

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 30 June 2021

	Note	Economic Entity		The Bank	
		30/06/2021 RM'000	31/12/2020 RM'000	30/06/2021 RM'000	31/12/2020 RM'000
ASSETS					
Cash and short-term funds		3,935,695	2,794,278	3,935,695	2,794,278
Deposits and placements with banks and other financial institutions		30,013	50,058	30,013	50,058
Derivative financial assets	13	5,702	11,558	5,702	11,558
Financial investments at fair value through other comprehensive income ('FVOCI')	14	2,759,754	2,828,166	2,759,754	2,828,166
Financial investments at amortised cost ('AC')	15	19,898	-	19,898	-
Financing, advances and other financing	16	20,574,180	19,380,090	20,574,180	19,380,090
Other assets	17	96,579	64,563	96,579	64,563
Amount due from holding company		61,998	-	61,998	-
Amount due from joint ventures	18	14,650	15,073	14,650	15,073
Deferred tax assets		40,268	12,390	40,268	12,390
Property and equipment		1,352	1,383	1,352	1,383
Right-of-use assets		859	1,085	859	1,085
Intangible assets		452	558	452	558
TOTAL ASSETS		27,541,400	25,159,202	27,541,400	25,159,202
LIABILITIES AND EQUITY					
Deposits from customers	19	20,013,087	18,665,991	20,013,087	18,665,991
Investment accounts of customers	20	1,600	2,151	1,600	2,151
Deposits and placements of banks and other financial institutions	21	2,573,152	1,225,873	2,573,152	1,225,873
Investment accounts due to designated financial institutions	22	1,741,829	1,751,038	1,741,829	1,751,038
Recourse obligation on financing sold to Cagamas Berhad	23	50,030	50,034	50,030	50,034
Derivative financial liabilities	24	7,046	25,572	7,046	25,572
Other liabilities	25	104,257	67,912	104,257	67,912
Amount due to holding company		-	299,815	-	299,815
Provision for taxation		7,520	6,234	7,520	6,234
Lease liabilities	26	875	2,433	875	2,433
Subordinated term financing and medium term notes	27	1,111,034	1,111,034	1,111,034	1,111,034
TOTAL LIABILITIES		25,610,430	23,208,087	25,610,430	23,208,087
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	28	870,970	891,115	870,970	891,115
TOTAL EQUITY		1,930,970	1,951,115	1,930,970	1,951,115
TOTAL LIABILITIES AND EQUITY		27,541,400	25,159,202	27,541,400	25,159,202
COMMITMENTS AND CONTINGENCIES					
	39	4,708,158	4,357,811	4,708,158	4,357,811
CAPITAL ADEQUACY RATIOS					
<u>With transitional arrangements</u>					
CET1 capital ratio		11.795%	12.234%	11.795%	12.234%
Tier 1 capital ratio		13.701%	14.226%	13.701%	14.226%
Total capital ratio		19.378%	20.271%	19.378%	20.271%
Net assets per share attributable to equity holder of the Bank (RM)					
		1.82	1.84	1.82	1.84

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 2020.

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Period Ended 30 June 2021

	Note	Economic Entity Individual Quarter Ended		Economic Entity Cumulative Quarter Ended	
		30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Income derived from investment of depositors' funds and others	30	216,224	238,841	422,957	490,668
Income derived from investment of investment account funds	31	17,875	25,171	36,381	51,850
Income derived from investment of shareholders' funds	32	19,525	26,016	39,725	53,460
Modification loss	33	-	(29,454)	-	(29,454)
Allowances for impairment losses on financing, advances and other financing	34	(15,076)	489	(40,250)	(37,955)
Allowance for impairment losses on other assets	35	(1,344)	-	(1,344)	(1,015)
Total distributable income		237,204	261,063	457,469	527,554
Income attributable to the depositors and others	36	(124,912)	(171,257)	(249,704)	(355,685)
Total net income		112,292	89,806	207,765	171,869
Other operating expenses	37	(58,472)	(62,469)	(120,995)	(124,524)
		53,820	27,337	86,770	47,345
Share of associate's results		-	-	-	(750)
Profit before zakat and taxation		53,820	27,337	86,770	46,595
Zakat		-	-	-	-
Profit before taxation		53,820	27,337	86,770	46,595
Taxation		(13,939)	(5,837)	(22,884)	(12,028)
Net profit after zakat and taxation		39,881	21,500	63,886	34,567
Attributable to:					
Equity holder of the Bank		39,881	21,500	63,886	34,567
Earnings per share (sen):	38				
- Basic/Diluted		3.76	2.03	6.03	3.26

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 2020.

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Statements of Comprehensive Income for the Financial Period Ended 30 June 2021

	Economic Entity Individual Quarter Ended		Economic Entity Cumulative Quarter Ended	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Profit after zakat and taxation	39,881	21,500	63,886	34,567
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Net fair value change in				
- financial investments at FVOCI	35,279	105,743	(107,000)	51,689
Net credit impairment losses change in financial investments at FVOCI	(401)	1,117	(1,249)	1,243
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	(252)	(39,847)	(1,924)	(74,381)
Deferred tax on				
- financial investments at FVOCI	(8,406)	(15,815)	26,142	5,446
Other comprehensive income for the financial period, net of tax	26,220	51,198	(84,031)	(16,003)
Total comprehensive income for the financial period	66,101	72,698	(20,145)	18,564
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	66,101	72,698	(20,145)	18,564

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 2020.

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Period Ended 30 June 2021

	Note	The Bank		The Bank	
		Individual Quarter Ended 30/06/2021 RM'000	30/06/2020 RM'000	Cumulative Quarter Ended 30/06/2021 RM'000	30/06/2020 RM'000
Income derived from investment of depositors' funds and others	30	216,224	238,841	422,957	490,668
Income derived from investment of investment account funds	31	17,875	25,171	36,381	51,850
Income derived from investment of shareholders' funds	32	19,525	26,016	39,725	53,460
Modification loss	33	-	(29,454)	-	(29,454)
Allowances for impairment losses on financing, advances and other financing	34	(15,076)	489	(40,250)	(37,955)
Allowance for impairment losses on other assets	35	(1,344)	-	(1,344)	(1,015)
Total distributable income		237,204	261,063	457,469	527,554
Income attributable to the depositors and others	36	(124,912)	(171,257)	(249,704)	(355,685)
Total net income		112,292	89,806	207,765	171,869
Other operating expenses	37	(58,472)	(62,469)	(120,995)	(124,524)
Profit before zakat and taxation		53,820	27,337	86,770	47,345
Zakat		-	-	-	-
Profit before taxation		53,820	27,337	86,770	47,345
Taxation		(13,939)	(5,837)	(22,884)	(12,028)
Net profit after zakat and taxation		39,881	21,500	63,886	35,317
Attributable to:					
Equity holder of the Bank		39,881	21,500	63,886	35,317
Earnings per share (sen):	38				
- Basic/Diluted		3.76	2.03	6.03	3.33

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 2020.

