

Registration No: 200501027372 (709506-V)

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

**Reports and financial statements
for the financial year ended 31 December 2025**

Registration No: 200501027372 (709506-V)

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for the financial year ended 31 December 2025**

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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
Dali Kumar @ Dali bin Sardar
Dr. Sharbanom binti Abu Bakar
Haizad Rizal bin A Aziz

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 2025

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 2025.

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	454,687	454,687
Zakat	(4,950)	(4,950)
Profit before taxation	449,737	449,737
Taxation	(114,087)	(114,087)
Net profit for the financial year	<u>335,650</u>	<u>335,650</u>

DIVIDENDS

No dividends have been paid by the Bank in respect of the financial year ended 31 December 2025.

The Directors do not recommend any final dividends to be paid for the financial year ended 31 December 2025.

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 45 to the financial statements.

SUBSEQUENT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Event subsequent to the balance sheet date is disclosed in Note 46 to the financial statements.

Affin Islamic Bank Berhad

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DIRECTORS' REPORT

for the financial year ended 31 December 2025 (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

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

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 2025 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 2025 (continued)**

DIRECTORS' INTERESTS (continued)

LONG TERM INCENTIVE PLAN ('LTIP')

Affin Bank Berhad ('ABB')'s Long-Term Incentive Plan ('LTIP'), introduced on 1 August 2023 through the Share Grant Scheme ('SGS') approved by shareholders at the Annual General Meeting on 25 May 2023, remains in effect during the financial year ended 31 December 2025. The SGS is governed by the SGS By-Laws and administered by the Group Board Nomination & Remuneration Committee.

The SGS is a performance share unit scheme under which vesting is subject to performance conditions. The SGS Committee may grant awards to eligible employees at any time during the scheme's duration, in accordance with the SGS By-Laws. The awards may be settled through the issuance and transfer of new shares or other permitted methods as provided by the SGS By-Laws.

The scheme is designed to reward eligible employees and align their interests with the Group's long-term objectives. Eligibility is determined by the Board of Directors, based on recommendations from the SGS Committee, and excludes dormant subsidiaries. Any grant to Directors, the chief executive, or connected persons requires prior shareholder approval at a general meeting. The SGS does not apply to non-executive directors of any entity within the Group.

The total shares available under the SGS shall not exceed 5% of the Bank's total number of issued shares (excluding treasury shares, if any) at any time during the scheme's duration. Details of SGS are set out in Note 47 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 35 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

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DIRECTORS' REPORT **for the financial year ended 31 December 2025 (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.

Affin Islamic Bank Berhad (Incorporated in Malaysia)

DIRECTORS' REPORT for the financial year ended 31 December 2025 (continued)

ECONOMIC AND BUSINESS OUTLOOK FOR 2026

The global economic outlook for 2026 is expected to be stable but measured, with growth of around 3% and easing inflation supporting activity, while geopolitical risk and uneven regional conditions remain key considerations for banks. Malaysia's macroeconomic outlook for 2026 is projected to remain positive, with analysts and financial institutions broadly forecasting real Gross Domestic Product ('GDP') growth in the range of approximately 4.0% to 4.5%, underpinned by resilient domestic demand, sustained investment activity and strengthening external trade flows. Inflation is expected to remain contained, supporting a stable monetary policy stance, with BNM's Overnight Policy Rate ('OPR') anticipated to be maintained at 2.75% for 2026 to balance growth and price stability. Against this backdrop, the Malaysian banking sector is expected to deliver steady credit expansion, supported by favourable financing demand across business and household segments, modest net profit margin improvement and resilient non-profit income contributions. AFFIN Group fundamentals remain strong, with capital and liquidity buffers at healthy levels, supported by resilient asset quality as Gross Impaired Financing ('GIF') stand at 1.64% and Financing Loss Coverage ('FLC') at 75.70%, positioning the financial institution to navigate both domestic challenges and external headwinds.

BUSINESS STRATEGY MOVING FORWARD

The Bank is confident in sustaining its growth momentum, underpinned by healthy business pipelines. The Bank continue to reinforce the sustainability of the Bank's franchise through disciplined asset quality management, prudent capital optimisation and the maintenance of strong liquidity buffers. These measures support the Bank's ability to pursue sustainable long-term growth while continuing to deliver value to shareholders.

Affin Islamic Bank Berhad

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DIRECTORS' REPORT

for the financial year ended 31 December 2025 (continued)

RATING BY EXTERNAL RATING AGENCIES

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

- 1 RAM Rating Services Berhad ('RAM')
- | | |
|-------------------------|--------------|
| Date of rating: | 10 July 2025 |
| Rating classifications: | |
| - Long term: | AA3 |
| - Short term: | P1 |

RAM has reaffirmed the Bank's long-term and short-term financial institution ratings, at AA₃ and P1, respectively, with stable outlook.

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

- 2 Moody's Ratings ('Moody's')

Date of rating:	7 May 2025
Rating classifications:	
- Long term:	A3

The Bank has received its first international credit rating, a long-term issuer rating of A3 from Moody's Ratings, with stable outlook. The rating reflects the Group's solid financial foundation, prudent asset quality, resilient capital position and strong institutional ties with the Sarawak State Government.

ZAKAT OBLIGATIONS

The Bank pays zakat for its business in line with the method approved by the Shariah Committee. The Bank did 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

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DIRECTORS' REPORT

for the financial year ended 31 December 2025 (continued)

DIRECTORS' REMUNERATION

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

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Directors of the Bank		
Director fees	2,154	2,127
Directors' other emoluments	138	137
	<hr/>	<hr/>

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 RM83,170 (2024: RM85,060).

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 35 to the financial statements.

ISSUANCE OF SHARES

During the financial year ended 31 December 2025, no new ordinary shares were issued.

AUDITORS' REMUNERATION

Auditors' remuneration of the Bank is RM508,000 (2024: RM424,000). Details of auditors' remuneration are set out in Note 34 to the financial statements.

Affin Islamic Bank Berhad
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DIRECTORS' REPORT
for the financial year ended 31 December 2025 (continued)

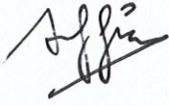
AUDITORS

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
16 March 2026

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION as at 31 December 2025

	Note	Economic Entity		The Bank	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
ASSETS					
Cash and short-term funds	2	3,410,559	2,442,382	3,410,559	2,442,382
Financial assets at fair value through profit or loss ('FVTPL')	3	737,490	451,582	737,490	451,582
Derivative financial instruments	4	44,242	25,387	44,242	25,387
Financial investments at fair value through other comprehensive income ('FVOCI')	5	3,035,789	3,940,222	3,035,789	3,940,222
Financial investments at amortised cost ('AC')	6	4,249,910	4,594,961	4,249,910	4,594,961
Financing and other financing	7	38,228,706	33,009,886	38,228,706	33,009,886
Other assets	8	170,483	174,366	170,483	174,366
Amount due from joint ventures	9	-	4,639	-	4,639
Tax recoverable		3,088	9,042	3,088	9,042
Deferred tax assets	10	25,158	39,640	25,158	39,640
Statutory deposits with Bank Negara Malaysia	11	300,000	539,000	300,000	539,000
Investment in joint ventures	12	-	-	-	-
Investment in associate	13	-	-	-	-
Property and equipment	14	1,582	1,090	1,582	1,090
Intangible assets	15	952	1,004	952	1,004
Right-of-use assets	16	38	133	38	133
TOTAL ASSETS		50,207,997	45,233,334	50,207,997	45,233,334
LIABILITIES AND EQUITY					
Deposits from customers	17	32,390,498	28,762,862	32,390,498	28,762,862
Investment accounts of customers	18	1,164,406	757,600	1,164,406	757,600
Deposits and placements of banks and other financial institutions	19	4,079,225	4,164,774	4,079,225	4,164,774
Investment accounts due to designated financial institutions	20	2,559,509	3,262,300	2,559,509	3,262,300
Recourse obligation on financing sold to Cagamas Berhad	21	2,925,862	2,125,431	2,925,862	2,125,431
Derivative financial instruments	4	37,163	21,357	37,163	21,357
Other liabilities	22	1,007,563	256,624	1,007,563	256,624
Amount due to holding company	23	142,304	546,064	142,304	546,064
Obligation on securities sold under repurchase agreements		23	-	23	-
Lease liabilities	24	63	162	63	162
Subordinated and Senior Sukuk	25	2,582,817	2,368,791	2,582,817	2,368,791
TOTAL LIABILITIES		46,889,433	42,265,965	46,889,433	42,265,965
Share capital	26	1,310,000	1,310,000	1,310,000	1,310,000
Reserves	27	2,008,564	1,657,369	2,008,564	1,657,369
TOTAL EQUITY		3,318,564	2,967,369	3,318,564	2,967,369
TOTAL LIABILITIES AND EQUITY		50,207,997	45,233,334	50,207,997	45,233,334
COMMITMENTS AND CONTINGENCIES	39	15,955,534	12,635,865	15,955,534	12,635,865

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 2025

	Note	Economic Entity		The Bank	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Income derived from investment of depositors' funds and others	28	1,967,445	1,693,968	1,967,445	1,693,968
Income derived from investment of investment accounts	29	170,962	189,534	170,962	189,534
Income derived from investment of shareholders' funds	30	184,432	156,686	184,432	156,686
Write-back of/(Allowances for) impairment losses on financing and other financing	31	27,376	(7,199)	27,376	(7,199)
Allowance for impairment losses on other assets	32	(7,143)	(6,948)	(7,143)	(6,948)
Total distributable income		2,343,072	2,026,041	2,343,072	2,026,041
Income attributable to the depositors and others	33	(1,318,560)	(1,171,114)	(1,318,560)	(1,171,114)
Income attributable to the investment accounts holders		(144,479)	(170,090)	(144,479)	(170,090)
Total net income		880,033	684,837	880,033	684,837
Other operating expenses	34	(425,346)	(356,120)	(425,346)	(356,120)
Profit before zakat and taxation		454,687	328,717	454,687	328,717
Zakat		(4,950)	(5,370)	(4,950)	(5,370)
Profit before taxation		449,737	323,347	449,737	323,347
Taxation	36	(114,087)	(87,305)	(114,087)	(87,305)
Net profit after zakat and taxation		335,650	236,042	335,650	236,042
Attributable to:					
Equity holder of the Bank		335,650	236,042	335,650	236,042
Earnings per share (sen):					
- Basic/Diluted	37	28.7	20.5	28.7	20.5

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

Affin Islamic Bank Berhad
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2025

	Note	Economic Entity		The Bank	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Net profit after zakat and taxation		335,650	236,042	335,650	236,042
Other comprehensive income:					
<u>Items that may be reclassified subsequently to profit or loss:</u>					
Net fair value change in financial investments at FVOCI		73,262	(11,347)	73,262	(11,347)
Net credit impairment losses change in financial investments at FVOCI		173	387	173	387
Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)		(53,657)	(6,627)	(53,657)	(6,627)
Deferred tax on financial investments at FVOCI	10	(5,425)	4,672	(5,425)	4,672
Other comprehensive income/(loss) for the financial year, net of tax		14,353	(12,915)	14,353	(12,915)
Total comprehensive income for the financial year		350,003	223,127	350,003	223,127
Attributable to equity holder of the Bank:					
Total comprehensive income for the financial year		350,003	223,127	350,003	223,127

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 2025

	Attributable to Equity Holder of 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
Economic Entity							
At 1 January 2025		1,310,000	(1,463)	92,468	1,001	1,565,363	2,967,369
Net profit for the financial year		-	-	-	-	335,650	335,650
Other comprehensive income (net of tax)							
- Financial investments at FVOCI		-	14,353	-	-	-	14,353
Total comprehensive income for the financial year		-	14,353	-	-	335,650	350,003
Share grant scheme granted		-	-	-	1,192	-	1,192
Transfer to regulatory reserves		-	-	120,300	-	(120,300)	-
At 31 December 2025		1,310,000	12,890	212,768	2,193	1,780,713	3,318,564
Economic Entity							
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	26	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 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 2025**

	Note	Non-Distributable			Distributable	Total RM'000	
		Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Other reserves RM'000		Retained profits RM'000
The Bank							
At 1 January 2025		1,310,000	(1,463)	92,468	1,001	1,565,363	2,967,369
Net profit for the financial year		-	-	-	-	335,650	335,650
Other comprehensive income (net of tax)							
- Financial investments at FVOCI		-	14,353	-	-	-	14,353
Total comprehensive income for the financial year		-	14,353	-	-	335,650	350,003
Share grant scheme granted		-	-	-	1,192	-	1,192
Transfer to regulatory reserves		-	-	120,300	-	(120,300)	-
At 31 December 2025		1,310,000	12,890	212,768	2,193	1,780,713	3,318,564
The Bank							
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	26	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 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 2025

