

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 31 March 2011**

	<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>31/3/2011</b>	31/12/2010
	<b>RM'000</b>	RM'000
<b>ASSETS</b>		
Cash and short-term funds	2,303,542	2,635,218
Financial assets held-for-trading	8	-
Financial investments available-for-sale	1,450,442	1,334,083
Financing, advances and other loans	3,732,454	3,555,596
Other assets	41,933	17,441
Tax recoverable	3,052	3,816
Investment in jointly controlled entity	500	500
Amount due from jointly controlled entity	2,745	2,745
Property and equipment	2,441	2,123
Intangible assets	1,258	1,462
Deferred tax assets	6,434	4,291
<b>TOTAL ASSETS</b>	<b>7,544,809</b>	<b>7,557,275</b>
<b>LIABILITIES</b>		
Deposits from customers	5,451,929	5,533,474
Deposits and placements of banks and other financial institutions	1,452,760	1,345,086
Other liabilities	36,485	61,670
Amount due to holding company	160,352	183,541
<b>TOTAL LIABILITIES</b>	<b>7,101,526</b>	<b>7,123,771</b>
<b>EQUITY</b>		
Share capital	260,000	260,000
Reserves	183,283	173,504
<b>TOTAL EQUITY</b>	<b>443,283</b>	<b>433,504</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,544,809</b>	<b>7,557,275</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>2,067,958</b>	<b>2,022,889</b>
<b>Capital Adequacy</b>		
Core capital ratio	11.25%	12.36%
Risk-weighted capital ratio	12.39%	13.59%

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**CONDENSED INTERIM FINANCIAL STATEMENTS****UNAUDITED INCOME STATEMENTS for the financial quarter ended 31 March 2011**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>31/3/2011</b>	<b>31/3/2010</b>	<b>31/3/2011</b>	<b>31/3/2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	<b>81,651</b>	63,522	<b>81,651</b>	63,522
Income derived from investment of shareholders' funds	<b>4,908</b>	3,976	<b>4,908</b>	3,976
Allowances for impairment on financing	<b>(2,125)</b>	(4,479)	<b>(2,125)</b>	(4,479)
<b>Total distributable income</b>	<b>84,434</b>	63,019	<b>84,434</b>	63,019
Income attributable to the depositors	<b>(42,953)</b>	(26,549)	<b>(42,953)</b>	(26,549)
<b>Total net income</b>	<b>41,481</b>	36,470	<b>41,481</b>	36,470
Personnel expenses	<b>(14,613)</b>	(13,376)	<b>(14,613)</b>	(13,376)
Other overheads and expenditures	<b>(9,262)</b>	(8,492)	<b>(9,262)</b>	(8,492)
<b>Profit before zakat and taxation</b>	<b>17,606</b>	14,602	<b>17,606</b>	14,602
Zakat	-	-	-	-
Taxation	<b>(3,735)</b>	(3,441)	<b>(3,735)</b>	(3,441)
<b>Net profit after zakat and taxation</b>	<b>13,871</b>	11,161	<b>13,871</b>	11,161
<b>Attributable to:</b>				
Equity holders of the Bank	<b>13,871</b>	11,161	<b>13,871</b>	11,161
<b>Earnings per share</b>				
- basic/fully diluted (sen)	<b>5.3</b>	4.3	<b>5.3</b>	4.3

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**CONDENSED INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME** *for the financial quarter ended 31 March 2011**(continued)*

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2011</b>	31/3/2010	<b>31/3/2011</b>	31/3/2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Net profit after zakat and taxation</b>	<b>13,871</b>	11,161	<b>13,871</b>	11,161
Other comprehensive income:				
Income and expense recognised directly in equity	<b>(5,456)</b>	(1,915)	<b>(5,456)</b>	(1,915)
Deferred tax on financial investments available-for-sale	<b>1,364</b>	478	<b>1,364</b>	478
Other comprehensive income for the financial period, net of tax	<b>(4,092)</b>	(1,437)	<b>(4,092)</b>	(1,437)
<b>Total comprehensive income for the financial period</b>	<b>9,779</b>	9,724	<b>9,779</b>	9,724
<b>Equity holders of the Bank:</b>				
Total comprehensive income	<b>9,779</b>	9,724	<b>9,779</b>	9,724

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**CONDENSED INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF CHANGES IN EQUITY for the financial quarter ended 31 March 2011**

