

AFFIN Islamic Bank Berhad

Registration no. 200501027372 (709506-V)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 31 December 2022

	Note	Economic Entity		The Bank	
		31/12/2022 RM'000	31/12/2021 RM'000	31/12/2022 RM'000	31/12/2021 RM'000
ASSETS					
Cash and short-term funds		3,227,179	2,240,427	3,227,179	2,240,427
Deposits and placements with banks and other financial institutions		50,049	50,008	50,049	50,008
Derivative financial assets	13	14,985	11,436	14,985	11,436
Financial investments at amortised cost ('AC')	14	4,849,793	3,464,981	4,849,793	3,464,981
Financing and other financing	15	25,976,930	22,570,323	25,976,930	22,570,323
Other assets	16	159,967	77,711	159,967	77,711
Amount due from holding company		297,504	-	297,504	-
Amount due from joint ventures	17	455	15,737	455	15,737
Deferred tax assets		23,732	22,484	23,732	22,484
Statutory deposits with Bank Negara Malaysia		400,000	-	400,000	-
Property and equipment		1,570	1,328	1,570	1,328
Intangible assets		133	345	133	345
Right-of-use assets		524	632	524	632
TOTAL ASSETS		35,002,821	28,455,412	35,002,821	28,455,412
LIABILITIES AND EQUITY					
Deposits from customers	18	25,175,621	21,990,129	25,175,621	21,990,129
Investment accounts of customers	19	859	1,329	859	1,329
Deposits and placements of banks and other financial institutions	20	2,098,939	358,050	2,098,939	358,050
Investment accounts due to designated financial institutions	21	2,720,263	1,831,585	2,720,263	1,831,585
Recourse obligation on financing sold to Cagamas Berhad		-	50,033	-	50,033
Derivative financial liabilities	22	37,736	10,659	37,736	10,659
Other liabilities	23	579,144	188,453	579,144	188,453
Amount due to holding company		-	758,812	-	758,812
Provision for taxation		8,097	8,033	8,097	8,033
Lease liabilities	24	573	666	573	666
Subordinated and Senior Sukuk	25	1,862,576	1,111,034	1,862,576	1,111,034
TOTAL LIABILITIES		32,483,808	26,308,783	32,483,808	26,308,783
Share capital		1,210,000	1,060,000	1,210,000	1,060,000
Reserves	26	1,309,013	1,086,629	1,309,013	1,086,629
TOTAL EQUITY		2,519,013	2,146,629	2,519,013	2,146,629
TOTAL LIABILITIES AND EQUITY		35,002,821	28,455,412	35,002,821	28,455,412
COMMITMENTS AND CONTINGENCIES					
	37	5,069,740	5,075,670	5,069,740	5,075,670
CAPITAL ADEQUACY RATIOS					
<u>With transitional arrangements</u>					
CET 1 capital ratio		13.034%	12.138%	13.034%	12.138%
Tier 1 capital ratio		14.572%	13.873%	14.572%	13.873%
Total capital ratio		19.221%	19.027%	19.221%	19.027%
Net assets per share attributable to equity holders of the Bank (RM)		2.23	2.03	2.23	2.03

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Unaudited Income Statements for the Financial Year Ended 31 December 2022

	Note	Economic Entity Individual Quarter Ended		Economic Entity Cumulative Quarter Ended	
		31/12/2022 RM'000	31/12/2021 RM'000	31/12/2022 RM'000	31/12/2021 RM'000
Income derived from investment of depositors' funds and others	28	325,586	251,667	1,141,282	905,858
Income derived from investment of investment accounts	29	28,426	20,198	88,746	74,195
Income derived from investment of shareholders' funds	30	30,595	23,000	104,499	82,912
Modification loss		-	(2,495)	-	(2,495)
(Allowances for)/Write-back of impairment losses on financing and other financing	31	(11,275)	11,747	(70,213)	(37,519)
(Allowances for)/Write-back of impairment losses on other assets	32	2,920	11	(5,117)	(1,333)
Total distributable income		376,252	304,128	1,259,197	1,021,618
Income attributable to the depositors and others	33	(178,184)	(117,997)	(580,072)	(456,090)
Income attributable to the investment account holders	34	(23,766)	(17,338)	(78,677)	(67,165)
Total net income		174,302	168,793	600,448	498,363
Other operating expenses	35	(60,132)	(62,555)	(250,385)	(246,211)
Profit before zakat and taxation		114,170	106,238	350,063	252,152
Zakat		(2,000)	(1,830)	(4,000)	(3,660)
Profit before taxation		112,170	104,408	346,063	248,492
Taxation		(39,189)	(19,834)	(123,679)	(57,897)
Net profit after zakat and taxation		72,981	84,574	222,384	190,595
Attributable to:					
Equity holders of the Bank		72,981	84,574	222,384	190,595
Earnings per share (sen):					
- Basic	36	6.81	8.0	20.7	18.0

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Unaudited Income Statements for the Financial Year Ended 31 December 2022

	Economic Entity		Economic Entity	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	72,981	84,574	222,384	190,595
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Net fair value change in				
financial investments at FVOCI	-	135,686	-	12,801
Net credit impairment losses change in financial				
investments at FVOCI	-	(1,777)	-	(3,120)
Net gains on financial investments at FVOCI				
reclassified to profit or loss on disposal	-	1	-	(2,223)
Deferred tax on				
financial investments at FVOCI	-	(32,565)	-	(2,539)
Other comprehensive loss for the				
financial year, net of tax	-	101,345	-	4,919
Total comprehensive income for the financial period	72,981	185,919	222,384	195,514
Total comprehensive income for the financial period attributable to:				
Equity holders of the Bank	72,981	185,919	222,384	195,514

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Unaudited Income Statements for the Financial Year Ended 31 December 2022

