

AFFIN Islamic Bank Berhad

Registration no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 30 June 2022

	Note	Economic Entity		The Bank	
		30/06/2022 RM'000	31/12/2021 RM'000	30/06/2022 RM'000	31/12/2021 RM'000
ASSETS					
Cash and short-term funds		1,961,406	2,240,427	1,961,406	2,240,427
Deposits and placements with banks and other financial institutions		-	50,008	-	50,008
Derivative financial assets	13	51,518	11,436	51,518	11,436
Financial investments at amortised cost ('AC')	14	4,813,810	3,464,981	4,813,810	3,464,981
Financing and other financing	15	24,429,728	22,570,323	24,429,728	22,570,323
Other assets	16	73,264	77,711	73,264	77,711
Amount due from joint ventures	17	15,467	15,737	15,467	15,737
Tax recoverable		4,942	-	4,942	-
Deferred tax assets		24,935	22,484	24,935	22,484
Property and equipment		1,512	1,328	1,512	1,328
Right-of-use assets		406	632	406	632
Intangible assets		239	345	239	345
TOTAL ASSETS		31,377,227	28,455,412	31,377,227	28,455,412
LIABILITIES AND EQUITY					
Deposits from customers	18	23,423,149	21,990,129	23,423,149	21,990,129
Investment accounts of customers	19	1,096	1,329	1,096	1,329
Deposits and placements of banks and other financial institutions	20	1,373,016	358,050	1,373,016	358,050
Investment accounts due to designated financial institutions	21	1,776,192	1,831,585	1,776,192	1,831,585
Recourse obligation on financing sold to Cagamas Berhad		50,034	50,033	50,034	50,033
Derivative financial liabilities	22	19,521	10,659	19,521	10,659
Other liabilities	23	116,175	188,453	116,175	188,453
Amount due to holding company		1,255,430	758,812	1,255,430	758,812
Provision for taxation		-	8,033	-	8,033
Lease liabilities	24	436	666	436	666
Subordinated term financing and medium term notes	25	1,111,034	1,111,034	1,111,034	1,111,034
TOTAL LIABILITIES		29,126,083	26,308,783	29,126,083	26,308,783
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	26	1,191,144	1,086,629	1,191,144	1,086,629
TOTAL EQUITY		2,251,144	2,146,629	2,251,144	2,146,629
TOTAL LIABILITIES AND EQUITY		31,377,227	28,455,412	31,377,227	28,455,412
COMMITMENTS AND CONTINGENCIES					
	37	5,912,009	5,075,670	5,912,009	5,075,670
CAPITAL ADEQUACY RATIOS					
<u>With transitional arrangements</u>					
CET 1 capital ratio		11.904%	12.138%	11.904%	12.138%
Tier 1 capital ratio		13.485%	13.873%	13.485%	13.873%
Total capital ratio		18.339%	19.027%	18.339%	19.027%
Net assets per share attributable to equity holder of the Bank (RM)		2.12	2.03	2.12	2.03

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Unaudited Income Statements for the Financial Quarter Ended 30 June 2022

	Note	Economic Entity Individual Quarter Ended		Economic Entity Cumulative Quarter Ended	
		30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Income derived from investment of depositors' funds and others	28	263,910	216,224	509,143	422,957
Income derived from investment of investment account funds	29	19,740	17,875	38,694	36,381
Income derived from investment of shareholders' funds	30	24,408	19,525	46,540	39,725
Allowances for impairment losses on financing and other financing	31	(33,520)	(15,076)	(27,308)	(40,250)
Allowance for impairment losses on other assets	32	(1,870)	(1,344)	(1,870)	(1,344)
Total distributable income		272,668	237,204	565,199	457,469
Income attributable to the depositors and others	33	(129,186)	(108,223)	(251,309)	(216,566)
Income attributable to the investment account holders	34	(18,052)	(16,689)	(35,936)	(33,138)
Total net income		125,430	112,292	277,954	207,765
Other operating expenses	35	(62,614)	(58,472)	(130,056)	(120,995)
Profit before zakat and taxation		62,816	53,820	147,898	86,770
Zakat		-	-	-	-
Profit before taxation		62,816	53,820	147,898	86,770
Taxation		(21,924)	(13,939)	(43,383)	(22,884)
Net profit after zakat and taxation		40,892	39,881	104,515	63,886
Attributable to:					
Equity holder of the Bank		40,892	39,881	104,515	63,886
Earnings per share (sen):					
- Basic	36	3.9	3.8	9.9	6.0

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Unaudited Income Statements for the Financial Quarter Ended 30 June 2022

	Economic Entity		Economic Entity	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	40,892	39,881	104,515	63,886
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	-	(107,000)
Net credit impairment losses change in financial investments at FVOCI	-	(401)	-	(1,249)
Net gains on financial investments at FVOCI reclassified to profit or loss on disposal	-	(252)	-	(1,924)
Deferred tax on				
- financial investments at FVOCI	-	(8,406)	-	26,142
Other comprehensive loss for the financial year, net of tax	-	26,220	-	(84,031)
Total comprehensive income for the financial period	40,892	66,101	104,515	(20,145)
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	40,892	66,101	104,515	(20,145)

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Unaudited Income Statements for the Financial Quarter Ended 30 June 2022

	Note	The Bank		The Bank	
		Individual Quarter Ended	30/06/2021	Cumulative Quarter Ended	30/06/2021
		30/06/2022	30/06/2021	30/06/2022	30/06/2021
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	28	263,910	216,224	509,143	422,957
Income derived from investment of investment account funds	29	19,740	17,875	38,694	36,381
Income derived from investment of shareholders' funds	30	24,408	19,525	46,540	39,725
Allowances for impairment losses on financing and other financing	31	(33,520)	(15,076)	(27,308)	(40,250)
Allowance for impairment losses on other assets	32	(1,870)	(1,344)	(1,870)	(1,344)
Total distributable income		272,668	237,204	565,199	457,469
Income attributable to the depositors and others	33	(129,186)	(108,223)	(251,309)	(216,566)
Income attributable to the investment account holders	34	(18,052)	(16,689)	(35,936)	(33,138)
Total net income		125,430	112,292	277,954	207,765
Other operating expenses	35	(62,614)	(58,472)	(130,056)	(120,995)
Profit before taxation		62,816	53,820	147,898	86,770
Taxation		(21,924)	(13,939)	(43,383)	(22,884)
Net profit after zakat and taxation		40,892	39,881	104,515	63,886
Attributable to:					
Equity holder of the Bank		40,892	39,881	104,515	63,886
Earnings per share (sen):					
- Basic	36	3.9	3.8	9.9	6.0

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2021.