	Non-distributable			Distributable	Total
	Share capital	Statutory reserve	Investment fluctuation reserve	Retained profits	
The Bank/Economic Entity	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2011</b>	<b>260,000</b>	<b>81,410</b>	<b>4,745</b>	<b>87,349</b>	<b>433,504</b>
Comprehensive income:					
Net profit for the financial period	-	-	-	13,871	13,871
Other Comprehensive income:					
Income and expense recognised directly in equity	-	-	(5,456)	-	(5,456)
Deferred tax on financial investments available-for-sale	-	-	1,364	-	1,364
Total comprehensive income	-	-	(4,092)	13,871	9,779
<b>At 31 March 2011</b>	<b>260,000</b>	<b>81,410</b>	<b>653</b>	<b>101,220</b>	<b>443,283</b>
At 1 January 2010	260,000	68,397	1,277	68,397	398,071
Adoption of FRS 139	-	-	(377)	2,689	2,312
	260,000	68,397	900	71,086	400,383
Comprehensive income:					
Net profit for the financial period	-	-	-	11,161	11,161
Other Comprehensive income:					
Income and expense recognised directly in equity	-	-	(1,915)	-	(1,915)
Deferred tax on financial investments available-for-sale	-	-	478	-	478
Total comprehensive income	-	-	(1,437)	11,161	9,724
At 31 March 2010	260,000	68,397	(537)	82,247	410,107

**AFFIN Islamic Bank Berhad**

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**CONDENSED INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 31 March 2011**

	<b>The Bank/Economic Entity</b>	
	<b>31/3/2011</b>	<b>31/3/2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before zakat and taxation</b>	<b>17,606</b>	14,602
Adjustments for items not involving the movement of cash and cash equivalents:		
Income from:		
- financial investments available-for-sale	<b>(10,220)</b>	(8,903)
Accretion of discount less amortisation of premium:		
- financial investments available-for-sale	<b>(1,237)</b>	(923)
Gain on sale:		
- financial assets held-for-trading	<b>(26)</b>	(63)
- financial investments available-for-sale	<b>(1,512)</b>	(1,406)
Unrealised (gain)/loss on revaluation:		
- trading	<b>(8)</b>	-
- foreign exchange	<b>-</b>	1,305
Depreciation of property and equipment	<b>200</b>	176
Property and equipment written-off	<b>7</b>	-
Amortisation of intangible assets	<b>204</b>	204
Net individual impairment	<b>189</b>	(569)
Net collective impairment	<b>2,287</b>	5,041
Bad debt on financing written-off	<b>23</b>	60
<b>Operating profit before changes in working capital</b>	<b>7,513</b>	9,524
<i>(Increase)/decrease in operating assets:</i>		
Financial assets held-for-trading	<b>26</b>	63
Foreign exchange transaction	<b>(1,208)</b>	(1,538)
Financing, advances and other loans	<b>(179,357)</b>	(295,356)
Other assets	<b>(24,492)</b>	(4,177)
Amount due to holding company	<b>(23,189)</b>	(26,913)
<i>Increase/(decrease) in operating liabilities:</i>		
Deposits from customers	<b>(81,545)</b>	578,189
Deposits and placements of banks and other financial institutions	<b>107,674</b>	(109,772)
Other liabilities	<b>(25,098)</b>	(7,146)
Cash generated from operations	<b>(219,676)</b>	142,874
Tax paid	<b>(3,750)</b>	(3,750)
Zakat paid	<b>(85)</b>	(355)
<b>Net cash (used in)/generated from operating activities</b>	<b>(223,511)</b>	138,769

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS** *for the financial quarter ended 31 March 2011 (continued)*

	<b>The Bank/Economic Entity</b>	
	<b>31/3/2011</b>	31/3/2010
	<b>RM'000</b>	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Income received:		
- financial investments available-for-sale	<b>10,220</b>	8,903
Net (purchase)/sale of financial investments available-for-sale	<b>(119,066)</b>	19,291
Purchase of property and equipment	<b>(526)</b>	(6)
<b>Net cash (used in)/generated from investing activities</b>	<b>(109,372)</b>	28,188
Net (decrease)/increase in cash and cash equivalents	<b>(332,883)</b>	166,957
Net increase in foreign exchange	<b>1,207</b>	233
Cash and cash equivalents at beginning of the financial period	<b>2,635,218</b>	2,211,477
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>2,303,542</b>	2,378,667

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**FRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2011**

**1 BASIS OF PREPARATION**

This unaudited condensed interim financial information for the 3 months ended 31 March 2011 has been prepared in accordance with FRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ('MASB'), Bank Negara Malaysia ('BNM') Guidelines and the provisions of the Companies Act, 1965.