	Note	Economic Entity		The Bank	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		449,737	323,347	449,737	323,347
Adjustments for items not involving the movement of cash and cash equivalents:					
Finance income and profit from:					
- financial investments at FVOCI		(141,374)	(120,646)	(141,374)	(120,646)
- financial investments at AC		(156,087)	(153,352)	(156,087)	(153,352)
Gain on sale/redemption:					
- financial assets at FVTPL		(38,312)	(2,304)	(38,312)	(2,304)
- financial investments at FVOCI		(53,656)	(6,627)	(53,656)	(6,627)
- financial investments at AC		(7,390)	(3,075)	(7,390)	(3,075)
- derivatives		3,856	(3,280)	3,856	(3,280)
Unrealised loss/(gain) on revaluation:					
- derivatives		11,802	(6,776)	11,802	(6,776)
- foreign exchange		(15,103)	(1,984)	(15,103)	(1,984)
Depreciation of property and equipment	34	93	118	93	118
Property and equipment written-off	34	3	-	3	-
Gain on sale of property and equipment		-	(135)	-	(135)
Amortisation of intangible assets	34	113	140	113	140
Depreciation of right-of-use assets	34	95	105	95	105
Expected credit losses ('ECL') made on:					
- financing and other financing	31	(40,859)	12,542	(40,859)	12,542
- securities	31	(3,021)	(2,230)	(3,021)	(2,230)
- financing commitments and financial kafalah	31	2,109	(1,902)	2,109	(1,902)
Impaired financing written-off	31	32,082	12,348	32,082	12,348
Allowance for impairment losses on other assets	32	7,143	6,948	7,143	6,948
Finance expense on lease liabilities	24	3	7	3	7
Profit expense - Subordinated and Senior Sukuk	25	111,786	108,978	111,786	108,978
Profit expense - Recourse obligation on financing sold to Cagamas Berhad	21	102,161	57,547	102,161	57,547
Share grant scheme granted		1,192	787	1,192	787
Zakat		4,950	5,370	4,950	5,370
Operating profit before changes in working capital		271,323	225,494	271,323	225,494
(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	-	200,404
Financial assets at FVTPL		(247,596)	(449,279)	(247,596)	(449,279)
Financing and other financing		(5,113,683)	(4,274,009)	(5,113,683)	(4,274,009)
Other assets		(576)	(20,820)	(576)	(20,820)
Statutory deposits with Bank Negara Malaysia		239,000	(54,000)	239,000	(54,000)
Amount due from holding company		-	288,431	-	288,431
Amount due from joint ventures		(2,503)	(11,524)	(2,503)	(11,524)
Derivative financial instruments		(9,772)	4,556	(9,772)	4,556
(Decrease)/Increase in operating liabilities:					
Deposits from customers		3,629,013	3,402,315	3,629,013	3,402,315
Investment accounts of customers		406,806	757,241	406,806	757,241
Deposits and placements of banks and other financial institutions		(79,005)	(7,405)	(79,005)	(7,405)

Affin Islamic Bank Berhad**(Incorporated in Malaysia)****STATEMENTS OF CASH FLOWS (CONTINUED)
for the financial year ended 31 December 2025**

	Note	Economic Entity		The Bank	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
(Decrease)/Increase in operating liabilities (continued):					
Investment accounts due to designated financial institutions		(702,791)	(317,278)	(702,791)	(317,278)
Amount due to holding company		(403,760)	546,064	(403,760)	546,064
Other liabilities		749,099	(59,568)	749,099	(59,568)
Cash (used in)/generated from operations		(1,264,445)	230,190	(1,264,445)	230,190
Zakat paid		(5,219)	(5,877)	(5,219)	(5,877)
Tax paid		(99,076)	(48,531)	(99,076)	(48,531)
Net cash (used in)/generated from operating activities		(1,368,740)	175,782	(1,368,740)	175,782
CASH FLOWS FROM INVESTING ACTIVITIES					
Finance income and profit received from:					
- financial investments at FVOCI		146,828	100,157	146,828	100,157
- financial investments at AC		179,021	174,077	179,021	174,077
Purchase of:					
- financial investments at FVOCI		(3,051,844)	(3,855,047)	(3,051,844)	(3,855,047)
- financial investments at AC		(34,800)	(269,312)	(34,800)	(269,312)
Redemption/Disposal of:					
- financial investments at FVOCI		3,937,905	1,570,193	3,937,905	1,570,193
- financial investments at AC		367,944	226,425	367,944	226,425
Proceed from disposal of:					
- property and equipment		-	502	-	502
- foreclosed properties		-	10,592	-	10,592
Purchase of:					
- property and equipment	14	(644)	(700)	(644)	(700)
- intangible assets	15	(5)	(7)	(5)	(7)
Net cash generated from/(used in) investing activities		1,544,405	(2,043,120)	1,544,405	(2,043,120)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment in financing	25	(298,673)	-	(298,673)	-
Net issuance in Subordinated and Senior Sukuk	25	511,105	4,908	511,105	4,908
Issuance of new shares	26	-	100,000	-	100,000
Addition of recourse obligation on financing sold to Cagamas Berhad	21	800,000	1,000,000	800,000	1,000,000
Profit payment from recourse obligation on financing sold to Cagamas Berhad	21	(100,691)	(44,923)	(100,691)	(44,923)
Profit payment from Subordinated and Senior Sukuk	25	(110,192)	(108,865)	(110,192)	(108,865)
Lease payments	24	(102)	(116)	(102)	(116)
Net cash generated from financing activities		801,447	951,004	801,447	951,004
Net increase/(decrease) in cash and cash equivalents		977,112	(916,334)	977,112	(916,334)
Effects of foreign exchange		(8,935)	(3,163)	(8,935)	(3,163)
Cash and cash equivalents at beginning of the financial year		2,442,382	3,361,879	2,442,382	3,361,879
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		3,410,559	2,442,382	3,410,559	2,442,382
CASH AND CASH EQUIVALENTS COMPRISE:					
Cash and short-term funds	2	3,410,559	2,442,382	3,410,559	2,442,382
		3,410,559	2,442,382	3,410,559	2,442,382
Less : Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		-	-	-	-
		3,410,559	2,442,382	3,410,559	2,442,382

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

Affin Islamic Bank Berhad

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025

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 ('IFRS') 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 2025:

- Amendments to MFRS 121 'Lack of Exchangeability'

The amendments clarify that a currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations. If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot exchange rate at the measurement date.

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 for 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. The entity is also required to make additional disclosures when exchangeability is lacking.

The adoption of amendments 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) International Financial Reporting Interpretations Committee ('IFRIC') agenda decisions that are concluded and published

At its April 2025 meeting, the IFRS Interpretations Committee (the 'Committee') discussed and clarified the applicable accounting standards for guarantees issued on obligations of other entities. Specifically, the Committee clarified that MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' ('MFRS 137') applies when a guarantee does not fall within the scope of other MFRS Accounting Standards, specifically MFRS 9 'Financial Instruments' ('MFRS 9') and MFRS 17 'Insurance Contracts' ('MFRS 17').

The Bank have assessed that the IFRIC agenda decision on guarantees issued on obligations of other entities did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods as the Bank apply MFRS 9 on all guarantees issued.

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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 2026.

- 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)
 - 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
- Amendments to MFRS 9 and MFRS 7 'Contracts Referencing Nature-dependent Electricity' (effective 1 January 2026)
 - added the buyer's application guidance on the MFRS 9 'own-use exemption' for contracts to buy and take delivery of electricity that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions e.g. the weather ('contracts referencing nature-dependent electricity'). Under the amendments, the buyer can apply the MFRS 9 'own-use exemption' to account for these contracts as executory contracts if the buyer has been, and expects to be, a 'net purchaser' of electricity for the contract period, based on the criteria set in the standard;
 - permit hedge accounting in MFRS 9 if these contracts referencing nature-dependent electricity are used as hedging instruments; and
 - add new MFRS 7 disclosure requirements to enable users to understand the effects of these contracts on an entity's financial performance and cash flows.

Affin Islamic Bank Berhad
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SUMMARY OF MATERIAL ACCOUNTING POLICIES
for the financial year ended 31 December 2025 (continued)

(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 2026. (continued)

- MFRS 19 'Subsidiaries without Public Accountability: Disclosures' (effective 1 January 2027)

The new MFRS introduces an optional reduced disclosure framework for subsidiaries that do not have public accountability and whose parent prepares consolidated financial statements in accordance with MFRS. The standard allows eligible subsidiaries to apply the recognition, measurement and presentation requirements of MFRS while providing simplified disclosures.

- Annual Improvements to MFRS Accounting Standards for enhanced consistency (effective 1 January 2026)

The annual improvements comprise the following amendments:

- Amendments to MFRS 1 on hedge accounting by a first-time adopter – improve consistency with the requirements in MFRS 9 and cross-references are added to improve the understandability of MFRS 1.
- Amendments to MFRS 7 on gain or loss on derecognition – obsolete cross-referencing is removed and an inconsistency between paragraphs in MFRS 7 is amended for clarity.
- Amendments to MFRS 9 on lessee derecognition of lease liabilities and transaction price – resolve a potential confusion for a lessee applying the requirements to a lease liability that has been extinguished and remove the reference to 'transaction price' (as defined in 'MFRS 15 Revenue from Contracts with Customers').
- Amendments to MFRS 10 on determination of a 'de facto agent' – resolve an inconsistency between paragraphs of MFRS 10 and clarify that judgement is required to determine whether a party is acting as a de facto agent.
- Amendments to MFRS 107 on cost method – replace the term 'cost method' with 'at cost'.

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 'Presentation and Disclosure in Financial Statements' and amendments to MFRS 9 and MFRS 7 'Amendments to the Classification and Measurement of Financial Instruments', of which the Bank are in the midst of assessing the financial and disclosures impact.

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

SUMMARY OF MATERIAL ACCOUNTING POLICIES **for the financial year ended 31 December 2025 (continued)**

(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.

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SUMMARY OF MATERIAL ACCOUNTING POLICIES
for the financial year ended 31 December 2025 (continued)

(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.

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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 applying 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.

Musarakah Mutanaqisah (diminishing partnership)

A partnership contract where two or more parties shares a particular asset, which allows one of the partners to gradually acquire the shareholding of the other partner through an agreed redemption method during the tenure of the musarakah contract.

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.

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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.

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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.

Affin Islamic Bank Berhad

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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.

Affin Islamic Bank Berhad (Incorporated in Malaysia)

SUMMARY OF MATERIAL ACCOUNTING POLICIES **for the financial year ended 31 December 2025 (continued)**

(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 40 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.

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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.

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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).

Affin Islamic Bank Berhad

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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).

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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 specified 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.

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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.

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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.

Affin Islamic Bank Berhad

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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.

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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 profit 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.

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

SUMMARY OF MATERIAL ACCOUNTING POLICIES **for the financial year ended 31 December 2025 (continued)**

(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 Profit and Loss 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.

Affin Islamic Bank Berhad
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SUMMARY OF MATERIAL ACCOUNTING POLICIES
for the financial year ended 31 December 2025 (continued)

(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.

Affin Islamic Bank Berhad

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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.

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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.

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SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2025 (continued)

(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 40, 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.

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2025

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	
	2025	2024
	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	101,858	391,837
Money at call and interbank placements with maturing within one month	3,308,701	2,050,545
	3,410,559	2,442,382
Less: Expected credit losses ('ECL')	-	-
	3,410,559	2,442,382

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

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government investment issues	473,259	392,859
Unquoted securities:		
Commercial paper	29,839	-
Corporate Sukuk in Malaysia	13,250	45,300
Corporate Sukuk outside Malaysia	221,142	13,423
	264,231	58,723
	737,490	451,582

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**4 DERIVATIVE FINANCIAL INSTRUMENTS**

Economic Entity and The Bank At fair value	Contract/ notional amount RM'000	2025			2024		
		Assets RM'000	Liabilities RM'000		Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
<u>Trading Derivatives</u>							
Foreign exchange derivatives							
- Currency forwards	2,834,267	34,690	19,636	787,659	5,280	5,328	
- Currency options	22,782	4,514	4,514	17,943	42	42	
Profit rate derivatives:							
- Profit rate swap	1,184,455	3,593	5,044	1,325,887	11,213	6,654	
<u>Hedging Derivatives</u>							
Profit rate derivatives:							
- Profit rate swap (a)	1,044,013	1,445	7,969	867,286	8,852	9,333	
	5,085,517	44,242	37,163	2,998,775	25,387	21,357	

(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 RM1,044.0 million (2024: RM867.3 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 profit with changes in the fair value of the profit 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 profit 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 profit rate swap, which is not reflected in the fair value of the hedged item attributable to the change in profit rate; and
- Differences in maturities, reset dates of the profit rate swaps and the fixed rate sukuk or liabilities.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

4 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 2025				
Profit rate swaps				
- USD profit rates	4.07%	-	134,013	-
- MYR profit rates	3.62%	500,000	410,000	-
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	-

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

Economic Entity and The Bank 2025	Risk	Hedge Type	Notional amount RM'000	Fair value assets RM'000	Fair value liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness
						RM'000
Profit rate swaps	Profit rate	Fair value hedge	1,044,013	1,445	7,970	(6,599)
2024						
Profit rate swaps	Profit rate	Fair value hedge	867,286	8,852	9,333	(1)

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

Economic Entity and The Bank

Hedge Items	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	Change in value used for recognising hedge ineffectiveness
				RM'000	RM'000
2025					
Assets					
Financial assets at FVOCI	Profit rate	Fair value hedge	163,671	3,600	3,000
Financial investments at AC	Profit rate	Fair value hedge	349,225	131	445
Liabilities					
Recourse obligation on financing sold to Cagamas Berhad	Profit rate	Fair value hedge	(504,397)	33	1,039

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

4 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Fair value hedges (continued)

The amounts relating to items designated as hedged items are as follows: (continued)

Economic Entity and The Bank

Hedge Items	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
2024					
Assets					
Financial assets 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

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.