	Note	The Bank		The Bank	
		Individual Quarter Ended 31/12/2022 RM'000	31/12/2021 RM'000	Cumulative Quarter Ended 31/12/2022 RM'000	31/12/2021 RM'000
Income derived from investment of depositors' funds and others	28	325,586	251,667	1,141,282	905,858
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Income derived from investment of shareholders' funds	30	30,595	23,000	104,499	82,912
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(Allowances for)/Write-back of impairment losses on financing and other financing	31	(11,275)	11,747	(70,213)	(37,519)
(Allowances for)/Write-back of impairment losses on other assets	32	2,920	11	(5,117)	(1,333)
Total distributable income		376,252	304,128	1,259,197	1,021,618
Income attributable to the depositors and others	33	(178,184)	(117,997)	(580,072)	(456,090)
Income attributable to the investment account holders	34	(23,766)	(17,338)	(78,677)	(67,165)
Total net income		174,302	168,793	600,448	498,363
Other operating expenses	35	(60,132)	(62,555)	(250,385)	(246,211)
Profit before zakat and taxation		114,170	106,238	350,063	252,152
Zakat		(2,000)	(1,830)	(4,000)	(3,660)
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Taxation		(39,189)	(19,834)	(123,679)	(57,897)
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Attributable to:					
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Earnings per share (sen):					
- Basic	36	6.8	8.0	20.7	18.0

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Unaudited Income Statements for the Financial Year Ended 31 December 2022

	The Bank		The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	72,981	84,574	222,384	190,595
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Net fair value change in				
financial investments at FVOCI	-	135,686	-	12,801
Net credit impairment losses change in financial				
investments at FVOCI	-	(1,777)	-	(3,120)
Net gains on financial investments at FVOCI				
reclassified to profit or loss on disposal	-	1	-	(2,223)
Deferred tax on				
financial investments at FVOCI	-	(32,565)	-	(2,539)
Other comprehensive loss for the				
financial period, net of tax	-	101,345	-	4,919
Total comprehensive income for the financial period	72,981	185,919	222,384	195,514
Total comprehensive income for the financial period attributable to:				
Equity holders of the Bank	72,981	185,919	222,384	195,514

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Condensed Interim Financial Statements

Unaudited Statements of Changes In Equity for the Financial Year Ended 31 December 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 year	-	-	-	222,384	222,384
Total comprehensive income	-	-	-	222,384	222,384
Issued during the financial year	150,000	-	-	-	150,000
Transfer from regulatory reserves	-	-	(59,144)	59,144	-
At 31 December 2022	1,210,000	-	46,469	1,262,544	2,519,013

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 year	-	-	-	190,595	190,595
Other comprehensive income (net of tax)	-	-	-	-	-
- Financial investments at FVOCI	-	4,919	-	-	4,919
Total comprehensive income	-	4,919	-	190,595	195,514
Transfer from regulatory reserves	-	-	(21,480)	21,480	-
At 31 December 2021	1,060,000	-	105,613	981,016	2,146,629

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Unaudited Statements of Changes In Equity for the Financial Year Ended 31 December 2022

The Bank	<----- Non-distributable ----->			< Distributable >	
	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 year	-	-	-	222,384	222,384
Total comprehensive income	-	-	-	222,384	222,384
Issued during the financial year	150,000	-	-	-	150,000
Transfer from regulatory reserves	-	-	(59,144)	59,144	-
At 31 December 2022	1,210,000	-	46,469	1,262,544	2,519,013

The Bank	FVOCI			Total Equity	
	Share capital RM'000	revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	RM'000
At 1 January 2021	1,060,000	(4,919)	127,093	768,941	1,951,115
Net profit for the financial year	-	-	-	190,595	190,595
Other comprehensive income (net of tax)					
- Financial investments at FVOCI	-	4,919	-	-	4,919
Total comprehensive income	-	4,919	-	190,595	195,514
Transfer from regulatory reserves	-	-	(21,480)	21,480	-
At 31 December 2021	1,060,000	-	105,613	981,016	2,146,629

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Unaudited Statements of Cash Flows for the Financial Year 31 December 2022

	Economic Entity		The Bank	
	30/09/2022 RM'000	31/12/2021 RM'000	30/09/2022 RM'000	31/12/2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	346,063	248,492	346,063	248,492
Adjustments for items not involving the movement of cash and cash equivalents:				
	52,126	1,069	52,126	1,069
Operating profit before changes in working capital	398,189	249,561	398,189	249,561
Net changes in operating assets	(4,252,054)	(3,232,252)	(4,252,054)	(3,232,252)
Net changes in operating liabilities	5,445,018	3,113,484	5,445,018	3,113,484
Tax and Zakat paid	(128,117)	(71,979)	(128,117)	(71,979)
Net cash generated from operating activities	1,463,036	58,814	1,463,036	58,814
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- financial investments at FVOCI	-	105,041	-	105,041
- financial investments at AC	156,982	-	156,982	-
Purchase of:				
-financial investments at FVOCI	-	(769,483)	-	(769,483)
-financial investments at AC	(1,748,103)	(100,730)	(1,748,103)	(100,730)
Redemption/Disposal of:				
-financial investments at FVOCI	-	228,087	-	228,087
-financial investments at AC	347,942	-	347,942	-
Proceed from disposal of property and equipment	181	-	181	-
Purchase of property and equipment	(659)	(396)	(659)	(396)
Net cash used in investing activities	(1,243,657)	(537,481)	(1,243,657)	(537,481)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of Senior Sukuk	750,000	-	750,000	-
Issuance of new shares	150,000	-	150,000	-
Repayment of recourse obligation on financing sold to Cagamas Berhad	(50,003)	-	(50,003)	-
Profit payment of recourse obligation on financing sold to Cagamas Berhad	(1,239)	(1,238)	(1,239)	(1,238)
Profit payment from Subordinated and Senior Sukuk	(57,349)	(57,350)	(57,349)	(57,350)
Lease payments	(509)	(1,805)	(509)	(1,805)
Net cash generated from/(used in) financing activities	790,900	(60,393)	790,900	30,875
Net increase/(decrease) in cash and cash equivalents	1,010,279	(539,060)	1,010,279	(539,060)
Effects of foreign exchange	(23,527)	(14,791)	(23,527)	(14,791)
Cash and cash equivalents at beginning of the financial year	2,240,427	2,794,278	2,240,427	2,794,278
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	3,227,179	2,240,427	3,227,179	2,240,427
<u>Cash and cash equivalents comprise the following:</u>				
Cash and short-term funds	3,227,179	2,240,427	3,227,179	2,240,427

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 MFRS 134 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 2022. 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 2022.