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Statements of Comprehensive Income for the Financial Period Ended 30 June 2021

	The Bank		The Bank	
	Individual Quarter Ended	Individual Quarter Ended	Cumulative Quarter Ended	Cumulative Quarter Ended
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	39,881	21,500	63,886	35,317
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Net fair value change in				
- financial investments at FVOCI	35,279	105,743	(107,000)	51,689
Net credit impairment losses change in financial investments at FVOCI	(401)	1,117	(1,249)	1,243
Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	(252)	(39,847)	(1,924)	(74,381)
Deferred tax on				
- financial investments at FVOCI	(8,406)	(15,815)	26,142	5,446
Other comprehensive income for the financial period, net of tax	26,220	51,198	(84,031)	(16,003)
Total comprehensive income for the financial period	66,101	72,698	(20,145)	19,314
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	66,101	72,698	(20,145)	19,314

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 2020.

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Statements of Changes In Equity for the Financial Period Ended 30 June 2021

<----- Attributable to Equity Holder of the Bank ----->

Economic Entity	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total Equity RM'000
At 1 January 2021	1,060,000	(4,919)	127,093	768,941	1,951,115
Net profit for the financial period	-	-	-	63,886	63,886
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(84,031)	-	-	(84,031)
Total comprehensive income for the financial period	-	(84,031)	-	63,886	(20,145)
Transfer from regulatory reserves	-	-	(33,092)	33,092	-
At 30 June 2021	1,060,000	(88,950)	94,001	865,919	1,930,970

Economic Entity	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total Equity RM'000
At 1 January 2020	1,060,000	19,492	236,882	602,260	1,918,634
Net profit for the financial period	-	-	-	34,567	34,567
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(16,003)	-	-	(16,003)
Total comprehensive income for the financial period	-	(16,003)	-	34,567	18,564
Transfer from regulatory reserves	-	-	(26,895)	26,895	-
At 30 June 2020	1,060,000	3,489	209,987	663,722	1,937,198

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Statements of Changes In Equity for the Financial Period Ended 30 June 2021

	<----- Non-distributable ----->			< Distributable >	
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total Equity RM'000
The Bank					
At 1 January 2021	1,060,000	(4,919)	127,093	768,941	1,951,115
Net profit for the financial period	-	-	-	63,886	63,886
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(84,031)	-	-	(84,031)
Total comprehensive income for the financial period	-	(84,031)	-	63,886	(20,145)
Transfer from regulatory reserves	-	-	(33,092)	33,092	-
At 30 June 2021	1,060,000	(88,950)	94,001	865,919	1,930,970
The Bank					
At 1 January 2020	1,060,000	19,492	236,882	602,910	1,919,284
Net profit for the financial period	-	-	-	35,317	35,317
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	(16,003)	-	-	(16,003)
Total comprehensive income for the financial period	-	(16,003)	-	35,317	19,314
Transfer from regulatory reserves	-	-	(26,895)	26,895	-
At 30 June 2020	1,060,000	3,489	209,987	665,122	1,938,598

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 2020.

AFFIN Islamic Bank Berhad

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Condensed Interim Financial Statements

Unaudited Statements of Cash Flows for the Financial Period Ended 30 June 2021

	Economic Entity		The Bank	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	86,770	46,595	86,770	47,345
Adjustments for items not involving the movement of cash and cash equivalents:				
Operating profit before changes in working capital	102,800	(5,397)	102,800	(5,397)
Net changes in operating assets	(1,324,798)	342,714	(1,324,798)	342,714
Net changes in operating liabilities	2,420,939	872,805	2,420,939	872,805
Tax and zakat paid	(23,656)	(21,617)	(23,656)	(21,617)
Net cash generated from operating activities	1,175,285	1,188,505	1,175,285	1,188,505
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- financial investments at FVOCI	51,553	46,119	51,553	46,119
- financial investments at AC	149	-	149	-
Purchase of financial investments at FVOCI	(286,558)	(1,730,713)	(286,558)	(1,730,713)
Disposal of financial investments at FVOCI	219,397	1,927,161	219,397	1,927,161
Purchase of property and equipment	(204)	(71)	(204)	(71)
Net cash (used in)/generated from investing activities	(15,663)	242,496	(15,663)	242,496
CASH FLOWS FROM FINANCING ACTIVITIES				
Profit payment - Subordinated term financing and medium term notes	(28,675)	(28,675)	(28,675)	(28,675)
Lease payments	(1,580)	(684)	(1,580)	(684)
Profit element of lease payments	-	(41)	-	(41)
Net cash used in financing activities	(30,875)	(29,400)	(30,875)	(29,400)
Net increase in cash and cash equivalents	1,128,747	1,401,601	1,128,747	1,401,601
Effects of foreign exchange	12,670	5,765	12,670	5,765
Cash and cash equivalents at beginning of the financial period	2,794,278	1,588,868	2,794,278	1,588,868
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	3,935,695	2,996,234	3,935,695	2,996,234
<u>Cash and cash equivalents comprise:</u>				
Cash and short-term funds	3,935,695	2,996,234	3,935,695	2,996,234

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 2020.

AFFIN Islamic Bank Berhad
Company no. 200501027372 (709506-V)
Notes to the Unaudited Condensed Interim Financial Statements
for the Financial Period Ended 30 June 2021

1 BASIS OF PREPARATION

The unaudited condensed 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 FVTPL,
- (ii) financial investments at 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 2020. 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 2020.

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 2020, except for the adoption of 'Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform - Phase 2' that are effective for the Bank for the financial period beginning on or after 1 January 2021.

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 2020 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.

AFFIN Islamic Bank Berhad
Company no. 200501027372 (709506-V)
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for the Financial Period Ended 30 June 2021

7 DEBTS AND EQUITY SECURITIES

There were no purchases or disposal of quoted securities for the quarter ended 30 June 2021 other than in the ordinary course of business.

