

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 30 September 2021

| | Note | Economic Entity | | The Bank | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | | 30/09/2021 RM'000 | 31/12/2020 RM'000 | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | | 3,836,825 | 2,794,278 | 3,836,825 | 2,794,278 |
| Deposits and placements with banks and other financial institutions | | - | 50,058 | - | 50,058 |
| Derivative financial assets | 13 | 11,222 | 11,558 | 11,222 | 11,558 |
| Financial investments at fair value through other comprehensive income ('FVOCI') | 14 | 3,158,486 | 2,828,166 | 3,158,486 | 2,828,166 |
| Financial investments at amortised cost ('AC') | 15 | 70,092 | - | 70,092 | - |
| Financing, advances and other financing | 16 | 21,103,370 | 19,380,090 | 21,103,370 | 19,380,090 |
| Other assets | 17 | 124,008 | 64,563 | 124,008 | 64,563 |
| Amount due from joint ventures | 18 | 14,653 | 15,073 | 14,653 | 15,073 |
| Deferred tax assets | | 45,549 | 12,390 | 45,549 | 12,390 |
| Property and equipment | | 1,319 | 1,383 | 1,319 | 1,383 |
| Right-of-use assets | | 746 | 1,085 | 746 | 1,085 |
| Intangible assets | | 398 | 558 | 398 | 558 |
| TOTAL ASSETS | | 28,366,668 | 25,159,202 | 28,366,668 | 25,159,202 |
| LIABILITIES AND EQUITY | | | | | |
| Deposits from customers | 19 | 22,654,515 | 18,665,991 | 22,654,515 | 18,665,991 |
| Investment accounts of customers | 20 | 1,443 | 2,151 | 1,443 | 2,151 |
| Deposits and placements of banks and other financial institutions | 21 | 684,628 | 1,225,873 | 684,628 | 1,225,873 |
| Investment accounts due to designated financial institutions | 22 | 1,656,739 | 1,751,038 | 1,656,739 | 1,751,038 |
| Recourse obligation on financing sold to Cagamas Berhad | 23 | 50,342 | 50,034 | 50,342 | 50,034 |
| Derivative financial liabilities | 24 | 9,606 | 25,572 | 9,606 | 25,572 |
| Other liabilities | 25 | 98,017 | 67,912 | 98,017 | 67,912 |
| Amount due to holding company | | 115,365 | 299,815 | 115,365 | 299,815 |
| Provision for taxation | | 9,168 | 6,234 | 9,168 | 6,234 |
| Lease liabilities | 26 | 763 | 2,433 | 763 | 2,433 |
| Subordinated term financing and medium term notes | 27 | 1,125,372 | 1,111,034 | 1,125,372 | 1,111,034 |
| TOTAL LIABILITIES | | 26,405,958 | 23,208,087 | 26,405,958 | 23,208,087 |
| Share capital | | 1,060,000 | 1,060,000 | 1,060,000 | 1,060,000 |
| Reserves | 28 | 900,710 | 891,115 | 900,710 | 891,115 |
| TOTAL EQUITY | | 1,960,710 | 1,951,115 | 1,960,710 | 1,951,115 |
| TOTAL LIABILITIES AND EQUITY | | 28,366,668 | 25,159,202 | 28,366,668 | 25,159,202 |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| | 39 | 5,172,346 | 4,357,811 | 5,172,346 | 4,357,811 |
| CAPITAL ADEQUACY RATIOS | | | | | |
| <u>With transitional arrangements</u> | | | | | |
| CET1 capital ratio | | 11.472% | 12.234% | 11.472% | 12.234% |
| Tier 1 capital ratio | | 13.319% | 14.226% | 13.319% | 14.226% |
| Total capital ratio | | 18.786% | 20.271% | 18.786% | 20.271% |
| Net assets per share attributable to equity holder of the Bank (RM) | | 1.85 | 1.84 | 1.85 | 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 September 2021

| | Note | Economic Entity Individual Quarter Ended | | Economic Entity Cumulative Quarter Ended | |
|---|------|---|----------------------|---|----------------------|
| | | 30/09/2021 RM'000 | 30/09/2020 RM'000 | 30/09/2021 RM'000 | 30/09/2020 RM'000 |
| Income derived from investment of depositors' funds and others | 30 | 231,234 | 236,503 | 654,191 | 727,171 |
| Income derived from investment of investment account funds | 31 | 17,616 | 23,045 | 53,997 | 74,895 |
| Income derived from investment of shareholders' funds | 32 | 20,187 | 22,488 | 59,912 | 75,948 |
| Modification loss | 33 | - | - | - | (29,454) |
| Allowances for impairment losses on financing, advances and other financing | 34 | (9,016) | (30,131) | (49,266) | (68,086) |
| Allowance for impairment losses on other assets | 35 | - | (11,265) | (1,344) | (12,280) |
| Total distributable income | | 260,021 | 240,640 | 717,490 | 768,194 |
| Income attributable to the depositors and others | 36 | (138,216) | (166,588) | (387,920) | (522,273) |
| Total net income | | 121,805 | 74,052 | 329,570 | 245,921 |
| Other operating expenses | 37 | (62,661) | (60,067) | (183,656) | (184,591) |
| | | 59,144 | 13,985 | 145,914 | 61,330 |
| Share of associate's results | | - | - | - | (750) |
| Profit before zakat and taxation | | 59,144 | 13,985 | 145,914 | 60,580 |
| Zakat | | (1,830) | (2,540) | (1,830) | (2,540) |
| Profit before taxation | | 57,314 | 11,445 | 144,084 | 58,040 |
| Taxation | | (15,179) | (10,093) | (38,063) | (22,121) |
| Net profit after zakat and taxation | | 42,135 | 1,352 | 106,021 | 35,919 |
| Attributable to: | | | | | |
| Equity holder of the Bank | | 42,135 | 1,352 | 106,021 | 35,919 |
| Earnings per share (sen): | 38 | | | | |
| - Basic | | 3.98 | 0.13 | 10.00 | 3.39 |

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 September 2021

| | Economic Entity Individual Quarter Ended | | Economic Entity Cumulative Quarter Ended | |
|---|---|----------------------|---|----------------------|
| | 30/09/2021 RM'000 | 30/09/2020 RM'000 | 30/09/2021 RM'000 | 30/09/2020 RM'000 |
| Profit after zakat and taxation | 42,135 | 1,352 | 106,021 | 35,919 |
| Other comprehensive income: | | | | |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | | |
| Net fair value change in | | | | |
| - financial investments at FVOCI | (15,885) | 33,099 | (122,885) | 84,788 |
| Net credit impairment losses change in financial investments at FVOCI | (94) | 1,228 | (1,343) | 2,471 |
| Net gains on financial investments at FVOCI reclassified to profit or loss on disposal | (300) | (24,364) | (2,224) | (98,745) |
| Deferred tax on | | | | |
| - financial investments at FVOCI | 3,884 | (2,096) | 30,026 | 3,350 |
| Other comprehensive income for the financial period, net of tax | (12,395) | 7,867 | (96,426) | (8,136) |
| Total comprehensive income for the financial period | 29,740 | 9,219 | 9,595 | 27,783 |
| Total comprehensive income for the financial period attributable to: | | | | |
| Equity holder of the Bank | 29,740 | 9,219 | 9,595 | 27,783 |

