

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

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

	Note	Economic Entity		The Bank	
		30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
<b>ASSETS</b>					
Cash and short-term funds		<b>3,304,149</b>	1,588,868	<b>3,304,149</b>	1,588,868
Derivative financial assets	13	<b>1,673</b>	1,000	<b>1,673</b>	1,000
Financial investments at fair value through other comprehensive income (FVOCI)	14	<b>2,726,151</b>	2,390,806	<b>2,726,151</b>	2,390,806
Financing, advances and other financing	15	<b>19,237,320</b>	18,580,253	<b>19,237,320</b>	18,580,253
Other assets	16	<b>146,689</b>	34,593	<b>146,689</b>	34,593
Amount due from holding company		-	53,946	-	53,946
Amount due from joint ventures	17	<b>18,689</b>	28,402	<b>18,689</b>	28,402
Amount due from associate	18	-	900	-	900
Tax recoverable		<b>6,180</b>	15,550	<b>6,180</b>	15,550
Deferred tax assets		<b>9,078</b>	-	<b>9,078</b>	-
Statutory deposits with Bank Negara Malaysia		-	526,000	-	526,000
Investment in joint ventures		-	-	<b>650</b>	650
Investment in associate		-	750	<b>750</b>	750
Property and equipment		<b>1,466</b>	1,980	<b>1,466</b>	1,980
Right-of-use assets		<b>800</b>	1,554	<b>800</b>	1,554
Intangible assets		<b>611</b>	771	<b>611</b>	771
<b>TOTAL ASSETS</b>		<b>25,452,806</b>	23,225,373	<b>25,454,206</b>	23,226,023
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	<b>18,451,164</b>	17,306,338	<b>18,451,164</b>	17,306,338
Investment accounts of customers	20	<b>2,505</b>	1,447	<b>2,505</b>	1,447
Deposits and placements of banks and other financial institutions	21	<b>1,755,387</b>	536,011	<b>1,755,387</b>	536,011
Investment accounts due to designated financial institutions	22	<b>1,981,425</b>	1,918,295	<b>1,981,425</b>	1,918,295
Derivative financial liabilities	23	<b>5,023</b>	6,757	<b>5,023</b>	6,757
Other liabilities	24	<b>100,317</b>	422,685	<b>100,317</b>	422,685
Amount due to holding company		<b>83,269</b>	-	<b>83,269</b>	-
Deferred tax liabilities		-	2,604	-	2,604
Lease liabilities	25	<b>1,927</b>	1,568	<b>1,927</b>	1,568
Subordinated term financing and medium term notes	26	<b>1,125,372</b>	1,111,034	<b>1,125,372</b>	1,111,034
<b>TOTAL LIABILITIES</b>		<b>23,506,389</b>	21,306,739	<b>23,506,389</b>	21,306,739
Share capital		<b>1,060,000</b>	1,060,000	<b>1,060,000</b>	1,060,000
Reserves	27	<b>886,417</b>	858,634	<b>887,817</b>	859,284
<b>TOTAL EQUITY</b>		<b>1,946,417</b>	1,918,634	<b>1,947,817</b>	1,919,284
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>25,452,806</b>	23,225,373	<b>25,454,206</b>	23,226,023
<b>COMMITMENTS AND CONTINGENCIES</b>					
	37	<b>4,233,003</b>	4,051,316	<b>4,233,003</b>	4,051,316
<b>CAPITAL ADEQUACY RATIOS</b>					
CET1 capital ratio		<b>11.928%</b>	11.720%	<b>11.928%</b>	11.720%
Tier 1 capital ratio	40	<b>13.944%</b>	13.826%	<b>13.944%</b>	13.826%
Total capital ratio		<b>20.510%</b>	20.631%	<b>20.510%</b>	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 September 2020*

	Note	Economic Entity		Economic Entity	
		Individual Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000	Cumulative Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000
Income derived from investment of depositors' funds and others	29	236,503	288,220	727,171	849,963
Income derived from investment of investment account funds	30	23,045	26,063	74,895	79,382
Income derived from investment of shareholders' funds	31	22,488	26,177	75,948	76,766
Modification loss	32	-	-	(29,454)	-
Allowances for impairment losses on financing, advances and other financing	33	(30,131)	(9,785)	(68,086)	(17,245)
Allowance for impairment losses on other assets	34	(11,265)	(1,933)	(12,280)	(1,933)
<b>Total distributable income</b>		<b>240,640</b>	<b>328,742</b>	<b>768,194</b>	<b>986,933</b>
Income attributable to the depositors and others	35	(166,588)	(239,933)	(522,273)	(700,193)
<b>Total net income</b>		<b>74,052</b>	<b>88,809</b>	<b>245,921</b>	<b>286,740</b>
Other operating expenses	36	(60,067)	(71,497)	(184,591)	(198,252)
		13,985	17,312	61,330	88,488
Share of associate's results		-	-	(750)	-
<b>Profit before zakat and taxation</b>		<b>13,985</b>	<b>17,312</b>	<b>60,580</b>	<b>88,488</b>
Zakat		(2,540)	-	(2,540)	(3,000)
<b>Profit before taxation</b>		<b>11,445</b>	<b>17,312</b>	<b>58,040</b>	<b>85,488</b>
Taxation		(10,093)	(2,854)	(22,121)	(21,139)
<b>Net profit after zakat and taxation</b>		<b>1,352</b>	<b>14,458</b>	<b>35,919</b>	<b>64,349</b>
<b>Attributable to:</b>					
Equity holder of the Bank		1,352	14,458	35,919	64,349
<b>Earnings per share (sen):</b>					
- Basic		0.1	1.4	3.4	6.1

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 September 2020 (continued)*

	Economic Entity		Economic Entity	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
<b>Profit after zakat and taxation</b>	<b>1,352</b>	14,458	<b>35,919</b>	64,349
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	<b>33,099</b>	29,611	<b>84,788</b>	101,614
Net credit impairment losses change in financial investments at FVOCI	<b>1,228</b>	115	<b>2,471</b>	272
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	<b>(24,364)</b>	(25,309)	<b>(98,745)</b>	(57,881)
Deferred tax on				
- financial investments at FVOCI	<b>(2,096)</b>	(1,033)	<b>3,350</b>	(10,496)
Other comprehensive income for the financial period, net of tax	<b>7,867</b>	3,384	<b>(8,136)</b>	33,509
<b>Total comprehensive income for the financial period</b>	<b>9,219</b>	17,842	<b>27,783</b>	97,858
<b>Attributable to equity holder of the Bank:</b>				
- Total comprehensive income	<b>9,219</b>	17,842	<b>27,783</b>	97,858