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

The unaudited condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with the Financial Reporting Standards. The explanatory notes to this interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Bank since the year ended 31 December 2010.

**2 ACCOUNTING POLICIES**

The consolidated financial statements include the financial statements of the Bank and a jointly controlled entity, made up to the quarter ended 31 March 2011.

The presentation of the comparative financial statements of the Bank has been restated to conform with the current period's presentation. The new and revised Financial Reporting Standards ('FRS') which became effective for the financial period beginning 1 January 2011 are duly adopted by the Bank when preparing the financial report for the quarter ended 31 March 2011 are as follows:

FRS 1	First-time adoption of financial reporting standards
FRS 3	Business combinations
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 128	Investment in associates
FRS 131	Interest in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 139	Financial Instruments: Recognition and Measurement

**3 QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2010 was not qualified.

**4 SEASONAL OR CYCLICAL FACTORS**

The business operations of the Bank are not subject to material seasonal or cyclical fluctuation.

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**5 EXCEPTIONAL ITEMS**

There was no exceptional items for the quarter ended 31 March 2011.

**6 CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT**

Refer note 2.

**7 CHANGES IN DEBTS AND EQUITY SECURITIES**

There were no purchases or disposal of quoted securities for the quarter ended 31 March 2011 other than in the ordinary course of business.

**8 DIVIDENDS**

There were no interim dividend declared.

**9 SUBSEQUENT MATERIAL EVENT**

There is no material subsequent event after the quarter ended 31 March 2011 that have material financial impact.

**10 CHANGES IN THE COMPOSITION OF THE BANK**

There is no change in the composition of the Bank between now and 31 December 2010 audited accounts.

**11 PURCHASE AND SALE OF QUOTED SECURITIES**

There were no purchases or disposals of quoted securities for the quarter ended 31 March 2011 other than in the ordinary course of business.

**12 STATUS OF CORPORATE PROPOSAL**

There were no corporate proposals announced but not completed during the period ended 31 March 2011.



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**13 FINANCING, ADVANCES AND OTHER LOANS**

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
<b>(i) By type</b>		
Cash line	219,636	223,926
Term financing		
- House financing	1,104,539	1,053,556
- Hire purchase receivables	1,111,236	1,061,166
- Syndicated financing	113,794	116,995
- Other term financing	964,727	934,792
Bills receivables	355	1,389
Trust receipts	52,885	43,958
Claims on customers under acceptances credits	105,290	57,938
Staff financing (of which RM Nil to Directors)	8,430	8,035
Revolving credits	142,442	142,463
<b>Gross financing, advances and other loans</b>	<b>3,823,334</b>	<b>3,644,218</b>
Less:		
Allowance for impairment		
- Individual	(36,330)	(36,141)
- Collective	(54,550)	(52,481)
<b>Total net financing, advances and other loans</b>	<b>3,732,454</b>	<b>3,555,596</b>

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
<b>(ii) By maturity structure</b>		
Maturing within one year	613,742	562,320
One year to three years	146,386	167,772
Three years to five years	506,198	505,314
Over five years	2,557,008	2,408,812
	<b>3,823,334</b>	<b>3,644,218</b>

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**FRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2011**

**13 FINANCING, ADVANCES AND OTHER LOANS (continued)**

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
<b>(iii) By contract</b>		
Bai' Bithamin Ajil (deferred payment sale)	1,997,118	1,930,780
AITAB	1,111,236	1,061,166
Murabahah (cost-plus)	167,524	97,882
Others	547,456	554,390
	<b>3,823,334</b>	<b>3,644,218</b>

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
<b>(iv) By type of customer</b>		
Domestic non-bank financial institutions		
- Others	415,049	421,701
Domestic business enterprises		
- Small medium enterprises	496,780	478,087
- Others	577,278	520,041
Government and statutory bodies	17,238	-
Individuals	2,199,338	2,104,253
Other domestic entities	1,529	1,835
Foreign entities	116,122	118,301
	<b>3,823,334</b>	<b>3,644,218</b>

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
<b>(v) By profit rate sensitivity</b>		
Fixed rate		
- House financing	99,230	102,763
- Hire purchase receivables	1,111,236	1,061,005
- Other fixed rate financing	514,218	534,012
Variable rate		
- BLR - plus	1,772,726	1,613,660
- Cost - plus	325,924	332,778
	<b>3,823,334</b>	<b>3,644,218</b>

