	<b>33,297</b>	<b>227,534</b>	<b>594,411</b>	<b>1,915,242</b>

**AFFIN Islamic Bank Berhad**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
*for the financial quarter ended 30 June 2020 (continued)*

	Non-distributable		Distributable		Total Equity
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2020</b>	<b>1,060,000</b>	<b>19,492</b>	<b>236,882</b>	<b>602,910</b>	<b>1,919,284</b>
Net profit for the financial period	-	-	-	35,317	35,317
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(16,003)	-	-	(16,003)
Total comprehensive income for the financial period	-	(16,003)	-	35,317	19,314
Transfer to regulatory reserves	-	-	(26,895)	26,895	-
<b>At 30 June 2020</b>	<b>1,060,000</b>	<b>3,489</b>	<b>209,987</b>	<b>665,122</b>	<b>1,938,598</b>
The Bank	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019, as restated	1,060,000	3,172	194,384	578,321	1,835,877
Net profit for the financial period	-	-	-	49,890	49,890
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	30,125	-	-	30,125
Total comprehensive income for the financial period	-	30,125	-	49,890	80,015
Transfer to regulatory reserves	-	-	33,150	(33,150)	-
At 30 June 2019	1,060,000	33,297	227,534	595,061	1,915,892

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOW for the financial quarter ended 30 June 2020**

	Economic Entity		The Bank	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before taxation</b>	<b>46,595</b>	68,176	<b>47,345</b>	68,176
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments at FVOCI	(44,362)	(57,454)	(44,362)	(57,454)
Gain on sale/redemption:				
- financial investments at FVOCI	(72,795)	(32,781)	(72,795)	(32,781)
Loss on unrealised foreign exchange	(5,765)	(3,625)	(5,765)	(3,625)
Depreciation of property and equipment	360	402	360	402
Amortisation of intangible assets	106	85	106	85
Depreciation-Lease Premises Rental	653	675	653	675
Expected credit losses ('ECL') made on:				
- financing, advances and other financing	38,787	12,275	38,787	12,275
- securities	1,243	157	1,243	157
- financing commitments and financial guarantees	(983)	(3,353)	(983)	(3,353)
Bad debt on financing written-off	283	128	283	128
Allowance for impairment losses on other assets	1,015	-	1,015	-
Profit payment - Subordinated term financing and medium term notes	28,675	28,479	28,675	28,479
Finance expense on lease liabilities	41	-	41	-
Zakat	-	3,000	-	3,000
Share of joint venture's results	750	-	-	-
<b>Operating profit before changes in working capital</b>	<b>(5,397)</b>	16,164	<b>(5,397)</b>	16,164
<b>Decrease/(Increase) in operating assets:</b>				
Financing, advances and other financing	(179,890)	46,297	(179,890)	46,297
Other assets	(49,257)	(23,109)	(49,257)	(23,109)
Right-of-use assets -Lease Commitment	(1,032)	(1,373)	(1,032)	(1,373)
Statutory deposits with Bank Negara Malaysia	526,000	(59,000)	526,000	(59,000)
Amount due from holding company	53,946	107,722	53,946	107,722
Amount due to subsidiaries	-	-	-	-
Amount due from joint ventures	(1,288)	(868)	(1,288)	(868)
Derivative financial instruments	(5,765)	(3,626)	(5,765)	(3,626)
<b>Increase/(Decrease) in operating liabilities:</b>				
Deposits from customers	296,181	1,958,120	296,181	1,958,120
Investment accounts of customers	(543)	1,090	(543)	1,090
Deposits and placements of banks and other financial institutions	795,877	37,827	795,877	37,827
Investment accounts due to designated financial institutions	(22,738)	(477,556)	(22,738)	(477,556)
Amount due to holding company	111,156	356,711	111,156	356,711
Other liabilities	(308,201)	3,693	(308,201)	3,693
Lease liabilities	1,073	701	1,073	701
Cash generated from operations	1,210,122	1,962,793	1,210,122	1,962,793
Zakat paid	(534)	76	(534)	76
Tax paid	(21,083)	(21,667)	(21,083)	(21,667)
<b>Net cash generated from operating activities</b>	<b>1,188,505</b>	1,941,202	<b>1,188,505</b>	1,941,202

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.



**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF CASH FLOW for the financial quarter ended 30 June 2020***(continued)*

	Economic Entity		The Bank	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Finance income and hibah received from:				
- financial investments at FVOCI	46,119	57,454	46,119	57,454
Purchase of financial investments at FVOCI	(1,730,713)	-	(1,730,713)	-
Purchase of financial investments at FVOCI	1,927,161	374,595	1,927,161	374,595
Purchase of property and equipment	(71)	(69)	(71)	(69)
<b>Net cash generated from/(used in) investing activities</b>	<b>242,496</b>	<b>431,980</b>	<b>242,496</b>	<b>431,980</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of subordinated term financing and Profit payment - Subordinated term financing and medium term notes	(28,675)	(28,675)	(28,675)	(28,675)
Lease payments	(684)	-	(684)	-
Profit element of lease payments	(41)	-	(41)	-
<b>Net cash generated from financing activities</b>	<b>(29,400)</b>	<b>(28,675)</b>	<b>(29,400)</b>	<b>(28,675)</b>
Net increase in cash and cash equivalents	1,401,601	2,344,507	1,401,601	2,344,507
Effects of foreign exchange	5,765	3,626	5,765	3,626
Cash and cash equivalents at beginning of the financial period	1,588,868	3,210,533	1,588,868	3,210,533
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>2,996,234</b>	<b>5,558,666</b>	<b>2,996,234</b>	<b>5,558,666</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Cash and short-term funds	2,996,234	5,558,666	2,996,234	5,558,666

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

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

**MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2020**

**1 BASIS OF PREPARATION**

The unaudited interim financial statements for the financial period under review have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values :

- (i) financial assets at fair value through profit or loss ("FVTPL"),
- (ii) financial investments at fair value through other comprehensive income ("FVOCI"), and
- (iii) derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Policy Document on Financial Reporting issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2019. The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Bank since the year ended 31 December 2019.

There are no changes to the accounting policies adopted since the last financial year.

**2 ACCOUNTING POLICIES**

The significant accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2019, except for the adoption of the following amendments to MFRS that are applicable to the Bank effective for the financial year beginning on 1 January 2020:

The MASB has made amendments to MFRS 101 'Presentation of Financial Statements' and MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective 1 January 2020) which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in MFRS 101 about immaterial information.

Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The MASB has issued a revised Conceptual Framework (effective 1 January 2020) which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The MASB has made limited scope amendments to MFRS 10 'Consolidated Financial Statements' and MFRS 128 'Investments in Associates and Joint Ventures'.

**AFFIN Islamic Bank Berhad**  
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**MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2020**

**3 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2019 was not subjected to any qualification.

**4 SEASONAL OR CYCLICAL FACTORS**

The operations of the Bank are not generally not affected by any seasonal or cyclical factors but are in tandem with the country's economic situation.

**5 ITEMS OF UNUSUAL NATURE, SIZE AND INCIDENCE AFFECTING NET ASSETS, EQUITY, NET INCOME OR CASH FLOWS**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the financial period under review.

**6 CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts reported in prior financial period that have a material effect during the financial period under review.

**7 CHANGES IN DEBTS AND EQUITY SECURITIES**

There were no purchases or disposal of quoted securities for the quarter ended 30 June 2020 other than in the ordinary course of business.

**8 DIVIDENDS**

There were no interim dividend declared.

**9 SUBSEQUENT MATERIAL EVENT**

There is no material subsequent event after the quarter ended 30 June 2020 that have material financial impact.

**10 CHANGES IN THE COMPOSITION OF THE BANK**

There is no changes in the composition of the Bank between now and 31 December 2019 audited accounts.

**11 PURCHASE AND SALE OF QUOTED SECURITIES**

There were no purchases or disposals of quoted securities for the quarter ended 30 June 2020 other than in the ordinary course of business.

**12 STATUS OF CORPORATE PROPOSAL**

There were no corporate proposals announced but not completed during the period ended 30 June 2020 .

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**13 DERIVATIVE FINANCIAL ASSETS**

	<b>Economic Entity and The Bank</b>			
	<b>30/6/2020</b>		<b>31/12/2019</b>	
	<b>Contract/ notional amount RM'000</b>	<b>Assets RM'000</b>	<b>Contract/ notional amount RM'000</b>	<b>Assets RM'000</b>
<b>At fair value</b>				
Foreign exchange derivatives				
- Currency forwards	<b>123,367</b>	<b>1,105</b>	125,647	1,000
	<b>123,367</b>	<b>1,105</b>	125,647	1,000

**14 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Money market instruments:		
Malaysian Government investment issues	<b>743,406</b>	860,976
Khazanah Sukuk	-	53,074
	<b>743,406</b>	914,050
Unquoted securities:		
Corporate Sukuk in Malaysia	<b>1,499,300</b>	1,476,756
	<b>2,242,706</b>	2,390,806

Upon adoption of MFRS9, the expected credit losses in relation to financial instruments at FVOCI are recorded in FVOCI reserves. Movement in allowances for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows:

	<b>Lifetime ECL</b>			
	<b>12-Month ECL Stage 1 RM'000</b>	<b>not credit impaired Stage 2 RM'000</b>	<b>Lifetime ECL credit impaired Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Economic Entity and The Bank</b>				
<b>30/6/2020</b>				
At beginning of the financial year	283	-	-	<b>283</b>
Changes due to change in credit risk	1,242	-	-	<b>1,242</b>
<b>At end of the financial year</b>	<b>1,525</b>	-	-	<b>1,525</b>
<b>Economic Entity and The Bank</b>				
<b>31/12/2019</b>				
At beginning of the financial year	257	-	-	257
Financial assets derecognised during the financial year (other than write-offs)	(17)	-	-	(17)
New financial assets originated or purchased	174	-	-	174
Changes in fair value	(137)	-	-	(137)
Changes in model/risk parameters	6	-	-	6
<b>At end of the financial year</b>	<b>283</b>	-	-	<b>283</b>

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**15 FINANCING, ADVANCES AND OTHER FINANCING**

(i) **By type**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash line	<b>522,902</b>	469,379
Term financing		
- House financing	<b>7,507,315</b>	7,351,173
- Hire purchase receivables	<b>3,642,783</b>	3,820,401
- Syndicated financing	<b>834,668</b>	746,036
- Business term financing	<b>4,798,596</b>	4,885,355
Bills receivables	<b>33,193</b>	11,668
Trust receipts	<b>14,756</b>	30,232
Claims on customers under acceptances credits	<b>430,372</b>	447,486
Staff financing (of which RM Nil to Directors)	<b>70,007</b>	62,761
Credit/charge card	<b>29,523</b>	30,828
Revolving credit	<b>1,015,713</b>	897,504
<b>Gross financing, advances and other financing</b>	<b>18,899,828</b>	18,752,823
Less:		
Allowance for impairment losses		
- Expected credit losses ("ECL")	<b>(178,755)</b>	(172,570)
<b>Total net financing, advances and other financing</b>	<b>18,721,073</b>	18,580,253

Included in business term financing as at reporting date is RM54.2 million (31 December 2019 RM53.7 million) of term financing disbursed by the Bank to joint venture with AFFIN-i Nadayu Sdn Bhd.