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 September 2021

| | Note | The Bank | | The Bank | |
|---|------|--|----------------------|--|----------------------|
| | | Individual Quarter Ended 30/09/2021 RM'000 | 30/09/2020 RM'000 | Cumulative Quarter Ended 30/09/2021 RM'000 | 30/09/2020 RM'000 |
| Income derived from investment of depositors' funds and others | 30 | 231,234 | 236,503 | 654,191 | 727,171 |
| Income derived from investment of investment account funds | 31 | 17,616 | 23,045 | 53,997 | 74,895 |
| Income derived from investment of shareholders' funds | 32 | 20,187 | 22,488 | 59,912 | 75,948 |
| Modification loss | 33 | - | - | - | (29,454) |
| Allowances for impairment losses on financing, advances and other financing | 34 | (9,016) | (30,131) | (49,266) | (68,086) |
| Allowance for impairment losses on other assets | 35 | - | (11,265) | (1,344) | (12,280) |
| Total distributable income | | 260,021 | 240,640 | 717,490 | 768,194 |
| Income attributable to the depositors and others | 36 | (138,216) | (166,588) | (387,920) | (522,273) |
| Total net income | | 121,805 | 74,052 | 329,570 | 245,921 |
| Other operating expenses | 37 | (62,661) | (60,067) | (183,656) | (184,591) |
| Profit before zakat and taxation | | 59,144 | 13,985 | 145,914 | 61,330 |
| Zakat | | (1,830) | (2,540) | (1,830) | (2,540) |
| Profit before taxation | | 57,314 | 11,445 | 144,084 | 58,790 |
| Taxation | | (15,179) | (10,093) | (38,063) | (22,121) |
| Net profit after zakat and taxation | | 42,135 | 1,352 | 106,021 | 36,669 |
| Attributable to: | | | | | |
| Equity holder of the Bank | | 42,135 | 1,352 | 106,021 | 36,669 |
| Earnings per share (sen): | 38 | | | | |
| - Basic | | 3.98 | 0.13 | 10.00 | 3.46 |

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 September 2021

| | The Bank | | The Bank | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Individual Quarter Ended | Individual Quarter Ended | Cumulative Quarter Ended | Cumulative Quarter Ended |
| | 30/09/2021 | 30/09/2020 | 30/09/2021 | 30/09/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit after zakat and taxation | 42,135 | 1,352 | 106,021 | 36,669 |
| Other comprehensive income: | | | | |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | | |
| Net fair value change in | | | | |
| - financial investments at FVOCI | (15,885) | 33,099 | (122,885) | 84,788 |
| Net credit impairment losses change in financial investments at FVOCI | (94) | 1,228 | (1,343) | 2,471 |
| Net gains on financial investments at FVOCI reclassified to profit or loss on disposal | (300) | (24,364) | (2,224) | (98,745) |
| Deferred tax on | | | | |
| - financial investments at FVOCI | 3,884 | (2,096) | 30,026 | 3,350 |
| Other comprehensive income for the financial period, net of tax | (12,395) | 7,867 | (96,426) | (8,136) |
| Total comprehensive income for the financial period | 29,740 | 9,219 | 9,595 | 28,533 |
| Total comprehensive income for the financial period attributable to: | | | | |
| Equity holder of the Bank | 29,740 | 9,219 | 9,595 | 28,533 |

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 September 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 | - | - | - | 106,021 | 106,021 |
| Other comprehensive income (net of tax) | | | | | |
| - Financial investments at FVOCI | - | (96,426) | - | - | (96,426) |
| Total comprehensive income for the financial period | - | (96,426) | - | 106,021 | 9,595 |
| Transfer from regulatory reserves | - | - | (49,533) | 49,533 | - |
| At 30 September 2021 | 1,060,000 | (101,345) | 77,560 | 924,495 | 1,960,710 |

| 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 | - | - | - | 35,919 | 35,919 |
| Other comprehensive income (net of tax) | | | | | |
| - Financial investments at FVOCI | - | (8,136) | - | - | (8,136) |
| Total comprehensive income for the financial period | - | (8,136) | - | 35,919 | 27,783 |
| Transfer from regulatory reserves | - | - | (81,445) | 81,445 | - |
| At 30 September 2020 | 1,060,000 | 11,356 | 155,437 | 719,624 | 1,946,417 |

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 September 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 | - | - | - | 106,021 | 106,021 |
| Other comprehensive income (net of tax) | | | | | |
| - Financial investments at FVOCI | - | (96,426) | - | - | (96,426) |
| Total comprehensive income for the financial period | - | (96,426) | - | 106,021 | 9,595 |
| Transfer from regulatory reserves | - | - | (49,533) | 49,533 | - |
| At 30 September 2021 | 1,060,000 | (101,345) | 77,560 | 924,495 | 1,960,710 |
| The Bank | | | | | |
| At 1 January 2020 | 1,060,000 | 19,492 | 236,882 | 602,910 | 1,919,284 |
| Net profit for the financial period | - | - | - | 36,669 | 36,669 |
| Other comprehensive income (net of tax) | | | | | |
| - Financial investments at FVOCI | - | (8,136) | - | - | (8,136) |
| Total comprehensive income for the financial period | - | (8,136) | - | 36,669 | 28,533 |
| Transfer from regulatory reserves | - | - | (81,445) | 81,445 | - |
| At 30 September 2020 | 1,060,000 | 11,356 | 155,437 | 721,024 | 1,947,817 |

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 Cash Flows for the Financial Period Ended 30 September 2021

| | Economic Entity | | The Bank | |
|--|--------------------|-------------|--------------------|-------------|
| | 30/09/2021 | 30/09/2020 | 30/09/2021 | 30/09/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 144,084 | 58,040 | 144,084 | 58,790 |
| Adjustments for items not involving the movement of cash and cash equivalents: | | | | |
| Operating profit before changes in working capital | 17,154 | (32,032) | 17,154 | (32,782) |
| Net changes in operating assets | 161,238 | 26,008 | 161,238 | 26,008 |
| Net changes in operating liabilities | (1,770,812) | (263,380) | (1,770,813) | (263,380) |
| Tax and zakat paid | 3,196,747 | 2,191,197 | 3,196,747 | 2,191,197 |
| Net cash generated from operating activities | (39,552) | (22,041) | (39,552) | (22,041) |
| | 1,547,621 | 1,931,784 | 1,547,621 | 1,931,784 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Finance income and hibah received from financial investments at FVOCI | 73,659 | 71,136 | 73,659 | 71,136 |
| Purchase of financial investments at FVOCI | (691,056) | (3,124,208) | (691,056) | (3,124,208) |
| Purchase of financial investments at AC | (70,000) | - | (70,000) | - |
| Disposal of financial investments at FVOCI | 228,645 | 2,864,404 | 228,645 | 2,864,404 |
| Purchase of property and equipment | (283) | (448) | (283) | (448) |
| Net cash used in investing activities | (459,035) | (189,116) | (459,035) | (189,116) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Profit payment - Subordinated term financing and medium term notes | (28,675) | (28,675) | (28,675) | (28,675) |
| Lease payments | (1,702) | (1,037) | (1,702) | (1,037) |
| Profit element of lease payments | (32) | (83) | (32) | (83) |
| Net cash used in financing activities | (30,409) | (29,795) | (30,409) | (29,795) |
| Net increase in cash and cash equivalents | 1,058,177 | 1,712,873 | 1,058,177 | 1,712,873 |
| Effects of foreign exchange | (15,630) | 2,408 | (15,630) | 2,408 |
| 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 | 3,836,825 | 3,304,149 | 3,836,825 | 3,304,149 |
| <u>Cash and cash equivalents comprise the following:</u> | | | | |
| Cash and short-term funds | 3,836,825 | 3,304,149 | 3,836,825 | 3,304,149 |

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

7 DEBTS AND EQUITY SECURITIES

There were no purchases or disposal of quoted securities for the quarter ended 30 September 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 September 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 September 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 September 2021.