8 DIVIDENDS PAID

No dividend has been paid during the financial period under review.

9 SUBSEQUENT MATERIAL EVENT

There is no material subsequent event after the quarter ended 30 June 2021 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 2020 audited accounts.

11 PURCHASE AND SALE OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the quarter ended 30 June 2021 other than in the ordinary course of business.

12 STATUS OF CORPORATE PROPOSAL

There were no corporate proposals announced but not completed during the period ended 30 June 2021.

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

Notes to the Unaudited Condensed Interim Financial Statements for the Financial Period Ended 30 June 2021

13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	Current Financial Quarter		Previous Financial Year End	
	30/06/2021		31/12/2020	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	730,069	5,702	392,631	11,558
	<u>730,069</u>	<u>5,702</u>	<u>392,631</u>	<u>11,558</u>

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

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
At fair value		
Money market instruments:		
Malaysian Government treasury bills	59,116	-
Malaysian Government investment issues	<u>1,175,393</u>	<u>1,187,871</u>
	<u>1,234,509</u>	<u>1,187,871</u>
Unquoted securities:		
Corporate Sukuk in Malaysia	<u>1,525,245</u>	<u>1,640,295</u>
	<u>2,759,754</u>	<u>2,828,166</u>

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

	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
	Economic Entity and The Bank			
30/06/2021				
At beginning of the financial year	3,120	-	-	3,120
Financial assets derecognised (other than write-off)	(19)	-	-	(19)
New financial assets originated or purchased	95	-	-	95
Changes due to change in credit risk	(1,325)	-	-	(1,325)
At end of the financial period	<u>1,871</u>	<u>-</u>	<u>-</u>	<u>1,871</u>
Economic Entity and The Bank				
31/12/2020				
At beginning of the financial year	283	-	-	283
Financial assets derecognised (other than write-off)	(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	<u>3,120</u>	<u>-</u>	<u>-</u>	<u>3,120</u>

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15 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
At amortised cost		
Unquoted securities:		
Corporate bonds/sukuk in Malaysia	20,149	-
	20,149	-
Less: ECL	(251)	-
	19,898	-

Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

	12 - month ECL Stage 1	
	30/06/2021	31/12/2020
	RM'000	RM'000
At beginning of the financial period/year	-	-
New financial assets originated or purchased	314	-
Changes due to change in credit risk	(63)	-
At end of the financial period/year	251	-

16 FINANCING, ADVANCES AND OTHER FINANCING

(i) By type

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Cashline	519,509	466,589
Term financing		
- House financing	8,073,519	7,732,796
- Hire purchase receivables	4,229,629	4,022,480
- Syndicated financing	925,400	759,504
- Business term financing	5,257,919	4,954,997
Bills receivables	95,900	8,429
Trust receipts	19,547	13,140
Claims on customers under acceptances credits	525,270	508,029
Staff financing (of which RM Nil to Directors)	95,193	85,141
Credit/charge cards receivables	38,508	38,076
Revolving financing	1,008,146	975,306
Gross financing, advances and other financing	20,788,540	19,564,487
Less: ECL	(214,360)	(184,397)
Total net financing, advances and other financing	20,574,180	19,380,090

Included in business term financing as at reporting date is RM55.2 million (2020: RM55.2 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	
	30/06/2021	31/12/2020
	RM'000	RM'000
Maturing within one year	2,320,052	2,167,842
One year to three years	487,649	497,543
Three years to five years	2,625,751	2,493,251
Over five years	15,355,088	14,405,851
	20,788,540	19,564,487

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Notes to the Unaudited Condensed Interim Financial Statements
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16 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(iii) By contract

Economic Entity and The Bank
30/06/2021

	Al-Bai Bithaman		Al-Ijarah Thumma		Tawarruq	Musyarakah	Istisna'	Others	Total
	Ajil	Ijarah	Al-Bai	Murabahah					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	-	-	504,419	-	-	15,090	519,509
Term financing									
- House financing	597,442	-	-	-	126,559	7,349,518	-	-	8,073,519
- Hire purchase receivables	-	-	4,229,629	-	-	-	-	-	4,229,629
- Syndicated financing	-	305,826	-	-	619,574	-	-	-	925,400
- Business term financing	115,496	535,729	-	209,739	2,808,312	1,050,143	538,371	129	5,257,919
Bills receivables	-	-	-	95,392	-	-	-	509	95,900
Trust receipts	-	-	-	19,547	-	-	-	-	19,547
Claims on customers under acceptances credits	-	-	-	525,270	-	-	-	-	525,270
Staff financing	3,441	-	-	20,053	27,161	44,538	-	-	95,193
Credit/charge cards receivables	-	-	-	-	38,508	-	-	-	38,508
Revolving financing	-	-	-	-	1,008,146	-	-	-	1,008,146
Gross financing, advances and other financing	716,379	841,554	4,229,629	870,001	5,132,679	8,444,199	538,371	15,728	20,788,540

Economic Entity and The Bank
31/12/2020

	Al-Bai Bithaman		Al-Ijarah Thumma		Tawarruq	Musyarakah	Istisna'	Others	Total
	Ajil	Ijarah	Al-Bai	Murabahah					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	-	-	443,131	-	-	23,458	466,589
Term financing									
- House financing	624,289	-	-	-	109,272	6,999,235	-	-	7,732,796
- Hire purchase receivables	-	-	4,022,480	-	-	-	-	-	4,022,480
- Syndicated financing	-	-	-	-	759,504	-	-	-	759,504
- Business term financing	121,298	861,733	-	226,018	2,245,939	966,271	533,018	720	4,954,997
Bills receivables	-	-	-	3,261	-	-	-	5,168	8,429
Trust receipts	-	-	-	13,140	-	-	-	-	13,140
Claims on customers under acceptances credits	-	-	-	508,029	-	-	-	-	508,029
Staff financing	3,865	-	-	18,751	22,177	40,348	-	-	85,141
Credit/charge cards receivables	-	-	-	-	38,076	-	-	-	38,076
Revolving financing	-	-	-	-	975,306	-	-	-	975,306
Gross financing, advances and other financing	749,452	861,733	4,022,480	769,199	4,593,405	8,005,854	533,018	29,346	19,564,487

