Registration No: 200501027372 (709506-V)

# Affin Islamic Bank Berhad

(Incorporated in Malaysia)

## Reports and financial statements for the financial year ended 31 December 2024

Registration No: 200501027372 (709506-V)

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(Incorporated in Malaysia)

## Reports and financial statements for the financial year ended 31 December 2024

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**Registration No: 200501027372 (709506-V)**

# Affin Islamic Bank Berhad

**(Incorporated in Malaysia)**

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Musa bin Abdul Malek
(Chairman)

Suffian bin Baharuddin
Datuk Mohd Farid bin Mohd Adnan
Tan Ler Chin, Cindy
Muhammad Fitri bin Othman
(resigned w.e.f. 1.9.2024)
Dali Kumar @ Dali bin Sardar
Dr. Sharbanom binti Abu Bakar
Haizad Rizal bin A Aziz
(appointed w.e.f. 15.2.2025)

### CHIEF EXECUTIVE OFFICER

Dato' Paduka Syed Mashafuddin Syed Badarudin

### COMPANY SECRETARY

Nimma Safira binti Khalid

### REGISTERED OFFICE

Level 19, Menara AFFIN, Lingkaran TRX,
Tun Razak Exchange,
55188 Kuala Lumpur
Malaysia

### AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT
**for the financial year ended 31 December 2024**

The Directors hereby submit their report together with the audited financial statements of the Economic Entity and the Bank for the financial year ended 31 December 2024.

### PRINCIPAL ACTIVITIES

The principal activities of the Bank are Islamic banking business and the provision of related financial services. There were no significant changes in these activities during the financial year.

### FINANCIAL RESULTS

| | Economic Entity RM'000 | The Bank RM'000 |
|---|---|---|
| Profit before zakat and taxation | 328,717 | 328,717 |
| Zakat | (5,370) | (5,370) |
| Profit before taxation | 323,347 | 323,347 |
| Taxation | (87,305) | (87,305) |
| Net profit for the financial year | 236,042 | 236,042 |

### DIVIDENDS

No dividends have been paid by the Bank in respect of the financial year ended 31 December 2024.

The Directors do not recommend any final dividends to be paid for the financial year ended 31 December 2024.

### RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements and notes to the financial statements.

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 47 to the financial statements.

### SUBSEQUENT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Event subsequent to the balance sheet date is disclosed in Note 48 to the financial statements.

# Affin Islamic Bank Berhad

**(Incorporated in Malaysia)**

## DIRECTORS' REPORT

**for the financial year ended 31 December 2024 (continued)**

### DIRECTORS

The Directors of the Bank who have held office since the date of the last report and at the date of this report are:

Musa bin Abdul Malek
*Chairman/Independent Non-Executive Director*

Suffian bin Baharuddin
*Independent Non-Executive Director*

Datuk Mohd Farid bin Mohd Adnan
*Independent Non-Executive Director*

Tan Ler Chin, Cindy
*Independent Non-Executive Director*

Muhammad Fitri bin Othman
*Non-Independent Non-Executive Director (Resigned w.e.f. 1.9.2024)*

Dali Kumar @ Dali bin Sardar
*Independent Non-Executive Director*

Dr. Sharbanom binti Abu Bakar
*Independent Non-Executive Director*

Haizad Rizal bin A Aziz
*Non-Independent Non-Executive Director (Appointed w.e.f. 15.2.2024)*

### RESPONSIBILITY STATEMENT BY BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Bank present a true and fair view of the state of affairs of the Bank as at 31 December 2024 and of the financial results and cash flows of the Bank for the financial year then ended.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Bank with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Bank to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 121 of the financial statements.

### DIRECTORS' INTERESTS

None of the Directors in office at the end of the financial year have interest in the shares in the Bank or its related companies during the financial year.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT
**for the financial year ended 31 December 2024 (continued)**

**DIRECTORS' INTERESTS (continued)**

**LONG TERM INCENTIVE PLAN ('LTIP')**

Affin Bank Berhad ('ABB') implemented a Long Term Incentive Plan ('LTIP') in the form of an employees' Share Grant Scheme ('SGS') on 1 August 2023, which was approved by the shareholders at the ABB Annual General Meeting held on 25 May 2023. The SGS is governed by the SGS By-Laws and is administered by the Group Board Nomination & Remuneration Committee ('SGS Committee').

The SGS is a performance share unit scheme where vesting is subject to performance conditions and the SGS Committee may, at any time within the duration of the SGS, grant an SGS award to eligible employees, subject to the terms and conditions of the SGS By-Laws. The SGS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the SGS By-Laws.

The SGS primarily serves as an incentive plan to reward eligible employees and to align their interest with the corporate goals and objectives of the Group. Eligible employees refer to employees of Group (excluding dormant subsidiary companies) who fulfil the eligibility criteria and have been selected to participate in the SGS by ABB's Board of Directors, on the recommendations of the SGS Committee, subject to terms and conditions of the SGS By-Laws.

The SGS will not be extended to any non-executive directors of any company within ABB.

The maximum number of shares which may be made available under the SGS shall not in aggregate exceed 5% of ABB's total number of issued shares (excluding treasury shares, if any) at any point in time during the duration of the SGS. Details of SGS are set out in Note 49 to the financial statements.

The Shariah Committee has approved the Scheme to be extended to eligible staff of the Bank. The Shariah Committee has extended its advice to the staff involved to dispose the shares upon vesting according to disposal mechanism as outlined by the Shariah Committee. However, if the staff decide to keep the shares, it is considered as their personal decision.

**DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangement to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than the fees and other emoluments shown in Note 37 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

# Affin Islamic Bank Berhad

**(Incorporated in Malaysia)**

## DIRECTORS' REPORT

**for the financial year ended 31 December 2024 (continued)**

### OTHER STATUTORY INFORMATION

**Statutory information regarding the Bank**

(a) As at the end of the financial year

Before the financial statements of the Bank were prepared, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written off and that adequate allowance had been made for doubtful financing; and

- to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Bank had been written down to an amount which the current assets might be expected so to realise.

(b) From the end of the financial year to the date of this report

The Directors are not aware of any circumstances:

- which would render the amounts written off for bad financing or the amount of the allowance for doubtful financing inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of the Bank misleading; or
- which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

(c) As at the date of this report:

- there are no charges on the assets of the Bank which have arisen since the end of the financial year which secures the liabilities of any other person; and
- there are no contingent liabilities in the Bank which have arisen since the end of the financial year.

(d) No contingent or other liability in the Bank has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Bank to meet the obligations when they fall due.

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

- the results of the operations of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.
- there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the financial year in which this report is made.

## ECONOMIC AND BUSINESS OUTLOOK FOR 2025

Malaysia's Gross Domestic Product (GDP) growth is projected to strengthen to 5.2% in 2025, an improvement from the 5.0% anticipated for 2024, supported by key economic drivers. Sustained low unemployment rates, coupled with income and wage growth, are expected to bolster private consumption, which constitutes a significant component of GDP. Additionally, economic expansion will be underpinned by steady domestic and foreign investment flows, as well as stable trade performance.

The Malaysian Ringgit is forecasted to appreciate in 2025, reflecting robust economic fundamentals and the anticipated monetary easing in advanced economies. Bank Negara Malaysia (BNM) is expected to maintain the Overnight Policy Rate (OPR) at 3.0%, ensuring monetary policy continuity that supports economic growth.

While the planned removal of petrol subsidies may impact private consumption if not effectively managed, these challenges are expected to be mitigated through prudent policy adjustments and measures to support affected segments of the population.

On the global front, heightened geopolitical conflicts, US-China trade tensions, and potential supply chain disruptions remain key risks. Nevertheless, Malaysia's diversified economy and adaptive strategies position it to navigate these uncertainties effectively.

The expected economic expansion provides the banking sector with opportunities arising from increased demand for financing and financial services. While deposit competition may lead to margin compression, this impact is anticipated to be offset by higher credit growth and improved asset quality. Malaysian banks remain well-capitalized, supported by adequate impairment buffers to cushion against moderate credit stress.

## BUSINESS STRATEGY MOVING FORWARD

AFFIN ISLAMIC is focused on fulfilling the Group's AX28 Transformation Plan which will see the Bank playing a significant role in contributing to the Group profitability through its growth in financing and current account. Unrivalled Customer Service, Digital Leadership and Responsible Banking with Impact will continue to be the guiding principles in the Bank's strategies moving forward.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT
**for the financial year ended 31 December 2024 (continued)**

### RATING BY EXTERNAL RATING AGENCIES

The Bank has been rated by the following external rating agency:

| | |
|---|---|
| Name of rating agency: | RAM Rating Services Berhad ('RAM') |
| Date of rating: | 21 May 2024 |
| Rating classifications: | |
| - Long term: | $AA_3$ |
| - Short term: | P1 |

RAM has reaffirmed the Bank's long-term and short-term financial institution ratings, at $AA_3$ and P1, respectively, with stable outlook.

'AA' rating is defined by RAM as an entity which has a strong capacity to meets its financial obligations and is resilient against adverse changes in circumstances, economic condition and/or operating environment. The subscript 3 in this category indicate as the lower end of its generic rating in the AA category.

A 'P1' rating is defined by RAM as obligations which are supported by superior ability with regards to timely payment of obligations.

### ZAKAT OBLIGATIONS

The Bank pays zakat for its business in line with the methodology approved by the Shariah Committee. The Bank does not pay zakat on behalf of its depositors.

### HOLDING COMPANY AND SUBSTANTIAL SHAREHOLDERS

The holding company of the Bank is Affin Bank Berhad ('ABB'). The substantial shareholders are the Sarawak Government, the Lembaga Tabung Angkatan Tentera ('LTAT'), a statutory body incorporated under the Tabung Angkatan Tentera Act of 1973 and the Bank of East Asia.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT
**for the financial year ended 31 December 2024 (continued)**

### DIRECTORS' REMUNERATION

The remuneration in aggregate for Directors of the Bank for the financial year are as follows:

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| **Directors of the Bank** | | |
| Director fees | **2,127** | 1,678 |
| Directors' other emoluments | **137** | 108 |

There was no amount paid to or receivable by any third party for services provided by Directors of the Bank.

During the financial year, Directors and Officers of the Bank are covered under the Directors' & Officers' Liability Takaful in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Takaful effected for the Directors & Officers of the Bank was RM40 million. The total amount of takaful contribution paid for the Directors' & Officers' Liability Takaful paid by the Bank was RM85,060 (2023: RM83,485).

There were no professional fees paid to Directors or any firms, of which the Directors are members, for services rendered and no amount was paid to or receivable by any third party for services provided by Directors.

The holding company, ABB maintained on a group basis, a Directors and Officers Liability Insurance against any Legal Liability incurred by the Directors in the discharge of their duties while holding office for the Bank. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Details of Directors' remuneration and the total amount of indemnity given are set out in Note 37 to the financial statements.

### ISSUANCE OF SHARES

During the financial year ended 31 December 2024, the Bank increased its issued ordinary shares from 1,128.8 million to 1,171.5 million via issuance of 42.7 million new ordinary shares amounting to RM100.0 million.

### AUDITORS' REMUNERATION

Auditors' remuneration of the Bank is RM424,000 (2023: RM548,000). Details of auditors' remuneration are set out in Note 36 to the financial statements.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT
**for the financial year ended 31 December 2024 (continued)**

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**MUSA BIN ABDUL MALEK**
*Chairman/Independent Non-Executive Director*

**SUFFIAN BIN BAHARUDDIN**
*Independent Non-Executive Director*

Kuala Lumpur
12 March 2025

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## STATEMENTS OF FINANCIAL POSITION
**as at 31 December 2024**

| | Note | Economic Entity 2024 RM'000 | Economic Entity 2023 RM'000 | The Bank 2024 RM'000 | The Bank 2023 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and short-term funds | 2 | **2,442,382** | 3,161,757 | **2,442,382** | 3,161,757 |
| Deposits and placements with banks and other financial institutions | 3 | **-** | 400,526 | **-** | 400,526 |
| Financial assets at fair value through profit or loss ('FVTPL') | 4 | **451,582** | - | **451,582** | - |
| Derivative financial instruments | 5 | **25,387** | 18,907 | **25,387** | 18,907 |
| Financial investments at fair value through other comprehensive income ('FVOCI') | 6 | **3,940,222** | 1,674,282 | **3,940,222** | 1,674,282 |
| Financial investments at amortised cost ('AC') | 7 | **4,594,961** | 4,568,010 | **4,594,961** | 4,568,010 |
| Financing and other financing | 8 | **33,009,886** | 28,760,767 | **33,009,886** | 28,760,767 |
| Other assets | 9 | **174,366** | 135,546 | **174,366** | 135,546 |
| Amount due from holding company | 10 | **-** | 288,431 | **-** | 288,431 |
| Amount due from joint ventures | 11 | **4,639** | 32 | **4,639** | 32 |
| Tax recoverable | | **9,042** | 43,746 | **9,042** | 43,746 |
| Deferred tax assets | 12 | **39,640** | 39,040 | **39,640** | 39,040 |
| Statutory deposits with Bank Negara Malaysia | 13 | **539,000** | 485,000 | **539,000** | 485,000 |
| Investment in joint ventures | 14 | **-** | - | **-** | - |
| Investment in associate | 15 | **-** | - | **-** | - |
| Property and equipment | 16 | **1,090** | 782 | **1,090** | 782 |
| Intangible assets | 17 | **1,004** | 863 | **1,004** | 863 |
| Right-of-use assets | 18 | **133** | 238 | **133** | 238 |
| **TOTAL ASSETS** | | **45,233,334** | 39,577,927 | **45,233,334** | 39,577,927 |
| **LIABILITIES AND EQUITY** | | | | | |
| Deposits from customers | 19 | **28,762,862** | 25,360,547 | **28,762,862** | 25,360,547 |
| Investment accounts of customers | 20 | **757,600** | 359 | **757,600** | 359 |
| Deposits and placements of banks and other financial institutions | 21 | **4,164,774** | 4,172,179 | **4,164,774** | 4,172,179 |
| Investment accounts due to designated financial institutions | 22 | **3,262,300** | 3,579,578 | **3,262,300** | 3,579,578 |
| Recourse obligation on financing sold to Cagamas Berhad | 23 | **2,125,431** | 1,115,041 | **2,125,431** | 1,115,041 |
| Derivative financial instruments | 5 | **21,357** | 23,539 | **21,357** | 23,539 |
| Other liabilities | 24 | **256,624** | 319,188 | **256,624** | 319,188 |
| Amount due to holding company | 25 | **546,064** | - | **546,064** | - |
| Lease liabilities | 26 | **162** | 271 | **162** | 271 |
| Subordinated and Senior Sukuk | 27 | **2,368,791** | 2,363,770 | **2,368,791** | 2,363,770 |
| **TOTAL LIABILITIES** | | **42,265,965** | 36,934,472 | **42,265,965** | 36,934,472 |
| Share capital | 28 | **1,310,000** | 1,210,000 | **1,310,000** | 1,210,000 |
| Reserves | 29 | **1,657,369** | 1,433,455 | **1,657,369** | 1,433,455 |
| **TOTAL EQUITY** | | **2,967,369** | 2,643,455 | **2,967,369** | 2,643,455 |
| **TOTAL LIABILITIES AND EQUITY** | | **45,233,334** | 39,577,927 | **45,233,334** | 39,577,927 |
| **COMMITMENTS AND CONTINGENCIES** | 41 | **12,635,865** | 11,396,972 | **12,635,865** | 11,396,972 |

The accounting policies and notes form an integral part of these financial statements.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## INCOME STATEMENTS
**for the financial year ended 31 December 2024**

| | Note | Economic Entity 2024 RM'000 | Economic Entity 2023 RM'000 | The Bank 2024 RM'000 | The Bank 2023 RM'000 |
|---|---|---|---|---|---|
| Income derived from investment of depositors' funds and others | 30 | **1,693,968** | 1,442,523 | **1,693,968** | 1,442,523 |
| Income derived from investment of investment accounts | 31 | **189,534** | 161,804 | **189,534** | 161,804 |
| Income derived from investment of shareholders' funds | 32 | **156,686** | 131,768 | **156,686** | 131,768 |
| (Allowances for)/Write-back of credit impairment losses | 33 | **(7,199)** | 2,583 | **(7,199)** | 2,583 |
| Allowance for impairment losses on other assets | 34 | **(6,948)** | (4,649) | **(6,948)** | (4,649) |
| **Total distributable income** | | **2,026,041** | 1,734,029 | **2,026,041** | 1,734,029 |
| Income attributable to the depositors and others | 35 | **(1,171,114)** | (993,739) | **(1,171,114)** | (993,739) |
| Income attributable to the investment accounts holders | | **(170,090)** | (147,889) | **(170,090)** | (147,889) |
| **Total net income** | | **684,837** | 592,401 | **684,837** | 592,401 |
| Other operating expenses | 36 | **(356,120)** | (270,081) | **(356,120)** | (270,081) |
| **Profit before zakat and taxation** | | **328,717** | 322,320 | **328,717** | 322,320 |
| Zakat | | **(5,370)** | (4,600) | **(5,370)** | (4,600) |
| **Profit before taxation** | | **323,347** | 317,720 | **323,347** | 317,720 |
| Taxation | 38 | **(87,305)** | (83,244) | **(87,305)** | (83,244) |
| **Net profit after zakat and taxation** | | **236,042** | 234,476 | **236,042** | 234,476 |
| **Attributable to:** | | | | | |
| Equity holder of the Bank | | **236,042** | 234,476 | **236,042** | 234,476 |
| **Earnings per share (sen):** | | | | | |
| - Basic/Diluted | 39 | **20.5** | 20.8 | **20.5** | 20.8 |

The accounting policies and notes form an integral part of these financial statements.

Registration No: 200501027372 (709506-V)

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## STATEMENTS OF COMPREHENSIVE INCOME
**for the financial year ended 31 December 2024**

| | Note | Economic Entity 2024 RM'000 | Economic Entity 2023 RM'000 | The Bank 2024 RM'000 | The Bank 2023 RM'000 |
|---|---|---|---|---|---|
| **Net profit after zakat and taxation** | | **236,042** | 234,476 | **236,042** | 234,476 |
| Other comprehensive income: | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Net fair value change in financial investments at FVOCI | | **(11,347)** | 16,136 | **(11,347)** | 16,136 |
| Net credit impairment losses change in financial investments at FVOCI | | **387** | 42 | **387** | 42 |
| Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments) | | **(6,627)** | (464) | **(6,627)** | (464) |
| Deferred tax on financial investments at FVOCI | 12 | **4,672** | (4,262) | **4,672** | (4,262) |
| Other comprehensive (loss)/income for the financial year, net of tax | | **(12,915)** | 11,452 | **(12,915)** | 11,452 |
| **Total comprehensive income for the financial year** | | **223,127** | 245,928 | **223,127** | 245,928 |
| **Attributable to equity holder of the Bank:** | | | | | |
| Total comprehensive income for the financial year | | **223,127** | 245,928 | **223,127** | 245,928 |

The accounting policies and notes form an integral part of these financial statements.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## STATEMENTS OF CHANGES IN EQUITY
**for the financial year ended 31 December 2024**

| | | Attributable to Equity Holder of the Bank | | | | | |
|---|---|---|---|---|---|---|---|
| **Economic Entity** | **Note** | **Share capital RM'000** | **FVOCI revaluation reserves RM'000** | **Regulatory reserves RM'000** | **Other reserves RM'000** | **Retained profits RM'000** | **Total RM'000** |
| **At 1 January 2024** | | **1,210,000** | **11,452** | **46,469** | **214** | **1,375,320** | **2,643,455** |
| Net profit for the financial year | | - | - | - | - | 236,042 | 236,042 |
| Other comprehensive income (net of tax) | | | | | | | |
| - Financial investments at FVOCI | | - | (12,915) | - | - | - | (12,915) |
| Total comprehensive (loss)/income for the financial year | | - | (12,915) | - | - | 236,042 | 223,127 |
| Issued during the financial year | 28 | 100,000 | - | - | - | - | 100,000 |
| Share grant scheme granted | | - | - | - | 787 | - | 787 |
| Transfer to regulatory reserves | | - | - | 45,999 | - | (45,999) | - |
| **At 31 December 2024** | | **1,310,000** | **(1,463)** | **92,468** | **1,001** | **1,565,363** | **2,967,369** |
| Economic Entity | | | | | | | |
| At 1 January 2023 | | 1,210,000 | - | 46,469 | - | 1,140,844 | 2,397,313 |
| Net profit for the financial year | | - | - | - | - | 234,476 | 234,476 |
| Other comprehensive income (net of tax) | | | | | | | |
| - Financial investments at FVOCI | | - | 11,452 | - | - | - | 11,452 |
| Total comprehensive income for the financial year | | - | 11,452 | - | - | 234,476 | 245,928 |
| Share grant scheme granted | | - | - | - | 214 | - | 214 |
| At 31 December 2023 | | 1,210,000 | 11,452 | 46,469 | 214 | 1,375,320 | 2,643,455 |

The accounting policies and notes form an integral part of these financial statements.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## STATEMENTS OF CHANGES IN EQUITY
**for the financial year ended 31 December 2024**

| | | Non-Distributable | | | | Distributable | |
|---|---|---|---|---|---|---|---|
| **The Bank** | **Note** | **Share capital RM'000** | **FVOCI revaluation reserves RM'000** | **Regulatory reserves RM'000** | **Other reserves RM'000** | **Retained profits RM'000** | **Total RM'000** |
| **At 1 January 2024** | | **1,210,000** | **11,452** | **46,469** | **214** | **1,375,320** | **2,643,455** |
| Net profit for the financial year | | - | - | - | - | 236,042 | 236,042 |
| Other comprehensive income (net of tax) | | | | | | | |
| - Financial investments at FVOCI | | - | (12,915) | - | - | - | (12,915) |
| Total comprehensive (loss)/income for the financial year | | - | (12,915) | - | - | 236,042 | 223,127 |
| Issued during the financial year | 28 | 100,000 | - | - | - | - | 100,000 |
| Share grant scheme granted | | - | - | - | 787 | - | 787 |
| Transfer to regulatory reserves | | - | - | 45,999 | - | (45,999) | - |
| **At 31 December 2024** | | **1,310,000** | **(1,463)** | **92,468** | **1,001** | **1,565,363** | **2,967,369** |

| The Bank | | | | | | | |
|---|---|---|---|---|---|---|---|
| At 1 January 2023 | | 1,210,000 | - | 46,469 | - | 1,140,844 | 2,397,313 |
| Net profit for the financial year | | - | - | - | - | 234,476 | 234,476 |
| Other comprehensive income (net of tax) | | | | | | | |
| - Financial investments at FVOCI | | - | 11,452 | - | - | - | 11,452 |
| Total comprehensive income for the financial year | | - | 11,452 | - | - | 234,476 | 245,928 |
| Share grant scheme granted | | - | - | - | 214 | - | 214 |
| At 31 December 2023 | | 1,210,000 | 11,452 | 46,469 | 214 | 1,375,320 | 2,643,455 |

The accounting policies and notes form an integral part of these financial statements.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## STATEMENTS OF CASH FLOWS
**for the financial year ended 31 December 2024**

| | Note | Economic Entity 2024 RM'000 | Economic Entity 2023 RM'000 | The Bank 2024 RM'000 | The Bank 2023 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| **Profit before taxation** | | **323,347** | 317,720 | **323,347** | 317,720 |
| Adjustments for items not involving the movement of cash and cash equivalents: | | | | | |
| Finance income and profit from: | | | | | |
| - financial investments at FVOCI | | **(120,646)** | (27,625) | **(120,646)** | (27,625) |
| - financial investments at AC | | **(153,352)** | (153,027) | **(153,352)** | (153,027) |
| Gain on sale/redemption: | | | | | |
| - financial assets at FVTPL | | **(2,304)** | (5,863) | **(2,304)** | (5,863) |
| - financial investments at FVOCI | | **(6,627)** | (464) | **(6,627)** | (464) |
| - financial investments at AC | | **(3,075)** | (62) | **(3,075)** | (62) |
| - derivatives | | **(3,280)** | 952 | **(3,280)** | 952 |
| Unrealised loss/(gain) on revaluation: | | | | | |
| - derivatives | | **(6,776)** | 4,569 | **(6,776)** | 4,569 |
| - fair value hedges | | **(432)** | (723) | **(432)** | (723) |
| - foreign exchange | | **(1,984)** | (20,717) | **(1,984)** | (20,717) |
| Depreciation of property and equipment | 36 | **118** | 234 | **118** | 234 |
| Gain on sale of foreclosed properties | | **-** | 100 | **-** | 100 |
| Gain on sale of property and equipment | | **(135)** | - | **(135)** | - |
| Amortisation of intangible assets | 36 | **140** | 134 | **140** | 134 |
| Depreciation of right-of-use assets | 36 | **105** | 293 | **105** | 293 |
| Net individual impairment | | **-** | - | **-** | - |
| Expected credit losses ('ECL') made on: | | | | | |
| - financing and other financing | 33 | **12,542** | 7,861 | **12,542** | 7,861 |
| - securities | 33 | **(2,230)** | (548) | **(2,230)** | (548) |
| - financing commitments and financial kafalah | 33 | **(1,902)** | 620 | **(1,902)** | 620 |
| Impaired financing written-off | 33 | **12,348** | 4,132 | **12,348** | 4,132 |
| Allowance for impairment losses on other assets | 34 | **6,948** | 4,649 | **6,948** | 4,649 |
| Finance expense on lease liabilities | 26 | **7** | 15 | **7** | 15 |
| Profit expense - Subordinated and Senior Sukuk | 27 | **108,978** | 93,708 | **108,978** | 93,708 |
| Profit expense - Recourse obligation on financing sold to Cagamas Berhad | 23 | **57,547** | 34,271 | **57,547** | 34,271 |
| Share grant scheme granted | | **787** | 214 | **787** | 214 |
| Zakat | | **5,370** | 4,600 | **5,370** | 4,600 |
| **Operating profit before changes in working capital** | | **225,494** | 265,043 | **225,494** | 265,043 |
| ***(Increase)/Decrease in operating assets:*** | | | | | |
| Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months | | **200,404** | (150,356) | **200,404** | (150,356) |
| Financial assets at FVTPL | | **(449,279)** | 5,863 | **(449,279)** | 5,863 |
| Financing and other financing | | **(4,274,009)** | (2,968,830) | **(4,274,009)** | (2,968,830) |
| Other assets | | **(21,252)** | 22,603 | **(21,252)** | 22,603 |
| Statutory deposits with Bank Negara Malaysia | | **(54,000)** | (85,000) | **(54,000)** | (85,000) |
| Amount due from holding company | | **288,431** | 9,073 | **288,431** | 9,073 |
| Amount due from joint ventures | | **(11,524)** | (4,226) | **(11,524)** | (4,226) |
| Derivative financial instruments | | **4,556** | (21,766) | **4,556** | (21,766) |
| ***(Decrease)/Increase in operating liabilities:*** | | | | | |
| Deposits from customers | | **3,402,315** | 184,926 | **3,402,315** | 184,926 |
| Investment accounts of customers | | **757,241** | (500) | **757,241** | (500) |
| Deposits and placements of banks and other financial institutions | | **(7,405)** | 2,073,240 | **(7,405)** | 2,073,240 |

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

**STATEMENTS OF CASH FLOWS (CONTINUED)**
**for the financial year ended 31 December 2024**

| | Note | Economic Entity 2024 RM'000 | Economic Entity 2023 RM'000 | The Bank 2024 RM'000 | The Bank 2023 RM'000 |
|---|---|---|---|---|---|
| ***(Decrease)/Increase in operating liabilities (continued):*** | | | | | |
| Investment accounts due to designated financial institutions | | **(317,278)** | 859,315 | **(317,278)** | 859,315 |
| Amount due to holding company | | **546,064** | - | **546,064** | - |
| Other liabilities | | **(59,568)** | (261,960) | **(59,568)** | (261,960) |
| Cash (used in)/generated from operations | | **230,190** | (72,575) | **230,190** | (72,575) |
| Zakat paid | | **(5,877)** | (3,212) | **(5,877)** | (3,212) |
| Tax paid | | **(48,531)** | (103,357) | **(48,531)** | (103,357) |
| **Net cash generated from/(used in) from operating activities** | | **175,782** | (179,144) | **175,782** | (179,144) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Finance income and profit received from: | | | | | |
| - financial investments at FVOCI | | **100,157** | 10,470 | **100,157** | 10,470 |
| - financial investments at AC | | **174,077** | 169,732 | **174,077** | 169,732 |
| Purchase of: | | | | | |
| - financial investments at FVOCI | | **(3,855,047)** | (1,998,158) | **(3,855,047)** | (1,998,158) |
| - financial investments at AC | | **(269,312)** | (337,930) | **(269,312)** | (337,930) |
| Redemption/Disposal of: | | | | | |
| - financial investments at FVOCI | | **1,570,193** | 359,216 | **1,570,193** | 359,216 |
| - financial investments at AC | | **226,425** | 603,458 | **226,425** | 603,458 |
| Proceed from disposal of: | | | | | |
| - property and equipment | | **502** | - | **502** | - |
| - foreclosed properties | | **10,592** | 1,950 | **10,592** | 1,950 |
| Purchase of: | | | | | |
| - property and equipment | 16 | **(700)** | (310) | **(700)** | (310) |
| - intangible assets | 17 | **(7)** | - | **(7)** | - |
| **Net cash used in investing activities** | | **(2,043,120)** | (1,191,572) | **(2,043,120)** | (1,191,572) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Net issuance in Subordinated and Senior Sukuk | 27 | **4,908** | 500,000 | **4,908** | 500,000 |
| Issuance of new shares | 28 | **100,000** | - | **100,000** | - |
| Addition of recourse obligation on financing sold to Cagamas Berhad | 23 | **1,000,000** | 1,099,999 | **1,000,000** | 1,099,999 |
| Profit payment from recourse obligation on financing sold to Cagamas Berhad | 23 | **(44,923)** | (22,469) | **(44,923)** | (22,469) |
| Profit payment from Subordinated and Senior Sukuk | 27 | **(108,865)** | (92,515) | **(108,865)** | (92,515) |
| Lease payments | 26 | **(116)** | (317) | **(116)** | (317) |
| **Net cash generated from financing activities** | | **951,004** | 1,484,698 | **951,004** | 1,484,698 |
| Net decrease in cash and cash equivalents | | **(916,334)** | 113,982 | **(916,334)** | 113,982 |
| Effects of foreign exchange | | **(3,163)** | 20,718 | **(3,163)** | 20,718 |
| Cash and cash equivalents at beginning of the financial year | | **3,361,879** | 3,227,179 | **3,361,879** | 3,227,179 |
| **CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR** | | **2,442,382** | 3,361,879 | **2,442,382** | 3,361,879 |
| **CASH AND CASH EQUIVALENTS COMPRISE:** | | | | | |
| Cash and short-term funds | 2 | **2,442,382** | 3,161,757 | **2,442,382** | 3,161,757 |
| Deposits and placements with banks and other financial institutions | 3 | **-** | 400,526 | **-** | 400,526 |
| | | **2,442,382** | 3,562,283 | **2,442,382** | 3,562,283 |
| Less : Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months | | **-** | (200,404) | **-** | (200,404) |
| | | **2,442,382** | 3,361,879 | **2,442,382** | 3,361,879 |

The accounting policies and notes form an integral part of these financial statements.