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 2022, 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) clarify 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 AUDITORS' 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 year 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 year 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 year other than the following :-

Issuance	Issuance Date	Maturity Date	Nominal	Description	Tenor
Issuance	16 December 2022	16 December 2025	RM230.0 million	Senior Sukuk	3 years
Issuance	16 December 2022	16 December 2027	RM520.0 million	Senior Sukuk	5 years

8 DIVIDENDS PAID

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

9 SUBSEQUENT MATERIAL EVENTS

There is no material subsequent events after the quarter and year ended 31 December 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 year under review.

11 PURCHASE AND SALE OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the quarter and year ended 31 December 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 year ended 31 December 2022.

13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	31/12/2022		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	529,907	14,985	678,459	11,436
	529,907	14,985	678,459	11,436

14 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

	Economic Entity and The Bank	
	31/12/2022 RM'000	31/12/2021 RM'000
At amortised cost		
Malaysian Government treasury bills	49,822	97,747
Malaysian Government investment issues	2,525,096	1,569,676
Cagamas sukuk	90,647	-
BNM Sukuk	10,139	10,299
Unquoted securities:		
Corporate Sukuk in Malaysia	2,180,734	1,791,047
	4,856,438	3,468,769
Less: Expected Credit Losses ('ECL')	(6,645)	(3,788)
	4,849,793	3,464,981

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 Bank 31/12/2022			
At beginning of the financial year	3,788	-	-	3,788
Financial assets derecognised (other than write-off)	(204)	-	-	(204)
New financial assets purchased	546	-	-	546
Change due to change in credit risk	2,515	-	-	2,515
At end of the financial year	6,645	-	-	6,645
	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 Bank 31/12/2021				
At beginning of the financial year	-	-	-	-
Financial assets derecognised (other than write-off)	(44)	-	-	(44)
New financial assets purchased	642	-	-	642
Change due to change in credit risk	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	
	31/12/2022	31/12/2021
	RM'000	RM'000
Cashline	700,519	651,183
Term financing		
- House financing	9,329,247	8,443,386
- Hire purchase receivables	5,189,938	4,561,420
- Syndicated financing	1,167,643	869,857
- Other term financing	7,692,656	6,221,332
Bills receivables	151,248	92,878
Trust receipts	13,969	13,142
Claims on customers under acceptances credits	787,059	701,318
Staff financing (of which RM Nil to Directors)	119,698	104,165
Credit/charge cards	60,857	44,830
Revolving credit	1,046,211	1,070,514
Gross financing and other financing	26,259,045	22,774,025
Less: ECL	(282,115)	(203,702)
Total net financing and other financing	25,976,930	22,570,323

Included in other term financing before expected credit losses as at reporting date is RM57.4 million (2021: RM56.5 million) of term financing disbursed by the Bank to a joint venture company with AFFIN-i Nadayu Sdn Bhd.

(ii) By maturity structure

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
Maturing within one year	3,058,976	2,720,697
One year to three years	1,500,036	632,881
Three years to five years	1,772,498	2,454,747
Over five years	19,927,535	16,965,700
	26,259,045	22,774,025

15 FINANCING AND OTHER FINANCING (continued)

(iii) By contract

Economic Entity and The Bank 31/12/2022	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	-	-	-	-	689,216	-	-	11,303	700,519
Term financing									
- House financing	519,875	-	-	-	212,267	8,597,105	-	-	9,329,247
- Hire purchase receivables	-	-	5,189,938	-	-	-	-	-	5,189,938
- Syndicated financing	-	259,768	-	-	907,875	-	-	-	1,167,643
- Other term financing	65,102	521,493	-	149,718	5,324,275	1,110,364	521,704	-	7,692,656
Bills receivables	-	-	-	122,919	-	-	-	28,329	151,248
Trust receipts	-	-	-	13,969	-	-	-	-	13,969
Claims on customers under acceptances credits	-	-	-	787,059	-	-	-	-	787,059
Staff financing	2,498	-	-	25,401	34,355	57,444	-	-	119,698
Credit/charge cards	-	-	-	-	60,857	-	-	-	60,857
Revolving credit	-	-	-	-	1,046,211	-	-	-	1,046,211
Gross financing and other financing	587,475	781,261	5,189,938	1,099,066	8,275,056	9,764,913	521,704	39,632	26,259,045

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
- Other 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	-	-	-	-	-	-	-	44,830	44,830
Revolving credit	-	-	-	-	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	22,774,025

15 FINANCING AND OTHER FINANCING (continued)

	Economic Entity and The Bank	
	31/12/2022 RM'000	31/12/2021 RM'000
(iv) <u>By type of customer</u>		
Domestic non-banking institutions		
- Others	89,793	44,632
Domestic business enterprises		
- Small medium enterprises	2,813,760	2,550,698
- Others	4,732,456	4,472,997
Government and statutory bodies	789,216	753,625
Individuals	17,683,064	14,792,334
Other domestic entities	155	222
Foreign entities	150,601	159,517
	26,259,045	22,774,025
(v) <u>By profit rate sensitivity</u>		
Fixed rate		
- House financing	45,708	41,326
- Hire purchase receivables	5,189,938	4,561,420
- Other fixed rate financing	953,277	1,023,189
Variable rate		
- BFR plus	16,730,406	14,169,939
- Cost plus	3,339,716	2,978,151
	26,259,045	22,774,025
(vi) <u>By economic sector</u>		
Primary agriculture	678,695	736,883
Mining and quarrying	146,125	146,541
Manufacturing	1,240,932	1,128,004
Electricity, gas and water supply	448,985	384,412
Construction	766,506	615,576
Real estate	1,370,660	1,554,651
Wholesale & retail trade and restaurants & hotels	1,296,654	1,121,415
Transport, storage and communication	515,576	519,323
Finance, takaful and business services	635,038	597,901
Education, health & others	1,425,677	1,122,737
Household	17,734,197	14,846,582
	26,259,045	22,774,025
(vii) <u>By economic purpose</u>		
Purchase of securities	988,452	641,100
Purchase of transport vehicles	5,400,433	4,767,396
Purchase of landed properties of which:		
- Residential	9,511,006	8,610,977
- Non-residential	2,341,509	2,360,103
Fixed assets other than land and building	295,752	75,975
Personal use	2,118,240	1,077,910
Credit/charge cards	60,857	44,830
Consumer durable	330	-
Construction	910,356	901,544
Working capital	3,970,793	3,755,424
Others	661,317	538,766
	26,259,045	22,774,025