(iv) By type of customer

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
Domestic non-banking institutions		
- Others	46,934	48,305
Domestic business enterprises		
- Small medium enterprises	2,304,056	2,100,434
- Others	4,132,081	4,011,059
Government and statutory bodies	681,119	710,245
Individuals	13,365,761	12,427,101
Other domestic entities	281	508
Foreign entities	258,308	266,835
	20,788,540	19,564,487

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16 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(v) By profit rate sensitivity

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
Fixed rate		
- House financing	41,702	41,875
- Hire purchase receivables	4,229,629	4,022,480
- Other fixed rate financing	976,682	839,503
Variable rate		
- BFR plus	12,773,859	12,011,070
- Cost-plus	2,766,668	2,649,559
	20,788,540	19,564,487

(vi) By economic sector

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
Primary agriculture	758,619	778,346
Mining and quarrying	228,321	242,201
Manufacturing	985,463	881,806
Electricity, gas and water supply	384,644	381,561
Construction	554,583	574,845
Real estate	1,544,327	1,564,841
Wholesale & retail trade and restaurants & hotels	944,811	749,260
Transport, storage and communication	373,321	334,878
Finance, takaful/insurance and business services	387,656	392,124
Education, health and others	1,205,258	1,181,146
Household	13,421,537	12,483,479
	20,788,540	19,564,487

(vii) By economic purpose

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
Purchase of securities	458,879	390,285
Purchase of transport vehicles	4,285,879	4,078,560
Purchase of landed property of which:		
- Residential	8,241,486	7,910,750
- Non-residential	2,292,587	2,303,988
Fixed assets other than land and building	77,572	79,361
Personal use	515,404	203,042
Credit/charge card	38,508	38,076
Consumer durable	-	72
Construction	936,174	922,421
Working capital	3,461,154	3,248,466
Others	480,897	389,466
	20,788,540	19,564,487

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16 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(viii) By geographical distribution

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Perlis	146,058	163,132
Kedah	885,764	821,156
Pulau Pinang	1,050,017	997,635
Perak	613,398	576,561
Selangor	6,968,731	6,558,963
Wilayah Persekutuan	4,125,559	3,898,850
Negeri Sembilan	1,075,209	1,012,321
Melaka	303,547	275,943
Johor	2,566,812	2,394,578
Pahang	742,676	670,627
Terengganu	566,762	518,449
Kelantan	336,584	270,662
Sarawak	597,319	576,670
Sabah	785,145	802,649
Labuan	24,958	26,287
Outside Malaysia	1	4
	20,788,540	19,564,487

(ix) Movements of impaired financing

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
At beginning of the financial period/year	315,471	607,312
Classified as impaired	74,379	121,621
Reclassified as non-impaired	(64,398)	(103,492)
Amount recovered	(17,665)	(214,880)
Amount written-off	(13,061)	(95,090)
At end of the financial period/year	294,726	315,471
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (exclude restricted investment accounts)	1.55%	1.77%

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16 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(x) Impaired financing by economic sector

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
Primary agriculture	329	145
Mining and quarrying	-	31
Manufacturing	63,843	60,136
Electricity, gas and water supply	-	45
Construction	3,422	3,131
Real estate	12,047	12,039
Wholesale & retail trade and restaurants & hotels	3,190	1,380
Transport, storage and communication	76,312	75,334
Finance, takaful/insurance and business services	1,552	431
Education, health and others	878	192
Household	133,153	162,607
	294,726	315,471

(xi) Impaired financing by economic purpose

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
Purchase of securities	72	34
Purchase of transport vehicles	24,915	22,533
Purchase of landed property of which:		
- Residential	106,351	136,711
- Non-residential	19,757	18,953
Personal use	2,396	1,276
Credit/charge card	393	131
Construction	57,265	57,183
Working capital	83,577	78,640
Others	-	10
	294,726	315,471

(xii) Impaired financing by geographical distribution

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
Perlis	2,487	2,461
Kedah	7,664	7,298
Pulau Pinang	9,615	6,522
Perak	80,495	81,627
Selangor	68,717	80,662
Wilayah Persekutuan	84,050	90,039
Negeri Sembilan	15,180	17,180
Melaka	1,660	2,019
Johor	15,022	17,183
Pahang	1,845	1,600
Terengganu	2,697	3,519
Kelantan	3,340	3,245
Sarawak	301	338
Sabah	1,653	1,778
	294,726	315,471

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16 FINANCING, ADVANCES AND OTHER FINANCING (continued)

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

Economic Entity and The Bank 30/06/2021	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 period	47,261	54,706	82,430	184,397
Total transfer between stages due to change in credit risk:	8,552	9,761	(18,313)	-
- Transfer to 12-month ECL (Stage 1)	10,556	(7,461)	(3,095)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,999)	19,456	(17,457)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(5)	(2,234)	2,239	-
Financing, advances and other financing derecognised (other than write-off)	(17,701)	(533)	(1,035)	(19,269)
New financing, advances and other financing originated or purchased	21,298	306	-	21,604
Changes due to change in credit risk	2,689	3,961	33,910	40,560
Write-off	-	-	(12,932)	(12,932)
At end of the financial period	62,099	68,201	84,060	214,360

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 due to change in credit risk:	10,438	14,072	(24,510)	-
- 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 (other than write-off)	(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-off	-	-	(82,488)	(82,488)
Other adjustments	-	-	113	113
At end of the financial year	47,261	54,706	82,430	184,397

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17 OTHER ASSETS

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Other debtors	60,119	58,902
Deposits and prepayments	713	788
Cheque clearing accounts	30,874	-
Foreclosed properties (a)	4,873	4,873
	96,579	64,563

(a) Movements in foreclosed properties

At beginning/end of the financial period/year	4,873	4,873
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18 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Advances to joint ventures	59,981	59,060
Expected credit losses (a)	(45,331)	(43,987)
	14,650	15,073

(a) Movements in expected credit losses

	Lifetime ECL credit impaired Stage 3	
	30/06/2021	31/12/2020
	RM'000	RM'000
At beginning of the financial period/year	43,987	28,738
Allowance made	1,344	15,249
At end of the financial period/year	45,331	43,987

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

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19 DEPOSITS FROM CUSTOMERS

(i) **By type of deposit**

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Qard		
Demand deposits	3,752,317	3,539,236
Savings deposits	1,002,973	1,005,821
	4,755,290	4,545,057
Mudarabah		
General investment deposits	57,168	57,313
Tawarruq		
Murabahah term deposits	13,742,266	13,333,675
Commodity Murabahah	835,576	516,492
Savings deposits	139,459	102,574
Demand deposit	483,328	110,880
	15,200,629	14,063,621
	20,013,087	18,665,991