(ii) **By maturity structure**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	<b>2,209,208</b>	2,026,732
One year to three years	<b>559,478</b>	736,716
Three years to five years	<b>2,620,806</b>	1,819,649
Over five years	<b>13,510,336</b>	14,169,726
	<b>18,899,828</b>	18,752,823

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

**(iii) By contract**

Economic Entity and The Bank

30/6/2020

RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Tawarruq	Musyarakah	Istisna'	Others	Total
Cash line	-	-	-	-	495,285	-	-	27,617	522,902
Term financing									
House financing	679,514	-	-	-	93,113	6,734,688	-	-	7,507,315
Hire purchase receivables	-	-	3,642,783	-	-	-	-	-	3,642,783
Syndicated financing	-	357,423	-	-	477,245	-	-	-	834,668
Business term financing	93,989	728,279	-	240,217	2,301,567	899,852	534,692	-	4,798,596
Bills receivables	-	-	-	22,650	-	-	-	10,543	33,193
Trust receipts	-	-	-	14,756	-	-	-	-	14,756
Claims on customers under acceptance credits	-	-	-	430,372	-	-	-	-	430,372
Staff financing	4,005	-	-	14,962	20,408	30,632	-	-	70,007
Credit/charge cards	-	-	-	-	29,523	-	-	-	29,523
Revolving credit	-	-	-	-	1,015,713	-	-	-	1,015,713
<b>Total Financing</b>	<b>777,508</b>	<b>1,085,702</b>	<b>3,642,783</b>	<b>722,957</b>	<b>4,432,854</b>	<b>7,665,172</b>	<b>534,692</b>	<b>38,160</b>	<b>18,899,828</b>

Economic Entity and The Bank

2019

RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Tawarruq	Musyarakah	Istisna'	Others	Total
Cash line	-	-	-	-	435,716	-	-	33,663	469,379
Term financing									
House financing	695,350	-	-	-	83,744	6,572,079	-	-	7,351,173
Hire purchase receivables	-	-	3,820,401	-	-	-	-	-	3,820,401
Syndicated financing	-	288,915	-	-	457,121	-	-	-	746,036
Business term financing	97,231	714,253	-	256,757	2,267,785	876,031	668,452	4,846	4,885,355
Bills receivables	-	-	-	-	-	-	-	11,668	11,668
Trust receipts	-	-	-	30,232	-	-	-	-	30,232
Claims on customers under acceptance credits	-	-	-	447,486	-	-	-	-	447,486
Staff financing	4,098	-	-	14,402	19,169	25,092	-	-	62,761
Credit/charge cards	-	-	-	-	30,828	-	-	-	30,828
Revolving credit	-	-	-	-	897,504	-	-	-	897,504
<b>Total Financing</b>	<b>796,679</b>	<b>1,003,168</b>	<b>3,820,401</b>	<b>748,877</b>	<b>4,191,867</b>	<b>7,473,202</b>	<b>668,452</b>	<b>50,177</b>	<b>18,752,823</b>

**(iv) By type of customer**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-banking institutions		
- Others	<b>49,259</b>	54,004
Domestic business enterprises		
- Small medium enterprises	<b>1,718,952</b>	1,856,190
- Others	<b>4,418,580</b>	4,126,493
Government and statutory bodies	<b>736,955</b>	766,167
Individuals	<b>11,643,423</b>	11,614,413
Other domestic entities	<b>533</b>	791
Foreign entities	<b>332,126</b>	334,765
	<b>18,899,828</b>	<b>18,752,823</b>

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

(v) **By profit rate sensitivity**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- House financing	43,223	43,139
- Hire purchase receivables	3,642,794	3,820,401
- Other fixed rate financing	1,246,260	1,317,831
Variable rate		
- BFR plus	11,490,270	11,188,990
- Cost-plus	2,477,281	2,378,795
- Other variable rate	-	3,667
	<b>18,899,828</b>	<b>18,752,823</b>

(vi) **By economic sector**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	764,949	932,467
Mining and quarrying	287,037	291,515
Manufacturing	801,325	581,702
Electricity, gas and water supply	382,123	406,121
Construction	586,825	538,749
Real estate	1,849,243	1,933,214
Wholesale & retail trade and restaurants & hotels	611,700	552,127
Transport, storage and communication	307,093	312,231
Finance, takaful/insurance and business services	374,870	352,239
Education, health and others	1,235,832	1,182,078
Household	11,698,831	11,670,380
	<b>18,899,828</b>	<b>18,752,823</b>

(vii) **By economic purpose**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	334,996	299,615
Purchase of transport vehicles	3,695,060	3,875,863
Purchase of landed property of which:		
- Residential	7,655,944	7,493,000
- Non-residential	2,313,711	2,239,936
Fixed assets other than land and building	77,465	87,328
Personal use	112,947	91,521
Credit/charge card	29,526	30,829
Consumer durable	50	3
Construction	1,020,459	1,136,280
Working capital	3,229,005	3,064,617
Others	430,665	433,831
	<b>18,899,828</b>	<b>18,752,823</b>

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

**(viii) By geographical distribution**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Perlis	<b>145,870</b>	197,380
Kedah	<b>782,184</b>	804,254
Pulau Pinang	<b>898,702</b>	892,939
Perak	<b>561,591</b>	560,277
Selangor	<b>6,333,125</b>	6,129,408
Wilayah Persekutuan	<b>3,983,333</b>	4,020,100
Negeri Sembilan	<b>944,972</b>	946,808
Melaka	<b>260,986</b>	273,003
Johor	<b>2,324,027</b>	2,288,851
Pahang	<b>616,429</b>	649,610
Terengganu	<b>463,472</b>	490,462
Kelantan	<b>208,588</b>	204,564
Sarawak	<b>523,482</b>	497,834
Sabah	<b>783,595</b>	699,888
Labuan	<b>26,223</b>	27,651
Outside Malaysia	<b>43,249</b>	69,794
	<b>18,899,828</b>	<b>18,752,823</b>

**(ix) Movements of impaired financing**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the financial year	<b>607,312</b>	530,829
Classified as impaired	<b>83,629</b>	315,874
Reclassified as non-impaired	<b>(51,617)</b>	(183,350)
Amount recovered	<b>(20,870)</b>	(35,889)
Amount written-off	<b>(32,783)</b>	(20,152)
<b>At end of the financial year</b>	<b>585,671</b>	<b>607,312</b>
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (exclude restricted investment accounts)	<b>2.32%</b>	2.47%



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**MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2020****15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(x) Impaired financing by economic sector**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	45	41
Manufacturing	62,839	62,644
Electricity, gas and water supply	45	47
Construction	9,249	8,613
Real estate	246,502	272,960
Wholesale & retail trade and restaurants & hotels	1,392	1,817
Transport, storage and communication	75,575	75,697
Finance, takaful/insurance and business services	831	1,039
Education, health and others	173	218
Household	189,020	184,236
	<b>585,671</b>	<b>607,312</b>

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

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	71	39
Purchase of transport vehicles	18,523	18,620
Purchase of landed property of which:		
- Residential	171,877	166,184
- Non-residential	211,870	212,960
Fixed assets other than land and building	-	-
Personal use	1,275	1,202
Credit/charge card	65	263
Construction	102,892	100,988
Working capital	79,094	107,052
Others	4	4
	<b>585,671</b>	<b>607,312</b>

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

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Perlis	2,474	2,543
Kedah	7,034	8,080
Pulau Pinang	6,656	8,044
Perak	81,779	82,361
Selangor	104,964	98,570
Wilayah Persekutuan	285,988	284,312
Negeri Sembilan	17,124	16,777
Melaka	4,146	4,894
Johor	20,333	19,911
Pahang	2,537	2,531
Terengganu	4,087	4,666
Kelantan	3,480	2,367
Sarawak	340	581
Sabah	1,490	1,899
Outside Malaysia	43,239	69,776
	<b>585,671</b>	<b>607,312</b>

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

**(xiii) Movement in expected credit losses for financing, advances and other financing**

Economic Entity and The Bank 30/6/2020	12 - Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At beginning of the financial year	51,043	17,171	104,356	<b>172,570</b>
Total transfer between stages	5,580	7,901	(13,481)	-
Due to change in credit risk :-				
- Transfer to 12-month ECL (Stage 1)	7,598	(6,343)	(1,255)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,014)	15,288	(13,274)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(4)	(1,044)	1,048	-
Financing, advances and other financing derecognised during the financial year (other than write-offs)	(12,204)	(618)	(788)	<b>(13,610)</b>
New financing, advances and other financing originated or purchased	12,885	525	79	<b>13,489</b>
Changes due to change in credit risk	13,661	2,110	23,136	<b>38,907</b>
Changes in models/risk parameters	-	-	-	-
Write-offs	-	-	(32,690)	<b>(32,690)</b>
Other adjustments	1	-	88	<b>89</b>
<b>At end of the financial year</b>	<b>70,966</b>	<b>27,089</b>	<b>80,700</b>	<b>178,755</b>