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Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Quarter Ended 30 June 2022

	The Bank		The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	40,892	39,881	104,515	63,886
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	-	(107,000)
Net credit impairment losses change in financial investments at FVOCI	-	(401)	-	(1,249)
Net gains on financial investments at FVOCI reclassified to profit or loss on disposal	-	(252)	-	(1,924)
Deferred tax on				
- financial investments at FVOCI	-	(8,406)	-	26,142
Other comprehensive loss for the financial period, net of tax	-	26,220	-	(84,031)
Total comprehensive income for the financial period	40,892	66,101	104,515	(20,145)
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	40,892	66,101	104,515	(20,145)

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Condensed Interim Financial Statements

Unaudited Statements of Changes In Equity for the Financial Quarter Ended 30 June 2022

<----- 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 2022	1,060,000	-	105,613	981,016	2,146,629
Net profit for the financial period	-	-	-	104,515	104,515
Total comprehensive income	-	-	-	104,515	104,515
Transfer from regulatory reserves	-	-	(64,110)	64,110	-
At 30 June 2022	1,060,000	-	41,503	1,149,641	2,251,144

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	-	(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

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Unaudited Statements of Changes In Equity for the Financial Quarter Ended 30 June 2022

	<----- 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 2022	1,060,000	-	105,613	981,016	2,146,629
Net profit for the financial period	-	-	-	104,515	104,515
Total comprehensive income	-	-	-	104,515	104,515
Transfer from regulatory reserves	-	-	(64,110)	64,110	-
At 30 June 2022	1,060,000	-	41,503	1,149,641	2,251,144

	<----- 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	-	(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

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Unaudited Statements of Cash Flows for the Financial Quarter Ended 30 June 2022

	Economic Entity		The Bank	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	147,898	86,770	147,898	86,770
Adjustments for items not involving the movement of cash and cash equivalents:				
	(33,646)	16,030	(33,646)	16,030
Operating profit before changes in working capital	114,252	102,800	114,252	102,800
Net changes in operating assets	(1,309,726)	(1,324,798)	(1,309,726)	(1,324,798)
Net changes in operating liabilities	2,320,016	2,420,939	2,320,016	2,420,939
Tax and Zakat paid	(59,996)	(23,656)	(59,996)	(23,656)
Net cash generated from operating activities	1,064,546	1,175,285	1,064,546	1,175,285
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from				
- financial investments at FVOCI	-	51,553	-	51,553
- financial investments at AC	68,190	149	68,190	149
Net purchase/redemption				
-financial investments at FVOCI	-	(67,161)	-	(67,161)
-financial investments at AC	(1,351,223)	-	(1,351,223)	-
Purchase of property and equipment	(385)	(204)	(385)	(204)
Net cash used in investing activities	(1,283,418)	(15,663)	(1,283,418)	(15,663)
CASH FLOWS FROM FINANCING ACTIVITIES				
Profit payment from subordinated term financing and medium term notes	(28,675)	(28,675)	(28,675)	(28,675)
Lease payments	(242)	(1,580)	(242)	(1,580)
Net cash used in financing activities	(28,929)	(30,875)	(28,929)	(30,875)
Net (decrease)/increase in cash and cash equivalents	(247,801)	1,128,747	(247,801)	1,128,747
Effects of foreign exchange	(31,220)	12,670	(31,220)	12,670
Cash and cash equivalents at beginning of the financial period	2,240,427	2,794,278	2,240,427	2,794,278
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,961,406	3,935,695	1,961,406	3,935,695
<u>Cash and cash equivalents comprise the following:</u>				
Cash and short-term funds	1,961,406	3,935,695	1,961,406	3,935,695

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 AC, 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 2021. 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 2021.

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 quarter ended 31 December 2021, except for the adoption of the following amendments to MFRS that are applicable to the Bank effective for the financial year beginning on 1 January 2022:

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the customer and the financier, including the fees paid or received on each other's behalf, are included in the cash flow of the new financing when performing the 10% test.
- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to 'Framework for Preparation and Presentation of Financial Statements' with '2018 Conceptual Framework'. The amendments did not change the current accounting for business combinations on acquisition date.
- Amendments to MFRS 116 'Proceeds Before Intended Use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.
- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

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 2021 was not subjected to any qualification.

4 SEASONAL OR CYCLICAL FACTORS

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

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

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

6 CHANGES IN ESTIMATES

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

7 SUKUK AND EQUITY SECURITIES

There were no shares issuance or cancellations, share buy-backs, resale of shares bought back and repayment of sukuk and equity securities by the Bank during the financial period under review.

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 2022 that have material financial impact.

10 CHANGES IN THE COMPOSITION OF THE BANK

There are no changes in the composition of the Bank during the financial period under review.

11 PURCHASE AND SALE OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the quarter ended 30 June 2022 other than in the ordinary course of business.

12 STATUS OF CORPORATE PROPOSAL

There were no corporate proposals announced but not completed during the financial period ended 30 June 2022.