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

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

*(continued)*

	Note	The Bank		The Bank	
		Individual Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000	Cumulative Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000
Income derived from investment of depositors' funds and others	29	236,503	288,220	727,171	849,963
Income derived from investment of investment account funds	30	23,045	26,063	74,895	79,382
Income derived from investment of shareholders' funds	31	22,488	26,177	75,948	76,766
Modification loss	32	-	-	(29,454)	-
Allowances for impairment losses on financing, advances and other financing	33	(30,131)	(9,785)	(68,086)	(17,245)
Allowance for impairment losses on other assets	34	(11,265)	(1,933)	(12,280)	(1,933)
<b>Total distributable income</b>		<b>240,640</b>	<b>328,742</b>	<b>768,194</b>	<b>986,933</b>
Income attributable to the depositors and others	35	(166,588)	(239,933)	(522,273)	(700,193)
<b>Total net income</b>		<b>74,052</b>	<b>88,809</b>	<b>245,921</b>	<b>286,740</b>
Other operating expenses	36	(60,067)	(71,497)	(184,591)	(198,252)
<b>Profit before zakat and taxation</b>		<b>13,985</b>	<b>17,312</b>	<b>61,330</b>	<b>88,488</b>
Zakat		(2,540)	-	(2,540)	(3,000)
<b>Profit before taxation</b>		<b>11,445</b>	<b>17,312</b>	<b>58,790</b>	<b>85,488</b>
Taxation		(10,093)	(2,854)	(22,121)	(21,139)
<b>Net profit after zakat and taxation</b>		<b>1,352</b>	<b>14,458</b>	<b>36,669</b>	<b>64,349</b>
<b>Attributable to:</b>					
Equity holder of the Bank		1,352	14,458	36,669	64,349
<b>Earnings per share (sen):</b>					
- Basic		0.1	1.4	3.5	6.1

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 September 2020 (continued)*

	The Bank		The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
<b>Profit after zakat and taxation</b>	<b>1,352</b>	14,458	<b>36,669</b>	64,349
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	<b>33,099</b>	29,611	<b>84,788</b>	101,614
Net credit impairment losses change in financial investments at FVOCI	<b>1,228</b>	115	<b>2,471</b>	272
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	<b>(24,364)</b>	(25,309)	<b>(98,745)</b>	(57,881)
Deferred tax on				
- financial investments at FVOCI	<b>(2,096)</b>	(1,033)	<b>3,350</b>	(10,496)
Other comprehensive income for the financial period, net of tax	<b>7,867</b>	3,384	<b>(8,136)</b>	33,509
<b>Total comprehensive income for the financial period</b>	<b>9,219</b>	17,842	<b>28,533</b>	97,858
<b>Attributable to equity holder of the Bank:</b>				
- Total comprehensive income	<b>9,219</b>	17,842	<b>28,533</b>	97,858

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

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

	Attributable to Equity Holder of the Bank				
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
<b>Economic Entity</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<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	-	-	-	<b>35,919</b>	<b>35,919</b>
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	<b>(8,136)</b>	-	-	<b>(8,136)</b>
Total comprehensive income for the financial period	-	<b>(8,136)</b>	-	<b>35,919</b>	<b>27,783</b>
Transfer to regulatory reserves	-	-	<b>(81,445)</b>	<b>81,445</b>	-
<b>At 30 September 2020</b>	<b>1,060,000</b>	<b>11,356</b>	<b>155,437</b>	<b>719,624</b>	<b>1,946,417</b>
<b>Economic Entity</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<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	-	-	-	<b>64,349</b>	<b>64,349</b>
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	<b>33,509</b>	-	-	<b>33,509</b>
Total comprehensive income for the financial period	-	<b>33,509</b>	-	<b>64,349</b>	<b>97,858</b>
Transfer to regulatory reserves	-	-	<b>27,526</b>	<b>(27,526)</b>	-
<b>At 30 September 2019</b>	<b>1,060,000</b>	<b>36,681</b>	<b>221,910</b>	<b>614,494</b>	<b>1,933,085</b>

**AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF CHANGES IN EQUITY***for the financial quarter ended 30 September 2020 (continued)*

	Non-distributable			Distributable	
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total Equity
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	-	-	-	36,669	36,669
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(8,136)	-	-	(8,136)
Total comprehensive income for the financial period	-	(8,136)	-	36,669	28,533
Transfer to regulatory reserves	-	-	(81,445)	81,445	-
<b>At 30 September 2020</b>	<b>1,060,000</b>	<b>11,356</b>	<b>155,437</b>	<b>721,024</b>	<b>1,947,817</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	-	-	-	64,349	64,349
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	33,509	-	-	33,509
Total comprehensive income for the financial period	-	33,509	-	64,349	97,858
Transfer to regulatory reserves	-	-	27,526	(27,526)	-
At 30 September 2019	1,060,000	36,681	221,910	615,144	1,933,735

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

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

	Economic Entity		The Bank	
	30/9/2020 RM'000	30/9/2019 RM'000	30/9/2020 RM'000	30/9/2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before taxation</b>	<b>58,040</b>	85,488	<b>58,790</b>	85,488
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments at FVOCI	(63,477)	(79,222)	(63,477)	(79,222)
Gain on sale/redemption:				
- financial investments at FVOCI	(97,155)	(58,861)	(97,155)	(58,861)
Loss on unrealised foreign exchange	(2,408)	(3,977)	(2,408)	(3,977)
Depreciation of property and equipment	520	584	520	584
Property and equipment written-off	1	-	1	-
Amortisation of intangible assets	160	130	160	130
Depreciation-Lease Premises Rental	904	1,011	904	1,011
Expected credit losses ('ECL') made on:				
- financing, advances and other financing	69,380	24,207	69,380	24,207
- securities and placements	3,136	272	3,136	272
- financing commitments and financial guarantees	(2,092)	(4,650)	(2,092)	(4,650)
Bad debt on financing written-off	334	211	334	211
Allowance for impairment losses on other assets	12,280	1,933	12,280	1,933
Profit payment - Subordinated term financing and medium term notes	43,012	42,816	43,012	42,816
Finance expense on lease liabilities	83	-	83	-
Zakat	2,540	3,000	2,540	3,000
Share of joint venture's results	750	-	-	-
<b>Operating profit before changes in working capital</b>	<b>26,008</b>	12,942	<b>26,008</b>	12,942
<b>Decrease/(Increase) in operating assets:</b>				
Financing, advances and other financing	(726,781)	33,648	(726,781)	33,648
Other assets	(112,321)	37,126	(112,321)	37,126
Right-of-use assets -Lease Commitment	(150)	(2,717)	(150)	(2,717)
Statutory deposits with Bank Negara Malaysia	526,000	(25,000)	526,000	(25,000)
Amount due from holding company	53,946	(97,022)	53,946	(97,022)
Amount due from joint ventures	(1,666)	(1,469)	(1,666)	(1,469)
Amount due from associate	-	(400)	-	(400)
Derivative financial instruments	(2,408)	(3,978)	(2,408)	(3,978)
<b>Increase/(Decrease) in operating liabilities:</b>				
Deposits from customers	1,144,826	982,852	1,144,826	982,852
Investment accounts of customers	1,058	833	1,058	833
Deposits and placements of banks and other financial institutions	1,219,376	(130,649)	1,219,376	(130,649)
Investment accounts due to designated financial institutions	63,130	(423,303)	63,130	(423,303)
Amount due to holding company	83,269	-	83,269	-
Other liabilities	(321,858)	71,460	(321,858)	71,460
Lease liabilities	1,396	1,715	1,396	1,715
Cash generated from operations	1,953,825	456,038	1,953,825	456,038
Zakat paid	(958)	(1,047)	(958)	(1,047)
Tax paid	(21,083)	(31,667)	(21,083)	(31,667)
<b>Net cash generated from operating activities</b>	<b>1,931,784</b>	423,324	<b>1,931,784</b>	423,324

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 September 2020***(continued)*