AFFIN Islamic Bank Berhad

Company no. 200501027372 (709506-V)

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

13 DERIVATIVE FINANCIAL ASSETS

| | Economic Entity and The Bank | | | |
|------------------------------|---|------------------|---|------------------|
| | 30/09/2021 | | 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 | 1,110,838 | 11,222 | 392,631 | 11,558 |
| | <u>1,110,838</u> | <u>11,222</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 | |
|--|---------------------------------|------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| At fair value | | |
| Money market instruments: | | |
| Malaysian Government treasury bills | 59,394 | - |
| Malaysian Government investment issues | 1,468,553 | 1,187,871 |
| Sukuk Perumahan Kerajaan | <u>10,241</u> | <u>-</u> |
| | <u>1,538,188</u> | <u>1,187,871</u> |
| Unquoted securities: | | |
| Corporate Sukuk in Malaysia | 1,620,298 | 1,640,295 |
| | <u>3,158,486</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 | | | | |
| | 30/09/2021 | | | | |
| At beginning of the financial period | 3,120 | - | - | 3,120 | |
| Financial assets derecognised (other than write-off) | (47) | - | - | (47) | |
| New financial assets originated or purchased | 94 | - | - | 94 | |
| Changes due to change in credit risk | (1,391) | - | - | (1,391) | |
| At end of the financial period | <u>1,776</u> | <u>-</u> | <u>-</u> | <u>1,776</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> | |

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

15 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

| | Economic Entity and The Bank | |
|-----------------------------------|---|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| At amortised cost | | |
| Unquoted securities: | | |
| Corporate bonds/sukuk in Malaysia | 70,379 | - |
| | 70,379 | - |
| Less: ECL | (287) | - |
| | 70,092 | - |

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

| | 12 - month ECL Stage 1 | |
|--|-----------------------------------|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| At beginning of the financial period/year | - | - |
| New financial assets originated or purchased | 342 | - |
| Changes due to change in credit risk | (55) | - |
| At end of the financial period/year | 287 | - |

16 FINANCING, ADVANCES AND OTHER FINANCING

(i) **By type**

| | Economic Entity and The Bank | |
|--|---|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Cashline | 614,515 | 466,589 |
| Term financing | | |
| - House financing | 8,206,877 | 7,732,796 |
| - Hire purchase receivables | 4,257,152 | 4,022,480 |
| - Syndicated financing | 843,242 | 759,504 |
| - Business term financing | 5,590,604 | 4,954,997 |
| Bills receivables | 73,173 | 8,429 |
| Trust receipts | 12,642 | 13,140 |
| Claims on customers under acceptances credits | 565,235 | 508,029 |
| Staff financing (of which RM Nil to Directors) | 98,046 | 85,141 |
| Credit/charge cards receivables | 39,833 | 38,076 |
| Revolving financing | 1,024,033 | 975,306 |
| Gross financing, advances and other financing | 21,325,352 | 19,564,487 |
| Less: ECL | (221,982) | (184,397) |
| Total net financing, advances and other financing | 21,103,370 | 19,380,090 |

Included in business term financing as at reporting date is RM55.8 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 | |
|---------------------------|---|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Maturing within one year | 2,462,169 | 2,167,842 |
| One year to three years | 441,833 | 497,543 |
| Three years to five years | 2,492,394 | 2,493,251 |
| Over five years | 15,928,956 | 14,405,851 |
| | 21,325,352 | 19,564,487 |

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16 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(iii) By contract

Economic Entity and The Bank
30/9/2021

| | 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 | - | - | - | - | 603,158 | - | - | 11,357 | 614,515 |
| Term financing | | | | | | | | | |
| - House financing | 584,873 | - | - | - | 132,053 | 7,489,951 | - | - | 8,206,877 |
| - Hire purchase receivables | - | - | 4,257,152 | - | - | - | - | - | 4,257,152 |
| - Syndicated financing | - | 304,522 | - | - | 538,720 | - | - | - | 843,242 |
| - Business term financing | 112,526 | 534,238 | - | 198,197 | 3,126,296 | 1,077,338 | 541,912 | 97 | 5,590,604 |
| Bills receivables | - | - | - | 54,603 | - | - | - | 18,570 | 73,173 |
| Trust receipts | - | - | - | 12,642 | - | - | - | - | 12,642 |
| Claims on customers under acceptances credits | - | - | - | 565,235 | - | - | - | - | 565,235 |
| Staff financing | 3,223 | - | - | 19,396 | 29,462 | 45,965 | - | - | 98,046 |
| Credit/charge cards receivables | - | - | - | - | 39,833 | - | - | - | 39,833 |
| Revolving financing | - | - | - | - | 1,024,033 | - | - | - | 1,024,033 |
| Gross financing, advances and other financing | 700,622 | 838,760 | 4,257,152 | 850,073 | 5,493,555 | 8,613,254 | 541,912 | 30,024 | 21,325,352 |

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 | |
|-----------------------------------|---------------------------------|----------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| Domestic non-banking institutions | | |
| - Others | 45,671 | 48,305 |
| Domestic business enterprises | | |
| - Small medium enterprises | 2,380,605 | 2,100,434 |
| - Others | 4,202,884 | 4,011,059 |
| Government and statutory bodies | 696,600 | 710,245 |
| Individuals | 13,833,146 | 12,427,101 |
| Other domestic entities | 241 | 508 |
| Foreign entities | 166,205 | 266,835 |
| | 21,325,352 | 19,564,487 |

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16 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(v) By profit rate sensitivity

| | Economic Entity and The Bank | |
|------------------------------|---------------------------------|----------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| Fixed rate | | |
| - House financing | 41,604 | 41,875 |
| - Hire purchase receivables | 4,257,152 | 4,022,480 |
| - Other fixed rate financing | 1,025,680 | 839,503 |
| Variable rate | | |
| - BFR plus | 13,257,232 | 12,011,070 |
| - Cost-plus | 2,743,684 | 2,649,559 |
| | 21,325,352 | 19,564,487 |

(vi) By economic sector

| | Economic Entity and The Bank | |
|---|---------------------------------|----------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| Primary agriculture | 742,715 | 778,346 |
| Mining and quarrying | 143,601 | 242,201 |
| Manufacturing | 1,117,033 | 881,806 |
| Electricity, gas and water supply | 390,645 | 381,561 |
| Construction | 602,467 | 574,845 |
| Real estate | 1,498,372 | 1,564,841 |
| Wholesale & retail trade and restaurants & hotels | 963,420 | 749,260 |
| Transport, storage and communication | 371,920 | 334,878 |
| Finance, takaful/insurance and business services | 404,371 | 392,124 |
| Education, health and others | 1,202,877 | 1,181,146 |
| Household | 13,887,931 | 12,483,479 |
| | 21,325,352 | 19,564,487 |