Economic Entity and The Bank 31/12/2019	12 - Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At beginning of the financial year	50,292	10,864	67,861	129,017
Total transfer between stages	6,337	25,385	(31,722)	-
Due to change in credit risk :-				
- Transfer to 12-month ECL (Stage 1)	9,134	(7,380)	(1,754)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,772)	36,096	(33,324)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(25)	(3,331)	3,356	-
Financing, advances and other financing derecognised during the financial year (other than write-offs)	(31,489)	(2,865)	(1,909)	<b>(36,263)</b>
New financing, advances and other financing originated or purchased	30,171	1,702	10,681	42,554
Changes due to change in credit risk	(9,546)	(19,562)	72,892	43,784
Changes in models/risk parameters	5,278	1,647	6,805	13,730
Write-offs	-	-	(19,399)	<b>(19,399)</b>
Other adjustments	-	-	(853)	<b>(853)</b>
<b>At end of the financial year</b>	<b>51,043</b>	<b>17,171</b>	<b>104,356</b>	<b>172,570</b>

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**MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2020****16 OTHER ASSETS**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Other debtors	<b>60,874</b>	497
Deposits and prepayments	<b>410</b>	481
Cheque clearing accounts	<b>17,686</b>	28,742
Foreclosed properties (a)	<b>4,873</b>	4,873
	<b>83,843</b>	34,593

**(a) Foreclosed properties**

At beginning of the financial year	<b>4,873</b>	4,873
Amount arising during the financial year	<b>-</b>	-
At end of the financial year	<b>4,873</b>	4,873

**17 AMOUNT DUE FROM JOINT VENTURES**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Advances to joint ventures	<b>58,428</b>	57,140
Expected credit losses (a)	<b>(29,753)</b>	(28,738)
	<b>28,675</b>	28,402

**(a) Movement in expected credit losses**

	<b>Lifetime ECL credit impaired Stage 3</b>	<b>Lifetime ECL credit impaired Stage 3</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the financial year	<b>28,738</b>	24,048
Allowance made during the financial year	<b>1,015</b>	4,690
At end of the financial year	<b>29,753</b>	28,738

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

**18 AMOUNT DUE FROM ASSOCIATE**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Advances to associate	<b>900</b>	900

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

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**19 DEPOSITS FROM CUSTOMERS**

**(i) By type of deposit**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Qard</b>		
Demand deposits	2,680,624	2,954,059
Savings deposits	856,480	647,064
	<u>3,537,104</u>	<u>3,601,123</u>
<b>Mudarabah</b>		
General investment deposits	59,075	61,558
<b>Tawarruq</b>		
Murabahah term deposits	13,370,333	13,241,472
Commodity Murabahah	578,996	401,917
Savings deposits	36,092	157
Demand deposit	20,919	111
	<u>14,006,340</u>	<u>13,643,657</u>
	<u>17,602,519</u>	<u>17,306,338</u>

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

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	9,896,159	6,476,907
Six months to one year	2,932,613	6,138,589
One year to three years	413,754	411,815
Three years to five years	186,882	275,719
	<u>13,429,408</u>	<u>13,303,030</u>

**(iii) By type of customer**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	6,945,353	6,655,399
Business enterprise	3,523,571	4,411,025
Individuals	6,327,529	5,269,030
Domestic banking institutions	1,165	1,160
Domestic non-banking financial institutions	476,615	658,945
Foreign entities	120,161	110,692
Others entities	208,125	200,087
	<u>17,602,519</u>	<u>17,306,338</u>





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	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	<b>1,615</b>	1,639
Margin and collateral deposits	<b>12,278</b>	16,979
Other creditors and accruals	<b>12,297</b>	8,067
Sundry creditors	<b>37,726</b>	27,841
Treasury and cheque clearing accounts	<b>32,617</b>	342,244
Provision for zakat	<b>1,163</b>	1,697
Defined contribution plan (a)	<b>1,030</b>	1,231
Accrued employee benefits	<b>3,015</b>	3,025
Charity funds (b)	<b>38</b>	23
Unearned income	<b>5,659</b>	13,424
Financing commitments (c)	<b>5,532</b>	6,515
	<b>112,970</b>	<b>422,685</b>

**(a) Defined contribution plan**

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

**(b) Charity funds**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Sources and uses of charity funds		
At beginning of the financial year	<b>52</b>	67
Sources of charity funds		
- Non-Islamic/prohibited income	-	-
- AFFIN Barakah Charity Account-i	<b>17</b>	34
Uses of charity funds		
- Contribution to education	-	15
- Contribution to program/event	<b>31</b>	34
	<b>31</b>	49
<b>At end of the financial year</b>	<b>38</b>	<b>52</b>

The source of charity funds come from the following categories:

- Sources from Shariah non-compliant events.
- AFFIN Barakah Charity Account-i refers to a savings account with element of "Save and Donate" by transferring the earned Hibah\* to charity with the flexibility to change the percentage of contribution agreed by the depositor.  
(\*Hibah refers to the historical Hibah paid to the depositor at the Bank's discretion.)
- Any other charity allocation by the Bank or funds collected from customers/depositors.

The charity fund was channeled to a number of charitable or public purposes; for example, centres for disabled children and the less fortunate and are inclusive of non-Muslims.

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**24 OTHER LIABILITIES (Continued)**

**(c) Movement in expected credit losses**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the financial year	<b>6,515</b>	12,132
Net remeasurement of loss allowance	<b>(1,194)</b>	(8,706)
Changes in model/risk parameters	-	538
New financing commitments and financial guarantees issued during the financial year	<b>211</b>	2,551
<b>At end of the financial year</b>	<b><u>5,532</u></b>	<b><u>6,515</u></b>

**25 LEASE LIABILITIES**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of financial year, on adoption of MFRS 16	<b>1,568</b>	1,373
Addition	<b>1,032</b>	1,528
Finance expense	<b>41</b>	52
Lease payment	<b>(684)</b>	(1,385)
<b>At end of the financial year</b>	<b><u>1,957</u></b>	<b><u>1,568</u></b>

**26 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES**

	<b>Economic Entity and The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
(a) Medium Term Notes ("MTN") Tier-2 Sukuk Murabahah	<b>807,609</b>	807,609
(b) Additional Tier-1 Sukuk Wakalah ("AT1S")	<b>303,425</b>	303,425
	<b><u>1,111,034</u></b>	<b><u>1,111,034</u></b>

	At 1 January 2020 RM'000	Cash flow RM'000	Profit expense RM'000	At 30 June 2020 RM'000
MTN Tier-2 Sukuk Murabahah	<b>807,609</b>	<b>(20,200)</b>	<b>20,200</b>	<b>807,609</b>
AT1S	<b>303,425</b>	<b>(8,475)</b>	<b>8,475</b>	<b>303,425</b>
	<b><u>1,111,034</u></b>	<b><u>(28,675)</u></b>	<b><u>28,675</u></b>	<b><u>1,111,034</u></b>

	At 1 January 2019 RM'000	Cash flow RM'000	Profit expense RM'000	At 31 December 2019 RM'000
MTN Tier-2 Sukuk Murabahah	807,748	(40,400)	40,261	807,609
AT1S	303,483	(16,950)	16,892	303,425
	<b><u>1,111,231</u></b>	<b><u>(57,350)</u></b>	<b><u>57,153</u></b>	<b><u>1,111,034</u></b>



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**26 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES (continued)**

- (a) The Bank had on 23 October 2018 issued MTN Tier-2 Sukuk Murabahah of RM800.0 million each out of its approved BASEL III Compliant MTN programme of up to RM800.0 million in nominal value. The Sukuk is issued for a tenure of 10 years from the issue date on a 10-year non-callable 5-year basis, at a profit rate of 5.05%. The Sukuk is issued for the purpose of general banking business and working capital requirements of the Bank.
- (b) The Bank had on 18 October 2018 issued AT1S of RM300 million out of its approved BASEL III Compliant AT1S programme of up to RM300 million in nominal value. The AT1S was on perpetual non-callable 5-year basis, at a profit rate of 5.65%. The AT1S was issued for the purpose of general banking business and working capital requirements of the Bank.

**27 RESERVES**

	Economic Entity		The Bank	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Retained profits (a)	663,722	602,260	665,122	602,910
FVOCI revaluation reserves (b)	3,489	19,492	3,489	19,492
Regulatory reserves	209,987	236,882	209,987	236,882
	<b>877,198</b>	<b>858,634</b>	<b>878,598</b>	<b>859,284</b>

- (a) As at 30 June 2020, the Bank has tax exempt account balance of RM38,018,355 (2019: RM38,018,355) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.
- (b) Fair value reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investment at FVOCI. Losses are transferred in the income statement upon disposal or when the securities become impaired. The depositors' portion of net unrealised gains or losses on financial investments at FVOCI at the end of financial year is net unrealised gain of RM2,127,212 in 2020 (2019: Net unrealised gain of RM21,232,342).