	<b>Economic Entity</b>		<b>The Bank</b>	
	<b>30/9/2020</b>	<b>30/9/2019</b>	<b>30/9/2020</b>	<b>30/9/2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Finance income and hibah received from:				
- financial investments at FVOCI	<b>71,136</b>	74,901	<b>71,136</b>	74,901
Purchase of financial investments at FVOCI	<b>(3,124,208)</b>	-	<b>(3,124,208)</b>	-
Purchase of financial investments at FVOCI	<b>2,864,404</b>	918,781	<b>2,864,404</b>	918,781
Purchase of property and equipment	<b>(448)</b>	(144)	<b>(448)</b>	(144)
<b>Net cash generated from/(used in) investing activities</b>	<b>(189,116)</b>	993,538	<b>(189,116)</b>	993,538
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of subordinated term financing and				
Profit payment - Subordinated term financing				
and medium term notes	<b>(28,675)</b>	(28,675)	<b>(28,675)</b>	(28,675)
Lease payments	<b>(1,037)</b>	-	<b>(1,037)</b>	-
Profit element of lease payments	<b>(83)</b>	-	<b>(83)</b>	-
<b>Net cash generated from financing activities</b>	<b>(29,795)</b>	(28,675)	<b>(29,795)</b>	(28,675)
Net increase in cash and cash equivalents	<b>1,712,873</b>	1,388,187	<b>1,712,873</b>	1,388,187
Effects of foreign exchange	<b>2,408</b>	3,978	<b>2,408</b>	3,978
Cash and cash equivalents at beginning of the financial period	<b>1,588,868</b>	3,210,533	<b>1,588,868</b>	3,210,533
<b>CASH AND CASH EQUIVALENTS AT</b>				
<b>END OF THE FINANCIAL PERIOD</b>	<b>3,304,149</b>	4,602,698	<b>3,304,149</b>	4,602,698
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Cash and short-term funds	<b>3,304,149</b>	4,602,698	<b>3,304,149</b>	4,602,698

## **AFFIN Islamic Bank Berhad**

(Incorporated in Malaysia)

### **MFRS 134 INTERIM FINANCIAL REPORTING - 30 September 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 interim 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 financial 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 in the financial position and performance of the Bank since the financial year ended 31 December 2019.

#### **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 financial year ended 31 December 2019, except for the adoption of the following during the current financial period:

- a) Accounting standards, annual improvements and amendments to MFRS which are effective for the Bank for the financial period beginning on or after 1 January 2020:
  - (i) Amendments to the Conceptual Framework for Financial Reporting
  - (ii) Amendments to MFRS 101 and MFRS 108 "Definition of Material"
  - (iii) Amendments to MFRS 3 "Definition of a Business"
  - (iv) Amendments to MFRS 16 "COVID-19 Related Rent Concessions"
  - (v) Amendments to MFRS 123 "Borrowing Costs"
  - (vi) Amendments to MFRS 7, MFRS 9 and MFRS 139 "Interest Rate Benchmark Reform"
  - (vii) Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures".

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Bank.

- b) Additional Measures to Assist Customers Affected by the COVID-19 Outbreak by BNM

On 24 March 2020, BNM had implemented additional measures to assist customers experiencing temporary financial constraints due to the COVID-19. The measures which are aimed of ensuring the financial intermediation function of the financial sector remains intact, access to financing continues to be available, and banking institutions remain focused on supporting the economy during these exceptional circumstances are set out as follows:-

- (i) Banking institutions will grant an automatic moratorium on all financing payments, both principal and profit (except for credit card balances) by individuals and small-medium enterprises ('SMEs') customers for a period of 6 months effective 1 April 2020. This automatic moratorium is applicable to financing that is not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit;
- (ii) For credit card balances, banking institutions shall offer customers the options of converting their outstanding balances into a term financing of a tenure of not more than 3 years with an effective profit rate capped at 13% per annum. However, for customers who have not met the minimum repayment of 3 consecutive months, banking institutions shall automatically convert their credit card balances into term loans with the abovementioned terms;

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#### **2 ACCOUNTING POLICIES (continued)**

(iii) For corporate customers, banking institutions will facilitate customers' requests for a moratorium on financing payment, additional financing to support cashflows or may rescheduling and restructuring ('R&R') of existing facilities in an effort to assist the corporations to preserve jobs and slowly resume economic activities when conditions improve;

(iv) Banking institutions are given a prudential buffer with immediate effect to drawdown the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio ('LCR') of 100%. This buffer will need to be restored to the minimum regulatory requirements by 30 September 2021;

(v) Banking institutions are also allowed to implement a lower minimum Net Stable Funding Ratio ('NSFR') of 80% effective 1 July 2020.

The financial impact of the moratorium to profit income of the Bank are disclosed in Note 32.

#### **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 generally not affected by any seasonal or cyclical factors but 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 September 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 September 2020 that have material financial impact.

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

There are 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 September 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 September 2020 .

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## 13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	30/9/2020		31/12/2019	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
<b>At fair value</b>				
Foreign exchange derivatives				
- Currency forwards	228,941	1,673	125,647	1,000
	<u>228,941</u>	<u>1,673</u>	<u>125,647</u>	<u>1,000</u>

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

	Economic Entity and The Bank	
	30/9/2020 RM'000	31/12/2019 RM'000
<b>At fair value</b>		
Money market instruments:		
Malaysian Government investment issues	997,357	860,976
Khazanah Sukuk	-	53,074
	<u>997,357</u>	<u>914,050</u>
Unquoted securities:		
Corporate Sukuk in Malaysia	1,728,794	1,476,756
	<u>1,728,794</u>	<u>1,476,756</u>
	<u>2,726,151</u>	<u>2,390,806</u>

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:

	Lifetime ECL			Total RM'000
	12-Month ECL Stage 1 RM'000	not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	
<b>Economic Entity and The Bank</b>				
<b>30/9/2020</b>				
At beginning of the financial year	283	-	-	283
Financial assets derecognised during the financial year (other than write-offs)	(24)	-	-	(24)
Changes due to change in credit risk	2,495	-	-	2,495
<b>At end of the financial year</b>	<u>2,754</u>	<u>-</u>	<u>-</u>	<u>2,754</u>
<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>	<u>283</u>	<u>-</u>	<u>-</u>	<u>283</u>

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**15 FINANCING, ADVANCES AND OTHER FINANCING**

(i) **By type**

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash line	519,338	469,379
Term financing		
- House financing	7,655,401	7,351,173
- Hire purchase receivables	3,893,345	3,820,401
- Syndicated financing	678,137	746,036
- Business term financing	5,096,406	4,885,355
Bills receivables	3,457	11,668
Trust receipts	15,223	30,232
Claims on customers under acceptances credits	476,867	447,486
Staff financing (of which RM Nil to Directors)	78,105	62,761
Credit/charge card	33,791	30,828
Revolving credit	995,132	897,504
<b>Gross financing, advances and other financing</b>	<b>19,445,202</b>	<b>18,752,823</b>
Less:		
Allowance for impairment losses		
- Expected credit losses ("ECL")	(207,882)	(172,570)
<b>Total net financing, advances and other financing</b>	<b>19,237,320</b>	<b>18,580,253</b>

Included in business term financing as at reporting date is RM55.2 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>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	2,259,985	2,026,732
One year to three years	535,804	736,716
Three years to five years	2,708,412	1,819,649
Over five years	13,941,001	14,169,726
	<b>19,445,202</b>	<b>18,752,823</b>