(vii) By economic purpose

| | Economic Entity and The Bank | |
|---|---------------------------------|----------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| Purchase of securities | 546,049 | 390,285 |
| Purchase of transport vehicles | 4,311,471 | 4,078,560 |
| Purchase of landed property of which: | | |
| - Residential | 8,373,404 | 7,910,750 |
| - Non-residential | 2,298,986 | 2,303,988 |
| Fixed assets other than land and building | 78,222 | 79,361 |
| Personal use | 735,458 | 203,042 |
| Credit/charge card | 39,833 | 38,076 |
| Consumer durable | - | 72 |
| Construction | 959,290 | 922,421 |
| Working capital | 3,493,401 | 3,248,466 |
| Others | 489,238 | 389,466 |
| | 21,325,352 | 19,564,487 |

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16 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(viii) By geographical distribution

| | Economic Entity and The Bank | |
|---------------------|---|------------------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| Perlis | 152,022 | 163,132 |
| Kedah | 910,840 | 821,156 |
| Pulau Pinang | 1,149,616 | 997,635 |
| Perak | 643,157 | 576,561 |
| Selangor | 7,127,454 | 6,558,963 |
| Wilayah Persekutuan | 4,170,602 | 3,898,850 |
| Negeri Sembilan | 1,105,967 | 1,012,321 |
| Melaka | 329,137 | 275,943 |
| Johor | 2,592,978 | 2,394,578 |
| Pahang | 757,809 | 670,627 |
| Terengganu | 584,205 | 518,449 |
| Kelantan | 370,917 | 270,662 |
| Sarawak | 615,371 | 576,670 |
| Sabah | 794,663 | 802,649 |
| Labuan | 20,612 | 26,287 |
| Outside Malaysia | 2 | 4 |
| | 21,325,352 | 19,564,487 |

(ix) Movements of impaired financing

| | Economic Entity and The Bank | |
|---|---|------------------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| At beginning of the financial period/year | 315,471 | 607,312 |
| Classified as impaired | 93,984 | 121,621 |
| Reclassified as non-impaired | (96,339) | (103,492) |
| Amount recovered | (21,885) | (214,880) |
| Amount written-off | (15,253) | (95,090) |
| At end of the financial period/year | 275,978 | 315,471 |
| Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (exclude restricted investment accounts) | 1.40% | 1.77% |

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16 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(x) Impaired financing by economic sector

| | Economic Entity and The Bank | |
|---|---------------------------------|----------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| Primary agriculture | 246 | 145 |
| Mining and quarrying | - | 31 |
| Manufacturing | 63,979 | 60,136 |
| Electricity, gas and water supply | - | 45 |
| Construction | 3,029 | 3,131 |
| Real estate | 12,048 | 12,039 |
| Wholesale & retail trade and restaurants & hotels | 3,189 | 1,380 |
| Transport, storage and communication | 75,984 | 75,334 |
| Finance, takaful/insurance and business services | 1,181 | 431 |
| Education, health and others | 956 | 192 |
| Household | 115,366 | 162,607 |
| | 275,978 | 315,471 |

(xi) Impaired financing by economic purpose

| | Economic Entity and The Bank | |
|---------------------------------------|---------------------------------|----------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| Purchase of securities | 50 | 34 |
| Purchase of transport vehicles | 24,888 | 22,533 |
| Purchase of landed property of which: | | |
| - Residential | 89,831 | 136,711 |
| - Non-residential | 17,060 | 18,953 |
| Personal use | 2,560 | 1,276 |
| Credit/charge card | 424 | 131 |
| Construction | 57,265 | 57,183 |
| Working capital | 83,900 | 78,640 |
| Others | - | 10 |
| | 275,978 | 315,471 |

(xii) Impaired financing by geographical distribution

| | Economic Entity and The Bank | |
|---------------------|---------------------------------|----------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| Perlis | 2,484 | 2,461 |
| Kedah | 7,246 | 7,298 |
| Pulau Pinang | 7,349 | 6,522 |
| Perak | 80,209 | 81,627 |
| Selangor | 62,006 | 80,662 |
| Wilayah Persekutuan | 78,469 | 90,039 |
| Negeri Sembilan | 12,938 | 17,180 |
| Melaka | 2,151 | 2,019 |
| Johor | 14,468 | 17,183 |
| Pahang | 1,807 | 1,600 |
| Terengganu | 2,485 | 3,519 |
| Kelantan | 2,523 | 3,245 |
| Sarawak | 126 | 338 |
| Sabah | 1,717 | 1,778 |
| | 275,978 | 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 30/09/2021 | 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: | 14,771 | 11,520 | (26,291) | - |
| - Transfer to 12-month ECL (Stage 1) | 17,927 | (13,447) | (4,480) | - |
| - Transfer to Lifetime ECL not credit impaired (Stage 2) | (3,150) | 27,478 | (24,328) | - |
| - Transfer to Lifetime ECL credit impaired (Stage 3) | (6) | (2,511) | 2,517 | - |
| Financing, advances and other financing derecognised (other than write-off) | (25,136) | (925) | (1,734) | (27,795) |
| New financing, advances and other financing originated or purchased | 29,494 | 337 | - | 29,831 |
| Changes due to change in credit risk | (4,524) | 11,423 | 43,688 | 50,587 |
| Write-off | - | - | (15,040) | (15,040) |
| Other adjustments | 2 | - | - | 2 |
| At end of the financial period | 61,868 | 77,061 | 83,053 | 221,982 |

| 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 | |
|---------------------------|---|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Other debtors | 61,549 | 58,902 |
| Deposits and prepayments | 676 | 788 |
| Cheque clearing accounts | 56,910 | - |
| Foreclosed properties (a) | 4,873 | 4,873 |
| | 124,008 | 64,563 |

(a) Movements in foreclosed properties

| | | |
|---|--------------|--------------|
| At beginning/end of the financial period/year | 4,873 | 4,873 |
|---|--------------|--------------|

18 AMOUNT DUE FROM JOINT VENTURES

| | Economic Entity and The Bank | |
|----------------------------|---|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Advances to joint ventures | 59,984 | 59,060 |
| Expected credit losses (a) | (45,331) | (43,987) |
| | 14,653 | 15,073 |

(a) Movements in expected credit losses

| | Lifetime ECL credit impaired Stage 3 | |
|---|---|-------------------|
| | 30/09/2021 | 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 | |
|-----------------------------|---|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Qard | | |
| Demand deposits | 3,795,983 | 3,539,236 |
| Savings deposits | 1,030,301 | 1,005,821 |
| | 4,826,284 | 4,545,057 |
| Mudarabah | | |
| General investment deposits | 43,684 | 57,313 |
| Tawarruq | | |
| Murabahah term deposits | 15,904,273 | 13,333,675 |
| Commodity Murabahah | 1,288,779 | 516,492 |
| Savings deposits | 151,265 | 102,574 |
| Demand deposit | 440,230 | 110,880 |
| | 17,784,547 | 14,063,621 |
| | 22,654,515 | 18,665,991 |