**28 INCOME FROM ISLAMIC BANKING BUSINESS**

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended	Individual Quarter Ended	Cumulative Quarter Ended	Cumulative Quarter Ended
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	238,841	291,629	490,668	561,743
Income derived from investment of investment account funds	25,171	26,671	51,850	53,319
Income derived from investment of shareholders' funds	26,016	25,902	53,460	50,589
Income attributable to depositors	(171,257)	(236,081)	(355,685)	(460,260)
	<b>118,771</b>	<b>108,121</b>	<b>240,293</b>	<b>205,391</b>
of which:				
Profit earned on impaired financing, advances and other financing	1,316	837	2,963	1,780

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

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
Income derived from investment of:				
- General investment deposits (i)	169,698	229,397	353,230	439,789
- Other deposits (ii)	69,143	62,232	137,438	121,954
	<b>238,841</b>	<b>291,629</b>	<b>490,668</b>	<b>561,743</b>

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

	Economic Entity and The Bank Individual abuarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	122,301	162,034	259,027	318,081
Financial investments at FVOCI	14,251	17,298	28,373	35,255
Money at call and deposits with other financial institutions	6,798	25,323	14,028	46,217
	<b>143,350</b>	<b>204,655</b>	<b>301,428</b>	<b>399,553</b>
Accretion of discount less amortisation of premium	(1,258)	1,277	(2,080)	2,704
Total finance income and hibah	<b>142,092</b>	<b>205,932</b>	<b>299,348</b>	<b>402,257</b>
<b>Other operating income</b>				
Fee income:				
Commission	662	846	1,361	1,531
Service charges and fees	1,402	1,695	2,838	3,108
Guarantee fees	555	620	1,126	1,219
	<b>2,619</b>	<b>3,161</b>	<b>5,325</b>	<b>5,858</b>
Commission paid on will/wasiat	(7)	(4)	(8)	(7)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	22,877	15,752	43,145	21,658
	<b>22,877</b>	<b>15,752</b>	<b>43,145</b>	<b>21,658</b>
Other income:				
Foreign exchange profit/(loss)				
- realised	2,377	(224)	803	2,366
- unrealised	(801)	2,522	3,417	2,396
Other non-operating income	541	2,258	1,200	5,261
	<b>2,117</b>	<b>4,556</b>	<b>5,420</b>	<b>10,023</b>
<b>Total income derived from investment of general investment deposits</b>	<b>169,698</b>	<b>229,397</b>	<b>353,230</b>	<b>439,789</b>

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

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

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	49,905	43,909	100,783	88,205
Financial investments at FVOCI	5,785	4,679	11,040	9,776
Money at call and deposits with other financial institutions	2,768	6,885	5,458	12,816
	<u>58,458</u>	<u>55,473</u>	<u>117,281</u>	<u>110,797</u>
Accretion of discount less amortisation of premium	(503)	345	(809)	750
Total finance income and hibah	<u>57,955</u>	<u>55,818</u>	<u>116,472</u>	<u>111,547</u>
<b>Other operating income</b>				
Fee income:				
Commission	270	229	530	424
Service charges and fees	570	461	1,104	862
Guarantee fees	226	168	439	338
	<u>1,066</u>	<u>858</u>	<u>2,073</u>	<u>1,624</u>
Commission paid on will/wasiat	(3)	(1)	(3)	(2)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	9,245	4,329	16,787	6,006
	<u>9,245</u>	<u>4,329</u>	<u>16,787</u>	<u>6,006</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	898	(79)	312	656
- unrealised	(240)	700	1,330	664
Other non-operating income	222	607	467	1,459
	<u>880</u>	<u>1,228</u>	<u>2,109</u>	<u>2,779</u>
<b>Total income derived from investment of other deposits</b>	<u><b>69,143</b></u>	<u><b>62,232</b></u>	<u><b>137,438</b></u>	<u><b>121,954</b></u>

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

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	18,147	18,798	38,022	38,563
Financial investments at FVOCI	2,112	2,000	4,165	4,274
Money at call and deposits with other financial institutions	1,008	2,957	2,059	5,603
	<u>21,267</u>	<u>23,755</u>	<u>44,246</u>	<u>48,440</u>
Accretion of discount less amortisation of premium	(186)	147	(306)	328
Total finance income and hibah	<u>21,081</u>	<u>23,902</u>	<u>43,940</u>	<u>48,768</u>
<b>Other operating income</b>				
Fee income:				
Commission	98	99	200	186
Service charges and fees	208	198	417	377
Guarantee fees	82	72	165	148
	<u>388</u>	<u>369</u>	<u>782</u>	<u>711</u>
Commission paid on will/wasiat	(1)	(1)	(1)	(1)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	3,387	1,878	6,333	2,626
	<u>3,387</u>	<u>1,878</u>	<u>6,333</u>	<u>2,626</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	347	(41)	118	287
- unrealised	(111)	306	502	290
Other non-operating income	80	258	176	638
	<u>316</u>	<u>523</u>	<u>796</u>	<u>1,215</u>
<b>Total income derived from investment of investment account funds</b>	<u>25,171</u>	<u>26,671</u>	<u>51,850</u>	<u>53,319</u>

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

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	18,757	18,278	39,202	36,589
Financial investments at FVOCI	2,182	1,949	4,294	4,056
Money at call and deposits with other financial institutions	1,042	2,864	2,123	5,316
	<u>21,981</u>	<u>23,091</u>	<u>45,619</u>	<u>45,961</u>
Accretion of discount less amortisation of premium	(192)	144	(315)	311
Total finance income and hibah	<u>21,789</u>	<u>23,235</u>	<u>45,304</u>	<u>46,272</u>
<b>Other operating income</b>				
Fee income:				
Commission	101	96	206	176
Service charges and fees	215	192	430	358
Guarantee fees	85	70	170	140
	<u>401</u>	<u>358</u>	<u>806</u>	<u>674</u>
Commission paid on will/wasiat	1	(1)	(1)	(1)
Income from financial instruments:				
Gain on arising on financial investments at FVOCI	3,499	1,798	6,530	2,491
	<u>3,499</u>	<u>1,798</u>	<u>6,530</u>	<u>2,491</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	357	(32)	122	272
- unrealised	(114)	291	517	276
Other non-operating income	83	253	182	605
	<u>326</u>	<u>512</u>	<u>821</u>	<u>1,153</u>
<b>Total income derived from investment of shareholders' fund</b>	<u>26,016</u>	<u>25,902</u>	<u>53,460</u>	<u>50,589</u>

**32 MODIFICATION LOSS**

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	Current Financial Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Current Financial Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000
Modification loss	29,454	-	29,454	-

The modification loss represents the cost of deferring cashflows of the financing impacted by the payment moratorium. The recalculated gross carrying amount of the financing is recognised in the profit or loss as modification loss. The modification loss is shown net of benefits from various government financing schemes to support measures to assist SMEs adversely impacted by Covid-19 in order to sustain their business operations.

The moratorium does not automatically result in stage transfer under MFRS9 in the absence of the other factors relevant to the assessment.

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	<b>Economic Entity and The Bank Individual Quarter Ended</b>		<b>Economic Entity and The Bank Cumulative Quarter Ended</b>	
	<b>30/6/2020 RM'000</b>	<b>30/6/2019 RM'000</b>	<b>30/6/2020 RM'000</b>	<b>30/6/2019 RM'000</b>
Expected credit loss ("ECL") made on/(written-back):				
- Financing, advances and other financing	(718)	7,444	38,787	12,275
- Securities	1,117	175	1,243	157
- Financing commitments and financial guarantees	(478)	(2,824)	(983)	(3,352)
Bad debts and financing				
- recovered	(499)	(1,249)	(1,375)	(1,747)
- written-off	89	99	283	128
	<b>(489)</b>	<b>3,645</b>	<b>37,955</b>	<b>7,461</b>

**34 ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER ASSETS**

	<b>Individual Quarter Economic Entity and The Bank</b>		<b>Cumulative Quarter Economic Entity and The Bank</b>	
	<b>Current Financial Quarter 30/6/2020 RM'000</b>	<b>Preceding Year Corresponding Quarter 30/6/2019 RM'000</b>	<b>Current Financial Quarter 30/6/2020 RM'000</b>	<b>Preceding Year Corresponding Quarter 30/6/2019 RM'000</b>
Allowance for impairment for amount due from joint ventures	-	-	1,015	-

**35 INCOME ATTRIBUTABLE TO DEPOSITORS**

	<b>Economic Entity and The Bank Individual Quarter Ended</b>		<b>Economic Entity and The Bank Cumulative Quarter Ended</b>	
	<b>30/6/2020 RM'000</b>	<b>30/6/2019 RM'000</b>	<b>30/6/2020 RM'000</b>	<b>30/6/2019 RM'000</b>
Deposits from customers				
- Mudarabah	351	457	742	903
- Non-Mudarabah	130,723	194,696	275,168	378,127
Deposits and placements of banks and other financial institutions				
- Mudarabah	4,859	2,852	7,796	4,914
Finance expense-Subordinated term financing and medium term notes	14,337	14,338	28,675	28,479
Restricted investment account - Mudarabah	20,960	23,722	43,251	47,814
Others	27	16	53	23
	<b>171,257</b>	<b>236,081</b>	<b>355,685</b>	<b>460,260</b>

**36 OTHER OPERATING EXPENSES**

	<b>Economic Entity and The Bank Individual Quarter Ended</b>		<b>Economic Entity and The Bank Cumulative Quarter Ended</b>	
	<b>30/6/2020 RM'000</b>	<b>30/6/2019 RM'000</b>	<b>30/6/2020 RM'000</b>	<b>30/6/2019 RM'000</b>
Personnel costs (a)	41,080	46,046	81,659	88,389
Establishment costs (b)	16,771	15,116	33,443	29,412
Marketing expenses (c)	842	1,309	2,234	3,159
Administrative and general expenses (d)	3,776	2,822	7,188	5,795
	<b>62,469</b>	<b>65,293</b>	<b>124,524</b>	<b>126,755</b>

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**36 OTHER OPERATING EXPENSES (continued)**

(a) Personnel costs

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
Wages, salaries and bonuses	31,646	34,661	63,028	67,102
Defined contribution plan ('EPF')	5,267	5,782	10,486	11,246
Other personnel costs	4,167	5,603	8,145	10,041
	<b>41,080</b>	<b>46,046</b>	<b>81,659</b>	<b>88,389</b>

(b) Establishment costs

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
Equipment rental	69	331	286	406
Repair and maintenance	6,657	3,206	12,681	5,669
Depreciation of property and equipment	178	185	360	402
Amortisation of intangible assets	53	45	106	85
Depreciation of right-of-use assets	318	337	653	675
IT consultancy fees	4,343	3,251	8,686	7,923
Dataline rental	1,403	2,248	2,844	4,932
Security services	191	3,093	1,420	5,012
Electricity, water and sewerage	1,683	1,539	3,006	2,537
Licence fee	84	92	175	199
Insurance/takaful and indemnities	1,085	743	2,104	1,246
Other establishment costs	707	46	1,122	326
	<b>16,771</b>	<b>15,116</b>	<b>33,443</b>	<b>29,412</b>

(c) Marketing expenses

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
Business promotion and advertisement	16	104	49	317
Entertainment	111	67	225	127
Traveling and accommodation	299	426	643	891
Commissions expenses	66	154	158	367
Brokerage expenses	148	331	424	724
Other marketing expenses	202	227	735	733
	<b>842</b>	<b>1,309</b>	<b>2,234</b>	<b>3,159</b>