13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	30/06/2022		31/12/2021	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	1,533,961	51,518	678,459	11,436
	1,533,961	51,518	678,459	11,436

14 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

	Economic Entity and The Bank	
	30/06/2022 RM'000	31/12/2021 RM'000
At amortised cost		
Malaysian Government treasury bills	137,178	97,747
Malaysian Government investment issues	2,495,175	1,569,676
BNM Sukuk	10,219	10,299
Unquoted securities:		
Corporate bonds/sukuk in Malaysia	2,174,951	1,791,047
Less: Expected Credit Losses	(3,713)	(3,788)
	4,813,810	3,464,981

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

	12-Month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
Economic Entity and Bank				
30/06/2022				
At beginning of the financial period	3,788	-	-	3,788
Financial assets derecognised (other than write-off)	(7)	-	-	(7)
New financial assets originated or purchased	329	-	-	329
Change due to change in credit risk	(397)	-	-	(397)
At end of the financial period	3,713	-	-	3,713

	12-Month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
Economic Entity and Bank				
31/12/2021				
At beginning of the financial year	-	-	-	-
Financial assets derecognised (other than write-off)	(44)	-	-	(44)
New financial assets originated or purchased	642	-	-	642
Net measurement of allowance	1,444	-	-	1,444
Reclassification from FVOCI	1,746	-	-	1,746
At end of the financial year	3,788	-	-	3,788

15 FINANCING AND OTHER FINANCING

(i) By type

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
Cashline	712,378	651,183
Term financing		
- House financing	8,793,503	8,443,386
- Hire purchase receivables	4,923,447	4,561,420
- Syndicated financing	810,300	869,857
- Others term financing	7,040,560	6,221,332
Bills receivables	116,045	92,878
Trust receipts	18,802	13,142
Claims on customers under acceptances credits	887,623	701,318
Staff financing (of which RM Nil to Directors)	112,368	104,165
Credit/charge cards receivables	51,081	44,830
Revolving financing	1,189,028	1,070,514
Gross financing and other financing	24,655,135	22,774,025
Less: ECL	(225,407)	(203,702)
Total net financing and other financing	24,429,728	22,570,323

Included in other term financing as at reporting date is RM56.8 million (2021: RM56.5 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	
	30/06/2022	31/12/2021
	RM'000	RM'000
Maturing within one year	3,087,317	2,720,697
One year to three years	1,507,933	632,881
Three years to five years	1,521,704	2,454,747
Over five years	18,538,181	16,965,700
	24,655,135	22,774,025

15 FINANCING AND OTHER FINANCING (continued)

(iii) By contract

Economic Entity and The Bank 30/06/2022	Al-Bai		Al-Ijarah		Tawarruq	Musyarakah	Istisna'	Others	Total
	Bithaman Ajil	Ijarah	Thumma Al-Bai	Murabahah					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	-	-	699,489	-	-	12,889	712,378
Term financing									
- House financing	548,651	-	-	-	171,540	8,073,312	-	-	8,793,503
- Hire purchase receivables	-	-	4,923,447	-	-	-	-	-	4,923,447
- Syndicated financing	-	278,707	-	-	531,593	-	-	-	810,300
- Others term financing	71,954	526,838	-	178,813	4,637,644	1,090,337	534,974	-	7,040,560
Bills receivables	-	-	-	104,356	-	-	-	11,689	116,045
Trust receipts	-	-	-	18,802	-	-	-	-	18,802
Claims on customers under acceptances credits	-	-	-	887,623	-	-	-	-	887,623
Staff financing	2,901	-	-	22,963	30,506	55,998	-	-	112,368
Credit/charge cards receivables	-	-	-	51,081	-	-	-	-	51,081
Revolving financing	-	-	-	-	1,189,028	-	-	-	1,189,028
Gross financing and other financing	623,506	805,545	4,923,447	1,263,638	7,259,800	9,219,647	534,974	24,578	24,655,135

Economic Entity and The Bank 31/12/2021	Al-Bai		Al-Ijarah		Tawarruq	Musyarakah	Istisna'	Others	Total
	Bithaman Ajil	Ijarah	Thumma Al-Bai	Murabahah					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cashline	-	-	-	-	639,969	-	-	11,214	651,183
Term financing									
- House financing	576,717	-	-	-	147,531	7,719,138	-	-	8,443,386
- Hire purchase receivables	-	-	4,561,420	-	-	-	-	-	4,561,420
- Syndicated financing	-	298,147	-	-	571,710	-	-	-	869,857
- Others term financing	76,711	535,848	-	194,001	3,788,670	1,088,634	537,468	-	6,221,332
Bills receivables	-	-	-	71,614	-	-	-	21,264	92,878
Trust receipts	-	-	-	13,142	-	-	-	-	13,142
Claims on customers under acceptances credits	-	-	-	701,318	-	-	-	-	701,318
Staff financing	3,140	-	-	20,822	29,706	50,497	-	-	104,165
Credit/charge cards receivables	-	-	-	-	-	-	-	44,830	-
Revolving financing	-	-	-	-	1,070,451	-	-	63	1,070,514
Gross financing and other financing	656,568	833,995	4,561,420	1,000,897	6,248,037	8,858,269	537,468	77,371	22,729,195

