

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 31 December 2020

	Note	Economic Entity		The Bank	
		31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
ASSETS					
Cash and short-term funds		2,794,278	1,588,868	2,794,278	1,588,868
Deposits and placements with banks and other financial institutions		50,058	-	50,058	-
Derivative financial assets	13	11,558	1,000	11,558	1,000
Financial investments at fair value through other comprehensive income ('FVOCI')	14	2,828,166	2,390,806	2,828,166	2,390,806
Financing, advances and other financing	15	19,380,090	18,580,253	19,380,090	18,580,253
Other assets	16	64,563	34,593	64,563	34,593
Amount due from holding company		-	53,946	-	53,946
Amount due from joint ventures	17	15,073	28,402	15,073	28,402
Amount due from associate	18	-	900	-	900
Tax recoverable		-	15,550	-	15,550
Deferred tax assets		12,390	-	12,390	-
Statutory deposits with Bank Negara Malaysia		-	526,000	-	526,000
Investment in joint ventures		-	-	-	650
Investment in associate		-	750	-	750
Property and equipment		1,383	1,980	1,383	1,980
Right-of-use assets		1,085	1,554	1,085	1,554
Intangible assets		558	771	558	771
TOTAL ASSETS		25,159,202	23,225,373	25,159,202	23,226,023
LIABILITIES AND EQUITY					
Deposits from customers	19	18,665,991	17,306,338	18,665,991	17,306,338
Investment accounts of customers	20	2,151	1,447	2,151	1,447
Deposits and placements of banks and other financial institutions	21	1,225,873	536,011	1,225,873	536,011
Investment accounts due to designated financial institutions	22	1,751,038	1,918,295	1,751,038	1,918,295
Recourse obligation on financing sold to Cagamas Berhad	23	50,034	-	50,034	-
Derivative financial liabilities	24	25,572	6,757	25,572	6,757
Other liabilities	25	67,912	422,685	67,912	422,685
Amount due to holding company		299,815	-	299,815	-
Provision for taxation		6,234	-	6,234	-
Deferred tax liabilities		-	2,604	-	2,604
Lease liabilities	26	2,433	1,568	2,433	1,568
Subordinated term financing and medium term notes	27	1,111,034	1,111,034	1,111,034	1,111,034
TOTAL LIABILITIES		23,208,087	21,306,739	23,208,087	21,306,739
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	28	891,115	858,634	891,115	859,284
TOTAL EQUITY		1,951,115	1,918,634	1,951,115	1,919,284
TOTAL LIABILITIES AND EQUITY		25,159,202	23,225,373	25,159,202	23,226,023
COMMITMENTS AND CONTINGENCIES					
	38	4,357,811	4,051,316	4,357,811	4,051,316
CAPITAL ADEQUACY RATIOS					
CET1 capital ratio		12.234%	11.720%	12.234%	11.720%
Tier 1 capital ratio	41	14.226%	13.826%	14.226%	13.826%
Total capital ratio		20.271%	20.535%	20.271%	20.535%

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 31 December 2020

	Note	Economic Entity		Economic Entity	
		Individual Quarter Ended 31/12/2020 RM'000	31/12/2019 RM'000	Cumulative Quarter Ended 31/12/2020 RM'000	31/12/2019 RM'000
Income derived from investment of depositors' funds and others	30	224,802	263,151	951,973	1,113,114
Income derived from investment of investment account funds	31	21,438	27,941	96,333	107,323
Income derived from investment of shareholders' funds	32	22,564	27,775	98,512	104,541
Modification loss	33	(1,612)	-	(31,066)	-
Allowances for impairment losses on financing, advances and other financing	34	(22,975)	(37,603)	(91,061)	(54,848)
Allowance for impairment losses on other assets	35	(4,226)	(2,757)	(16,506)	(4,690)
Total distributable income		239,991	278,507	1,008,185	1,265,440
Income attributable to the depositors and others	36	(139,839)	(207,162)	(662,112)	(907,355)
Total net income		100,152	71,345	346,073	358,085
Other operating expenses	37	(60,944)	(63,671)	(245,535)	(261,923)
		39,208	7,674	100,538	96,162
Share of associate's results		-	-	(750)	-
Profit before zakat and taxation		39,208	7,674	99,788	96,162
Zakat		-	-	(2,540)	(3,000)
Profit before taxation		39,208	7,674	97,248	93,162
Taxation		(18,235)	(4,936)	(40,356)	(26,075)
Net profit after zakat and taxation		20,973	2,738	56,892	67,087
Attributable to:					
Equity holder of the Bank		20,973	2,738	56,892	67,087
Earnings per share (sen):					
- Basic		2.0	0.3	5.4	6.3

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 31 December 2020 (continued)

	Economic Entity		Economic Entity	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	20,973	2,738	56,892	67,087
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	(16,795)	(57)	67,993	101,557
Net credit impairment losses change in financial investments at FVOCI	366	(246)	2,837	26
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	(5,101)	(22,236)	(103,846)	(80,117)
Deferred tax on				
- financial investments at FVOCI	5,255	5,350	8,605	(5,146)
Other comprehensive income for the financial period, net of tax	(16,275)	(17,189)	(24,411)	16,320
Total comprehensive income for the financial period	4,698	(14,451)	32,481	83,407
Attributable to equity holder of the Bank:				
- Total comprehensive income	4,698	(14,451)	32,481	83,407

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS *for the financial quarter ended 31 December 2020*

(continued)

	Note	The Bank		The Bank	
		Individual Quarter Ended	Individual Quarter Ended	Cumulative Quarter Ended	Cumulative Quarter Ended
		31/12/2020	31/12/2019	31/12/2020	31/12/2019
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	30	224,802	263,151	951,973	1,113,114
Income derived from investment of investment account funds	31	21,438	27,941	96,333	107,323
Income derived from investment of shareholders' funds	32	22,564	27,775	98,512	104,541
Modification loss	33	(1,612)	-	(31,066)	-
Allowances for impairment losses on financing, advances and other financing	34	(22,975)	(37,603)	(91,061)	(54,848)
Allowance for impairment losses on other assets	35	(5,626)	(2,757)	(17,906)	(4,690)
Total distributable income		238,591	278,507	1,006,785	1,265,440
Income attributable to the depositors and others	36	(139,839)	(207,162)	(662,112)	(907,355)
Total net income		98,752	71,345	344,673	358,085
Other operating expenses	37	(60,944)	(63,671)	(245,535)	(261,923)
Profit before zakat and taxation		37,808	7,674	99,138	96,162
Zakat		-	-	(2,540)	(3,000)
Profit before taxation		37,808	7,674	96,598	93,162
Taxation		(18,235)	(4,936)	(40,356)	(26,075)
Net profit after zakat and taxation		19,573	2,738	56,242	67,087
Attributable to:					
Equity holder of the Bank		19,573	2,738	56,242	67,087
Earnings per share (sen):					
- Basic		1.8	0.3	5.3	6.3