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

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Due within six months	8,616,182	8,831,048
Six months to one year	4,639,388	3,731,511
One year to three years	539,529	822,817
Three years to five years	4,255	5,612
More than five years	80	-
	13,799,434	13,390,988

(iii) **By type of customer**

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Government and statutory bodies	7,808,710	6,651,501
Business enterprise	3,940,188	4,215,444
Individuals	7,491,869	6,972,875
Domestic banking institutions	1,060	7,826
Domestic non-banking financial institutions	427,490	484,295
Foreign entities	122,000	133,648
Others entities	221,770	200,402
	20,013,087	18,665,991

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20 INVESTMENT ACCOUNTS OF CUSTOMERS

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Mudarabah	1,600	2,151
	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Movements in investment accounts		
At beginning of the financial period/year	2,151	1,447
New placement	-	1,905
Redemption	(273)	(1,201)
Finance expense on RIA	27	285
Profit distributed	(305)	(285)
At end of the financial period/year	1,600	2,151

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

	Economic Entity and The Bank			
	30/06/2021		31/12/2020	
	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	85	5.36	-	-
Six months to one year	-	-	85	5.70
One year to three years	-	-	-	-
Three years to five years	85	5.58	85	5.58

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	Current Financial Quarter 30/06/2021	Previous Financial Year-End 31/12/2020
	RM'000	RM'000
Qard		
Licensed banks	440,564	201,505
Licensed investment banks	2,705	-
	443,269	201,505
Tawarruq		
Licensed banks	257,440	200,912
Licensed investment banks	50,053	3,115
Other financial institutions	1,822,390	820,341
	2,129,883	1,024,368
	2,573,152	1,225,873
Maturity structure of deposits are as follows:		
Due within six months	2,573,152	1,225,873

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22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Mudarabah		
Licensed banks	1,741,829	1,751,038
	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Maturity structure of investment accounts are as follows:		
Due within six months	16,684	16,129
Six months to one year	-	40,488
One year to three years	14,559	24,849
Three years to five years	629,189	602,311
Five years and above	1,081,397	1,067,261
	1,741,829	1,751,038
	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Movements in investment accounts		
At beginning of the financial period/year	1,751,038	1,918,295
New placement	18,727	196,746
Redemption	(34,676)	(356,601)
Finance expense on RIA	32,954	74,203
Profit distributed	(33,175)	(75,807)
Exchange difference	6,961	(5,798)
At end of the financial period/year	1,741,829	1,751,038

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

	Economic Entity and The Bank			
	30/06/2021		31/12/2020	
	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	85	5.36	70	0.89
Six months to one year	-	-	89	5.56
One year to three years	70	2.26	70	2.68
Three years to five years	86	4.58	84	4.49
Five years and above	89	4.70	89	4.85

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 RM1,741.8 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.

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23 RECURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS BERHAD

	Economic Entity and The Bank			
	30/06/2021		31/12/2020	
	RM'000		RM'000	
Recourse obligation on financing sold to Cagamas Berhad	50,030		50,034	
	At	Cash flow	Profit	At
	01/01/2021	RM'000	expense	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Recourse obligation on financing sold to Cagamas Berhad	50,034	(620)	616	50,030
	At	Cash flow	Profit	At
	01/01/2020	RM'000	expense	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Recourse obligation on financing sold to Cagamas Berhad	-	50,000	34	50,034

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.

24 DERIVATIVE FINANCIAL LIABILITIES

	Economic Entity and The Bank			
	Current Financial Quarter		Previous Financial Year End	
	30/06/2021		31/12/2020	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	743,263	7,046	819,530	25,572
	743,263	7,046	819,530	25,572

25 OTHER LIABILITIES

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	6,549	1,599
Margin and collateral deposits	17,673	18,263
Other creditors and accruals	4,347	10,909
Sundry creditors	60,453	18,692
Provision for zakat	1,602	1,925
Defined contribution plan (a)	697	1,415
Accrued employee benefits	1,767	4,746
Charity funds (b)	27	35
Unearned income	6,631	6,346
Financing commitments (c)	4,511	3,982
	104,257	67,912

(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.

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25 OTHER LIABILITIES (continued)

(b) Charity funds

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
<u>Sources and uses of charity funds</u>		
At beginning of the financial period/year	35	52
Sources of charity funds		
- AFFIN Barakah Charity Account-i	2	24
Uses of charity funds		
- Contribution to medical aid	-	30
- Contribution to education	10	-
- Contribution to program/event	-	11
	10	41
At end of the financial period/year	27	35

The source of charity funds come from the following categories:

- (i) Sources from Shariah non-compliant events.
- (ii) 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.)
- (iii) 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.

(c) Movements in expected credit losses

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
At beginning of the financial period/year	3,982	6,515
Net remeasurement of loss allowance	209	(3,694)
Changes in model/risk parameters	-	221
New financing commitments and financial guarantees	320	940
At end of the financial period/year	4,511	3,982

26 LEASE LIABILITIES

	Economic Entity and The Bank	
	30/06/2021 RM'000	31/12/2020 RM'000
At beginning of financial period/year	2,433	1,568
Additions	-	1,932
Finance expense	22	91
Lease payment	(1,580)	(1,158)
At end of the financial period/year	875	2,433

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27 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	RM'000	RM'000
Medium Term Notes ("MTN") Tier-2 Sukuk Murabahah (a)	807,609	807,609
Additional Tier-1 Sukuk Wakalah ("AT1S") (b)	303,425	303,425
	<u>1,111,034</u>	<u>1,111,034</u>

(a) The Bank had on 23 October 2018, issued a MTN Tier-2 Sukuk Murabahah of RM800.0 million out of its approved BASEL III Compliant MTN programme ('Sukuk Programme') of up to RM5.0 billion in nominal value. The Sukuk Murabahah was 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 Murabahah was issued for the purpose of general banking business and working capital requirements of the Bank.

(b) The Bank had on 18 October 2018, issued a tranche of AT1S of RM300.0 million out of its Sukuk Programme. The Sukuk Wakalah was on a perpetual non-callable 5-year basis, at a profit rate of 5.65%. The Sukuk Wakalah was issued for the purpose of general banking business and working capital requirements of the Bank.