15 FINANCING AND OTHER FINANCING (continued)

	Economic Entity and The Bank	
	30/06/2022 RM'000	31/12/2021 RM'000
(iv) <u>By type of customer</u>		
Domestic non-banking institutions		
- Others	41,872	44,632
Domestic business enterprises		
- Small medium enterprises	2,709,791	2,550,698
- Others	4,768,132	4,472,997
Government and statutory bodies	713,910	753,625
Individuals	16,266,182	14,792,334
Other domestic entities	100	222
Foreign entities	155,148	159,517
	24,655,135	22,774,025
(v) <u>By profit rate sensitivity</u>		
Fixed rate		
- House financing	42,902	41,326
- Hire purchase receivables	4,923,447	4,561,420
- Other fixed rate financing	995,315	1,023,189
Variable rate		
- BFR plus	15,595,165	14,169,939
- Cost-plus	3,098,306	2,978,151
	24,655,135	22,774,025
(vi) <u>By economic sector</u>		
Primary agriculture	741,189	736,883
Mining and quarrying	139,958	146,541
Manufacturing	1,278,256	1,128,004
Electricity, gas and water supply	427,872	384,412
Construction	792,078	615,576
Real estate	1,443,842	1,554,651
Wholesale & retail trade and restaurants & hotels	1,234,740	1,121,415
Transport, storage and communication	535,467	519,323
Finance, takaful and business services	417,439	597,901
Education, health and others	1,326,517	1,122,737
Household	16,317,777	14,846,582
	24,655,135	22,774,025
(vii) <u>By economic purpose</u>		
Purchase of securities	818,956	641,100
Purchase of transport vehicles	5,138,126	4,767,396
Purchase of landed property of which:		
- Residential	8,974,188	8,610,977
- Non-residential	2,326,674	2,360,103
Fixed assets other than land and building	76,541	75,975
Personal use	1,668,932	1,077,910
Credit/charge card	51,081	44,830
Construction	911,394	901,544
Working capital	4,003,198	3,755,424
Others	686,045	538,766
	24,655,135	22,774,025

15 FINANCING AND OTHER FINANCING (continued)

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
(x) <u>Impaired financing by economic sector</u>		
Primary agriculture	79	184
Mining and quarrying	21,108	24,342
Manufacturing	2,005	2,319
Construction	3,435	2,990
Real estate	40,877	41,109
Wholesale & retail trade and restaurants & hotels	4,897	2,577
Transport, storage and communication	186,261	200,429
Finance, takaful and business services	1,310	872
Education, health and others	606	619
Household	110,752	106,145
Others	-	-
	371,330	381,586
(xi) <u>Impaired financing by economic purpose</u>		
Purchase of securities	235	95
Purchase of transport vehicles	169,318	169,737
Purchase of landed property of which:		
- Residential	82,078	82,848
- Non-residential	65,569	67,927
Personal use	9,103	3,429
Credit/charge card	293	280
Construction	-	1,236
Working capital	44,724	56,034
	371,330	381,586
(xii) <u>Impaired financing by geographical distribution</u>		
Perlis	2,182	2,590
Kedah	9,367	7,207
Pulau Pinang	5,534	7,314
Perak	41,582	55,052
Selangor	73,440	76,670
Wilayah Persekutuan	22,940	18,182
Negeri Sembilan	9,092	11,792
Melaka	1,712	2,220
Johor	50,544	43,030
Pahang	1,498	1,732
Terengganu	150,463	151,892
Kelantan	2,348	2,143
Sarawak	88	44
Sabah	540	1,718
	371,330	381,586

15 FINANCING AND OTHER FINANCING (continued)

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

Economic Entity and The Bank 30/06/2022	12 - Month	Lifetime ECL	Lifetime ECL	Total
	ECL Stage 1 RM'000	not credit impaired Stage 2 RM'000	credit impaired Stage 3 RM'000	
At beginning of the financial period	72,928	76,859	53,915	203,702
Total transfer between stages due to change in credit risk:	6,321	9,871	(16,192)	-
- Transfer to 12-month ECL (Stage 1)	9,792	(7,407)	(2,385)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(3,455)	19,014	(15,559)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(16)	(1,736)	1,752	-
Financing derecognised (other than write-off)	(16,658)	(6,093)	(1,623)	(24,374)
New financing originated or purchased	20,248	7,008	-	27,256
Changes due to change in credit risk	(17,766)	15,455	30,114	27,803
Write-off	-	-	(8,986)	(8,986)
Other adjustments	6	-	-	6
At end of the financial period	65,079	103,100	57,228	225,407

Economic Entity and The Bank 31/12/2021	12 - Month	Lifetime ECL	Lifetime ECL	Total
	ECL Stage 1 RM'000	not credit impaired Stage 2 RM'000	credit impaired Stage 3 RM'000	
At beginning of the financial year	47,261	54,706	82,430	184,397
Total transfer between stages due to change in credit risk:	18,194	11,148	(29,342)	-
- Transfer to 12-month ECL (Stage 1)	22,251	(16,921)	(5,330)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(3,934)	33,849	(29,915)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(123)	(5,780)	5,903	-
Financing derecognised (other than write-off)	(33,764)	(1,221)	(2,145)	(37,130)
New financing originated or purchased	40,560	687	-	41,247
Changes due to change in credit risk	676	11,539	22,499	34,714
Write-off	-	-	(19,527)	(19,527)
Other adjustments	1	-	-	1
At end of the financial year	72,928	76,859	53,915	203,702

16 OTHER ASSETS

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
Other debtors	14,811	57,834
Deposits and prepayments	16,612	638
Cheque clearing accounts	36,968	14,366
Foreclosed properties (a)	4,873	4,873
	<u>73,264</u>	<u>77,711</u>
(a) Movements in foreclosed properties		
At beginning/end of the financial period	<u>4,873</u>	<u>4,873</u>

17 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
Advances to joint ventures	60,860	60,000
Expected credit losses (a)	(45,393)	(44,263)
	<u>15,467</u>	<u>15,737</u>
Lifetime ECL credit impaired Stage 3		
	30/06/2022	31/12/2021
	RM'000	RM'000
(a) Movements in expected credit losses		
At beginning of the financial period/year	44,263	43,987
Allowance made	1,130	276
At end of the financial period/year	<u>45,393</u>	<u>44,263</u>