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 31 December 2020 (continued)

	The Bank		The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	19,573	2,738	56,242	67,087
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	(16,795)	(57)	67,993	101,557
Net credit impairment losses change in financial investments at FVOCI	366	(246)	2,837	26
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	(5,101)	(22,236)	(103,846)	(80,117)
Deferred tax on				
- financial investments at FVOCI	5,255	5,350	8,605	(5,146)
Other comprehensive income for the financial period, net of tax	(16,275)	(17,189)	(24,411)	16,320
Total comprehensive income for the financial period	3,298	(14,451)	31,831	83,407
Attributable to equity holder of the Bank:				
- Total comprehensive income	3,298	(14,451)	31,831	83,407

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY***for the financial quarter ended 31 December 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
At 1 January 2020	1,060,000	19,492	236,882	602,260	1,918,634
Net profit for the financial period	-	-	-	56,892	56,892
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(24,411)	-	-	(24,411)
Total comprehensive income for the financial period	-	(24,411)	-	56,892	32,481
Transfer from regulatory reserves	-	-	(109,789)	109,789	-
At 31 December 2020	1,060,000	(4,919)	127,093	768,941	1,951,115
Economic Entity	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	1,060,000	3,172	194,384	577,671	1,835,227
Net profit for the financial period	-	-	-	67,087	67,087
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	16,320	-	-	16,320
Total comprehensive income for the financial period	-	16,320	-	67,087	83,407
Transfer to regulatory reserves	-	-	42,498	(42,498)	-
At 31 December 2019	1,060,000	19,492	236,882	602,260	1,918,634

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY***for the financial quarter ended 31 December 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
At 1 January 2020	1,060,000	19,492	236,882	602,910	1,919,284
Net profit for the financial period	-	-	-	56,242	56,242
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(24,411)	-	-	(24,411)
Total comprehensive income for the financial period	-	(24,411)	-	56,242	31,831
Transfer from regulatory reserves	-	-	(109,789)	109,789	-
At 31 December 2020	1,060,000	(4,919)	127,093	768,941	1,951,115

	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
At 1 January 2019, as restated	1,060,000	3,172	194,384	578,321	1,835,877
Net profit for the financial period	-	-	-	67,087	67,087
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	16,320	-	-	16,320
Total comprehensive income for the financial period	-	16,320	-	67,087	83,407
Transfer to regulatory reserves	-	-	42,498	(42,498)	-
At 31 December 2019	1,060,000	19,492	236,882	602,910	1,919,284

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 31 December 2020

	Economic Entity		The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	97,248	93,162	96,598	93,162
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments at FVOCI	(84,788)	(100,587)	(84,788)	(100,587)
Gain on sale/redemption:				
- financial investments at FVOCI	(102,388)	(80,432)	(102,388)	(80,432)
Loss on unrealised foreign exchange	8,256	3,510	8,256	3,510
Depreciation of property and equipment	654	766	654	766
Property and equipment written-off	2	2	2	2
Amortisation of intangible assets	213	180	213	180
Depreciation-Lease Premises Rental	1,019	1,347	1,019	1,347
Expected credit losses ('ECL') made on:				
- financing, advances and other financing	94,202	63,805	94,202	63,805
- securities and placements	2,837	26	2,837	26
- financing commitments and financial guarantees	(2,533)	(5,618)	(2,533)	(5,618)
Bad debt on financing written-off	376	789	376	789
Allowance for impairment losses on other assets	16,506	4,690	17,906	4,690
Share of associate's results	750	-	-	-
Modification loss on contractual cash flows arising from financial assets	31,066	-	31,066	-
Profit expense - Subordinated term financing and medium term notes	57,350	57,154	57,350	57,154
Finance expense on lease liabilities	91	52	91	52
Profit expense - Recourse obligation on financing sold to Cagamas Berhad	34	-	34	-
Zakat	2,540	3,000	2,540	3,000
Operating profit before changes in working capital	123,435	41,846	123,435	41,846
(Increase)/decrease in operating assets:				
Deposits and placements with banks and other financial institutions	(50,058)	-	(50,058)	-
Financing, advances and other financing	(925,481)	(26,987)	(925,481)	(26,987)
Other assets	(28,149)	8,436	(28,149)	8,436
Statutory deposits with Bank Negara Malaysia	526,000	(14,000)	526,000	(14,000)
Amount due from holding company	53,946	53,776	53,946	53,776
Amount due from joint ventures	(1,920)	(1,797)	(1,920)	(1,797)
Amount due from associate	(356)	(400)	(356)	(400)
Derivative financial instruments	8,256	3,510	8,256	3,510

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 31 December 2020***(continued)*

	Economic Entity		The Bank	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Decrease/(Increase) in operating liabilities:				
Deposits from customers	1,359,653	(2,381,050)	1,359,653	(2,381,050)
Investment accounts of customers	704	572	704	572
Deposits and placements of banks and other financial institutions	689,862	290,429	689,862	290,429
Investment accounts due to designated financial institutions	(167,257)	(450,000)	(167,257)	(450,000)
Amount due to holding company	299,815	-	299,815	-
Other liabilities	(352,466)	337,651	(352,466)	337,651
Cash generated from operations	1,535,984	(2,138,014)	1,535,984	(2,138,014)
Zakat paid	(2,312)	(2,212)	(2,312)	(2,212)
Tax refund	4,000	-	4,000	-
Tax paid	(28,961)	(34,917)	(28,961)	(34,917)
Net cash generated from/(used in) operating activities	1,508,711	(2,175,143)	1,508,711	(2,175,143)
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- financial investments at FVOCI	95,295	101,395	95,295	101,395
Purchase of financial investments at FVOCI	(3,554,748)	(2,946,228)	(3,554,748)	(2,946,228)
Purchase of financial investments at FVOCI	3,173,416	3,460,743	3,173,416	3,460,743
Purchase of property and equipment	(500)	(177)	(500)	(177)
Purchase of intangible assets	-	(10)	-	(10)
Net cash (used in)/generated from investing activities	(286,537)	615,723	(286,537)	615,723
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from recourse obligation on financing sold				
Issuance of subordinated term financing and	50,000	-	50,000	-
Profit payment - Subordinated term financing				
and medium term notes	(57,350)	(57,350)	(57,350)	(57,350)
Lease payments	(1,158)	(1,385)	(1,158)	(1,385)
Net cash used in financing activities	(8,508)	(58,735)	(8,508)	(58,735)
Net increase/(decrease) in cash and cash	1,213,666	(1,618,155)	1,213,666	(1,618,155)
Effects of foreign exchange	(8,256)	(3,510)	(8,256)	(3,510)
Cash and cash equivalents at beginning of the financial period	1,588,868	3,210,533	1,588,868	3,210,533
CASH AND CASH EQUIVALENTS AT				
END OF THE FINANCIAL PERIOD	2,794,278	1,588,868	2,794,278	1,588,868
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and short-term funds	2,794,278	1,588,868	2,794,278	1,588,868