# Affin Islamic Bank Berhad

**(Incorporated in Malaysia)**

## SUMMARY OF MATERIAL ACCOUNTING POLICIES

**for the financial year ended 31 December 2024**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

### (A) BASIS OF PREPARATION

The financial statements of the Economic Entity and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Economic Entity and the Bank have been prepared under the historical cost convention, unless otherwise indicated in this summary of material accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the financial statements are disclosed in Note AA.

#### (a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank and are effective

Below are the annual improvements and amendments to MFRS effective for the financial year beginning 1 January 2024:

- Amendments to MFRS 101 'Presentation of Financial Statements'
- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback'

The adoption of other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### (b) IFRIC agenda decisions that are concluded and published

IFRIC agenda decision - disclosure of revenues and expenses for reportable segments

This agenda decision clarified that entities reporting segment information in their financial statements should disclose specified income and expense items for each reportable segment, provided these items are included in the segment profit measure reviewed by the chief operating decision maker ('CODM'), regardless of whether they are separately reviewed by the CODM. Additionally, entities should apply the requirements for materiality and aggregation under MFRS 101 when determining which additional material items of income and expense should be disclosed in segment reporting.

The Bank is in the midst of assessing the full impact of the above agenda decision on the financial information of the Bank.

## (A) BASIS OF PREPARATION (continued)

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2024.

- MFRS 18 'Presentation and Disclosure in Financial Statements' (effective 1 January 2027) replaces MFRS 101 'Presentation of Financial Statements'.
  The new MFRS introduces a new structure of profit or loss statement.

  (a) Income and expenses are classified into 3 new main categories:
    i. Operating category which typically includes results from the main business activities;
    ii. Investing category that presents the results of investments in associates and joint ventures and other assets that generate a return largely independently of other resources; and
    iii. Financing category that presents income and expenses from financing liabilities.

  (b) Entities are required to present two new specified subtotals: 'Operating profit or loss' and 'Profit or loss before financing and income taxes'.

  Management-defined performance measures are disclosed in a single note and reconciled to the most similar specified subtotal in MFRS Accounting Standards

  Changes to the guidance on aggregation and disaggregation which focus on grouping items based on their shared characteristics.

- Amendments to MFRS 9 and MFRS 7 'Amendments to the Classification and Measurement of Financial Instruments' (effective 1 January 2026) have:

  - require financial assets to be derecognised on the date the contractual rights to the cash flows expire and financial liabilities to be derecognised when obligation under the contract is discharged (i.e. the settlement date). In addition, there is an optional exception to derecognise financial liabilities before the settlement date for settlement using electronic payment systems (if specified criteria are met);
  - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest ('SPPI') criterion;
  - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  - update the disclosures for equity instruments designated at fair value through other comprehensive income ('FVOCI').

**(A) BASIS OF PREPARATION (continued)**

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2024. (continued)

- Amendments to MFRS 121 'Lack of Exchangeability' (effective 1 January 2025) have:

  An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

  A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

  When a currency is not exchangeable into another currency, the spot exchange rate needs to be estimated, i.e. to determine the rate at which an orderly exchange transaction would take place at that date between market participants under prevailing economic conditions.

  The amendments do not specify how an entity estimates the spot exchange rate, but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective of estimating the spot exchange rate set out in the amendments.

  When the amendments are first applied, an entity is not permitted to restate comparative information. Instead, the entity should translate the amount affected by foreign currency that lacks exchangeability using the estimated spot exchange rates at the date of initial application. Entity is also required to make additional disclosures when exchangeability is lacking.

- Annual improvements to MFRS Accounting Standards for enhanced consistency (effective 1 January 2026) have:

  The annual improvements comprise the following amendments:

  - Amendments to MFRS 7 on gain or loss on derecognition – obsolete cross-referencing is removed.
  - Additionally, the implementation guidance is revised to address the inconsistency within MFRS 7 on disclosure of deferred difference between fair value and transaction price. The amendments also clarify that the credit risk guidance does not cover all MFRS 7 requirements.
  - Amendments to MFRS 9 clarify that the derecognition principle of MFRS 9 should be applied by lessees to account for extinguished lease liabilities.
  - In addition, the term 'transaction price' as defined in MFRS 15 has also been removed from MFRS 9.
  - Amendments to MFRS 10 resolve an inconsistency in determining whether a party is acting as a de facto agent.
  - Amendments to MFRS 107 replace the term 'cost method' which is not a defined term in MFRS.

  An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards above are not expected to give rise to any material impact to the Bank, except for the adoption of MFRS 18 and amendments to MFRS 9, of which the Bank is in the midst of assessing the financial and disclosures impact.

## (B) JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Bank with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Profit in joint ventures are accounted for using the equity method, after initially being recognised at cost in the Bank's statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Bank's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Bank's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Bank's share of losses in a joint venture equals or exceeds its profit in the joint venture, including any long-term profit that, in substance, form part of the Bank's net investment in the joint venture, the Bank does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Bank and its joint ventures are eliminated to the extent of the Bank's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Bank.

When the Bank ceases to equity account its joint venture because of a loss of joint control, any retained profit in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained profit as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership profit in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

## (C) ASSOCIATES

Associates are all entities over which the Bank has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Bank's share of the post-acquisition profits or losses of the associate in profit or loss, and the Bank's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its profit in the associate, including any long-term profit that, in substance, form part of the Bank's net investment in the associate, the Bank does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Bank's investment in associates includes goodwill identified on acquisition.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

## (C) ASSOCIATES (continued)

Profits and losses resulting from upstream and downstream transactions between the Bank and its associate are recognised in the Bank's financial statements only to the extent of unrelated investor's profit in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Bank.

When the Bank ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained profit as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership profit in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in the profit or loss.

## (D) INTANGIBLE ASSETS

### Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;
(ii) management intends to complete the software product and use or sell it;
(iii) there is an ability to use or sell the software product;
(iv) it can be demonstrated how the software product will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
(vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives of five years.

## (E) IMPAIRMENT ON NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

## (F) RECOGNITION OF FINANCING INCOME AND EXPENSE

Financing income and expense for all profit-bearing financial instruments are recognised within 'profit derived from investment from depositors' funds', 'income derived from investment from shareholders' funds' and 'income attributable to depositors' respectively. Profit income from financial assets at FVTPL is recognised as part of net gains and losses on financial instrument.

Profit income is calculated by appliying effective profit rate to the gross carrying amount of a financial assets except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Al-Bai' Bithaman Ajil

A contract of sale of an asset where the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income is recognised on effective profit rate basis over the expected life of the contract based on outstanding financing amount.

Ijarah Muntahiyah bi Tamlik

An ijarah contract which ends with the lessee owning the leased asset and shall contain a mechanism for the transfer of ownership of the leased asset from the lessor to the lessee during or the end of the lease period.

Murabahah

A sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser.

Musyarakah Mutanaqisah (diminishing partnership)

A contract of sale of an asset where the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income is recognised on effective profit rate basis over the expected life of the contract based on outstanding financing amount.

Tawarruq

A Tawarruq consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.

## (F) RECOGNITION OF FINANCING INCOME AND EXPENSE (continued)

Istisna'

A contract which a seller sells to a purchaser an asset which is yet to be constructed, built or manufactured according to agreed specifications and delivered on an agreed specified future date at an agreed pre-determined price.

Financing income is recognised using effective profit rate through the expected life of the financing based on the principal amount outstanding.

## (G) RECOGNITION OF FEES AND OTHER INCOME

The Bank earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Bank has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Bank generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the arrangement fees and service charges. These fees constitute a single performance obligation.
- For a service that is provided over a period of time, fee and commission income is recognised on equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include kafalah fee.
- Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.
- Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relate to an investment in equity instruments measured at FVOCI.
- Net gain or loss from debt instruments at FVOCI is recognised in profit or loss upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.
- Income from bancatakaful agreements are recognised based on time apportionment method throughout the exclusive services agreement period.
- Other income are recognised on an accrual basis.

## (H) FINANCIAL ASSETS

### (a) Classification

The Bank classifies its financial assets in the following measurement categories:
- those to be measured at amortised cost, and
- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss)

### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on settlement-date, the date on which the Bank settles the commitment to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

### (c) Measurement

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit ('SPPI').

**Financial instruments**

Subsequent measurement of financial instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. The Bank reclassifies financial investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Bank classifies its financial instruments:

(i) Amortised cost ('AC')

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Profit income from these financial assets is included in "finance income and profit" and "income from Islamic banking business" using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "income from financial instruments" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

(ii) Fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "income from financial instruments". Profit income from these financial assets is included in "finance income and profit" and "income from Islamic banking business" using the effective profit rate method. Foreign exchange gains and losses are presented in "net gains and losses on financial instruments" and impairment expenses are presented as separate line item in the income statement.

(iii) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within "income from financial instruments" in the period which it arises.

**(H) FINANCIAL ASSETS (continued)**

**(c) Measurement (continued)**

**Financial instruments (continued)**

**Business model**

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objectives are solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank's business model for the mortgage financing book is to hold to collect contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. For financial assets which are held by the Bank for the purposes of capital preservation and to generate returns on a longer term basis, they are generally classified within the hold to collect business model, and are measured at Amortised Cost. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVTPL.

**SPPI**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and profit (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic financing arrangement i.e. profit includes only consideration for the time value of money, credit risk, other basic financing risks and a profit margin that is consistent with a basic financing arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic financing arrangement, the related financial asset is classified and measured at fair value through profit or loss.

**Equity instruments**

The Bank subsequently measures all equity investments at fair value. Where the Bank's management has elected to present fair value gains and losses on equity investments in FVOCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in 'net gains and losses on financial instruments' in the income statement.

**(H) FINANCIAL ASSETS (continued)**

**(d) Subsequent measurement – Impairment**

Impairment for financial instruments and financial kafalah contracts

The Bank assesses on a forward looking basis the expected credit loss ('ECL') associated with its financial instruments carried at amortised cost and at FVOCI and financial kafalah contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Bank expects to receive, over the remaining life of the financial instrument. For financial kafalah contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed financial instrument less any amounts that the Bank expects to receive from the holder, the customer or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach

At each reporting date, the Bank measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 41 sets out the measurement details of ECL. The Bank applies 3-stage approach on financial instruments measured at amortised cost and FVOCI, except for those that are under simplified approach, as explained below.

(ii) Simplified approach

The Bank applies MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for other assets.

**Significant increase in credit risk**

The Bank considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the issuer's ability to meet its obligations
- actual or expected significant changes in the operating results of the customer
- significant increases in credit risk on other financial instruments of the same customer
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party kafalah or credit enhancements
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the group and changes in the operating results of the customer.

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer/issuer is more than 30 days or 1 month past due in making a contractual payment.

## (H) FINANCIAL ASSETS (continued)

### (d) Subsequent measurement – Impairment (continued)

**Definition of default and credit-impaired financial assets**

The Bank defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of mandatory and/or judgmental indicators, which include amongst others, the following criteria:

(i) Mandatory indicators
- Failure to make contractual payment within 90 days or 3 months or when they fall due;
- Rescheduled and/or Restructured ('R&R') due to Impairment Symptoms or Corporate Debt Restructuring Committee ('CDRC');
- Internal rating deteriorated to Credit Grade 15 or worse;
- Rating downgrade to default grade 'D';
- Distressed restructuring or rescheduling of coupon and/or principal redemption resulting in an extended grace period to service coupon or even capitalise coupon;
- Primary payment source is terminated indefinitely, or business model is deemed no longer viable, and no other alternative source of payment is available;
- Cessation of business operations and business operation is unlikely able to resume;
- Customer is adjudicated bankrupt;
- Winding-up order issued against the company;
- Receiver and manager appointed;
- Corporate Rescue Mechanism, implementation of Corporate Voluntary Arrangement ('CVA') or Order for Judicial Management ('JM') granted by Court;
- Classification by Bursa Malaysia as distressed company due to credit deterioration e.g. PN17, GN3 and failing to comply with the timeline for remedial action, and/or evidence of business failure; and
- Account classified as Fraud.

(ii) Judgmental indicators
- Other debts including Treasury Instruments default and/or transferred to Stage 3 (Cross Default).

The Bank first assesses whether objective evidence of impairment exists for financial assets which are individually significant. If the Bank determines that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised.

Financial assets which are individually significant but non-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, customer types and other relevant factors) for collective assessment.

**Write-off policy**

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include:
- ceasing enforcement activity; and
- where the Bank's recoveries method are foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

## (H) FINANCIAL ASSETS (continued)

### (d) Subsequent measurement – Impairment (continued)

**Modification of financing**

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financing to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the customer is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the financing.
- Significant extension of the financing term when the customer is not in financial difficulty.
- Significant change in the profit rate.
- Change in the currency the financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets).

**(H) FINANCIAL ASSETS (continued)**

**(d) Subsequent measurement – Impairment (continued)**

**Derecognition other than on a modification**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Are prohibited from selling or pledging the assets; and
(iii) Have obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and Sukuks) furnished by the Bank under standard purchase agreements and securities financing transactions are not derecognised because the Bank retain substantially all the risks and rewards on the basis of the predetermined purchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retain a subordinated residual profit.

**(e) Regulatory reserve requirements**

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% of all credit exposures, net of loss allowance for credit-impaired exposures.

**(f) IBOR modification**

When the basis to determine the future contractual cash flows of the financial assets measured as amortised cost or FVOCI are modified entirely as a result of IBOR reform, the Bank applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective profit rate with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of financial assets classified as amortised cost or FVOCI does not meet the criteria of the Phase 2 amendments, the Bank first applies the practical expedient to the changes required by IBOR reform, including updating the effective profit rate. Any additional changes are accounted for as modification of financial assets in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain/(loss) recognised immediately in profit or loss where the financial assets are not derecognised).

## (I) FINANCING ASSISTANCE SCHEME

Financing under a government scheme is recognised and measured in accordance with MFRS 9 Financial Instruments, with the benefit at a below market and concession rate measured as the difference between the initial carrying amount or fair value of the financing and the amount received.

The benefit of government schemes that addresses identified costs or expenses incurred by the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance.

## (J) FINANCIAL LIABILITIES

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial kafalah contracts and financing commitments (see Note K).

**Derecognition**

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation speficied in the contract is discharged, cancelled or expires).

## (K) FINANCIAL KAFALAH CONTRACTS AND FINANCING COMMITMENTS

Financial kafalah contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified customer fails to make payments when due, in accordance with the terms of a financial instrument. Such financial kafalah are given to banks, financial institutions and others on behalf of customers to secure financing, overdrafts and other banking facilities.

Financial kafalah contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance
- The premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Financing commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide financing at a below-market profit rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For financing commitments and financial kafalah contracts, the loss allowance is recognised as provision. However, for contracts that include both a financing and unutilised portion and the Bank cannot separately identify the expected credit losses on the unutilised portion component from those on the financing component, the expected credit losses on the unutilised portion are recognised together with the loss allowance for the financing. To the extent that the combined expected credit losses exceed the gross carrying amount of the financing, the expected credit losses are recognised as a provision.

Financial kafalah contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

## (L) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

## (M) PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include funding costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All the repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Property and equipment are depreciated on the straight-line basis to allocate the cost, to their residual values over their estimated useful lives summarised as follows:

| | |
|---|---|
| Renovation | 5 years or the period of the lease whichever is greater |
| Office equipment and furniture | 10 years |
| Computer equipment | 5 years |
| Motor vehicles | 5 years |

Depreciation on capital work in progress commences when the assets are ready for their intended use.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Bank assesses whether there is any indication of impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. A write-down is made if the carrying amount exceeds the recoverable amount as per Note E.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised within other operating income in the income statement.

## (N) LEASES

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Bank is lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

### Lease term

In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank and affects whether the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

### Right-of-use ('ROU') assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If the Bank is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

### Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- The exercise price of a purchase options if the group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option; and
- The amount expected to be payable by the Bank under residual value guarantees.

Lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental financing is used. This is the rate that the individual lessee would have to pay to obtain the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

The Bank presents the lease liabilities as a separate line item in the statements of financial position. Profit expense payment on the lease liability is presented within the income attributable to the depositors and the others in the income statements.

### (N) LEASES (continued)

**Lease liabilities (continued)**

The Bank is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

**Short-term leases and leases of low-value assets**

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an operating expense in profit or loss.

If a rent concession results from a lease modification, the Bank accounts for the lease concession as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

If a rent concession does not result from a lease modification, the Bank accounts for the rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

### (O) FOREIGN CURRENCY TRANSLATIONS

**Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedge or are attributable to items that form part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified as Financial investments at fair value through other comprehensive income ('FVOCI') are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as FVOCI are included in other comprehensive income.

## (P) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designated its derivatives as hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The Bank documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Bank also documented its risk management objective and strategy for undertaking its hedge transactions.

### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

### (b) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

## (Q) CURRENT AND DEFERRED INCOME TAXES

### Current tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank and jointly controlled entity operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

### Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax liability is recognised for all temporary differences associated with the investment in joint venture and associate where the timing of the reversal of the temporary difference can be controlled by the Economic Entity and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the investor or joint venturer is unable to control the reversal of the temporary difference for joint ventures. Only where there is an agreement in place that gives the investor or joint venturer the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in joint arrangements only to the extent that it is probable the temporary difference will reverse in future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

## (R) ZAKAT

The Bank pays zakat based on 2.5775% of the prior year's working capital method, to comply with the principles of Shariah and as approved by the Shariah Committee. The Bank does not pay zakat on behalf of the depositor.

## (S) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short term commitments and are readily convertible to known amount of cash without significant risk of changes in value.

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity 3 months or less.

## (T) FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of their carrying amount and fair value less cost to sell.

## (U) CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Bank does not recognise contingent assets and liabilities other than those arising from business combination, but disclose its existence in the financial statements. A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial kafalah contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank. The Bank does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

## (V) BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable, which are financial liabilities, represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

## (W) PROVISIONS

Provisions are recognised by the Bank when all of the following conditions have been met:

- the Bank has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources to settle the obligation will be required; and
- a reliable estimate of the amount of obligation can be made.

Where the Bank expects a provision to be reimbursed (for example, under takaful contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

## (X) EMPLOYEE BENEFITS

### Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

### Defined contribution plan

The defined contribution plan is a pension plan under which the Bank pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ('EPF') and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Bank's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

### Long Term Incentive Plan ('LTIP')

The Bank's holding company, Affin Bank Berhad ('ABB') operates Long Term Incentive Plan ('LTIP') in the form of Share Grant Scheme ('SGS'), which is an equity-settled share-based payment arrangements with the Bank's employees as compensation for services provided by the employees. Equity-settled share-based payment arrangements entitle the employees to receive equity instruments of the holding company.

The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense over the vesting period, with a corresponding credit to the equity. The credit to equity is treated as capital contribution as the holding company is compensating the Bank's employees with no recharge to the Bank. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions.

Where an award has been modified, as a minimum, the expense of the original award continues to be recognised as if it had not been modified. Where the effect of a modification is to increase the fair value of an award or increase the number of equity instruments, the incremental fair value of the award or incremental fair value of the extra equity instruments is recognised in addition to the expense of the original grant, measured at the date of modification, over the modified vesting period.

A cancellation that occurs during the vesting period is treated as an acceleration of vesting, and recognised immediately for the amount that would otherwise have been recognised for services over the remaining vesting period.

## (Y) RESTRICTED INVESTMENT ACCOUNTS ('RIA')

These deposits are used to fund specific financing. The RIA is a contract based on Shariah concept of Mudarabah between two parties, i.e. investor and Mudarib (manager of funds) to finance a business venture where the investor provides capital and the business venture is managed solely by the Mudarib. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudarib, and losses shall be borne solely by capital provider.

## (Z) SHARE CAPITAL

**Classification**
Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

**Share issue costs**
Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

**Dividend distribution**
Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Bank, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument are recognised directly in equity.

**Earnings per share**

**Basic earnings per share**

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:
- the after income tax effect of financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## (AA) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

**Measurement of the expected credit loss allowance**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 41, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ECL allowance overlays were taken to reflect the latest macro-economic outlook not captured in the modelled outcome and the potential impact on delinquencies and defaults in line with the Bank's annual credit plan. The overlays involved a significant level of judgement and reflect the management's views of possible severities of credit losses for ECL estimation purposes. The overlays were made at the account level.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024**

### 1 GENERAL INFORMATION

The Bank, a wholly-owned subsidiary of Affin Bank Berhad, was incorporated on 13 September 2005 and commenced operations on 1 April 2006. The net assets of Affin Bank's Islamic Division was transferred to Affin Islamic Bank on 1 April 2006.

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related financial services in accordance with the Shariah principles.

There have been no other significant changes in the nature of these activities during the financial year.

The holding company of the Bank is Affin Bank Berhad ('ABB'). The substantial shareholders are the Sarawak Government, Lembaga Tabung Angkatan Tentera ('LTAT'), a statutory body incorporated under the Tabung Angkatan Tentera Act of 1973 and the Bank of East Asia.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

### 2 CASH AND SHORT-TERM FUNDS

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| Cash and bank balances with banks and other financial institutions | **391,837** | 50,720 |
| Money at call and interbank placements with maturing within one month | **2,050,545** | 3,111,042 |
| | **2,442,382** | 3,161,762 |
| Less: Expected credit losses ('ECL') | **-** | (5) |
| | **2,442,382** | 3,161,757 |

### 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| Licensed banks | **-** | 400,527 |
| Less: Expected credit losses ('ECL') | **-** | (1) |
| | **-** | 400,526 |

### 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL')

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| **At fair value** | **RM'000** | RM'000 |
| Money market instruments: | | |
| Malaysian Government investment issues | **392,859** | - |
| | | |
| Unquoted securities: | | |
| Corporate Sukuk in Malaysia | **45,300** | - |
| Corporate Sukuk outside Malaysia | **13,423** | - |
| | **58,723** | - |
| | **451,582** | - |

## 5 DERIVATIVE FINANCIAL INSTRUMENTS

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| **Economic Entity and The Bank** **At fair value** | **Contract/ notional amount RM'000** | **Assets RM'000** | **Liabilities RM'000** | Contract/ notional amount RM'000 | Assets RM'000 | Liabilities RM'000 |
| Trading Derivatives | | | | | | |
| Foreign exchange derivatives | | | | | | |
| - Currency forwards | **787,659** | **5,280** | **5,328** | 980,320 | 5,981 | 8,014 |
| - Currency options | **17,943** | **42** | **42** | 57,989 | 263 | 263 |
| Profit rate derivatives: | | | | | | |
| - Profit rate swap | **1,325,887** | **11,213** | **6,654** | 339,780 | 2,107 | 1,768 |
| Hedging Derivatives | | | | | | |
| Profit rate derivatives: | | | | | | |
| - Profit rate swap (a) | **867,286** | **8,852** | **9,333** | 874,115 | 10,556 | 13,494 |
| | **2,998,775** | **25,387** | **21,357** | 2,252,204 | 18,907 | 23,539 |

(a) Fair value hedges

The Bank's fair value hedges principally consist of profit rate swaps that are used to protect against changes in the fair value of financial assets and financial liabilities due to movement in profit rates. The Bank have undertaken fair value hedges on profit rate risk of RM867.3 million (2023: RM874.1 million) at the Bank on financial assets measured at AC/FVOCI and recourse obligation on financing sold to Cagamas Berhad using profit rate swaps.

The Bank's hedge accounting policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Bank establishes the hedge ratio by matching the notional of the derivatives with the principal of the underlying being hedged. Ineffectiveness is recognised on hedge where the change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above interest rate risk, this may arise if differences arise between the credit risk inherent within the hedged item and the hedging instrument. The Bank uses collateral/credit enhancement to mitigate the risk. However, the remaining risk can result in hedge ineffectiveness.

The main source of ineffectiveness that are expected to affect the hedging relationship during the financial year are:
- The effect of the counterparty and the Bank's own credit risk on the fair value of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- Differences in maturities and reset dates of the interest rate swaps and the fixed rate bonds or liabilities.