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(d) Administration and general expenses

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
Telecommunication expenses	508	457	1,006	970
Auditors' remuneration	188	180	368	360
Professional fees	843	35	1,352	149
Mail and courier charges	219	265	443	516
Stationery and consumables	665	816	1,348	1,703
Directors' fees and allowances	608	533	1,167	1,058
Shariah fees	68	111	218	215
Donations	256	1	256	15
Settlement, clearing and bank charges	433	396	816	774
Stamp duties	2	-	2	-
GST Input tax-non recoverable	(14)	-	-	9
Other administration and general expenses	-	28	212	26
	<b>3,776</b>	<b>2,822</b>	<b>7,188</b>	<b>5,795</b>

**37 COMMITMENTS AND CONTINGENCIES**

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

The commitments and contingencies consist of:

	Economic Entity and The Bank	
	30/6/2020 Principal amount RM'000	31/12/2019 Principal amount RM'000
Direct credit substitutes (*)	62,290	110,704
Transaction-related contingent items	362,355	383,531
Short-term self-liquidating trade related contingencies	235,403	279,759
Irrevocable commitments to extend credit:		
- maturity less than one year	1,587,511	1,450,127
- maturity more than one year	851,090	1,112,733
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	35,861	32,861
Unutilised credit card lines	183,939	167,149
Foreign exchange related contracts (#):		
- less than one year	209,477	514,452
	<b>3,527,926</b>	<b>4,051,316</b>

\* Included in direct credit substitutes as above are financial guarantee contracts of RM62.3million at the Bank (31 December 2019: RM110.7 million), of which fair value at the time of issuance is zero.

# The fair value of these derivatives have been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position and disclosed in Note 13 and 23 to the financial statements.



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**38 FAIR VALUE MEASUREMENTS**

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

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

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

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

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

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

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

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

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

The Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (31 December 2019: Nil).

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Economic Entity and The Bank</b>				
<b>30/6/2020</b>				
<b>Assets</b>				
Derivative financial assets	-	1,105	-	1,105
Financial investments at FVOCI				
- Money market instruments	-	743,406	-	743,406
- Corporate Sukuk	-	1,499,300	-	1,499,300
	-	2,243,811	-	2,243,811
<b>Liabilities</b>				
Derivative financial liabilities	-	1,097	-	1,097
	-	1,097	-	1,097

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**38 FAIR VALUE MEASUREMENTS (continued)**

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank 31/12/2019				
Assets				
Derivative financial assets	-	1,000	-	1,000
Financial investments at FVOCI				
- Money market instruments	-	914,050	-	914,050
- Corporate Sukuk	-	1,476,756	-	1,476,756
	-	2,391,806	-	2,391,806
Liabilities				
Derivative financial liabilities	-	6,757	-	6,757
	-	6,757	-	6,757

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

	Economic Entity and The Bank	
	30/6/2020 RM'000	31/12/2019 RM'000
As at beginning of the financial period/year	-	-
As at end of the financial period/year	-	-

**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
	30/6/2020 RM'000	31/12/2019 RM'000			
<b>Economic Entity and The Bank</b>					
<b>Financial investments at FVOCI</b>					
Unquoted shares	-	-	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

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

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**39 CAPITAL MANAGEMENT**

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components) dated 2 February 2018.

The Bank is currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1'), Tier 1 Capital Ratio are 7.000% (2019: 7.000%) and 8.500% (2019: 8.500%) and Total Capital Ratio are 10.500% (2019: 10.500%) respectively for year 2020.

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

The Bank's objectives when managing capital, are:

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

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

The table in Note 40 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 30 June 2020.

**40 CAPITAL ADEQUACY**

The capital adequacy ratios are as follows:

	<b>Economic Entity</b>		<b>The Bank</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Paid-up share capital	<b>1,060,000</b>	1,060,000	<b>1,060,000</b>	1,060,000
Retained profits	<b>628,407</b>	602,260	<b>629,807</b>	602,910
FVOCI revaluation reserves	<b>3,488</b>	19,492	<b>3,488</b>	19,492
	<b>1,691,895</b>	1,681,752	<b>1,693,295</b>	1,682,402
Less:				
Intangible assets	<b>(665)</b>	(771)	<b>(665)</b>	(771)
Deferred tax assets	<b>(9,644)</b>	-	<b>(9,644)</b>	-
55% of cumulative unrealised gains of FVOCI	<b>(1,919)</b>	(10,721)	<b>(1,919)</b>	(10,721)
Investment in associate/joint ventures	<b>-</b>	(750)	<b>(1,400)</b>	(1,400)
<b>CET1 Capital</b>	<b>1,679,667</b>	1,669,510	<b>1,679,667</b>	1,669,510

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**40 CAPITAL ADEQUACY (continued)**

	Economic Entity		The Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
<b>Additional Tier 1 capital</b>				
Sukuk Wakalah	<b>300,000</b>	300,000	<b>300,000</b>	300,000
	<b>300,000</b>	300,000	<b>300,000</b>	300,000
<b>Total Tier 1 capital</b>	<b>1,979,667</b>	1,969,510	<b>1,979,667</b>	1,969,510
Subordinated medium term financing	<b>800,000</b>	800,000	<b>800,000</b>	800,000
Expected loss provision #	<b>171,791</b>	169,336	<b>171,791</b>	169,336
<b>Tier II capital</b>	<b>971,791</b>	969,336	<b>971,791</b>	969,336
<b>Total capital</b>	<b>2,951,458</b>	2,938,846	<b>2,951,458</b>	2,938,846
CET1 capital ratio	<b>11.626%</b>	11.720%	<b>11.626%</b>	11.720%
Tier 1 capital ratio	<b>13.702%</b>	13.826%	<b>13.702%</b>	13.826%
Total capital ratio	<b>20.428%</b>	20.631%	<b>20.428%</b>	20.631%
Risk-weighted assets for:				
Credit risk	<b>13,743,308</b>	13,546,898	<b>13,743,308</b>	13,546,898
Market risk	<b>26,682</b>	13,303	<b>26,682</b>	13,303
Operational risk	<b>677,818</b>	684,842	<b>677,818</b>	684,842
<b>Total risk-weighted assets</b>	<b>14,447,808</b>	14,245,043	<b>14,447,808</b>	14,245,043

# Qualifying loss provisions are restricted to allowances on the unimpaired portion of the financing, advances and other financing.

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are excluded from calculation of capital adequacy. As at 30 June 2020, RIA assets excluded from Total Capital Ratio calculation amounted to RM1,898,405,524 (31 December 2019: RM1,919,347,918).

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**41 REVIEW OF PERFORMANCE OF THE BANK**

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

The Bank registered a lower profit before tax ("PBT") of RM27.3 million for the 3 months ended 30 June 2020 as compared to RM39.2 million for preceding year's corresponding quarter. The decline in PBT was mainly due to modification loss of RM29.5 million, offset by an increase in net income by RM10.7m, lower impairment losses by RM4.1 million and lower operating expenses of RM2.8 million.

**42 COMMENT ON FINANCIAL RESULTS**

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

For the current financial quarter, the Bank reported a higher profit before tax ("PBT") of RM27.3 million as compared to RM19.2 million achieved in the first financial quarter of 2020. The increase was mainly due to lower impairment losses of RM39.9 million, however this was offset by modification loss of RM29.5 million, accompanied by lower net income by RM2.8 million.

**43 BUSINESS PLAN AND FUTURE OUTLOOK FOR REMAINING FINANCIAL YEAR 2020**

**ECONOMIC AND BUSINESS OUTLOOK FOR 2020**

The ongoing COVID-19 pandemic has significantly weakened the global growth and affecting most countries including the advanced and emerging market economies. International Monetary Fund (IMF) is projecting global economy growth to contract sharply by -4.9% in 2020. This revision is lower than its previous projection of -3.3% in January 2020.

After posting a positive 0.7% growth in 1Q2020, the real GDP growth of Malaysia is likely to contract about -8.0% yoy in 2Q2020, before registering a marginal decline in 2H2020. The official forecast of Malaysia GDP is expected to be between -2.0% and 0.5% in 2020.

Domestic economy is experiencing the economic effect from the measures implemented to contain COVID-19 and continues supply disruption in the commodities sector. In response to the economic headwinds, the government has announced economic stimulus package (PRIHATIN) amounting to RM260 billion and 6-months financing moratorium to all individual and SME customers with the objective to support the economy. PRIHATIN is expected to contribute about 2.8% to GDP in 2020. In addition to PRIHATIN, government have also introduced the National Economic Recovery Plan (PENJANA) amounting to RM35 billion which will emphasis on protecting jobs and businesses specifically the SMEs.

**STRATEGY MOVING FORWARD**

AFFIN Islamic Bank will continue to assess and monitor the impact of COVID-19 towards our business portfolio to ensure sustainability of our business under the current economic situation. For the benefits of our customers, we will continue to support the implementation of financial measures announced by Government under both stimulus packages namely PRIHATIN & PENJANA. Comprehensive products and initiatives are offered specifically for SMEs to help ease their cashflow and withstand their businesses during the pandemic environment.

Perseverance of asset quality will remain as our strategic focus going forward. We continue to ensure prudent risk assessments, monitoring and reviewing credit risks exposures in line with the impact of COVID-19. With the implementation of 6-months financing moratorium and Overnight Policy Rate (OPR) cut by BNM, the Bank is expecting a slight compression of Net Profit Margin (NPM). Constructive measures have been accommodated to mitigate the downside risk.

Effective cost structure and operating efficiency initiatives will be key to sustain profitability driven by lower funding options and cost optimization. Prudent assessment on regulatory compliance will further strengthen the Bank liquidity management. The Bank remains optimistic for the year 2020 and will continue to support AFFIN Group's strategic vision in providing excellent banking services to meet our customer needs and expectations.