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 - 31 December 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:

Standards, amendments to published standards and interpretations that are effective

- 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) The Conceptual Framework for Financial Reporting (Revised 2018)
 - (ii) Amendments to MFRS 101 and MFRS 108 'Definition of Material'
 - (iii) Amendments to MFRS 3 "Definition of a Business"
 - (iv) Amendments to MFRS 7, MFRS 9 and MFRS 139 "Interest Rate Benchmark Reform"

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;
- (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;

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

2 ACCOUNTING POLICIES (continued)

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

(v) Banking institutions are also allowed to implement a lower minimum Net Stable Funding Ratio ('NSFR') of 80% effective 1
The financial impact of the moratorium to profit income of the Bank are disclosed in Note 33.

Standards early adopted by the Bank

The Bank has early adopted the MFRS 16 amendment for the first time in its annual financial statements ended 31 December 2020; with the date of initial application of 1 January 2020. The detailed impacts of the changes in accounting policies on Covid-19-related rent concessions are disclosed in Note 26.

During the financial year, the Bank changed its accounting policies on Covid-19-related rent concession upon early adoption of the MFRS 16 amendment.

In accordance with the transitional provisions provided in the MFRS 16 amendment, the comparative information for 2019 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles in MFRS 16.

On adoption of the MFRS 16 amendment, the Bank is not required to assess whether a Covid-19-related rent concession that meets all of the following conditions is a lease modification:

- 1) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 2) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- 3) there is no substantive change to other terms and conditions of the lease.

The Bank accounts for such Covid-19-related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective

- Annual Improvements to MFRS 9 'Fees in the 10% Test for Derecognition of Financial Liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds Before Intended Use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

2 ACCOUNTING POLICIES (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective (continued)

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A financing is classified as non-current if a covenant is breached after the reporting date.

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 'Financial Instruments: Presentation' is considered in the current or non-current classification of the convertible instrument.

The amendments shall be applied retrospectively.

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 31 December 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 31 December 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 31 December 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 31 December 2020 .

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	31/12/2020		31/12/2019	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	392,631	11,558	125,647	1,000
	392,631	11,558	125,647	1,000

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

	Economic Entity and The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000
At fair value		
Money market instruments:		
Malaysian Government investment issues	1,187,871	860,976
Khazanah Sukuk	-	53,074
	1,187,871	914,050
Unquoted securities:		
Corporate Sukuk in Malaysia	1,640,295	1,476,756
	2,828,166	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:

	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	
Economic Entity and The Bank				
31/12/2020				
At beginning of the financial year	283	-	-	283
Financial assets derecognised during the financial year (other than write-offs)	(2,802)	-	-	(2,802)
New financial assets originated or purchased	458	-	-	458
Changes due to change in credit risk	4,971	-	-	4,971
Changes in model/risk parameters	210	-	-	210
At end of the financial year	3,120	-	-	3,120
Economic Entity and The Bank				
31/12/2019				
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
At end of the financial year	283	-	-	283

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

15 FINANCING, ADVANCES AND OTHER FINANCING

(i) By type

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Cash line	466,589	469,379
Term financing		
- House financing	7,765,469	7,351,173
- Hire purchase receivables	4,022,480	3,820,401
- Syndicated financing	759,504	746,036
- Business term financing	4,922,324	4,885,355
Bills receivables	8,429	11,668
Trust receipts	13,140	30,232
Claims on customers under acceptances credits	508,029	447,486
Staff financing (of which RM Nil to Directors)	85,141	62,761
Credit/charge card	38,076	30,828
Revolving credit	975,306	897,504
Gross financing, advances and other financing	19,564,487	18,752,823
Less:		
Allowance for impairment losses		
- Expected credit losses ("ECL")	(184,397)	(172,570)
Total net financing, advances and other financing	19,380,090	18,580,253

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

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Maturing within one year	2,167,842	2,026,732
One year to three years	497,543	736,716
Three years to five years	2,493,251	1,819,649
Over five years	14,405,851	14,169,726
	19,564,487	18,752,823

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(iii) By contract

Economic Entity and The Bank
2020
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Tawarruq	Musyarakah	Istisna'	Others	Total
Cash line	-	-	-	-	443,131	-	-	23,458	466,589
Term financing									
House financing	656,962	-	-	-	109,272	6,999,235	-	-	7,765,469
Hire purchase receivables	-	-	4,022,480	-	-	-	-	-	4,022,480
Syndicated financing	-	-	-	-	759,504	-	-	-	759,504
Business term financing	88,625	861,733	-	226,018	2,245,939	966,271	533,018	720	4,922,324
Bills receivables	-	-	-	3,261	-	-	-	5,168	8,429
Trust receipts	-	-	-	13,140	-	-	-	-	13,140
Claims on customers under acceptance credits	-	-	-	508,029	-	-	-	-	508,029
Staff financing	3,865	-	-	18,751	22,177	40,348	-	-	85,141
Credit/charge cards	-	-	-	-	38,076	-	-	-	38,076
Revolving credit	-	-	-	-	975,306	-	-	-	975,306
Total Financing	749,452	861,733	4,022,480	769,199	4,593,405	8,005,854	533,018	29,346	19,564,487

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
Total Financing	796,679	1,003,168	3,820,401	748,877	4,191,867	7,473,202	668,452	50,177	18,752,823

(iv) By type of customer

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Domestic non-banking institutions		
- Others	48,305	54,004
Domestic business enterprises		
- Small medium enterprises	2,100,434	1,856,190
- Others	4,011,059	4,126,493
Government and statutory bodies	710,245	766,167
Individuals	12,427,101	11,614,413
Other domestic entities	508	791
Foreign entities	266,835	334,765
	19,564,487	18,752,823

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(v) **By profit rate sensitivity**