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

18 DEPOSITS FROM CUSTOMERS

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
(i) <u>By type of deposit</u>		
Qard		
Demand deposits	4,662,437	4,476,588
Savings deposits	<u>980,726</u>	<u>952,617</u>
	<u>5,643,163</u>	<u>5,429,205</u>
Mudarabah		
General investment deposits	<u>39,950</u>	<u>41,235</u>
Tawarruq		
Murabahah term deposits	16,043,879	14,669,830
Commodity Murabahah	966,958	1,122,215
Savings deposits	165,402	159,324
Demand deposit	<u>563,797</u>	<u>568,320</u>
	<u>17,740,036</u>	<u>16,519,689</u>
	<u>23,423,149</u>	<u>21,990,129</u>
(ii) <u>By maturity structure of Murabahah term deposits and general investment deposits</u>		
Due within six months	12,098,017	9,160,116
Six months to one year	3,482,895	4,980,812
One year to three years	502,463	567,584
Three years to five years	131	2,553
Five years and above	<u>323</u>	<u>-</u>
	<u>16,083,829</u>	<u>14,711,065</u>
(iii) <u>By type of customer</u>		
Government and statutory bodies	9,130,354	8,583,944
Business enterprise	5,836,564	4,919,831
Individuals	7,829,035	7,448,586
Domestic banking institutions	449	259
Domestic non-banking financial institutions	263,329	682,330
Foreign entities	109,779	111,313
Others entities	<u>253,639</u>	<u>243,866</u>
	<u>23,423,149</u>	<u>21,990,129</u>

19 INVESTMENT ACCOUNTS OF CUSTOMERS

		Economic Entity and The Bank	
		30/06/2022	31/12/2021
		RM'000	RM'000
(i)	<u>By type of deposit</u>		
	Mudarabah	1,096	1,329
(ii)	<u>By type of customer</u>		
	Individuals	521	631
	Other entities	575	698
		1,096	1,329
(iii)	<u>By contract</u>		
	Others Term Financing	1,096	1,329
(iv)	<u>Movements in investment accounts</u>		
	At beginning of the financial period/year	1,329	2,151
	Redemption	(116)	(818)
	Finance expense on RIA	18	90
	Profit distributed	(135)	(94)
	At end of the financial period/year	1,096	1,329

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

	Economic Entity and The Bank			
	30/06/2022	31/12/2021		
	Average profit sharing ratio (PSR)	Average rate of return (ROR)	Average profit sharing ratio (PSR)	Average rate of return (ROR)
	%	%	%	%
<u>Due within:</u>				
Due within six months	-	-	-	5.70
Six months to one year	-	-	85	-
One year to three years	85	5.58	-	-
Three years to five years	-	-	85	5.58

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

		Economic Entity and The Bank	
		30/06/2022	31/12/2021
		RM'000	RM'000
Tawarruq			
	Licensed banks	410,332	-
	Licensed investment banks	88,346	14,106
	Other financial institutions	874,338	343,944
		1,373,016	358,050
Maturity structure of deposits are as follows:			
	Due within six months	1,373,016	358,050

21 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
Mudarabah		
Licensed banks	1,776,192	1,831,585

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

	Economic Entity and The Bank			
	30/06/2022	31/12/2021		
	Average profit sharing ratio (PSR)	Average rate of return (ROR)	Average profit sharing ratio (PSR)	Average rate of return (ROR)
	%	%	%	%
<u>Due within:</u>				
One month	70	3.10	-	-
One to three months	-	-	-	-
One year to three years	84	4.38	78	4.45
Three years to five years	93	5.23	95	4.71
Five years and above	84	4.77	89	4.73

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

Inclusive of RIA placed by the holding company amounting to RM1,776.2 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.

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
Movements in investment accounts		
At beginning of the financial period	1,830,327	1,751,039
New placement	60,127	234,689
Redemption	(115,486)	(158,296)
Finance expense on RIA	36,226	67,627
Profit distributed	(36,808)	(66,958)
Exchange difference	1,805	3,484
At end of the financial period	1,776,192	1,831,585

22 DERIVATIVE FINANCIAL LIABILITIES

	Economic Entity and The Bank			
	30/06/2022		31/12/2021	
	Contract/ notional amount	Liabilities	Contract/ notional amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	852,213	19,521	1,071,727	10,659
	852,213	19,521	1,071,727	10,659

23 OTHER LIABILITIES

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	15,439	9,941
Margin and collateral deposits	25,358	18,056
Other creditors and accruals	3,799	4,247
Sundry creditors	57,532	137,397
Provision for zakat	1,150	2,337
Defined contribution plan (a)	610	1,214
Accrued employee benefits	1,232	4,893
Charity funds (b)	19	14
Unearned income	4,725	4,688
Financing commitments (c)	6,311	5,666
	116,175	188,453

(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.

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
(b) Charity funds		
<u>Sources and uses of charity funds</u>		
At beginning of the financial period/year	14	35
Sources of charity funds		
- Non-Islamic/prohibited income	3	5
- AFFIN Barakah Charity Account-i	2	4
Uses of charity funds		
- Contribution to education	-	10
- Contribution to program/event - Covid-19	-	20
At end of the financial period/year	19	14

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.

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
(c) Movements in expected credit losses		
At beginning of the financial period/year	5,666	3,982
Net remeasurement of loss allowance	(1,068)	1,490
New financing commitments and financial kafalah	1,713	1,714
Financing commitment/financial kafalah derecognised	-	(1,520)
At end of the financial period/year	6,311	5,666

24 LEASE LIABILITIES

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
At beginning of financial period/year	666	2,433
Finance expense	12	38
Lease payment	<u>(242)</u>	<u>(1,805)</u>
At end of the financial period/year	<u>436</u>	<u>666</u>

25 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
Medium Term Notes ("MTN") Tier-2 Sukuk Murabahah (a)	807,609	807,609
Additional Tier-1 Sukuk Wakalah ("AT1S") (b)	<u>303,425</u>	<u>303,425</u>
	<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.

26 RESERVES

	Economic Entity		The Bank	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Retained profits	1,149,641	981,016	1,149,641	981,016
Regulatory reserves (b)	<u>41,503</u>	<u>105,613</u>	<u>41,503</u>	<u>105,613</u>
	<u>1,191,144</u>	<u>1,086,629</u>	<u>1,191,144</u>	<u>1,086,629</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 quarter is NIL in 2022 (2021: Nil).