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

**(iii) By contract**

Economic Entity and The Bank  
30/09/2020  
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Tawarruq	Musarakah	Istisna'	Others	Total
Cash line	-	-	-	-	489,446	-	-	29,892	519,338
Term financing									
House financing	672,760	-	-	-	101,404	6,881,237	-	-	7,655,401
Hire purchase receivables	-	-	3,893,345	-	-	-	-	-	3,893,345
Syndicated financing	-	207,555	-	-	470,582	-	-	-	678,137
Business term financing	90,515	887,311	-	310,311	2,340,742	927,414	538,993	1,120	5,096,406
Bills receivables	-	-	-	2,703	-	-	-	754	3,457
Trust receipts	-	-	-	15,223	-	-	-	-	15,223
Claims on customers under acceptance credits	-	-	-	476,867	-	-	-	-	476,867
Staff financing	3,981	-	-	17,792	22,195	34,137	-	-	78,105
Credit/charge cards	-	-	-	-	33,791	-	-	-	33,791
Revolving credit	-	-	-	-	995,132	-	-	-	995,132
<b>Total Financing</b>	<b>767,256</b>	<b>1,094,866</b>	<b>3,893,345</b>	<b>822,896</b>	<b>4,453,292</b>	<b>7,842,788</b>	<b>538,993</b>	<b>31,766</b>	<b>19,445,202</b>

Economic Entity and The Bank  
2019  
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Tawarruq	Musarakah	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**

**Economic Entity and The Bank**  
**30/9/2020**      **31/12/2019**  
**RM'000**              **RM'000**

Domestic non-banking institutions		
- Others	<b>50,094</b>	54,004
Domestic business enterprises		
- Small medium enterprises	<b>1,896,099</b>	1,856,190
- Others	<b>4,366,544</b>	4,126,493
Government and statutory bodies	<b>724,163</b>	766,167
Individuals	<b>12,086,761</b>	11,614,413
Other domestic entities	<b>549</b>	791
Foreign entities	<b>320,992</b>	334,765
	<b>19,445,202</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>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- House financing	42,563	43,139
- Hire purchase receivables	3,893,345	3,820,401
- Other fixed rate financing	1,264,782	1,317,831
Variable rate		
- BFR plus	11,824,248	11,188,990
- Cost-plus	2,420,264	2,378,795
- Other variable rate	-	3,667
	<b>19,445,202</b>	<b>18,752,823</b>

(vi) **By economic sector**

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	775,632	932,467
Mining and quarrying	267,628	291,515
Manufacturing	822,520	581,702
Electricity, gas and water supply	396,861	406,121
Construction	582,095	538,749
Real estate	1,814,309	1,933,214
Wholesale & retail trade and restaurants & hotels	661,465	552,127
Transport, storage and communication	318,332	312,231
Finance, takaful/insurance and business services	407,406	352,239
Education, health and others	1,255,930	1,182,078
Household	12,143,024	11,670,380
	<b>19,445,202</b>	<b>18,752,823</b>

(vii) **By economic purpose**

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	361,011	299,615
Purchase of transport vehicles	3,949,276	3,875,863
Purchase of landed property of which:		
- Residential	7,810,766	7,493,000
- Non-residential	2,412,531	2,239,936
Fixed assets other than land and building	78,385	87,328
Personal use	138,826	91,521
Credit/charge card	33,791	30,829
Consumer durable	19	3
Construction	988,352	1,136,280
Working capital	3,270,764	3,064,617
Others	401,481	433,831
	<b>19,445,202</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>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Perlis	<b>158,908</b>	197,380
Kedah	<b>804,070</b>	804,254
Pulau Pinang	<b>926,301</b>	892,939
Perak	<b>575,418</b>	560,277
Selangor	<b>6,558,813</b>	6,129,408
Wilayah Persekutuan	<b>4,022,809</b>	4,020,100
Negeri Sembilan	<b>979,323</b>	946,808
Melaka	<b>267,906</b>	273,003
Johor	<b>2,366,240</b>	2,288,851
Pahang	<b>648,989</b>	649,610
Terengganu	<b>496,621</b>	490,462
Kelantan	<b>240,082</b>	204,564
Sarawak	<b>550,459</b>	497,834
Sabah	<b>780,355</b>	699,888
Labuan	<b>26,949</b>	27,651
Outside Malaysia	<b>41,959</b>	69,794
	<b>19,445,202</b>	<b>18,752,823</b>

(ix) **Movements of impaired financing**

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</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>88,485</b>	315,874
Reclassified as non-impaired	<b>(74,281)</b>	(183,350)
Amount recovered	<b>(28,629)</b>	(35,889)
Amount written-off	<b>(33,747)</b>	(20,152)
<b>At end of the financial year</b>	<b>559,140</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>2.11%</b>	2.47%



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

**(x) Impaired financing by economic sector**

	Economic Entity and The Bank	
	30/9/2020 RM'000	31/12/2019 RM'000
Primary agriculture	42	41
Manufacturing	60,374	62,644
Electricity, gas and water supply	45	47
Construction	3,049	8,613
Real estate	246,502	272,960
Wholesale & retail trade and restaurants & hotels	759	1,817
Transport, storage and communication	75,422	75,697
Finance, takaful/insurance and business services	500	1,039
Education, health and others	171	218
Household	172,276	184,236
	<b>559,140</b>	<b>607,312</b>

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

	Economic Entity and The Bank	
	30/9/2020 RM'000	31/12/2019 RM'000
Purchase of securities	15	39
Purchase of transport vehicles	15,361	18,620
Purchase of landed property of which:		
- Residential	152,573	166,184
- Non-residential	212,145	212,960
Personal use	1,004	1,202
Credit/charge card	42	263
Construction	99,140	100,988
Working capital	78,850	107,052
Others	10	4
	<b>559,140</b>	<b>607,312</b>

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

	Economic Entity and The Bank	
	30/9/2020 RM'000	31/12/2019 RM'000
Perlis	2,453	2,543
Kedah	6,424	8,080
Pulau Pinang	5,354	8,044
Perak	81,275	82,361
Selangor	89,511	98,570
Wilayah Persekutuan	281,970	284,312
Negeri Sembilan	16,642	16,777
Melaka	3,335	4,894
Johor	20,153	19,911
Pahang	2,127	2,531
Terengganu	3,094	4,666
Kelantan	3,007	2,367
Sarawak	343	581
Sabah	1,495	1,899
Outside Malaysia	41,957	69,776
	<b>559,140</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 30/9/2020	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	172,570
Total transfer between stages	10,889	7,577	(18,466)	-
Due to change in credit risk :-				
- Transfer to 12-month ECL (Stage 1)	13,150	(10,577)	(2,573)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,251)	19,333	(17,082)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(10)	(1,179)	1,189	-
Financing, advances and other financing derecognised during the financial year (other than write-offs)	(19,387)	(931)	(1,677)	(21,995)
New financing, advances and other financing originated or purchased	20,830	703	102	21,635
Changes due to change in credit risk	7,796	6,900	55,043	69,739
Write-offs	-	-	(33,604)	(33,604)
Other adjustments	1	-	(464)	(463)
<b>At end of the financial year</b>	<b>71,172</b>	<b>31,420</b>	<b>105,290</b>	<b>207,882</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)	(36,263)
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)	(19,399)
Other adjustments	-	-	(853)	(853)
<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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**16 OTHER ASSETS**

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Other debtors	59,490	497
Deposits and prepayments	376	481
Cheque clearing accounts	81,950	28,742
Foreclosed properties (a)	4,873	4,873
	<b>146,689</b>	<b>34,593</b>

**(a) Foreclosed properties**

At beginning of the financial year	<b>4,873</b>	4,873
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>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Advances to joint ventures	59,707	57,140
Expected credit losses (a)	(41,018)	(28,738)
	<b>18,689</b>	<b>28,402</b>