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Fixed rate		
- House financing	41,875	43,139
- Hire purchase receivables	4,022,480	3,820,401
- Other fixed rate financing	839,503	1,317,831
Variable rate		
- BFR plus	12,011,070	11,188,990
- Cost-plus	2,649,559	2,378,795
- Other variable rate	-	3,667
	19,564,487	18,752,823

(vi) **By economic sector**

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Primary agriculture	778,346	932,467
Mining and quarrying	242,201	291,515
Manufacturing	881,806	581,702
Electricity, gas and water supply	381,561	406,121
Construction	574,845	538,749
Real estate	1,564,841	1,933,214
Wholesale & retail trade and restaurants & hotels	749,260	552,127
Transport, storage and communication	334,878	312,231
Finance, takaful/insurance and business services	392,124	352,239
Education, health and others	1,181,146	1,182,078
Household	12,483,479	11,670,380
	19,564,487	18,752,823

(vii) **By economic purpose**

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Purchase of securities	390,285	299,615
Purchase of transport vehicles	4,078,560	3,875,863
Purchase of landed property of which:		
- Residential	7,910,750	7,493,000
- Non-residential	2,303,988	2,239,936
Fixed assets other than land and building	79,361	87,328
Personal use	203,042	91,521
Credit/charge card	38,076	30,829
Consumer durable	72	3
Construction	922,421	1,136,280
Working capital	3,248,466	3,064,617
Others	389,466	433,831
	19,564,487	18,752,823

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(viii) **By geographical distribution**

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Perlis	163,132	197,380
Kedah	821,156	804,254
Pulau Pinang	997,635	892,939
Perak	576,561	560,277
Selangor	6,558,963	6,129,408
Wilayah Persekutuan	3,898,850	4,020,100
Negeri Sembilan	1,012,321	946,808
Melaka	275,943	273,003
Johor	2,394,578	2,288,851
Pahang	670,627	649,610
Terengganu	518,449	490,462
Kelantan	270,662	204,564
Sarawak	576,670	497,834
Sabah	802,649	699,888
Labuan	26,287	27,651
Outside Malaysia	4	69,794
	19,564,487	18,752,823

(ix) **Movements of impaired financing**

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
At beginning of the financial year	607,312	530,829
Classified as impaired	121,621	315,874
Reclassified as non-impaired	(103,492)	(183,350)
Amount recovered	(214,880)	(35,889)
Amount written-off	(95,090)	(20,152)
At end of the financial year	315,471	607,312
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (exclude restricted investment accounts)	1.77%	2.47%

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020**15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(x) Impaired financing by economic sector**

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Primary agriculture	145	41
Mining and quarrying	31	-
Manufacturing	60,136	62,644
Electricity, gas and water supply	45	47
Construction	3,131	8,613
Real estate	12,039	272,960
Wholesale & retail trade and restaurants & hotels	1,380	1,817
Transport, storage and communication	75,334	75,697
Finance, takaful/insurance and business services	431	1,039
Education, health and others	192	218
Household	162,607	184,236
	315,471	607,312

(xi) Impaired financing by economic purpose

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Purchase of securities	34	39
Purchase of transport vehicles	22,533	18,620
Purchase of landed property of which:		
- Residential	136,711	166,184
- Non-residential	18,953	212,960
Personal use	1,276	1,202
Credit/charge card	131	263
Construction	57,183	100,988
Working capital	78,640	107,052
Others	10	4
	315,471	607,312

(xii) Impaired financing by geographical distribution

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Perlis	2,461	2,543
Kedah	7,298	8,080
Pulau Pinang	6,522	8,044
Perak	81,627	82,361
Selangor	80,662	98,570
Wilayah Persekutuan	90,039	284,312
Negeri Sembilan	17,180	16,777
Melaka	2,019	4,894
Johor	17,183	19,911
Pahang	1,600	2,531
Terengganu	3,519	4,666
Kelantan	3,245	2,367
Sarawak	338	581
Sabah	1,778	1,899
Outside Malaysia	-	69,776
	315,471	607,312

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

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

Economic Entity and The Bank 31/12/2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	51,043	17,171	104,356	172,570
Total transfer between stages	10,438	14,072	(24,510)	-
Due to change in credit risk :-				
- Transfer to 12-month ECL (Stage 1)	18,731	(14,585)	(4,146)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(8,276)	30,441	(22,165)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(17)	(1,784)	1,801	-
Financing, advances and other financing derecognised during the financial year (other than write-offs)	(26,531)	(2,557)	(2,595)	(31,683)
New financing, advances and other financing originated or purchased	29,947	981	106	31,034
Changes due to change in credit risk	(2,291)	28,623	87,699	114,031
Changes in models/risk parameters	(15,345)	(3,584)	(251)	(19,180)
Write-offs	-	-	(82,488)	(82,488)
Other adjustments	-	-	113	113
At end of the financial year	47,261	54,706	82,430	184,397

Economic Entity and The Bank 31/12/2019	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total 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)
At end of the financial year	51,043	17,171	104,356	172,570

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

16 OTHER ASSETS

Economic Entity and The Bank	
31/12/2020	31/12/2019
RM'000	RM'000
Other debtors	497
Deposits and prepayments	481
Cheque clearing accounts	28,742
Foreclosed properties (a)	4,873
64,563	34,593

(a) Foreclosed properties

At beginning/end of the financial year

4,873	4,873
--------------	--------------

17 AMOUNT DUE FROM JOINT VENTURES

Economic Entity and The Bank	
31/12/2020	31/12/2019
RM'000	RM'000
Advances to joint ventures	57,140
Expected credit losses (a)	(28,738)
15,073	28,402

(a) Movement in expected credit losses

At beginning of the financial year
Allowance made during the financial year
At end of the financial year

Lifetime ECL credit impaired Stage 3	Lifetime ECL credit impaired Stage 3
RM'000	RM'000
28,738	24,048
15,249	4,690
43,987	28,738

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

18 AMOUNT DUE FROM ASSOCIATE

Economic Entity and The Bank	
31/12/2020	31/12/2019
RM'000	RM'000
Advances to an associate	900
Less: Expected credit losses ("ECL")	-
-	900

(a) Movement in expected credit losses

At beginning of the financial year
Allowance made during the financial year
At end of the financial year

Lifetime ECL credit impaired Stage 3	Lifetime ECL credit impaired Stage 3
RM'000	RM'000
-	-
1,257	-
1,257	-