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**13 FINANCING, ADVANCES AND OTHER LOANS (continued)**

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
<b>(vi) By purpose</b>		
Purchase of securities	12,579	13,439
Purchase of transport vehicles	1,111,026	1,061,924
Purchase of landed property of which:		
- Residential	1,119,163	1,069,215
- Non-residential	475,235	425,851
Fixed assets other than land and building	12,959	10,096
Personal use	30,792	32,317
Consumer durable	32	34
Construction	136,198	124,087
Working capital	906,234	895,788
Others	19,116	11,467
	<b>3,823,334</b>	<b>3,644,218</b>

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
<b>(vii) By geographical distribution</b>		
Perlis	2,379	1,886
Kedah	205,804	211,638
Pulau Pinang	95,048	95,025
Perak	171,767	164,339
Selangor	1,318,755	1,178,385
Wilayah Persekutuan	863,570	844,114
Negeri Sembilan	62,957	61,171
Melaka	36,452	40,779
Johor	145,967	137,953
Pahang	255,460	254,716
Terengganu	306,500	289,479
Kelantan	202,486	197,841
Sarawak	26,082	25,324
Sabah	28,035	36,285
Labuan	11	12
Abroad	102,061	105,271
	<b>3,823,334</b>	<b>3,644,218</b>

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**FRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2011****13 FINANCING, ADVANCES AND OTHER LOANS (continued)****(viii) Movements of impaired financing**

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
At beginning of the financial period	152,601	60,456
Adoption of FRS 139	-	70,384
	<u>152,601</u>	<u>130,840</u>
Classified as impaired	17,789	92,689
Reclassified as non-impaired	(18,298)	(42,087)
Amount recovered	(4,880)	(22,714)
Amount written-off	(218)	(6,127)
<b>At end of the financial period</b>	<b><u>146,994</u></b>	<b><u>152,601</u></b>

**(ix) Movements in allowance for impairment**

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
<b>Individual impairment</b>		
At beginning of the financial period	36,141	-
Adoption of FRS 139	-	23,228
	<u>36,141</u>	<u>23,228</u>
Provision for loan impairment	1,567	25,307
Amount recovered	(919)	(9,891)
Amount written-off	-	(1,175)
Unwind of discount of allowance	(459)	(1,328)
<b>At end of the financial period</b>	<b><u>36,330</u></b>	<b><u>36,141</u></b>
<b>Collective impairment</b>		
At beginning of the financial period	52,481	-
Adoption of FRS 139	-	43,925
	<u>52,481</u>	<u>43,925</u>
Provision for loan impairment/(recovered)	2,287	13,365
Amount written-off	(218)	(4,809)
<b>At end of the financial period</b>	<b><u>54,550</u></b>	<b><u>52,481</u></b>

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**FRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2011****13 FINANCING, ADVANCES AND OTHER LOANS (continued)****(x) Impaired financing by economic purposes**

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
Purchase of transport vehicles	8,332	7,844
Purchase of landed property of which:		
- Residential	41,244	42,441
- Non-residential	480	625
Fixed assets other than land and building	448	448
Personal use	203	202
Construction	60,559	61,713
Working capital	35,728	39,324
Others	-	4
	<b>146,994</b>	<b>152,601</b>

**(xi) Impaired financing by geographical distribution**

	<b>The Bank/Economic Entity</b>	
	<b>Current Financial Quarter 31/3/2011 RM'000</b>	<b>Previous Financial Year-End 31/12/2010 RM'000</b>
Kedah	1,716	1,384
Pulau Pinang	2,218	2,228
Perak	1,597	1,643
Selangor	41,505	44,399
Wilayah Persekutuan	10,251	11,666
Negeri Sembilan	2,402	2,017
Melaka	216	498
Johor	2,895	2,846
Pahang	3,725	3,645
Terengganu	1,700	1,480
Kelantan	3,291	3,159
Sarawak	228	227
Sabah	321	227
Abroad	74,929	77,182
	<b>146,994</b>	<b>152,601</b>

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**14 DEPOSITS FROM CUSTOMERS**

**(i) By type of deposit**

	<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>31/3/2011</b>	31/12/2010
	<b>RM'000</b>	RM'000
<i>Non-Mudharabah</i>		
Demand deposits	1,533,916	1,488,093
Savings deposits	190,293	192,016
<i>Mudharabah</i>		
Demand deposits	11,744	10,794
Savings deposits	76,559	66,187
General investment deposits	3,101,281	3,134,711
Special investment deposits	538,136	641,673
	<b>5,451,929</b>	<b>5,533,474</b>