**(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	28,738	24,048	
Allowance made during the financial year	12,280	4,690	
At end of the financial year	<b>41,018</b>	<b>28,738</b>	

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>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Advances to associate	-	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>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Qard</b>		
Demand deposits	2,992,646	2,954,059
Savings deposits	932,136	647,064
	<b>3,924,782</b>	<b>3,601,123</b>
<b>Mudarabah</b>		
General investment deposits	58,793	61,558
<b>Tawarruq</b>		
Murabahah term deposits	13,340,617	13,241,472
Commodity Murabahah	1,009,532	401,917
Savings deposits	68,650	157
Demand deposit	48,790	111
	<b>14,467,589</b>	<b>13,643,657</b>
	<b>18,451,164</b>	<b>17,306,338</b>

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

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	10,871,842	6,476,907
Six months to one year	1,872,269	6,138,589
One year to three years	466,877	411,815
Three years to five years	188,422	275,719
	<b>13,399,410</b>	<b>13,303,030</b>

**(iii) By type of customer**

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	6,895,512	6,655,399
Business enterprise	3,931,376	4,411,025
Individuals	6,592,924	5,269,030
Domestic banking institutions	2,156	1,160
Domestic non-banking financial institutions	712,450	658,945
Foreign entities	125,020	110,692
Others entities	191,726	200,087
	<b>18,451,164</b>	<b>17,306,338</b>

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**20 INVESTMENT ACCOUNTS OF CUSTOMERS**

	<b>Economic Entity and The Bank</b>	
	30/9/2020	31/12/2019
	RM'000	RM'000
<b>Mudarabah</b>	<b>2,505</b>	<b>1,447</b>
	<hr/>	
	<b>Economic Entity and The Bank</b>	
	30/9/2020	31/12/2019
	RM'000	RM'000
<b>Movement in investment accounts</b>		
At beginning of the financial year	1,447	875
New placement during the financial year	1,905	1,395
Redemption during the financial year	(849)	(826)
Finance expense on RIA	173	101
Profit distributed	(171)	(98)
At end of the financial year	<b>2,505</b>	<b>1,447</b>

**Profit Sharing Ratio ("PSR") and Rate of Return ("ROR")**

	<b>Economic Entity and The Bank</b>			
	30/9/2020		31/12/2019	
	Average profit sharing ratio (PSR) %	Average rate of return (ROR) %	Average profit sharing ratio (PSR) %	Average rate of return (ROR) %
Investment accounts:				
Due within:				
Due within six months	85	6.43	-	-
Six months to one year	85	5.79	85	7.06
One year to three years	-	-	85	6.43
Three years to five years	85	5.58	-	-

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

	<b>Economic Entity and The Bank</b>	
	30/9/2020	31/12/2019
	RM'000	RM'000
<b>Qard</b>		
Licensed banks	250,006	69,968
	<b>250,006</b>	<b>69,968</b>
	<hr/>	
<b>Tawarruq</b>		
Licensed banks	342,584	132,227
Other financial institutions	1,162,797	333,816
	<b>1,505,381</b>	<b>466,043</b>
	<hr/>	
	<b>1,755,387</b>	<b>536,011</b>
	<hr/>	
<b>Maturity structure of deposits are as follows:</b>		
Due within six months	1,655,062	536,011
Six months to one year	100,325	-
	<b>1,755,387</b>	<b>536,011</b>

**22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS**

	<b>Economic Entity and The Bank</b>	
	30/9/2020	31/12/2019
	RM'000	RM'000
<b>Mudarabah</b>		
Licensed banks	1,981,425	1,918,295

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**22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS (Continued)**

	Economic Entity and The Bank	
	30/9/2020 RM'000	31/12/2019 RM'000
<b>Maturity structure of investment accounts are as follows:</b>		
Due within six months	31,599	92,729
Six months to one year	40,640	398
One year to three years	30,077	113,864
Three years to five years	803,801	296,656
Five years and above	1,075,308	1,414,648
	<b>1,981,425</b>	<b>1,918,295</b>

	Economic Entity and The Bank	
	30/9/2020 RM'000	31/12/2019 RM'000
<b>Movement in investment accounts</b>		
At beginning of the financial year	1,918,295	2,368,295
New placement during the financial year	187,617	181,504
Redemption during the financial year	(128,597)	(628,637)
Finance expense on RIA	57,136	86,574
Profit distributed	(57,239)	(86,760)
Exchange difference	4,213	(2,681)
At end of the financial year	<b>1,981,425</b>	<b>1,918,295</b>

**Profit Sharing Ratio ("PSR") and Rate of Return ("ROR")**

	Economic Entity and The Bank			
	30/9/2020		31/12/2019	
	Average profit sharing ratio (PSR) %	Average rate of return (ROR) %	Average profit sharing ratio (PSR) %	Average rate of return (ROR) %
Investment accounts:				
Due within:				
One to three months	78	4.12	83	4.33
Six months to one year	89	5.66	85	7.11
One year to three years	70	2.80	87	5.44
Three years to five years	87	4.92	83	5.45
Five years and above	92	5.13	93	5.67

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

Inclusive of RIA placed by the holding company amounting to RM1,981.4 million. These investments are used to fund certain specific financing. The RIA is a contract based on the Mudarabah principle between two parties to finance a financing where the investor (i.e. 'AFFIN Bank Berhad') solely provides capital and the business venture is managed solely by the entrepreneur (i.e. 'the Bank'). The profit of the business venture is shared between both parties based on pre-agreed ratio. Losses shall be borne by the investor.

**23 DERIVATIVE FINANCIAL LIABILITIES**

	Economic Entity and The Bank			
	30/9/2020		31/12/2019	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
<b>At fair value</b>				
Foreign exchange derivatives				
- Currency forwards	675,786	5,023	388,806	6,757
	<b>675,786</b>	<b>5,023</b>	<b>388,806</b>	<b>6,757</b>

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**24 OTHER LIABILITIES**

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</b>	<b>31/12/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	<b>1,621</b>	1,639
Margin and collateral deposits	<b>13,532</b>	16,979
Other creditors and accruals	<b>10,172</b>	8,067
Sundry creditors	<b>19,005</b>	27,812
Treasury and cheque clearing accounts	<b>36,597</b>	342,244
Provision for zakat	<b>3,280</b>	1,697
Defined contribution plan (a)	<b>1,265</b>	1,231
Accrued employee benefits	<b>4,270</b>	3,025
Charity funds (b)	<b>44</b>	52
Unearned income	<b>6,108</b>	13,424
Financing commitments (c)	<b>4,423</b>	6,515
	<b>100,317</b>	422,685

**(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>30/9/2020</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>23</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>44</b>	52

The source of charity funds come from the following categories:

- a) Sources from Shariah non-compliant events.
- b) 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.)
- c) 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>30/9/2020</b>	31/12/2019
	<b>RM'000</b>	RM'000
At beginning of the financial year	<b>6,515</b>	12,132
Net remeasurement of loss allowance	<b>(2,516)</b>	(8,706)
Changes in model/risk parameters	-	538
New financing commitments and financial guarantees issued during the financial year	<b>424</b>	2,551
<b>At end of the financial year</b>	<b><u>4,423</u></b>	<u>6,515</u>

**25 LEASE LIABILITIES**

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</b>	31/12/2019
	<b>RM'000</b>	RM'000
At beginning of financial year, on adoption of MFRS 16	<b>1,568</b>	1,373
Addition	<b>1,313</b>	1,528
Finance expense	<b>83</b>	52
Lease payment	<b>(1,037)</b>	(1,385)
<b>At end of the financial year</b>	<b><u>1,927</u></b>	<u>1,568</u>