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

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

19 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Economic Entity and The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000
Qard		
Demand deposits	3,539,236	2,954,059
Savings deposits	1,005,821	646,907
	<u>4,545,057</u>	<u>3,600,966</u>
Mudarabah		
General investment deposits	57,313	61,558
Tawarruq		
Murabahah term deposits	13,333,675	13,241,472
Commodity Murabahah	516,492	402,074
Savings deposits	102,574	157
Demand deposit	110,880	111
	<u>14,063,621</u>	<u>13,643,814</u>
	<u>18,665,991</u>	<u>17,306,338</u>

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

	Economic Entity and The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000
Due within six months	8,831,048	6,476,907
Six months to one year	3,731,511	6,138,589
One year to three years	822,817	411,815
Three years to five years	5,612	275,719
	<u>13,390,988</u>	<u>13,303,030</u>

(iii) By type of customer

	Economic Entity and The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000
Government and statutory bodies	6,651,501	6,655,399
Business enterprise	4,215,444	4,411,025
Individuals	6,972,875	5,269,030
Domestic banking institutions	7,826	1,160
Domestic non-banking financial institutions	484,295	658,945
Foreign entities	133,648	110,692
Others entities	200,402	200,087
	<u>18,665,991</u>	<u>17,306,338</u>

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

20 INVESTMENT ACCOUNTS OF CUSTOMERS

Economic Entity and The Bank	
31/12/2020	31/12/2019
RM'000	RM'000
Mudarabah	
2,151	1,447

Economic Entity and The Bank	
31/12/2020	31/12/2019
RM'000	RM'000
Movement in investment accounts	
At beginning of the financial year	1,447
New placement during the financial year	1,905
Redemption during the financial year	(1,201)
Finance expense on RIA	285
Profit distributed	(285)
At end of the financial year	1,447

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

	Economic Entity and The Bank			
	31/12/2020	31/12/2019	31/12/2020	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:

Six months to one year	85	5.70	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

Economic Entity and The Bank	
31/12/2020	31/12/2019
RM'000	RM'000
Qard	
Licensed banks	
201,505	69,968
201,505	69,968

Tawarruq

Licensed banks	200,912	132,227
Licensed investment banks	3,115	-
Other financial institutions	820,341	333,816
1,024,368	466,043	
1,225,873	536,011	

Maturity structure of deposits are as follows:

Due within six months	1,225,873	536,011
	1,225,873	536,011

22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

Economic Entity and The Bank	
31/12/2020	31/12/2019
RM'000	RM'000
Mudarabah	
Licensed banks	
1,751,038	1,918,295

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020**22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS (continued)**

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Maturity structure of investment accounts are as follows:		
Due within six months	16,129	92,729
Six months to one year	40,488	398
One year to three years	24,849	113,864
Three years to five years	602,311	296,656
Five years and above	1,067,261	1,414,648
	1,751,038	1,918,295

	Economic Entity and The Bank	
	31/12/2020	31/12/2019
	RM'000	RM'000
Movement in investment accounts		
At beginning of the financial year	1,918,295	2,368,295
New placement during the financial year	196,746	181,504
Redemption during the financial year	(356,601)	(628,637)
Finance expense on RIA	74,203	86,574
Profit distributed	(75,807)	(86,760)
Exchange difference	(5,798)	(2,681)
At end of the financial year	1,751,038	1,918,295

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

	Economic Entity and The Bank			
	31/12/2020		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	70	0.89	83	4.33
Six months to one year	89	5.56	85	7.11
One year to three years	70	2.68	87	5.44
Three years to five years	84	4.49	83	5.45
Five years and above	89	4.85	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 RM1,751.0 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 RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS BERHAD

	Economic Entity and The Bank			
	31/12/2020	31/12/2019		
	RM'000	RM'000		
Recourse obligation on financing sold to Cagamas Berhad	50,034	-		
	At	Cash flow	Profit	At
	1 January		expense	31 December
	2020	RM'000	RM'000	2020
	RM'000			RM'000
Recourse obligation on financing sold to Cagamas Berhad	-	50,000	34	-

This represents the proceeds received from housing financing sold directly to Cagamas Berhad with recourse to the Bank. Under this agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing which is regarded as defective based on prudential criteria set by Cagamas Berhad. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. These financial liabilities are stated at amortised cost.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

24 DERIVATIVE FINANCIAL LIABILITIES

	Economic Entity and The Bank			
	31/12/2020		31/12/2019	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	819,530	25,572	388,806	6,757
	819,530	25,572	388,806	6,757

25 OTHER LIABILITIES

	Economic Entity and The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	1,599	1,639
Margin and collateral deposits	18,263	16,979
Other creditors and accruals	10,909	8,067
Sundry creditors	18,692	27,812
Treasury and cheque clearing accounts	-	342,244
Provision for zakat	1,925	1,697
Defined contribution plan (a)	1,415	1,231
Accrued employee benefits	4,746	3,025
Charity funds (b)	35	52
Unearned income	6,346	13,424
Financing commitments (c)	3,982	6,515
	67,912	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

	Economic Entity and The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000
Sources and uses of charity funds		
At beginning of the financial year	52	67
Sources of charity funds		
- Non-Islamic/prohibited income	-	-
- AFFIN Barakah Charity Account-i	24	34
Uses of charity funds		
- Contribution to medical aid	30	-
- Contribution to education	-	15
- Contribution to program/event	11	34
	41	49
At end of the financial year	35	52

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.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

25 OTHER LIABILITIES (Continued)

(c) Movement in expected credit losses

	Economic Entity and The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000
At beginning of the financial year	6,515	12,132
Net remeasurement of loss allowance	(3,694)	(8,706)
Changes in model/risk parameters	221	538
New financing commitments and financial guarantees issued during the financial year	940	2,551
At end of the financial year	3,982	6,515

26 LEASE LIABILITIES

	Economic Entity and The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000
At beginning of financial year, on adoption of MFRS 16	1,568	1,373
Addition	1,932	1,528
Finance expense	91	52
Lease payment	(1,158)	(1,385)
At end of the financial year	2,433	1,568

27 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES

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

	At 1 January 2020 RM'000	Cash flow RM'000	Profit expense RM'000	At 31 December 2020 RM'000
MTN Tier-2 Sukuk Murabahah	807,609	(40,400)	40,400	807,609
AT1S	303,425	(16,950)	16,950	303,425
	1,111,034	(57,350)	57,350	1,111,034

	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
	1,111,231	(57,350)	57,153	1,111,034

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

27 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.

28 RESERVES

	Economic Entity		The Bank	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Retained profits (a)	768,941	602,260	768,941	602,910
FVOCI revaluation reserves (b)	(4,919)	19,492	(4,919)	19,492
Regulatory reserves	127,093	236,882	127,093	236,882
	891,115	858,634	891,115	859,284

- (a) As at 31 December 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 loss of RM8,780,247 in 2020 (2019: Net unrealised gain RM21,232,342).