28 RESERVES

	Economic Entity		The Bank	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Retained profits	865,919	768,941	865,919	768,941
FVOCI revaluation reserves (a)	(88,950)	(4,919)	(88,950)	(4,919)
Regulatory reserves	94,001	127,093	94,001	127,093
	<u>870,970</u>	<u>891,115</u>	<u>870,970</u>	<u>891,115</u>

(a) FVOCI revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investment at FVOCI. The losses are transferred to 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 period is net unrealised loss of RM101,227,305 in 2021 (2020: Net unrealised loss RM8,780,247).

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29 INCOME FROM ISLAMIC BANKING BUSINESS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/06/2021	30/6/2020	Cumulative Quarter Ended 30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	216,224	238,841	422,957	490,668
Income derived from investment of investment account funds	17,875	25,171	36,381	51,850
Income derived from investment of shareholders' funds	19,525	26,016	39,725	53,460
Income attributable to depositors	(124,912)	(171,257)	(249,704)	(355,685)
	<u>128,712</u>	<u>118,771</u>	<u>249,359</u>	<u>240,293</u>

30 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/06/2021	30/6/2020	Cumulative Quarter Ended 30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	142,093	169,698	277,503	353,230
- Other deposits (ii)	74,131	69,143	145,454	137,438
	<u>216,224</u>	<u>238,841</u>	<u>422,957</u>	<u>490,668</u>

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

(i) INCOME DERIVED FROM INVESTMENT OF GENERAL INVESTMENT DEPOSITS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2021	30/6/2020	30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	116,558	122,301	227,450	259,027
Financial investments at FVOCI	14,402	14,251	28,664	28,373
Financial investments at AC	83	-	83	-
Money at call and deposits with other financial institutions	5,487	6,798	10,583	14,028
	136,530	143,350	266,780	301,428
Accretion of discount less amortisation of premium	(2,312)	(1,258)	(4,729)	(2,080)
Total finance income and hibah	134,218	142,092	262,051	299,348
Other operating income				
Fee income:				
Commission	1,574	662	2,677	1,361
Service charges and fees	1,453	1,402	2,862	2,838
Guarantee fees	545	555	1,189	1,126
	3,572	2,619	6,728	5,325
Commission paid on will/wasiat	(2)	(7)	(4)	(8)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	144	22,877	1,037	43,145
	144	22,877	1,037	43,145
Other income:				
Foreign exchange profit/(loss)				
- realised	1,991	2,377	(4,427)	803
- unrealised	(757)	(801)	7,045	3,417
Other non-operating income	2,927	541	5,073	1,200
	4,161	2,117	7,691	5,420
Total income derived from investment of general investment deposits	142,093	169,698	277,503	353,230

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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	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2021	30/6/2020	30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	60,811	49,905	119,220	100,783
Financial investments at FVOCI	7,512	5,785	15,024	11,040
Financial investments at AC	43	-	43	-
Money at call and deposits with other financial institutions	2,863	2,768	5,547	5,458
	71,229	58,458	139,834	117,281
Accretion of discount less amortisation of premium	(1,206)	(503)	(2,479)	(809)
Total finance income and hibah	70,023	57,955	137,355	116,472
Other operating income				
Fee income:				
Commission	822	270	1,403	530
Service charges and fees	758	570	1,500	1,104
Guarantee fees	284	226	623	439
	1,864	1,066	3,526	2,073
Commission paid on will/wasiat	(1)	(3)	(2)	(3)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	73	9,245	543	16,787
	73	9,245	543	16,787
Other income:				
Foreign exchange profit/(loss)				
- realised	1,060	898	(2,320)	312
- unrealised	(417)	(240)	3,693	1,330
Other non-operating income	1,529	222	2,659	467
	2,172	880	4,032	2,109
Total income derived from investment of other deposits	74,131	69,143	145,454	137,438

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31 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/06/2021 RM'000	30/6/2020 RM'000	Cumulative Quarter Ended 30/06/2021 RM'000	30/6/2020 RM'000
Finance income and hibah				
Financing, advances and other financing	14,665	18,147	29,820	38,022
Financial investments at FVOCI	1,809	2,112	3,758	4,165
Financial investments at AC	11	-	11	-
Money at call and deposits with other financial institutions	690	1,008	1,386	2,059
	17,175	21,267	34,975	44,246
Accretion of discount less amortisation of premium	(290)	(186)	(620)	(306)
Total finance income and hibah	16,885	21,081	34,355	43,940
Other operating income				
Fee income:				
Commission	200	98	351	200
Service charges and fees	182	208	375	417
Guarantee fees	68	82	156	165
	450	388	882	782
Commission paid on will/wasiat	(1)	(1)	(1)	(1)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	14	3,387	136	6,333
	14	3,387	136	6,333
Other income:				
Foreign exchange profit/(loss)				
- realised	297	347	(580)	118
- unrealised	(142)	(111)	924	502
Other non-operating income	372	80	665	176
	527	316	1,009	796
Total income derived from investment of investment account funds	17,875	25,171	36,381	51,850

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32 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2021	30/6/2020	30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	16,019	18,757	32,561	39,202
Financial investments at FVOCI	1,975	2,182	4,103	4,294
Financial investments at AC	12	-	12	-
Money at call and deposits with other financial institutions	755	1,042	1,515	2,123
	<u>18,761</u>	<u>21,981</u>	<u>38,191</u>	<u>45,619</u>
Accretion of discount less amortisation of premium	(316)	(192)	(677)	(315)
Total finance income and hibah	<u>18,445</u>	<u>21,789</u>	<u>37,514</u>	<u>45,304</u>
Other operating income				
Fee income:				
Commission	218	101	383	206
Service charges and fees	200	215	410	430
Guarantee fees	74	85	170	170
	<u>492</u>	<u>401</u>	<u>963</u>	<u>806</u>
Commission paid on will/wasiat	(1)	1	(1)	(1)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	15	3,499	148	6,530
	<u>15</u>	<u>3,499</u>	<u>148</u>	<u>6,530</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	323	357	(634)	122
- unrealised	(155)	(114)	1,009	517
Other non-operating income	406	83	726	182
	<u>574</u>	<u>326</u>	<u>1,101</u>	<u>821</u>
Total income derived from investment of shareholders' fund	<u>19,525</u>	<u>26,016</u>	<u>39,725</u>	<u>53,460</u>

33 MODIFICATION LOSS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2021	30/6/2020	30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Modification loss	<u>-</u>	<u>29,454</u>	<u>-</u>	<u>29,454</u>

The modification loss represents the cost of deferring cashflows of the financing impacted by the payment moratorium. The modification loss is shown net of benefits from various government financing schemes to support measures to assist SMEs that are adversely impacted by Covid-19 in order to sustain their business operations.