15 FINANCING AND OTHER FINANCING (continued)

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
(viii) <u>By geographical distribution</u>		
Perlis	105,134	100,396
Kedah	1,175,260	967,657
Pulau Pinang	1,411,158	1,276,419
Perak	821,719	674,639
Selangor	8,644,404	7,576,803
Wilayah Persekutuan	5,330,826	4,426,864
Negeri Sembilan	1,306,760	1,172,100
Melaka	456,600	373,759
Johor	3,105,863	2,712,627
Pahang	987,340	827,390
Terengganu	873,387	791,523
Kelantan	583,330	420,398
Sarawak	647,965	623,299
Sabah	791,239	810,158
Labuan	18,051	19,989
Outside Malaysia	9	4
	26,259,045	22,774,025

(ix) Movements of impaired financing

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
At beginning of the financial year	381,586	315,471
Classified as impaired	238,197	314,867
Reclassified as non-impaired	(143,264)	(113,207)
Amount recovered	(95,333)	(115,731)
Amount written-off	(38,331)	(19,814)
Other movements	14,567	-
At end of the financial year	357,422	381,586
Ratio of gross impaired financing and other financing to gross financing and other financing*	0.90%	1.11%

* For the Bank, Restricted Investment Account ('RIA') excluded in the ratio calculation amounting to RM2,723.1 million (31 December 2021: RM1,834.6 million) with impaired financing amounting to RM145.6 million (31 December 2021: RM149.9 million).

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written-off during the year ended 31 December 2022 for the Bank was RM38.3 million (31 December 2021: RM19.8 million). The Bank still seek to recover the amounts that is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

15 FINANCING AND OTHER FINANCING (continued)

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
(x) <u>Impaired financing by economic sectors</u>		
Primary agriculture	298	184
Mining and quarrying	18,497	24,342
Manufacturing	4,124	2,319
Construction	9,349	2,990
Real estate	46,710	41,109
Wholesale & retail trade and restaurants & hotels	6,075	2,577
Transport, storage and communication	158,951	200,429
Finance, takaful and business services	3,520	872
Education, health and others	827	619
Household	109,071	106,145
	357,422	381,586
(xi) <u>Impaired financing by economic purpose</u>		
Purchase of securities	552	95
Purchase of transport vehicles	177,622	169,737
Purchase of landed properties of which:		
- Residential	78,293	82,848
- Non-residential	72,213	67,927
Personal use	8,970	3,429
Credit card	195	280
Construction	-	1,236
Working capital	19,541	56,034
Others	36	-
	357,422	381,586
(xii) <u>Impaired financing by geographical distribution</u>		
Perlis	3,491	2,590
Kedah	11,454	7,207
Pulau Pinang	9,721	7,314
Perak	5,082	55,052
Selangor	64,297	76,670
Wilayah Persekutuan	28,242	18,182
Negeri Sembilan	8,293	11,792
Melaka	18,410	2,220
Johor	54,539	43,030
Pahang	2,031	1,732
Terengganu	147,767	151,892
Kelantan	2,378	2,143
Sarawak	414	44
Sabah	1,303	1,718
	357,422	381,586

15 FINANCING AND OTHER FINANCING (continued)

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

Economic Entity and The Bank 31/12/2022	12-Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At beginning of the financial year	72,928	76,859	53,915	203,702
Total transfer between stages due to change in credit risk:	19,556	16,879	(36,435)	-
- Transfer to 12-month ECL (Stage 1)	38,579	(33,206)	(5,373)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(18,981)	54,547	(35,566)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(42)	(4,462)	4,504	-
Financing derecognised (other than write-off)	(34,265)	(12,981)	(3,580)	(50,826)
New financing originated or purchased	54,564	-	-	54,564
Changes due to change in credit risk	(46,861)	47,986	90,668	91,793
Write-off	-	-	(31,690)	(31,690)
Other adjustments	5	-	14,567	14,572
At end of the financial year	65,927	128,743	87,445	282,115

Economic Entity and The Bank 31/12/2021	12 - Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At beginning of the financial year	47,261	54,706	82,430	184,397
Total transfer between stages due to change in credit risk:	17,507	11,835	(29,342)	-
- Transfer to 12-month ECL (Stage 1)	22,251	(16,921)	(5,330)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,621)	34,536	(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	41,247	-	-	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	
	31/12/2022	31/12/2021
	RM'000	RM'000
Other debtors	58,970	57,834
Deposits and prepayments	24,079	638
Cheque clearing accounts	61,453	14,366
Foreclosed properties (i)	15,465	4,873
	159,967	77,711
(i) Foreclosed properties		
At beginning of the financial year	4,873	4,873
Addition	13,240	-
Diminution in value	(2,648)	-
At end of the financial year	15,465	4,873

17 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
Advances to joint ventures	48,273	60,000
Less: Expected credit losses	(47,818)	(44,263)
	455	15,737
Lifetime ECL credit impaired Stage 3		
	31/12/2022	31/12/2021
	RM'000	RM'000
Movements in expected credit losses		
At beginning of the financial year	44,263	43,987
Charge during the year	3,555	276
At end of the financial year	47,818	44,263