29 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
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	224,802	263,151	951,973	1,113,114
Income derived from investment of investment account funds	21,438	27,941	96,333	107,323
Income derived from investment of shareholders' funds	22,564	27,775	98,512	104,541
Income attributable to depositors	(139,839)	(207,162)	(662,112)	(907,355)
	128,965	111,705	484,706	417,623
of which:				
Profit earned on impaired financing, advances and other financing	(388)	970	2,450	3,409

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

30 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 31/12/2020	31/12/2019	Cumulative Quarter Ended 31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	153,878	193,631	672,568	862,552
- Other deposits (ii)	70,924	69,520	279,405	250,562
	224,802	263,151	951,973	1,113,114

(i) INCOME DERIVED FROM INVESTMENT OF GENERAL INVESTMENT DEPOSITS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 31/12/2020	31/12/2019	Cumulative Quarter Ended 31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	125,109	145,210	507,130	623,495
Financial investments at FVOCI	14,855	13,487	56,845	63,285
Money at call and deposits with other financial institutions	6,500	13,980	32,305	90,637
	146,464	172,677	596,280	777,417
Accretion of discount less amortisation of premium	(2,629)	(676)	(7,120)	2,197
Total finance income and hibah	143,835	172,001	589,160	779,614
Other operating income				
Fee income:				
Commission	858	1,122	3,001	3,551
Service charges and fees	2,274	2,002	6,890	6,531
Guarantee fees	779	874	2,540	2,806
	3,911	3,998	12,431	12,888
Commission paid on will/wasiat	(2)	(2)	(10)	(12)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	2,652	13,227	60,047	52,361
	2,652	13,227	60,047	52,361
Other income:				
Foreign exchange profit/(loss)				
- realised	8,875	8,426	13,049	12,796
- unrealised	(6,264)	(4,930)	(4,842)	(2,285)
Other non-operating income	871	911	2,733	7,190
	3,482	4,407	10,940	17,701
Total income derived from investment of general investment deposits	153,878	193,631	672,568	862,552

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

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

(ii) INCOME DERIVED FROM INVESTMENT OF OTHER DEPOSITS

	Economic Entity and The Bank		Economic Entity and The Bank	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Finance income and hibah				
Financing, advances and other financing	57,129	51,672	210,676	181,119
Financial investments at FVOCI	6,738	4,906	23,616	18,384
Money at call and deposits with other financial institutions	3,048	5,582	13,420	26,329
	66,915	62,160	247,712	225,832
Accretion of discount less amortisation of premium	(1,153)	(139)	(2,958)	638
Total finance income and hibah	65,762	62,021	244,754	226,470
Other operating income				
Fee income:				
Commission	386	374	1,247	1,031
Service charges and fees	1,007	671	2,862	1,897
Guarantee fees	347	292	1,056	815
	1,740	1,337	5,165	3,743
Commission paid on will/wasiat	(1)	-	(4)	(3)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	1,876	4,618	24,945	15,210
	1,876	4,618	24,945	15,210
Other income:				
Foreign exchange profit/(loss)				
- realised	3,743	2,534	5,421	3,717
- unrealised	(2,583)	(1,380)	(2,011)	(664)
Other non-operating income	387	390	1,135	2,089
	1,547	1,544	4,545	5,142
Total income derived from investment of other deposits	70,924	69,520	279,405	250,562

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

31 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 31/12/2020	31/12/2019	Cumulative Quarter Ended 31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	17,476	20,819	72,637	77,578
Financial investments at FVOCI	2,079	1,964	8,142	7,874
Money at call and deposits with other financial institutions	901	2,180	4,627	11,277
	20,456	24,963	85,406	96,729
Accretion of discount less amortisation of premium	(372)	(68)	(1,020)	273
Total finance income and hibah	20,084	24,895	84,386	97,002
Other operating income				
Fee income:				
Commission	121	154	430	442
Service charges and fees	320	276	987	813
Guarantee fees	110	120	364	349
	551	550	1,781	1,604
Commission paid on will/wasiat	-	-	(1)	(1)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	314	1,871	8,601	6,515
	314	1,871	8,601	6,515
Other income:				
Foreign exchange profit/(loss)				
- realised	1,266	1,073	1,869	1,592
- unrealised	(899)	(598)	(694)	(284)
Other non-operating income	122	150	391	895
	489	625	1,566	2,203
Total income derived from investment of investment account funds	21,438	27,941	96,333	107,323

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

32 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 31/12/2020 RM'000	31/12/2019 RM'000	Cumulative Quarter Ended 31/12/2020 RM'000	31/12/2019 RM'000
Finance income and hibah				
Financing, advances and other financing	18,343	20,678	74,280	75,567
Financial investments at FVOCI	2,178	1,955	8,326	7,670
Money at call and deposits with other financial institutions	954	2,188	4,732	10,985
	<u>21,475</u>	<u>24,821</u>	<u>87,338</u>	<u>94,222</u>
Accretion of discount less amortisation of premium	(385)	(64)	(1,043)	266
Total finance income and hibah	<u>21,090</u>	<u>24,757</u>	<u>86,295</u>	<u>94,488</u>
Other operating income				
Fee income:				
Commission	126	151	440	430
Service charges and fees	333	272	1,009	792
Guarantee fees	114	118	372	340
	<u>573</u>	<u>541</u>	<u>1,821</u>	<u>1,562</u>
Commission paid on will/wasiat	-	-	(1)	(1)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	391	1,855	8,795	6,346
	<u>391</u>	<u>1,855</u>	<u>8,795</u>	<u>6,346</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	1,300	1,050	1,911	1,551
- unrealised	(917)	(580)	(709)	(277)
Other non-operating income	127	152	400	872
	<u>510</u>	<u>622</u>	<u>1,602</u>	<u>2,146</u>
Total income derived from investment of shareholders' fund	<u>22,564</u>	<u>27,775</u>	<u>98,512</u>	<u>104,541</u>

33 MODIFICATION LOSS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Current Financial Quarter 31/12/2020 RM'000	Preceding Year Corresponding Quarter 31/12/2019 RM'000	Current Financial Quarter 31/12/2020 RM'000	Preceding Year Corresponding Quarter 31/12/2019 RM'000
Modification loss	1,612	-	31,066	-

During the financial year, the Bank granted an automatic moratorium on certain financing repayments/payments, by individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. This, among other measures, was to assist customers experiencing temporary financial constraints due to the Covid-19 pandemic and the introduction of the Movement Control Order implemented by the Malaysian Government to control the spread of the pandemic. As a result of the payment moratorium, the Bank recognised a loss from the modification of cash flows of the financing.