**44 CONNECTED PARTIES TRANSACTIONS AND BALANCES**

i)	The aggregate value of outstanding credit exposures with connected parties (RM'000)	<b>1,355,790</b>
ii)	The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	<b>5%</b>
iii)	The percentage of outstanding credit exposures with connected parties which is non-performing or in default	<b>Nil</b>

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**BASEL II**  
**PILLAR 3 DISCLOSURES**  
**As at 30th June 2020**

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**BASEL II Pillar 3 Quantitative Disclosures**

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

### **BASEL II Pillar 3 Quantitative Disclosures**

#### **1 Introduction**

##### **1.1 Background**

The Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued by Bank Negara Malaysia (BNM), which is the equivalent of the Basel II issued by the Basel Committee of Banking Supervision and the Islamic Financial Services Board is structured around three fundamental pillars:

- Pillar 1 defines the minimum capital requirement to ensure that financial institutions hold sufficient capital to cover their exposure to credit, market and operational risks.
- Pillar 2 requires financial institutions to have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.
- Pillar 3 requires financial institutions to establish and implement an appropriate disclosure policy that promotes transparency regarding their risk management practices and capital adequacy positions.

Pillar 3 disclosure is required under the BNM Risk Weighted Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3).

AFFIN Islamic Bank Berhad ('the Bank') adopts the following approaches under Pillar 1 requirements:

- Standardised Approach for Credit Risk
- Standardised Approach for Market Risk
- Basic Indicator Approach for Operational Risk

##### **1.2 Scope of Application**

This document contains the disclosure requirements under Pillar 3 for the Bank for financial period ended 30 June 2020. The disclosures are made in line with the Pillar 3 disclosure requirements under the Basel II framework as laid out by BNM.

The disclosures should be read in conjunction with the Bank's 2019 Annual Report for the year ended 31 December 2019.



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

**2 Capital Management**

**2.1 Internal Capital Adequacy Assessment Process ('ICAAP')**

In line with the BNM guidelines on Risk-Weighted Capital Adequacy Framework - Internal Capital Adequacy Assessment Process (Pillar 2), the Bank has put in place the ICAAP Framework to assess the capital adequacy to ensure that the level of capital maintained by the Bank is adequate at all times, taking into consideration the Bank's risk profile and business strategies.

The Bank's capital management approach is focused on maintaining an appropriate level of capital to meet its business needs and regulatory requirements as capital adequacy and risk management are closely aligned. The Bank operates within an agreed risk appetite whilst optimising the use of shareholders' funds to deliver sustainable returns.

**2.2 Capital structure**

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components).

The Bank is currently adopting the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM Capital Adequacy Framework Islamic Banking (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 7.000% (2019: 7.000%) and 8.500% (2019: 8.500%) respectively for year 2020. The minimum regulatory capital adequacy requirement is 10.500% (2019: 10.500%) for total capital ratio.

The following table sets forth further details on the capital resources and capital adequacy ratios for the Bank as at 30 June 2020.

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### BASEL II Pillar 3 Quantitative Disclosures (continued)

#### 2 Capital Management (continued)

##### 2.2 Capital structure (continued)

	Economic Entity		The Bank	
	30.6.2020 RM'000	31.12.2019 RM'000	30.6.2020 RM'000	31.12.2019 RM'000
<u>CET1</u>				
Paid-up share capital	1,060,000	1,060,000	1,060,000	1,060,000
Retained profits	628,407	602,260	629,807	602,910
FVOCI revaluation reserves	3,488	19,492	3,488	19,492
	<b>1,691,895</b>	<b>1,681,752</b>	<b>1,693,295</b>	<b>1,682,402</b>
Less: Regulatory adjustments:				
- Goodwill and other intangibles	(665)	(771)	(665)	(771)
- Deferred tax assets	(9,644)	-	(9,644)	-
- 55% of cumulative unrealised gains on FVOCI instruments	(1,919)	(10,721)	(1,919)	(10,721)
- Investment in subsidiaries, joint ventures and associates	-	(750)	(1,400)	(1,400)
<b>Total CET1 capital</b>	<b>1,679,667</b>	<b>1,669,510</b>	<b>1,679,667</b>	<b>1,669,510</b>
<b>Additional Tier 1 capital</b>				
Sukuk Wakalah	300,000	300,000	300,000	300,000
	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>
<b>Total Tier I capital</b>	<b>1,979,667</b>	<b>1,969,510</b>	<b>1,979,667</b>	<b>1,969,510</b>
<b>Tier 2 capital</b>				
Subordinated medium term financing	800,000	800,000	800,000	800,000
Expected loss provision #	171,791	169,336	171,791	169,336
<b>Total Tier 2 capital</b>	<b>971,791</b>	<b>969,336</b>	<b>971,791</b>	<b>969,336</b>
<b>Total capital</b>	<b>2,951,458</b>	<b>2,938,846</b>	<b>2,951,458</b>	<b>2,938,846</b>
The breakdown of risk-weighted assets:				
Credit risk	13,743,308	13,546,898	13,743,308	13,546,898
Market risk	26,682	13,303	26,682	13,303
Operational risk	677,818	684,842	677,818	684,842
<b>Total risk-weighted assets</b>	<b>14,447,808</b>	<b>14,245,043</b>	<b>14,447,808</b>	<b>14,245,043</b>
CET1 capital ratio	11.626%	11.720%	11.626%	11.720%
Tier 1 capital ratio	13.702%	13.826%	13.702%	13.826%
Total capital ratio	20.428%	20.631%	20.428%	20.631%
<u>After effect of proposed dividends:</u>				
CET1 capital ratio (net of proposed dividend)	11.626%	11.720%	11.626%	11.720%
Tier 1 capital ratio (net of proposed dividend)	13.702%	13.826%	13.702%	13.826%
Total capital ratio (net of proposed dividend)	20.428%	20.631%	20.428%	20.631%

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

**2.3 Capital adequacy**

The Bank has in place an internal limit for its CET1 capital ratio, Tier I capital ratio and Total capital ratio, which is guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses. The capital management process is monitored by senior management through periodic reviews.

Refer to Appendix I.

**3 Application of Standardised Approach for credit risk**

The Bank uses the following External Credit Assessment Institutions ('ECAIs') to determine the risk weights for the rated credit exposures:-

- RAM Rating Services Berhad
- Malaysian Rating Corporation Berhad
- Standard & Poor's Rating Services
- Moody's Investors Service
- Fitch Ratings

The external ratings of the ECAIs are used to determine the risk weights of the following types of exposure: sovereigns, banks, public sector entities and corporates.

The mapping of the rating categories of different ECAIs to the risk weights is in accordance with BNM guidelines. In cases where there is no issuer or issue rating, the exposures are treated as unrated and accorded a risk weight appropriate for unrated exposure in the respective category.

Refer to Appendix II and Appendices III (i) to III (ii).

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

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

#### **3 Application of Standardised Approach for credit risk (continued)**

The Bank employs various policies and practices to control and mitigate credit risk.

##### Financing limits

The Bank establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivatives due to potential exposure arising from market movements, and financing books are managed on an aggregated basis as part of the overall funding limits with customers.

##### Collateral

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and given value by the Bank are:

- Charges over business assets such as business premises, inventory and accounts receivable; and
- Charges over financial instruments such as marketable securities.

The Bank prepares a valuation of the collateral obtained as part of the financing origination process. This assessment is reviewed periodically.

Long-term financing to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than financing, advances and other financing depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

##### Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of financing, guarantees or letters of credit. In terms of credit risk, the Bank is potentially exposed to loss in an amount equal to the total unutilised commitments. However, the potential amount of loss is less than the total unutilised commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Refer to Appendix IV (a) to (b).

## AFFIN Islamic Bank Berhad

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### BASEL II Pillar 3 Quantitative Disclosures (continued)

#### 3 Application of Standardised Approach for credit risk (continued)

##### Credit quality of financial assets

##### Total financing, advances and other financing - credit quality

All financing, advances and financing are categorised into 'neither past due nor impaired', 'past due but not impaired' and 'impaired'.

Past due financing refer to financing, advances and other financing that are overdue by one day or more.

Financing, advances and other financing are classified impaired when they fulfill any of the following criteria:

- i) the principal or profit or both is past due more than 90 days or 3 months from the first day of default;
- ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the customer is 'unlikely to repay' its credit obligations; or
- iii) the financing is classified as rescheduled and restructured in Central Credit Reference Information System ('CCRIS').

##### Analysed by economic sectors

##### Past due financing

Economic Entity and The Bank	30.06.2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Primary agriculture	422	628	-	1,050
Mining and quarrying	31	-	-	31
Manufacturing	2,486	2,226	-	4,712
Electricity, gas and water supply	-	101	-	101
Construction	6,552	7,161	-	13,713
Real estate	13,972	34,552	-	48,525
Wholesale & retail trade and restaurants & hotels	13,288	8,290	-	21,579
Transport, storage and communication	24,304	2,764	-	27,068
Finance, insurance and business services	6,849	6,431	-	13,280
Education, health and others	2,700	1,551	-	4,251
Household	434,032	354,100	-	788,131
	<b>504,635</b>	<b>417,805</b>	<b>-</b>	<b>922,441</b>

Economic Entity and The Bank	31.12.2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Primary agriculture	1,372	660	-	2,032
Mining and quarrying	-	-	-	-
Manufacturing	2,339	2,180	-	4,519
Electricity, gas and water supply	312	103	-	415
Construction	7,575	6,214	-	13,789
Real estate	29,993	10,477	-	40,470
Wholesale & retail trade and restaurants & hotels	8,442	7,595	-	16,037
Transport, storage and communication	18,776	2,745	-	21,521
Finance, insurance and business services	6,106	7,032	-	13,138
Education, health and others	59,651	1,563	-	61,214
Household	561,007	454,095	-	1,015,102
	<b>695,573</b>	<b>492,664</b>	<b>-</b>	<b>1,188,237</b>

## AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

### BASEL II Pillar 3 Quantitative Disclosures (continued)

#### 3 Application of Standardised Approach for credit risk (continued)

Analysed by economic sectors (continued)