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

| | Economic Entity and The Bank | |
|---------------------------|---|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Due within six months | 11,401,814 | 8,831,048 |
| Six months to one year | 4,108,412 | 3,731,511 |
| One year to three years | 435,730 | 822,817 |
| Three years to five years | 1,921 | 5,612 |
| More than five years | 80 | - |
| | 15,947,957 | 13,390,988 |

(iii) **By type of customer**

| | Economic Entity and The Bank | |
|---|---|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Government and statutory bodies | 9,648,774 | 6,651,501 |
| Business enterprise | 4,775,374 | 4,215,444 |
| Individuals | 7,438,303 | 6,972,875 |
| Domestic banking institutions | 821 | 7,826 |
| Domestic non-banking financial institutions | 440,684 | 484,295 |
| Foreign entities | 114,497 | 133,648 |
| Others entities | 236,062 | 200,402 |
| | 22,654,515 | 18,665,991 |

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20 INVESTMENT ACCOUNTS OF CUSTOMERS

| | Economic Entity and The Bank | |
|---|-------------------------------------|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Mudarabah | 1,443 | 2,151 |
| | <hr/> | <hr/> |
| | Economic Entity and The Bank | |
| | 30/09/2021 | 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 | (705) | (1,201) |
| Finance expense on RIA | 71 | 285 |
| Profit distributed | (74) | (285) |
| At end of the financial period/year | 1,443 | 2,151 |
| | <hr/> | <hr/> |

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

| | Economic Entity and The Bank | | | |
|---------------------------|---|-------------------------------------|---|-------------------------------------|
| | 30/09/2021 | | 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: | | | | |
| Six months to one year | - | - | 85 | 5.70 |
| Three years to five years | 85 | 5.58 | 85 | 5.58 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Economic Entity and The Bank | |
|---|-------------------------------------|------------------------------------|
| | Current Financial Quarter | Previous Financial Year-End |
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Qard | | |
| Licensed banks | - | 201,505 |
| Licensed investment banks | - | - |
| | <hr/> | <hr/> |
| | - | 201,505 |
| | <hr/> | <hr/> |
| Tawarruq | | |
| Licensed banks | 4,485 | 200,912 |
| Licensed investment banks | - | 3,115 |
| Other financial institutions | 680,143 | 820,341 |
| | 684,628 | 1,024,368 |
| | <hr/> | <hr/> |
| | 684,628 | 1,225,873 |
| | <hr/> | <hr/> |
| Maturity structure of deposits are as follows: | | |
| Due within six months | 684,628 | 1,225,873 |
| | <hr/> | <hr/> |

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23 RECURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS BERHAD

| | Economic Entity and The Bank | | | |
|---|-------------------------------------|------------------|-------------------|-------------------|
| | 30/09/2021 | | 31/12/2020 | |
| | RM'000 | | RM'000 | |
| Recourse obligation on financing sold to Cagamas Berhad | 50,342 | | 50,034 | |
| | At | Cash flow | Profit | At |
| | 01/01/2021 | RM'000 | expense | 30/09/2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Recourse obligation on financing sold to Cagamas Berhad | 50,034 | (620) | 928 | 50,342 |
| | 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 | |
| | 30/09/2021 | | 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 | 792,642 | 9,606 | 819,530 | 25,572 |
| | 792,642 | 9,606 | 819,530 | 25,572 |

25 OTHER LIABILITIES

| | Economic Entity and The Bank | |
|--|-------------------------------------|-------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes | 8,992 | 1,599 |
| Margin and collateral deposits | 17,233 | 18,263 |
| Other creditors and accruals | 5,035 | 10,909 |
| Sundry creditors | 49,260 | 18,692 |
| Provision for zakat | 2,466 | 1,925 |
| Defined contribution plan (a) | 1,023 | 1,415 |
| Accrued employee benefits | 3,664 | 4,746 |
| Charity funds (b) | 10 | 35 |
| Unearned income | 6,300 | 6,346 |
| Financing commitments (c) | 4,034 | 3,982 |
| | 98,017 | 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 | |
|--|---------------------------------|----------------------|
| | 30/09/2021 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 | 5 | 24 |
| Uses of charity funds | | |
| - Contribution to medical aid | - | 30 |
| - Contribution to education | 10 | - |
| - Contribution to program/event | 20 | 11 |
| | 30 | 41 |
| At end of the financial period/year | 10 | 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 | |
|--|---------------------------------|----------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| At beginning of the financial period/year | 3,982 | 6,515 |
| Net remeasurement of loss allowance | (268) | (3,694) |
| Changes in model/risk parameters | - | 221 |
| New financing commitments and financial guarantees | 320 | 940 |
| At end of the financial period/year | 4,034 | 3,982 |

26 LEASE LIABILITIES

| | Economic Entity and The Bank | |
|--|---------------------------------|----------------------|
| | 30/09/2021 RM'000 | 31/12/2020 RM'000 |
| At beginning of financial period/year | 2,433 | 1,568 |
| Additions | - | 1,932 |
| Finance expense | 32 | 91 |
| Lease payment | (1,702) | (1,158) |
| At end of the financial period/year | 763 | 2,433 |

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27 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES

| | Economic Entity and The Bank | |
|--|---|------------------|
| | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 |
| Medium Term Notes ("MTN") Tier-2 Sukuk Murabahah (a) | 817,710 | 807,609 |
| Additional Tier-1 Sukuk Wakalah ("AT1S") (b) | 307,662 | 303,425 |
| | <u>1,125,372</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 | |
|--------------------------------|------------------------|----------------|-----------------------|----------------|
| | 30/09/2021 | 31/12/2020 | 30/09/2021 | 31/12/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Retained profits | 924,495 | 768,941 | 924,495 | 768,941 |
| FVOCI revaluation reserves (a) | (101,345) | (4,919) | (101,345) | (4,919) |
| Regulatory reserves | 77,560 | 127,093 | 77,560 | 127,093 |
| | <u>900,710</u> | <u>891,115</u> | <u>900,710</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 RM115,563,879 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 30/09/2021 | 30/9/2020 | Cumulative Quarter Ended 30/09/2021 | 30/9/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of depositors' funds and others | 231,234 | 236,503 | 654,191 | 727,171 |
| Income derived from investment of investment account funds | 17,616 | 23,045 | 53,997 | 74,895 |
| Income derived from investment of shareholders' funds | 20,187 | 22,488 | 59,912 | 75,948 |
| Income attributable to depositors | (138,216) | (166,588) | (387,920) | (522,273) |
| | 130,821 | 115,448 | 380,180 | 355,741 |

30 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

| | Economic Entity and The Bank | | Economic Entity and The Bank | |
|------------------------------------|--|-----------|--|-----------|
| | Individual Quarter Ended 30/09/2021 | 30/9/2020 | Cumulative Quarter Ended 30/09/2021 | 30/9/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of: | | | | |
| - General investment deposits (i) | 159,039 | 165,460 | 436,542 | 518,690 |
| - Other deposits (ii) | 72,195 | 71,043 | 217,649 | 208,481 |
| | 231,234 | 236,503 | 654,191 | 727,171 |