The moratorium does not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment.

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34 ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCING, ADVANCES AND OTHER FINANCING

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2021	30/6/2020	30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Expected credit loss made on/(written-back):				
- Financing, advances and other financing	15,440	(718)	42,895	38,787
- Securities	(150)	1,117	(998)	1,243
- Financing commitments and financial guarantees	234	(478)	530	(983)
Bad debts and financing				
- recovered	(685)	(499)	(2,417)	(1,375)
- written-off	237	89	240	283
	15,076	(489)	40,250	37,955

35 ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER ASSETS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2021	30/6/2020	30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment for amount due from joint ventures and associate	1,344	-	1,344	1,015

36 INCOME ATTRIBUTABLE TO DEPOSITORS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2021	30/6/2020	30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudarabah	265	351	567	742
- Non-Mudarabah	86,973	130,723	177,175	275,168
Deposits and placements of banks and other financial institutions				
- Mudarabah	6,315	4,859	9,500	7,796
Finance expense-Subordinated term financing and medium term notes	14,337	14,337	28,674	28,675
Restricted investment account - Mudarabah	16,689	20,960	33,138	43,251
Others	333	27	650	53
	124,912	171,257	249,704	355,685

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37 OTHER OPERATING EXPENSES

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2021	30/6/2020	30/06/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonuses	27,185	31,646	57,501	63,028
Defined contribution plan ('EPF')	4,657	5,267	9,831	10,486
Other personnel costs	3,697	4,167	7,698	8,145
	35,539	41,080	75,030	81,659
<u>Establishment costs</u>				
Equipment rental	1,046	69	2,096	286
Repair and maintenance	7,094	6,657	14,050	12,681
Depreciation of property and equipment	118	178	248	360
Amortisation of intangible assets	53	53	106	106
Depreciation of right-of-use assets	113	318	227	653
IT consultancy fees	4,631	4,343	9,246	8,686
Dataline rental	1,776	1,403	3,570	2,844
Security services	1,687	191	3,367	1,420
Electricity, water and sewerage	1,240	1,683	2,457	3,006
Licence fee	70	84	141	175
Insurance/takaful and indemnities	661	1,085	1,310	2,104
Other establishment costs	957	707	1,911	1,122
	19,446	16,771	38,729	33,443
<u>Marketing expenses</u>				
Business promotion and advertisement	31	16	125	49
Entertainment	68	111	137	225
Traveling and accommodation	236	299	474	643
Commissions expenses	(3)	66	(524)	158
Brokerage expenses	319	148	614	424
Other marketing expenses	86	202	432	735
	737	842	1,258	2,234
<u>Administration and general expenses</u>				
Telecommunication expenses	346	508	711	1,006
Auditors' remuneration	(73)	188	43	368
Professional fees	539	843	1,062	1,352
Property and equipment written-off	1	-	1	-
Mail and courier charges	504	219	978	443
Stationery and consumables	796	665	1,619	1,348
Directors' fees and allowances	76	608	420	1,167
Shariah fees	77	68	188	218
Donations	20	256	76	256
Settlement, clearing and bank charges	429	433	815	816
Stamp duties	2	2	2	2
GST Input tax-non recoverable	-	(14)	-	-
Other administration and general expenses	33	-	63	212
	2,750	3,776	5,978	7,188
Total other operating expenses	58,472	62,469	120,995	124,524

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38 EARNINGS PER SHARE

The basic/diluted earnings per ordinary share for the Economic Entity and the Bank have been calculated the net profit attributable to ordinary equity holders of the Economic Entity and the Bank by the weighted average number of shares in issue during the financial year.

	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2021	30/6/2020	30/06/2021	30/6/2020
Economic Entity				
Net profit attributable to equity holder of the Bank (RM'000)	39,881	21,500	63,886	34,567
Weighted average number of ordinary shares in issue	1,060,000	1,060,000	1,060,000	1,060,000
Basic earnings per share (sen)	3.76	2.03	6.03	3.26
The Bank				
Net profit attributable to equity holder of the Bank (RM'000)	39,881	21,500	63,886	35,317
Weighted average number of ordinary shares in issue	1,060,000	1,060,000	1,060,000	1,060,000
Basic earnings per share (sen)	3.76	2.03	6.03	3.33

39 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 notional amounts of the commitments and contingencies of the Bank is as follows:

	Economic Entity and The Bank	
	30/06/2021	31/12/2020
	Principal Amount RM'000	RM'000
Direct credit substitutes *	69,415	68,709
Transaction-related contingent items	347,530	368,737
Short-term self-liquidating trade related contingencies	259,931	294,032
Irrevocable commitments to extend credit		
- maturity less than one year	1,520,844	1,372,672
- maturity more than one year	820,197	831,745
Unutilised credit card lines	216,908	209,755
Foreign exchange related contracts #		
- less than one year	1,473,333	1,212,161
	4,708,158	4,357,811

* Included in direct credit substitutes as above are financial guarantee contracts of RM69.4 million at the Bank (2020: RM68.7million), 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.

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40 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 period (2020: Nil).

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41 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:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
30/06/2021				
Financial Assets				
Derivative financial assets	-	5,702	-	5,702
Financial investments at FVOCI				
- Money market instruments	-	1,234,509	-	1,234,509
- Corporate Sukuk	-	1,525,245	-	1,525,245
	-	2,765,456	-	2,765,456
Financial Liabilities				
Derivative financial liabilities	-	7,046	-	7,046
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/12/2020				
Financial 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
	-	2,839,724	-	2,839,724
Financial Liabilities				
Derivative financial liabilities	-	25,572	-	25,572

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.

42 CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

The following credit exposures are based on BNM's Guidelines on Credit Transaction and Exposures with Connected Parties for Islamic Banks, which are effective on 1 January 2008.

	The Bank	
	30/06/2021	31/12/2020
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	1,281,017	1,152,420
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	4%	4%
(iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil	Nil

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43 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are computed in accordance with BNM'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 and the Basic Indicator Approach for Operational Risk. The minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET1'), Tier 1 Capital Ratio and Total Capital Ratio are 7.00%, 8.50% and 10.50% respectively for 2019 onwards.