**(ii) Maturity structure of general investment deposits and NID**

	<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>31/3/2011</b>	31/12/2010
	<b>RM'000</b>	RM'000
Due within six months	2,653,343	2,740,786
Six months to one year	446,239	389,700
One year to three years	952	3,288
Three years to five years	747	937
	<b>3,101,281</b>	<b>3,134,711</b>

**(iii) By type of customer**

	<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>31/3/2011</b>	31/12/2010
	<b>RM'000</b>	RM'000
Government and statutory bodies	1,922,155	1,794,287
Business enterprise	1,653,791	1,586,524
Individuals	470,890	434,960
Others	1,405,093	1,717,703
	<b>5,451,929</b>	<b>5,533,474</b>

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**15 INCOME FROM ISLAMIC BANKING OPERATIONS**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2011</b>	31/3/2010	<b>31/3/2011</b>	31/3/2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds and others	<b>81,651</b>	63,522	<b>81,651</b>	63,522
Income attributable to depositors	<b>(42,953)</b>	(26,549)	<b>(42,953)</b>	(26,549)
Income derived from investment of shareholders' funds	<b>4,908</b>	3,976	<b>4,908</b>	3,976
	<b>43,606</b>	40,949	<b>43,606</b>	40,949

Income includes of RM164,000 (31/3/2010: RM351,000) of unwinding of discounting on impaired financial assets in accordance with FRS 139.

**16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2011</b>	31/3/2010	<b>31/3/2011</b>	31/3/2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of:				
- General investment deposits * (i)	<b>48,133</b>	34,645	<b>48,133</b>	34,645
- Other deposits (ii)	<b>33,518</b>	28,877	<b>33,518</b>	28,877
	<b>81,651</b>	63,522	<b>81,651</b>	63,522

\* Includes the profit earned from investment of RPSIA in financing, advances and other loans of RM691,493 (31/3/2010: RM1,003,963).

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**16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

**(i) INCOME DERIVED FROM INVESTMENT OF GENERAL INVESTMENT DEPOSITS**

	Individual Quarter		Cumulative Quarter	
	The Bank/Economic Entity		The Bank/Economic Entity	
	Current Financial Quarter	Preceding Year Corresponding Quarter	Current Financial Quarter	Preceding Year Corresponding Quarter
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other loans	28,963	21,442	28,963	21,442
Financial investments available-for-sale	5,683	4,570	5,683	4,570
Money at call and deposits with other financial institutions	10,427	6,011	10,427	6,011
Total finance income and hibah	45,073	32,023	45,073	32,023
Accretion of discount less amortisation of premium	688	474	688	474
	45,761	32,497	45,761	32,497
<b>Other operating income</b>				
Fee income				
Commission	288	306	288	306
Service charges and fees	573	295	573	295
Guarantee fees	410	244	410	244
	1,271	845	1,271	845
Income from financial instruments				
Gains on arising on financial assets held-for-trading:				
- net gain on disposal	19	32	19	32
- unrealised gains	4	-	4	-
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	841	722	841	722
	864	754	864	754
Other income				
Foreign exchange profit:				
- realised	55	396	55	396
Other non-operating income	182	153	182	153
	48,133	34,645	48,133	34,645



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**16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

**(ii) INCOME DERIVED FROM INVESTMENT OF OTHER DEPOSITS**

	Individual Quarter		Cumulative Quarter	
	The Bank/Economic Entity		The Bank/Economic Entity	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other loans	20,169	17,872	20,169	17,872
Financial investments available-for-sale	3,958	3,809	3,958	3,809
Money at call and deposits with other financial institutions	7,261	5,011	7,261	5,011
Total finance income and hibah	31,388	26,692	31,388	26,692
Accretion of discount less amortisation of premium	479	395	479	395
	31,867	27,087	31,867	27,087
<b>Other operating income</b>				
Fee income				
Commission	200	255	200	255
Service charges and fees	399	246	399	246
Guarantee fees	286	203	286	203
	885	704	885	704
Income from financial instruments				
Gains on arising on financial assets held-for-trading:				
- net gain on disposal	13	27	13	27
- unrealised gains	3	-	3	-
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	585	601	585	601
	601	628	601	628
Other income				
Foreign exchange profit:				
- realised	38	331	38	331
Other non-operating income	127	127	127	127
	33,518	28,877	33,518	28,877

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**17 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS**