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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 | |
| | 30/09/2021 RM'000 | 30/9/2020 RM'000 | 30/09/2021 RM'000 | 30/9/2020 RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and other financing | 128,220 | 122,994 | 355,670 | 382,021 |
| Financial investments at FVOCI | 15,712 | 13,617 | 44,376 | 41,990 |
| Financial investments at AC | 132 | - | 215 | - |
| Money at call and deposits with other financial institutions | 10,341 | 11,777 | 20,924 | 25,805 |
| | 154,405 | 148,388 | 421,185 | 449,816 |
| Accretion of discount less amortisation of premium | (2,564) | (2,411) | (7,293) | (4,491) |
| Total finance income and hibah | 151,841 | 145,977 | 413,892 | 445,325 |
| Other operating income | | | | |
| Fee income: | | | | |
| Commission | 1,805 | 782 | 4,482 | 2,143 |
| Service charges and fees | 1,327 | 1,778 | 4,189 | 4,616 |
| Guarantee fees | 745 | 635 | 1,934 | 1,761 |
| | 3,877 | 3,195 | 10,605 | 8,520 |
| Commission paid on will/wasiat | (3) | - | (7) | (8) |
| Income from financial instruments: | | | | |
| Gain on sale of financial investments at FVOCI | 191 | 14,250 | 1,228 | 57,395 |
| | 191 | 14,250 | 1,228 | 57,395 |
| Other income: | | | | |
| Foreign exchange profit/(loss) | | | | |
| - realised | (820) | 3,371 | (5,247) | 4,174 |
| - unrealised | 1,838 | (1,995) | 8,883 | 1,422 |
| Other non-operating income | 2,115 | 662 | 7,188 | 1,862 |
| | 3,133 | 2,038 | 10,824 | 7,458 |
| Total income derived from investment of general investment deposits | 159,039 | 165,460 | 436,542 | 518,690 |

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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 | |
| | 30/09/2021 | 30/9/2020 | 30/09/2021 | 30/9/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and other financing | 58,107 | 52,764 | 177,327 | 153,547 |
| Financial investments at FVOCI | 7,101 | 5,838 | 22,125 | 16,878 |
| Financial investments at AC | 64 | - | 107 | - |
| Money at call and deposits with other financial institutions | 4,885 | 4,914 | 10,432 | 10,372 |
| | <u>70,157</u> | <u>63,516</u> | <u>209,991</u> | <u>180,797</u> |
| Accretion of discount less amortisation of premium | (1,157) | (996) | (3,636) | (1,805) |
| Total finance income and hibah | <u>69,000</u> | <u>62,520</u> | <u>206,355</u> | <u>178,992</u> |
| Other operating income | | | | |
| Fee income: | | | | |
| Commission | 832 | 331 | 2,235 | 861 |
| Service charges and fees | 589 | 751 | 2,089 | 1,855 |
| Guarantee fees | 341 | 270 | 964 | 709 |
| | <u>1,762</u> | <u>1,352</u> | <u>5,288</u> | <u>3,425</u> |
| Commission paid on will/wasiat | (1) | - | (3) | (3) |
| Income from financial instruments: | | | | |
| Gain on sale of financial investments at FVOCI | 69 | 6,282 | 612 | 23,069 |
| | <u>69</u> | <u>6,282</u> | <u>612</u> | <u>23,069</u> |
| Other income: | | | | |
| Foreign exchange profit/(loss) | | | | |
| - realised | (296) | 1,366 | (2,616) | 1,678 |
| - unrealised | 736 | (758) | 4,429 | 572 |
| Other non-operating income | 925 | 281 | 3,584 | 748 |
| | <u>1,365</u> | <u>889</u> | <u>5,397</u> | <u>2,998</u> |
| Total income derived from investment of other deposits | <u>72,195</u> | <u>71,043</u> | <u>217,649</u> | <u>208,481</u> |

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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 30/09/2021 RM'000 | 30/9/2020 RM'000 | Cumulative Quarter Ended 30/09/2021 RM'000 | 30/9/2020 RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and other financing | 14,174 | 17,139 | 43,994 | 55,161 |
| Financial investments at FVOCI | 1,731 | 1,898 | 5,489 | 6,063 |
| Financial investments at AC | 16 | - | 27 | - |
| Money at call and deposits with other financial institutions | <u>1,202</u> | <u>1,667</u> | <u>2,588</u> | <u>3,726</u> |
| | 17,123 | 20,704 | 52,098 | 64,950 |
| Accretion of discount less amortisation of premium | <u>(282)</u> | <u>(342)</u> | <u>(902)</u> | <u>(648)</u> |
| Total finance income and hibah | 16,841 | 20,362 | 51,196 | 64,302 |
| Other operating income | | | | |
| Fee income: | | | | |
| Commission | 203 | 109 | 554 | 309 |
| Service charges and fees | 143 | 250 | 518 | 667 |
| Guarantee fees | 83 | 89 | 239 | 254 |
| | <u>429</u> | <u>448</u> | <u>1,311</u> | <u>1,230</u> |
| Commission paid on will/wasiat | - | - | (1) | (1) |
| Income from financial instruments: | | | | |
| Gain on sale of financial investments at FVOCI | <u>16</u> | <u>1,954</u> | <u>152</u> | <u>8,287</u> |
| | 16 | 1,954 | 152 | 8,287 |
| Other income: | | | | |
| Foreign exchange profit/(loss) | | | | |
| - realised | (69) | 485 | (649) | 603 |
| - unrealised | 175 | (297) | 1,099 | 205 |
| Other non-operating income | <u>224</u> | <u>93</u> | <u>889</u> | <u>269</u> |
| | 330 | 281 | 1,339 | 1,077 |
| Total income derived from investment of investment account funds | <u>17,616</u> | <u>23,045</u> | <u>53,997</u> | <u>74,895</u> |

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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 | |
| | 30/09/2021 | 30/9/2020 | 30/09/2021 | 30/9/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and other financing | 16,251 | 16,735 | 48,812 | 55,937 |
| Financial investments at FVOCI | 1,987 | 1,854 | 6,090 | 6,148 |
| Financial investments at AC | 18 | - | 30 | - |
| Money at call and deposits with other financial institutions | 1,357 | 1,655 | 2,872 | 3,778 |
| | <u>19,613</u> | <u>20,244</u> | <u>57,804</u> | <u>65,863</u> |
| Accretion of discount less amortisation of premium | (324) | (343) | (1,001) | (658) |
| Total finance income and hibah | <u>19,289</u> | <u>19,901</u> | <u>56,803</u> | <u>65,205</u> |
| Other operating income | | | | |
| Fee income: | | | | |
| Commission | 232 | 108 | 615 | 314 |
| Service charges and fees | 165 | 246 | 575 | 676 |
| Guarantee fees | 95 | 88 | 265 | 258 |
| | <u>492</u> | <u>442</u> | <u>1,455</u> | <u>1,248</u> |
| Commission paid on will/wasiat | - | - | (1) | (1) |
| Income from financial instruments: | | | | |
| Gain on sale of financial investments at FVOCI | 21 | 1,874 | 169 | 8,404 |
| | <u>21</u> | <u>1,874</u> | <u>169</u> | <u>8,404</u> |
| Other income: | | | | |
| Foreign exchange profit/(loss) | | | | |
| - realised | (86) | 489 | (720) | 611 |
| - unrealised | 210 | (309) | 1,219 | 208 |
| Other non-operating income | 261 | 91 | 987 | 273 |
| | <u>385</u> | <u>271</u> | <u>1,486</u> | <u>1,092</u> |
| Total income derived from investment of shareholders' fund | <u>20,187</u> | <u>22,488</u> | <u>59,912</u> | <u>75,948</u> |