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 add-back 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 CET 1 capital.

a) The components of CET 1, Tier 1 and Tier 2 capital:

	Economic Entity		The Bank	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
<u>CET 1</u>				
Paid-up share capital	1,060,000	1,060,000	1,060,000	1,060,000
Retained profits	865,919	768,941	865,919	768,941
FVOCI revaluation reserves	(88,950)	(4,919)	(88,950)	(4,919)
	1,836,969	1,824,022	1,836,969	1,824,022
Less: Regulatory adjustments:				
- Intangible assets	(452)	(558)	(452)	(558)
- Deferred tax assets	(40,268)	(12,390)	(40,268)	(12,390)
- Other CET 1 transitional adjustment	60,548	31,418	60,548	31,418
Total CET 1 Capital	1,856,797	1,842,492	1,856,797	1,842,492
<u>Additional Tier 1 capital</u>				
Sukuk Wakalah	300,000	300,000	300,000	300,000
Total Tier 1 capital	2,156,797	2,142,492	2,156,797	2,142,492
<u>Tier 2 capital</u>				
Subordinated medium term financing	800,000	800,000	800,000	800,000
Expected loss provision #	93,702	110,509	93,702	110,509
Total Tier 2 capital	893,702	910,509	893,702	910,509
Total Capital	3,050,499	3,053,001	3,050,499	3,053,001

b) The breakdown of risk-weighted assets:

Credit risk	14,960,786	14,342,941	14,960,786	14,342,941
Market risk	53,922	19,079	53,922	19,079
Operational risk	727,563	698,564	727,563	698,564
Total risk-weighted assets	15,742,271	15,060,584	15,742,271	15,060,584

c) Capital adequacy ratios:

With transitional arrangements

CET1 capital ratio	11.795%	12.234%	11.795%	12.234%
Tier 1 capital ratio	13.701%	14.226%	13.701%	14.226%
Total capital ratio	19.378%	20.271%	19.378%	20.271%

Without transitional arrangements

CET1 capital ratio	11.410%	12.025%	11.410%	12.025%
Tier 1 capital ratio	13.316%	14.017%	13.316%	14.017%
Total capital ratio	19.378%	20.271%	19.378%	20.271%

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

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are excluded from calculation of capital adequacy. As at 30 June 2021, RIA assets excluded from Total Capital Ratio calculation amounted to RM1,740.1 million (2020: RM1,754.9 million).

AFFIN Islamic Bank Berhad
Company no. 200501027372 (709506-V)
Notes to the Unaudited Condensed Interim Financial Statements
for the Financial Period Ended 30 June 2021

44 REVIEW OF PERFORMANCE OF THE BANK

Analysis of financial performance of current period-to-date vs previous corresponding period-to-date

The Bank registered a profit before tax of RM86.8 million for the half year ended 30 June 2021, higher by RM39.5 million or 83.3% as compared to RM47.3 million recorded in the previous corresponding period, due to improved net financing and other income by RM38.5 million and lower overhead expenses of RM3.5 million, offset by higher allowance for impairment losses of RM2.6 million.

Net financing and other income increased by RM38.5 million or 18.3% as compared to the previous corresponding period of RM210.8 million, due to improved Net Financing Margin and lower modification loss of RM29.4 million.

Overhead expenses showed a decrease of RM3.5 million or 2.8% to RM121.0 million as compared to RM124.5 million a year ago, attributed to lower personnel expenses partially offset by higher establishment expenses.

Allowance for impairment losses increased by RM2.6 million to RM41.6 million year-on-year.

Analysis of financial performance of current quarter vs previous corresponding quarter

The Bank reported a profit before tax of RM53.8 million for the current quarter ended 30 June 2021, higher by RM26.5 million or 96.9% against the quarter ended 30 June 2020 of RM27.3 million. This was due to higher net financing and other income of RM39.4 million and lower overhead expenses of RM4.0 million, offset by higher allowance for impairment losses of RM16.9 million.

Net financing and other income for the current quarter ended 30 June 2021 was up by RM39.4 million or 44.1% to RM128.7 million, attributed to lower modification loss of RM29.4 million.

Overhead expenses was RM58.5 million, a decrease of RM4.0 million or 6.4% from RM62.5 million in the same period last year. The lower overhead expenses was due to lower personnel expenses, offset by higher establishment expenses.

Allowance for impairment losses was higher by RM16.9 million to RM16.4 million as compared to a write-back of allowance in the previous corresponding quarter ended 30 June 2020 of RM0.1 million.

Analysis of financial performance of current quarter vs preceding quarter

The Bank recorded a profit before tax of RM53.8 million for the current quarter under review, higher by RM20.9 million or 63.3% against the preceding quarter ended 31 March 2021 of RM32.9 million, attributed to higher net financing and other income of RM8.1 million, lower overhead expenses and allowance for impairment losses of RM4.0 million and RM8.8 million respectively.

45 PROSPECTS FOR FINANCIAL YEAR 2021

In June 2021, the World Bank lowered its Gross Domestic Product ('GDP') growth projection for Malaysia from 6.0% to 4.5% for 2021. This is to reflect the impact that the prolonged Movement Control Order ('MCO') had on the economy. The MCO has also impacted the banking industry as it resulted in slower financing growth and overall lower banking activities.

The Government expects the whole nation to move to the Phase 2 of the National Recovery Plan by August 2021 through the acceleration of the national vaccination programme. The Bank is optimistic that the national vaccination programme will achieve its objective of allowing most economic sectors and social activities to recommence by the end of 2021. The Bank recently launched its New Repayment Assistance ('NRA') 2.0 programme on 7 July 2021 together with all other banks in the banking industry which aims to provide financial relief to all customers during this challenging time. The Bank will remain committed to helping all customers who have been impacted by the current Covid-19 pandemic and will continue to offer the Financial Assistance and Instalment Relief ('FAIR') programme to all customers who require such as assistance.

The Bank is striving for a sustainable profit through the implementation of an effective balance sheet management function and maintaining an effective capital structure. The Bank is aware of the challenging operating environment for the remaining year and will continue with the Group's AIM 22 Transformation Programme anchored on the 5 key elements of value creation; technology, services, innovation, rewards and people & culture, in line with the Group's key strategic priorities which are to increase productivity and build a strong foundation with focus on digital initiatives, cost optimisation and managing asset quality.