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

18 DEPOSITS FROM CUSTOMERS

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
(i) <u>By type of deposit</u>		
Qard		
Demand deposits	4,209,633	4,476,588
Savings deposits	850,109	952,617
	5,059,742	5,429,205
Mudarabah		
General investment deposits	32,895	41,235
Tawarruq		
Murabahah term deposits	17,512,129	14,669,830
Commodity Murabahah	1,238,215	1,122,215
Savings deposits	625,502	159,324
Demand deposit	707,138	568,320
	20,082,984	16,519,689
	25,175,621	21,990,129
(ii) <u>By maturity structure of Murabahah term deposits and general investment deposits</u>		
Due within six months	12,124,186	9,160,116
Six months to one year	5,088,536	4,980,812
One year to three years	252,362	567,584
Three years to five years	79,940	2,553
	17,545,024	14,711,065
(iii) <u>By type of customer</u>		
Government and statutory bodies	9,333,579	8,583,944
Business enterprises	6,528,720	4,919,831
Individuals	8,578,857	7,448,586
Domestic banking institutions	281	259
Domestic non-banking financial institutions	359,472	682,330
Foreign entities	111,640	111,313
Others entities	263,072	243,866
	25,175,621	21,990,129

19 INVESTMENT ACCOUNTS OF CUSTOMERS

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
(i) <u>By type of deposit</u>		
Mudarabah	859	1,329
(ii) <u>By type of customer</u>		
Individuals	404	631
Other entities	455	698
	859	1,329
(iii) <u>By contract</u>		
Business Term Financing	859	1,329
(iv) <u>Movements in investment accounts</u>		
At beginning of the financial year	1,329	2,151
Redemption during the year	(469)	(818)
Finance expense on RIA	64	90
Profit distributed	(65)	(94)
At end of the financial year	859	1,329

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

	Economic Entity and The Bank			
	31/12/2022		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 year to three years	85	5.58	85	5.58

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
Tawarruq		
Licensed banks	472,690	-
Licensed investment banks	48,587	14,106
Other financial institutions	1,577,662	343,944
	2,098,939	358,050
Maturity structure of deposits		
Due within six months	1,877,639	358,050
Six months to one year	221,300	-
	2,098,939	358,050

21 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
Mudarabah		
Licensed banks	2,720,263	1,831,585

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

	Economic Entity and The Bank			
	31/12/2022		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	3.16	-	-
One year to three years	92	4.99	78	4.45
Three years to five years	84	5.08	95	4.71
Five years and above	88	3.82	89	4.73

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

Inclusive of RIA is amount placed by the holding company amounting to RM2,720.3 million (31 December 2021: RM1,831.6 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 Mudarib (Manager) (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	
	31/12/2022	31/12/2021
	RM'000	RM'000
Movements in investment accounts		
At beginning of the financial year	1,831,585	1,751,039
New placement	1,067,848	234,689
Redemption	(177,959)	(158,296)
Finance expense on RIA	78,313	67,627
Profit distributed	(74,965)	(66,958)
Exchange differences	(4,559)	3,484
At end of the financial year	2,720,263	1,831,585

22 DERIVATIVE FINANCIAL LIABILITIES

	Economic Entity and The Bank			
	31/12/2022		31/12/2021	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	798,594	37,736	1,071,727	10,659
	798,594	37,736	1,071,727	10,659

23 OTHER LIABILITIES

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	18,305	9,941
Margin and collateral deposits	19,599	18,056
Other creditors and accruals	3,428	4,247
Sundry creditors	65,117	33,490
Clearing accounts	451,311	103,907
Provision for zakat	3,083	2,337
Defined contribution plan (i)	1,342	1,214
Accrued employee benefits	5,437	4,893
Charity funds (ii)	24	14
Unearned income	5,131	4,688
Expected credit losses: Financing commitments and financial kafalah (iii)	6,367	5,666
	579,144	188,453

(i) 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.

(ii) Charity funds

Sources and uses of charity funds

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
At beginning of the financial year	14	35
Sources of charity funds		
- Non-Islamic/prohibited income	4	5
- AFFIN Barakah Charity Account-i	6	4
Uses of charity funds		
- Contribution to education	-	10
- Contribution to program/event - Covid-19	-	20
At end of the financial year	24	14

The source of charity funds was from the following categories:

- Sources from Shariah non-compliant events.
- AFFIN Barakah Charity Account-i refers to a savings account with element of "Save and Donate" by transferring the earned Hibah* to charity with the flexibility to change the percentage of contribution agreed by the depositor.
(*Hibah refers to the historical Hibah paid to the depositor at the Bank's discretion).
- Any other charity allocation by the Bank or funds collected from customers/depositors.

The charity funds were channelled to a number of charitable or public purposes, for example, centres for disabled children and the less fortunate which inclusive of non-Muslims.

(iii) Movements in expected credit losses ('ECL')

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
At beginning of the financial year	5,666	3,982
Net remeasurement of loss allowance	(2,177)	1,490
New financing commitments and financial kafalah	2,878	1,714
Financing commitment/financial kafalah derecognised	-	(1,520)
At end of the financial year	6,367	5,666

24 LEASE LIABILITIES

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
At beginning of financial year	666	2,433
Additions	392	-
Finance expense	24	38
Lease payment	(509)	(1,805)
At end of the financial year	573	666

25 SUBORDINATED AND SENIOR SUKUK

	Economic Entity and The Bank	
	31/12/2022	31/12/2021
	RM'000	RM'000
Medium Term Notes Tier-2 Sukuk Murabahah ('MTN') (a)	807,610	807,609
Additional Tier-1 Sukuk Wakalah ('AT1S') (b)	303,425	303,425
Senior Sukuk (c)	751,541	-
	1,862,576	303,425

- (a) The Bank had, on 23 October 2018 issued MTN Tier-2 Sukuk Murabahah of RM800.0 million each out of its approved BASEL III Compliant MTN programme of up to RM800.0 million in nominal value. The Sukuk is issued for a tenure of 10 years from the issue date on a 10-year non-callable 5-year basis, at a profit rate of 5.05%. The Sukuk is issued for the purpose of general banking business and working capital requirements of the Bank.
- (b) The Bank had, on 18 October 2018 issued AT1S of RM300 million out of its approved BASEL III Compliant AT1S programme of up to RM300 million in nominal value. The AT1S was on perpetual non-callable 5-year basis, at a profit rate of 5.65%. The AT1S was issued for the purpose of general banking business and working capital requirements of the Bank.
- (c) The Bank had, on 16 December 2022, issued two Senior Sukuk of RM230.0 million for a tenure of 3 years from the issue date, at a coupon rate of 4.55% and RM520.0 million for a tenure of 5 years from the issue date, at a coupon rate of 4.75%. The Senior Sukuk was issued for the purpose of general banking business and working capital requirements of the Bank