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

	<b>Economic Entity and The Bank</b>	
	<b>30/9/2020</b>	31/12/2019
	<b>RM'000</b>	RM'000
(a) Medium Term Notes ("MTN") Tier-2 Sukuk Murabahah	<b>817,709</b>	807,609
(b) Additional Tier-1 Sukuk Wakalah ("AT1S")	<b>307,663</b>	303,425
	<b><u>1,125,372</u></b>	<u>1,111,034</u>

	At 1 January 2020 RM'000	Cash flow RM'000	Profit expense RM'000	At 30 September 2020 RM'000
MTN Tier-2 Sukuk Murabahah	<b>807,609</b>	<b>(20,200)</b>	<b>30,300</b>	<b>817,709</b>
AT1S	<b>303,425</b>	<b>(8,475)</b>	<b>12,713</b>	<b>307,663</b>
	<b><u>1,111,034</u></b>	<b><u>(28,675)</u></b>	<b><u>43,013</u></b>	<b><u>1,125,372</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
	<u>1,111,231</u>	<u>(57,350)</u>	<u>57,153</u>	<u>1,111,034</u>



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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 ATIS of RM300 million out of its approved BASEL III Compliant ATIS programme of up to RM300 million in nominal value. The ATIS was on perpetual non-callable 5-year basis, at a profit rate of 5.65%. The ATIS was issued for the purpose of general banking business and working capital requirements of the Bank.

**27 RESERVES**

	Economic Entity		The Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
Retained profits (a)	719,624	602,260	721,024	602,910
FVOCI revaluation reserves (b)	11,356	19,492	11,356	19,492
Regulatory reserves	155,437	236,882	155,437	236,882
	<b>886,417</b>	<b>858,634</b>	<b>887,817</b>	<b>859,284</b>

- (a) As at 30 September 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 RM9,374,246 in 2020 (2019: Net unrealised gain of RM21,232,342).

**28 INCOME FROM ISLAMIC BANKING BUSINESS**

	Economic Entity and The Bank Individual Quarter Ended		Economic Entity and The Bank Cumulative Quarter Ended	
	30/9/2020 RM'000	30/9/2019 RM'000	30/9/2020 RM'000	30/9/2019 RM'000
Income derived from investment of depositors' funds and others	236,503	288,220	727,171	849,963
Income derived from investment of investment account funds	23,045	26,063	74,895	79,382
Income derived from investment of shareholders' funds	22,488	26,177	75,948	76,766
Income attributable to depositors	(166,588)	(239,933)	(522,273)	(700,193)
	<b>115,448</b>	<b>100,527</b>	<b>355,741</b>	<b>305,918</b>
of which:				
Profit earned on impaired financing, advances and other financing	(125)	659	2,838	2,439

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

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000	Cumulative Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000
Income derived from investment of:				
- General investment deposits (i)	165,460	229,132	518,690	668,921
- Other deposits (ii)	71,043	59,088	208,481	181,042
	<b>236,503</b>	<b>288,220</b>	<b>727,171</b>	<b>849,963</b>

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

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000	Cumulative Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	122,994	160,204	382,021	478,285
Financial investments at FVOCI	13,617	14,543	41,990	49,798
Money at call and deposits with other financial institutions	11,777	30,440	25,805	76,657
	<b>148,388</b>	<b>205,187</b>	<b>449,816</b>	<b>604,740</b>
Accretion of discount less amortisation of premium	(2,411)	169	(4,491)	2,873
Total finance income and hibah	<b>145,977</b>	<b>205,356</b>	<b>445,325</b>	<b>607,613</b>
<b>Other operating income</b>				
Fee income:				
Commission	782	898	2,143	2,429
Service charges and fees	1,778	1,421	4,616	4,529
Guarantee fees	635	713	1,761	1,932
	<b>3,195</b>	<b>3,032</b>	<b>8,520</b>	<b>8,890</b>
Commission paid on will/wasiat	-	(3)	(8)	(10)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	14,250	17,476	57,395	39,134
	<b>14,250</b>	<b>17,476</b>	<b>57,395</b>	<b>39,134</b>
Other income:				
Foreign exchange profit/(loss)				
- realised	3,371	2,004	4,174	4,370
- unrealised	(1,995)	249	1,422	2,645
Other non-operating income	662	1,018	1,862	6,279
	<b>2,038</b>	<b>3,271</b>	<b>7,458</b>	<b>13,294</b>
<b>Total income derived from investment of general investment deposits</b>	<b>165,460</b>	<b>229,132</b>	<b>518,690</b>	<b>668,921</b>

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**MFRS 134 INTERIM FINANCIAL REPORTING - 30 September 2020****29 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)****(ii) INCOME DERIVED FROM INVESTMENT OF OTHER DEPOSITS**

	<b>Economic Entity and The Bank Individual Quarter Ended</b>		<b>Economic Entity and The Bank Cumulative Quarter Ended</b>	
	<b>30/9/2020 RM'000</b>	<b>30/9/2019 RM'000</b>	<b>30/9/2020 RM'000</b>	<b>30/9/2019 RM'000</b>
<b>Finance income and hibah</b>				
Financing, advances and other financing	52,764	41,242	153,547	129,447
Financial investments at FVOCI	5,838	3,702	16,878	13,478
Money at call and deposits with other financial institutions	4,914	7,931	10,372	20,747
	<b>63,516</b>	<b>52,875</b>	<b>180,797</b>	<b>163,672</b>
Accretion of discount less amortisation of premium	(996)	27	(1,805)	777
Total finance income and hibah	<b>62,520</b>	<b>52,902</b>	<b>178,992</b>	<b>164,449</b>
<b>Other operating income</b>				
Fee income:				
Commission	331	233	861	657
Service charges and fees	751	364	1,855	1,226
Guarantee fees	270	185	709	523
	<b>1,352</b>	<b>782</b>	<b>3,425</b>	<b>2,406</b>
Commission paid on will/wasiat	-	(1)	(3)	(3)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	6,282	4,586	23,069	10,592
	<b>6,282</b>	<b>4,586</b>	<b>23,069</b>	<b>10,592</b>
Other income:				
Foreign exchange profit/(loss)				
- realised	1,366	527	1,678	1,183
- unrealised	(758)	52	572	716
Other non-operating income	281	240	748	1,699
	<b>889</b>	<b>819</b>	<b>2,998</b>	<b>3,598</b>
<b>Total income derived from investment of other deposits</b>	<b>71,043</b>	<b>59,088</b>	<b>208,481</b>	<b>181,042</b>

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## 30 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000	Cumulative Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	17,139	18,196	55,161	56,759
Financial investments at FVOCI	1,898	1,636	6,063	5,910
Money at call and deposits with other financial institutions	1,667	3,494	3,726	9,097
	<b>20,704</b>	23,326	<b>64,950</b>	71,766
Accretion of discount less amortisation of premium	(342)	13	(648)	341
Total finance income and hibah	<b>20,362</b>	23,339	<b>64,302</b>	72,107
<b>Other operating income</b>				
Fee income:				
Commission	109	102	309	288
Service charges and fees	250	160	667	537
Guarantee fees	89	81	254	229
	<b>448</b>	343	<b>1,230</b>	1,054
Commission paid on will/wasiat	-	-	(1)	(1)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	1,954	2,018	8,287	4,644
	<b>1,954</b>	2,018	<b>8,287</b>	4,644
Other income:				
Foreign exchange profit/(loss)				
- realised	485	232	603	519
- unrealised	(297)	24	205	314
Other non-operating income	93	107	269	745
	<b>281</b>	363	<b>1,077</b>	1,578
<b>Total income derived from investment of investment account funds</b>	<b>23,045</b>	26,063	<b>74,895</b>	79,382