Net non-interest income includes net gains from effective fair value hedges during the financial year, as follows:

| **Economic Entity and The Bank** | **2024 RM'000** | 2023 RM'000 |
|---|---|---|
| (Loss)/gain on hedging instruments | **(1)** | 1,875 |
| Gain/(loss) on hedged items attributable to the hedged risks | **433** | (1,152) |
| | **432** | 723 |

**5 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

(a) Fair value hedges (continued)

The following table sets out the notional amount of the hedging instrument, categorised by the maturity profile and average price used in fair value hedges:

| | Average fixed profit rate % | Maturity Up to 12 months RM'000 | > 1- 5 years RM'000 | Over 5 years RM'000 |
|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | |
| **2024** | | | | |
| Profit rate swaps | | | | |
| - USD profit rates | **4.07** | - | **54,262** | **103,025** |
| - MYR profit rates | **3.67** | - | **710,000** | - |
| 2023 | | | | |
| Profit rate swaps | | | | |
| - USD profit rates | 4.37 | - | 46,890 | 117,225 |
| - MYR profit rates | 3.67 | - | 710,000 | - |

The amounts relating to items designated as hedging instruments are as follows:

| | Risk | Hedge Type | Notional amount RM'000 | Fair value assets RM'000 | Fair value liabilities RM'000 | Changes in fair value used to calculate hedge ineffectiveness RM'000 |
|---|---|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | | | |
| **2024** | | | | | | |
| Profit rate swaps | Profit rate | Fair value hedge | **867,286** | **8,852** | **9,333** | **(1)** |
| 2023 | | | | | | |
| Profit rate swaps | Profit rate | Fair value hedge | 874,115 | 10,556 | 13,494 | 1,875 |

The amounts relating to items designated as hedged items are as follows:

| | Risk | Hedge Type | Carrying amount RM'000 | Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item RM'000 | Change in value used for recognising hedge ineffectiveness RM'000 |
|---|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | | |
| **2024** | | | | | |
| **Assets** | | | | | |
| Financial investments at FVOCI | Profit rate | Fair value hedge | **391,820** | **600** | **(1,488)** |
| Financial investments at AC | Profit rate | Fair value hedge | **13,363** | **(313)** | **(313)** |
| **Liabilities** | | | | | |
| Recourse obligation on financing sold to Cagamas Berhad | Profit rate | Fair value hedge | **(505,402)** | **(1,006)** | **2,234** |
| 2023 | | | | | |
| Assets | | | | | |
| Financial investments at FVOCI | Profit rate | Fair value hedge | 378,660 | 2,088 | - |
| Financial investments at AC | Profit rate | Fair value hedge | - | - | - |
| Liabilities | | | | | |
| Recourse obligation on financing sold to Cagamas Berhad | Profit rate | Fair value hedge | (507,585) | (3,240) | (1,152) |

## 5 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

**IBOR Reform**

The Bank hold the following derivative financial instruments (Contract/Notional Amount) which are referenced to the current benchmark profit rates and have yet to transition to an alternative benchmark profit rate.

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| **Economic Entity and The Bank** | **RM'000** | **RM'000** | RM'000 | RM'000 |
| Profit rate derivatives: | | | | |
| Profit rate swap | | | | |
| - Kuala Lumpur Interbank Offered Rate ('KLIBOR') | **6,676** | **2,435** | 5,091 | 1,322 |

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

| | **Economic Entity and The Bank** | |
|---|---|---|
| | **2024** | 2023 |
| **At fair value** | **RM'000** | RM'000 |
| Money market instruments: | | |
| Malaysian Government investment issues | **1,204,132** | 646,399 |
| Bank Negara Malaysia Bills | **-** | 9,994 |
| Cagamas Sukuk | **181,585** | 237,506 |
| | **1,385,717** | 893,899 |
| Unquoted securities: | | |
| Commercial paper | **29,838** | - |
| Corporate Sukuk in Malaysia | **1,743,469** | 620,588 |
| Corporate Sukuk outside Malaysia | **781,198** | 159,795 |
| | **2,554,505** | 780,383 |
| | **3,940,222** | 1,674,282 |

## 6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')(continued)

Movements in expected credit losses ('ECL') for financial investments at FVOCI are as follows:

| | 12 - Month ECL Stage 1 RM'000 | Lifetime ECL not credit impaired Stage 2 RM'000 | Lifetime ECL credit impaired Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | |
| **2024** | | | | |
| At beginning of the financial year | **42** | - | - | **42** |
| New financial assets originated or purchased | **438** | - | - | **438** |
| Financial assets derecognised (other than write-off) | **(149)** | - | - | **(149)** |
| Changes due to change in credit risk | **107** | - | - | **107** |
| Other adjustments | **(9)** | - | - | (9) |
| **At end of the financial year** | **429** | - | - | **429** |
| Economic Entity and The Bank | | | | |
| 2023 | | | | |
| At beginning of the financial year | - | - | - | - |
| New financial assets originated or purchased | 1,171 | - | - | 1,171 |
| Financial assets derecognised (other than write-off) | (862) | - | - | (862) |
| Changes due to change in credit risk | (267) | - | - | (267) |
| At end of the financial year | 42 | - | - | 42 |

Movement in the gross carrying amount of financial investments at FVOCI that contributed to changes in the ECL:

| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | |
| **2024** | | | | |
| At beginning of the financial year | **1,674,282** | - | - | **1,674,282** |
| New financial assets originated or purchased | **3,855,047** | - | - | **3,855,047** |
| Financial assets derecognised (other than write-off) | **(1,563,566)** | - | - | **(1,563,566)** |
| Changes in profit accrual and accretion/amortisation | **20,489** | - | - | **20,489** |
| Other adjustments | | | | |
| - Foreign exchange and other movements | **(26,568)** | - | - | **(26,568)** |
| - Fair value | **(19,462)** | - | - | **(19,462)** |
| **At end of the financial year** | **3,940,222** | - | - | **3,940,222** |
| Economic Entity and The Bank | | | | |
| 2023 | | | | |
| At beginning of the financial year | - | - | - | - |
| New financial assets originated or purchased | 1,998,158 | - | - | 1,998,158 |
| Financial assets derecognised (other than write-off) | (358,752) | - | - | (358,752) |
| Changes in profit accrual and accretion/amortisation | 17,155 | - | - | 17,155 |
| Other adjustments | 17,721 | - | - | 17,721 |
| At end of the financial year | 1,674,282 | - | - | 1,674,282 |

## 7 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| **At amortised cost** | **RM'000** | RM'000 |
| Money market instruments: | | |
| Malaysian Government investment issues | **2,370,750** | 2,456,957 |
| Cagamas Sukuk | **10,074** | 40,291 |
| Unquoted securities: | | |
| Corporate Sukuk in Malaysia | **2,218,096** | 2,077,019 |
| | **4,598,920** | 4,574,267 |
| Fair value changes arising from fair value hedges | **(313)** | - |
| Less: Expected credit losses ('ECL') | **(3,646)** | (6,257) |
| | **4,594,961** | 4,568,010 |

Movements in expected credit losses ('ECL') for financial investments at AC are as follows:

| | 12 - Month ECL Stage 1 | Lifetime ECL not credit impaired Stage 2 | Lifetime ECL credit impaired Stage 3 | Total |
|---|---|---|---|---|
| **Economic Entity and The Bank** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **2024** | | | | |
| At beginning of the financial year | **6,252** | **5** | - | **6,257** |
| Financial assets derecognised (other than write-off) | **(416)** | - | - | **(416)** |
| New financial assets originated or purchased | **468** | - | - | **468** |
| Changes due to change in credit risk | **(2,659)** | **(4)** | - | **(2,663)** |
| **At end of the financial year** | **3,645** | **1** | - | **3,646** |
| | | | | |
| Economic Entity and The Bank | | | | |
| 2023 | | | | |
| At beginning of the financial year | 6,645 | - | - | 6,645 |
| Total transfer between stage due to change in credit risk: | (99) | 99 | - | - |
| - Transfer to Lifetime ECL not credit impaired (Stage 2) | (99) | 99 | - | - |
| Financial assets derecognised (other than write-off) | (448) | - | - | (448) |
| New financial assets originated or purchased | 65 | - | - | 65 |
| Changes due to change in credit risk | 89 | (94) | - | (5) |
| At end of the financial year | 6,252 | 5 | - | 6,257 |

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 7 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')(continued)

Movement in the gross carrying amount of financial investments at AC that contributed to changes in the ECL:

| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | |
| **2024** | | | | |
| At beginning of the financial year | **4,549,065** | **25,202** | - | **4,574,267** |
| Financial assets derecognised (other than write-off) | **(223,350)** | - | - | **(223,350)** |
| New financial assets originated or purchased | **269,312** | - | - | **269,312** |
| Changes in profit accrual and accretion/amortisation | **(20,719)** | **(6)** | - | **(20,725)** |
| Foreign exchange and other movements | **(584)** | - | - | **(584)** |
| **At end of the financial year** | **4,573,724** | **25,196** | - | **4,598,920** |

| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| Economic Entity and The Bank | | | | |
| 2023 | | | | |
| At beginning of the financial year | 4,856,438 | - | - | 4,856,438 |
| Total transfer between stage due to change in credit risk: | (25,321) | 25,321 | - | - |
| - Transfer to Lifetime ECL not credit impaired (Stage 2) | (25,321) | 25,321 | - | - |
| Financial assets derecognised (other than write-off) | (603,396) | - | - | (603,396) |
| New financial assets originated or purchased | 337,930 | - | - | 337,930 |
| Changes in profit accrual and accretion/amortisation | (16,586) | (119) | - | (16,705) |
| At end of the financial year | 4,549,065 | 25,202 | - | 4,574,267 |

**IBOR Reform**

The Bank hold the following financial investments at AC which are referenced to the current benchmark profit rates and have yet to transition to an alternative benchmark profit rate.

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Economic Entity and The Bank** | | |
| Corporate Sukuk | | |
| - KLIBOR | **337,082** | 100,037 |

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 8 FINANCING AND OTHER FINANCING

| | | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| (i) | **By type** | | |
| | Cash Line-i | **856,320** | 891,940 |
| | Term financing | | |
| | - House financing | **10,342,543** | 10,145,796 |
| | - Hire purchase receivables | **7,882,486** | 5,943,398 |
| | - Syndicated financing | **1,151,080** | 1,523,392 |
| | - Other term financing | **10,405,745** | 8,791,847 |
| | Bills receivables | **136,133** | 270,729 |
| | Trust receipts | **22,354** | 14,487 |
| | Claims on customers under acceptance credits | **1,239,055** | 1,008,939 |
| | Staff financing (of which RM Nil to Directors) | **140,107** | 124,027 |
| | Credit/charge cards | **94,064** | 77,780 |
| | Revolving credit | **1,135,577** | 397,810 |
| | **Gross financing and other financing** | **33,405,464** | 29,190,145 |
| | Less: Expected credit losses ('ECL') | **(395,578)** | (429,378) |
| | **Total net financing and other financing** | **33,009,886** | 28,760,767 |

Included in other term financing before expected credit losses as at reporting date is RM57.7 million (2023: RM56.8 million) of term financing disbursed by the Bank to a joint venture company with Affin-i Nadayu Sdn Bhd.

| | | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| (ii) | **By maturity structure** | | |
| | Maturing within one year | **4,210,156** | 3,346,275 |
| | One year to three years | **1,086,796** | 1,466,057 |
| | Three years to five years | **2,238,380** | 2,078,210 |
| | Over five years | **25,870,132** | 22,299,603 |
| | | **33,405,464** | 29,190,145 |

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 8 FINANCING AND OTHER FINANCING (continued)

**(iii) By contract**

| | Al-Bai Bithaman Ajil | Ijarah Muntahiyah Bitamlik | Al-Ijarah Thumma Al-Bai | Murabahah | Tawarruq | Musyarakah Mutanaqisah | Istisna' | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Economic Entity and The Bank** | | | | | | | | | |
| **2024** | | | | | | | | | |
| Cash Line-i | - | - | - | - | 847,887 | - | - | 8,433 | 856,320 |
| Term financing | | | | | | | | | |
| - House financing | 427,989 | - | - | - | 438,889 | 9,475,665 | - | - | 10,342,543 |
| - Hire purchase receivables | - | - | 7,882,486 | - | - | - | - | - | 7,882,486 |
| - Syndicated financing | - | 184,761 | - | - | 966,319 | - | - | - | 1,151,080 |
| - Other term financing | 39,641 | 396,796 | - | 41,344 | 8,343,880 | 1,119,194 | 464,890 | - | 10,405,745 |
| Bills receivables | - | 7,672 | - | 67,574 | - | - | - | 60,887 | 136,133 |
| Trust receipts | - | - | - | 22,354 | - | - | - | - | 22,354 |
| Claims on customers under acceptances credits | - | - | - | 1,239,055 | - | - | - | - | 1,239,055 |
| Staff financing | 1,682 | - | - | 33,867 | 48,923 | 55,635 | - | - | 140,107 |
| Credit/charge cards | - | - | - | - | 94,064 | - | - | - | 94,064 |
| Revolving credit | - | - | - | - | 1,135,577 | - | - | - | 1,135,577 |
| **Gross financing and other financing** | **469,312** | **589,229** | **7,882,486** | **1,404,194** | **11,875,539** | **10,650,494** | **464,890** | **69,320** | **33,405,464** |
| Economic Entity and The Bank | | | | | | | | | |
| 2023 | | | | | | | | | |
| Cash Line-i | - | - | - | - | 880,425 | - | - | 11,515 | 891,940 |
| Term financing | | | | | | | | | |
| - House financing | 476,535 | - | - | - | 339,143 | 9,330,118 | - | - | 10,145,796 |
| - Hire purchase receivables | - | - | 5,943,398 | - | - | - | - | - | 5,943,398 |
| - Syndicated financing | - | 221,152 | - | - | 1,302,240 | - | - | - | 1,523,392 |
| - Other term financing | 52,251 | 488,713 | - | 99,908 | 6,511,560 | 1,136,303 | 503,112 | - | 8,791,847 |
| Bills receivables | - | 5,371 | - | 134,765 | - | - | - | 130,593 | 270,729 |
| Trust receipts | - | - | - | 14,487 | - | - | - | - | 14,487 |
| Claims on customers under acceptances credits | - | - | - | 1,008,939 | - | - | - | - | 1,008,939 |
| Staff financing | 2,086 | - | - | 28,913 | 36,095 | 56,933 | - | - | 124,027 |
| Credit/charge cards | - | - | - | - | 77,780 | | - | - | 77,780 |
| Revolving credit | - | - | - | - | 397,810 | - | - | - | 397,810 |
| Gross financing and other financing | 530,872 | 715,236 | 5,943,398 | 1,287,012 | 9,545,053 | 10,523,354 | 503,112 | 142,108 | 29,190,145 |

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 8 FINANCING AND OTHER FINANCING (continued)

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(iv) By type of customer** | | |
| Domestic non-banking institutions | | |
| - Others | **69,833** | 94,271 |
| Domestic business enterprises | | |
| - Small medium enterprises | **3,049,935** | 3,026,199 |
| - Others | **5,455,128** | 4,723,811 |
| Government and statutory bodies | **793,374** | 902,888 |
| Individuals | **23,945,902** | 20,304,599 |
| Other domestic entities | **6,411** | 7,017 |
| Foreign entities | **84,881** | 131,360 |
| | **33,405,464** | 29,190,145 |

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(v) By profit rate sensitivity** | | |
| Fixed rate | | |
| - House financing | **62,426** | 50,493 |
| - Hire purchase receivables | **7,229,190** | 5,792,103 |
| - Other fixed rate financing | **888,718** | 936,761 |
| Variable rate | | |
| - Base funding rate and base rate plus | **13,573,561** | 14,261,496 |
| - Cost plus | **3,394,736** | 3,200,454 |
| - Other variable rate | **8,256,833** | 4,948,838 |
| | **33,405,464** | 29,190,145 |

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(vi) By economic sectors** | | |
| Primary agriculture | **740,541** | 781,507 |
| Mining and quarrying | **57,711** | 108,673 |
| Manufacturing | **1,453,467** | 1,262,754 |
| Electricity, gas and water supply | **413,422** | 386,502 |
| Construction | **1,032,926** | 879,185 |
| Real estate | **1,083,425** | 1,210,456 |
| Wholesale & retail trade and restaurants & hotels | **1,615,149** | 1,425,624 |
| Transport, storage and communication | **1,100,753** | 829,242 |
| Finance, takaful and business services | **522,286** | 450,989 |
| Education, health & others | **1,379,631** | 1,493,452 |
| Household | **24,005,671** | 20,361,761 |
| Others | **482** | - |
| | **33,405,464** | 29,190,145 |

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(vii) By economic purpose** | | |
| Purchase of securities | **1,803,171** | 1,023,667 |
| Purchase of transport vehicles | **8,175,018** | 6,257,995 |
| Purchase of landed property of which: | | |
| - Residential | **10,494,116** | 10,357,986 |
| - Non-residential | **2,062,814** | 2,403,125 |
| Fixed assets other than land and building | **257,065** | 288,021 |
| Personal use | **4,131,880** | 3,055,682 |
| Credit/charge cards | **94,064** | 77,780 |
| Consumer durable | **306** | 220 |
| Construction | **831,675** | 891,342 |
| Working capital | **4,805,327** | 4,480,385 |
| Others | **750,028** | 353,942 |
| | **33,405,464** | 29,190,145 |

# Affin Islamic Bank Berhad
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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 8 FINANCING AND OTHER FINANCING (continued)

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(viii) By geographical distribution** | | |
| Perlis | **136,351** | 106,422 |
| Kedah | **1,676,660** | 1,369,481 |
| Pulau Pinang | **1,880,878** | 1,700,718 |
| Perak | **1,284,809** | 972,341 |
| Selangor | **10,713,670** | 9,333,905 |
| Wilayah Persekutuan | **6,048,256** | 5,836,593 |
| Negeri Sembilan | **1,680,510** | 1,501,231 |
| Melaka | **633,483** | 524,790 |
| Johor | **3,897,058** | 3,486,262 |
| Pahang | **1,274,129** | 1,113,792 |
| Terengganu | **1,030,302** | 933,657 |
| Kelantan | **842,698** | 710,310 |
| Sarawak | **1,095,593** | 785,823 |
| Sabah | **1,013,139** | 804,634 |
| Labuan | **196,098** | 8,984 |
| Outside Malaysia | **1,830** | 1,202 |
| | **33,405,464** | 29,190,145 |
| **(ix) Movements of impaired financing** | | |
| At beginning of the financial year | **220,978** | 357,422 |
| Classified as impaired | **474,586** | 323,439 |
| Reclassified as non-impaired | **(239,033)** | (357,881) |
| Amount recovered | **(81,586)** | (51,218) |
| Amount written-off | **(69,095)** | (50,784) |
| **At end of the financial year** | **305,850** | 220,978 |
| Ratio of gross impaired financing and other financing to gross financing and other financing * | **0.98%** | 0.86% |

* For the Bank, RIA excluded in the ratio calculation amounting to RM3,259.6 million (2023: RM3,572.1 million) with impaired financing amounting to RM11.4 million (2023: RM Nil).

The outstanding contractual amounts of such assets written off during the financial year ended 31 December 2024 for the Bank is RM69,095,000 (2023: RM50,784,000).

**8 FINANCING AND OTHER FINANCING (continued)**

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(x) Impaired financing by economic sectors** | | |
| Primary agriculture | **176** | 173 |
| Mining and quarrying | **-** | 19,817 |
| Manufacturing | **6,425** | 6,726 |
| Electricity, gas and water supply | **42** | 3 |
| Construction | **28,255** | 11,526 |
| Real estate | **15,414** | 12,428 |
| Wholesale & retail trade and restaurants & hotels | **46,547** | 19,618 |
| Transport, storage and communication | **7,185** | 2,627 |
| Finance, takaful and business services | **13,896** | 10,594 |
| Education, health & others | **2,297** | 1,011 |
| Household | **185,613** | 136,455 |
| | **305,850** | 220,978 |

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(xi) Impaired financing by economic purpose** | | |
| Purchase of securities | **173** | 257 |
| Purchase of transport vehicles | **38,328** | 36,409 |
| Purchase of landed property of which: | | |
| - Residential | **131,939** | 94,873 |
| - Non-residential | **37,676** | 39,134 |
| Fixed assets other than land and building | **-** | 66 |
| Personal use | **16,906** | 9,200 |
| Credit card | **228** | 656 |
| Working capital | **79,842** | 40,306 |
| Others | **758** | 77 |
| | **305,850** | 220,978 |

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(xii) Impaired financing by geographical distribution** | | |
| Perlis | **3,894** | 3,816 |
| Kedah | **23,692** | 15,553 |
| Pulau Pinang | **14,981** | 9,434 |
| Perak | **10,569** | 6,657 |
| Selangor | **124,461** | 87,108 |
| Wilayah Persekutuan | **53,622** | 34,736 |
| Negeri Sembilan | **14,074** | 15,206 |
| Melaka | **13,279** | 8,934 |
| Johor | **24,274** | 23,972 |
| Pahang | **6,836** | 3,313 |
| Terengganu | **3,450** | 2,939 |
| Kelantan | **8,720** | 6,488 |
| Sarawak | **525** | 245 |
| Sabah | **3,473** | 2,577 |
| | **305,850** | 220,978 |

# Affin Islamic Bank Berhad
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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 8 FINANCING AND OTHER FINANCING (continued)

**(xiii) Movement in expected credit losses ('ECL') for financing and other financing**

| **Economic Entity and The Bank 2024** | **12 - Month ECL Stage 1 RM'000** | **Lifetime ECL not credit impaired Stage 2 RM'000** | **Lifetime ECL credit impaired Stage 3 RM'000** | **Total RM'000** |
|---|---|---|---|---|
| At beginning of the financial year | 52,663 | 294,440 | 82,275 | 429,378 |
| Total transfer between stages due to change in credit risk :- | (108,497) | 137,310 | (28,813) | - |
| - Transfer to 12-month ECL (Stage 1) | 35,659 | (27,627) | (8,032) | - |
| - Transfer to Lifetime ECL not credit impaired (Stage 2) | (142,421) | 192,763 | (50,342) | - |
| - Transfer to Lifetime ECL credit impaired (Stage 3) | (1,735) | (27,826) | 29,561 | - |
| Financing derecognised (other than write-off) | (16,489) | (188,402) | (5,221) | (210,112) |
| New financing originated or purchased | 170,247 | - | - | 170,247 |
| Changes due to change in credit risk | (33,573) | (26,447) | 112,396 | 52,376 |
| Write-off | - | - | (55,319) | (55,319) |
| Other adjustments | 29 | 2 | 8,977 | 9,008 |
| **At the end of financial year** | 64,380 | 216,903 | 114,295 | 395,578 |

| Economic Entity and The Bank 2023 | 12 - Month ECL Stage 1 RM'000 | Lifetime ECL not credit impaired Stage 2 RM'000 | Lifetime ECL credit impaired Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At beginning of the financial year | 65,218 | 302,452 | 87,445 | 455,115 |
| Total transfer between stages due to change in credit risk :- | (168,533) | 204,749 | (36,216) | - |
| - Transfer to 12-month ECL (Stage 1) | 21,720 | (19,994) | (1,726) | - |
| - Transfer to Lifetime ECL not credit impaired (Stage 2) | (190,123) | 244,851 | (54,728) | - |
| - Transfer to Lifetime ECL credit impaired (Stage 3) | (130) | (20,108) | 20,238 | - |
| Financing derecognised (other than write-off) | (22,024) | (13,709) | (2,189) | (37,922) |
| New financing originated or purchased | 216,912 | - | - | 216,912 |
| Changes due to change in credit risk | (38,912) | (199,052) | 66,833 | (171,131) |
| Write-off | - | - | (43,096) | (43,096) |
| Other adjustments | 2 | - | 9,498 | 9,500 |
| At the end of financial year | 52,663 | 294,440 | 82,275 | 429,378 |

## 8 FINANCING AND OTHER FINANCING (continued)

**(xiv) Movement in the gross carrying amount of financing and other financing that contributed to changes in the expected credit losses.**

| **Economic Entity and The Bank 2024** | **Stage 1 RM'000** | **Stage 2 RM'000** | **Stage 3 RM'000** | **Total RM'000** |
|---|---|---|---|---|
| At beginning of the financial year | 26,494,529 | 2,474,638 | 220,978 | 29,190,145 |
| Total transfer between stages due to change in credit risk :- | (3,423,340) | 3,188,543 | 234,797 | - |
| - Transfer to 12-month ECL (Stage 1) | 1,682,584 | (1,655,762) | (26,822) | - |
| - Transfer to Lifetime ECL not credit impaired (Stage 2) | (5,043,831) | 5,256,042 | (212,211) | - |
| - Transfer to Lifetime ECL credit impaired (Stage 3) | (62,093) | (411,737) | 473,830 | - |
| Financing derecognised (other than write-off) | (13,075,160) | (3,465,654) | (60,973) | (16,601,787) |
| New financing originated or purchased | 23,260,271 | - | - | 23,260,271 |
| Changes due to additional drawdown/partial settlements | (2,083,162) | (267,704) | (22,444) | (2,373,310) |
| Unwinding of modification loss during the financial year | 6,187 | 1,853 | - | 8,040 |
| Write-off | - | - | (69,095) | (69,095) |
| Other adjustments | | | | |
| - Foreign exchange and other movements | (12,508) | 1,121 | 2,587 | (8,800) |
| **At the end of financial year** | 31,166,817 | 1,932,797 | 305,850 | 33,405,464 |

*Note: The amount of financing and other financing whose cash flows were modified in 2024 was RM574,889,140.*

| Economic Entity and The Bank 2023 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At beginning of the financial year | 24,137,762 | 1,763,861 | 357,422 | 26,259,045 |
| Total transfer between stages due to change in credit risk :- | (3,994,708) | 4,030,312 | (35,604) | - |
| - Transfer to 12-month ECL (Stage 1) | 914,004 | (907,835) | (6,169) | - |
| - Transfer to Lifetime ECL not credit impaired (Stage 2) | (4,901,697) | 5,253,409 | (351,712) | - |
| - Transfer to Lifetime ECL credit impaired (Stage 3) | (7,015) | (315,262) | 322,277 | - |
| Financing derecognised (other than write-off) | (12,220,126) | (3,061,897) | (5,692) | (15,287,715) |
| New financing originated or purchased | 19,613,731 | - | - | 19,613,731 |
| Changes due to additional drawdown/partial settlements | (1,034,409) | (259,077) | (46,726) | (1,340,212) |
| Unwinding of modification loss during the financial year | 9,397 | 1,411 | - | 10,808 |
| Write-off | - | - | (50,784) | (50,784) |
| Other adjustments | | | | |
| - Foreign exchange and other movements | (17,118) | 28 | 2,362 | (14,728) |
| At the end of financial year | 26,494,529 | 2,474,638 | 220,978 | 29,190,145 |

*Note: The amount of financing and other financing whose cash flows were modified in 2023 was RM938,578,176.*

## 8 FINANCING AND OTHER FINANCING (continued)

**IBOR Reform**

The Bank hold the following financing and other financing which are referenced to the current benchmark profit rates and have yet to transition to an alternative benchmark profit rate.

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Financing and other financing** | | |
| - KLIBOR | **182,498** | 194,621 |
| | **182,498** | 194,621 |

## 9 OTHER ASSETS

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Other debtors | **65,106** | 64,070 |
| Deposits and prepayments | **76,208** | 40,141 |
| Cheque clearing accounts | **37,145** | 17,920 |
| Foreclosed properties (i) | **2,823** | 13,415 |
| Less: Expected credit losses(ii) | **(6,916)** | - |
| | **174,366** | 135,546 |

**(i) Foreclosed properties**

| | 2024 | 2023 |
|---|---|---|
| At beginning of the financial year | **13,415** | 15,465 |
| Disposal during the financial year | **(10,592)** | (2,050) |
| At end of the financial year | **2,823** | 13,415 |

**(ii) Movement in expected credit losses**

| | 2024 | 2023 |
|---|---|---|
| At beginning of the financial year | **-** | - |
| Allowance made | **16,800** | - |
| Amount written-back | **(9,884)** | - |
| At end of the financial year | **6,916** | - |

## 10 AMOUNT DUE FROM HOLDING COMPANY

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Intersystem balances due from holding company | **-** | 288,431 |

The balance due from holding company are relating to intercompany transactions which are unsecured, bear no profit rate and payable on demand.