26 RESERVES

	Economic Entity		The Bank	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Retained profits	1,262,544	981,016	1,262,544	981,016
FVOCI revaluation reserves (a)	-	-	-	-
Regulatory reserves (b)	46,469	105,613	46,469	105,613
	1,309,013	1,086,629	1,309,013	1,086,629

- (a) Fair value reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investment at FVOCI. The gain or losses are transferred to the income statement upon disposal or when the securities become impaired.
- (b) Pursuant to BNM Financial Reporting policy dated 29 April 2022, 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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	325,586	251,667	1,141,282	905,858
Income derived from investment of investment account funds	28,426	20,198	88,746	74,195
Income derived from investment of shareholders' funds	30,595	23,000	104,499	82,912
Income attributable to depositors and others	(178,184)	(117,997)	(580,072)	(456,090)
Income attributable to investment account holders	(23,766)	(17,338)	(78,677)	(67,165)
	182,657	159,530	675,778	539,710

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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	207,275	167,122	741,719	603,664
- Other deposits (ii)	118,311	84,545	399,563	302,194
	325,586	251,667	1,141,282	905,858

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		Cumulative Quarter Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and other financing	166,079	134,338	597,370	490,008
Financial investments at FVOCI	(2)	10,153	-	54,529
Financial investments at AC	35,724	7,662	94,155	7,877
Money at call and deposits with financial institutions	6,997	6,654	24,165	27,578
	<u>208,798</u>	<u>158,807</u>	<u>715,690</u>	<u>579,992</u>
Accretion of discount less amortisation of premium	(13,848)	(3,558)	(13,848)	(10,851)
Total finance income and hibah	<u>194,950</u>	<u>155,249</u>	<u>701,842</u>	<u>569,141</u>
Other operating income				
Fee income:				
Commission	2,418	2,100	9,200	6,582
Service charges and fees	1,593	1,797	6,389	5,986
Kafalah fees	797	1,376	2,906	3,310
	<u>4,808</u>	<u>5,273</u>	<u>18,495</u>	<u>15,878</u>
Commission paid on will/wasiat	(3)	(2)	(7)	(9)
Income from financial instruments:				
Net gain on disposal of financial assets at FVTPL	(305)	-	-	-
Gain on sale of financial investments at FVOCI	-	(1)	-	1,227
	<u>(305)</u>	<u>(1)</u>	<u>-</u>	<u>1,227</u>
Other income:				
Foreign exchange (loss)/profit				
- realised	60,976	3,458	22,689	(1,789)
- unrealised	(56,625)	(483)	(13,074)	8,400
Other non-operating income	3,474	3,628	11,774	10,816
	<u>7,825</u>	<u>6,603</u>	<u>21,389</u>	<u>17,427</u>
Total income derived from investment of general investment deposits	<u>207,275</u>	<u>167,122</u>	<u>741,719</u>	<u>603,664</u>

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 31/12/2022 RM'000	31/12/2021 RM'000	Cumulative Quarter Ended 31/12/2022 RM'000	31/12/2021 RM'000
Finance income and hibah				
Financing and other financing	94,835	67,971	321,802	245,298
Financial investments at FVOCI	(1)	5,172	-	27,297
Financial investments at AC	19,972	3,836	50,721	3,943
Money at call and deposits with financial institutions	3,983	3,374	13,018	13,806
	118,789	80,353	385,541	290,344
Accretion of discount less amortisation of premium	(7,460)	(1,796)	(7,460)	(5,432)
Total finance income and hibah	111,329	78,557	378,081	284,912
Other operating income				
Fee income:				
Commission	1,387	1,060	4,956	3,295
Service charges and fees	918	908	3,442	2,997
Kafalah fees	456	693	1,566	1,657
	2,761	2,661	9,964	7,949
Commission paid on will/wasiat	(2)	(2)	(4)	(5)
Income from financial instruments:				
Net gain on disposal of financial assets at FVTPL	(161)	-	-	-
Gain on sale of financial investments at FVOCI	-	2	-	614
	(161)	2	-	614
Other income:				
Foreign exchange (loss)/profit				
- realised	32,372	1,721	12,223	(895)
- unrealised	(29,962)	(224)	(7,043)	4,205
Other non-operating income	1,974	1,830	6,342	5,414
	4,384	3,327	11,522	8,724
Total income derived from investment of other deposits	118,311	84,545	399,563	302,194

29 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 31/12/2022 RM'000	31/12/2021 RM'000	Cumulative Quarter Ended 31/12/2022 RM'000	31/12/2021 RM'000
Finance income and hibah				
Financing and other financing	22,796	16,232	71,474	60,226
Financial investments at FVOCI	-	1,213	-	6,702
Financial investments at AC	4,671	941	11,266	968
Money at call and deposits with financial institutions	953	802	2,891	3,390
	28,420	19,188	85,631	71,286
Accretion of discount less amortisation of premium	(1,657)	(432)	(1,657)	(1,334)
Total finance income and hibah	26,763	18,756	83,974	69,952
Other operating income				
Fee income:				
Commission	336	255	1,101	809
Service charges and fees	224	218	765	736
Kafalah fees	110	168	348	407
	670	641	2,214	1,952
Commission paid on will/wasiat	(1)	-	(1)	(1)
Income from financial instruments:				
Net gain on disposal of financial assets at FVTPL	(34)	-	-	-
Gain on sale of financial investments at FVOCI	-	(1)	-	151
	(34)	(1)	-	151
Other income:				
Foreign exchange (loss)/profit				
- realised	7,036	429	2,715	(220)
- unrealised	(6,480)	(67)	(1,565)	1,032
Other non-operating income	472	440	1,409	1,329
	1,028	802	2,559	2,141
Total income derived from investment of investment account	28,426	20,198	88,746	74,195