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## 31 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000	Cumulative Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000
<b>Finance income and hibah</b>				
Financing, advances and other financing	16,735	18,300	55,937	54,889
Financial investments at FVOCI	1,854	1,659	6,148	5,715
Money at call and deposits with other financial institutions	1,655	3,481	3,778	8,797
	<u>20,244</u>	<u>23,440</u>	<u>65,863</u>	<u>69,401</u>
Accretion of discount less amortisation of premium	(343)	19	(658)	330
Total finance income and hibah	<u>19,901</u>	<u>23,459</u>	<u>65,205</u>	<u>69,731</u>
<b>Other operating income</b>				
Fee income:				
Commission	108	103	314	279
Service charges and fees	246	162	676	520
Guarantee fees	88	82	258	222
	<u>442</u>	<u>347</u>	<u>1,248</u>	<u>1,021</u>
Commission paid on will/wasiat	-	-	(1)	(1)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	1,874	2,000	8,404	4,491
	<u>1,874</u>	<u>2,000</u>	<u>8,404</u>	<u>4,491</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	489	229	611	501
- unrealised	(309)	27	208	303
Other non-operating income	91	115	273	720
	<u>271</u>	<u>371</u>	<u>1,092</u>	<u>1,524</u>
<b>Total income derived from investment of shareholders' fund</b>	<u>22,488</u>	<u>26,177</u>	<u>75,948</u>	<u>76,766</u>

## 32 MODIFICATION LOSS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended Current Financial Quarter 30/9/2020 RM'000	Preceding Year Corresponding Quarter 30/9/2019 RM'000	Cumulative Quarter Ended Current Financial Quarter 30/9/2020 RM'000	Preceding Year Corresponding Quarter 30/9/2019 RM'000
Modification loss	-	-	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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**MFRS 134 INTERIM FINANCIAL REPORTING - 30 September 2020****33 ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCING, ADVANCES AND OTHER FINANCING**

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended	30/9/2019	Cumulative Quarter Ended	30/9/2019
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Expected credit loss ("ECL") made on/(written-back):				
- Financing, advances and other financing	30,593	11,932	69,380	24,207
- Securities	1,894	115	3,137	272
- Financing commitments and financial guarantees	(1,109)	(1,297)	(2,092)	(4,650)
Bad debts and financing				
- recovered	(1,298)	(1,048)	(2,673)	(2,795)
- written-off	51	83	334	211
	<b>30,131</b>	<b>9,785</b>	<b>68,086</b>	<b>17,245</b>

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

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment for amount due from joint ventures	11,265	1,933	12,280	1,933

**35 INCOME ATTRIBUTABLE TO DEPOSITORS**

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended	30/9/2019	Cumulative Quarter Ended	30/9/2019
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudarabah	335	454	1,077	1,357
- Non-Mudarabah	126,039	200,993	401,207	579,120
Deposits and placements of banks and other financial institutions				
- Mudarabah	5,996	1,285	13,792	6,199
Finance expense-Subordinated term financing and medium term notes	14,337	14,337	43,012	42,816
Restricted investment account - Mudarabah	19,833	22,842	63,084	70,656
Others	48	22	101	45
	<b>166,588</b>	<b>239,933</b>	<b>522,273</b>	<b>700,193</b>

**36 OTHER OPERATING EXPENSES**

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended	30/9/2019	Cumulative Quarter Ended	30/9/2019
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Personnel costs (a)	39,296	49,120	120,955	137,509
Establishment costs (b)	15,694	18,034	49,137	47,446
Marketing expenses (c)	1,325	1,339	3,559	4,498
Administrative and general expenses (d)	3,752	3,004	10,940	8,799
	<b>60,067</b>	<b>71,497</b>	<b>184,591</b>	<b>198,252</b>

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**36 OTHER OPERATING EXPENSES (continued)**

(a) Personnel costs

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/9/2020	30/9/2019	Cumulative Quarter Ended 30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	30,238	37,153	93,266	104,255
Defined contribution plan ('EPF')	5,060	6,164	15,546	17,410
Other personnel costs	3,998	5,803	12,143	15,844
	<b>39,296</b>	<b>49,120</b>	<b>120,955</b>	<b>137,509</b>

(b) Establishment costs

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/9/2020	30/9/2019	Cumulative Quarter Ended 30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Equipment rental	145	216	431	622
Repair and maintenance	6,451	3,228	19,132	8,897
Depreciation of property and equipment	160	182	520	584
Amortisation of intangible assets	54	45	160	130
Depreciation of right-of-use assets	251	336	904	1,011
IT consultancy fees	4,330	4,641	13,016	12,564
Dataline rental	1,417	3,073	4,261	8,005
Security services	725	3,180	2,145	8,192
Electricity, water and sewerage	1,506	1,477	4,512	4,014
Licence fee	85	84	260	283
Insurance/takaful and indemnities	4	487	2,108	1,733
Other establishment costs	566	1,085	1,688	1,411
	<b>15,694</b>	<b>18,034</b>	<b>49,137</b>	<b>47,446</b>

(c) Marketing expenses

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/9/2020	30/9/2019	Cumulative Quarter Ended 30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Business promotion and advertisement	285	638	334	955
Entertainment	116	150	341	277
Traveling and accommodation	310	381	953	1,272
Commissions expenses	103	86	261	453
Brokerage expenses	223	(203)	647	521
Other marketing expenses	288	287	1,023	1,020
	<b>1,325</b>	<b>1,339</b>	<b>3,559</b>	<b>4,498</b>

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**36 OTHER OPERATING EXPENSES (continued)**

(d) Administration and general expenses

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Telecommunication expenses	493	502	1,499	1,472
Auditors' remuneration	187	256	555	616
Professional fees	686	185	2,038	334
Property and equipment written-off	1	-	1	-
Mail and courier charges	229	243	672	759
Stationery and consumables	983	684	2,331	2,387
Directors' fees and allowances	549	528	1,716	1,586
Shariah fees	147	74	365	289
Donations	40	33	296	48
Settlement, clearing and bank charges	382	393	1,198	1,167
Stamp duties	3	2	5	2
GST Input tax-non recoverable	-	-	-	9
Other administration and general expenses	52	104	264	130
	<b>3,752</b>	<b>3,004</b>	<b>10,940</b>	<b>8,799</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	
	30/9/2020	31/12/2019
	Principal amount RM'000	Principal amount RM'000
Direct credit substitutes (*)	65,447	110,704
Transaction-related contingent items	365,095	383,531
Short-term self-liquidating trade related contingencies	241,367	279,759
Irrevocable commitments to extend credit:		
- maturity less than one year	1,648,561	1,450,127
- maturity more than one year	766,132	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	34,361	32,861
Unutilised credit card lines	207,314	167,149
Foreign exchange related contracts (#):		
- less than one year	904,726	514,452
	<b>4,233,003</b>	<b>4,051,316</b>

\* Included in direct credit substitutes as above are financial guarantee contracts of RM65.4million 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 measures 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 determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

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

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Bank's 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 recognises 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>30/9/2020</b>				
<b>Assets</b>				
Derivative financial assets	-	1,673	-	1,673
Financial investments at FVOCI				
- Money market instruments	-	997,357	-	997,357
- Corporate Sukuk	-	1,728,794	-	1,728,794
	-	2,727,824	-	2,727,824
<b>Liabilities</b>				
Derivative financial liabilities	-	5,023	-	5,023
	-	5,023	-	5,023

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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
	<u>-</u>	<u>2,391,806</u>	<u>-</u>	<u>2,391,806</u>
Liabilities				
Derivative financial liabilities	-	6,757	-	6,757
	<u>-</u>	<u>6,757</u>	<u>-</u>	<u>6,757</u>

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

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

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

Description	Fair value assets		Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	30/9/2020 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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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 the 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 complies 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 September 2020.