(b) Pursuant to BNM Financial Reporting policy dated 29 April 2022, the Group and the Bank must maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% all credit exposures, net of loss allowance for credit-impaired exposures.

27 INCOME FROM ISLAMIC BANKING BUSINESS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	263,910	216,224	509,143	422,957
Income derived from investment of investment account funds	19,740	17,875	38,694	36,381
Income derived from investment of shareholders' funds	24,408	19,525	46,540	39,725
Income attributable to depositors and others	(129,186)	(108,223)	(251,309)	(216,566)
Income attributable to investment account holders	(18,052)	(16,689)	(35,936)	(33,138)
	160,820	128,712	307,132	249,359

28 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	172,460	142,093	334,559	277,503
- Other deposits (ii)	91,450	74,131	174,584	145,454
	263,910	216,224	509,143	422,957

28 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 30/06/2022 RM'000	30/06/2021 RM'000	Cumulative Quarter Ended 30/06/2022 RM'000	30/06/2021 RM'000
Finance income and hibah				
Financing and other financing	139,221	116,558	271,303	227,450
Financial investments at FVOCI	-	14,402	-	28,664
Financial investments at AC	20,553	83	36,992	83
Money at call and deposits with other financial institutions	3,707	5,487	10,054	10,583
	163,481	136,530	318,349	266,780
Accretion of discount less amortisation of premium	-	(2,312)	-	(4,729)
Total finance income and hibah	163,481	134,218	318,349	262,051
Other operating income				
Fee income:				
Commission	2,400	1,574	4,205	2,677
Service charges and fees	1,855	1,453	3,155	2,862
Kafalah fees	731	545	1,384	1,189
	4,986	3,572	8,744	6,728
Commission paid on will/wasiat	(1)	(2)	(3)	(4)
Gain on sale of financial investments at FVOCI	-	144	-	1,037
	-	144	-	1,037
Other income:				
Foreign exchange profit/(loss)				
- realised	(16,785)	1,991	(14,995)	(4,427)
- unrealised	18,167	(757)	17,573	7,045
Other non-operating income	2,612	2,927	4,891	5,073
	3,994	4,161	7,469	7,691
Total income derived from investment of general investment deposits	172,460	142,093	334,559	277,503

28 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 30/06/2022 RM'000	30/06/2021 RM'000	Cumulative Quarter Ended 30/06/2022 RM'000	30/06/2021 RM'000
Finance income and hibah				
Financing and other financing	73,837	60,811	141,576	119,220
Financial investments at FVOCI	-	7,512	-	15,024
Financial investments at AC	10,873	43	19,304	43
Money at call and deposits with other financial institutions	1,992	2,863	5,247	5,547
	86,702	71,229	166,127	139,834
Accretion of discount less amortisation of premium	-	(1,206)	-	(2,479)
Total finance income and hibah	86,702	70,023	166,127	137,355
Other operating income				
Fee income:				
Commission	1,268	822	2,194	1,403
Service charges and fees	979	758	1,646	1,500
Kafalah fees	387	284	722	623
	2,634	1,864	4,562	3,526
Commission paid on will/wasiat	-	(1)	(1)	(2)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	-	73	-	543
	-	73	-	543
Other income:				
Foreign exchange profit/(loss)				
- realised	(8,743)	1,060	(7,825)	(2,320)
- unrealised	9,475	(417)	9,170	3,693
Other non-operating income	1,382	1,529	2,551	2,659
	2,114	2,172	3,896	4,032
Total income derived from investment of other deposits	91,450	74,131	174,584	145,454

29 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/06/2022 RM'000	30/06/2021 RM'000	Cumulative Quarter Ended 30/06/2022 RM'000	30/06/2021 RM'000
Finance income and hibah				
Financing and other financing	15,933	14,665	31,378	29,820
Financial investments at FVOCI	-	1,809	-	3,758
Financial investments at AC	2,356	11	4,278	11
Money at call and deposits with other financial institutions	421	690	1,163	1,386
	18,710	17,175	36,819	34,975
Accretion of discount less amortisation of premium	-	(290)	-	(620)
Total finance income and hibah	18,710	16,885	36,819	34,355
Other operating income				
Fee income:				
Commission	275	200	486	351
Service charges and fees	213	182	365	375
Kafalah fees	84	68	160	156
	572	450	1,011	882
Commission paid on will/wasiat	-	(1)	-	(1)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	-	14	-	136
	-	14	-	136
Other income:				
Foreign exchange profit/(loss)				
- realised	(1,943)	297	(1,734)	(580)
- unrealised	2,101	(142)	2,032	924
Other non-operating income	300	372	566	665
	458	527	864	1,009
Total income derived from investment of investment account funds	19,740	17,875	38,694	36,381

30 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Finance income and hibah				
Financing and other financing	19,706	16,019	37,740	32,561
Financial investments at FVOCI	-	1,975	-	4,103
Financial investments at AC	2,901	12	5,146	12
Money at call and deposits with other financial institutions	532	755	1,399	1,515
	<u>23,139</u>	<u>18,761</u>	<u>44,285</u>	<u>38,191</u>
Accretion of discount less amortisation of premium	-	(316)	-	(677)
Total finance income and hibah	<u>23,139</u>	<u>18,445</u>	<u>44,285</u>	<u>37,514</u>
Other operating income				
Fee income:				
Commission	339	218	585	383
Service charges and fees	262	200	439	410
Kafalah fees	104	74	193	170
	<u>705</u>	<u>492</u>	<u>1,217</u>	<u>963</u>
Commission paid on will/wasiat	-	(1)	-	(1)
Income from financial instruments:				
Gain on sale of financial investments at FVOCI	-	15	-	148
	<u>-</u>	<u>15</u>	<u>-</u>	<u>148</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	(2,330)	323	(2,086)	(634)
- unrealised	2,526	(155)	2,445	1,009
Other non-operating income	368	406	679	726
	<u>564</u>	<u>574</u>	<u>1,038</u>	<u>1,101</u>
Total income derived from investment of shareholders' fund	<u>24,408</u>	<u>19,525</u>	<u>46,540</u>	<u>39,725</u>