33 MODIFICATION LOSS

| | Economic Entity and The Bank | | Economic Entity and The Bank | |
|--------------------------|---------------------------------|-----------|---------------------------------|---------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/09/2021 | 30/9/2020 | 30/09/2021 | 30/9/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Modification loss | <u>-</u> | <u>-</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 | |
| | 30/09/2021 RM'000 | 30/9/2020 RM'000 | 30/09/2021 RM'000 | 30/9/2020 RM'000 |
| Expected credit loss made on/(written-back): | | | | |
| - Financing, advances and other financing | 9,730 | 30,593 | 52,625 | 69,380 |
| - Securities | 590 | 1,894 | (408) | 3,137 |
| - Financing commitments and financial guarantees | (477) | (1,109) | 53 | (2,092) |
| Bad debts and financing | | | | |
| - recovered | (883) | (1,298) | (3,300) | (2,673) |
| - written-off | 56 | 51 | 296 | 334 |
| | 9,016 | 30,131 | 49,266 | 68,086 |

35 ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER ASSETS

| | Economic Entity and The Bank | | Economic Entity and The Bank | |
|--|---------------------------------|---------------------|---------------------------------|---------------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/09/2021 RM'000 | 30/9/2020 RM'000 | 30/09/2021 RM'000 | 30/9/2020 RM'000 |
| Allowance for impairment for amount due from joint ventures and associate | - | 11,265 | 1,344 | 12,280 |

36 INCOME ATTRIBUTABLE TO DEPOSITORS

| | Economic Entity and The Bank | | Economic Entity and The Bank | |
|--|---------------------------------|---------------------|---------------------------------|---------------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/09/2021 RM'000 | 30/9/2020 RM'000 | 30/09/2021 RM'000 | 30/9/2020 RM'000 |
| Deposits from customers | | | | |
| - Mudarabah | 173 | 335 | 740 | 1,077 |
| - Non-Mudarabah | 101,622 | 126,039 | 278,797 | 401,207 |
| Deposits and placements of banks and other financial institutions | | | | |
| - Mudarabah | 5,066 | 5,996 | 14,566 | 13,792 |
| Finance expense-Subordinated term financing and medium term notes | 14,339 | 14,337 | 43,013 | 43,012 |
| Restricted investment account - Mudarabah | 16,689 | 19,833 | 49,827 | 63,084 |
| Others | 327 | 48 | 977 | 101 |
| | 138,216 | 166,588 | 387,920 | 522,273 |

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37 OTHER OPERATING EXPENSES

| | Economic Entity and The Bank | | Economic Entity and The Bank | |
|--|---------------------------------|---------------|---------------------------------|----------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/09/2021 | 30/9/2020 | 30/09/2021 | 30/9/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Personnel costs</u> | | | | |
| Wages, salaries and bonuses | 30,446 | 30,238 | 87,947 | 93,266 |
| Defined contribution plan ('EPF') | 5,101 | 5,060 | 14,932 | 15,546 |
| Other personnel costs | 3,542 | 3,998 | 11,240 | 12,143 |
| | 39,089 | 39,296 | 114,119 | 120,955 |
| | | | | |
| <u>Establishment costs</u> | | | | |
| Equipment rental | 1,047 | 145 | 3,143 | 431 |
| Repair and maintenance | 7,290 | 6,451 | 21,340 | 19,132 |
| Depreciation of property and equipment | 111 | 160 | 359 | 520 |
| Amortisation of intangible assets | 53 | 54 | 159 | 160 |
| Depreciation of right-of-use assets | 113 | 251 | 340 | 904 |
| IT consultancy fees | 4,625 | 4,330 | 13,871 | 13,016 |
| Dataline rental | 1,781 | 1,417 | 5,351 | 4,261 |
| Security services | 1,701 | 725 | 5,068 | 2,145 |
| Electricity, water and sewerage | 1,231 | 1,506 | 3,688 | 4,512 |
| Licence fee | 69 | 85 | 210 | 260 |
| Insurance/takaful and indemnities | 2,127 | 4 | 3,437 | 2,108 |
| Other establishment costs | (516) | 566 | 1,395 | 1,688 |
| | 19,632 | 15,694 | 58,361 | 49,137 |
| | | | | |
| <u>Marketing expenses</u> | | | | |
| Business promotion and advertisement | 93 | 285 | 218 | 334 |
| Entertainment | 63 | 116 | 200 | 341 |
| Traveling and accommodation | 231 | 310 | 705 | 953 |
| Commissions expenses | - | 103 | (524) | 261 |
| Brokerage expenses | 6 | 223 | 620 | 647 |
| Other marketing expenses | 115 | 288 | 547 | 1,023 |
| | 508 | 1,325 | 1,766 | 3,559 |
| | | | | |
| <u>Administration and general expenses</u> | | | | |
| Telecommunication expenses | 342 | 493 | 1,053 | 1,499 |
| Auditors' remuneration | (15) | 187 | 28 | 555 |
| Professional fees | 511 | 686 | 1,573 | 2,038 |
| Property and equipment written-off | - | 1 | 1 | 1 |
| Mail and courier charges | 476 | 229 | 1,454 | 672 |
| Stationery and consumables | 1,095 | 983 | 2,714 | 2,331 |
| Directors' fees and allowances | 354 | 549 | 774 | 1,716 |
| Shariah fees | 111 | 147 | 299 | 365 |
| Donations | 100 | 40 | 176 | 296 |
| Settlement, clearing and bank charges | 433 | 382 | 1,248 | 1,198 |
| Stamp duties | - | 3 | 2 | 5 |
| GST Input tax-non recoverable | - | - | - | - |
| Other administration and general expenses | 25 | 52 | 88 | 264 |
| | 3,432 | 3,752 | 9,410 | 10,940 |
| | | | | |
| Total other operating expenses | 62,661 | 60,067 | 183,656 | 184,591 |

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38 EARNINGS PER SHARE

The basic earnings per ordinary share for the Economic Entity and the Bank have been calculated by dividing the net profit attributable to ordinary equity holder 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 | |
|---|---------------------------------|-----------|---------------------------------|-----------|
| | 30/09/2021 | 30/9/2020 | 30/09/2021 | 30/9/2020 |
| Economic Entity | | | | |
| Net profit attributable to equity holder of the Bank (RM'000) | 42,135 | 1,352 | 106,021 | 35,919 |
| 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) | 3.98 | 0.13 | 10.00 | 3.39 |
| The Bank | | | | |
| Net profit attributable to equity holder of the Bank (RM'000) | 42,135 | 1,352 | 106,021 | 36,669 |
| 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) | 3.98 | 0.13 | 10.00 | 3.46 |