	2025		2024	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Economic Entity and The Bank				
<u>Profit rate derivatives:</u>				
Profit rate swap				
- Kuala Lumpur Interbank Offered Rate ('KLIBOR')	<u>5,038</u>	<u>8,111</u>	<u>6,676</u>	<u>2,435</u>

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

At fair value	Economic Entity and The Bank	
	2025 RM'000	2024 RM'000
Money market instruments:		
Malaysian Government investment issues	787,268	1,204,132
Cagamas Sukuk	<u>133,675</u>	<u>181,585</u>
	<u>920,943</u>	<u>1,385,717</u>
Unquoted securities:		
Commercial paper	-	29,838
Corporate Sukuk in Malaysia	852,174	1,743,469
Corporate Sukuk outside Malaysia	<u>1,262,672</u>	<u>781,198</u>
	<u>2,114,846</u>	<u>2,554,505</u>
	<u>3,035,789</u>	<u>3,940,222</u>

Affin Islamic Bank Berhad

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**5 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				
2025				
At beginning of the financial year	429	-	-	429
Financial assets derecognised (other than write-off)	(296)	-	-	(296)
New financial assets originated or purchased	797	-	-	797
Changes due to change in credit risk	(272)	-	-	(272)
Other adjustments				
- Foreign exchange and other movements	(56)	-	-	(56)
At end of the financial year	602	-	-	602
Economic Entity and The Bank				
2024				
At beginning of the financial year	42	-	-	42
Financial assets derecognised (other than write-off)	(149)	-	-	(149)
New financial assets originated or purchased	438	-	-	438
Changes due to change in credit risk	107	-	-	107
Other adjustments				
- Foreign exchange and other movements	(9)	-	-	(9)
At end of the financial year	429	-	-	429

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				
2025				
At beginning of the financial year	3,940,222	-	-	3,940,222
Financial assets derecognised (other than write-off)	(3,884,249)	-	-	(3,884,249)
New financial assets originated or purchased	3,051,844	-	-	3,051,844
Changes in profit accrual and accretion/amortisation	(5,454)	-	-	(5,454)
Other adjustments				
- Foreign exchange and other movements	(89,179)	-	-	(89,179)
- Fair value	22,605	-	-	22,605
At end of the financial year	3,035,789	-	-	3,035,789
Economic Entity and The Bank				
2024				
At beginning of the financial year	1,674,282	-	-	1,674,282
Financial assets derecognised (other than write-off)	(1,563,566)	-	-	(1,563,566)
New financial assets originated or purchased	3,855,047	-	-	3,855,047
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

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

6 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

	Economic Entity and The Bank	
	2025	2024
At amortised cost	RM'000	RM'000
Money market instruments:		
Malaysian Government investment issues	2,354,737	2,370,750
Cagamas Sukuk	-	10,074
Unquoted securities:		
Corporate Sukuk in Malaysia	1,895,495	2,218,096
	4,250,232	4,598,920
Fair value changes arising from fair value hedges	131	(313)
Less: Expected credit losses ('ECL')	(453)	(3,646)
	4,249,910	4,594,961

Movements in expected credit losses ('ECL') for financial investments at AC 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 2025				
At beginning of the financial year	3,645	1	-	3,646
Financial assets derecognised (other than write-off)	(3,316)	-	-	(3,316)
New financial assets originated or purchased	50	-	-	50
Changes due to change in credit risk	68	5	-	73
At end of the financial year	447	6	-	453
Economic Entity and The Bank 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

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

6 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 2025				
At beginning of the financial year	4,573,724	25,196	-	4,598,920
Financial assets derecognised (other than write-off)	(345,533)	(15,021)	-	(360,554)
New financial assets originated or purchased	34,800	-	-	34,800
Changes in profit accrual and accretion/amortisation	(22,837)	(97)	-	(22,934)
At end of the financial year	4,240,154	10,078	-	4,250,232
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

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.

	2025 RM'000	2024 RM'000
Economic Entity and The Bank		
<u>Corporate Sukuk</u>		
- KLIBOR	331,200	337,082

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**7 FINANCING AND OTHER FINANCING**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
(i) By type		
Cash Line-i	1,093,889	856,320
Term financing		
- House financing	10,470,106	10,342,543
- Hire purchase receivables	9,383,159	7,882,486
- Syndicated financing	2,041,528	1,151,080
- Other term financing	12,399,130	10,405,745
Bills receivables	426,186	136,133
Trust receipts	25,850	22,354
Claims on customers under acceptance credits	1,568,054	1,239,055
Staff financing (of which RM Nil to Directors)	148,194	140,107
Credit/charge cards	134,661	94,064
Revolving credit	832,350	1,135,577
Gross financing and other financing	38,523,107	33,405,464
Less: Expected credit losses ('ECL')	(294,401)	(395,578)
Total net financing and other financing	38,228,706	33,009,886

Included in other term financing before expected credit losses as at reporting date is RM Nil (2024: RM57.7 million) of term financing disbursed by the Bank to a joint venture company with Affin-i Nadayu Sdn Bhd.

(ii) By maturity structure		
Maturing within one year	4,685,402	4,210,156
One year to three years	1,625,764	1,086,796
Three years to five years	2,902,214	2,238,380
Over five years	29,309,727	25,870,132
	38,523,107	33,405,464

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2025 (continued)

7 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									
2025									
Cash Line-i	-	-	-	-	1,087,126	-	-	6,763	1,093,889
Term financing									
- House financing	389,698	-	-	-	599,429	9,480,979	-	-	10,470,106
- Hire purchase receivables	-	-	9,383,159	-	-	-	-	-	9,383,159
- Syndicated financing	-	140,937	-	-	1,900,591	-	-	-	2,041,528
- Other term financing	32,575	406,705	-	38,238	10,275,464	1,137,168	508,980	-	12,399,130
Bills receivables	-	11,754	-	132,668	-	-	-	281,764	426,186
Trust receipts	-	-	-	25,850	-	-	-	-	25,850
Claims on customers under acceptances credits	-	-	-	1,568,054	-	-	-	-	1,568,054
Staff financing	1,347	-	-	33,680	57,369	55,798	-	-	148,194
Credit/charge cards	-	-	-	-	134,661	-	-	-	134,661
Revolving credit	-	-	-	-	832,350	-	-	-	832,350
Gross financing and other financing	423,620	559,396	9,383,159	1,798,490	14,886,990	10,673,945	508,980	288,527	38,523,107
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

Affin Islamic Bank Berhad
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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

7 FINANCING AND OTHER FINANCING (continued)

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
(iv) By type of customer		
Domestic non-banking institutions		
- Others	157,573	69,833
Domestic business enterprises		
- Small medium enterprises	3,336,269	3,049,935
- Others	6,504,439	5,455,128
Government and statutory bodies	522,470	793,374
Individuals	27,522,176	23,945,902
Other domestic entities	19	6,411
Foreign entities	480,161	84,881
	38,523,107	33,405,464
(v) By profit rate sensitivity		
Fixed rate		
- House financing	69,644	62,426
- Hire purchase receivables	8,389,221	7,229,190
- Other fixed rate financing	498,886	888,718
Variable rate		
- Base funding rate and base rate plus	13,430,191	13,573,561
- Cost plus	3,861,916	3,394,736
- Other variable rate	12,273,249	8,256,833
	38,523,107	33,405,464
(vi) By economic sectors		
Primary agriculture	910,119	740,541
Mining and quarrying	67,281	57,711
Manufacturing	1,618,224	1,453,467
Electricity, gas and water supply	964,538	413,422
Construction	1,195,722	1,032,926
Real estate	1,326,264	1,083,425
Wholesale & retail trade and restaurants & hotels	1,804,490	1,615,149
Transport, storage and communication	1,110,789	1,100,753
Finance, takaful and business services	719,343	522,286
Education, health & others	1,221,295	1,379,631
Household	27,584,628	24,005,671
Others	414	482
	38,523,107	33,405,464
(vii) By economic purpose		
Purchase of securities	2,987,404	1,803,171
Purchase of transport vehicles	9,699,800	8,175,018
Purchase of landed property of which:		
- Residential	10,614,620	10,494,116
- Non-residential	2,095,732	2,062,814
Fixed assets other than land and building	262,988	257,065
Personal use	5,267,381	4,131,880
Credit/charge cards	134,661	94,064
Consumer durable	334	306
Construction	884,803	831,675
Working capital	5,874,974	4,805,327
Others	700,410	750,028
	38,523,107	33,405,464

Affin Islamic Bank Berhad
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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

7 FINANCING AND OTHER FINANCING (continued)

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
(viii) By geographical distribution		
Perlis	158,542	136,351
Kedah	2,035,792	1,676,660
Pulau Pinang	1,930,008	1,880,878
Perak	1,615,902	1,284,809
Selangor	12,480,309	10,713,670
Wilayah Persekutuan	5,881,892	6,048,256
Negeri Sembilan	1,843,851	1,680,510
Melaka	747,774	633,483
Johor	4,495,974	3,897,058
Pahang	1,416,131	1,274,129
Terengganu	1,154,227	1,030,302
Kelantan	961,584	842,698
Sarawak	1,491,453	1,095,593
Sabah	1,215,039	1,013,139
Labuan	142,346	196,098
Putrajaya	544,290	-
Outside Malaysia	407,993	1,830
	38,523,107	33,405,464
(ix) Movements of impaired financing		
At beginning of the financial year	305,850	220,978
Classified as impaired	424,159	474,586
Reclassified as non-impaired	(268,800)	(239,033)
Amount recovered	(42,199)	(81,586)
Amount written-off	(106,569)	(69,095)
At end of the financial year	312,441	305,850
Ratio of gross impaired financing and other financing to gross financing and other financing *	0.84%	0.98%

* For the Bank, RIA excluded in the ratio calculation amounted to RM2,553.3 million (2024: RM3,259.6 million) with impaired financing amounted to RM11.5 million (2023: RM11.4 million).

The outstanding contractual amounts of such assets written-off during the financial year ended 31 December 2025 for the Bank is RM106,569,000 (2024: RM69,095,000).

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

7 FINANCING AND OTHER FINANCING (continued)

	Economic Entity and The Bank	
	2025 RM'000	2024 RM'000
(x) Impaired financing by economic sectors		
Primary agriculture	190	176
Mining and quarrying	53	-
Manufacturing	5,873	6,425
Electricity, gas and water supply	-	42
Construction	23,099	28,255
Real estate	8,957	15,414
Wholesale & retail trade and restaurants & hotels	47,194	46,547
Transport, storage and communication	7,831	7,185
Finance, takaful and business services	13,879	13,896
Education, health & others	2,049	2,297
Household	203,316	185,613
	312,441	305,850
(xi) Impaired financing by economic purpose		
Purchase of securities	4	173
Purchase of transport vehicles	53,281	38,328
Purchase of landed property of which:		
- Residential	138,548	131,939
- Non-residential	28,305	37,676
Personal use	20,009	16,906
Credit card	669	228
Working capital	70,818	79,842
Others	807	758
	312,441	305,850
(xii) Impaired financing by geographical distribution		
Perlis	4,422	3,894
Kedah	24,125	23,692
Pulau Pinang	16,018	14,981
Perak	10,952	10,569
Selangor	125,328	124,461
Wilayah Persekutuan	58,096	53,622
Negeri Sembilan	15,119	14,074
Melaka	8,464	13,279
Johor	23,387	24,274
Pahang	7,567	6,836
Terengganu	4,244	3,450
Kelantan	10,165	8,720
Sarawak	1,131	525
Sabah	3,312	3,473
Labuan	111	-
	312,441	305,850

Affin Islamic Bank Berhad
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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

7 FINANCING AND OTHER FINANCING (continued)

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

Economic Entity and The Bank 2025	12 - Month	Lifetime ECL	Lifetime ECL	Total
	ECL Stage 1 RM'000	not credit impaired Stage 2 RM'000	credit impaired Stage 3 RM'000	
At beginning of the financial year	64,380	216,903	114,295	395,578
Total transfer between stages due to change in credit risk :-	(933,042)	975,861	(42,819)	-
- Transfer to 12-month ECL (Stage 1)	50,130	(40,567)	(9,563)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(983,143)	1,036,868	(53,725)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(29)	(20,440)	20,469	-
Financing derecognised (other than write-off)	(16,725)	(1,073,245)	(4,192)	(1,094,162)
New financing originated or purchased	1,007,333	-	-	1,007,333
Changes due to change in credit risk	(57,852)	13,535	90,332	46,015
Write-off	-	-	(65,464)	(65,464)
Other adjustments	(41)	(4)	5,146	5,101
At the end of financial year	64,053	133,050	97,298	294,401

Economic Entity and The Bank 2024	12 - Month	Lifetime ECL	Lifetime ECL	Total
	ECL Stage 1 RM'000	not credit impaired Stage 2 RM'000	credit impaired Stage 3 RM'000	
At beginning of the financial year	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

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

7 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 2025	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	31,166,817	1,932,797	305,850	33,405,464
Total transfer between stages due to change in credit risk :-	(3,495,190)	3,342,783	152,407	-
- Transfer to 12-month ECL (Stage 1)	1,677,576	(1,641,298)	(36,278)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(5,168,450)	5,400,971	(232,521)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(4,316)	(416,890)	421,206	-
Financing derecognised (other than write-off)	(14,312,151)	(2,850,421)	(9,947)	(17,172,519)
New financing originated or purchased	25,004,023	-	-	25,004,023
Changes due to additional drawdown/partial settlements	(2,196,910)	(335,076)	(32,250)	(2,564,236)
Unwinding of modification loss during the financial year	5,015	229	-	5,244
Write-off	-	-	(106,569)	(106,569)
Other adjustments				
- Foreign exchange and other movements	(50,674)	(576)	2,950	(48,300)
At the end of financial year	36,120,930	2,089,736	312,441	38,523,107

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

Affin Islamic Bank Berhad
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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

7 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	
	2025	2024
	RM'000	RM'000
<u>Financing and other financing</u>		
- KLIBOR	169,927	182,498
	<u>169,927</u>	<u>182,498</u>

8 OTHER ASSETS

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Other debtors and deposits	73,390	65,517
Prepayments	99,545	75,797
Cheque clearing accounts	1,641	37,145
Foreclosed properties (i)	2,823	2,823
Less: Expected credit losses(ii)	(6,916)	(6,916)
	<u>170,483</u>	<u>174,366</u>
(i) Foreclosed properties		
At beginning of the financial year	2,823	13,415
Disposal during the financial year	-	(10,592)
At end of the financial year	<u>2,823</u>	<u>2,823</u>
(ii) Movement in expected credit losses		
At beginning of the financial year	6,916	-
Allowance made	-	16,800
Amount written-back	-	(9,884)
At end of the financial year	<u>6,916</u>	<u>6,916</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

9 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Advances to joint ventures	49,758	47,254
Less: Expected credit losses ('ECL')	(49,758)	(42,615)
	<u>-</u>	<u>4,639</u>
Movements of expected credit losses		
At beginning of the financial year	42,615	52,467
Charge during the financial year	7,143	32
Other adjustment	-	(9,884)
At end of the financial year	49,758	42,615

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

10 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	
	2025	2024
	RM'000	RM'000
Deferred tax assets	25,158	39,640
Deferred tax assets:		
- settled more than 12 months	1,565	2,332
- settled within 12 months	28,731	37,578
Deferred tax liabilities:		
- settled more than 12 months	(191)	(270)
- settled within 12 months	(4,947)	-
	<u>25,158</u>	<u>39,640</u>
At beginning of the financial year	39,640	39,040
Recognised in income statement (Note 38)	(9,057)	(4,072)
Recognised in equity	(5,425)	4,672
At end of the financial year	25,158	39,640

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

10 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	Property and equipment	Intangible assets	Right-of-use assets	Lease liabilities	Other liabilities	Financing and other financing	Financial investments at FVOCI	Financial investments at AC	Total
2025	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	(40)	(118)	(32)	39	4,360	34,045	511	875	39,640
Recognised in income statement (Note 38)	3	(110)	23	(24)	(257)	(7,966)	41	(767)	(9,057)
Recognised in equity	-	-	-	-	-	-	(5,425)	-	(5,425)
At end of the financial year	(37)	(228)	(9)	15	4,103	26,079	(4,873)	108	25,158

Economic Entity and The Bank	Property and equipment	Intangible assets	Right-of-use assets	Lease liabilities	Other liabilities	Financing and other financing	Financial investments at FVOCI	Financial investments at AC	Total
2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

Affin Islamic Bank Berhad

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**11 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 1.0% of eligible liabilities.