Expected credit losses

Economic Entity and The Bank	30.06.2020			Total RM'000
	12-month ECL	Lifetime ECL Not credit	Lifetime ECL credit impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Primary agriculture	2,559	69	44	2,672
Mining and quarrying	174	-	-	174
Manufacturing	2,745	50	727	3,521
Electricity, gas and water supply	453	2	45	500
Construction	1,320	2,877	1,351	5,548
Real estate	4,806	7,043	13,661	25,509
Wholesale & retail trade and restaurants & hotels	2,651	1,239	887	4,778
Transport, storage and communication	809	52	7,099	7,960
Finance, takaful/insurance and business services	1,566	3,201	783	5,549
Education, health and others	1,747	2,377	172	4,296
Household	52,137	10,178	55,931	118,246
	<b>70,966</b>	<b>27,089</b>	<b>80,700</b>	<b>178,755</b>

Economic Entity and The Bank	31.12.2019			Total RM'000
	12-month ECL	Lifetime ECL Not credit	Lifetime ECL credit impaired	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Primary agriculture	2,711	8	25	2,744
Mining and quarrying	118	-	-	118
Manufacturing	2,090	27	561	2,678
Electricity, gas and water supply	556	2	17	575
Construction	1,022	89	772	1,883
Real estate	5,544	6,128	39,599	51,271
Wholesale & retail trade and restaurants & hotels	1,627	153	930	2,710
Transport, storage and communication	559	138	11,154	11,851
Finance, takaful/insurance and business services	1,045	2,534	739	4,318
Education, health and others	2,546	19	187	2,752
Household	33,225	8,073	50,372	91,670
	<b>51,043</b>	<b>17,171</b>	<b>104,356</b>	<b>172,570</b>

Expected credit losses written-off

Economic Entity and The Bank	30.06.2020	31.12.2019
	Lifetime ECL credit impaired Stage 3 RM'000	Lifetime ECL credit impaired Stage 3 RM'000
Manufacturing	-	108
Electricity, gas and water supply	-	17
Construction	-	657
Real estate	<b>30,497</b>	-
Wholesale & retail trade and restaurants & hotels	-	637
Transport, storage and communication	-	214
Finance, takaful/insurance and business services	-	2,315
Education, health and others	-	96
Household	<b>2,193</b>	<b>15,355</b>
	<b>32,690</b>	<b>19,399</b>

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

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

**3 Application of Standardised Approach for credit risk (continued)**

Analysed by geographical area

Past due financing

Economic Entity and The Bank	30.06.2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Perlis	762	852	-	1,614
Kedah	25,046	30,615	-	55,661
Pulau Pinang	25,917	19,801	-	45,719
Perak	190,387	134,112	-	324,499
Selangor	60,475	68,815	-	129,290
Wilayah Persekutuan	36,176	38,123	-	74,299
Negeri Sembilan	10,783	11,597	-	22,379
Melaka	65,830	49,782	-	115,612
Johor	16,139	11,663	-	27,801
Pahang	15,494	16,752	-	32,246
Terengganu	19,572	20,942	-	40,514
Kelantan	10,349	7,526	-	17,876
Sarawak	2,720	4,853	-	7,573
Sabah	4,570	2,373	-	6,942
Labuan	20,415	-	-	20,415
	<b>504,635</b>	<b>417,805</b>	<b>-</b>	<b>922,441</b>

  

Economic Entity and The Bank	31.12.2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Perlis	57,222	975	-	58,197
Kedah	36,905	38,998	-	75,903
Pulau Pinang	23,548	28,885	-	52,433
Perak	24,400	29,601	-	54,001
Selangor	265,478	162,773	-	428,251
Wilayah Persekutuan	83,626	47,630	-	131,256
Negeri Sembilan	48,371	49,488	-	97,859
Melaka	15,334	15,496	-	30,830
Johor	81,187	61,016	-	142,203
Pahang	21,584	12,319	-	33,903
Terengganu	19,551	22,608	-	42,159
Kelantan	10,127	11,831	-	21,958
Sarawak	2,528	3,520	-	6,048
Sabah	5,712	7,524	-	13,236
	<b>695,573</b>	<b>492,664</b>	<b>-</b>	<b>1,188,237</b>

## AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

### BASEL II Pillar 3 Quantitative Disclosures (continued)

#### 3 Application of Standardised Approach for credit risk (continued)

Analysed by geographical area

Expected credit losses

	30.06.2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Economic Entity and The Bank</b>	<b>626</b>	<b>22</b>	<b>98</b>	<b>747</b>
Perlis	3,938	4,970	2,325	11,233
Kedah	3,834	826	2,265	6,925
Pulau Pinang	3,040	703	10,061	13,804
Perak	23,240	7,941	26,009	57,189
Selangor	9,774	5,896	6,596	22,266
Wilayah Persekutuan	4,556	1,114	5,392	11,063
Negeri Sembilan	1,599	334	1,973	3,906
Melaka	9,788	1,921	6,589	18,298
Johor	2,684	966	1,058	4,708
Pahang	2,318	446	2,318	5,082
Terengganu	1,264	265	1,878	3,408
Kelantan	2,572	1,589	383	4,544
Sarawak	1,627	96	93	1,815
Sabah	106	-	-	106
Labuan	-	-	13,661	13,661
Outside Malaysia	<b>70,966</b>	<b>27,089</b>	<b>80,700</b>	<b>178,755</b>

	31.12.2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Economic Entity and The Bank</b>	<b>1,100</b>	<b>18</b>	<b>100</b>	<b>1,218</b>
Perlis	2,585	1,158	2,683	6,426
Kedah	2,582	582	2,962	6,126
Pulau Pinang	1,573	554	13,142	15,269
Perak	17,260	4,913	23,394	45,567
Selangor	7,812	4,944	6,327	19,083
Wilayah Persekutuan	2,953	890	5,045	8,888
Negeri Sembilan	906	214	1,520	2,640
Melaka	6,622	1,741	5,481	13,844
Johor	1,815	225	783	2,823
Pahang	1,355	303	1,672	3,330
Terengganu	655	178	1,048	1,881
Kelantan	1,259	53	117	1,429
Sarawak	2,463	1,398	483	4,344
Sabah	103	-	-	103
Labuan	-	-	39,599	39,599
Outside Malaysia	<b>51,043</b>	<b>17,171</b>	<b>104,356</b>	<b>172,570</b>

#### 4 Application of Standardised Approach for market risk

The Bank adopts the Standardised Approach for the purpose of calculating the capital requirement for market risk.

Refer to Appendix I.

#### 5 Application of Basic Indicator Approach for operational risk

The Banks adopt the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the average annual gross income over the previous three years.

Refer to Appendix I.



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

**BASEL II Pillar 3 Disclosures**

**Disclosure on Capital Adequacy under the Standardised Approach (RM'000)**  
Economic Entity/The Bank  
30.06.2020

	Exposure Class	Gross Exposures /EAD before CRM	Net Exposures /EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	<b><u>CREDIT RISK</u></b>					
	<u>On Balance Sheet Exposures</u>					
	Corporates	5,496,713	5,406,770	4,291,199	4,291,199	343,296
	Regulatory Retail	4,763,290	4,643,594	3,488,885	3,488,885	279,111
	Other Assets	168,021	168,021	129,269	129,269	10,342
	Sovereigns/Central Banks	4,064,742	4,064,742	-	-	-
	Public Sector Entities	-	-	-	-	-
	Banks, Development Financial Institutions & MDBs	10,252	10,252	-	-	-
	Insurance Companies, Securities Firms & Fund Managers	74	74	74	74	6
	Residential Mortgages	7,307,891	7,294,415	4,502,170	4,502,170	360,174
	Higher Risk Assets	91,090	87,005	127,618	127,618	10,209
	Specialised Financing/Investment	-	-	-	-	-
	Equity Exposure	-	-	-	-	-
	Securitisation Exposure	-	-	-	-	-
	Defaulted Exposures	342,119	345,387	447,238	447,238	35,779
	<b>Total for On-Balance Sheet Exposures</b>	<b>22,244,192</b>	<b>22,020,260</b>	<b>12,986,453</b>	<b>12,986,453</b>	<b>1,038,917</b>
	<u>Off Balance Sheet Exposures</u>					
	Off Balance sheet Exposures other than OTC derivatives or credit derivatives	1,071,766	21,674,873	753,733	753,733	60,299
	Defaulted Exposures	2,668	345,387	3,122	3,122	249
	<b>Total for Off-Balance Sheet Exposures</b>	<b>1,074,434</b>	<b>22,020,260</b>	<b>756,855</b>	<b>756,855</b>	<b>60,548</b>
	<b>Total for On and Off-Balance Sheet Exposures</b>	<b>23,318,626</b>	<b>44,040,520</b>	<b>13,743,308</b>	<b>13,743,308</b>	<b>1,099,465</b>
2	<b><u>MARKET RISK</u></b>					
		<b>Long Position</b>	<b>Short Position</b>			
	Interest Rate Risk	198,521	198,491	29	531	43
	Foreign Currency Risk	26,150	-	26,150	26,150	2,092
3	<b><u>OPERATIONAL RISK</u></b>					
	Operational Risk			677,818		33,682
	<b>Total RWA and Capital Requirements</b>			<b>14,447,808</b>	<b>13,743,308</b>	<b>1,135,282</b>

OTC "Over The Counter"

PSIA "Profit Sharing Investment Account"

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

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

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

**Economic Entity/The Bank**

31.12.2019

	Exposure Class	Gross Exposures /EAD		Net Exposures /EAD	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
		before CRM	after CRM				
1	<u>CREDIT RISK</u>						
	<u>On Balance Sheet Exposures</u>						
	Corporates	5,330,864	5,233,716	4,393,477	4,393,477	351,478	
	Regulatory Retail	4,730,311	4,604,727	3,457,933	3,457,933	276,635	
	Other Assets	716,087	716,087	73,457	73,457	5,877	
	Sovereigns/Central Banks	2,975,357	2,975,357	-	-	-	
	Public Sector Entities	-	-	-	-	-	
	Banks, Development Financial Institutions & MDBs	20,562	20,562	2,092	2,092	167	
	Insurance Companies, Securities Firms & Fund Managers	100	100	100	100	8	
	Residential Real Estate (RRE) Financing	7,176,635	7,162,324	4,314,662	4,314,662	345,173	
	Higher Risk Assets	117,277	113,192	166,647	166,647	13,332	
	Specialised Financing/Investment	-	-	-	-	-	
	Equity Exposure	-	-	-	-	-	
	Securitisation Exposure	-	-	-	-	-	
	Defaulted Exposures	247,323	247,179	279,980	279,980	22,398	
	Total for On-Balance Sheet Exposures	21,314,516	21,073,244	12,688,348	12,688,348	1,015,068	
	<u>Off Balance Sheet Exposures</u>						
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	1,241,787	1,241,787	856,193	856,193	68,495	
	Defaulted Exposures	2,153	2,153	2,358	2,358	189	
	Total for Off-Balance Sheet Exposures	1,243,940	1,243,940	858,551	858,551	68,684	
	Total for On and Off-Balance Sheet Exposures	22,558,456	22,317,184	13,546,899	13,546,899	1,083,752	
2	<u>MARKET RISK</u>						
		Long Position	Short Position				
	Profit Rate Risk	494,270	499,950	(5,680)	7,100	-	568
	Foreign Currency Risk	1,366	6,203	(4,837)	6,203	-	496
3	<u>OPERATIONAL RISK</u>						
	Operational Risk				684,842		54,787
	Total RWA and Capital Requirements				14,245,044	13,546,899	1,139,603