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 | |
|---|---|------------|
| | 30/09/2021 | 31/12/2020 |
| | Principal Amount | |
| | RM'000 | RM'000 |
| Direct credit substitutes * | 67,538 | 68,709 |
| Transaction-related contingent items | 410,784 | 368,737 |
| Short-term self-liquidating trade related contingencies | 289,919 | 294,032 |
| Irrevocable commitments to extend credit | | |
| - maturity less than one year | 1,509,085 | 1,372,672 |
| - maturity more than one year | 779,842 | 831,745 |
| Unutilised credit card lines | 211,699 | 209,755 |
| Foreign exchange related contracts # | | |
| - less than one year | 1,903,479 | 1,212,161 |
| | 5,172,346 | 4,357,811 |

* Included in direct credit substitutes as above are financial guarantee contracts of RM67.5 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 | | | | |
| 30/09/2021 | | | | |
| Financial Assets | | | | |
| Derivative financial assets | - | 11,222 | - | 11,222 |
| Financial investments at FVOCI | | | | |
| - Money market instruments | - | 1,538,188 | - | 1,538,188 |
| - Corporate Sukuk | - | 1,620,298 | - | 1,620,298 |
| | - | 3,169,708 | - | 3,169,708 |
| Financial Liabilities | | | | |
| Derivative financial liabilities | - | 9,606 | - | 9,606 |
| | 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.

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42 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 | |
|---------------------------------------|------------------------|------------|-------------------|------------|
| | 30/09/2021 | 31/12/2020 | 30/09/2021 | 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 | 882,361 | 768,941 | 882,361 | 768,941 |
| FVOCI revaluation reserves | (101,345) | (4,919) | (101,345) | (4,919) |
| | 1,841,016 | 1,824,022 | 1,841,016 | 1,824,022 |
| Less: Regulatory adjustments: | | | | |
| - Intangible assets | (398) | (558) | (398) | (558) |
| - Deferred tax assets | (45,549) | (12,390) | (45,549) | (12,390) |
| - Other CET 1 transitional adjustment | 68,631 | 31,418 | 68,631 | 31,418 |
| Total CET 1 Capital | 1,863,700 | 1,842,492 | 1,863,700 | 1,842,492 |
| <u>Additional Tier 1 capital</u> | | | | |
| Sukuk Wakalah | 300,000 | 300,000 | 300,000 | 300,000 |
| Total Tier 1 capital | 2,163,700 | 2,142,492 | 2,163,700 | 2,142,492 |
| <u>Tier 2 capital</u> | | | | |
| Subordinated medium term financing | 800,000 | 800,000 | 800,000 | 800,000 |
| Expected loss provision # | 88,074 | 110,509 | 88,074 | 110,509 |
| Total Tier 2 capital | 888,074 | 910,509 | 888,074 | 910,509 |
| Total Capital | 3,051,774 | 3,053,001 | 3,051,774 | 3,053,001 |

b) The breakdown of risk-weighted assets:

| | | | | |
|-----------------------------------|-------------------|------------|-------------------|------------|
| Credit risk | 15,460,191 | 14,342,941 | 15,460,191 | 14,342,941 |
| Market risk | 38,592 | 19,079 | 38,592 | 19,079 |
| Operational risk | 746,344 | 698,564 | 746,344 | 698,564 |
| Total risk-weighted assets | 16,245,127 | 15,060,584 | 16,245,127 | 15,060,584 |

c) Capital adequacy ratios:

| | | | | |
|--|----------------|---------|----------------|---------|
| <u>With transitional arrangements</u> | | | | |
| CET1 capital ratio | 11.472% | 12.234% | 11.472% | 12.234% |
| Tier 1 capital ratio | 13.319% | 14.226% | 13.319% | 14.226% |
| Total capital ratio | 18.786% | 20.271% | 18.786% | 20.271% |
| <u>Without transitional arrangements</u> | | | | |
| CET1 capital ratio | 11.050% | 12.025% | 11.050% | 12.025% |
| Tier 1 capital ratio | 12.897% | 14.017% | 12.897% | 14.017% |
| Total capital ratio | 18.786% | 20.271% | 18.786% | 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 September 2021, RIA assets excluded from Total Capital Ratio calculation amounted to RM1,667.2 million (2020: RM1,754.9 million).

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43 REVIEW OF PERFORMANCE OF THE BANK

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

The Bank recorded a profit before tax of RM144.1 million for the nine-months financial period ended 30 September 2021, an increase of RM86.1 million or 145.1% as compared to RM58.8 million registered in the previous corresponding period. This was due to higher net financing and other income by RM53.9 million and lower allowance for impairment losses of RM29.8 million.

Net financing and other income increased by RM53.9 million or 16.5% as compared to the same period last year of RM326.3 million. Allowance for impairment losses decreased by RM29.8 million or 37.0% to RM50.6 million as compared to RM80.4 million recoded in the previous corresponding period ended 30 September 2020.

Gross financing, advances and other financing grew by 9.7% year-on-year to RM21.3 billion. Customer deposits increased by 22.8% year-on-year to RM22.7 billion, whilst CASA ratio stood at 23.91% as at 30 September 2021.

CET1, Tier 1 Capital Ratio and Total Capital Ratio were 11.472%, 13.319% and 18.786% respectively as at 30 September 2021.

Analysis of financial performance of current quarter vs previous corresponding quarter

The Bank showed a profit before tax of RM57.3 million for the current quarter ended 30 September 2021, higher by RM45.9 million or 402.6% against the quarter ended 30 September 2020 of RM11.4 million. This was due to lower allowance for impairment losses of RM32.4 million and higher net financing and other income of RM15.4 million, offset by higher other operating expenses of RM2.6 million.

Net financing and other income for the current quarter ended 30 September 2021 increased by RM15.4 million or 13.3% to RM130.8 million, attributed to higher financing income of RM36.6 million, offset by lower gains on disposal of financial instruments of RM24.1 million.

Allowance for impairment losses was lower by RM32.4 million or 78.3% to RM9.0 million as compared to RM41.4 million recorded in the same quarter last year.

Analysis of financial performance of current quarter vs preceding quarter

The Bank posted a profit before tax of RM57.3 million for the current quarter under review, higher by RM3.5 million or 6.5% against the preceding quarter ended 30 June 2021 of RM53.8 million. This was attributed to lower allowance for impairment losses of RM7.4 million, offset by higher other operating expenses of RM4.2 million.

44 PROSPECTS FOR FINANCIAL YEAR 2021

Economic growth for 2021 was revised downwards by the Ministry of Finance in its August 2022 Pre Budget Statement to between 3.0% to 4.0%. This is reflective of the extended Movement Control Order which impacted most sectors of the economy and continued to dampen private consumption. To further support Malaysians most affected by the pandemic, on 13 October 2021, the Prime Minister YAB Datuk Seri Ismail Sabri Yaakob announced a Financial Management and Resilience Programme (Urus) for borrowers in the B50 income group which is to be set up by the banking sector.

The Government initiatives to help those most affected by the pandemic as well as the successful implementation of the vaccination programme are positive developments for the economy. The performance of the Bank is expected to improve in the last quarter with these latest developments.

The Bank will support its B50 customers through this programme and help all other customers who require further assistance with its existing FAIR programme. The Bank is still committed to its AIM 22 targets despite the many challenges brought about by the COVID-19 pandemic and all its initiatives under the AIM 22 transformation plan remain intact.