## 11 AMOUNT DUE FROM JOINT VENTURES

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| Advances to joint ventures | **47,254** | 52,499 |
| Less: Expected credit losses ('ECL') | **(42,615)** | (52,467) |
| | **4,639** | 32 |
| **Movements of expected credit losses** | | |
| At beginning of the financial year | **52,467** | 47,818 |
| Charge during the financial year | **32** | 4,649 |
| Other adjustment | **(9,884)** | 52,467 |
| **At end of the financial year** | **42,615** | 52,467 |

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

## 12 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are shown in the statement of financial position:

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| **Deferred tax assets** | **39,640** | 39,040 |
| Deferred tax assets: | | |
| - settled more than 12 months | **2,332** | 2,332 |
| - settled within 12 months | **37,578** | 41,182 |
| Deferred tax liabilities: | | |
| - settled more than 12 months | **(270)** | (4,474) |
| - settled within 12 months | **-** | - |
| | **39,640** | 39,040 |
| At beginning of the financial year | **39,040** | 45,332 |
| Recognised in income statement (Note 38) | **(4,072)** | (2,030) |
| Recognised in equity | **4,672** | (4,262) |
| **At end of the financial year** | **39,640** | 39,040 |

# Affin Islamic Bank Berhad
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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 12 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

The movement in deferred tax assets and liabilities during the financial year are as follow:

| **Economic Entity and The Bank 2024** | **Property and equipment RM'000** | **Intangible assets RM'000** | **Right-of-use assets RM'000** | **Lease liabilities RM'000** | **Other liabilities RM'000** | **Financing and other financing RM'000** | **Financial investments at FVOCI RM'000** | **Financial investments at AC RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|---|---|---|
| At beginning of the financial year | **(51)** | **(83)** | **(57)** | **65** | **3,652** | **37,484** | **(4,252)** | **2,282** | **39,040** |
| Recognised in income statement (Note 38) | **11** | **(35)** | **25** | **(26)** | **708** | **(3,439)** | **91** | **(1,407)** | **(4,072)** |
| Recognised in equity | **-** | **-** | **-** | **-** | **-** | **-** | **4,672** | **-** | **4,672** |
| **At end of the financial year** | **(40)** | **(118)** | **(32)** | **39** | **4,360** | **34,045** | **511** | **875** | **39,640** |

| Economic Entity and The Bank 2023 | Property and equipment RM'000 | Intangible assets RM'000 | Right-of-use assets RM'000 | Lease liabilities RM'000 | Other liabilities RM'000 | Financing and other financing RM'000 | Financial investments at FVOCI RM'000 | Financial investments at AC RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| At beginning of the financial year | (12) | (108) | (68) | 159 | 4,085 | 38,994 | - | 2,282 | 45,332 |
| Recognised in income statement (Note 38) | (39) | 25 | 11 | (94) | (433) | (1,510) | 10 | - | (2,030) |
| Recognised in equity | - | - | - | - | - | - | (4,262) | - | (4,262) |
| At end of the financial year | (51) | (83) | (57) | 65 | 3,652 | 37,484 | (4,252) | 2,282 | 39,040 |

## 13 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined at set percentages of total eligible liabilities. The Statutory Reserve Requirement ('SRR') rate for the banking industry is 2.0% of eligible liabilities.

## 14 INVESTMENT IN JOINT VENTURES

| | Economic Entity | | The Bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Unquoted shares at cost | **650** | 650 | **650** | 650 |
| Economic Entity's share of post acquisition retained losses | **(650)** | (650) | **-** | - |
| Impairment made | **-** | - | **(650)** | (650) |
| | **-** | - | **-** | - |

The joint ventures, all of which are incorporated in Malaysia, are as follows:

| Name | Principal Activities | Issued and Paid up share capital RM'000 | Percentage of equity held 2024 % | 2023 % |
|---|---|---|---|---|
| Affin-i Nadayu Sdn Bhd | Property development | **1,000** | **50** | 50 |
| KL South Development Sdn Bhd | Property development | **500** | **30** | 30 |

| | Affin-i Nadayu Sdn Bhd | | KL South Development Sdn Bhd | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| The summarised financial information of joint ventures is as follows: | | | | |
| Total assets | **98,576** | 98,681 | **4,938** | 7,318 |
| Total liabilities | **(129,353)** | (125,822) | **(46,237)** | (48,413) |
| Net liabilities | **(30,777)** | (27,141) | **(41,299)** | (41,095) |
| The above amounts of assets and liabilities include the following: | | | | |
| Cash and cash equivalents | **8** | 8 | **3,441** | 940 |
| Revenue | **-** | - | **1,049** | 1,940 |
| Loss for the financial year | **(3,636)** | (3,583) | **(204)** | (337) |
| The above profit for the financial year include the following: | | | | |
| Finance income | **-** | 1 | **29** | - |
| Finance expense | **(3,537)** | (3,405) | **-** | - |
| Depreciation and amortisation | **-** | - | **-** | - |
| **Unrecognised net losses** | | | | |
| At beginning of the financial year | **(27,141)** | (23,558) | **(41,095)** | (40,758) |
| Loss for the financial year | **(3,636)** | (3,583) | **(204)** | (337) |
| **At end of the financial year** | **(30,777)** | (27,141) | **(41,299)** | (41,095) |
| Issued and paid up share capital | **1,000** | 1,000 | **500** | 500 |
| Investment in joint venture (%) | **50** | 50 | **30** | 30 |
| Unrecognised share of loss in joint venture (RM'000) | **(15,388)** | (13,570) | **(12,390)** | (12,329) |

As the Bank's share of cumulative loss of RM27.8 million (2023: cumulative loss of RM25.9 million) as at 31 December 2024 has exceeded its investment in the joint ventures, the Bank does not recognise further losses in its Economic Entity financial statements.

# Affin Islamic Bank Berhad
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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 15 INVESTMENT IN ASSOCIATE

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| Unquoted share at cost | **750** | 750 |
| Economic Entity's share of post acquisition retained losses | **(750)** | - |
| Impairment made | **-** | (750) |
| | **-** | - |

Raeed Holdings Sdn Bhd

Raeed Holdings Sdn Bhd ('Raeed') is a consortium of six (6) Islamic Banks in Malaysia namely Affin Islamic Bank Berhad, Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, Maybank Islamic Berhad, Bank Kerjasama Rakyat Malaysia Berhad and Bank Simpanan Nasional.

In 2015, Raeed formed a wholly-owned subsidiary, IAP Integrated Sdn Bhd ('IAP Integrated') to develop and operate a website-based multi-bank investment portal known as Investment Account Platform ('IAP').

IAP facilitates efficient intermediation by the Sponsoring Banks to match financing requirement of ventures with investment from retail and institutional investors via Investment Account ('IA') product. IA products are governed and supervised by BNM under Islamic Financial Service Act ('IFSA') 2013.

The company was in the process of winding up in financial year 2022.

The associate, which is incorporated in Malaysia, is as follows:

| **Name** | **Principal Activities** | **Issued and Paid up share capital RM'000** | **Percentage of equity held 2024 %** | 2023 % |
|---|---|---|---|---|
| RAEED Holdings Sdn Bhd | Investment Holding | - | **17** | 17 |

## 16 PROPERTY AND EQUIPMENT

| **Economic Entity and The Bank 2024** | **Renovation RM'000** | **Office equipment and furniture RM'000** | **Computer equipment RM'000** | **Motor vehicles RM'000** | **Capital work-in progress RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At beginning of the financial year | 2,402 | 1,435 | 2,335 | 485 | 420 | 7,077 |
| Additions | 47 | - | - | - | 653 | 700 |
| Disposals | - | - | - | (485) | - | (485) |
| Write-off | - | (16) | (17) | - | - | (33) |
| Reclassification to Intangible Assets (Note 17) | - | - | - | - | (274) | (274) |
| Reclassification | - | - | 39 | - | (39) | - |
| **At end of the financial year** | 2,449 | 1,419 | 2,357 | - | 760 | 6,985 |
| **Accumulated depreciation** | | | | | | |
| At beginning of the financial year | 2,368 | 1,311 | 2,132 | 484 | - | 6,295 |
| Charge for the financial year | 14 | 34 | 70 | - | - | 118 |
| Disposal | - | - | - | (484) | - | (484) |
| Write-off | - | (16) | (17) | - | - | (33) |
| **At end of the financial year** | 2,382 | 1,329 | 2,185 | - | - | 5,896 |
| **Net book value at end of the financial year** | 67 | 90 | 172 | - | 760 | 1,089 |

| Economic Entity and The Bank 2023 | Renovation RM'000 | Office equipment and furniture RM'000 | Computer equipment RM'000 | Motor vehicles RM'000 | Capital work-in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| At beginning of the financial year | 2,402 | 1,420 | 2,346 | 485 | 1,044 | 7,697 |
| Additions | - | 15 | 16 | - | 279 | 310 |
| Write-off | - | - | (66) | - | - | (66) |
| Reclassification to Intangible Assets (Note 17) | - | - | - | - | (864) | (864) |
| Reclassification | - | - | 39 | - | (39) | - |
| At end of the financial year | 2,402 | 1,435 | 2,335 | 485 | 420 | 7,077 |
| Accumulated depreciation | | | | | | |
| At beginning of the financial year | 2,340 | 1,253 | 2,106 | 428 | - | 6,127 |
| Charge for the financial year | 28 | 58 | 92 | 56 | - | 234 |
| Write-off | - | - | (66) | - | - | (66) |
| At end of the financial year | 2,368 | 1,311 | 2,132 | 484 | - | 6,295 |
| Net book value at end of the financial year | 34 | 124 | 203 | 1 | 420 | 782 |

## 17 INTANGIBLE ASSETS

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Computer software** | | |
| **Cost** | | |
| At beginning of the financial year | **8,330** | 7,466 |
| Reclassification from property and equipment (Note 16) | **274** | 864 |
| Additions | **7** | - |
| **At end of the financial year** | **8,611** | 8,330 |
| **Less: Accumulated amortisation** | | |
| At beginning of the financial year | **7,467** | 7,333 |
| Charge for the financial year | **140** | 134 |
| **At end of the financial year** | **7,607** | 7,467 |
| **Net book value at end of the financial year** | **1,004** | 863 |

## 18 RIGHT-OF-USE ASSETS

| **Economic Entity and The Bank** | **Properties RM'000** | **Equipment RM'000** | **Total RM'000** |
|---|---|---|---|
| **2024** | | | |
| **Cost** | | | |
| At beginning/end of the financial year | **2,331** | **212** | **2,543** |
| Additions | - | - | - |
| End of lease term | **(1,534)** | - | **(1,534)** |
| At end of the financial year | **797** | **212** | **1,009** |
| **Less: Accumulated depreciation** | | | |
| At beginning of the financial year | **2,216** | **89** | **2,305** |
| Charge for the financial year | **63** | **42** | **105** |
| End of lease term | **(1,534)** | - | **(1,534)** |
| At end of the financial year | **745** | **131** | **876** |
| **Net book value at end of the financial year** | **52** | **81** | **133** |

| Economic Entity and The Bank | Properties RM'000 | Equipment RM'000 | Total RM'000 |
|---|---|---|---|
| 2023 | | | |
| Cost | | | |
| At beginning of the financial year | 2,332 | 212 | 2,544 |
| Additions | 7 | - | 7 |
| End of lease term | (8) | - | (8) |
| At end of the financial year | 2,331 | 212 | 2,543 |
| Less: Accumulated depreciation | | | |
| At beginning of the financial year | 1,973 | 47 | 2,020 |
| Charge for the financial year | 251 | 42 | 293 |
| End of lease term | (8) | - | (8) |
| At end of the financial year | 2,216 | 89 | 2,305 |
| Net book value at end of the financial year | 115 | 123 | 238 |

## 19 DEPOSITS FROM CUSTOMERS

### (i) By type of deposit

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Qard** | | |
| Demand deposits | 6,879,112 | 5,181,358 |
| Savings deposits | 786,248 | 809,322 |
| | 7,665,360 | 5,990,680 |
| **Mudarabah** | | |
| General investment deposits | 27,660 | 28,557 |
| **Tawarruq** | | |
| Murabahah term deposits | 17,947,587 | 16,371,873 |
| Commodity Murabahah | 576,349 | 601,655 |
| Savings deposits | 1,373,544 | 1,111,106 |
| Demand deposit | 1,172,362 | 1,256,676 |
| | 21,069,842 | 19,341,310 |
| | 28,762,862 | 25,360,547 |

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

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Due within six months | 12,279,457 | 11,686,469 |
| Six months to one year | 5,680,841 | 4,623,008 |
| One year to three years | 14,635 | 65,769 |
| Three years to five years | 314 | 287 |
| Five years and above | - | 24,897 |
| | 17,975,247 | 16,400,430 |

### (iii) By type of customer

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Government and statutory bodies | 9,160,954 | 7,926,155 |
| Business enterprises | 8,612,294 | 7,970,235 |
| Individuals | 9,563,299 | 8,627,880 |
| Domestic banking institutions | 500 | 966 |
| Domestic non-banking financial institutions | 895,545 | 297,112 |
| Foreign entities | 180,485 | 129,234 |
| Others entities | 349,785 | 408,965 |
| | 28,762,862 | 25,360,547 |

## 20 INVESTMENT ACCOUNTS OF CUSTOMERS

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **(i) By type of deposit** | | |
| Mudarabah | **757,600** | 359 |
| **(ii) By maturity structure** | | |
| Due within six months | **755,891** | - |
| Six months to one year | **1,709** | - |
| One year to three years | **-** | 359 |
| | **757,600** | 359 |
| **(iii) By type of customer** | | |
| Individuals | **-** | 169 |
| Corporate | **754,503** | - |
| Other entities | **3,097** | 190 |
| | **757,600** | 359 |
| **(iv) By contract** | | |
| Business term financing | **757,600** | 359 |
| **(v) Movement in investment accounts** | | |
| At beginning of the financial year | **359** | 859 |
| New placement | **757,600** | - |
| Redemption | **(357)** | (497) |
| Finance expense on Restricted Investment Account ('RIA') | **3** | 23 |
| Profit distributed | **(5)** | (26) |
| **At end of the financial year** | **757,600** | 359 |
| Of which TIA investment asset: | | |
| **Personal financing** | **757,600** | - |

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

| | Economic Entity and The Bank | | | |
|---|---|---|---|---|
| | Average Profit Sharing Ratio (PSR) | | Average Rate of Return (ROR) | |
| | **2024 %** | 2023 % | **2024 %** | 2023 % |
| Due within: | | | | |
| One year to three years | **85** | 85 | **5.56** | 5.58 |

## 21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Tawarruq** | | |
| Licensed banks | **362,533** | 887,741 |
| Licensed investment banks | **132,010** | 187,834 |
| Other financial institutions | **3,670,231** | 3,096,604 |
| | **4,164,774** | 4,172,179 |
| **Maturity structure of deposits** | | |
| Due within six months | **3,611,694** | 4,170,678 |
| Six months to one year | **553,080** | 1,501 |
| | **4,164,774** | 4,172,179 |

## 22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| **Mudarabah** | | |
| Licensed banks | **3,262,300** | 3,579,578 |
| | | |
| **Movement in Mudarabah** | | |
| At beginning of the financial year | **3,579,578** | 2,720,263 |
| New placement | **346,460** | 1,368,323 |
| Redemption | **(666,611)** | (479,063) |
| Finance expense on RIA | **206,623** | 150,703 |
| Profit distributed | **(167,897)** | (147,419) |
| Exchange differences | **(35,853)** | (33,229) |
| **At end of the financial year** | **3,262,300** | 3,579,578 |

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

| | Economic Entity and The Bank | | | |
|---|---|---|---|---|
| | Average PSR | | Average ROR | |
| | **2024** | 2023 | **2024** | 2023 |
| Due within: | % | % | % | % |
| One month | **74** | 89 | **4.89** | 4.88 |
| Three to six months | **63** | - | **4.83** | - |
| Six months to one year | **88** | 88 | **4.82** | 5.34 |
| One year to three years | **84** | 92 | **5.65** | 4.65 |
| Three years to five years | **92** | 94 | **5.66** | 5.28 |
| Five years and above | **85** | 91 | **4.93** | 3.99 |

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 an amount placed by the holding company amounting to RM3,262.3 million (2023: RM3,579.6 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 borned by the investor.

## 23 RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS BERHAD

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | **2023** |
| | **RM'000** | RM'000 |
| Recourse obligation on financing sold to Cagamas Berhad | **2,125,431** | 1,115,041 |
| | | |
| **Movements in recourse obligation on financing sold to Cagamas Berhad:** | | |
| At beginning of financial year | **1,115,041** | - |
| Additions | **1,000,000** | 1,099,999 |
| Profit payment | **(44,923)** | (22,469) |
| Profit expense | **57,547** | 34,271 |
| Fair value changes arising from fair value hedges | **(2,234)** | 3,240 |
| **At end of the financial year** | **2,125,431** | 1,115,041 |

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

## 24 OTHER LIABILITIES

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes | **21,376** | 16,802 |
| Margin and collateral deposits | **26,376** | 20,338 |
| Other creditors and accruals | **49,596** | 48,676 |
| Sundry creditors | **56,958** | 126,607 |
| Provision for zakat | **3,965** | 4,472 |
| Defined contribution plan (a) | **2,044** | 1,784 |
| Accrued employee benefits | **4,632** | 3,318 |
| Charity funds (b) | **42** | 16 |
| Unearned income | **86,550** | 90,188 |
| Expected credit losses : Financing commitments and financial kafalah (c) | **5,085** | 6,987 |
| | **256,624** | 319,188 |

**(a) Defined contribution plan**

The Bank contributes to the Employee Provident Fund ('EPF'), the national defined contribution plan. Once the contributions have been paid, the Bank has no further payment obligations.

**(b) Charity funds**

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| At beginning of the financial year | **16** | 24 |
| Sources of charity funds | | |
| - Non-Islamic/prohibited income | **60** | - |
| - Affin Barakah Charity Account-i | **9** | 7 |
| Uses of charity funds | | |
| - Contribution to non profit organisation | **(10)** | - |
| - Contribution to program/event | **(33)** | (15) |
| | **(43)** | (15) |
| **At end of the financial year** | **42** | 16 |

The source of charity funds come from the following categories:

a) Sources from Shariah non-compliant events.

b) Affin Barakah Charity Account-i refers to a savings account with element of "Save and Donate" by transferring the earned profit* to charity with the flexibility to change the percentage of contribution agreed by the depositor.

c) Any other charity allocation by the Bank or funds collected from customers/depositors.

The charity fund was channeled to a number of charitable or public purposes; for example, centres for disabled children and the less fortunate and are inclusive of non-Muslims.

**(c) Movements in expected credit losses**

| **Economic Entity and the Bank 2024** | **12 - Month ECL Stage 1 RM'000** | **Lifetime ECL not credit impaired Stage 2 RM'000** | **Lifetime ECL credit impaired Stage 3 RM'000** | **Total RM'000** |
|---|---|---|---|---|
| At beginning of the financial year | **4,357** | **1,787** | **843** | **6,987** |
| Net remeasurement of loss allowance | **(2,403)** | **331** | **825** | **(1,247)** |
| New financing commitments/financial kafalah | **2,097** | **940** | **-** | **3,037** |
| Financing commitments/financial kafalah derecognised | **(1,325)** | **(1,789)** | **(578)** | **(3,692)** |
| **At end of the financial year** | **2,726** | **1,269** | **1,090** | **5,085** |

## 24 OTHER LIABILITIES (continued)

### (c) Movements in expected credit losses (continued)

| Economic Entity and the Bank 2023 | 12 - Month ECL Stage 1 RM'000 | Lifetime ECL not credit impaired Stage 2 RM'000 | Lifetime ECL credit impaired Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At beginning of the financial year | 4,671 | 962 | 734 | 6,367 |
| Net remeasurement of loss allowance | (1,752) | 1,767 | 457 | 472 |
| New financing commitments and financial kafalah | 3,652 | 479 | - | 4,131 |
| Financing commitments/financial kafalah derecognised | (2,214) | (1,421) | (348) | (3,983) |
| At end of the financial year | 4,357 | 1,787 | 843 | 6,987 |

## 25 AMOUNT DUE TO HOLDING COMPANY

| | Economic Entity and The Bank **2024** **RM'000** | 2023 RM'000 |
|---|---|---|
| Intersystem balances due to holding company | **546,064** | - |

The balance due to holding company are relating to intercompany transactions which are unsecured, bear no profit rate and payable on demand.

## 26 LEASE LIABILITIES

| | Economic Entity and The Bank **2024** **RM'000** | 2023 RM'000 |
|---|---|---|
| At beginning of financial year | **271** | 573 |
| Finance expense | **7** | 15 |
| Lease payment | **(116)** | (317) |
| **At end of the financial year** | **162** | 271 |
| Potential future rental payments relating to periods following the exercise date of extension options are summarised below: | | |
| Lease liabilities recognised (discounted) | **162** | 271 |
| Potential future lease payments not included in lease liabilities | | |
| - Payable in 2025 to 2029 | **430** | 309 |
| - Payable in 2030 to 2034 | **66** | 146 |
| | **496** | 455 |

The Bank has not included potential future rental payments after the exercise date of extension options because the Bank is not reasonably certain to extend the lease beyond the date.

## 27 SUBORDINATED AND SENIOR SUKUK

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| (a) Medium Term Notes Tier-2 Sukuk Murabahah ('MTN Tier-2 Sukuk Murabahah') | **505,178** | 505,113 |
| (b) Additional Tier-1 Sukuk Wakalah ('AT1S') | **505,808** | 505,808 |
| (c) Senior Sukuk | **1,352,849** | 1,352,849 |
| (d) Islamic Commercial Paper ('ICP') | **4,956** | - |
| | **2,368,791** | 2,363,770 |

| | At beginning of financial year RM'000 | Net issuance/ (Payment) RM'000 | Profit expense RM'000 | At end of financial year RM'000 |
|---|---|---|---|---|
| **2024** | | | | |
| MTN Tier-2 Sukuk Murabahah | **505,113** | **(23,300)** | **23,365** | **505,178** |
| AT1S | **505,808** | **(25,500)** | **25,500** | **505,808** |
| Senior Sukuk | **1,352,849** | **(60,065)** | **60,065** | **1,352,849** |
| ICP | **-** | **4,908** | **48** | **4,956** |
| | **2,363,770** | **(103,957)** | **108,978** | **2,368,791** |
| 2023 | | | | |
| MTN Tier-2 Sukuk Murabahah | 807,610 | (340,400) | 37,903 | 505,113 |
| AT1S | 303,425 | 183,050 | 19,333 | 505,808 |
| Senior Sukuk | 751,541 | 564,836 | 36,472 | 1,352,849 |
| | 1,862,576 | 407,486 | 93,708 | 2,363,770 |

(a) Medium Term Notes Tier-2 Sukuk Murabahah ('MTN Tier-2 Sukuk Murabahah')

The Bank had on 23 October 2018, issued the MTN Tier-2 Sukuk Murabahah of RM800.0 million out of its approved BASEL III Compliant MTN programme. 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 MTN Tier-2 Sukuk Murabahah was fully redeemed on the first callable date on 23 October 2023.

On 13 October 2023, the Bank had issued the second tranche of MTN Tier-2 Sukuk Murabahah of RM500.0 million. This 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 4.66%. This Sukuk Murabahah was issued for the purpose of general banking business and working capital requirements of the Bank.

(b) Additional Tier-1 Sukuk Wakalah ('AT1S')

The Bank had on 18 October 2018, issued the AT1S of RM300.0 million out of its approved BASEL III Compliant Islamic MTN Programme of RM5.0 billion in nominal value. The AT1S was issued on a perpetual non-callable 5 years basis, at a distribution rate of 5.65%. The AT1S was fully redeemed on the first callable date on 18 October 2023.

On 10 October 2023, the Bank had issued the second tranche of AT1S of RM500.0 million. The AT1S was issued on a perpetual non-callable 5-year basis, at a fixed distribution rate of 5.10%. The AT1S was issued for the purpose of general banking business and working capital requirements of the Bank.

(c) Senior Sukuk

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 profit rate of 4.55% and RM520.0 million for a tenure of 5 years from the issue date, at a profit rate of 4.75%. The Senior Sukuk was issued for the purpose of general banking business and working capital requirements of the Bank.

On 12 December 2023, the Bank had issued another tranche of Senior Sukuk Murabahah of RM600.0 million out of its Sukuk Programme. The Sukuk is issued for a tenure of 3 years from the issue date, at a profit rate of 4.15%. The Senior Sukuk Murabahah was issued for the purpose of general banking business and working capital requirements of the Bank.

(d) Islamic Commercial Paper ('ICP')

The Bank had on 27 September 2024, issued Islamic Commercial Paper ('ICP') of RM5.0 million for a tenure of 181 days from the issue date, at a profit rate of 3.70%. The ICP was issued for the purpose of general banking business and working capital requirements of the Bank.

## 28 SHARE CAPITAL

| | Economic Entity and the Bank | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| | **Number of ordinary shares '000** | **RM'000** | Number of ordinary shares '000 | RM'000 |
| **Ordinary share issued and fully paid:** | | | | |
| At beginning of the financial year | **1,128,807** | **1,210,000** | 1,128,807 | 1,210,000 |
| Issued during the financial year | **42,708** | **100,000** | - | - |
| **At end of the financial year** | **1,171,515** | **1,310,000** | 1,128,807 | 1,210,000 |

During the financial year ended 31 December 2024, the Bank increased its issued ordinary shares from 1,128.8 million to 1,171.5 million via issuance of 42.7 million new ordinary shares amounting to RM100.0 million. Meanwhile, during the financial year ended 31 December 2023, there were no new ordinary shares were issued.

## 29 RESERVES

| | Economic Entity | | The Bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Retained profits | **1,565,363** | 1,375,320 | **1,565,363** | 1,375,320 |
| FVOCI revaluation reserves (a) | **(1,463)** | 11,452 | **(1,463)** | 11,452 |
| Regulatory reserves (b) | **92,468** | 46,469 | **92,468** | 46,469 |
| Other reserves (c) | **1,001** | 214 | **1,001** | 214 |
| | **1,657,369** | 1,433,455 | **1,657,369** | 1,433,455 |

(a) FVOCI revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments at FVOCI. The gains 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.