OTC "Over The Counter"

PSIA "Profit Sharing Investment Account"

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

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

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

Market risk is defined as changes in the market value of financial instrument position arising from movements in market factors such as profit rate, foreign exchange rates and implied volatility rates. The Bank's Capital-at-Risk ('CaR') is defined as the amount of the Bank's capital that is exposed to the risk of unexpected losses arising particularly from movements in profit and foreign exchange rates. A CaR reference threshold is set as a management trigger to ensure that the Bank's capital adequacy is not impinged upon in the event of adverse market movements. The Bank currently adopts BNM's Standardised Approach for the computation of market risk capital charges. The market risk capital charge addresses among others, capital requirement for market risk which includes the profit rate risk in the Bank's Trading Book as well as foreign exchange risk in the Trading and Banking Books.

The computation of market risk capital charge covers the foreign exchange financial instruments.

The Banks Trading Book Policy Statement stipulates the policies and procedures for including or excluding exposures from the Trading Book for the purpose of calculating regulatory market risk capital.

**AFFIN Islamic Bank Berhad**  
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BASEL II Pillar 3 Disclosures (continued)

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)  
Economic Entity/The Bank  
30.6.2020

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitization	Equity		
0%	4,122,880	-	10,252	-	732,685	-	-	-	32,364	-	-	-	4,898,181	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	45,902	-	1,446	-	476,679	-	-	-	7,985	-	-	-	532,012	106,402
35%	-	-	-	-	-	-	3,203,118	-	-	-	-	-	3,203,118	1,121,091
50%	-	-	2,529	-	72,558	392	1,723,533	2,889	-	-	-	-	1,801,901	900,951
70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	4,761,188	3,354	-	-	-	-	-	4,764,542	3,573,407
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	74	4,727,620	15,951	2,728,446	2,142	127,672	-	-	-	7,601,905	7,601,905
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	132,027	9,000	41,924	110,082	-	-	-	-	293,033	439,552
250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Average Risk Weight</b>														
<b>Deduction from Capital Base</b>														

PSE "Public Sector Entities"

MDB "Multilateral Development Banks"

FDI "Financial Development Institutions"

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

BASEL II Pillar 3 Disclosures (continued)

Disclosure on Credit Risk: Disclosures on Risk Weights (RM'000)  
Economic Entity/The Bank  
31.12.2019

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitization	Equity		
0%	3,030,244	-	10,100	-	487,665	-	-	-	591,452	-	-	-	4,119,461	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	55,236	-	13,350	-	461,687	-	-	-	63,972	-	-	-	594,245	118,849
35%	-	-	-	-	-	-	3,421,990	-	-	-	-	-	3,421,990	1,197,697
50%	-	-	2,790	-	77,555	1,095	1,626,938	3,141	-	-	-	-	1,711,519	855,759
70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	4,736,491	2,903	-	-	-	-	-	4,739,394	3,554,546
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	100	4,954,317	17,139	2,519,219	191	60,663	-	-	-	7,551,629	7,551,629
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	34,245	8,390	25,398	110,913	-	-	-	-	178,946	268,419
250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight														
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	

PSE "Public Sector Entities"  
MDB "Multilateral Development Banks"  
FDI "Financial Development Institutions"

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

BASEL II Pillar 3 Disclosures (continued)

- (i) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)  
Economic Entity/The Bank  
30.6.2020

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
<b>On and Off-Balance-Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-	
Takaful/Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	74	
Corporates	372,548	-	-	-	5,769,022	
<b>Total</b>	<b>372,548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,769,096</b>	

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated	
<b>On and Off-Balance-Sheet Exposures</b>						
Banks, MDBs and FDIs	-	-	-	-	-	
<b>Rated Credit Exposures (using Corporate Risk Weights)</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-	
Takaful/Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	
Corporates	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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

- (i) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)**  
**Economic Entity/The Bank**  
31.12.2019

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Takaful/Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	100
Corporates		99,829	-	-	-	5,915,641
Total		99,829	-	-	-	5,915,741

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
Banks, MDBs and FDIs		-	-	-	-	-
<u>Rated Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Takaful/Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		-	-	-	-	-
Total		-	-	-	-	-

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BASEL II Pillar 3 Disclosures (continued)

- (ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)  
Economic Entity/The Bank  
30.6.2020

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<b>On and Off-Balance-Sheet Exposures</b>							
Sovereigns and Central Banks		355	4,168,426	-	-	-	-
<b>Total</b>		355	4,168,426	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<b>On and Off-Balance-Sheet Exposures</b>							
Banks, MDBs and FDIs		666	-	-	-	-	13,561
<b>Total</b>		666	-	-	-	-	13,561



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

- (ii) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)**  
**Economic Entity/The Bank**  
31.12.2019

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Sovereigns and Central Banks		-	3,085,480	-	-	-	-
Total		-	3,085,480	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Banks, MDBs and FDIs		2,888	-	-	-	-	23,352
Total		2,888	-	-	-	-	23,352

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

a) **Disclosures on Credit Risk Mitigation (RM'000)**  
**Economic Entity/The Bank**  
**30.06.2020**

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<b><u>Credit Risk</u></b>				
<b><u>On-Balance Sheet Exposures</u></b>				
Sovereigns/Central Banks	4,064,742	-	-	-
Banks, Development Financial Institutions & MDBs	10,252	-	-	-
Corporates	5,496,713	175,951	89,925	-
Regulatory Retail	4,763,290	-	119,696	-
Residential Mortgages	7,307,891	-	13,476	-
Higher Risk Assets	91,090	-	4,085	-
Other Assets	168,021	-	-	-
Defaulted Exposures	342,119	-	-	-
<b>Total for On-Balance Sheet Exposures</b>	<b>22,244,192</b>	<b>175,951</b>	<b>227,182</b>	<b>-</b>
<b><u>Off-Balance Sheet Exposures</u></b>				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	1,071,766	-	-	-
Defaulted Exposures	2,668	-	1,475	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>1,074,434</b>	<b>-</b>	<b>1,475</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>23,318,626</b>	<b>175,951</b>	<b>228,657</b>	<b>-</b>

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

31.12.2019

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	2,975,357	-	-	-
Banks, Development Financial Institutions & MDBs	20,562	-	-	-
Corporates	5,330,864	182,057	97,135	-
Regulatory Retail	4,730,311	-	125,583	-
Residential Mortgages	7,176,635	-	14,325	-
Higher Risk Assets	117,277	3,141	4,086	-
Other Assets	716,087	-	-	-
Defaulted Exposures	247,323	-	143	-
<b>Total for On-Balance Sheet Exposures</b>	<b>21,314,516</b>	<b>185,198</b>	<b>241,272</b>	<b>-</b>
<u>Off-Balance Sheet Exposures</u>				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	1,241,787	-	-	-
Defaulted Exposures	2,153	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>1,243,940</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>22,558,456</b>	<b>185,198</b>	<b>241,272</b>	<b>-</b>

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

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

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

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

**Economic Entity/The Bank****30.6.2020**

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	62,290		62,290	62,462
Transaction related contingent Items	362,355		181,177	181,095
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	851,090		425,545	256,897
Short Term Self Liquidating trade related contingencies	235,403		47,081	10,359
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,587,511		317,502	216,810
Unutilised credit card lines	183,939		36,788	27,602
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	35,861		-	-
<b>Foreign exchange related contracts</b>				
-less than one year	209,477	1,105	4,051	1,629
<b>Total</b>	<b>3,527,926</b>	<b>1,105</b>	<b>1,074,434</b>	<b>756,855</b>

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

31.12.2019

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	110,704		110,704	110,704
Transaction related contingent Items	383,531		191,766	191,659
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,112,733		556,366	342,623
Short Term Self Liquidating trade related contingencies	279,759		55,952	11,763
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,450,127		290,025	174,599
Unutilised credit card lines	167,149		33,430	25,107
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	32,861		-	-
Foreign exchange related contracts				
-less than one year	514,452	1,000	5,696	2,098
<b>Total</b>	<b>4,051,316</b>	<b>1,000</b>	<b>1,243,939</b>	<b>858,553</b>

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

Profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of profit rate risk management is to achieve a stable and sustainable net profit income from the following perspectives:

- (1) Next 12 months' Earnings - Profit rate risk from the earnings perspective is the impact based on changes to the net profit income ('NPI') over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in profit rates across the yield curve.
- (2) Economic Value - Measuring the change in the economic value of equity ('EVE') is an assessment of the long term impact to the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in profit rates.

Profit rate risk thresholds are established in line with the Group's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

Type of Currency	The Bank/Economic Entity 30.06.2020		The Bank/Economic Entity 31.12.2019	
	Impact on Positions (100 basis points) Parallel Shift		Impact on Positions (100 basis points) Parallel Shift	
	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value
Ringgit Malaysia	32.0	107.9	45.2	89.8
US Dollar	(0.2)	0.3	(2.1)	0.9
Others (*)	-	-	(0.1)	-
<b>Total</b>	<b>31.8</b>	<b>108.2</b>	<b>43.0</b>	<b>90.7</b>

\* Others comprise of AUD, EUR and GBP currencies where the amount of each currency is relatively small.