12 INVESTMENT IN JOINT VENTURES

	Economic Entity		The Bank	
	2025	2024	2025	2024
	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	Percentage of	
		Paid up	equity held	
		share capital	2025	2024
		RM'000	%	%
Affin-i Nadayu Sdn Bhd	Property development	1,000	50	50
KL South Development Sdn Bhd	Property development	500	30	30

	Affin-i		KL South	
	Nadayu Sdn Bhd	Development Sdn Bhd	Nadayu Sdn Bhd	Development Sdn Bhd
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
The summarised financial information of joint ventures is as follows:				
Total assets	97,118	98,576	4,856	4,938
Total liabilities	(128,557)	(129,353)	(46,458)	(46,237)
Net liabilities	(31,439)	(30,777)	(41,602)	(41,299)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	9	8	4,133	3,441
Revenue	-	-	750	1,049
Loss for the financial year	(662)	(3,636)	(303)	(204)

The above profit for the financial year include the following:

Finance income	-	-	28	29
Finance expense	(606)	(3,537)	-	-
Depreciation and amortisation	-	-	-	-

Unrecognised net losses

At beginning of the financial year	(30,777)	(27,141)	(41,299)	(41,095)
Loss for the financial year	(662)	(3,636)	(303)	(204)
At end of the financial year	(31,439)	(30,777)	(41,602)	(41,299)

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)	(15,719)	(15,388)	(12,481)	(12,390)

As the Bank's share of cumulative loss of RM28.2 million (2024: cumulative loss of RM27.8 million) as at 31 December 2025 has exceeded its investment in the joint ventures, the Bank does not recognise further losses in its Economic Entity financial statements.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

13 INVESTMENT IN ASSOCIATE

	Economic Entity and The Bank	
	2025 RM'000	2024 RM'000
Unquoted share at cost	750	750
Economic Entity's share of post acquisition retained losses	(750)	(750)
Impairment made	-	-
	<u>-</u>	<u>-</u>

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	
			2025 %	2024 %
RAEED Holdings Sdn Bhd	Investment Holding	-	17	17

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**14 PROPERTY AND EQUIPMENT**

Economic Entity and The Bank 2025	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	2,449	1,419	2,357	-	761	6,986
Additions	4	16	-	-	624	644
Disposals	(91)	(22)	-	-	-	(113)
Write-off	-	(49)	(44)	-	-	(93)
Reclassification to Intangible Assets (Note 15)	-	-	-	-	(56)	(56)
At end of the financial year	2,362	1,364	2,313	-	1,329	7,368
Accumulated depreciation						
At beginning of the financial year	2,382	1,329	2,185	-	-	5,896
Charge for the financial year	14	25	54	-	-	93
Disposal	(92)	(21)	-	-	-	(113)
Write-off	-	(46)	(44)	-	-	(90)
At end of the financial year	2,304	1,287	2,195	-	-	5,786
Net book value at end of the financial year	58	77	118	-	1,329	1,582

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	-	-	-	654	701
Disposals	-	-	-	(485)	-	(485)
Write-off	-	(16)	(17)	-	-	(33)
Reclassification to Intangible Assets (Note 15)	-	-	-	-	(274)	(274)
Reclassification	-	-	39	-	(39)	-
At end of the financial year	2,449	1,419	2,357	-	761	6,986
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
Disposals	-	-	-	(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	-	761	1,090

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**15 INTANGIBLE ASSETS**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Computer software		
Cost		
At beginning of the financial year	8,611	8,330
Reclassification from property and equipment (Note 14)	56	274
Additions	5	7
At end of the financial year	<u>8,672</u>	<u>8,611</u>
Less: Accumulated amortisation		
At beginning of the financial year	7,607	7,467
Charge for the financial year	113	140
At end of the financial year	<u>7,720</u>	<u>7,607</u>
Net book value at end of the financial year	<u>952</u>	<u>1,004</u>

16 RIGHT-OF-USE ASSETS

Economic Entity and The Bank 2025	Properties RM'000	Equipment RM'000	Total RM'000
Cost			
At beginning/end of the financial year	797	212	1,009
Less: Accumulated depreciation			
At beginning of the financial year	745	131	876
Charge for the financial year	52	43	95
At end of the financial year	<u>797</u>	<u>174</u>	<u>971</u>
Net book value at end of the financial year	<u>-</u>	<u>38</u>	<u>38</u>

Economic Entity and The Bank 2024	Properties RM'000	Equipment RM'000	Total RM'000
Cost			
At beginning of the financial year	2,331	212	2,543
End of lease term	(1,534)	-	(1,534)
At end of the financial year	<u>797</u>	<u>212</u>	<u>1,009</u>
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	<u>745</u>	<u>131</u>	<u>876</u>
Net book value at end of the financial year	<u>52</u>	<u>81</u>	<u>133</u>

Affin Islamic Bank Berhad

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**17 DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Qard		
Demand deposits	7,539,973	6,879,112
Savings deposits	738,665	786,248
	<u>8,278,638</u>	<u>7,665,360</u>
Mudarabah		
General investment deposits	<u>27,306</u>	27,660
Tawarruq		
Murabahah term deposits	22,099,127	17,947,587
Commodity Murabahah	856,351	576,349
Savings deposits	340,675	1,373,544
Demand deposit	788,401	1,172,362
	<u>24,084,554</u>	<u>21,069,842</u>
	<u>32,390,498</u>	<u>28,762,862</u>

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

Due within six months	15,857,051	12,279,457
Six months to one year	6,257,694	5,680,841
One year to three years	11,668	14,635
Three years to five years	20	314
	<u>22,126,433</u>	<u>17,975,247</u>

(iii) By type of customer

Government and statutory bodies	10,880,070	9,160,954
Business enterprises	10,322,045	8,612,294
Individuals	9,405,590	9,563,299
Domestic banking institutions	1,015,430	500
Domestic non-banking financial institutions	222,285	895,545
Foreign entities	208,575	180,485
Others entities	336,503	349,785
	<u>32,390,498</u>	<u>28,762,862</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**18 INVESTMENT ACCOUNTS OF CUSTOMERS**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
(i) By type of deposit		
Mudarabah	<u>1,164,406</u>	<u>757,600</u>
(ii) By maturity structure		
Due within six months	840,932	755,891
Six months to one year	<u>323,474</u>	<u>1,709</u>
	<u>1,164,406</u>	<u>757,600</u>
(iii) By type of customer		
Individuals	1,101,088	-
Corporate	30,625	754,503
Other entities	<u>32,693</u>	<u>3,097</u>
	<u>1,164,406</u>	<u>757,600</u>
(iv) By contract		
Business term financing	<u>1,164,406</u>	<u>757,600</u>
(v) Movement in investment accounts		
At beginning of the financial year	757,600	359
New placement	1,194,319	757,600
Redemption during the year	(815,707)	(357)
Finance expense	63,936	3
Profit distributed	(35,742)	(5)
At end of the financial year	<u>1,164,406</u>	<u>757,600</u>
Of which Term Investment Account investment asset:		
Personal financing	<u>1,164,406</u>	<u>757,600</u>

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

	Economic Entity and The Bank					
	Average Profit Sharing Ratio (PSR)			Average Rate of Return (ROR)		
	2025	2024		2025	2024	
	%	%	%	%	%	
Due within:						
Six months to one year	<u>49</u>	<u>85</u>		<u>3.73</u>	<u>5.56</u>	

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Tawarruq		
Licensed banks	506,020	362,533
Licensed investment banks	265,570	132,010
Other financial institutions	<u>3,307,635</u>	<u>3,670,231</u>
	<u>4,079,225</u>	<u>4,164,774</u>
Maturity structure of deposits		
Due within six months	3,602,094	3,611,694
Six months to one year	<u>477,131</u>	<u>553,080</u>
	<u>4,079,225</u>	<u>4,164,774</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**20 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Mudarabah		
Licensed banks	2,559,509	3,262,300
Movement in Mudarabah		
At beginning of the financial year	3,262,300	3,579,578
New placement	411,072	346,460
Redemption	(1,109,677)	(666,611)
Finance expense on RIA	142,473	206,623
Profit distributed	(145,449)	(167,897)
Exchange differences	(1,210)	(35,853)
At end of the financial year	2,559,509	3,262,300

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

	Economic Entity and The Bank				
	Average PSR		Average ROR		
	2025	2024	2025	2024	
Due within:	%	%	%	%	
One month	86	74	4.81	4.89	
One to three months	92	-	5.46	-	
Three to six months	85	63	4.80	4.83	
Six months to one year	90	88	5.56	4.82	
One year to three years	83	84	5.15	5.65	
Three years to five years	78	92	5.12	5.66	
Five years and above	84	85	4.83	4.93	

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 RM2,559.5 million (2024: RM3,262.3 million). These investments are used to fund certain specific financing. The RIA is a contract based on the Mudarabah principle between two parties to finance a financing where the investor (i.e. 'Affin Bank Berhad') solely provides capital and the business venture is managed solely by the Mudarib (Manager) (i.e. 'the Bank'). The profit of the business venture is shared between both parties based on pre-agreed ratio. Losses shall be borne by the investor.

21 RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS BERHAD

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Recourse obligation on financing sold to Cagamas Berhad	2,925,862	2,125,431
Movements in recourse obligation on financing sold to Cagamas Berhad:		
At beginning of financial year	2,125,431	1,115,041
Additions	2,100,000	1,000,000
Redemption	(1,300,000)	-
Profit payment	(100,691)	(44,923)
Profit expense	102,161	57,547
Fair value changes arising from fair value hedges	(1,039)	(2,234)
At end of the financial year	2,925,862	2,125,431

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.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**22 OTHER LIABILITIES**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Bank Negara Malaysia and Credit		
Guarantee Corporation Funding programmes	38,894	21,376
Margin and collateral deposits	35,172	26,376
Other creditors and accruals	6,140	49,596
Sundry creditors	107,671	56,958
Structured Investment Product	742,018	-
Provision for zakat	3,718	3,965
Defined contribution plan (a)	1,655	2,044
Accrued employee benefits	2,942	4,632
Charity funds (b)	47	42
Contract Liability	62,112	86,550
Expected credit losses : Financing commitments and financial kafalah (c)	7,194	5,085
	1,007,563	256,624

(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	
	2025	2024
	RM'000	RM'000
At beginning of the financial year	42	16
<u>Sources of charity funds</u>		
- Non-Islamic/prohibited income	4	60
- Affin Barakah Charity Account-i	5	9
<u>Uses of charity funds</u>		
- Contribution to non profit organisation	(4)	(10)
- Contribution to program/event	-	(33)
	(4)	(43)
At end of the financial year	47	42

The source of charity funds come from the following categories:

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

	12 - Month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
	Stage 1	Stage 2	Stage 3	
Economic Entity and the Bank	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	2,726	1,269	1,090	5,085
Net remeasurement of loss allowance	(445)	2,261	(272)	1,544
New financing commitments/financial kafalah	2,872	-	-	2,872
Financing commitments/financial kafalah derecognised	(1,606)	(560)	(141)	(2,307)
At end of the financial year	3,547	2,970	677	7,194

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**NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)****22 OTHER LIABILITIES (continued)****(c) Movements in expected credit losses (continued)**

	12 - Month ECL Stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit impaired Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Economic Entity and the Bank 2024				
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 and 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	<u>2,726</u>	<u>1,269</u>	<u>1,090</u>	<u>5,085</u>

23 AMOUNT DUE TO HOLDING COMPANY

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Intersystem balances due to holding company	<u>142,304</u>	<u>546,064</u>

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

24 LEASE LIABILITIES

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
At beginning of financial year	162	271
Finance expense	3	7
Lease payment	(102)	(116)
At end of the financial year	<u>63</u>	<u>162</u>
Potential future rental payments relating to periods following the exercise date of extension options are summarised below:		
Lease liabilities recognised (discounted)	63	162
Potential future lease payments not included in lease liabilities		
- Payable in 2026 to 2030	351	430
- Payable in 2031 to 2035	44	66
	<u>395</u>	<u>496</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**25 SUBORDINATED AND SENIOR SUKUK**

	Economic Entity and The Bank			
	2025	2024		
	RM'000	RM'000		
(a) Medium Term Notes Tier-2 Sukuk Murabahah ('MTN Tier-2 Sukuk Murabahah')	505,178	505,178		
(b) Additional Tier-1 Sukuk Wakalah ('AT1S')	505,808	505,808		
(c) Senior Sukuk	1,122,413	1,352,849		
(d) Islamic Commercial Paper ('ICP')	449,418	4,956		
	2,582,817	2,368,791		
	At beginning of financial year	Net issuance/ (Repayment)	Profit expense	At end of financial year
2025	RM'000	RM'000	RM'000	RM'000
MTN Tier-2 Sukuk Murabahah	505,178	(23,300)	23,300	505,178
AT1S	505,808	(25,500)	25,500	505,808
Senior Sukuk	1,352,849	(290,065)	59,629	1,122,413
ICP	4,956	441,105	3,357	449,418
	2,368,791	102,240	111,786	2,582,817
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

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

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% p.a. 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')

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% p.a. 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% p.a. and RM520.0 million for a tenure of 5 years from the issue date, at a profit rate of 4.75% p.a. The Senior Sukuk was issued for the purpose of general banking business and working capital requirements of the Bank. The RM230.0 million Sukuk was fully redeemed on 16 December 2025.