30 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended 31/12/2022 RM'000	31/12/2021 RM'000	Cumulative Quarter Ended 31/12/2022 RM'000	31/12/2021 RM'000
Finance income and hibah				
Financing and other financing	24,517	18,489	84,157	67,301
Financial investments at FVOCI	-	1,399	-	7,489
Financial investments at AC	5,185	1,052	13,265	1,082
Money at call and deposits with financial institutions	1,030	916	3,404	3,788
	30,732	21,856	100,826	79,660
Accretion of discount less amortisation of premium	(1,952)	(490)	(1,952)	(1,491)
Total finance income and hibah	28,780	21,366	98,874	78,169
Other operating income				
Fee income:				
Commission	360	289	1,298	904
Service charges and fees	238	247	901	822
Kafalah fees	118	190	410	455
	716	726	2,609	2,181
Commission paid on will/wasiat	-	-	(1)	(1)
Income from financial instruments:				
Net gain on disposal of financial assets at FVTPL	(42)	-	-	-
Gain on sale of financial investments at FVOCI	-	-	-	169
	(42)	-	-	169
Other income:				
Foreign exchange (loss)/profit				
- realised	8,495	474	3,201	(246)
- unrealised	(7,867)	(65)	(1,845)	1,154
Other non-operating income	513	499	1,661	1,486
	1,141	908	3,017	2,394
Total income derived from investment of shareholders' fund	30,595	23,000	104,499	82,912

31 (ALLOWANCES FOR)/WRITE-BACK OF IMPAIRMENT LOSSES ON FINANCING AND OTHER FINANCING

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Expected credit loss made on/(written-back):				
- financing and other financing	5,559	(13,793)	95,536	38,832
- securities	2,881	1,076	3,065	668
- financing commitments and financial kafalah	478	1,631	701	1,684
Impaired financing				
- recovered	(848)	(734)	(32,609)	(4,034)
- written-off	3,205	73	3,520	369
	11,275	(11,747)	70,213	37,519

32 (ALLOWANCES FOR)/WRITE-BACK OF IMPAIRMENT LOSSES ON OTHER ASSETS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on:				
- amount due from joint ventures	(2,634)	(1,068)	3,555	276
- other assets	(286)	1,057	1,562	1,057
	(2,920)	(11)	5,117	1,333

33 INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- mudarabah	190	227	865	967
- non-mudarabah	155,590	100,431	499,197	379,228
Deposits and placements of banks and other financial institutions				
- mudarabah	6,232	2,680	19,866	17,246
Finance - Subordinated and Senior Sukuk	15,878	14,337	58,891	57,350
Others	294	322	1,253	1,299
	178,184	117,997	580,072	456,090

34 INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDERS

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Restricted investment account - Mudarabah	23,766	17,338	78,677	67,165

35 OTHER OPERATING EXPENSES

	Economic Entity and The Bank		Economic Entity and The Bank	
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonuses	32,997	29,209	131,780	117,156
Defined contribution plan ('EPF')	5,598	4,878	22,345	19,810
Other personnel costs	(153)	4,217	5,163	15,457
	38,442	38,304	159,288	152,423
<u>Establishment costs</u>				
Equipment rental	264	1,038	1,058	4,181
Repair and maintenance	7,983	7,067	28,329	28,407
Depreciation of property and equipment	9	108	314	467
Depreciation of right-of-use assets	160	294	500	453
Amortisation of intangible assets	52	(127)	212	213
IT consultancy fees	(96)	4,606	15,123	18,477
Dataline rental	1,941	1,804	7,783	7,155
Security services	1,382	1,486	5,662	6,554
Electricity, water and sewerage	1,503	1,159	6,133	4,847
Licence fees	-	68	-	278
Takaful and indemnities	3,556	1,142	6,334	4,579
Other establishment costs	(141)	853	1,306	2,248
	16,613	19,498	72,754	77,859
<u>Marketing expenses</u>				
Business promotion and advertisement	382	465	524	683
Entertainment	47	70	201	270
Travelling and accommodation	226	243	860	948
Brokerage expenses	248	278	1,005	898
Other marketing expenses	187	81	1,520	104
	1,090	1,137	4,110	2,903
<u>Administration and general expenses</u>				
Telecommunication expenses	116	347	485	1,400
Auditors' remuneration	138	291	334	319
Professional fees	1,488	664	4,774	2,237
Property and equipment written-off	-	-	-	1
Mail and courier charges	275	499	1,098	1,953
Stationery and consumables	1,012	447	3,386	3,161
Directors' fees and allowances	694	733	1,911	1,507
Shariah fees	85	132	383	431
Donations	40	32	156	208
Settlement, clearing and bank charges	242	508	1,624	1,756
Stamp duties	-	-	3	2
Other administration and general expenses	(103)	(37)	79	51
	3,987	3,616	14,233	13,026
Total other operating expenses	60,132	62,555	250,385	246,211

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 equity holders of the Economic Entity and the Bank by the weighted average number of shares in issue during the financial year.

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Economic Entity & The Bank				
Net profit attributable to ordinary equity holders (RM'000)	72,981	84,574	222,384	190,595
Weighted average number of ordinary shares in issue ('000)	1,071,884	1,060,000	1,071,884	1,060,000
Basic/diluted earnings per share (sen)	6.8	8.0	20.7	18.0

There were no dilutive potential ordinary shares outstanding as at 31 December 2022. As a result, the diluted EPS equal to the basic EPS for the financial year ended 31 December 2022 and 31 December 2021.

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	
	31/12/2022	31/12/2021
	Principal Amount RM'000	RM'000
Direct credit substitutes - financial kafalah contracts	119,067	91,921
Transaction-related contingent items	412,540	409,317
Short-term self-liquidating trade related contingencies	300,962	260,650
Irrevocable commitments to extend credit:		
- maturity less than one year	1,708,544	1,522,266
- maturity more than one year	975,622	826,881
Unutilised credit card lines	224,504	214,449
Foreign exchange related contracts #		
- less than one year	1,328,501	1,750,186
	5,069,740	5,075,670

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

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market

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 quoted 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 uses inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

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

This category includes unquoted shares held for socio-economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (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				
31/12/2022				
Financial Assets				
Derivative financial assets	-	14,985	-	14,985
Financial Liabilities				
Derivative financial liabilities	-	37,736	-	37,736
	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 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, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET1'), Tier 1 Capital Ratio and Total Capital Ratio are 7.00%, 8.50% and 10.50% respectively for the financial year ended 31 December 2022.