(c) Included in these other reserves is the capital contribution made by the holding company in relation to Long Term Incentive Plan ('LTIP'), as disclosed in Note 49.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 30 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| Income derived from investment of: | | |
| - General investment deposits (a) | **1,027,391** | 883,257 |
| - Other deposits (b) | **666,577** | 559,266 |
| | **1,693,968** | 1,442,523 |

**a) Income derived from investment of general investment deposits**

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Finance income and profit** | | |
| Financing and other financing | **777,594** | 693,403 |
| Financial investments at FVOCI | **60,754** | 14,054 |
| Financial investments at AC | **88,755** | 90,931 |
| Money at call and deposits with financial institutions | **39,041** | 35,832 |
| | **966,144** | 834,220 |
| Accretion of discount less amortisation of premium | **(11,531)** | (13,077) |
| Total finance income and profit | **954,613** | 821,143 |
| **Other operating income** | | |
| Fee income: | | |
| Commission | **14,779** | 11,410 |
| Service charges and fees | **8,009** | 6,867 |
| Kafalah fees | **3,097** | 3,152 |
| | **25,885** | 21,429 |
| Fee and commision paid | **(82)** | (95) |
| Income from financial instruments: | | |
| Gain arising on financial assets at FVTPL | | |
| - net gain on disposal | **1,160** | 2,983 |
| - finance income | **4,279** | 1,299 |
| Net gain/(loss) on revaluation of derivative | | |
| - realised | **1,652** | (484) |
| - unrealised | **3,412** | (2,324) |
| Gain on sale of financial investments at FVOCI | **3,337** | 236 |
| Gain arising from sale/redemption of financial investments at AC | **1,548** | 31 |
| Unrealised gain on fair value changes arising from fair value hedges | **218** | 368 |
| | **15,606** | 2,109 |
| Other income: | | |
| Foreign exchange profit | | |
| - realised | **19,985** | 11,685 |
| - unrealised | **1,000** | 10,540 |
| Other non-operating income | **10,384** | 16,446 |
| | **31,369** | 38,671 |
| **Total income derived from investment of general investment deposits** | **1,027,391** | 883,257 |

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

### b) Income derived from investment of other deposits

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Finance income and profit** | | |
| Financing and other financing | **504,507** | 439,053 |
| Financial investments at FVOCI | **39,418** | 8,899 |
| Financial investments at AC | **57,585** | 57,576 |
| Money at call and deposits with financial institution | **25,330** | 22,688 |
| | **626,840** | 528,216 |
| Accretion of discount less amortisation of premium | **(7,481)** | (8,280) |
| Total finance income and profit | **619,359** | 519,936 |
| **Other operating income** | | |
| Fee income: | | |
| Commission | **9,589** | 7,225 |
| Service charges and fees | **5,196** | 4,348 |
| Kafalah fees | **2,010** | 1,996 |
| | **16,795** | 13,569 |
| Fee and commision paid | **(53)** | (60) |
| Income from financial instruments: | | |
| Gain arising on financial assets at FVTPL | | |
| - net gain on disposal | **753** | 1,889 |
| - finance income | **2,776** | 822 |
| Net gain/(loss) on revaluation of derivative | | |
| - realised | **1,071** | (307) |
| - unrealised | **2,214** | (1,471) |
| Gain on sale of financial investments at FVOCI | **2,165** | 150 |
| Gain arising from sale/redemption of financial investments at AC | **1,005** | 20 |
| Unrealised gain on fair value changes arising from fair value hedges | **141** | 233 |
| | **10,125** | 1,336 |
| Other income: | | |
| Foreign exchange profit | | |
| - realised | **12,966** | 7,399 |
| - unrealised | **648** | 6,674 |
| Other non-operating income | **6,737** | 10,412 |
| | **20,351** | 24,485 |
| **Total income derived from investment of other deposits** | **666,577** | 559,266 |

### 31 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNTS

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Finance income and profit** | | |
| Financing and other financing | **143,451** | 127,025 |
| Financial investments at FVOCI | **11,208** | 2,575 |
| Financial investments at AC | **16,374** | 16,658 |
| Money at call and deposits with financial institution | **7,202** | 6,564 |
| | **178,235** | 152,822 |
| Accretion of discount less amortisation of premium | **(2,127)** | (2,396) |
| Total finance income and profit | **176,108** | 150,426 |
| **Other operating income** | | |
| Fee income: | | |
| Commission | **2,726** | 2,090 |
| Service charges and fees | **1,477** | 1,258 |
| Kafalah fees | **571** | 577 |
| | **4,774** | 3,925 |
| Fee and commision paid | **(15)** | (17) |
| Income from financial instruments: | | |
| Gain arising on financial assets at FVTPL | | |
| - net gain on disposal | **214** | 546 |
| - finance income | **789** | 238 |
| Net gain/(loss) on revaluation of derivative | | |
| - realised | **305** | (89) |
| - unrealised | **630** | (425) |
| Gain on sale of financial investments at FVOCI | **616** | 43 |
| Gain arising from sale/redemption of financial investments at AC | **286** | 6 |
| Unrealised gain on fair value changes arising from fair value hedges | **40** | 67 |
| | **2,880** | 386 |
| Other income: | | |
| Foreign exchange profit | | |
| - realised | **3,687** | 2,141 |
| - unrealised | **184** | 1,931 |
| Other non-operating income | **1,916** | 3,012 |
| | **5,787** | 7,084 |
| **Total income derived from investment of investment accounts** | **189,534** | 161,804 |

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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 32 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Finance income and profit** | | |
| Financing and other financing | **118,590** | 103,446 |
| Financial investments at FVOCI | **9,266** | 2,097 |
| Financial investments at AC | **13,536** | 13,566 |
| Money at call and deposits with financial institutions | **5,954** | 5,346 |
| | **147,346** | 124,455 |
| Accretion of discount less amortisation of premium | **(1,759)** | (1,951) |
| Total finance income and profit | **145,587** | 122,504 |
| **Other operating income** | | |
| Fee income: | | |
| Commission | **2,254** | 1,702 |
| Service charges and fees | **1,221** | 1,024 |
| Kafalah fees | **472** | 470 |
| | **3,947** | 3,196 |
| Fee and commision paid | **(12)** | (14) |
| Income from financial instruments: | | |
| Gain arising on financial assets at FVTPL | | |
| - net gain on disposal | **177** | 445 |
| - finance income | **653** | 194 |
| Net gain/(loss) on revaluation of derivative | | |
| - realised | **252** | (72) |
| - unrealised | **520** | (349) |
| Gain on sale of financial investments at FVOCI | **509** | 35 |
| Gain arising from sale/redemption of financial investments at AC | **236** | 5 |
| Unrealised gain on fair value changes arising from fair value hedges | **33** | 55 |
| | **2,380** | 313 |
| Other income: | | |
| Foreign exchange profit | | |
| - realised | **3,048** | 1,743 |
| - unrealised | **152** | 1,572 |
| Other non-operating income | **1,584** | 2,454 |
| | **4,784** | 5,769 |
| **Total income derived from investment of shareholders' funds** | **156,686** | 131,768 |

## 33 ALLOWANCES/(WRITE-BACK OF) FOR CREDIT IMPAIRMENT LOSSES

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| Expected credit losses ('ECL') made/(written-back) on: | | |
| - financing and other financing | **12,542** | 7,861 |
| - securities | **(2,230)** | (548) |
| - financing commitments and financial kafalah | **(1,902)** | 620 |
| Impaired financing: | | |
| - recovered | **(13,559)** | (14,648) |
| - written-off | **12,348** | 4,132 |
| | **7,199** | (2,583) |

## 34 ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| Allowance for impairment on: | | |
| - amount due from joint ventures | **32** | 4,649 |
| - other assets | **6,916** | - |
| | **6,948** | 4,649 |

## 35 INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| Deposits from customers | | |
| - mudarabah | **720** | 832 |
| - non-mudarabah | **837,325** | 818,152 |
| Deposits and placement of banks and other financial institutions | | |
| - murabahah | **166,520** | 46,740 |
| Subordinated and Senior Sukuk | **108,978** | 93,709 |
| Recourse obligation on financing sold to Cagamas | **57,547** | 34,271 |
| Others | **24** | 35 |
| | **1,171,114** | 993,739 |

## 36 OTHER OPERATING EXPENSES

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Personnel costs | **242,223** | 182,635 |
| Establishment costs | **91,104** | 62,744 |
| Marketing expenses | **6,072** | 5,038 |
| Administrative and general expenses | **16,721** | 19,664 |
| | **356,120** | 270,081 |
| **Personnel costs** | | |
| Wages, salaries and bonuses | **189,177** | 135,388 |
| Defined contribution plan ('EPF') | **32,541** | 22,642 |
| Other personnel costs | **20,505** | 24,605 |
| | **242,223** | 182,635 |
| **Establishment costs** | | |
| Equipment rental | **614** | 900 |
| Repair and maintenance | **57,697** | 24,882 |
| Depreciation of property and equipment | **118** | 234 |
| Depreciation of right-of-use assets | **105** | 293 |
| Amortisation of intangible assets | **140** | 134 |
| IT consultancy fees | **-** | 362 |
| Dataline rental | **9,783** | 8,937 |
| Security services | **6,177** | 4,233 |
| Electricity, water and sewerage | **4,995** | 2,893 |
| Licence fees | **305** | 199 |
| Takaful and indemnities | **5,328** | 5,677 |
| Other establishment costs | **5,842** | 14,000 |
| | **91,104** | 62,744 |
| **Marketing expenses** | | |
| Business promotion and advertisement | **595** | 924 |
| Entertainment | **65** | 252 |
| Traveling and accommodation | **1,249** | 874 |
| Brokerage expenses | **1,551** | 1,205 |
| Other marketing expenses | **2,612** | 1,783 |
| | **6,072** | 5,038 |
| **Administration and general expenses** | | |
| Telecommunication expenses | **1,325** | 904 |
| Auditors' remuneration | **424** | 548 |
| Professional fees | **3,157** | 7,341 |
| Mail and courier charges | **104** | 1,058 |
| Stationery and consumables | **3,094** | 3,300 |
| Directors' fees and allowances | **2,264** | 1,786 |
| Shariah fees | **531** | 516 |
| Donations | **363** | 267 |
| Settlement, clearing and bank charges | **4,470** | 3,199 |
| Stamp duties | **29** | 54 |
| Other administration and general expenses | **960** | 691 |
| | **16,721** | 19,664 |

Included in other operating expenses of the Economic Entity and the Bank are CEO and Directors' remuneration totalling RM3,944,000 (2023: RM3,790,000).

## 36 OTHER OPERATING EXPENSES (continued)

The expenditure includes the following statutory disclosures:

| | **Economic Entity and The Bank** | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| Directors' remuneration (Note 37) | **2,264** | 1,786 |
| Auditors' remuneration ^ : | | |
| (i) Statutory audit fees | **348** | 313 |
| (ii) Regulatory related fees | **48** | 207 |
| (iii) Tax fees | **28** | 28 |

^ There was no indemnity given to or takaful effected for the Bank during the financial year.

## 37 CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

The CEO and Directors of the Bank who have held office during the period since the date of the last report are:

**CEO**
Dato' Paduka Syed Mashafuddin Syed Badarudin

**Non-Executive Directors**
Musa bin Abdul Malek
Suffian bin Baharuddin
Datuk Mohd Farid bin Mohd Adnan
Tan Ler Chin, Cindy
Muhammad Fitri bin Othman (resigned w.e.f. 1.9.2024)
Dali Kumar @ Dali bin Sardar
Dr. Sharbanom binti Abu Bakar

The aggregate amount of remuneration for the CEO and Directors of the Bank for the financial year are as follows:

| | **Economic Entity and The Bank** | |
|---|---|---|
| | **2024** | 2023 |
| | **RM'000** | RM'000 |
| **CEO** | | |
| Salaries | **1,134** | 1,080 |
| Bonuses | **-** | 300 |
| Defined contribution plan ('EPF') | **392** | 422 |
| Other employee benefits | **136** | 180 |
| Benefits-in-kind | **18** | 22 |
| CEO remuneration | **1,680** | 2,004 |
| **Non-executive Directors** | | |
| Fees | **2,127** | 1,678 |
| Benefits-in-kind | **137** | 108 |
| | **2,264** | 1,786 |
| Directors' remuneration (Note 36) | **3,944** | 3,790 |
| **Shariah committee remuneration** | | |
| Fees | **531** | 516 |

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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 37 CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (continued)

A summary of the total remuneration of the CEO and Directors, distinguishing between Executive and Non-Executive Directors.

| Economic Entity and The Bank | Salaries RM'000 | Bonuses RM'000 | Directors' fees RM'000 | Other emoluments RM'000 | Benefits-in-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| **CEO** | | | | | | |
| Dato' Paduka Syed Mashafuddin Syed Badarudin | 1,134 | - | - | 528 | 18 | 1,680 |
| **Total** | 1,134 | - | - | 528 | 18 | 1,680 |
| | | | | | | |
| **Non-executive Directors** | | | | | | |
| Musa bin Abdul Malek (Chairman) | - | - | 405 | - | 131 | 536 |
| Suffian bin Baharuddin | - | - | 333 | - | 1 | 334 |
| YBhg. Datuk Mohd Farid bin Mohd Adnan | - | - | 325 | - | 1 | 326 |
| Tan Ler Chin, Cindy | - | - | 325 | - | 1 | 326 |
| Muhammad Fitri bin Othman | - | - | 53 | - | 1 | 54 |
| Dali Kumar @ Dali bin Sardar | - | - | 378 | - | 1 | 379 |
| Dr. Sharbanom binti Abu Bakar | - | - | 308 | - | 1 | 309 |
| **Total** | - | - | 2,127 | - | 137 | 2,264 |
| | | | | | | |
| **Shariah committee remuneration** | | | | | | |
| Associate Professor Dr. Kamaruzaman bin Noordin | - | - | 99 | - | - | 99 |
| Associate Professor Dr. Nor Fahimah binti Mohd Razif | - | - | 87 | - | - | 87 |
| Mohamad Salihin bin Deris | - | - | 87 | - | - | 87 |
| Ahmad Husni bin Abd Rahman | - | - | 86 | - | - | 86 |
| Professor Dr. Asmak binti Ab Rahman | - | - | 85 | - | - | 85 |
| Lokmanulhakim bin Hussain | - | - | 87 | - | - | 87 |
| **Total** | - | - | 531 | - | - | 531 |
| | | | | | | |
| **Grand total** | 1,134 | - | 2,658 | 528 | 155 | 4,475 |

| Economic Entity and The Bank | Salaries RM'000 | Bonuses RM'000 | Directors' fees RM'000 | Other emoluments RM'000 | Benefits-in-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| 2023 | | | | | | |
| CEO | | | | | | |
| Dato' Paduka Syed Mashafuddin Syed Badarudin | 1,080 | 300 | - | 602 | 22 | 2,004 |
| Total | 1,080 | 300 | - | 602 | 22 | 2,004 |
| | | | | | | |
| Non-executive Directors | | | | | | |
| Musa bin Abdul Malek (Chairman) | - | - | 395 | - | 108 | 503 |
| Suffian bin Baharuddin | - | - | 335 | - | - | 335 |
| YBhg. Datuk Mohd Farid bin Mohd Adnan | - | - | 323 | - | - | 323 |
| Tan Ler Chin, Cindy | - | - | 330 | - | - | 330 |
| Muhammad Fitri bin Othman | - | - | 72 | - | - | 72 |
| Dali Kumar @ Dali bin Sardar | - | - | 162 | - | - | 162 |
| Dr. Sharbanom binti Abu Bakar | - | - | 61 | - | - | 61 |
| Total | - | - | 1,678 | - | 108 | 1,786 |
| | | | | | | |
| Shariah committee remuneration | | | | | | |
| Associate Professor Dr. Kamaruzaman bin Noordin | - | - | 43 | - | - | 43 |
| Dr. Mohammad Mahbubi Ali | - | - | 25 | - | - | 25 |
| Associate Professor Dr. Nor Fahimah binti Mohd Razif | - | - | 89 | - | - | 89 |
| Mohamad Salihin bin Deris | - | - | 89 | - | - | 89 |
| Ahmad Husni bin Abd Rahman | - | - | 89 | - | - | 89 |
| Professor Dr. Asmak binti Ab Rahman | - | - | 92 | - | - | 92 |
| Lokmanulhakim bin Hussain | - | - | 89 | - | - | 89 |
| Total | - | - | 516 | - | - | 516 |
| | | | | | | |
| Grand total | 1,080 | 300 | 2,194 | 602 | 130 | 4,306 |

## 38 TAXATION

| | Economic Entity and The Bank 2024 | 2023 |
|---|---|---|
| Malaysian income tax | **RM'000** | RM'000 |
| Current tax | **81,562** | 80,048 |
| Under provision in prior financial year | **1,671** | 1,166 |
| Deferred tax (Note 12) | **4,072** | 2,030 |
| | **87,305** | 83,244 |
| | **%** | % |
| Statutory tax rate in Malaysia | **24.00** | 24.00 |
| Tax effect in respect of: | | |
| Non-allowable expenses | **2.05** | 1.48 |
| Under provision in prior financial year | **0.51** | 0.36 |
| Average effective tax rate | **26.56** | 25.84 |

## 39 EARNINGS PER SHARE

The basic/diluted 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.

| | Economic Entity and The Bank 2024 | 2023 |
|---|---|---|
| Net profit attributable to ordinary equity holders (RM'000) | **236,042** | 234,476 |
| Weighted average number of shares in issue ('000) | **1,149,312** | 1,128,807 |
| Basic/Diluted earnings per share (sen) | **20.5** | 20.8 |

There were no dilutive potential ordinary shares outstanding as at 31 December 2024 and 31 December 2023. As a result, the diluted EPS equal to the basic EPS for the financial year ended 31 December 2024 and 31 December 2023.

## 40 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

| **Related parties** | **Relationships** |
|---|---|
| State Financial Secretary, Sarawak ('SFS') | Substantial shareholder, which is an Investment Corporation of the Government of Sarawak |
| Lembaga Tabung Angkatan Tentera ('LTAT') | Substantial shareholder, which is Government-Link Investment Company ('GLIC') of the Government of Malaysia |
| Bank of East Asia ('BEA') | Substantial shareholder. |
| Affin Bank Berhad ('ABB') | Holding company |
| Subsidiaries, joint ventures and associates of SFS | Subsidiary, joint venture and associate companies of the substantial shareholders |
| Subsidiaries and associates of LTAT | Subsidiary and associate companies of the substantial shareholders |
| Subsidiaries and associates of ABB as disclosed in its financial statements | Subsidiary and associate companies of the holding company |
| Joint ventures as disclosed in Note 14 | Joint ventures with Affin Islamic Bank Berhad |
| Associate as disclosed in Note 15 | Associate of Affin Islamic Bank Berhad |
| Key management personnel | The key management personnel of the Bank consist of:<br>- Directors<br>- Chief Executive Officer<br>- Member of Senior Management team |
| Related parties of key management personnel (deemed as related to the Bank) | Close family members and dependents of key management personnel<br>Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members. |

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly.

The Bank does not have any individually or collectively significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 40 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (a) Related parties transactions and balances

| | Substantial shareholders | | Holding company | | Other related companies | | Companies in which certain Directors have substantial interest | | Key management personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| **Economic Entity and The Bank** | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Income** | | | | | | | | | | |
| Income on financing and other financing | - | - | - | - | 10,423 | 10,998 | 192 | 2,198 | 51 | 61 |
| Other income | - | - | - | - | 22 | - | - | - | - | - |
| | - | - | - | - | 10,445 | 10,998 | 192 | 2,198 | 51 | 61 |
| **Expenditure** | | | | | | | | | | |
| Profit paid on Murabahah term deposit | 320 | - | - | - | 4,582 | 251 | 168 | 570 | 8 | 12 |
| Profit paid on general investment deposits | - | - | - | - | - | 1 | - | - | - | - |
| Profit paid on Commodity murabahah | - | - | 16,583 | 35 | 6,305 | - | - | - | - | - |
| Profit paid on deposits and placement of banks and other financial institutions | - | - | 169,552 | 8,270 | - | - | - | - | - | - |
| Profit paid on RIA | - | - | 2,747 | 146,918 | - | - | - | - | - | - |
| Finance expense - Subordinated and Senior Sukuk | - | - | 308,574 | 10,728 | 1,453 | - | - | - | - | - |
| Other expenditure | - | - | - | 225,928 | 1,057 | - | - | - | - | - |
| | 320 | - | 497,456 | 391,879 | 13,397 | 252 | 168 | 570 | 8 | 12 |

# Affin Islamic Bank Berhad
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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 40 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (a) Related parties transactions and balances (continued)

| | Substantial shareholders | | Holding company | | Other related companies | | Companies in which certain Directors have substantial interest | | Key management personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| **Economic Entity and The Bank** | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Amount due from** | | | | | | | | | | |
| Financing and other financing | - | - | - | - | **498,305** | 514,998 | **8,677** | 29,912 | **1,874** | 4,444 |
| Intercompany balances | - | - | - | 288,431 | **4,639** | - | - | - | - | - |
| | - | - | - | 288,431 | **502,944** | 514,998 | **8,677** | 29,912 | **1,874** | 4,444 |
| **Amount due to** | | | | | | | | | | |
| Demand and saving deposits | **36,084** | 28,641 | **10,772** | 23,471 | **99,011** | 88,080 | **2,080** | 1,477 | **56** | 14,719 |
| Murabahah term deposit | **601,929** | - | - | - | **605,343** | 137,214 | **38,323** | 246,573 | - | 1,790 |
| General investment deposits | - | - | - | - | - | 312 | - | - | **12** | - |
| Commodity Murabahah | - | - | **302,053** | - | - | 86,896 | - | - | - | - |
| Restricted Invesment Account (RIA) | - | - | **3,262,300** | 3,579,573 | - | - | - | - | - | - |
| Intercompany balances | - | - | **546,064** | - | - | - | - | - | - | - |
| Subordinated and Senior Sukuk | - | - | **70,197** | 65,252 | **35,080** | - | - | - | - | - |
| | **638,013** | 28,641 | **4,191,386** | 3,668,296 | **739,434** | 312,502 | **40,403** | 248,050 | **68** | 16,509 |
| Commitments and contingencies | **1,500** | 1,500 | **581,143** | 781,987 | **102,092** | 217,921 | **16,560** | 610 | **538** | - |

ECL were made according to MFRS 9 in 2024 and 2023 for financing and other financing made to key management personnel.

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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 40 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (b) Key management personnel compensation

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Directors' fees and allowances** | | |
| Fees | **2,127** | 1,678 |
| Benefits-in-kind | **137** | 108 |
| Shariah committee fees | **99** | 43 |
| | **2,363** | 1,829 |
| **Short-term employment benefits** | | |
| Salaries | **1,134** | 1,080 |
| Bonuses | **-** | 300 |
| Defined contribution plan | **392** | 422 |
| Other employee benefits | **136** | 180 |
| Benefits-in-kind | **18** | 22 |
| | **1,680** | 2,004 |
| | **4,043** | 3,833 |

Included in the above table are CEO and directors' remuneration as disclosed in Note 37.

### 41 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 principal amount of commitments and contingencies constitute the following:

| | Economic Entity and The Bank 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Direct credit substitutes - financial kafalah contracts | **152,064** | 158,092 |
| Transaction-related contingent items | **385,828** | 480,714 |
| Short-term self-liquidating trade related contingencies | **3,652,257** | 4,520,054 |
| Irrevocable commitments to extend credit: | | |
| - maturity less than one year | **4,270,946** | 2,876,523 |
| - maturity more than one year | **791,248** | 855,076 |
| Unutilised credit card lines | **393,718** | 283,292 |
| Foreign exchange related contracts # | | |
| - less than one year | **796,631** | 1,009,326 |
| Profit rate related contracts # | | |
| - one year to less than five years | **2,090,148** | 1,096,670 |
| - five year and above | **103,025** | 117,225 |
| | **12,635,865** | 11,396,972 |

\# The fair value of these derivatives have been recognised as 'derivative financial instruments' in the statement of financial position and disclosed in Note 5 to the financial statements.

## 42 FINANCIAL RISK MANAGEMENT

### (i) Credit risk

Credit risk is the risk that a counterparty will fail to meet its contractual obligations which could result in a financial loss to the Bank. The Bank's exposure to credit risks arises primarily from financing and other financing, financing commitments arising from such financing activities, corporate/inter-bank financing activities, bonds/sukuk investment, foreign exchange trading as well as equity and debt underwriting and from participation in securities settlements and payment transactions.

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall financing objectives are in compliance with the internal and regulatory requirements. The risk management policies are subject to review by the Group Board Risk Management Committee, a sub-committee of the Board that reviews the adequacy of the Bank's risk policies and framework. The Bank's credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises the Group Management Credit Committee and the Group Board Credit Review and Recovery Committee . The GMCC represents the approving authority for credit and underwriting proposals, whilst the GBCRRC is the committee that reviews proposals that exceed specified limits and criteria, as well as to consider whether to veto the approval of GMCC on the proposal or modify the terms of the proposal.

The Bank recognises that learning is a continuous journey and is committed to enhance the knowledge and skills set of its staff. It places strong emphasis on creating and enhancing risk awareness in the organisation.

The Bank is supportive of credit officers in pursuing Professional Credit Certification programmes offered by the Asian Institute of Chartered Bankers. Upon attaining the Chartered Banker certification, credit officers are expected to demonstrate sound understanding of credit process and competence to undertake credit roles and responsibilities.

**Credit risk evaluation**

Credit evaluation is the process of analysing the creditworthiness of a prospective counterparty against the Bank's underwriting criteria and the ability of the Bank to make a return commensurate to the level of risk undertaken. Apart from conducting a holistic risk assessment on the prospective counterparty, a critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. A number of relevant qualitative and quantitative factors are taken into consideration in the identification and analysis of a counterparty's credit risk. Each counterparty is assigned a credit rating which considers factors such as competitive position, operating performance, cash flow financial strength and management strength. The Bank has developed internal rating models to support the assessment and quantification of credit risk.

All corporate financing, underwritings and corporate sukuk are independently evaluated by the Bank's credit management function and approved by the relevant approving authorities based on the Authority Matrix approved by the Board.

For consumer mass market products, statistically developed application scorecards are used to assess the risks associated with the credit application as a decision support tool at financing and other financing origination.

**Risk limit control and mitigation policies**

The Bank employs various policies and practices to control and mitigate credit risk.

*Financing limits*

The Bank establishes internal limits and related financing guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties, geographical and industry segments. These risks are monitored regularly and the limits are reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivatives due to potential exposure arising from market movements and financing books are managed on an aggregated basis as part of the overall financing limits with customers.

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (i) Credit risk (continued)

**Risk limit control and mitigation policies (continued)**

***Collateral***

Credits are established against customer's capacity to pay rather than to rely solely on collateral. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and ascribed value by the Bank are:
- Mortgages over residential real estate;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business properties, equipment and fixed deposits;
- Charges over financial instruments such as marketable securities; and
- Debentures, personal guarantees and corporate guarantees.

Where relevant, the Bank undertakes a valuation of the collateral obtained as part of the financing origination process. This assessment is reviewed periodically.

Term financing to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than financing and other financing depends on the nature of the instrument. Sukuk, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank closely monitors collateral held for financial assets that are credit-impaired, as it becomes more likely that the Bank will realise the collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

| **Economic Entity and The Bank** | **Gross financing and other financing RM'000** | **Expected credit losses RM'000** | **Net financing and other financing RM'000** | **Fair value of collateral held RM'000** |
|---|---|---|---|---|
| **2024** | | | | |
| Community Banking | | | | |
| - Cash Line-i | **281** | **91** | **190** | **570** |
| - Credit cards | **228** | **142** | **86** | **-** |
| - Term financing | **35,348** | **12,564** | **22,784** | **50,801** |
| - Housing financing | **126,330** | **31,666** | **94,664** | **131,553** |
| - Hire purchase | **38,328** | **22,723** | **15,605** | **94,300** |
| Corporate & Public Sector | **26,775** | **9,896** | **16,879** | **81,168** |
| Enterprise Banking | **78,560** | **37,213** | **41,347** | **253,429** |
| Total credit-impaired assets | **305,850** | **114,295** | **191,555** | **611,821** |

| Economic Entity and The Bank | | | | |
|---|---|---|---|---|
| 2023 | | | | |
| Community Banking | | | | |
| - Cash Line-i | 95 | 31 | 64 | - |
| - Credit cards | 656 | 451 | 205 | - |
| - Term financing | 18,513 | 6,597 | 11,916 | 40,820 |
| - Housing financing | 94,052 | 23,710 | 70,342 | 100,344 |
| - Hire purchase | 36,475 | 20,527 | 15,948 | 99,202 |
| Corporate & Public Sector | 30,310 | 7,773 | 22,537 | 33,400 |
| Enterprise Banking | 40,877 | 23,186 | 17,691 | 152,879 |
| Total credit-impaired assets | 220,978 | 82,275 | 138,703 | 426,645 |

The financial effect of collateral held for financing and other financing of the Bank is 85.4% (2023: 85.4%). The financial effects of collateral for the other financial assets are insignificant.

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (i) Credit risk (continued)

**Risk limit control and mitigation policies (continued)**

***Collateral (continued)***

**Collateral and other credit enhancement obtained**

The Bank obtained assets by taking possesion of collateral held as security or calling upon other credit enhancements.

| | Economic Entity and The Bank | |
|---|---|---|
| | **2024** | 2023 |
| Nature of assets | **RM'000** | RM'000 |
| Industrial and residential properties | **2,823** | 13,415 |

Foreclosed properties are sold as soon as possible, with the proceeds used to reduce the outstanding indebtedness. The carrying amount of foreclosed properties held by the Bank as at reporting date has been classified as 'Other assets' as disclosed in Note 9.