The Bank also received funding from the Central Bank and/or the Government, for the purpose of on financing to SMEs at a concessionary rate/below market rate. The financing by the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the Covid-19 pandemic. The benefit under the various government schemes for the Bank that is recognised in the statements of income is applied to address some of the financial and accounting impact incurred by the Bank for Covid-19 related repayments/payments relief measures.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

37 OTHER OPERATING EXPENSES

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Personnel costs (a)	41,106	43,711	162,061	181,220
Establishment costs (b)	15,392	17,145	64,529	64,591
Marketing expenses (c)	1,247	1,920	4,806	6,418
Administrative and general expenses (d)	3,199	895	14,139	9,694
	60,944	63,671	245,535	261,923

(a) Personnel costs

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	31,736	33,104	125,002	137,359
Defined contribution plan ('EPF')	5,294	5,471	20,840	22,881
Other personnel costs	4,076	5,136	16,219	20,980
	41,106	43,711	162,061	181,220

(b) Establishment costs

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Equipment rental	143	360	574	982
Repair and maintenance	6,471	3,497	25,603	12,394
Depreciation of property and equipment	134	182	654	766
Amortisation of intangible assets	53	50	213	180
Depreciation of right-of-use assets	115	336	1,019	1,347
IT consultancy fees	4,327	6,818	17,343	19,382
Dataline rental	1,397	996	5,658	9,001
Security services	655	2,836	2,800	11,028
Electricity, water and sewerage	1,446	1,361	5,958	5,375
Licence fee	88	98	348	381
Insurance/takaful and indemnities	(6)	517	2,102	2,250
Other establishment costs	569	94	2,257	1,505
	15,392	17,145	64,529	64,591

(c) Marketing expenses

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Business promotion and advertisement	251	1,057	585	2,012
Entertainment	113	62	454	339
Traveling and accommodation	309	385	1,262	1,657
Commissions expenses	79	88	340	541
Brokerage expenses	291	156	938	677
Other marketing expenses	204	172	1,227	1,192
	1,247	1,920	4,806	6,418

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

37 OTHER OPERATING EXPENSES (continued)

(d) Administration and general expenses

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 31/12/2020	31/12/2019	Cumulative Quarter Ended 31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Telecommunication expenses	487	238	1,986	1,710
Auditors' remuneration	(192)	46	363	662
Professional fees	718	125	2,756	459
Property and equipment written-off	1	2	2	2
Mail and courier charges	223	227	895	986
Stationery and consumables	671	379	3,002	2,766
Directors' fees and allowances	244	(244)	1,960	1,342
Shariah fees	127	134	492	423
Donations	57	115	353	163
Settlement, clearing and bank charges	393	(171)	1,591	996
Stamp duties	-	-	5	2
GST Input tax-non recoverable	11	-	11	9
Other administration and general expenses	459	44	723	174
	3,199	895	14,139	9,694

38 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	
	31/12/2020	31/12/2019
	Principal amount RM'000	Principal amount RM'000
Direct credit substitutes (*)	68,709	110,704
Transaction-related contingent items	368,737	383,531
Short-term self-liquidating trade related contingencies	294,032	279,759
Irrevocable commitments to extend credit:		
- maturity less than one year	1,372,672	1,450,127
- maturity more than one year	831,745	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	-	32,861
Unutilised credit card lines	209,755	167,149
Foreign exchange related contracts (#):		
- less than one year	1,212,161	514,452
	4,357,811	4,051,316

* Included in direct credit substitutes as above are financial guarantee contracts of RM68.7million 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 24 to the financial statements.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

39 FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell as 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
Economic Entity and The Bank				
31/12/2020				
Assets				
Derivative financial assets	-	11,558	-	11,558
Financial investments at FVOCI				
- Money market instruments	-	1,187,871	-	1,187,871
- Corporate Sukuk	-	1,640,295	-	1,640,295
	-	<u>2,839,724</u>	-	<u>2,839,724</u>
Liabilities				
Derivative financial liabilities	-	25,572	-	25,572
	-	<u>25,572</u>	-	<u>25,572</u>

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

39 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

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	31/12/2020 RM'000	Fair value assets		Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
		31/12/2019 RM'000				
Economic Entity and The Bank						
Financial investments at FVOCI						
Unquoted shares	-	-		Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

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

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

40 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 09 December 2020.

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 ("CET1") and Tier 1 Capital Ratio are 7.00% and 8.50% respectively for the financial year ended 31 December 2020. The minimum regulatory capital adequacy requirement is at 10.50% for total capital ratio.

The table in Note 41 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 31 December 2020.

41 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity			The Bank		
	* 31/12/2020 RM'000	31/12/2020 RM'000	31/12/2019 RM'000	* 31/12/2020 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Paid-up share capital	1,060,000	1,060,000	1,060,000	1,060,000	1,060,000	1,060,000
Retained profits	768,941	768,941	602,260	768,941	768,941	602,910
FVOCI revaluation reserves	(4,919)	(4,919)	19,492	(4,919)	(4,919)	19,492
	1,824,022	1,824,022	1,681,752	1,824,022	1,824,022	1,682,402
Less:						
Intangible assets	(558)	(558)	(771)	(558)	(558)	(771)
Deferred tax assets	(12,390)	(12,390)	-	(12,390)	(12,390)	-
55% of cumulative unrealised gains of FVOCI	-	-	(10,721)	-	-	(10,721)
Investment in associate/joint ventures	-	-	(750)	-	-	(1,400)
Other CET1 transitional adjustment	31,418	-	-	31,418	-	-
CET1 Capital	1,842,492	1,811,074	1,669,510	1,842,492	1,811,074	1,669,510
Additional Tier 1 capital						
Sukuk Wakalah	300,000	300,000	300,000	300,000	300,000	300,000
	300,000	300,000	300,000	300,000	300,000	300,000
Total Tier 1 capital	2,142,492	2,111,074	1,969,510	2,142,492	2,111,074	1,969,510
Subordinated medium term financing	800,000	800,000	800,000	800,000	800,000	800,000
Expected loss provision #	110,509	141,927	155,664	110,509	141,927	155,664
Tier II capital	910,509	941,927	955,664	910,509	941,927	955,664
Total capital	3,053,001	3,053,001	2,925,174	3,053,001	3,053,001	2,925,174
CET1 capital ratio	12.234%	12.025%	11.720%	12.234%	12.025%	11.720%
Tier 1 capital ratio	14.226%	14.017%	13.826%	14.226%	14.017%	13.826%
Total capital ratio	20.271%	20.271%	20.535%	20.271%	20.271%	20.535%
Risk-weighted assets for:						
Credit risk	14,342,941	14,342,941	13,546,898	14,342,941	14,342,941	13,546,898
Market risk	19,079	19,079	13,303	19,079	19,079	13,303
Operational risk	698,564	698,564	684,842	698,564	698,564	684,842
Total risk-weighted assets	15,060,584	15,060,584	14,245,043	15,060,584	15,060,584	14,245,043

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

* The Bank has elected to apply BNM's transitional arrangement for four financial years beginning on 1 January 2020. Under the transitional arrangements, a financial institution is allowed to addback the amount of loss allowance measured at an amount equal to 12-month and lifetime expected credit losses to the extent they are ascribed to non-credit-impaired exposures (which is Stage 1 and Stage 2 provisions), to CET1 capital.