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% p.a. The Senior Sukuk Murabahah was issued for the purpose of general banking business and working capital requirements of the Bank.

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**NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)****25 SUBORDINATED AND SENIOR SUKUK (continued)**(d) Islamic Commercial Paper ('ICP')

The Bank had on 27 September 2024, issued an ICP of RM5.0 million for a tenure of 181 days from the issue date, at a profit rate of 3.70% p.a. The ICP of RM5.0 million was fully redeemed on 27 March 2025.

On 27 March 2025, the Bank issued another tranche of ICP of RM65.0 million for a tenure of 182 days from the issue date, at a profit rate of 3.81% p.a. The ICP was issued for the purpose of general banking business and working capital requirements of the Bank. The ICP of RM65.0 million was fully redeemed on 25 September 2025.

On 25 September 2025, the Bank issued another tranche of ICP of RM115.0 million for a tenure of 181 days from the issue date, at a profit rate of 3.38% p.a. The ICP was issued for the purpose of general banking business and working capital requirements of the Bank.

On 28 November 2025, the Bank issued another tranche of ICP of RM340.0 million for a tenure of 181 days from the issue date, at a profit rate of 3.40% p.a. The ICP was issued for the purpose of general banking business and working capital requirements of the Bank.

26 SHARE CAPITAL

	Economic Entity and the Bank			
	2025		2024	
	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	1,171,515	1,310,000	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	1,171,515	1,310,000

During the financial year ended 31 December 2025, there were no new ordinary shares were issued.

27 RESERVES

	Economic Entity		The Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Retained profits	1,780,713	1,565,363	1,780,713	1,565,363
FVOCI revaluation reserves (a)	12,890	(1,463)	12,890	(1,463)
Regulatory reserves (b)	212,768	92,468	212,768	92,468
Other reserves (c)	2,193	1,001	2,193	1,001
	2,008,564	1,657,369	2,008,564	1,657,369

- (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 47.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**28 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	Economic Entity and The Bank	
	2025 RM'000	2024 RM'000
Income derived from investment of:		
- General investment deposits (a)	1,207,812	1,027,391
- Other deposits (b)	759,633	666,577
	1,967,445	1,693,968
a) Income derived from investment of general investment deposits		
Finance income and profit		
Financing and other financing	908,359	777,594
Financial investments at FVOCI	75,226	60,754
Financial investments at AC	92,528	88,755
Money at call and deposits with financial institutions	30,760	39,041
	1,106,873	966,144
Accretion of discount less amortisation of premium	(13,083)	(11,531)
Total finance income and profit	1,093,790	954,613
Other operating income		
Fee income:		
Commission	19,874	14,779
Service charges and fees	9,372	8,009
Kafalah fees	3,971	3,097
	33,217	25,885
Fee and commission paid	(73)	(82)
Income from financial instruments:		
Gain arising on financial assets at FVTPL		
- net gain on disposal	4,425	1,160
- finance income	15,496	4,279
Net gain/(loss) on revaluation of derivative		
- realised	(2,005)	1,652
- unrealised	(6,137)	3,412
Gain on sale of financial investments at FVOCI	27,900	3,337
Gain arising from sale/redemption of financial investments at AC	3,842	1,548
Unrealised gain on fair value changes arising from fair value hedges	2,332	218
	45,853	15,606
Other income:		
Foreign exchange profit		
- realised	15,694	19,985
- unrealised	7,853	1,000
Other non-operating income	11,478	10,384
	35,025	31,369
Total income derived from investment of general investment deposits	1,207,812	1,027,391

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**28 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)****b) Income derived from investment of other deposits**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Finance income and profit		
Financing and other financing	571,294	504,507
Financial investments at FVOCI	47,312	39,418
Financial investments at AC	58,194	57,585
Money at call and deposits with financial institution	19,346	25,330
	<u>696,146</u>	<u>626,840</u>
Accretion of discount less amortisation of premium	(8,228)	(7,481)
Total finance income and profit	<u>687,918</u>	619,359
Other operating income		
Fee income:		
Commission	12,499	9,589
Service charges and fees	5,894	5,196
Kafalah fees	2,498	2,010
	<u>20,891</u>	<u>16,795</u>
Fee and commission paid	(44)	(53)
Income from financial instruments:		
Gain arising on financial assets at FVTPL		
- net gain on disposal	2,783	753
- finance income	9,746	2,776
Net gain/(loss) on revaluation of derivative		
- realised	(1,262)	1,071
- unrealised	(3,859)	2,214
Gain on sale of financial investments at FVOCI	17,547	2,165
Gain arising from sale/redemption of financial investments at AC	2,417	1,005
Unrealised gain on fair value changes arising from fair value hedges	1,467	141
	<u>28,839</u>	<u>10,125</u>
Other income:		
Foreign exchange profit		
- realised	9,871	12,966
- unrealised	4,939	648
Other non-operating income	7,219	6,737
	<u>22,029</u>	<u>20,351</u>
Total income derived from investment of other deposits	<u>759,633</u>	<u>666,577</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**29 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNTS**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Finance income and profit		
Financing and other financing	128,574	143,451
Financial investments at FVOCI	10,648	11,208
Financial investments at AC	13,097	16,374
Money at call and deposits with financial institution	4,354	7,202
	<u>156,673</u>	<u>178,235</u>
Accretion of discount less amortisation of premium	(1,852)	(2,127)
Total finance income and profit	<u>154,821</u>	<u>176,108</u>
Other operating income		
Fee income:		
Commission	2,813	2,726
Service charges and fees	1,327	1,477
Kafalah fees	562	571
	<u>4,702</u>	<u>4,774</u>
Fee and commission paid	(10)	(15)
Income from financial instruments:		
Gain arising on financial assets at FVTPL		
- net gain on disposal	626	214
- finance income	2,194	789
Net gain/(loss) on revaluation of derivative		
- realised	(283)	305
- unrealised	(869)	630
Gain on sale of financial investments at FVOCI	3,949	616
Gain arising from sale/redemption of financial investments at AC	544	286
Unrealised gain on fair value changes arising from fair value hedges	331	40
	<u>6,492</u>	<u>2,880</u>
Other income:		
Foreign exchange profit		
- realised	2,221	3,687
- unrealised	1,112	184
Other non-operating income	1,624	1,916
	<u>4,957</u>	<u>5,787</u>
Total income derived from investment of investment accounts	<u>170,962</u>	<u>189,534</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**30 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Finance income and profit		
Financing and other financing	138,707	118,590
Financial investments at FVOCI	11,487	9,266
Financial investments at AC	14,129	13,536
Money at call and deposits with financial institutions	4,697	5,954
	169,020	147,346
Accretion of discount less amortisation of premium	(1,998)	(1,759)
Total finance income and profit	167,022	145,587
Other operating income		
Fee income:		
Commission	3,035	2,254
Service charges and fees	1,431	1,221
Kafalah fees	606	472
	5,072	3,947
Fee and commission paid	(12)	(12)
Income from financial instruments:		
Gain arising on financial assets at FVTPL		
- net gain on disposal	676	177
- finance income	2,366	653
Net gain/(loss) on revaluation of derivative		
- realised	(306)	252
- unrealised	(937)	520
Gain on sale of financial investments at FVOCI	4,260	509
Gain arising from sale/redemption of financial investments at AC	587	236
Unrealised gain on fair value changes arising from fair value hedges	356	33
	7,002	2,380
Other income:		
Foreign exchange profit		
- realised	2,397	3,048
- unrealised	1,199	152
Other non-operating income	1,752	1,584
	5,348	4,784
Total income derived from investment of shareholders' funds	184,432	156,686

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**31 (WRITE-BACK OF)/ALLOWANCES FOR CREDIT IMPAIRMENT LOSSES**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Expected credit losses ('ECL') (written-back)/made on:		
- financing and other financing	(40,859)	12,542
- securities	(3,021)	(2,230)
- financing commitments and financial kafalah	2,109	(1,902)
Impaired financing:		
- recovered	(17,687)	(13,559)
- written-off	32,082	12,348
	(27,376)	7,199

32 ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Allowance for impairment on:		
- amount due from joint ventures	7,143	32
- other assets	-	6,916
	7,143	6,948

33 INCOME ATTRIBUTABLE TO THE DEPOSITORS AND OTHERS

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Deposits from customers		
- mudarabah	812	720
- non-mudarabah	978,445	837,325
Deposits and placement of banks and other financial institutions		
- murabahah	125,009	166,520
Subordinated and Senior Sukuk	111,786	108,978
Recourse obligation on financing sold to Cagamas	102,161	57,547
Others	347	24
	1,318,560	1,171,114

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**34 OTHER OPERATING EXPENSES**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Personnel costs	265,934	242,223
Establishment costs	125,682	91,104
Marketing expenses	6,682	6,072
Administrative and general expenses	27,048	16,721
	425,346	356,120
Personnel costs		
Wages, salaries and bonuses	192,653	189,177
Defined contribution plan ('EPF')	37,980	32,541
Other personnel costs	35,301	20,505
	265,934	242,223
Establishment costs		
Equipment rental	1,903	614
Repair and maintenance	64,710	57,697
Depreciation of property and equipment	93	118
Depreciation of right-of-use assets	95	105
Amortisation of intangible assets	113	140
IT consultancy fees	1,982	-
Dataline rental	14,750	9,783
Security services	7,484	6,177
Electricity, water and sewerage	4,497	4,995
Licence fees	231	305
Takaful and indemnities	5,794	5,328
Other establishment costs	24,030	5,842
	125,682	91,104
Marketing expenses		
Business promotion and advertisement	1,361	595
Entertainment	561	65
Traveling and accommodation	986	1,249
Brokerage expenses	1,734	1,551
Other marketing expenses	2,040	2,612
	6,682	6,072
Administration and general expenses		
Telecommunication expenses	1,215	1,325
Auditors' remuneration	508	424
Professional fees	3,538	3,157
Property and equipment written-off	3	-
Mail and courier charges	719	104
Stationery and consumables	3,660	3,094
Directors' fees and allowances	2,292	2,264
Shariah fees	552	531
Donations	251	363
Settlement, clearing and bank charges	5,146	4,470
Stamp duties	87	29
Other administration and general expenses	9,077	960
	27,048	16,721

Included in other operating expenses of the Economic Entity and the Bank are CEO and Directors' remuneration totalling RM5,158,000 (2024: RM3,944,000).

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**34 OTHER OPERATING EXPENSES (continued)**

The expenditure includes the following statutory disclosures:

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Directors' remuneration (Note 35)	2,292	2,264
Auditors' remuneration ^ :		
(i) Statutory audit fees	429	348
(ii) Regulatory related fees	49	48
(iii) Tax fees	30	28

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

35 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

Dali Kumar @ Dali bin Sardar

Dr. Sharbanom binti Abu Bakar

Haizad Rizal bin A Aziz

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	
	2025	2024
	RM'000	RM'000
CEO		
Salaries	1,202	1,134
Bonuses	886	-
Defined contribution plan ('EPF')	556	392
Other employee benefits	136	136
Benefits-in-kind	86	18
CEO remuneration	2,866	1,680
Non-executive Directors		
Fees	2,154	2,127
Benefits-in-kind	138	137
	2,292	2,264
Directors' remuneration (Note 35)	5,158	3,944
Shariah committee remuneration		
Fees	552	531

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

35 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
2025						
CEO						
Dato' Paduka Syed Mashafuddin Syed Badarudin	1,202	886	-	692	86	2,866
Total	1,202	886	-	692	86	2,866
Non-executive Directors						
Musa bin Abdul Malek (Chairman)	-	-	405	-	132	537
Suffian bin Baharuddin	-	-	342	-	1	343
YBhg. Datuk Mohd Farid bin Mohd Adnan	-	-	337	-	1	338
Tan Ler Chin, Cindy	-	-	337	-	1	338
Dali Kumar @ Dali bin Sardar	-	-	383	-	1	384
Dr. Sharbanom binti Abu Bakar	-	-	310	-	1	311
Haizad Rizal bin A Aziz	-	-	40	-	1	41
Total	-	-	2,154	-	138	2,292
Shariah committee remuneration						
Associate Professor Dr. Kamaruzaman bin Noordin	-	-	102	-	-	102
Associate Professor Dr. Nor Fahimah binti Mohd Razif	-	-	22	-	-	22
Mohamad Salihin bin Deris	-	-	90	-	-	90
Ahmad Husni bin Abd Rahman	-	-	90	-	-	90
Professor Dr. Asmak binti Ab Rahman	-	-	90	-	-	90
Lokmanulhakim bin Hussain	-	-	90	-	-	90
Dr. Azmir Azri Ahmad	-	-	68	-	-	68
Total	-	-	552	-	-	552
Grand total	1,202	886	2,706	692	224	5,710
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
Dr. Mohammad Mahbubi Ali	-	-	-	-	-	-
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

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

36 TAXATION

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
<u>Malaysian income tax</u>		
Current tax	106,766	81,562
(Over)/under provision in prior financial year	(1,736)	1,671
Deferred tax (Note 10)	9,057	4,072
	114,087	87,305
	%	%
<u>Statutory tax rate in Malaysia</u>	24.00	24.00
Tax effect in respect of:		
Non-allowable expenses	1.47	2.05
(Over)/under provision in prior financial year	(0.38)	0.51
Average effective tax rate	25.09	26.56