31 ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCING AND OTHER FINANCING

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Expected credit loss made on/(written-back):				
- Financing and other financing	34,719	15,440	30,691	42,895
- Securities	227	(150)	(75)	(998)
- Financing commitments and financial kafalah	700	234	645	530
Bad financing				
- recovered	(2,373)	(685)	(4,278)	(2,417)
- written-off	247	237	325	240
	33,520	15,076	27,308	40,250

32 ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER ASSETS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on				
- Amount due from joint ventures	1,130	1,344	1,130	1,344
- Other debtors	740	-	740	-
	1,870	1,344	1,870	1,344

33 INCOME ATTRIBUTABLE TO DEPOSITORS AND OTHERS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudarabah	231	265	475	567
- Non-Mudarabah	110,950	86,973	215,159	177,175
Deposits and placements of banks and other financial institutions				
- Mudarabah	3,346	6,315	6,357	9,500
Finance expense-Subordinated term financing and medium term notes	14,337	14,337	28,675	28,674
Others	322	333	643	650
	129,186	108,223	251,309	216,566

34 INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022	Preceding Year	30/06/2022	Preceding Year
	RM'000	RM'000	RM'000	RM'000
Restricted investment account - Mudarabah	18,052	16,689	35,936	33,138

35 OTHER OPERATING EXPENSES

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 30/06/2022 RM'000	30/06/2021 RM'000	Cumulative Quarter Ended 30/06/2022 RM'000	30/06/2021 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonuses	32,326	27,185	64,984	57,501
Defined contribution plan ('EPF')	5,309	4,657	10,829	9,831
Other personnel costs	2,320	3,697	5,585	7,698
	39,955	35,539	81,398	75,030
<u>Establishment costs</u>				
Equipment rental	265	1,046	529	2,096
Repair and maintenance	6,885	7,094	13,755	14,050
Depreciation	96	118	199	248
Depreciation of intangible assets	114	53	227	106
Amortisation of right-of-use assets	53	113	106	227
IT consultancy fees	6,071	4,631	12,152	9,246
Dataline rental	1,954	1,776	3,907	3,570
Security services	1,459	1,687	2,882	3,367
Electricity, water and sewerage	1,085	1,240	2,633	2,457
Licence fee	103	70	103	141
Takaful and indemnities	219	661	1,780	1,310
Other establishment costs	375	957	966	1,911
	18,679	19,446	39,239	38,729
<u>Marketing expenses</u>				
Business promotion and advertisement	83	31	151	125
Entertainment	60	68	103	137
Traveling and accommodation	205	236	402	474
Comission and Brokerage expenses	(260)	316	486	90
Other marketing expenses	349	86	1,110	432
	437	737	2,252	1,258
<u>Administration and general expenses</u>				
Telecommunication expenses	115	346	253	711
Auditors' remuneration	46	(73)	102	43
Professional fees	976	539	2,299	1,062
Property and equipment written-off	-	1	-	1
Mail and courier charges	278	504	548	978
Stationery and consumables	908	796	1,605	1,619
Directors' fees and allowances	632	76	1,032	420
Shariah fees	75	77	200	188
Donations	4	20	37	76
Settlement, clearing and bank charges	483	429	914	815
Stamp duties	3	2	3	2
Other administration and general expenses	23	33	174	63
	3,543	2,750	7,167	5,978
Total other operating expenses	62,614	58,472	130,056	120,995

36 EARNINGS PER SHARE

The basic earnings per ordinary share for the Economic Entity and the Bank have been calculated based on 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 period/year.

	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Economic Entity				
Net profit attributable to equity holder of the Bank (RM'000)	40,892	39,881	104,515	63,886
Weighted average number of ordinary shares in issue ('000)	1,060,000	1,060,000	1,060,000	1,060,000
Basic earnings per share (sen)	3.9	3.8	9.9	6.0
The Bank				
Net profit attributable to equity holder of the Bank (RM'000)	40,892	39,881	104,515	63,886
Weighted average number of ordinary shares in issue ('000)	1,060,000	1,060,000	1,060,000	1,060,000
Basic earnings per share (sen)	3.9	3.8	9.9	6.0

37 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies consist of:

	Economic Entity and The Bank	
	30/06/2022	31/12/2021
	RM'000	RM'000
Direct credit substitutes *	95,007	91,921
Transaction-related contingent items	389,718	409,317
Short-term self-liquidating trade related contingencies	276,365	260,650
Irrevocable commitments to extend credit		
- maturity less than one year	1,599,047	1,522,266
- maturity more than one year	933,566	826,881
Unutilised credit card lines	232,132	214,449
Foreign exchange related contracts #		
- less than one year	2,386,174	1,750,186
	5,912,009	5,075,670

* Included in direct credit substitutes as above are financial kafalah contracts of RM95.0 million at the Bank (2021: RM91.9 million), of which fair value at the time of issuance is zero.

The fair value of these derivatives have been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position.

38 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 unquoted 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 (2021: Nil).

38 FAIR VALUE MEASUREMENTS (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/03/2022				
Financial Assets				
Derivative financial assets	-	51,518	-	51,518
Financial Liabilities				
Derivative financial liabilities	-	19,521	-	19,521
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/12/2021				
Financial Assets				
Derivative financial assets	-	11,436	-	11,436
Financial Liabilities				
Derivative financial liabilities	-	10,659	-	10,659

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.