**40 CAPITAL ADEQUACY**

The capital adequacy ratios are as follows:

	<b>Economic Entity</b>		<b>The Bank</b>	
	<b>30/9/2020</b>	<b>31/12/2019</b>	<b>30/9/2020</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>719,624</b>	602,260	<b>721,024</b>	602,910
FVOCI revaluation reserves	<b>11,356</b>	19,492	<b>11,356</b>	19,492
	<b>1,790,980</b>	1,681,752	<b>1,792,380</b>	1,682,402
Less:				
Intangible assets	<b>(612)</b>	(771)	<b>(612)</b>	(771)
Deferred tax assets	<b>(9,078)</b>	-	<b>(9,078)</b>	-
55% of cumulative unrealised gains of FVOCI	<b>(6,246)</b>	(10,721)	<b>(6,246)</b>	(10,721)
Investment in associate/joint ventures	-	(750)	<b>(1,400)</b>	(1,400)
<b>CET1 Capital</b>	<b>1,775,044</b>	1,669,510	<b>1,775,044</b>	1,669,510

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## 40 CAPITAL ADEQUACY (continued)

	Economic Entity		The Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
<b>Additional Tier 1 capital</b>				
Sukuk Wakalah	300,000	300,000	300,000	300,000
	<b>300,000</b>	300,000	<b>300,000</b>	300,000
<b>Total Tier 1 capital</b>	<b>2,075,044</b>	1,969,510	<b>2,075,044</b>	1,969,510
Subordinated medium term financing	800,000	800,000	800,000	800,000
Expected loss provision #	177,112	169,336	177,112	169,336
<b>Tier II capital</b>	<b>977,112</b>	969,336	<b>977,112</b>	969,336
<b>Total capital</b>	<b>3,052,156</b>	2,938,846	<b>3,052,156</b>	2,938,846
CET1 capital ratio	11.928%	11.720%	11.928%	11.720%
Tier 1 capital ratio	13.944%	13.826%	13.944%	13.826%
Total capital ratio	20.510%	20.631%	20.510%	20.631%
Risk-weighted assets for:				
Credit risk	14,168,963	13,546,898	14,168,963	13,546,898
Market risk	33,044	13,303	33,044	13,303
Operational risk	679,574	684,842	679,574	684,842
<b>Total risk-weighted assets</b>	<b>14,881,581</b>	14,245,043	<b>14,881,581</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 September 2020, RIA assets excluded from Total Capital Ratio calculation amounted to RM1,994,290,333 (31 December 2019: RM1,919,347,918).

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**41 REVIEW OF PERFORMANCE OF THE BANK**

**Analysis of financial performance of current period year-to-date comparing to previous year's period year-to-date**

The Bank posted a profit before tax of RM58.0 million for the financial period ended 30 September 2020, a decrease of RM27.5 million or 32.2% compared to the previous corresponding period.

The Bank's allowance for impairment on financing, advances and other assets increased by RM61.3 million to RM80.4 million as compared to the previous corresponding nine-month financial period ended 30 September 2019.

The Bank provided a one-off modification loss related to Covid-19 relief measures by BNM amounting to RM29.5 million.

Income derived from investment net of income attributable to the depositors for the nine-month financial period ended 30 September 2020 was RM355.7 million, an increase of RM49.8 million or 16.3% from RM305.9 million in the previous corresponding period. The increase was mainly due to higher gain on financial investments at FVOCI.

The Bank's overhead expenses for the nine-month financial period ended 30 September 2020 recorded a decrease of RM13.6 million or 6.9% to RM184.6 million compared RM198.2 in the previous corresponding nine-month financial period ended 30 September 2019.

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

The Bank posted profit before tax of RM11.4 million for the quarter ended 30 September 2020, a decrease of RM5.9 million or 34.1% compared to the previous period corresponding quarter ended 30 September 2019.

The Bank's allowance for impairment on financing, advances and other assets increased by RM29.7 million to RM41.4 million as compared to the previous period corresponding quarter ended 30 September 2019.

Income derived from investment net of income attributable to the depositors for the quarter ended 30 September 2020 was RM115.4 million, an increase of RM14.9 million or 14.8% from RM100.5 million in the previous period corresponding quarter. The increase was mainly due to higher gain on financial investments at FVOCI.

The Bank's overhead expenses for the quarter ended 30 September 2020 recorded a decrease of RM11.4 million or 15.9% to RM60.1 million compared RM71.5 million in the previous period corresponding quarter ended 30 September 2019.

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#### **42 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. The World Bank has forecasted Malaysia's real gross domestic product (GDP) to contract by -4.9%, lower than its previous projection of -3.1% in 2020. The forecast revision reflects the heightened uncertainty of global economic recovery and evaluated unemployment rate.

Malaysia's economic activities contracted sharply in the first half of the year (-8.3% YoY) due to measures taken to contain the pandemic globally and domestically. However, Malaysia's economy is expected to recover gradually in the second half of the year supported by the recovery in global growth and continuous policy support. The pace and strength of recovery remain susceptible to the downside risk emanating from domestic and external factors. BNM is forecasting Malaysia's GDP to be between -3.5% and -5.5% in 2020.

In response to the economic headwinds, the government has announced economic stimulus packages such as PRIHATIN, PRIHATIN SME PLUS and National Economic Recovery Plan (PENJANA) amounting to RM295 billion including automatic financing moratorium of 6 months. In addition, the government has also introduced PRIHATIN Supplementary Initiative Package (KITA PRIHATIN) which emphasizes protecting people, jobs and businesses specifically the SMEs.

##### **STRATEGY MOVING FORWARD**

AFFIN Islamic Bank is optimistic with the improvement shown in the economic data but wary of the persistent weak labour market conditions as well as looming risks of the COVID-19's resurgence. The latest decision taken by Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) to maintain the Overnight Policy Rate (OPR) at 1.75% had helped banks to fend off further compression in Net Profit Margin (NPM). However, expectation of another cut remains.

For the benefit of our customers, The Bank will continue to support the implementation of financial measures announced by the Government under stimulus packages namely PRIHATIN, PENJANA and KITA PRIHATIN including the 6 months moratorium package. Post moratorium period, the Bank continues to offer Moratorium Extension Program and Financial Assistance and Installment Relief (FAIR) program to targeted groups of customers that were badly affected by the pandemic.

Moving forward, the Bank is also strengthening its balance sheet management to address liquidity excess and funding cost effectively while at the same time preserving compliance towards regulatory requirements. It is evident that certain sectors and populations are bearing the brunt of COVID-19 economic impact, thus the Bank continues to monitor its credit risk exposure on selected industries.

Other strategic areas of focus such as sustaining stable profitability, preserving strong asset quality and effective cost structure shall remain as its key considerations as we maneuver through the challenging economic landscape of 2020.