37 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	
	2025	2024
Net profit attributable to ordinary equity holders (RM'000)	335,650	236,042
Weighted average number of shares in issue ('000)	1,171,515	1,149,312
Basic/Diluted earnings per share (sen)	28.7	20.5

There were no dilutive potential ordinary shares outstanding as at 31 December 2025 and 31 December 2024. As a result, the diluted EPS equal to the basic EPS for the financial year ended 31 December 2025 and 31 December 2024.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

38 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 shareholder
Subsidiaries and associates of LTAT	Subsidiary and associate companies of the substantial shareholder
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 12	Joint ventures with Affin Islamic Bank Berhad
Associate as disclosed in Note 13	Associate of Affin Islamic Bank Berhad
Key management personnel	The key management personnel of the Bank consist of: - Directors - Chief Executive Officer - 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 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 2025 (continued)

38 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related parties transactions and balances

Economic Entity and The Bank	Substantial shareholder		Holding company		Other related companies		Companies in which certain Directors have substantial interest		Key management personnel	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Income										
Income on financing and other financing	-	-	-	-	1,176	10,423	1,135	192	97	51
Profit on corporate bonds/sukuk	-	-	-	-	1,276	-	-	-	-	-
Other income	-	-	-	-	56	22	-	-	-	-
	-	-	-	-	2,508	10,445	1,135	192	97	51
Expenditure										
Profit paid on Murabahah term deposit	30,074	320	-	-	107,079	4,582	4,296	168	-	8
Profit paid on general investment deposits	-	-	-	-	16,815	-	-	-	12	-
Profit paid on Commodity murabahah	246	-	8,160	16,583	5,611	6,305	-	-	-	-
Profit paid on deposits and placement of banks and other financial institutions	-	-	144,594	169,552	-	-	-	-	-	-
Profit paid on RIA	-	-	2,548	2,747	-	-	-	-	-	-
Finance expense - Subordinated and Senior Sukuk	-	-	366,789	308,574	1,452	1,453	-	-	-	-
Other expenditure	-	-	-	-	177	1,057	-	-	-	-
	30,320	320	522,091	497,456	131,134	13,397	4,296	168	12	8

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

38 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related parties transactions and balances (continued)

Economic Entity and The Bank	Substantial shareholder		Holding company		Other related companies		Companies in which certain Directors have substantial interest		Key management personnel	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Amount due from										
Financing and other financing	-	-	-	-	123,350	498,305	31,178	8,677	2,292	1,874
Subordinated term financing (Corporate bonds/sukuk)	-	-	-	-	44,711	-	-	-	-	-
Derivatives financial assets	-	-	33,784	-	-	-	-	-	-	-
Intercompany balances	-	-	-	-	4	4,639	-	-	-	-
	-	-	33,784	-	168,065	502,944	31,178	8,677	2,292	1,874
Amount due to										
Demand and saving deposits	35,545	36,084	2,581	10,772	355,245	99,011	2,337	2,080	814	56
Murabahah term deposit	128,000	601,929	-	-	1,109,424	605,343	4,296	38,323	-	-
General investment deposits	-	-	-	-	-	-	-	-	41	12
Commodity Murabahah	-	-	60,949	302,053	417,578	-	-	-	-	-
Derivatives financial liabilities	-	-	7,235	-	-	-	-	-	-	-
Restricted Investment Account (RIA)	-	-	2,559,509	3,262,300	-	-	-	-	-	-
Intercompany balances	-	-	142,308	546,064	-	-	-	-	-	-
Subordinated and Senior Sukuk	-	-	45,103	70,197	35,080	35,080	-	-	-	-
	163,545	638,013	2,817,685	4,191,386	1,917,327	739,434	6,633	40,403	855	68
Commitments and contingencies	1,500	1,500	2,228,222	581,143	355,091	102,092	2,042	16,560	2,155	538

ECL were made according to MFRS 9 in 2025 and 2024 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 2025 (continued)**38 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)****(b) Key management personnel compensation**

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Directors' fees and allowances		
Fees	2,154	2,127
Benefits-in-kind	138	137
Shariah committee fees	102	99
	<u>2,394</u>	<u>2,363</u>
Short-term employment benefits		
Salaries	1,202	1,134
Bonuses	886	-
Defined contribution plan	556	392
Other employee benefits	136	136
Benefits-in-kind	86	18
	<u>2,866</u>	<u>1,680</u>
	<u>5,260</u>	<u>4,043</u>

Included in the above table are CEO and directors' remuneration as disclosed in Note 35.

39 COMMITMENTS AND CONTINGENCIES

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

	Economic Entity and The Bank	
	2025	2024
	RM'000	RM'000
Direct credit substitutes - financial kafalah contracts	248,326	152,064
Transaction-related contingent items	369,888	385,828
Short-term self-liquidating trade related contingencies	1,762,839	3,652,257
Irrevocable commitments to extend credit:		
- maturity less than one year	6,496,757	4,270,946
- maturity more than one year	1,448,960	791,248
Unutilised credit card lines	543,247	393,718
Foreign exchange related contracts #		
- less than one year	2,857,049	796,631
Profit rate related contracts #		
- less than one year	800,000	-
- one year to less than five years	1,428,468	2,090,148
- five years and above	-	103,025
	<u>15,955,534</u>	<u>12,635,865</u>

The fair value of these derivatives have been recognised as 'derivative financial instruments' in the statement of financial position and disclosed in Note 4 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

40 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.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**40 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 2025	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
Community Banking				
- Cash Line-i	76	(14)	62	300
- Credit cards	669	(308)	361	-
- Term financing	29,390	(4,113)	25,277	38,007
- Housing financing	134,035	(31,840)	102,195	153,917
- Hire purchase	53,281	(27,444)	25,837	125,372
Corporate & Public Sector	20,882	(3,277)	17,605	342,053
Enterprise Banking	74,108	(30,302)	43,806	115,977
Total credit-impaired assets	<u>312,441</u>	<u>(97,298)</u>	<u>215,143</u>	<u>775,626</u>

**Economic Entity and The Bank
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	<u>305,850</u>	<u>(114,295)</u>	<u>191,555</u>	<u>611,821</u>

The financial effect of collateral held for financing and other financing of the Bank is 84.6% (2024: 85.4%). The financial effects of collateral for the other financial assets are insignificant.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

40 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 possession of collateral held as security or calling upon other credit enhancements.

	Economic Entity and The Bank	
	2025	2024
<u>Nature of assets</u>	RM'000	RM'000
Industrial and residential properties	2,823	2,823

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 8.

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).

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**NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)****40 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; - Performing accounts with credit grade 13 or better; - Accounts past due less than or equal to 30 days or; - 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; - Accounts past due more than 30 days or 1 month but up to 90 days or 3 months; - Account demonstrates critical level of risk and therefore, credit grade 14 and placed under Watchlist or; - Restructuring and rescheduling ('R&R') due to significant increase in credit risk.	Lifetime ECL - not credit impaired
Impaired accounts (Stage 3)	- Impaired credit; - Credit grade 15 or worse; - Accounts past due more than 90 days or 3 months or; - R&R which warrants a reclassification to Stage 3.	Lifetime ECL - credit impaired
Write-off	- Evidence indicating that there is no reasonable expectation of recovery based on unavailability of customer's sources of income or; - 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 2025.

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.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

40 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.

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**NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)****40 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:

	2025	2024
	%	%
Measurement variables - MEV change		
House Price Index	0.00	0.43
Private Consumption Expenditure	*N/A	12.26
USD Dollar to Malaysian Ringgit Exchange Rate	*N/A	0.02
Malaysia Economic Indicator Leading Index ('MEILI') 2015	*N/A	0.49
Malaysia Debt Service Ratio	0.50	0.82
Unemployment Rate	0.32	4.43
Average Funding Rate	*N/A	10.26

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

	2025		2024	
	(Write-back)/made		(Write-back)/made	
	RM'000	RM'000	RM'000	RM'000
	+	-	+	-
Economic Entity and The Bank				
Impact on expected credit losses	(9,044)	(31,104)	(495)	821

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.

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**NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)****40 FINANCIAL RISK MANAGEMENT (continued)****(i) Credit risk (continued)****Credit risk monitoring (continued)**

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	
	2025	2024
	RM'000	RM'000
Maximum credit risk exposure		
Credit risk exposures of on-balance sheet assets:		
Cash and short-term funds *	3,410,555	2,442,382
Financial assets at FVTPL **	737,490	451,582
Financial investments at FVOCI #	3,035,789	3,940,222
Financial investments at AC **	4,249,779	4,595,274
Others @	68,311	171,254
	11,501,924	11,600,714
Credit risk exposure of off-balance sheet items:		
Financial kafalah	248,326	152,064
Financing commitments and other credit related commitments	10,621,691	9,493,997
	10,870,017	9,646,061
Total maximum credit risk exposure	22,371,941	21,246,775

* Excluded cash in hand

** Excluded investment in exchange traded fund, shares, unit trusts, REITs and fair value hedge

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.

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2025 (continued)

40 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 2025	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	-	-	-	10,047	-	816,240	-	826,287	391,966
Mining and quarrying	-	-	4	127,802	5,096	67,094	-	199,996	348,490
Manufacturing	-	-	63	50,920	15,124	1,592,777	-	1,658,884	570,389
Electricity, gas and water supply	-	-	3,366	145,813	51,959	963,335	-	1,164,473	171,406
Construction	-	29,839	34	50,647	334,948	1,182,407	-	1,597,875	862,067
Real estate	-	-	3	254,920	270,700	1,317,084	-	1,842,707	153,490
Transport, storage and communication	-	8,466	53	92,174	328,533	1,101,618	-	1,530,844	210,014
Finance, takaful and business services	111,306	699,185	35,430	2,170,441	2,490,969	707,781	-	6,215,112	419,641
Government and government agencies	3,299,249	-	512	65,809	604,894	522,364	-	4,492,828	5,162,520
Wholesale & retail trade and restaurants & hotels	-	-	784	-	-	1,769,265	-	1,770,049	699,460
Others	-	-	3,993	67,216	147,556	28,188,741	68,311	28,475,817	1,880,574
Total assets	3,410,555	737,490	44,242	3,035,789	4,249,779	38,228,706	68,311	49,774,872	10,870,017

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

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2025 (continued)

40 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 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).

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**40 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;
- 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; or

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				
2025				
Neither past due nor impaired	34,385,552	752,880	-	35,138,432
Past due but not impaired	1,735,378	1,336,856	-	3,072,234
Impaired	-	-	312,441	312,441
Gross financing and other financing	<u>36,120,930</u>	<u>2,089,736</u>	<u>312,441</u>	<u>38,523,107</u>
Less : Expected credit losses	<u>(64,053)</u>	<u>(133,050)</u>	<u>(97,298)</u>	<u>(294,401)</u>
Net financing and other financing	<u>36,056,877</u>	<u>1,956,686</u>	<u>215,143</u>	<u>38,228,706</u>

	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	<u>31,166,817</u>	<u>1,932,797</u>	<u>305,850</u>	<u>33,405,464</u>
Less : Expected credit losses	<u>(64,380)</u>	<u>(216,903)</u>	<u>(114,295)</u>	<u>(395,578)</u>
Net financing and other financing	<u>31,102,437</u>	<u>1,715,894</u>	<u>191,555</u>	<u>33,009,886</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

40 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				
2025				
Credit grade				
Satisfactory	7,141,636	521,194	-	7,662,830
Special mention	1,944,681	210,990	-	2,155,671
Default/impaired	-	-	312,441	312,441
Unrated	27,034,613	1,357,552	-	28,392,165
Gross financing and other financing	<u>36,120,930</u>	<u>2,089,736</u>	<u>312,441</u>	<u>38,523,107</u>
Less : Expected credit losses	<u>(64,053)</u>	<u>(133,050)</u>	<u>(97,298)</u>	<u>(294,401)</u>
Net financing and other financing	<u>36,056,877</u>	<u>1,956,686</u>	<u>215,143</u>	<u>38,228,706</u>

	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	<u>31,166,817</u>	<u>1,932,797</u>	<u>305,850</u>	<u>33,405,464</u>
Less : Expected credit losses	<u>(64,380)</u>	<u>(216,903)</u>	<u>(114,295)</u>	<u>(395,578)</u>
Net financing and other financing	<u>31,102,437</u>	<u>1,715,894</u>	<u>191,555</u>	<u>33,009,886</u>

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').

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**40 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 2025				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	3,299,249	-	-	3,299,249
AAA	8,149	-	-	8,149
AA- to AA+	85,542	-	-	85,542
A- to A+	17,615	-	-	17,615
Expected credit losses ('ECL')	-	-	-	-
	3,410,555	-	-	3,410,555
Financial investments at FVOCI				
Sovereigns	787,268	-	-	787,268
AAA	485,885	-	-	485,885
AA- to AA+	981,837	-	-	981,837
A- to A+	396,909	-	-	396,909
Lower than A-	383,890	-	-	383,890
	3,035,789	-	-	3,035,789
Expected credit losses ('ECL')	(602)	-	-	(602)
Financial investments at AC				
Sovereigns	3,585,077	-	-	3,585,077
AAA	115,701	-	-	115,701
AA- to AA+	197,347	10,077	-	207,424
A- to A+	10,097	-	-	10,097
Unrated	331,933	-	-	331,933
Expected credit losses ('ECL')	(448)	(5)	-	(453)
	4,239,707	10,072	-	4,249,779
Amount due from holding company				
AA- to AA+	-	-	-	-
Amount due from joint ventures				
Unrated	-	49,758	-	49,758
Expected credit losses ('ECL')	-	(49,758)	-	(49,758)
	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**40 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 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')	-	-	-	-
	<u>2,442,382</u>	<u>-</u>	<u>-</u>	<u>2,442,382</u>
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
	<u>3,940,222</u>	<u>-</u>	<u>-</u>	<u>3,940,222</u>
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)
	<u>4,570,079</u>	<u>25,195</u>	<u>-</u>	<u>4,595,274</u>
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)
	<u>-</u>	<u>4,639</u>	<u>-</u>	<u>4,639</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**40 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					
2025					
Other assets	68,311	-	-	68,311	-
Economic Entity and The Bank					
2024					
Other assets	171,254	-	-	171,254	-

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				
2025				
Financing commitments and financial kafalah				
Satisfactory	10,618,770	193,254	-	10,812,024
Special mention	-	50,134	-	50,134
Default/Impaired	-	-	7,859	7,859
	<u>10,618,770</u>	<u>243,388</u>	<u>7,859</u>	<u>10,870,017</u>
Expected credit losses	<u>3,547</u>	<u>2,970</u>	<u>677</u>	<u>7,194</u>
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
	<u>9,405,676</u>	<u>233,022</u>	<u>7,363</u>	<u>9,646,061</u>
Expected credit losses	<u>2,726</u>	<u>1,269</u>	<u>1,090</u>	<u>5,085</u>

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

40 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.
- (iii) Sensitivities are measures that quantify the change in value of a portfolio of financial instruments resulting from a unit change in the relevant market risk factors. Sensitivities are used as measures of vulnerability to market risk factor movements and are also used to facilitate the implementation of risk controls and hedging strategies.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)**40 FINANCIAL RISK MANAGEMENT (continued)****(ii) Market risk (continued)****Profit rate sensitivity analysis**

The table below shows the 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.