***Credit Related Commitments***

Commitment to extend credit represents unutilised portion of approved credit in the form of financing, kafalah or letters of credit. Unutilised credits give rise to potential or contingent credit losses to the Bank in an amount equal to the total unutilised commitments. The Bank manages and mitigates the amount of potential and contingent losses arising from unutilised credit lines by imposing minimum specific credit standards on counterparties.

The Bank monitors the term to maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than short-term commitments.

**Credit risk measurement**

***Credit risk grades***

The Bank allocates a credit risk grade to each exposure. Credit risk grades are indicative of the risk of default and are generated using qualitative and quantitative factors which are supplemented by experienced credit judgement. These inputs vary depending on the nature of the exposure and the type of customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

***Determining whether credit risk has increased significantly***

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probability of default ('PD') and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators that it considers are indicative of such and which effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk is presumed if a issuer/customer is more than 30 days or 1 month past due. Days or months past due are determined by the number of days or month since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the customer.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (i) Credit risk (continued)

**Credit risk measurement (continued)**

***Measurement of expected credit losses ('ECL')***

The Bank uses three categories on financial instruments at FVOCI and AC for recognising ECL.

| Category | Definition | Basis for recognising |
|---|---|---|
| Performing accounts (Stage 1) | - Financial assets that do not have significant increase in credit risk since initial recognition of the asset and therefore, less likely to default;<br>- Performing accounts with credit grade 13 or better;<br>- Accounts past due less than or equal to 30 days or;<br>- For early control accounts where one that has risk or potential weakness which if left unchecked, may result in significant deterioration of payment prospect and transfer to underperforming status (Stage 2) or worse. | 12-Month ECL |
| Underperforming accounts (Stage 2) | - Accounts with significant increase in credit risk since initial recognition and if left uncorrected, may result in impairment of the accounts within the next 12 months;<br>- Accounts past due more than 30 days or 1 month but up to 90 days or 3 months;<br>- Account demonstrates critical level of risk and therefore, credit grade 14 and placed under Watchlist or;<br>- Restructuring and rescheduling ('R&R') due to significant increase in credit risk. | Lifetime ECL<br>- not credit impaired |
| Impaired accounts (Stage 3) | - Impaired credit;<br>- Credit grade 15 or worse;<br>- Accounts past due more than 90 days or 3 months or;<br>- R&R which warrants a reclassification to Stage 3. | Lifetime ECL<br>- credit impaired |
| Write-off | - Evidence indicating that there is no reasonable expectation of recovery based on unavailability of customer's sources of income or;<br>- Assets unable to generate sufficient future cash flows to pay the amount. | Asset is written off |

The Bank has not used the low credit risk exemption for any financial instrument for the year ended 31 December 2024.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ('PD');
- loss given default ('LGD'); and
- exposure at default ('EAD').

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

PD is the likelihood of a counterparty defaulting on its contractual obligations over a given time horizon and are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Bank collects performance and default information relating to its credit risk exposures which are analysed by type of product and customer as well as by credit risk grading. For some portfolios, information from external credit assessment institutions are also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

### 42 FINANCIAL RISK MANAGEMENT (continued)

#### (i) Credit risk (continued)

**Credit risk measurement (continued)**

***Measurement of expected credit losses ('ECL') (continued)***

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile is used to determine how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financing. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

LGD is the magnitude of loss in an event of a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the original effective profit rate as the discounting factor.

EAD represents the exposure outstanding in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial kafalah, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The 12-month and lifetime EAD are determined based on the expected payment profile, which varies by product type.

ECL is determined by projecting the PD, LGD and EAD at each future point on a yearly basis on individual exposures, or collective segments, and discounting these monthly expected losses back to the reporting date. The discount rate used in the ECL calculation is the original profit rate or an approximation thereof.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any customer's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require payment of an advance or terminate a financing commitment or kafalah.

Forward looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics which include:

- product/instrument type;
- past due status;
- credit risk grading;
- collateral type;
- date of initial recognition; and
- remaining term to maturity.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period that have material impact to ECL.

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (i) Credit risk (continued)

**Credit risk measurement (continued)**

***Incorporation of forward-looking information***

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios are formulated.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes. Periodically, the Bank carries out stress testing which involves more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The Bank has also identified the key economic variables and carried out sensitivity assessment of ECL for financing and other financing, financing commitments and kafalah, treasury bonds/sukuk and placements in relation to the changes in these key economic variables while all other variables remain constant. The sensitivity factors used are derived based on expected standard deviation determined for each key economic variable to assess the impact on the ECL of the Bank.

The economic scenario used for the expected credit losses ('ECL') estimate and the effect to the ECL estimate due to the changes in the macro-economic variables ('MEVs') by percentage are set out as below:

| | **2024** | 2023 |
|---|---|---|
| **Measurement variables - MEV change** | **%** | % |
| House Price Index | **0.43** | 1.02 |
| Private Consumption Expenditure | **12.26** | 28.03 |
| USD Dollar to Malaysian Ringgit Exchange Rate | **0.02** | 1.25 |
| Malaysia Economic Indicator Leading Index ('MEILI') 2015 | **0.49** | 0.55 |
| Malaysia Debt Service Ratio | **0.82** | 0.32 |
| Current Account (as a precentage of Gross Domestic Product) | ***N/A** | 5.22 |
| Unemployment Rate | **4.43** | 2.39 |
| Average Funding Rate | **10.26** | 2.77 |

*N/A - Not applicable as a result of change in MEV made during the financial year.

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **(Write-back)/made** | | (Write-back)/made | |
| | **RM'000** | **RM'000** | RM'000 | RM'000 |
| | + | - | + | - |
| **Economic Entity and The Bank** | | | | |
| Impact on expected credit losses | **(495)** | **821** | (1,350) | 1,523 |

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (i) Credit risk (continued)

**Credit risk monitoring**

Corporate credits and large individual accounts are subject to ongoing monitoring. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Appropriate remedial action is taken where evidence of deterioration exists.

The credit monitoring process is also to identify significant increase in credit risk as a means to pro-actively report and manage potentially deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with appropriate corrective measures employed to prevent further credit deterioration into non-performing status. Watchlist accounts are either managed up or managed out within a period of twelve months.

The Bank has established MFRS 9 - Stage Transfer Policy to provide guidance in determining significant increases in credit risk of financial assets. There are 3 stages to differentiate the credit risk of financial assets in conjunction with MFRS 9 standards: Performing Accounts (Stage 1), Underperforming Accounts (Stage 2) and Impaired Accounts (Stage 3).

Active portfolio monitoring as well as exceptions reportings are in place to identify, analyse and manage the overall risk profile to mitigate adverse trends or specific areas of risk concerns.

The Bank conducts post-mortem reviews on newly impaired financing to determine the key reason(s) and/or driver(s) leading to the account being classified as impaired. The findings are communicated at both management and Board levels as lessons learned which are used to assist in formulating appropriate remedial actions or measures to minimise potential or future credit loss from similar or repeat events.

In addition, post-approval independent credit review is undertaken by the Bank to ensure that credit decision-making is consistent with the overall credit risk appetite and strategy.

**Maximum exposure to credit risk**

For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount. For financial kafalah granted, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the kafalah was to be called upon. For financing commitments and other credit related commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

All financial assets of the Bank are subject to credit risk except for cash in hand, equity securities held as financial assets at FVTPL or financial investments at FVOCI, as well as non-financial assets.

The exposure to credit risk of the Bank equals their carrying amount in the statement of financial position as at reporting date, except for the followings:

| | **Economic Entity and The Bank** | |
|---|---|---|
| | **2024** | 2023 |
| **Maximum credit risk exposure** | **RM'000** | RM'000 |
| **Credit risk exposures of on-balance sheet assets:** | | |
| Cash and short-term funds * | **2,442,382** | 3,161,757 |
| Financial assets at FVTPL ** | **451,582** | - |
| Financial investments at FVOCI # | **3,940,222** | 1,674,282 |
| Others @ | **171,254** | 409,170 |
| **Credit risk exposure of off-balance sheet items:** | | |
| Financial kafalah | **152,064** | 158,092 |
| Financing commitments and other credit related commitments | **9,493,997** | 9,015,659 |
| **Total maximum credit risk exposure** | **16,651,501** | 14,418,960 |

* Excluded cash in hand
** Excluded investment in exchange traded fund, shares, unit trusts and REITs
# Excluded investment in unquoted shares
@ Included amount due from joint ventures, holding company and other assets (excluded prepayment and foreclosed properties)

Whilst the Bank's maximum exposure to credit risk is the carrying value of the assets, or in the case of off-balance sheet items, the amount kafalah, committed or accepted, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the credit exposure.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

**(i) Credit risk (continued)**

**Credit risk concentration**

Credit risk is the risk of financial loss from the failure of customers to meet their contractual obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral, security, corporate and personal guarantees.

The credit risk concentrations of the Bank, by industry, are set out in the following tables:

| Economic Entity and The Bank 2024 | Short-term funds RM'000 | Financial assets at FVTPL RM'000 | Derivative financial instruments RM'000 | Financial investments at FVOCI RM'000 | Financial investments at AC RM'000 | Financing and other financing RM'000 | ^ Others RM'000 | On balance sheet total RM'000 | Commitments and contingencies RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture | - | 10,106 | - | 30,348 | - | 669,893 | - | 710,347 | 134,982 |
| Mining and quarrying | - | - | - | 109,222 | 5,096 | 57,517 | - | 171,835 | 174,788 |
| Manufacturing | - | - | 1,099 | 126,436 | 45,384 | 1,430,214 | - | 1,603,133 | 331,425 |
| Electricity, gas and water supply | - | - | 3,127 | 214,810 | 62,909 | 413,341 | - | 694,187 | 267,078 |
| Construction | - | - | - | 224,431 | 431,654 | 1,020,058 | - | 1,676,143 | 741,364 |
| Real estate | - | 35,194 | - | 318,137 | 437,956 | 1,058,668 | - | 1,849,955 | 142,335 |
| Transport, storage and communication | - | - | - | 305,516 | 314,664 | 1,093,214 | - | 1,713,394 | 200,412 |
| Finance, takaful and business services | 101,720 | 13,423 | 20,559 | 2,299,031 | 2,537,573 | 507,170 | - | 5,479,476 | 486,277 |
| Government and government agencies | 2,340,662 | 392,859 | - | 212,676 | 636,678 | 793,302 | - | 4,376,177 | 5,406,442 |
| Wholesale & retail trade and restaurants & hotels | - | - | 602 | - | - | 1,556,085 | - | 1,556,687 | 519,855 |
| Others | - | - | - | 99,615 | 123,360 | 24,410,424 | 171,254 | 24,804,653 | 1,241,103 |
| **Total assets** | 2,442,382 | 451,582 | 25,387 | 3,940,222 | 4,595,274 | 33,009,886 | 171,254 | 44,635,987 | 9,646,061 |

^ Others include amount due from joint ventures, holding company and other assets (excluded prepayment and foreclosed properties).

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

**(i) Credit risk (continued)**

**Credit risk concentration (continued)**

Credit risk is the risk of financial loss from the failure of customers to meet their contractual obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral, security, corporate and personal guarantees (continued).

The credit risk concentrations of the Bank, by industry, are set out in the following tables (continued):

| Economic Entity and The Bank 2023 | Short-term funds RM'000 | Deposits and placements with banks and other financial institutions RM'000 | Derivative financial instruments RM'000 | Financial investments at FVOCI RM'000 | Financial investments at AC RM'000 | Financing and other financing RM'000 | ^ Others RM'000 | On balance sheet total RM'000 | Commitments and contingencies RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture | - | - | - | - | 5,082 | 780,423 | - | 785,505 | 219,782 |
| Mining and quarrying | - | - | - | - | 5,097 | 106,714 | - | 111,811 | 191,877 |
| Manufacturing | - | - | 404 | 10,202 | 50,654 | 1,236,148 | - | 1,297,408 | 464,618 |
| Electricity, gas and water supply | - | - | 1,086 | 31,446 | 48,031 | 385,806 | - | 466,369 | 324,511 |
| Construction | - | - | - | 52,971 | 35,330 | 863,274 | - | 951,575 | 607,930 |
| Real estate | - | - | - | 10,099 | 178,086 | 1,169,273 | - | 1,357,458 | 173,849 |
| Transport, storage and communication | - | - | - | 92,172 | 315,934 | 824,432 | - | 1,232,538 | 198,531 |
| Finance, takaful and business services | 701,166 | 400,526 | 15,462 | 1,151,885 | 2,789,325 | 434,167 | - | 5,492,531 | 105,332 |
| Government and government agencies | 2,460,591 | - | - | 137,283 | 987,104 | 902,730 | - | 4,487,708 | 5,309,707 |
| Wholesale & retail trade and restaurants & hotels | - | - | 1,955 | - | - | 1,362,652 | - | 1,364,607 | 516,363 |
| Others | - | - | - | 188,224 | 153,367 | 20,695,148 | 409,170 | 21,445,909 | 1,061,251 |
| Total assets | 3,161,757 | 400,526 | 18,907 | 1,674,282 | 4,568,010 | 28,760,767 | 409,170 | 38,993,419 | 9,173,751 |

^ Others include amount due from joint ventures, holding company and other assets (excluded prepayment and foreclosed properties).

**42 FINANCIAL RISK MANAGEMENT (continued)**

**(i) Credit risk (continued)**

**Total financing and other financing - credit quality**

All financing and other financing are categorised into 'neither past due nor impaired', 'past due but not impaired' and 'impaired'.

Past due financing refers to financing and other financing that are overdue by one day or more.

Financing and other financing are classified as impaired when they fulfill any of the following criteria:

i) the principal or profit or both is past due more than 90 days or 3 months from the first day of default; or
ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the customer is 'unlikely to meet' its credit obligations.

*Distribution of financing and other financing by credit quality*

| | 12 - Month ECL Stage 1 RM'000 | Lifetime ECL not credit impaired Stage 2 RM'000 | Lifetime ECL credit impaired Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | |
| **2024** | | | | |
| Neither past due nor impaired | 29,558,992 | 931,454 | - | 30,490,446 |
| Past due but not impaired | 1,607,825 | 1,001,343 | - | 2,609,168 |
| Impaired | - | - | 305,850 | 305,850 |
| Gross financing and other financing | 31,166,817 | 1,932,797 | 305,850 | 33,405,464 |
| Less : Expected credit losses | (64,380) | (216,903) | (114,295) | (395,578) |
| Net financing and other financing | 31,102,437 | 1,715,894 | 191,555 | 33,009,886 |

| | 12 - Month ECL Stage 1 RM'000 | Lifetime ECL not credit impaired Stage 2 RM'000 | Lifetime ECL credit impaired Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| Economic Entity and The Bank | | | | |
| 2023 | | | | |
| Neither past due nor impaired | 25,073,181 | 1,242,956 | - | 26,316,137 |
| Past due but not impaired | 1,421,348 | 1,231,682 | - | 2,653,030 |
| Impaired | - | - | 220,978 | 220,978 |
| Gross financing and other financing | 26,494,529 | 2,474,638 | 220,978 | 29,190,145 |
| Less : Expected credit losses | (52,663) | (294,440) | (82,275) | (429,378) |
| Net financing and other financing | 26,441,866 | 2,180,198 | 138,703 | 28,760,767 |

**42 FINANCIAL RISK MANAGEMENT (continued)**

**(i) Credit risk (continued)**

**Total financing and other financing - credit quality (continued)**

*Distribution of financing and other financing by credit quality (continued)*

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

| | **12 - Month ECL Stage 1 RM'000** | **Lifetime ECL not credit impaired Stage 2 RM'000** | **Lifetime ECL credit impaired Stage 3 RM'000** | **Total RM'000** |
|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | |
| **2024** | | | | |
| **Credit grade** | | | | |
| Satisfactory | 4,830,502 | 689,345 | - | 5,519,847 |
| Special mention | 2,648,637 | 196,132 | - | 2,844,769 |
| Default/impaired | - | - | 305,850 | 305,850 |
| Unrated | 23,687,678 | 1,047,320 | - | 24,734,998 |
| Gross financing and other financing | 31,166,817 | 1,932,797 | 305,850 | 33,405,464 |
| Less : Expected credit losses | (64,380) | (216,903) | (114,295) | (395,578) |
| Net financing and other financing | 31,102,437 | 1,715,894 | 191,555 | 33,009,886 |

| | 12 - Month ECL Stage 1 RM'000 | Lifetime ECL not credit impaired Stage 2 RM'000 | Lifetime ECL credit impaired Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| Economic Entity and The Bank | | | | |
| 2023 | | | | |
| Credit grade | | | | |
| Satisfactory | 5,993,518 | 1,067,615 | - | 7,061,133 |
| Special mention | 888,333 | 83,181 | - | 971,514 |
| Default/impaired | - | - | 220,978 | 220,978 |
| Unrated | 19,612,678 | 1,323,842 | - | 20,936,520 |
| Gross financing and other financing | 26,494,529 | 2,474,638 | 220,978 | 29,190,145 |
| Less : Expected credit losses | (52,663) | (294,440) | (82,275) | (429,378) |
| Net financing and other financing | 26,441,866 | 2,180,198 | 138,703 | 28,760,767 |

Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

Special mention: Exposures require varying degrees of special attention and default risk is of greater concern which are under the monitoring of Group Early Alert Committee ('GEAC').

**Deposits and short-term funds, corporate sukuk and treasury bills - credit quality**

Most listed and some unlisted securities are rated by external rating agencies. The Bank mainly uses external credit ratings provided by recognised External Credit Assessment Institutions ('ECAIs').

**42 FINANCIAL RISK MANAGEMENT (continued)**

**(i) Credit risk (continued)**

**Deposits and short-term funds, corporate sukuk and treasury bills - credit quality (continued)**

The table below presents the deposits and short-term funds, corporate sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating:

| | 12 - Month ECL Stage 1 RM'000 | Lifetime ECL not credit impaired Stage 2 RM'000 | Lifetime ECL credit impaired Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | |
| **2024** | | | | |
| **Short-term funds, deposits and placements with banks and other financial institutions** | | | | |
| Sovereigns | 2,340,662 | - | - | 2,340,662 |
| AAA | - | - | - | - |
| AA- to AA+ | 90,413 | - | - | 90,413 |
| A- to A+ | 11,307 | - | - | 11,307 |
| Expected credit losses ('ECL') | - | - | - | - |
| | 2,442,382 | - | - | 2,442,382 |
| **Financial investments at FVOCI** | | | | |
| Sovereigns | 1,635,003 | - | - | 1,635,003 |
| AAA | 755,915 | - | - | 755,915 |
| AA- to AA+ | 1,057,489 | - | - | 1,057,489 |
| A- to A+ | 189,523 | - | - | 189,523 |
| Lower than A- | 302,292 | - | - | 302,292 |
| | 3,940,222 | - | - | 3,940,222 |
| Expected credit losses ('ECL') | (429) | - | - | (429) |
| **Financial investments at AC** | | | | |
| Sovereigns | 3,667,015 | - | - | 3,667,015 |
| AAA | 161,342 | - | - | 161,342 |
| AA- to AA+ | 243,001 | 25,196 | - | 268,197 |
| A- to A+ | 20,243 | - | - | 20,243 |
| Unrated | 482,123 | - | - | 482,123 |
| Expected credit losses ('ECL') | (3,645) | (1) | - | (3,646) |
| | 4,570,079 | 25,195 | - | 4,595,274 |
| **Amount due from holding company** | | | | |
| AA- to AA+ | - | - | - | - |
| **Amount due from joint ventures** | | | | |
| Unrated | - | 47,254 | - | 47,254 |
| Expected credit losses ('ECL') | - | (42,615) | - | (42,615) |
| | - | 4,639 | - | 4,639 |

**42 FINANCIAL RISK MANAGEMENT (continued)**

**(i) Credit risk (continued)**

**Deposits and short-term funds, corporate sukuk and treasury bills - credit quality (continued)**

The table below presents the deposits and short-term funds, corporate sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):

| | 12 - Month ECL Stage 1 RM'000 | Lifetime ECL not credit impaired Stage 2 RM'000 | Lifetime ECL credit impaired Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| Economic Entity and The Bank | | | | |
| 2023 | | | | |
| Short-term funds, deposits and placements with banks and other financial institutions | | | | |
| Sovereigns | 2,460,596 | - | - | 2,460,596 |
| AAA | 500,621 | - | - | 500,621 |
| AA- to AA+ | 427,758 | - | - | 427,758 |
| A- to A+ | 173,314 | - | - | 173,314 |
| Expected credit losses ('ECL') | (6) | - | - | (6) |
| | 3,562,283 | - | - | 3,562,283 |
| Financial investments at FVOCI | | | | |
| Sovereigns | 758,120 | - | - | 758,120 |
| AAA | 477,818 | - | - | 477,818 |
| AA- to AA+ | 278,550 | - | - | 278,550 |
| A- to A+ | 50,675 | - | - | 50,675 |
| Lower than A- | 109,119 | - | - | 109,119 |
| | 1,674,282 | - | - | 1,674,282 |
| Expected credit losses ('ECL') | (42) | - | - | (42) |
| Financial investments at AC | | | | |
| Sovereigns | 3,789,188 | - | - | 3,789,188 |
| AAA | 212,159 | - | - | 212,159 |
| AA- to AA+ | 263,363 | 25,202 | - | 288,565 |
| A- to A+ | 20,246 | - | - | 20,246 |
| Unrated | 264,109 | - | - | 264,109 |
| Expected credit losses ('ECL') | (6,252) | (5) | - | (6,257) |
| | 4,542,813 | 25,197 | - | 4,568,010 |
| Amount due from holding company | | | | |
| AA- to AA+ | 288,431 | - | - | 288,431 |
| Amount due from joint ventures | | | | |
| Unrated | - | 52,499 | - | 52,499 |
| Expected credit losses ('ECL') | - | (52,467) | - | (52,467) |
| | - | 32 | - | 32 |

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (i) Credit risk (continued)

**Other financial assets - credit quality**

Other financial assets of the Bank is neither past due nor impaired and impaired are summarised as below:

Simplified approach

| | Current RM'000 | Current to less than 90 days past due RM'000 | More than 90 days past due RM'000 | Total RM'000 | Provision for credit loss RM'000 |
|---|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | | |
| **2024** | | | | | |
| Other assets | **171,254** | **-** | **-** | **171,254** | **-** |
| Economic Entity and The Bank | | | | | |
| 2023 | | | | | |
| Other assets | 409,170 | - | - | 409,170 | - |

Other financial assets that are past due but not impaired or impaired are not significant.

The following table contains an analysis of the credit risk exposure of financing commitments and financial kafalah for which an ECL is recognised.

| | 12 - Month ECL Stage 1 RM'000 | Lifetime ECL not credit impaired Stage 2 RM'000 | Lifetime ECL credit impaired Stage 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | |
| **2024** | | | | |
| **Financing commitments and financial kafalah** | | | | |
| Satisfactory | **9,405,676** | **228,416** | **-** | **9,634,092** |
| Special mention | **-** | **4,606** | **-** | **4,606** |
| Default/Impaired | **-** | **-** | **7,363** | **7,363** |
| | **9,405,676** | **233,022** | **7,363** | **9,646,061** |
| **Expected credit losses** | **2,726** | **1,269** | **1,090** | **5,085** |
| Economic Entity and The Bank | | | | |
| 2023 | | | | |
| Financing commitments and financial kafalah | | | | |
| Satisfactory | 8,940,081 | 221,574 | - | 9,161,655 |
| Special mention | - | 6,318 | - | 6,318 |
| Default/Impaired | - | - | 5,778 | 5,778 |
| | 8,940,081 | 227,892 | 5,778 | 9,173,751 |
| Expected credit losses | 4,357 | 1,787 | 843 | 6,987 |

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Market risk

Market risk is defined as changes in the market value of financial instrument position arising from movements in market factors such as profit rate, foreign exchange rates and implied volatility rates. The Bank's exposure to market risk results largely from profit rate and foreign exchange rate risks.

Market risk may arise from proprietary trading position and investment activities (including those for liquidity requirement purposes) in the Trading and Investment Book respectively.

The Market Risk Management Framework governs the market risk activities of the Bank which is supported by a set of approved market risk management policies, guidelines and procedures.

Risk control parameters are established based on risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These parameters are reviewed at least annually.

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss, Value-at-Risk ('VaR') and sensitivity limits.

Periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

Risk Management Policies and Procedures

**Value-at-Risk ('VaR')**

VaR estimates the potential loss of a Trading portfolio from adverse market price movements which may occur over a specified holding period of the Trading portfolio.

It measures the risk of losses arising from potential adverse movements in profit rates, implied volatility rates and foreign exchange rates that could affect values of financial instruments.

Backtesting of the VaR results is conducted to validate and reassess the accuracy of the risk measurement systems.

**Other Risk measures**

(i) Mark-to-market valuation tracks the current market value of the outstanding financial instruments.
(ii) Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in values arising from extreme movements in profit rates and foreign exchange rates based on Marco-economic Variables ('MEV') provided by in-house research team.

**42 FINANCIAL RISK MANAGEMENT (continued)**

**(ii) Market risk (continued)**

**Profit rate sensitivity analysis**

The table below shows the interest/profit sensitivity for the financial assets and financial liabilities held as at reporting date.

Impact on profit after tax is measured using Repricing Gap Simulation methodology based on 100 basis point parallel shifts in profit rate.

Impact on equity represents the changes in fair value of fixed income instruments held in financial investments at FVOCI portfolio arising from the shifts in profit rate.