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are excluded from calculation of capital adequacy. As at 31 December 2020, RIA assets excluded from Total Capital Ratio calculation amounted to RM1,754,875,226 (31 December 2019: RM1,919,347,918).

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2020

42 REVIEW OF PERFORMANCE OF THE BANK

Analysis of financial performance of current financial year comparing to previous financial year.

The Bank posted a profit before tax of RM97.2 million for the financial period ended 31 December 2020, an increase of RM4.0 million or 4.4% compared to the previous corresponding financial year.

Income derived from investment net of income attributable to the depositors for the financial year ended 31 December 2020 was RM484.7 million, an increase of RM67.1 million or 16.1% from RM417.6 million in the previous corresponding financial year. The increase was mainly due to higher gains on financial investments at FVOCI.

The Bank's overhead expenses for the financial year recorded a decrease of RM16.4 million or 6.3% to RM245.5 million compared RM261.9 million in the previous financial year.

The Bank's allowance for impairment on financing, advances and other assets increased by RM48.8 million to RM108.3 million as compared to the previous corresponding financial year ended 31 December 2019.

The Bank provided a one-off modification loss related to Covid-19 relief measures by BNM amounting to RM31.1 million.

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

The Bank posted profit before tax of RM39.2 million for the quarter ended 31 December 2020, an increase of RM31.5 million or >100.0% compared to the previous period corresponding quarter ended 31 December 2019.

The Bank's allowance for impairment on financing, advances and other assets decreased by RM12.4 million to RM28.0 million as compared to the previous period corresponding quarter ended 31 December 2019.

Income derived from investment net of income attributable to the depositors for the quarter ended 31 December 2020 was RM129.0 million, an increase of RM17.3 million or 15.5% from RM111.7 million in the previous period corresponding quarter. The increase was mainly due to higher gains on financial investments at FVOCI.

The Bank's overhead expenses for the quarter ended 31 December 2020 recorded a decrease of RM2.8 million or 4.4% to RM60.9 million compared RM63.7 million in the previous period corresponding quarter ended 31 December 2019.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 DECEMBER 2020

43 BUSINESS PLAN AND FUTURE OUTLOOK FOR 2021

ECONOMIC AND BUSINESS OUTLOOK FOR 2021

The International Monetary Fund ("IMF"), in its January 2021 issue of the World Economic Outlook ("WEO") forecasted global Gross Domestic Product ("GDP") to rebound by 5.5% in 2021 and 4.2% in 2022. The recent vaccine approvals have raised hopes of a return to normality in the second half of 2021. Nevertheless, resurgence and new variants of the virus may still pose a risk.

BNM also indicated that it will maintain an accommodative monetary policy by keeping its OPR unchanged at 1.75%. The Government announced another Movement Control Order ("MCO 2.0") from 13 January 2021 until 4 March 2021 to curb the increasing number of cases since November 2020. The implementation of MCO 2.0 would lead to higher corporate earnings risk, although the negative impact on most economic sectors is expected to be less severe than that experienced in 2Q2020 as MCO 2.0 was less restrictive than the earlier one in early 2020.

Following the implementation of MCO 2.0, the Government announced additional stimulus measures worth RM15 billion under Perlindungan Ekonomi dan Rakyat Malaysia ("PERMAI"). This is on top of the earlier stimulus packages namely PRIHATIN, PRIHATIN SME+, PENJANA and KITA PRIHATIN that was to mitigate the impact of the pandemic on affected households and businesses. The implementation of these stimulus packages are being tracked by LAKSANA, a unit under the Ministry of Finance to ensure that aid reaches the targeted groups. The economic stimulus packages amounting to RM320 billion are anticipated to spur economic recovery in 2021.

GDP growth is expected to remain negative in 1Q2021 due to the MCO 2.0 and is projected to improve and turn positive from 2Q2021 onwards, supported by better external demand from the expansion in global growth, ongoing fiscal measures as well as the expectation of the rollout of vaccines. The government through the National Covid-19 Immunisation Programme is targeting to vaccinate 80% of the population or 26.5 million people by 1Q2022.

The introduction of government measures in Budget 2021 coupled with tax incentives and the targeted Wage Subsidy Program will help to support private consumption growth. Private investment is likely to improve in 2021 with the resumption and implementation of mega infrastructure projects and other new projects respectively. This is evidenced by the government's proposal to allocate a substantial RM69 billion to development expenditure focusing on construction-related and infrastructure projects with high multiplier impact. Export growth in 2021 will be underpinned by a sustained pick-up in external demand led by a rebound in global economic growth. The strong turnaround expected in China's economy will help support the external demand as China remain one of Malaysia's main trading partners.

BUSINEE STRATEGY MOVING FORWARD

The Bank remains focused on AFFIN BANK Group ("the Group")'s initiatives on digital transformation and strengthening balance sheet management to address liquidity excess and funding costs effectively. The Group strives to reinforce both fields with resources to supplement the execution of the Business Plan and other ongoing strategic initiatives for both the Bank and the Group. Customers can expect more strategic collaboration with digital service providers to enable value added banking services that are focused on enhancing user experience.

The Bank intends to strengthen its people by inculcating a high performance culture amongst the staff. Productivity and efficiency have proven to be vital in this challenging environment. Various programmes relating to redefining employee values and performance management are already in place to support the Bank in fulfilling its vision.

Ongoing initiatives of the Bank include a new deposits strategy, growing fee income and focusing on high yielding products. The strategic focus remains on sustaining stable profitability, preserving strong asset quality and maintaining effective cost structures.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 DECEMBER 2020

44 CONNECTED PARTIES TRANSACTIONS AND BALANCES

i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	1,152,420
ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	4%
iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>Nil</u>