	2025		2024	
	+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	37.3	(37.3)	53.0	(53.0)

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	
	2025 RM'000	2024 RM'000
+1%		
Euro	(35)	(645)
United States Dollar	8,325	573
Great Britain Pound	28	4
Australian Dollar	8	4
Japanese Yen	3	3
Others	(17)	7
	8,312	(54)
-1%		
Euro	35	645
United States Dollar	(8,325)	(573)
Great Britain Pound	(28)	(4)
Australian Dollar	(8)	(4)
Japanese Yen	(3)	(3)
Others	17	(7)
	(8,312)	54

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 monitored daily and managed via setting of thresholds on the level of exposure by currency and in aggregate for overnight position. The intra-day position is monitored in aggregate basis.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

40 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 2025	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	7,797	86,101	1,738	2,266	425	3,527	101,854
Financial assets at FVTPL	-	221,142	-	-	-	-	221,142
Derivative financial instruments	725	34,303	2,325	1,783	-	69	39,205
Financial investments at FVOCI	-	1,262,672	-	-	-	-	1,262,672
Financing and other financing	-	584,271	-	-	-	-	584,271
Total financial assets	8,522	2,188,489	4,063	4,049	425	3,596	2,209,144
Liabilities							
Deposits from customers	12,997	281,969	346	2,436	21	2,701	300,470
Deposits and placements of banks and other financial institutions	-	772,980	-	-	-	-	772,980
Investment accounts due to designated financial institutions	-	12,234	-	-	-	-	12,234
Derivative financial instruments	106	25,274	-	520	1	3,152	29,054
Other liabilities	6	587	-	-	-	-	592
Total financial liabilities	13,109	1,093,044	346	2,956	22	5,853	1,115,330
Net on-balance sheet financial position	(4,587)	1,095,445	3,717	1,093	403	(2,257)	1,093,814
Off balance sheet commitments	133,090	2,669,338	4,599	15,098	1,395	122,941	2,946,461

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for the financial year ended 31 December 2025 (continued)

40 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 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

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for the financial year ended 31 December 2025 (continued)

40 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 150 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 2025 (continued)

40 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 2025	Non-trading book						Trading book RM'000	Total RM'000
	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		
Assets								
Cash and short-term funds	3,308,701	-	-	-	-	101,858	-	3,410,559
Financial assets at FVTPL	-	-	-	-	-	-	737,490	737,490
Derivative financial instruments	-	-	-	-	-	-	44,242	44,242
Financial investments at FVOCI	10,003	60,045	224,930	1,434,464	1,273,548	32,799	-	3,035,789
Financial investments at AC	-	80,288	141,927	3,079,949	911,060	36,686	-	4,249,910
Financing and other financing								
- non-impaired	27,169,624	1,131,070	413,700	2,854,928	6,641,344	(197,103) ^	-	38,013,563
- impaired	-	-	-	-	-	215,143 #	-	215,143
Others ⁽¹⁾	-	-	-	-	-	68,311	-	68,311
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	300,000	-	300,000
Total assets	30,488,328	1,271,403	780,557	7,369,341	8,825,952	557,694	781,732	50,075,007

^ 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 joint ventures.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

40 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).

Economic Entity and The Bank 2025	Non-trading book						Trading book RM'000	Total RM'000
	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		
Liabilities								
Deposits from customers	13,105,180	7,048,652	11,923,714	11,648	-	301,304	-	32,390,498
Investment accounts of customers	87,595	145,323	919,285	-	-	12,203	-	1,164,406
Deposits and placements of banks and other financial institutions	1,388,713	738,029	1,940,173	-	-	12,310	-	4,079,225
Investment accounts due to designated financial institutions	880,025	826,484	361,100	284,853	207,047	-	-	2,559,509
Recourse obligation on financing sold to Cagamas Berhad	-	300,009	499,972	2,099,999	-	25,882	-	2,925,862
Derivative financial instruments	-	-	-	-	-	-	37,163	37,163
Others ⁽²⁾	150,777	557,941	25,000	8,300	-	403,252	-	1,145,270
Lease liabilities	-	-	18	37	8	-	-	63
Obligation on securities sold under repurchase agreement	-	-	-	-	-	23	-	23
Subordinated and Senior Sukuk	-	113,072	934,268	1,020,000	500,000	15,477	-	2,582,817
Total liabilities	15,612,290	9,729,510	16,603,530	3,424,837	707,055	770,451	37,163	46,884,836
Net profit sensitivity gap	14,876,038	(8,458,107)	(15,822,973)	3,944,504	8,118,897			

⁽²⁾ Others include other liabilities and amount due to holding company.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

40 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).

Economic Entity and The Bank 2024	Non-trading book						Trading book RM'000	Total RM'000
	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		
Assets								
Cash and short-term funds	2,050,545	-	-	-	-	391,837	-	2,442,382
Financial assets at FVTPL	-	-	-	-	-	-	451,582	451,582
Derivative financial instruments	-	-	-	-	-	-	25,387	25,387
Financial investments at FVOCI	-	395,414	590,918	1,068,763	1,843,761	41,366	-	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	1,393,639	1,335,339	5,624,469	9,187,985	1,088,396	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 joint ventures.

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for the financial year ended 31 December 2025 (continued)

40 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						Trading book RM'000	Total RM'000
	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		
Economic Entity and The Bank 2024								
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 ⁽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	(5,786,729)	(10,387,601)	1,477,030	7,186,813			

⁽²⁾ Others include other liabilities and amount due to holding company.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

40 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.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

40 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 2025						
Deposits from customers	13,162,282	7,203,594	12,297,146	11,909	-	32,674,931
Investment accounts of customers	88,841	147,999	944,748	-	-	1,181,588
Deposits and placements of banks and other financial institutions	1,391,140	742,245	1,978,874	-	-	4,112,259
Investment accounts due to designated financial institutions	882,170	833,600	368,465	328,311	317,657	2,730,203
Recourse obligation on financing sold to Cagamas Berhad	-	322,701	570,655	2,176,009	-	3,069,365
Other liabilities	153,070	557,941	237,567	47,194	7,194	1,002,966
Lease liabilities	9	8	48	1	-	66
Subordinated and Senior Sukuk	-	116,938	1,044,232	1,642,664	-	2,803,834
	15,677,512	9,925,026	17,441,735	4,206,088	324,851	47,575,212
Financial kafalah	8,916	80,814	106,281	52,122	193	248,326
Financing commitments	4,274,758	321,517	2,255,195	2,034,741	1,735,480	10,621,691
	4,283,674	402,331	2,361,476	2,086,863	1,735,673	10,870,017
	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
Investment 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
Financial kafalah	4,405	27,944	97,662	21,864	189	152,064
Financing commitments	2,487,109	167,956	1,838,352	3,749,576	1,251,004	9,493,997
	2,491,514	195,900	1,936,014	3,771,440	1,251,193	9,646,061

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

40 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 2025						
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	(27,948)	(6,144)	(299,717)	-	-	(333,809)
Inflow	27,948	6,144	299,717	-	-	333,809
	-	-	-	-	-	-
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)

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

40 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 contractual maturities.

Economic Entity and The Bank 2025	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	3,410,559	-	-	-	-	-	3,410,559
Financial assets at FVTPL	89,913	161,067	-	64,733	421,777	-	737,490
Derivative financial instruments	21,385	3,719	15,545	3,593	-	-	44,242
Financial investments at FVOCI	10,249	60,920	226,513	1,451,542	1,286,565	-	3,035,789
Financial investments at AC	-	81,050	142,728	3,108,212	917,920	-	4,249,910
Financing and other financing	1,237,690	1,561,737	616,925	4,464,170	30,348,184	-	38,228,706
Other assets	67,900	-	-	384	27	-	68,311
Statutory deposits with Bank Negara Malaysia	300,000	-	-	-	-	-	300,000
Other non-financial assets ⁽¹⁾	25,152	-	-	-	-	107,838	132,990
	5,162,848	1,868,493	1,001,711	9,092,634	32,974,473	107,838	50,207,997

⁽¹⁾ Other non-financial assets include deferred tax assets, tax recoverable, 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 2025 (continued)****40 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 contractual maturities (continued).

Economic Entity and The Bank 2025	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	13,157,138	7,159,717	12,061,955	11,688	-	-	32,390,498
Investment accounts of customers	88,727	147,026	928,653	-	-	-	1,164,406
Deposits and placements of banks and other financial institutions	1,390,402	740,381	1,948,442	-	-	-	4,079,225
Investment accounts due to designated financial institutions	880,025	826,484	361,100	284,853	207,047	-	2,559,509
Recourse obligation on financing sold to Cagamas Berhad	-	316,500	510,145	2,099,217	-	-	2,925,862
Derivative financial instruments	6,368	3,568	14,625	12,602	-	-	37,163
Other liabilities	153,070	557,941	237,567	47,194	7,194	-	1,002,966
Lease liabilities	-	-	37	26	-	-	63
Amount due to holding company	142,304	-	-	-	-	-	142,304
Obligation on securities sold under repurchase agreements	-	-	-	11	12	-	23
Subordinated and Senior Sukuk	-	-	1,113,399	449,418	1,020,000	-	2,582,817
Other non-financial liabilities ⁽²⁾	4,597	-	-	-	-	-	4,597
	15,822,631	9,751,617	17,175,923	2,905,009	1,234,253	-	46,889,433
Net liquidity gap	(10,659,783)	(7,883,124)	(16,174,212)	6,187,625	31,740,220	107,838	

⁽²⁾ Other non-financial liabilities include defined contribution plan and accrued employee benefits.

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40 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 contractual maturities (continued).

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
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	-	400,510	595,244	1,081,010	1,863,458	-	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 holding company	4,639	-	-	-	-	-	4,639
Statutory deposits with Bank Negara Malaysia	539,000	-	-	-	-	-	539,000
Other non-financial assets ⁽¹⁾	39,640	-	-	-	-	19,020	58,660
	4,340,256	1,435,346	1,883,861	7,254,792	30,300,059	19,020	45,233,334

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

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NOTES TO THE FINANCIAL STATEMENTS
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40 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 contractual maturities (continued).

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
	<u>16,683,591</u>	<u>7,293,041</u>	<u>12,102,763</u>	<u>4,179,044</u>	<u>2,007,526</u>	<u>-</u>	<u>42,265,965</u>
Net liquidity gap	<u>(12,343,335)</u>	<u>(5,857,695)</u>	<u>(10,218,902)</u>	<u>3,075,748</u>	<u>28,292,533</u>	<u>19,020</u>	

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

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40 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.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

40 FINANCIAL RISK MANAGEMENT (continued)

(vi) Shariah Non-Compliance Risk

Shariah Non-Compliance ('SNC') Risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia ('SAC BNM'), standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA or decisions or advice of the Affin Islamic Bank's 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 Shariah risk tools:

1. SNC Loss Event Reporting ('LER');
2. Shariah Risk and Control Self-Assessment ('RCSA');
3. Shariah Key Risk Indicator ('KRI'); and
4. Shariah Key Control Self-Assessment ('KCSA').

(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 Management Committee-Business Continuity Management (GMC-BCM) 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.

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NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2025 (continued)

40 FINANCIAL RISK MANAGEMENT (continued)

(viii) Profit rate benchmark reform

Profit rate benchmarks, commonly known as interbank offered rates ('IBORs'), such as the London Interbank Offered Rate ('LIBOR'), Euro Interbank Offered Rate ('EURIBOR'), and Kuala Lumpur Interbank Offered Rate ('KLIBOR'), have historically been used as reference rates for various financial products, including financing, derivatives and bonds/Sukuk.

Following scandals involving rate manipulation, global reforms were introduced to replace IBORs with Alternative Reference Rates ('ARRs') that are more transparent and based on actual transactions. They are known, among others, as the 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 Europe.

On 30 June 2023, the Group and the Bank successfully completed the IBOR migration, ahead of the decommissioning of USD LIBOR. As at 31 December 2025, the Group and the Bank have exposures only to financial instruments referencing KLIBOR, AUD Bank Bill Swap ('BBSW') and EURIBOR.

On 16 October 2025, BNM announced the transition from KLIBOR to the Malaysia Overnight Rate ('MYOR') and Malaysia Islamic Overnight Rate ('MYOR-i') with the following key milestones:

- By 1 October 2026 – Financial institutions must be operationally ready for products referencing MYOR and MYOR-i.
- By 1 July 2027 – KLIBOR will cease for new trades, and MYOR-i will be mandated for all new Islamic products.
- By 30 June 2028 – All existing KLIBOR-based contracts must be converted to MYOR or MYOR-i.
- Effective 1 January 2029 – KLIBOR will be fully discontinued.

Additionally, the Reserve Bank of Australia ('RBA') has not yet transitioned the BBSW index to an ARR. Meanwhile, EURIBOR-linked transactions were executed on a back-to-back basis, resulting in no exposure to profit rate risk.