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **+100 basis point RM million** | **-100 basis point RM million** | +100 basis point RM million | -100 basis point RM million |
| **Economic Entity and The Bank** | | | | |
| Impact on profit after taxation | **53.0** | **(53.0)** | 43.8 | (43.8) |

**Foreign exchange risk sensitivity analysis**

The following table sets out the analysis of the exposure to assess the impact of a 1% change in exchange rate to the profit after taxation.

| | **Economic Entity and The Bank** | |
|---|---|---|
| | **2024 RM'000** | 2023 RM'000 |
| +1% | | |
| Euro | **(645)** | 140 |
| United States Dollar | **573** | (1,012) |
| Great Britain Pound | **4** | 21 |
| Australian Dollar | **4** | 2,078 |
| Japanese Yen | **3** | 8 |
| Others | **7** | 13 |
| | **(54)** | 1,248 |
| -1% | | |
| Euro | **645** | (140) |
| United States Dollar | **(573)** | 1,012 |
| Great Britain Pound | **(4)** | (21) |
| Australian Dollar | **(4)** | (2,078) |
| Japanese Yen | **(3)** | (8) |
| Others | **(7)** | (13) |
| | **54** | (1,248) |

**Foreign exchange risk**

The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The risk of fluctuations in foreign currency exchange rates is managed via setting of thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

# Affin Islamic Bank Berhad
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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

#### (ii) Market risk (continued)

**Foreign exchange risk (continued)**

The following table summarises the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

| Economic Entity and The Bank 2024 | Euro RM'000 | United States Dollar RM'000 | Great Britain Pound RM'000 | Australian Dollar RM'000 | Japanese Yen RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 4,442 | 92,778 | 754 | 1,897 | 402 | 1,071 | 101,344 |
| Financial assets at FVTPL | - | 13,423 | - | - | - | - | 13,423 |
| Derivative financial instruments | 20 | 10,011 | - | 140 | 2 | - | 10,173 |
| Financial investments at FVOCI | - | 781,198 | - | - | - | - | 781,198 |
| Financing and other financing | - | 233,596 | - | - | - | - | 233,596 |
| **Total financial assets** | 4,462 | 1,131,006 | 754 | 2,037 | 404 | 1,071 | 1,139,734 |
| **Liabilities** | | | | | | | |
| Deposits from customers | 87,923 | 525,800 | 194 | 1,326 | 32 | 160 | 615,435 |
| Deposits and placements of banks and other financial institutions | - | 495,511 | - | - | - | - | 495,511 |
| Investment accounts due to designated financial institutions | - | 25,241 | - | - | - | - | 25,241 |
| Derivative financial instruments | 1,346 | 8,874 | - | 156 | - | 8 | 10,384 |
| Other liabilities | - | 205 | - | - | - | - | 205 |
| **Total financial liabilities** | 89,269 | 1,055,631 | 194 | 1,482 | 32 | 168 | 1,146,776 |
| Net on-balance sheet financial position | (84,807) | 75,375 | 560 | 555 | 372 | 903 | (7,042) |
| Off balance sheet commitments | 193,666 | 4,477,440 | - | 11,327 | 1,542 | 47,956 | 4,731,931 |

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Market risk (continued)

**Foreign exchange risk (continued)**

The following table summarises the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (continued).

| Economic Entity and The Bank 2023 | Euro RM'000 | United States Dollar RM'000 | Great Britain Pound RM'000 | Australian Dollar RM'000 | Japanese Yen RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| Cash and short-term funds | 18,544 | 24,500 | 2,903 | 1,552 | 1,204 | 2,017 | 50,720 |
| Derivative financial instruments | 1,921 | 6,325 | - | 272,170 | - | - | 280,416 |
| Financial investments at FVOCI | - | 159,795 | - | - | - | - | 159,795 |
| Financing and other financing | 2,758 | 81,018 | - | - | - | - | 83,776 |
| Total financial assets | 23,223 | 271,638 | 2,903 | 273,722 | 1,204 | 2,017 | 574,707 |
| Liabilities | | | | | | | |
| Deposits from customers | 4,756 | 51,471 | 125 | 330 | 106 | 368 | 57,156 |
| Deposits and placements of banks and other financial institutions | - | 269,591 | - | - | - | - | 269,591 |
| Investment accounts due to designated financial institutions | - | 66,749 | - | - | - | - | 66,749 |
| Derivative financial instruments | 21 | 16,894 | - | 4 | - | 1 | 16,920 |
| Other liabilities | - | 107 | - | - | - | - | 107 |
| Total financial liabilities | 4,777 | 404,812 | 125 | 334 | 106 | 369 | 410,523 |
| Net on-balance sheet financial position | 18,446 | (133,174) | 2,778 | 273,388 | 1,098 | 1,648 | 164,184 |
| Off balance sheet commitments | 166,059 | 5,515,377 | - | 9,819 | - | 88,677 | 5,779,932 |

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Market risk (continued)

**Profit rate risk**

Profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of profit rate risk management is to achieve a stable and sustainable net profit income from the following perspectives:

1. Next 12 months Earnings - Profit rate risk from the earnings perspective is the impact based on changes to the net profit income over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in profit rates across the yield curve.

2. Economic Value - Measuring the change in the EVE is an assessment of the long-term impact to the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in profit rates.

Profit rate risk thresholds are established in line with the Bank's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

**(ii) Market risk (continued)**

**Profit rate risk (continued)**

The following table represents the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date.

| Economic Entity and The Bank 2024 | Non-trading book: Up to 1 month RM'000 | Non-trading book: >1-3 months RM'000 | Non-trading book: >3-12 months RM'000 | Non-trading book: >1-5 years RM'000 | Non-trading book: Over 5 years RM'000 | Non-trading book: Non-profit sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and short-term funds | 2,050,545 | - | - | - | - | 391,837 | - | 2,442,382 |
| Deposits and placements with banks and other financial institutions | - | - | - | - | - | - | - | - |
| Financial assets at FVTPL | - | - | - | - | - | - | 451,582 | 451,582 |
| Derivative financial instruments | - | - | - | - | - | - | 25,387 | 25,387 |
| Financial investments at FVOCI | - | - | - | - | - | 3,940,222 | - | 3,940,222 |
| Financial investments at AC | - | 40,001 | 180,091 | 2,625,899 | 1,714,303 | 34,667 | - | 4,594,961 |
| Financing and other financing | | | | | | | | |
| - non-impaired | 24,017,332 | 958,224 | 564,330 | 1,929,807 | 5,629,921 | (281,283) ^ | - | 32,818,331 |
| - impaired | - | - | - | - | - | 191,555 # | - | 191,555 |
| Others [(1)] | - | - | - | - | - | 171,254 | - | 171,254 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 539,000 | - | 539,000 |
| **Total assets** | 26,067,877 | 998,225 | 744,421 | 4,555,706 | 7,344,224 | 4,987,252 | 476,969 | 45,174,674 |

^ The negative balance represents ECL for financing and other financing in accordance with the Bank's accounting policy on allowance for unimpaired financing and other financing.
# Net of individual impairment allowance.
(1) Others include other assets and amount due from holding company and joint ventures.

# Affin Islamic Bank Berhad
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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

**(ii) Market risk (continued)**

**Profit rate risk (continued)**

The following table represents the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date (continued).

| | Non-trading book | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Economic Entity and The Bank 2024** | **Up to 1 month RM'000** | **> 1-3 months RM'000** | **>3-12 months RM'000** | **>1-5 years RM'000** | **Over 5 years RM'000** | **Non-profit sensitive RM'000** | **Trading book RM'000** | **Total RM'000** |
| **Liabilities** | | | | | | | | |
| Deposits from customers | 13,803,454 | 5,092,591 | 9,612,056 | 14,889 | - | 239,872 | - | 28,762,862 |
| Investment accounts of customers | 375 | 750,451 | 2,106 | - | - | 4,668 | - | 757,600 |
| Deposits and placements of banks and other financial institutions | 1,919,128 | 1,032,417 | 1,176,717 | - | - | 36,512 | - | 4,164,774 |
| Investment accounts due to designated financial institutions | 347,678 | - | 702,061 | 711,389 | 1,501,172 | - | - | 3,262,300 |
| Recourse obligation on financing sold to Cagamas Berhad | - | 300,002 | - | 1,801,017 | - | 24,412 | - | 2,125,431 |
| Derivative financial instruments | - | - | - | - | - | - | 21,357 | 21,357 |
| Others liabilities [2] | - | - | - | - | - | 796,012 | - | 796,012 |
| Lease liabilities | 18 | - | - | 144 | - | - | - | 162 |
| Subordinated and Senior Sukuk | - | 4,907 | 230,000 | 1,620,000 | 500,000 | 13,884 | - | 2,368,791 |
| **Total liabilities** | 16,070,653 | 7,180,368 | 11,722,940 | 4,147,439 | 2,001,172 | 1,115,360 | 21,357 | 42,259,289 |
| **Net profit sensitivity gap** | 9,997,224 | (6,182,143) | (10,978,519) | 408,267 | 5,343,052 | | | |

[2] Others include other liabilities and amount due from holding company and joint ventures.

# Affin Islamic Bank Berhad
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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

#### (ii) Market risk (continued)

**Profit rate risk (continued)**

The following table represents the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date (continued).

| | Non-trading book | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Economic Entity and The Bank 2023 | Up to 1 month RM'000 | > 1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | Non-profit sensitive RM'000 | Trading book RM'000 | Total RM'000 |
| Assets | | | | | | | | |
| Cash and short-term funds | 3,111,037 | - | - | - | - | 50,720 | - | 3,161,757 |
| Deposits and placements with banks and other financial institutions | - | 200,000 | 200,000 | - | - | 526 | - | 400,526 |
| Derivative financial instruments | - | - | - | - | - | - | 18,907 | 18,907 |
| Financial investments at FVOCI | - | - | - | - | - | 1,674,282 | - | 1,674,282 |
| Financial investments at AC | - | 15,050 | 124,467 | 2,178,825 | 2,216,652 | 33,016 | - | 4,568,010 |
| Financing and other financing | | | | | | | | |
| - non-impaired | 20,526,712 | 1,751,627 | 43,961 | 2,187,283 | 4,459,584 | (347,103) ^ | - | 28,622,064 |
| - impaired | - | - | - | - | - | 138,703 # | - | 138,703 |
| Others [(1)] | - | - | - | - | - | 409,170 | - | 409,170 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 485,000 | - | 485,000 |
| Total assets | 23,637,749 | 1,966,677 | 368,428 | 4,366,108 | 6,676,236 | 2,444,314 | 18,907 | 39,478,419 |

^ The negative balance represents ECL for financing and other financing in accordance with the Bank's accounting policy on allowance for unimpaired financing and other financing

\# Net of individual impairment allowance.

[(1)] Others include other assets and amount due from holding company and joint ventures.

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## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

**(ii) Market risk (continued)**

**Profit rate risk (continued)**

The following table represents the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date (continued).

| | Non-trading book | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Economic Entity and The Bank 2023 | Up to 1 month RM'000 | > 1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | Non-profit sensitive RM'000 | Trading book RM'000 | Total RM'000 |
| Liabilities | | | | | | | | |
| Deposits from customers | 12,406,612 | 4,181,012 | 8,472,251 | 70,485 | 24,807 | 205,380 | - | 25,360,547 |
| Investment accounts of customers | 345 | - | - | 12 | - | 2 | - | 359 |
| Deposits and placements of banks and other financial institutions | 1,946,061 | 1,298,995 | 916,443 | - | - | 10,680 | - | 4,172,179 |
| Investment accounts due to designated financial institutions | 528,532 | 34,871 | 94,935 | 1,971,326 | 949,909 | 5 | - | 3,579,578 |
| Recourse obligation on financing sold to Cagamas Berhad | - | - | - | 1,103,245 | - | 11,796 | - | 1,115,041 |
| Derivative financial instruments | - | - | - | - | - | - | 23,539 | 23,539 |
| Other liabilities | - | - | - | - | - | 314,086 | - | 314,086 |
| Lease liabilities | - | - | 18 | 253 | - | - | - | 271 |
| Subordinated and Senior Sukuk | - | - | - | 2,350,000 | - | 13,770 | - | 2,363,770 |
| Total liabilities | 14,881,550 | 5,514,878 | 9,483,647 | 5,495,321 | 974,716 | 555,719 | 23,539 | 36,929,370 |
| Net profit sensitivity gap | 8,756,199 | (3,548,201) | (9,115,219) | (1,129,213) | 5,701,520 | | | |

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (iii) Liquidity risk

Liquidity risk is the risk of inability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Liquidity Risk Management Framework governs the liquidity risk management activities of the Bank. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Bank's liquidity management process involves establishing liquidity risk management policies and prudential thresholds, liquidity risk threshold monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions and regulatory landscape.

The Bank's short term liquidity risk management is premised on BNM's Liquidity Coverage Ratio ('LCR') standards. The LCR is a quantitative requirement which seeks to ensure that the Bank holds sufficient high-quality liquid assets ('HQLA') to withstand a significant liquidity stress scenario over a 30-day horizon.

Long term liquidity risk profile is assessed via the Net Stable Funding Ratio ('NSFR') which promotes resilience over a longer time horizon for the Bank to fund its activities with more stable sources of funding on an ongoing basis.

The Bank also employs a set of liquidity risk indicators as an early alert of any structural change for liquidity risk management. The liquidity risk indicators include internal and external qualitative as well as quantitative indicators.

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the Bank's resilience in the event of a liquidity disruption.

The Contingency Funding Plan provides a systematic approach in handling liquidity disruption. The document encompasses strategies, decision-making authorities, and courses of action to be taken in the event of liquidity crisis and emergencies, enabling the Bank to respond to an unexpected liquidity disruption in an effective and efficient manner.

The Group Board Risk Management Committee ('GBRMC') is responsible for the Bank's liquidity policy and the strategic management of liquidity has been delegated to the Group Asset Liability Management Committee ('GALCO').The GBRMC is informed regularly on the liquidity position of the Bank.

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (iii) Liquidity risk (continued)

**Liquidity risk disclosure table which is based on contractual undiscounted cash flow**

The table below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments.

| | **Up to 1 month RM'000** | **> 1-3 months RM'000** | **>3-12 months RM'000** | **>1-5 years RM'000** | **Over 5 years RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | | | |
| **2024** | | | | | | |
| Deposits from customers | **13,840,162** | **5,205,282** | **9,950,503** | **15,284** | - | **29,011,231** |
| Invesment accounts of customers | **376** | **760,528** | **2,177** | - | - | **763,081** |
| Deposits and placements of banks and other financial institutions | **1,942,654** | **1,046,920** | **1,209,796** | - | - | **4,199,370** |
| Investment accounts due to designated financial institutions | **349,029** | - | **718,139** | **840,341** | **2,268,775** | **4,176,284** |
| Recourse obligation on financing sold to Cagamas Berhad | - | **330,860** | **45,338** | **1,891,064** | - | **2,267,262** |
| Other liabilities | - | - | **223,487** | **21,376** | **5,085** | **249,948** |
| Amount due to holding company | **546,064** | - | - | - | - | **546,064** |
| Lease liabilities | **9** | **19** | **74** | **42** | - | **144** |
| Subordinated and Senior Sukuk | - | **5,000** | **108,280** | **2,636,631** | - | **2,749,911** |
| | **16,678,294** | **7,348,609** | **12,257,794** | **5,404,738** | **2,273,860** | **43,963,295** |

| | Up to 1 month RM'000 | > 1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| Economic Entity and The Bank | | | | | | |
| 2023 | | | | | | |
| Deposits from customers | 12,437,247 | 4,280,321 | 8,780,820 | 74,280 | 27,727 | 25,600,395 |
| Invesment accounts of customers | - | - | 355 | 14 | - | 369 |
| Deposits and placements of banks and other financial institutions | 1,949,570 | 1,310,488 | 931,435 | - | - | 4,191,493 |
| Investment accounts due to designated financial institutions | 528,532 | 34,871 | 94,981 | 1,971,326 | 949,909 | 3,579,619 |
| Recourse obligation on financing sold to Cagamas Berhad | - | 12,222 | 32,724 | 1,155,424 | - | 1,200,370 |
| Other liabilities | - | - | 290,297 | 16,802 | 6,987 | 314,086 |
| Lease liabilities | 28 | 19 | 84 | 155 | - | 286 |
| Subordinated and Senior Sukuk | - | - | 87,584 | 2,697,900 | - | 2,785,484 |
| | 14,915,377 | 5,637,921 | 10,218,280 | 5,915,901 | 984,623 | 37,672,102 |

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (iii) Liquidity risk (continued)

**Derivative financial instruments**

Derivative financial instruments (liabilities) based on contractual undiscounted cash flow:

| | **Up to 1 month RM'000** | **> 1-3 months RM'000** | **>3-12 months RM'000** | **>1-5 years RM'000** | **Over 5 years RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | | | |
| **2024** | | | | | | |
| **Derivatives settled on gross basis** | | | | | | |
| Foreign exchange derivatives: | | | | | | |
| Outflow | **(174,995)** | **(107,175)** | **(33,481)** | **-** | **-** | **(315,651)** |
| Inflow | **171,602** | **106,584** | **33,244** | **-** | **-** | **311,430** |
| | **(3,393)** | **(591)** | **(237)** | **-** | **-** | **(4,221)** |

| | Up to 1 month RM'000 | > 1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| Economic Entity and The Bank | | | | | | |
| 2023 | | | | | | |
| Derivatives settled on gross basis | | | | | | |
| Foreign exchange derivatives: | | | | | | |
| Outflow | (104,006) | (340,066) | (91,982) | - | - | (536,054) |
| Inflow | 102,257 | 335,498 | 90,209 | - | - | 527,964 |
| | (1,749) | (4,568) | (1,773) | - | - | (8,090) |

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

**(iii) Liquidity risk (continued)**

**Liquidity risk for assets and liabilities based on remaining contractual maturities**

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining

| Economic Entity and The Bank 2024 | Up to 1 month RM'000 | >1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 2,442,382 | - | - | - | - | - | 2,442,382 |
| Deposits and placements with banks and other financial institutions | - | - | - | - | - | - | - |
| Financial assets at FVTPL | 8,985 | - | 4,950 | 239,297 | 198,350 | - | 451,582 |
| Derivative financial instruments | 11,938 | 898 | 367 | 10,758 | 1,426 | - | 25,387 |
| Financial investments at FVOCI | - | - | - | - | - | 3,940,222 | 3,940,222 |
| Financial investments at AC | - | 40,547 | 181,117 | 2,649,043 | 1,724,254 | - | 4,594,961 |
| Financing and other financing | 1,198,137 | 993,391 | 1,031,514 | 3,274,300 | 26,512,544 | - | 33,009,886 |
| Other assets | 95,535 | - | 70,669 | 384 | 27 | - | 166,615 |
| Amount due from joint ventures | 4,639 | - | - | - | - | - | 4,639 |
| Amount due from associate | - | - | - | - | - | - | - |
| Statutory deposits with Bank Negara Malaysia | 539,000 | - | - | - | - | - | 539,000 |
| Other non-financial assets [1] | 39,640 | - | - | - | - | 19,020 | 58,660 |
| | 4,340,256 | 1,034,836 | 1,288,617 | 6,173,782 | 28,436,601 | 3,959,242 | 45,233,334 |

[1] Other non-financial assets include deferred tax assets, tax recoverable, property and equipment, intangible assets, right-of-use assets, prepayments and foreclosed p

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

**(iii) Liquidity risk (continued)**

**Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)**

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining

| Economic Entity and The Bank 2024 | Up to 1 month RM'000 | >1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| Deposits from customers | 13,833,979 | 5,170,582 | 9,743,353 | 14,948 | - | - | 28,762,862 |
| Investment accounts of customers | 375 | 755,114 | 2,111 | - | - | - | 757,600 |
| Deposits and placements of banks and other financial institutions | 1,940,355 | 1,041,299 | 1,183,120 | - | - | - | 4,164,774 |
| Investment accounts due to designated financial institutions | 347,678 | - | 702,061 | 711,389 | 1,501,172 | - | 3,262,300 |
| Recourse obligation on financing sold to Cagamas Berhad | - | 320,204 | 4,208 | 1,801,019 | - | - | 2,125,431 |
| Derivative financial instruments | 8,446 | 886 | 588 | 10,168 | 1,269 | - | 21,357 |
| Other liabilities | - | - | 223,487 | 21,376 | 5,085 | - | 249,948 |
| Lease liabilities | 18 | - | - | 144 | - | - | 162 |
| Amount due to holding company | 546,064 | - | - | - | - | - | 546,064 |
| Subordinated and Senior Sukuk | - | 4,956 | 243,835 | 1,620,000 | 500,000 | - | 2,368,791 |
| Other non-financial liabilities [2] | 6,676 | - | - | - | - | - | 6,676 |
| | 16,683,591 | 7,293,041 | 12,102,763 | 4,179,044 | 2,007,526 | - | 42,265,965 |
| **Net liquidity gap** | (12,343,335) | (6,258,205) | (10,814,146) | 1,994,738 | 26,429,075 | 3,959,242 | |

[2] Other non-financial liabilities include defined contribution plan and accrued employee benefits.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

**(iii) Liquidity risk (continued)**

**Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)**

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining

| Economic Entity and The Bank 2023 | Up to 1 month RM'000 | >1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| Cash and short-term funds | 3,161,757 | - | - | - | - | - | 3,161,757 |
| Deposits and placements with banks and other financial institutions | - | 200,123 | 200,403 | - | - | - | 400,526 |
| Derivative financial instruments | 6,184 | 2,975 | 1,959 | 6,164 | 1,625 | - | 18,907 |
| Financial investments at FVOCI | - | - | - | - | - | 1,674,282 | 1,674,282 |
| Financial investments at AC | - | 15,241 | 124,362 | 2,194,760 | 2,233,647 | - | 4,568,010 |
| Financing and other financing | 1,121,192 | 789,787 | 440,005 | 3,501,925 | 22,907,858 | - | 28,760,767 |
| Other assets | 81,730 | - | 38,566 | 384 | 27 | - | 120,707 |
| Amount due from holding company | 288,431 | - | - | - | - | - | 288,431 |
| Amount due from joint ventures | 32 | - | - | - | - | - | 32 |
| Statutory deposits with Bank Negara Malaysia | 485,000 | - | - | - | - | - | 485,000 |
| Other non-financial assets [1] | 39,040 | - | 1,424 | - | - | 59,044 | 99,508 |
| | 5,183,366 | 1,008,126 | 806,719 | 5,703,233 | 25,143,157 | 1,733,326 | 39,577,927 |

[1] Other non-financial assets include deferred tax assets, property and equipment, intangible assets, right-of-use assets, prepayments and foreclosed properties.

# Affin Islamic Bank Berhad
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS
**for the financial year ended 31 December 2024 (continued)**

### 42 FINANCIAL RISK MANAGEMENT (continued)

**(iii) Liquidity risk (continued)**

**Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)**

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining

| Economic Entity and The Bank 2023 | Up to 1 month RM'000 | >1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Liabilities | | | | | | | |
| Deposits from customers | 12,429,275 | 4,250,929 | 8,584,051 | 71,484 | 24,808 | - | 25,360,547 |
| Investment accounts of customers | 346 | - | - | 13 | - | - | 359 |
| Deposits and placements of banks and other financial institutions | 1,948,387 | 1,305,546 | 918,246 | - | - | - | 4,172,179 |
| Investment accounts due to designated financial institutions | 528,532 | 34,871 | 94,940 | 1,971,326 | 949,909 | - | 3,579,578 |
| Recourse obligation on financing sold to Cagamas Berhad | - | 7,469 | 4,327 | 1,103,245 | - | - | 1,115,041 |
| Derivative financial instruments | 9,878 | 4,780 | 1,737 | 5,844 | 1,300 | - | 23,539 |
| Other liabilities | - | - | 290,297 | 16,802 | 6,987 | - | 314,086 |
| Lease liabilities | - | - | 18 | 253 | - | - | 271 |
| Subordinated and Senior Sukuk | - | - | 13,770 | 1,850,000 | 500,000 | - | 2,363,770 |
| Other non-financial liabilities [2] | 5,102 | - | - | - | - | - | 5,102 |
| | 14,921,520 | 5,603,595 | 9,907,386 | 5,018,967 | 1,483,004 | - | 36,934,472 |
| Net liquidity gap | (9,738,154) | (4,595,469) | (9,100,667) | 684,266 | 23,660,153 | 1,733,326 | |

[2] Other non-financial liabilities include provision for taxation, defined contribution plan and accrued employee benefits.

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (iv) Operational risk management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems, or from external events. The definition includes legal risk, but excludes strategic, business, and reputational risks.

The management of operational risk is governed by the Group Operational Risk Management Policy, with ancillary aspects of reputational and outsourcing risks under the purview of the Reputational Risk Policy and the Outsourcing Policy, respectively. Any material changes to the policies require endorsement from the Group Board Risk Management Committee ('GBRMC') before seeking approval from the Board. The Group Management Committee – Governance, Risk and Compliance ('GMC-GRC') which is responsible for reviewing and monitoring operational risk and supporting the GBRMC, provides a forum to discuss and manage all aspects of operational risk, amongst other risk types.

The Bank employs the Three Lines of Defence model to clearly delineate key roles and responsibilities in managing operational risk. Group Operational Risk Management, a function within Group Risk Management, operates independently as the 2nd Line of Defence. In the 1st Line of Defence, Business Risk and Compliance Managers are designated as champions for their respective divisions. They act as liaisons with the 2nd Line of Defence to oversee and report their respective operational risk via the following tools:

- Risk Control Self Assessment
- Operational Risk Event Reporting
- Control Self Testing
- Key Risk Indicator
- Operational Risk Scenario Analysis
- Outsourcing Assessment
- Process Risk Control Assessment

### (v) Technology Risk

Technology risk refers to any risk emanating from technology failures and cyber threats that may disrupt the Bank's business such as failures of information technology ('IT') systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external network or Internet, which could result in financial loss, financial services disruption or the operations of the Bank. Failures or errors in any of the elements above could also lead to adverse reputational impact to the Bank.

The technology risk management function within GRM manages the risks associated with technology risk of the Bank. The Group Board IT and Transformation Committee ('GBITC') supports GBRMC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. GBRMC is responsible to provide oversight of overall technology related matters of the Bank.

The Group Technology Risk Management Framework and Cyber Resilience Framework governs the management of technology risk across the Bank.

GBITC represents the Board committee to oversee and review the formulation of IT and digital strategies, costs and planning, including the financial, tactical and strategic benefits of proposed major IT and operational related initiatives.

GBITC reviews and provides input on Technology Risk Management Framework/Cyber Resilience Framework, risk appetite and KRIs to be submitted to GBRMC, for its recommendation to the Board for approval. It also oversees, guides and endorses/approves (as required) major IT initiatives, IT/Cybersecurity policies, technology architecture decisions, IT expenditure and IT priorities as well as overall IT performance for the Bank.

The Bank uses risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT system throughout its System Development Life Cycle. The output of this process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process.

Technology risk controls encompass the use of technical and non-technical methods. Technical controls are safeguards that are incorporated into computer hardware, software, or firmware (e.g. access control mechanisms, identification and authentication mechanisms, encryption methods, intrusion detection software). Non-technical controls are management and operational controls, such as security policies, operational procedures and personnel, physical, and environmental security.

Technology Risk Management reports are produced periodically for the respective stakeholders and committees.

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (vi) Shariah Non-Compliance Risk

Shariah non-compliance ('SNC') is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia ('SAC'), standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA or decisions or advice of the Shariah Committee.

BNM's policy document on Shariah governance together with the Bank's internal Shariah Governance Policy and Shariah Risk Management Policy are the main references for the Shariah risk management process within the Bank.

Affin Islamic Bank's Shariah Committee is established to provide objective and sound advice to the management to ensure that the aims and operations, business, affairs and activities are in compliance with Shariah.

Shariah Risk Management is part of an integrated risk management that systematically identify, assess, measure, monitor and report Shariah non-compliance risks in the operations, business, affairs and activities of the Bank.

SNC risk is proactively managed via the following risk tools:
1. SNC Loss Event Reporting ('LER') ensure effective and timely SNC internal reporting process;
2. Shariah Risk and Control Self-Assessment ('RCSA') assists business/support unit within the Bank to identify and assess key SNC risks and controls;
3. Shariah Key Risk Indicator ('KRI') facilitates business/support unit within the Bank to measure and monitor a residual risk from the Shariah Risk and Control Self-Assessment; and
4. Shariah Key Control Self-Asessment ('KCSA') facilitates business/support unit within the Bank to assess the effectiveness of control measures.

### (vii) Business Continuity Risk

Business continuity risk encompasses the potential loss of assets, revenue, reputation, and stakeholder confidence resulting from disruptions in business or technology operations. Mitigating this risk is essential to ensuring seamless service continuity, protecting the Bank's financial stability, and maintaining the trust and confidence of Affin's stakeholders and customers.

The Group Business Continuity Management Policy is strategically designed to govern the management of business continuity across the Bank, ensuring strict adherence to the standards set by Bank Negara Malaysia ('BNM'), PayNet, Bursa Malaysia, and the Securities Commission Malaysia. This policy underscores the Bank's commitment to resilience, regulatory compliance, and the seamless continuity of Affin banking operations.

The Group Board Risk Management Committee ('GBRMC') represents the Board committee in reviewing, monitoring, and evaluating business continuity management reports, providing vital insights. To support the GBRMC, the Group Business Continuity Management Committee ('GBCMC') offers an essential forum for in-depth review and proactive management of business continuity risks and operational risk controls, fostering a culture of resilience and accountability across Affin Group.

The Business Continuity Management ('BCM') function plays a vital role in safeguarding the Bank by overseeing the management of business continuity risks and ensuring effective crisis management. Its strategic oversight is essential in minimizing disruptions, protecting critical operations, and maintaining organizational resilience, making it a cornerstone of the Bank's commitment to operational stability and long-term success.

Annual Risk Assessment ('RA') and Business Impact Analysis ('BIA') are mandatory for all business and support units within the Bank, reflecting our unwavering commitment to proactive risk management. The outcomes of these assessments will provide a detailed risk register, compelling each unit to implement focused action plans to mitigate identified risks.