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

i) The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	31/12/2022 RM'000	31/12/2021 RM'000	31/12/2022 RM'000	31/12/2021 RM'000
<u>CET 1</u>				
Paid-up share capital	1,210,000	1,060,000	1,210,000	1,060,000
Retained profits	1,262,544	981,016	1,262,544	981,016
	2,472,544	2,041,016	2,472,544	2,041,016
Less:				
- Intangible assets	(133)	(345)	(133)	(345)
- Deferred tax assets	(23,732)	(22,484)	(23,732)	(22,484)
- Other CET 1 transitional adjustment	94,969	81,108	94,969	81,108
Total CET 1 Capital	2,543,648	2,099,295	2,543,648	2,099,295
Additional Tier 1 capital	300,000	300,000	300,000	300,000
Total Tier 1 capital	2,843,648	2,399,295	2,843,648	2,399,295
<u>Tier 2 capital</u>				
Subordinated and Senior Sukuk	800,000	800,000	800,000	800,000
Expected loss provision #	107,284	91,378	107,284	91,378
Total Tier 2 capital	907,284	891,378	907,284	891,378
Total Capital	3,750,932	3,290,673	3,750,932	3,290,673
ii) The breakdown of risk-weighted assets:				
Credit risk	18,492,670	16,484,875	18,492,670	16,484,875
Market risk	28,624	31,243	28,624	31,243
Operational risk	993,564	778,585	993,564	778,585
Total risk-weighted assets	19,514,858	17,294,703	19,514,858	17,294,703
iii) Capital adequacy ratios:				
<u>With transitional arrangements</u>				
CET 1 capital ratio	13.034%	12.138%	13.034%	12.138%
Tier 1 capital ratio	14.572%	13.873%	14.572%	13.873%
Total capital ratio	19.221%	19.027%	19.221%	19.027%
<u>Without transitional arrangements</u>				
CET 1 capital ratio	12.548%	11.669%	12.548%	11.669%
Tier 1 capital ratio	14.085%	13.404%	14.085%	13.404%
Total capital ratio	19.221%	19.027%	19.221%	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 31 December 2022, RIA assets excluded from Total Capital Ratio calculation amounted to RM2,723.1 million (31 December 2021: RM1,834.6 million).

40 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 RM346.1 million for the fourth period 31 December 2022, an increase of RM97.6 million or 39.3% as compared to RM248.5 million recorded in the previous corresponding period. The increase was due to higher net financing by RM136.1 million, partially offset by higher allowance for impairment losses of RM36.5 million and higher overhead expenses of RM4.2 million.

Net financing and other income increased mainly due to the financing growth by RM136.1 million or 25.2% to RM675.8 million as compared to the same period last year of RM539.7 million. Allowance for impairment losses also increased by RM36.5 million or 93.9% to RM75.3 million as compared to RM38.9 million recorded for the period ended 31 December 2021.

Gross financing and other financing grew by 15.3% to RM26.3 billion as compared to the position as at 31 December 2021 which was RM22.8 billion. Customer deposits increased for the year ended 31 December 2022 by 14.5% to RM25.2 billion as compared to the position as at 31 December 2021 which was RM22.0 billion. CASA showed an increase of 3.8% to RM6.4 billion as at 31 December 2022.

CET 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio were 13.034%, 14.572% and 19.221% respectively as at 31 December 2022.

Analysis of financial performance of current quarter vs. previous corresponding quarter

The Bank recorded a profit before tax of RM112.2 million for the current quarter, higher by RM7.8 million or 7.4% against the previous corresponding quarter of RM104.4 million. This was contributed by higher net financing and other income of RM23.1 million and lower overhead expenses of RM2.4 million which was partially offset by higher allowance for impairment losses of RM20.1 million.

Overhead expenses was RM60.1 million, a decrease of RM2.4 million or 0.1% from RM62.6 million recorded in the previous corresponding quarter. The decrease in overhead expenses was mainly due to lower establishment cost by RM2.9 million.

The Bank's allowance for impairment losses increased by RM20.1 million to RM8.4 million, as compared to a write-back of RM11.8 million to the previous corresponding quarter.

Analysis of financial performance of current quarter vs. preceding quarter

The Bank recorded a profit before tax of RM112.2 million for the current quarter under review, higher by RM26.2 million or 30.4% against the preceding quarter ended 30 September 2022 of RM86.0 million, which was contributed by lower allowance for impairment losses of RM29.4 million, offset by lower net financing and other income of RM3.3 million.

41 ECONOMIC AND BUSINESS OUTLOOK FOR 2023

The Malaysian Banking sector is expected to face challenges in 2023 as the IMF, World Bank and other international organizations have lowered their global growth forecast for the year 2023. As many countries are still struggling with the economic fallout from the pandemic the global economy of further impacted by rising interest rates and inflation, increasing trade tensions impact of the Russian-Ukraine War and political uncertainty. Malaysia's economic growth is expected to slow in 2023 to between 4% to 5% for similar reasons, in tandem with the forecasted slowdown in the global economy.

The Bank remains cautiously optimistic of its prospects for 2023 as the Malaysian economic recovery following the end of the Covid pandemic has spurred domestic demand and resulted in an improvement in the local labour market. This is expected to remain the key driver for growth in 2023. As the Government continues its efforts to enhance investment, stimulate growth and protect the lives and livelihood of Malaysians, there is an expectation that while the Malaysian economy growth may be lower, a recession is not expected.

42 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

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

	Economic Entity and the Bank	
	31/12/2022	31/12/2021
i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	1,585,900	1,574,984
ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	<u>4.46%</u>	<u>5.05%</u>