(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.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

40 FINANCIAL RISK MANAGEMENT (continued)

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

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 (2024: Nil).

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
2025				
Financial Assets				
Derivative financial instruments	-	44,242	-	44,242
Financial assets at FVTPL				
- Money market instruments	-	473,261	-	473,261
- Commercial Papers and Corporate Sukuk	-	264,229	-	264,229
Financial investments at FVOCI				
- Money market instruments	-	920,943	-	920,943
- Commercial Papers and Corporate Sukuk	-	2,114,846	-	2,114,846
	-	3,773,279	-	3,773,279
Total	-	3,817,521	-	3,817,521
Financial Liabilities				
Derivative financial instruments	-	37,163	-	37,163
Total	-	37,163	-	37,163
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
2024				
Financial Assets				
Derivative financial instruments	-	25,387	-	25,387
Financial assets at FVTPL				
- Money market instruments	-	392,859	-	392,859
- Commercial Papers and Corporate Sukuk	-	58,723	-	58,723
Financial investments at FVOCI				
- Money market instruments	-	1,385,717	-	1,385,717
- Commercial Papers and Corporate Sukuk	-	2,554,505	-	2,554,505
	-	4,391,804	-	4,391,804
Total	-	4,417,191	-	4,417,191
Financial Liabilities				
Derivative financial instruments	-	21,357	-	21,357
Total	-	21,357	-	21,357

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

40 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			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Economic Entity and The Bank					
2025					
Financial assets					
Financial investments at AC	4,249,910	-	4,191,687	-	4,191,687
Financing and other financing	38,228,706	-	38,234,282	-	38,234,282
	<u>42,478,616</u>	<u>-</u>	<u>42,425,969</u>	<u>-</u>	<u>42,425,969</u>
Financial liabilities					
Deposits from customers	32,390,498	-	32,438,748	-	32,438,748
Investment accounts of customers	1,164,406	-	1,166,302	-	1,166,302
Investment accounts due to designated financial institutions	2,559,509	-	2,559,183	-	2,559,183
Recourse obligation on financing sold to Cagamas Berhad	2,925,862	-	2,954,857	-	2,954,857
Subordinated and Senior Sukuk	2,582,817	-	2,164,641	-	2,164,641
Deposits and placements of banks and other financial institutions	4,079,225	-	4,072,124	-	4,072,124
	<u>45,702,317</u>	<u>-</u>	<u>45,355,855</u>	<u>-</u>	<u>45,355,855</u>

	Carrying amount RM'000	Fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 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
	<u>37,604,847</u>	<u>-</u>	<u>37,733,727</u>	<u>-</u>	<u>37,733,727</u>
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
	<u>40,684,158</u>	<u>-</u>	<u>40,750,356</u>	<u>-</u>	<u>40,750,356</u>

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.

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40 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.

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2025 (continued)

41 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 statements of financial position		
	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 2025						
Financial assets						
Derivative financial instruments	44,242	-	44,242	(19,635)	-	24,607
	<u>44,242</u>	<u>-</u>	<u>44,242</u>	<u>(19,635)</u>	<u>-</u>	<u>24,607</u>
Financial liabilities						
Obligation on securities sold under repurchase agreements	23	-	23	-	-	23
Derivative financial instruments	37,163	-	37,163	(19,635)	-	17,528
	<u>37,186</u>	<u>-</u>	<u>37,186</u>	<u>(19,635)</u>	<u>-</u>	<u>17,551</u>
Economic Entity and The Bank 2024						
Financial assets						
Derivative financial instruments	25,387	-	25,387	(21,315)	-	4,072
	<u>25,387</u>	<u>-</u>	<u>25,387</u>	<u>(21,315)</u>	<u>-</u>	<u>4,072</u>
Financial liabilities						
Derivative financial instruments	21,357	-	21,357	(21,315)	(42)	-
	<u>21,357</u>	<u>-</u>	<u>21,357</u>	<u>(21,315)</u>	<u>(42)</u>	<u>-</u>

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for the financial year ended 31 December 2025 (continued)

42 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 are currently adopting the Standardised Approach for Credit Risk, Market Risk and Operational Risk. Under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 7.000% (2024: 7.000%) and 8.500% (2024: 8.500%) respectively for the financial year ended 31 December 2025. The minimum regulatory capital adequacy requirement is 10.500% (2024: 10.500%) for total capital ratio.

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 43 below summarises the composition of regulatory capital and the ratios of the Bank for the financial year ended 31 December 2025.

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2025 (continued)

43 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	1,310,000	1,310,000	1,310,000	1,310,000
Retained profits	1,780,713	1,565,363	1,780,713	1,565,363
Other reserves	2,193	1,001	2,193	1,001
Unrealised gains/(loss) on FVOCI instruments	12,890	(1,463)	12,890	(1,463)
	3,105,796	2,874,901	3,105,796	2,874,901
Less:				
- Intangible assets	(724)	(1,004)	(724)	(1,004)
- Deferred tax assets	(25,386)	(39,640)	(25,386)	(39,640)
- 55% of cumulative unrealised gains of FVOCI	(7,090)	-	(7,090)	-
Total CET1 Capital	3,072,596	2,834,257	3,072,596	2,834,257
Additional Tier 1 capital	500,000	500,000	500,000	500,000
Total Tier 1 Capital	3,572,596	3,334,257	3,572,596	3,334,257
Subordinated medium term notes	500,000	500,000	500,000	500,000
Expected loss provisions #	321,365	283,783	321,365	283,783
Total Tier 2 Capital	821,365	783,783	821,365	783,783
Total Capital	4,393,961	4,118,040	4,393,961	4,118,040
CET 1 capital ratio	11.347%	11.732%	11.347%	11.732%
Tier 1 capital ratio	13.194%	13.801%	13.194%	13.801%
Total capital ratio	16.227%	17.045%	16.227%	17.045%
The breakdown of risk-weighted assets:				
Credit risk	25,709,206	22,702,622	25,709,206	22,702,622
Market risk	290,843	200,484	290,843	200,484
Operational risk	1,077,485	1,255,781	1,077,485	1,255,781
Total risk-weighted assets	27,077,534	24,158,887	27,077,534	24,158,887

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

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are excluded from calculation of capital adequacy. As at 31 December 2025, RIA assets excluded from Total Capital Ratio calculation amounted to RM2,553.3 million (2024: RM3,259.6 million).

44 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	
	2025	2024
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	1,853,423	1,467,953
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	3%	3%
(iii) The percentage of outstanding credit exposures with connected parties which is impaired or in default	Nil	Nil

Affin Islamic Bank Berhad
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

45 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There is no significant event during the financial year.

46 SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

There is no material event subsequent to the balance sheet date.

47 LONG TERM INCENTIVE PLAN ('LTIP')

Affin Bank Berhad ('ABB')'s Long-Term Incentive Plan ('LTIP'), introduced on 1 August 2023 through the Share Grant Scheme ('SGS') approved by shareholders at the Annual General Meeting on 25 May 2023, remains in effect during the financial year ended 31 December 2025. The SGS is governed by the SGS By-Laws and administered by the Group Board Nomination & Remuneration Committee.

The SGS is a performance share unit scheme under which vesting is subject to performance conditions. The SGS Committee may grant awards to eligible employees at any time during the scheme's duration, in accordance with the SGS By-Laws. The awards may be settled through the issuance and transfer of new shares or other permitted methods as provided by the SGS By-Laws.

The scheme is designed to reward eligible employees and align their interests with the ABB's long-term objectives. Eligibility is determined by the Board of Directors, based on recommendations from the SGS Committee, and excludes dormant subsidiaries. Any grant to directors, the chief executive, or connected persons requires prior shareholder approval at a general meeting. The SGS does not apply to non-executive directors of any entity within the ABB.

The total shares available under the SGS shall not exceed 5% of the Bank's total number of issued shares (excluding treasury shares, if any) at any time during the scheme's duration. Details of SGS are set out in Note 59 to the financial statements.

Award Date	Fair value	Awarded	Vesting Date *
	RM	(Units '000)	
7 August 2023 – First grant	1.806	856	30 June 2026
1 July 2024 - Second grant	2.080	883	30 June 2027
1 July 2025 – Third grant	2.516	604	30 June 2028

* subject to performance conditions

Affin Islamic Bank Berhad
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2025 (continued)

47 LONG TERM INCENTIVE PLAN ('LTIP')(continued)

The following table indicates the number and movement of SGS shares during the financial year ended 31 December 2025:

Award Date	As at	Movement during the year		As at
	1 January 2025	Awarded	Forfeited	31 December 2025
	(Units '000)	(Units '000)	(Units '000)	(Units '000)
Economic Entity and The Bank				
7 August 2023 – First grant	856	-	(90)	766
1 July 2024 - Second grant	883	-	(71)	812
1 July 2025 – Third grant	-	604	-	604

Award Date	As at	Movement during the year		As at
	1 January 2024	Awarded	Forfeited	31 December 2024
	(Units '000)	(Units '000)	(Units '000)	(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 2025 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		
	1 July 2025	1 July 2024	7 August 2023
Fair value of SGS Shares (RM)	2.516	2.080	1.806
Closing share price at award date (RM)	2.570	2.490	1.905
Expected volatility (%)	25.56	23.73	22.21
Vesting period (years)	3.00	3.000	2.90
Risk-free rate (%)	3.14	3.54	3.47
Expected dividend yield (%)	2.68	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.

48 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

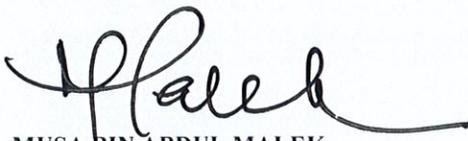
The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 16 March 2026.

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 2025 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

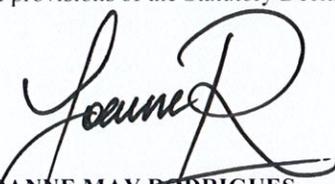


SUFFIAN BIN BAHARUDDIN
Independent Non-Executive Director

Kuala Lumpur
16 March 2026

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

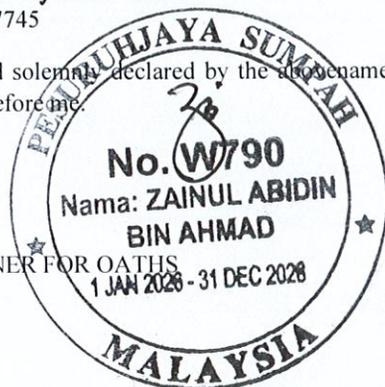
I, JOANNE MAY RODRIGUES, being the person primarily responsible for the financial management of AFFIN ISLAMIC BANK BERHAD, do solemnly and sincerely declare that in my opinion, the accompanying financial statements set out on pages 9 to 120 are correct and I make this solemn declaration conscientiously 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 abovesigned JOANNE MAY RODRIGUES at Kuala Lumpur in Malaysia on 16 March 2026, before me.

COMMISSIONER FOR OATHS



No. 59, Jalan Telawi
Bangsar Baru
59100 Kuala Lumpur

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 ('SC') 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 year ended 31 December 2025. 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 as well as the Bank's Shariah Committee.

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 19th Muzakarah Cendekiawan Syariah Nusantara 2025, 21st Kuala Lumpur Islamic Finance Forum 2025, and 21st International Shariah Scholars Forum 2025. Specifically for Islamic Social Finance, the SC also attended the World Zakat Waqf Forum 2025: 14th Annual Meeting & International Conference; and 4th Kedah International Zakat Conference 2025.

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 2025, 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.

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

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 Associate Qualification in Islamic Finance ('AQIF'), Intermediate Qualification in Islamic Finance ('IQIF'), Certified Qualification in Islamic Finance ('CQIF'), Certified Shariah Advisor/Practitioner ('CSA/CSP'), Certified Professional Shariah Auditor ('CPSA'), and Islamic Professional Credit Certification ('IPCC'), amongst others. Staff from relevant departments including from Affin Bank are also required to attend Product and Shariah Refresher trainings to equip themselves with sufficient Islamic products and Shariah knowledge. 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 conducted twice a year, 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 Profit and Loss 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, baitulmal 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 2025 are in compliance with the Shariah principles except for the mentioned Shariah Non-Compliance event below.
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 Shariah Non-Compliance ('SNC') event disclosed thereafter.
4. It has come to our attention that one (1) Shariah Non-Compliance ('SNC') event had been reported within the Bank and has been rectified. Details of the SNC event is as follows:

a) Event: Utilization of Ijarah Trade Financing-i (Purchase) Facility for SNC activity

The Bank has purified RM1,451.05 as part of the purification of income.

Apart from the purification of income from the SNC event, 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.

Affin Islamic Bank Berhad

(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT (continued)

During the financial year ended 31 December 2025, a total of 16 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 <i>Chairman</i>	16/16
Professor Dr. Asmak binti Ab Rahman <i>Member</i>	16/16
Lokmanulhakim bin Hussain <i>Member</i>	16/16
Mohamad Salihin bin Deris <i>Member</i>	16/16
Ahmad Husni bin Abd Rahman <i>Member</i>	16/16
Dr. Azmir Azri bin Ahmad <i>Member (w.e.f 1 April 2025)</i>	13/13
Associate Professor Dr. Nor Fahimah binti Mohd Razif <i>Member (completed tenure w.e.f 31 March 2025)</i>	3/3

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 2025 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:



Lokmanulhakim bin Hussain

Kuala Lumpur, Malaysia
16 March 2026



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 2025, 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 2025 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”), as applicable to audits of financial statements of public interest entities 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, but does not include the financial statements of the Economic Entity and of the Bank and our auditors’ report thereon.

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.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN ISLAMIC BANK BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 200501027372 (709506-V)

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.

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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501027372 (709506-V)

- (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 and 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.

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.

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
LLP0014401-LCA & AF 1146
Chartered Accountants

WILLIAM MAH JIN CHIEK
03085/07/2027 J
Chartered Accountant

Kuala Lumpur
16 March 2026