Robust policies, plan and processes are in place to support the monitoring and reporting of business continuity risks, ensuring proactive identification, assessment, and management of potential disruptions. These measures enable timely and accurate reporting, facilitating informed decision-making and continuous improvement in managing the business continuity risk.

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (viii) Profit rate benchmark reform

Profit rate benchmarks (or interbank offered rates ['IBORs']) such as London Interbank Offered Rate ('LIBOR'), Euro Interbank Offered Rate ('EURIBOR') and Kuala Lumpur Interbank Offered Rate ('KLIBOR') were used as reference rates for various financial products, for instance, financings, derivatives and Sukuk. In the light of recent scandals where IBORs are subjected to rate manipulation, new alternative reference rates ('ARR') or IBOR reforms are initiated to facilitate usage of benchmarks rates that are more transparent and based on actual transactions. They are known as Secured Overnight Financing Rate ('SOFR') in the U.S., Sterling Overnight Index Average ('SONIA') in the U.K. and Euro Short-Term Rate ('ESTR') in the Europe. The Bank has completed its IBOR migration on 30 June 2023, the last date before USD LIBOR was decommissioned. As at 31 December 2024, the Bank only has exposures to KLIBOR based financial instruments. BNM has yet to phase out the current KLIBOR to an ARR.

### (ix) Fair value financial assets and liabilities

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 measure 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 quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

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

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Bank's exposures 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 (2023: Nil).

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

**42 FINANCIAL RISK MANAGEMENT (continued)**

**(ix) Fair value financial assets and liabilities (continued)**

| **Economic Entity and The Bank** | **Level 1 RM'000** | **Level 2 RM'000** | **Level 3 RM'000** | **Total RM'000** |
|---|---|---|---|---|
| **2024** | | | | |
| **Financial Assets** | | | | |
| Financial assets at FVTPL | | | | |
| - Money market instruments | - | **392,859** | - | **392,859** |
| - Corporate Sukuk | - | **58,723** | - | **58,723** |
| | - | **451,582** | - | **451,582** |
| Derivative financial instruments | - | **25,387** | - | **25,387** |
| Financial investments at FVOCI | | | | |
| - Money market instruments | - | **1,385,717** | - | **1,385,717** |
| - Corporate Sukuk | - | **2,554,505** | - | **2,554,505** |
| | - | **3,940,222** | - | **3,940,222** |
| Total | - | **4,417,191** | - | **4,417,191** |
| **Financial Liabilities** | | | | |
| Derivative financial instruments | - | **21,357** | - | **21,357** |

| Economic Entity and The Bank | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| 2023 | | | | |
| Financial Assets | | | | |
| Derivative financial instruments | - | 18,907 | - | 18,907 |
| Financial investments at FVOCI | | | | |
| - Money market instruments | - | 893,899 | - | 893,899 |
| - Corporate Sukuk | - | 780,383 | - | 780,383 |
| | - | 1,674,282 | - | 1,674,282 |
| Total | - | 1,693,189 | - | 1,693,189 |
| Financial Liabilities | | | | |
| Derivative financial instruments | - | 23,539 | - | 23,539 |

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (ix) Fair value financial assets and liabilities (continued)

The following table summarises the carrying amounts and the fair values of financial instruments of the Bank which are not carried at fair value in the statement of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values.

| | Carrying amount RM'000 | Fair value Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | | |
| **2024** | | | | | |
| **Financial assets** | | | | | |
| Financial investments at AC | **4,594,961** | **-** | **4,468,101** | **-** | **4,468,101** |
| Financing and other financing | **33,009,886** | **-** | **33,265,626** | **-** | **33,265,626** |
| | **37,604,847** | **-** | **37,733,727** | **-** | **37,733,727** |
| **Financial liabilities** | | | | | |
| Deposits from customers | **28,762,862** | **-** | **28,797,412** | **-** | **28,797,412** |
| Investment accounts due to designated financial institutions | **3,262,300** | **-** | **3,262,300** | **-** | **3,262,300** |
| Recourse obligation on financing sold to Cagamas Berhad | **2,125,431** | **-** | **2,141,106** | **-** | **2,141,106** |
| Subordinated and Senior Sukuk | **2,368,791** | **-** | **2,395,546** | **-** | **2,395,546** |
| Deposits and placements of banks and other financial institutions | **4,164,774** | **-** | **4,153,992** | **-** | **4,153,992** |
| | **40,684,158** | **-** | **40,750,356** | **-** | **40,750,356** |

| | Carrying amount RM'000 | Fair value Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| Economic Entity and The Bank | | | | | |
| 2023 | | | | | |
| Financial assets | | | | | |
| Financial investments at AC | 4,568,010 | - | 4,419,121 | - | 4,419,121 |
| Financing and other financing | 28,760,767 | - | 28,969,494 | - | 28,969,494 |
| | 33,328,777 | - | 33,388,615 | - | 33,388,615 |
| Financial liabilities | | | | | |
| Deposits from customers | 25,360,547 | - | 25,343,168 | - | 25,343,168 |
| Deposits and placements of banks and other financial institutions | 4,172,179 | - | 4,172,150 | - | 4,172,150 |
| Investment accounts due to designated financial institutions | 3,579,578 | - | 3,585,823 | - | 3,585,823 |
| Recourse obligation on financing sold to Cagamas Berhad | 1,115,041 | - | 1,610,516 | - | 1,610,516 |
| Subordinated and Senior Sukuk | 2,363,770 | - | 2,396,418 | - | 2,396,418 |
| | 36,591,115 | - | 37,108,075 | - | 37,108,075 |

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statement of financial position as at reporting date of the Bank approximates the total carrying amount.

## 42 FINANCIAL RISK MANAGEMENT (continued)

### (ix) Fair value financial assets and liabilities (continued)

The fair value estimates were determined by application of the methodologies and assumptions described below.

**Short-term funds and placements with banks and other financial institutions**

For short-term funds and placements with banks and other financial institutions with maturity of less than six months, the carrying amount is a reasonable estimate of fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made with similar credit ratings and maturities.

**Financial investments at AC**

The fair values of financial investments at AC are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date.

**Financing and other financing**

Financing and other financing of the Bank comprise of floating rate financing and fixed rate financing. For performing floating rate financing, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate financing are arrived at using the discounted cash flows based on the prevailing market rates of financing and other financing with similar credit ratings and maturities.

The fair values of impaired financing and other financing whether fixed or floating are represented by their carrying values, net of expected credit losses, being the reasonable estimate of recoverable amount.

**Other assets and liabilities**

The carrying value less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market profit rates.

**Deposits from customers, banks and other financial institutions, financing sold to Cagamas and investment accounts**

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-profit bearing deposits, approximates carrying amount which represents the amount payable on demand.

**Subordinated and Senior Sukuk**

For fixed rate subordinated and senior sukuk, the estimate of fair value is based on discounted cash flows model using prevailing financing rates for subordinated and senior sukuk with similar risks and remaining term to maturity.

For floating rate subordinated and senior sukuk, the carrying value is generally a reasonable estimate of their fair values.

## 43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 'Financial Instruments: Presentation', the Bank reports financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All derivative financial instruments and other similar secured financing and funding agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described below.

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements and Global Master Repurchase Agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

The 'Net amount' presented below are not intended to represent the Bank's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

| | Effects of offsetting on the statements of financial position | | | Related amounts not offset in the balance sheet | | |
|---|---|---|---|---|---|---|
| | Gross amount RM'000 | Amount offset RM'000 | Net amount reported on statement of financial position RM'000 | Financial instruments RM'000 | Financial collateral RM'000 | Net amount RM'000 |
| **Economic Entity and The Bank** | | | | | | |
| **2024** | | | | | | |
| **Financial assets** | | | | | | |
| Derivative financial instruments | 25,387 | - | 25,387 | (21,315) | - | 4,072 |
| | 25,387 | - | 25,387 | (21,315) | - | 4,072 |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments | 21,357 | - | 21,357 | (21,315) | (42) | - |
| | 21,357 | - | 21,357 | (21,315) | (42) | - |
| Economic Entity and The Bank | | | | | | |
| 2023 | | | | | | |
| Financial assets | | | | | | |
| Derivative financial instruments | 18,907 | - | 18,907 | (18,645) | - | 262 |
| | 18,907 | - | 18,907 | (18,645) | - | 262 |
| Financial liabilities | | | | | | |
| Derivative financial instruments | 23,539 | - | 23,539 | (18,645) | (4,478) | 416 |
| | 23,539 | - | 23,539 | (18,645) | (4,478) | 416 |

## 44 CAPITAL MANAGEMENT

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components) date 14 June 2024.

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 2024.

The Bank has opted to apply BNM's transitional arrangements for the financial years spanning from 1 January 2020 to 31 December 2023. Under this transitional arrangement, financial institutions are permitted to add-back the amount of loss allowance measured at an amount equal to 12-month ECL and Lifetime ECL to the extent they are ascribed to non-credit impaired exposures (which is Stage 1 and Stage 2 provisions) to their CET 1 capital. This strategic move aligns with the ongoing shift toward sustainable financial practices and prudent capital management. For the financial year beginning 1 January 2024, this transitional arrangements is no longer applicable.

The Bank's objectives when managing capital are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operates;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the management which takes into account the risk profile of the Bank.

The table in Note 45 below summarises the composition of regulatory capital and the ratios of the Bank for the financial year ended 31 December 2024.

## 45 CAPITAL ADEQUACY

**The capital adequacy ratios are as follows:**

| | Economic Entity | | The Bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Paid-up share capital | **1,310,000** | 1,210,000 | **1,310,000** | 1,210,000 |
| Retained profits | **1,565,363** | 1,375,320 | **1,565,363** | 1,375,320 |
| Other reserves | **1,001** | 214 | **1,001** | 214 |
| Unrealised (loss)/gains on FVOCI instruments | **(1,463)** | 11,452 | **(1,463)** | 11,452 |
| | **2,874,901** | 2,596,986 | **2,874,901** | 2,596,986 |
| Less: | | | | |
| - Intangible assets | **(1,004)** | (863) | **(1,004)** | (863) |
| - Deferred tax assets | **(39,640)** | (39,040) | **(39,640)** | (39,040) |
| - 55% of cumulative unrealised gains of FVOCI | **-** | (6,299) | **-** | (6,299) |
| - Other CET1 transitional adjustment | **-** | 138,827 | **-** | 138,827 |
| **Total CET1 Capital** | **2,834,257** | 2,689,611 | **2,834,257** | 2,689,611 |
| **Additional Tier 1 capital** | **500,000** | 500,000 | **500,000** | 500,000 |
| **Total Tier 1 Capital** | **3,334,257** | 3,189,611 | **3,334,257** | 3,189,611 |
| Subordinated medium term notes | **500,000** | 500,000 | **500,000** | 500,000 |
| Expected loss provisions # | **283,783** | 212,507 | **283,783** | 212,507 |
| **Total Tier 2 Capital** | **783,783** | 712,507 | **783,783** | 712,507 |
| **Total Capital** | **4,118,040** | 3,902,118 | **4,118,040** | 3,902,118 |
| With transitional arrangements | | | | |
| CET 1 capital ratio | ***N/A** | 12.733% | ***N/A** | 12.733% |
| Tier 1 capital ratio | ***N/A** | 15.100% | ***N/A** | 15.100% |
| Total capital ratio | ***N/A** | 18.473% | ***N/A** | 18.473% |
| Without transitional arrangements | | | | |
| CET 1 capital ratio | **11.732%** | 12.076% | **11.732%** | 12.076% |
| Tier 1 capital ratio | **13.801%** | 14.443% | **13.801%** | 14.443% |
| Total capital ratio | **17.045%** | 17.985% | **17.045%** | 17.985% |
| **The breakdown of risk-weighted assets:** | | | | |
| Credit risk | **22,702,622** | 19,846,357 | **22,702,622** | 19,846,357 |
| Market risk | **200,484** | 123,659 | **200,484** | 123,659 |
| Operational risk | **1,255,781** | 1,152,829 | **1,255,781** | 1,152,829 |
| **Total risk-weighted assets** | **24,158,887** | 21,122,845 | **24,158,887** | 21,122,845 |

# Qualifying loss provisions are restricted to allowances on the unimpaired portion of the financing and other financing.
* N/A - Not applicable since the transitional arrangement has ended on 31 December 2023.

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 2024, RIA assets excluded from Total Capital Ratio calculation amounted to RM3,259,649,000 (2023: RM3,572,126,000).

## 46 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.

| | The Bank | |
|---|---|---|
| | **2024** | 2023 |
| (i) The aggregate value of outstanding credit exposures with connected parties (RM'000) | **1,467,953** | 1,106,460 |
| (ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures | **3%** | 2% |
| (iii) The percentage of outstanding credit exposures with connected parties which is impaired or in default | **Nil** | Nil |

## 47 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 27 September 2024, AFFIN Bank announced that the Government of Sarawak through its wholly-owned subsidiary SG Assetfin Holdings Sdn Bhd ('SG Assetfin'), had entered into a sale and purchase agreement ('SPA') with Lembaga Tabung Angkatan Tentera ('LTAT'), the substantial shareholder of AFFIN Bank, together with Boustead Holdings Berhad ('BHB'), a wholly-owned subsidiary of LTAT. This agreement involves the divestment of 634,725,096 shares, representing a 26.44% equity interest in AFFIN Bank ('Divestment').

The SPA was completed on 27 November 2024 and subsequent to completion of the SPA, the Government of Sarawak became the largest shareholder in AFFIN Bank, holding a 31.25% equity interest.

The shareholdings of LTAT, BHB and SG Assetfin in AFFIN Bank after the share transfer are as follows:

(i) LTAT's shareholding decreased from 693,338,029 shares (28.88%) to 528,290,622 shares (22.01%);
(ii) BHB's shareholding reduced from 482,110,333 shares (20.08%) to Nil, including 12,432,644 shares disposed of via the open market; and
(iii) The Government of Sarawak's collective shareholding, through SG Assetfin, increased from 4.81% to 31.25%.

## 48 SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

There is no material event subsequent to the balance sheet date.

## 49 LONG TERM INCENTIVE PLAN ('LTIP')

Affin Bank Berhad ('ABB') implemented a Long Term Incentive Plan ('LTIP') in the form of an employees' Share Grant Scheme ('SGS') on 1 August 2023, which was approved by the shareholders at the ABB Annual General Meeting held on 25 May 2023. The SGS is governed by the SGS By-Laws and is administered by the Group Board Nomination & Remuneration Committee ('SGS Committee').

The SGS is a performance share unit scheme where vesting is subject to performance conditions and the SGS Committee may, at any time within the duration of the SGS, grant an SGS award to eligible employees, subject to the terms and conditions of the SGS By-Laws. The SGS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the SGS By-Laws.

The SGS primarily serves as an incentive plan to reward eligible employees and to align their interest with the corporate goals and objectives of the Group. Eligible employees refer to employees of Group (excluding dormant subsidiary companies) who fulfil the eligibility criteria and have been selected to participate in the SGS by ABB's Board of Directors, on the recommendations of the SGS Committee, subject to terms and conditions of the SGS By-Laws.

The SGS will not be extended to any non-executive directors of any company within ABB.

The maximum number of shares which may be made available under the SGS shall not in aggregate exceed 5% of ABB's total number of issued shares (excluding treasury shares, if any) at any point in time during the duration of the SGS. Details of SGS are set out below.

| **Award Date** | **Fair value RM** | **Awarded (Units '000)** | **Vesting Date *** |
|---|---|---|---|
| 7 August 2023 – First grant | 1.806 | 856 | 30 June 2026 |
| 1 July 2024 - Second grant | 2.080 | 883 | 30 June 2027 |

** subject to performance conditions*

## 49 LONG TERM INCENTIVE PLAN ('LTIP')(continued)

The following table indicates the number and movement of SGS shares during the financial year ended 31 December 2024:

| Award Date | As at 1 January 2024 (Units '000) | Movement during the year Awarded (Units '000) | Forfeited (Units '000) | As at 31 December 2024 (Units '000) |
|---|---|---|---|---|
| **Economic Entity and The Bank** | | | | |
| 7 August 2023 – First grant | 856 | - | - | 856 |
| 1 July 2024 - Second grant | - | 883 | - | 883 |

Key Senior Management Personnel who have been awarded with SGS during the financial year ended 31 December 2024 are listed below:

| | No of SGS Awarded (Units '000) |
|---|---|
| Key Senior Management Personnel | 1,350 |

The fair value of SGS shares awarded were estimated taking into account the terms and conditions upon which the SGS shares were awarded. The fair value of SGS shares measured, closing share price at grant date and the assumptions were as follows:

| | Award Date 7 August 2024 | 7 August 2023 |
|---|---|---|
| Fair value of SGS Shares (RM) | 2.080 | 1.806 |
| Closing share price at award date (RM) | 2.490 | 1.905 |
| Expected volatility (%) | 23.73 | 22.21 |
| Vesting period (years) | 3.00 | 2.90 |
| Risk-free rate (%) | 3.54 | 3.47 |
| Expected dividend yield (%) | 3.44 | 5.44 |

The Shariah Committee has approved the Scheme to be extended to eligible staff of the Bank. The Shariah Committee has extended its advice to the staff involved to dispose the shares upon vesting according to disposal mechanism as outlined by the Shariah Committee. However, if the staff decide to keep the shares, it is considered as their personal decision.

## 50 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 12 March 2025.

Registration No: 200501027372 (709506-V)

# Affin Islamic Bank Berhad

**(Incorporated in Malaysia)**

## STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, MUSA BIN ABDUL MALEK and SUFFIAN BIN BAHARUDDIN, two of the Directors of AFFIN ISLAMIC BANK BERHAD, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 9 to 120 are drawn up so as to give a true and fair view of the state of affairs of the Economic Entity and the Bank as at 31 December 2024 and of the results and cash flows of the Economic Entity and the Bank for the financial year ended on the date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**MUSA BIN ABDUL MALEK**
*Chairman/Independent Non-Executive Director*

**SUFFIAN BIN BAHARUDDIN**
*Independent Non-Executive Director*

Kuala Lumpur
12 March 2025

## STATUTORY DECLARATION
## PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, JOANNE MAY RODRIGUES, being the person primarily responsible for the financial management of AFFIN ISLAMIC BANK BERHAD, do solemnly and sincerely declare that in my opinion, the accompanying financial statements set out on pages 9 to 120 are correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**JOANNE MAY RODRIGUES**
MIA No. CA17745

Subscribed and solemnly declared by the abovenamed JOANNE MAY RODRIGUES at Kuala Lumpur in Malaysia on 12 March 2025, before me.

PESURUHJAYA SUMPAH
No. W790
Nama: ZAINUL ABIDIN BIN AHMAD
1 JAN 2023 - 31 DIS 2025
MALAYSIA

COMMISSIONER FOR OATHS

No. 59, Jalan Telawi
Bangsar Baru
59100 Kuala Lumpur

Registration No: 200501027372 (709506-V)

# Affin Islamic Bank Berhad

**(Incorporated in Malaysia)**

## SHARIAH COMMITTEE'S REPORT

***In the name of Allah, the Most Beneficent, the Most Merciful***

***Praise be to Allah, the Lord of the Worlds, and peace and blessings upon our Prophet Muhammad and on his scion and companions***

**'Assalamualaikum warahmatullahi wabarakatuh'**

### Introduction

In compliance with the Policy Document of Shariah Governance, Financial Reporting for Islamic Banking Institutions, and other relevant guidelines issued by Bank Negara Malaysia, we affirm the following report:

We, the members of the Shariah Committee of Affin Islamic Bank Berhad ('the Bank'), do hereby confirm that we have thoroughly reviewed the principles and the contracts related to the transactions and applications offered by the Bank during the financial period ended 31 December 2024. Our review is aimed to form an opinion as to whether the Bank has complied with the Shariah principles and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, relevant resolutions and rulings made by the Shariah Advisory Councils of Securities Commission Malaysia, as well as the Shariah rulings and decisions made by us.

### Management's Responsibility

The Management is responsible to ensure that the Bank conducts its operations, business, affairs, and activities in accordance with the Shariah principles. We have provided Shariah advisory services across various aspects of the Bank's operations. This ensures compliance with the applicable Shariah principles as well as the resolutions and rulings issued by the Shariah Advisory Councils of the regulatory bodies.

### Shariah Review and Shariah Audit

We have assessed the work carried out by the Shariah review and Shariah audit which includes examining, on a sample testing basis, each type of transaction, the relevant documentation and procedures adopted by the Bank. It is our responsibility to form an independent opinion based on the review work carried out by the Shariah review and Shariah audit of the Bank and provide our report.

We planned and performed our review to obtain all information and explanations which we considered necessary to obtain sufficient evidence in order to give reasonable assurance that the Bank has not violated any Shariah principles.

### Engagement Sessions for Board of Directors and Shariah Committee

As part of the initiative to strengthen the good governance and oversight function over Shariah matters, two (2) interactive engagement sessions were held with Affin Islamic Bank Berhad's Board of Directors and Senior Management. The engagement sessions were the avenues for effective discussion on, among others, the Bank's strategic direction, understanding key Shariah Committee resolutions, and issues in operationalizing Shariah Committee resolutions.

### Training of the Shariah Committee

The SC Members have attended and participated in various conferences and seminars, among others, the 18th Muzakarah Cendekiawan Syariah Nusantara 2024, 19th Kuala Lumpur Islamic Finance Forum 2024, 44th AlBaraka Symposium, and 20th International Shariah Scholars Forum 2024. A training session had been conducted by Ustaz Burhanuddin Lokman, a member of Shariah Advisory Council of BNM, on the topic of Key Insights of Hajah and Darurah Principles and Application.

On behalf of the Bank, Professor Dr. Asmak Ab Rahman had participated in the 10th Anniversary Conference of the European Journal of Islamic Finance Conference held in Turin, Italy and was awarded with "Certificate of Best Paper in European Journal of Islamic Finance Conference".

The Shariah Committee Members have enrolled in the Certified Shariah Advisors ('CSA') program offered by the Association of Shariah Advisors in Islamic Finance ('ASAS'). As of 31 December 2024, three (3) of the Bank's Shariah Committee Members have completed the certification and the remaining Members are in the process of completing the program.

## SHARIAH COMMITTEE'S REPORT (continued)

**Key Shariah/Islamic Finance Trainings Attended by Staff**

The Bank is dedicated to improving Shariah knowledge and skills within the organization by providing awareness and training programs. The Bank has enrolled employees from both the Bank and staff of Affin Bank in relevant certification programs, such as the Certified Qualification in Islamic Finance ('CQIF'), Certified Shariah Advisor ('CSA'), Certified Professional Shariah Auditor ('CPSA'), and Islamic Professional Credit Certification ('IPCC'), among others. Additionally, all staff within the Bank and the staff of Affin Bank have participated in e-learning and assessments on the Fundamentals of Islamic Banking.

The Bank had also organized training sessions led by representatives from the Shariah Committee Members through the Shariah Insight Series, providing valuable insights and enhancing the understanding of Shariah principles among the participating staff.

**Zakat and Charity Fund**

The calculation of zakat is based on 2.5775% of the prior year's based on working capital method. The calculation of zakat was disclosed to us and is in accordance with the Shariah rules and principles. The zakat fund is distributed through various channels i.e., States Zakat Authorities, non-governmental organizations, and individuals under selected asnaf categories such as poor and needy.

We have performed an oversight function over the Management and distribution of the Bank's Charity Funds. The sources of these funds are inclusive of contributions from the realized profits by the depositors sourced from Affin Barakah Charity Account-i, a portion of the Bank's income derived from Affin Islamic Credit Card-i and tainted income. The Charity Funds are allocated to eligible beneficiaries, including asnaf zakat as well as charitable societies, organizations and institutions.

We are of the opinion that:

1. Bank's overall operations, business, affairs, and activities which we have reviewed during the financial year ended 31 December 2024 are in compliance with the Shariah principles except for those involved in the below-mentioned Shariah Non-Compliant

2. The allocation of profit and incurrence of losses relating to investment accounts conform to the basis that we have approved in accordance with Shariah principles.

3. No earnings and purification of income were realized from sources or means prohibited by Shariah except for thereafter Shariah Non-Compliant ('SNC') events disclosed.

4. It has come to our attention that three (3) Shariah Non-Compliant ('SNC') events had been reported within the Bank and have been rectified. Details of the SNC events are as follows:
   i) Event: Overcharge of Ijarah rate
   The Bank has refunded the overpaid amount of RM5,150.53 to the customer. Additionally, the customer's agreement for the specification of the amount has been obtained.
   ii) Event: Delay in completing gold redemption process
   The Bank shall not recognize the income generated amounting to RM1,090.00 from the transaction.
   iii) Event: Absence of Tawarruq trading for Islamic facility
   Non-execution of Tawarruq trading prior to disbursement of the facility. The rectification has successfully been carried out by immediately performing Tawarruq trading for the account involved.

   Apart from the purification of income from SNC events, the Bank has implemented several rectification measures to enhance internal processes and procedures. These improvements aim to strengthen control mechanisms and prevent the recurrence of SNC incidents

## SHARIAH COMMITTEE'S REPORT (continued)

During the financial year ended 31 December 2024, a total of 13 meetings were held where all Shariah Committee Members had satisfied the minimum of 75% attendance requirement under BNM Shariah Governance Policy Document. The Shariah Committee comprises of the following esteemed members, with their respective attendance records for the financial year as follows:

| Members | Total Meetings Attended |
|---|---|
| Associate Professor. Dr. Kamaruzaman bin Noordin<br>*Chairman* | 13/13 |
| Professor Dr. Asmak binti Ab Rahman<br>*Member* | 11/13 |
| Associate Professor Dr. Nor Fahimah binti Mohd Razif<br>*Member* | 13/13 |
| En. Lokmanulhakim bin Hussain<br>*Member* | 13/13 |
| En. Mohamad Salihin bin Deris<br>*Member* | 13/13 |
| En. Ahmad Husni bin Abd Rahman<br>*Member* | 12/13 |

# Affin Islamic Bank Berhad

**(Incorporated in Malaysia)**

## SHARIAH COMMITTEE'S REPORT (continued)

We, the members of the Shariah Committee of Affin Islamic Bank Berhad, hereby confirm, to the best of our knowledge based on the information provided and disclosed to us, that the operations, business, affairs and activities of the Bank for the financial year ended 31 December 2024 have been conducted in conformity with Shariah principles.

On behalf of the Shariah Committee:

Chairman of the Shariah Committee:

**Associate Professor Dr. Kamaruzaman bin Noordin**

Member:

**En. Lokmanulhakim bin Hussain**

Kuala Lumpur, Malaysia
12 March 2025

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
Registration No. 200501027372 (709506-V)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Affin Islamic Bank Berhad ("the Bank") give a true and fair view of the financial position of the Economic Entity and of the Bank as at 31 December 2024, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Economic Entity and of the Bank, which comprise the statements of financial position as at 31 December 2024 of the Economic Entity and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Economic Entity and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 9 to 120.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and other ethical responsibilities*

We are independent of the Economic Entity and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Shariah Committee's Report, but does not include the financial statements of the Economic Entity and of the Bank and our auditors' report thereon.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501027372 (709506-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Economic Entity and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Economic Entity and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Economic Entity and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Economic Entity and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Economic Entity and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Economic Entity and of the Bank, the Directors are responsible for assessing the Economic Entity's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Economic Entity or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Economic Entity and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBER OF AFFIN ISLAMIC BANK BERHAD (CONTINUED)

(Incorporated in Malaysia)
Registration No. 200501027372 (709506-V)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Economic Entity and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Economic Entity's and of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Economic Entity's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Economic Entity and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Economic Entity or the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Economic Entity and of the Bank, including the disclosures, and whether the financial statements of the Economic Entity and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Economic Entity and of the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501027372 (709506-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501027372 (709506-V)

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Pricewaterhousecoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LEE TZE WOON KELVIN
03482/01/2026 J
Chartered Accountant

Kuala Lumpur
12 March 2025