39 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	
	30/06/2022	31/12/2021
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	1,700,495	1,574,984
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	5%	5%
(iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil	Nil

40 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 9 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 ('CET 1'), 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	
	30/06/2022 RM'000	31/12/2021 RM'000	30/06/2022 RM'000	31/12/2021 RM'000
<u>CET 1</u>				
Paid-up share capital	1,060,000	1,060,000	1,060,000	1,060,000
Retained profits	1,149,641	981,016	1,149,641	981,016
	<u>2,209,641</u>	<u>2,041,016</u>	<u>2,209,641</u>	<u>2,041,016</u>
Less: Regulatory adjustments:				
- Intangible assets	(239)	(345)	(239)	(345)
- Deferred tax assets	(24,935)	(22,484)	(24,935)	(22,484)
- Other CET 1 transitional adjustment	75,108	81,108	75,108	81,108
Total CET 1 Capital	<u>2,259,575</u>	<u>2,099,295</u>	<u>2,259,575</u>	<u>2,099,295</u>
Additional Tier 1 capital	300,000	300,000	300,000	300,000
Total Tier 1 capital	<u>2,559,575</u>	<u>2,399,295</u>	<u>2,559,575</u>	<u>2,399,295</u>
<u>Tier 2 capital</u>				
Subordinated medium term financing	800,000	800,000	800,000	800,000
Expected loss provision #	121,470	91,378	121,470	91,378
Total Tier 2 capital	<u>921,470</u>	<u>891,378</u>	<u>921,470</u>	<u>891,378</u>
Total Capital	<u>3,481,045</u>	<u>3,290,673</u>	<u>3,481,045</u>	<u>3,290,673</u>

b) The breakdown of risk-weighted assets:

Credit risk	18,104,266	16,484,875	18,104,266	16,484,875
Market risk	16,174	31,243	16,174	31,243
Operational risk	861,138	778,585	861,138	778,585
Total risk-weighted assets	<u>18,981,578</u>	<u>17,294,703</u>	<u>18,981,578</u>	<u>17,294,703</u>

c) Capital adequacy ratios:

With transitional arrangements

CET 1 capital ratio	11.904%	12.138%	11.904%	12.138%
Tier 1 capital ratio	13.485%	13.873%	13.485%	13.873%
Total capital ratio	18.339%	19.027%	18.339%	19.027%

Without transitional arrangements

CET 1 capital ratio	11.508%	11.669%	11.508%	11.669%
Tier 1 capital ratio	13.089%	13.404%	13.089%	13.404%
Total capital ratio	18.339%	19.027%	18.339%	19.027%

Qualifying loss provisions are restricted to allowances on the unimpaired portion of the financing 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 2022, RIA assets excluded from Total Capital Ratio calculation amounted to RM 1,770.2 million (2021: RM 1,834.6 million).

41 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 higher profit before tax of RM147.9 million for the half year ended 30 June 2022, an increase of RM61.1 million or 70.4% compared to RM86.8 million recorded in the previous corresponding period. The increase was due to higher net financing by RM57.8 million and lower allowance for impairment losses of RM12.4 million, offset by higher overhead expenses of RM9.1 million.

Net financing and other income increased mainly to the financing growth by RM57.8 million or 23.1% to RM307.1 million as compared to the same period last year of RM249.3 million. This is attributable to an improved Net Financing Margin due to lower cost of funding. Allowance for impairment losses dropped by RM12.4 million or 29.8% to RM29.2 million as compared to RM41.6 million recorded in 30 June 2021.

Gross financing and other financing grew by 18.6% to RM24.6 billion. Customer deposits increase for the half year ended 30 June 2022 by 17.0% to RM23.4 billion. CASA shown an increase of 18.5% to RM6.4 billion as at 30 June 2022.

CET1, Tier 1 Capital Ratio and Total Capital Ratio were 11.904%, 13.485% and 18.339% respectively as at 30 June 2022.

Analysis of financial performance of current quarter vs previous corresponding quarter

The Bank showed a profit before tax of RM62.8 million for the current quarter, higher by RM9.0 million or 16.7% against the previous corresponding quarter of RM53.8 million. This was contributed by higher net financing and other income of RM32.1 million which is partly offset by higher allowance for impairment losses of RM19.0 million.

Overhead expenses was RM62.6 million, an increase of RM4.1 million or 7.0% from RM58.5 million for previous corresponding quarter, attributable by higher personnel cost.

Allowance for impairment losses of RM35.4 million was higher by RM19.0 million or 115.5% as compared to a charge of RM16.4 million recorded in the previous corresponding quarter.

Analysis of financial performance of current quarter vs preceding quarter

The Bank recorded a profit before tax of RM62.8 million for the current quarter under review, lower by RM22.3 million or 26.2% against the preceding quarter ended 31 March 2022 of RM85.1 million, this is contributed by higher impairment losses and partly offset with higher net financing income.

42 ECONOMIC AND BUSINESS OUTLOOK FOR 2022

The global economic landscape faced many geopolitical challenges in the first half of 2022 with the military conflict in Ukraine, rising commodity prices, the on-going supply chain disruptions and rising inflation. The US Fed decision to start aggressively hike finance rates have had significant impact to the local bond market as yields continued to climb in 2022 and correspondingly the Malaysian Ringgit weakened.

In response to the US rate hikes, weakening Ringgit as well as the rising inflation in Malaysia, Bank Negara Malaysia ('BNM') increased the Overnight Policy Rate ('OPR') by 25 basis points on 13 May 2022 and again on 8 July 2022. BNM has indicated that any further adjustments to the monetary policy settings going forward would be done in a measured and gradual manner. The increase in finance rates will improve income for banks in the short term. At the same time banks will need to remain vigilant over its asset portfolios as customers' instalments increase with the increasing OPR rate.

Going forward into 2nd half of 2022, the strategic focus remains on sustaining stable profitability through strong asset growth, preservation of asset quality and maintaining effective cost structures. The Group will continue to emphasise on improving overall productivity and building its core earnings through the various initiatives implemented as part of the overall AIM22 strategic plan.