	Individual Quarter		Cumulative Quarter	
	The Bank/Economic Entity		The Bank/Economic Entity	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and other loans	2,953	2,461	2,953	2,461
Financial investments available-for-sale	579	524	579	524
Money at call and deposits with other financial institutions	1,063	690	1,063	690
Total finance income and hibah	4,595	3,675	4,595	3,675
Accretion of discount less amortisation of premium	70	54	70	54
	4,665	3,729	4,665	3,729
<b>Other operating income</b>				
Fee income				
Commission	29	35	29	35
Service charges and fees	58	34	58	34
Guarantee fees	42	28	42	28
	129	97	129	97
Income from financial instruments				
Gains on arising on financial assets held-for-trading:				
- net gain on disposal	2	4	2	4
- unrealised gains	1	-	1	-
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	86	83	86	83
	89	87	89	87
Other income				
Foreign exchange profit:				
- realised	6	45	6	45
Other non-operating income	19	18	19	18
	4,908	3,976	4,908	3,976

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	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2011</b>	31/3/2010	<b>31/3/2011</b>	31/3/2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Individual impairment				
- made in the financial period	<b>1,567</b>	70	<b>1,567</b>	70
- written-back	<b>(1,378)</b>	(639)	<b>(1,378)</b>	(639)
Collective impairment				
- made/(written-back)	<b>2,287</b>	5,041	<b>2,287</b>	5,041
Bad debts on financing				
- recovered	<b>(374)</b>	(53)	<b>(374)</b>	(53)
- written-off	<b>23</b>	60	<b>23</b>	60
	<b>2,125</b>	4,479	<b>2,125</b>	4,479

**19 INCOME ATTRIBUTABLE TO DEPOSITORS**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2011</b>	31/3/2010	<b>31/3/2011</b>	31/3/2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits from customers:				
- Mudharabah	<b>27,777</b>	15,636	<b>27,777</b>	15,636
- Non-mudharabah	<b>5,471</b>	4,670	<b>5,471</b>	4,670
Deposits and placements of banks and other financial institutions:				
- Mudharabah	<b>8,743</b>	4,663	<b>8,743</b>	4,663
Others	<b>962</b>	1,580	<b>962</b>	1,580
	<b>42,953</b>	26,549	<b>42,953</b>	26,549

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**20 PERSONNEL EXPENSES**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>31/3/2011</b>	<b>31/3/2010</b>	<b>31/3/2011</b>	<b>31/3/2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Wages, salaries and bonus	<b>10,912</b>	10,254	<b>10,912</b>	10,254
Defined contribution plan ('EPF')	<b>1,705</b>	1,623	<b>1,705</b>	1,623
Other personnel costs	<b>1,996</b>	1,499	<b>1,996</b>	1,499
	<b>14,613</b>	13,376	<b>14,613</b>	13,376

**21 OTHER OVERHEADS AND EXPENDITURES**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Corresponding</b>	<b>Financial</b>	<b>Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>31/3/2011</b>	<b>31/3/2010</b>	<b>31/3/2011</b>	<b>31/3/2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Establishment costs</b>				
Rental of premises	<b>875</b>	828	<b>875</b>	828
Equipment rental	<b>6</b>	6	<b>6</b>	6
Repair and maintenance	<b>1,057</b>	778	<b>1,057</b>	778
Depreciation of property and equipment	<b>200</b>	176	<b>200</b>	176
Amortisation of intangible assets	<b>204</b>	204	<b>204</b>	204
Licence fee	<b>46</b>	45	<b>46</b>	45
Insurance and indemnities	<b>13</b>	5	<b>13</b>	5
Security services	<b>412</b>	368	<b>412</b>	368
Electricity, water and sewerage	<b>287</b>	298	<b>287</b>	298
Other establishment costs	<b>3,030</b>	3,472	<b>3,030</b>	3,472
	<b>6,130</b>	6,180	<b>6,130</b>	6,180

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**FRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2011****21 OTHER OVERHEADS AND EXPENDITURES (continued)**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2011</b>	31/3/2010	<b>31/3/2011</b>	31/3/2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Marketing expenses</b>				
Business promotion and advertisement	<b>65</b>	31	<b>65</b>	31
Entertainment	<b>100</b>	36	<b>100</b>	36
Travelling and accommodation	<b>180</b>	279	<b>180</b>	279
Other marketing expenses	<b>168</b>	146	<b>168</b>	146
	<b>513</b>	492	<b>513</b>	492

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>The Bank/Economic Entity</b>		<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Preceding Year	<b>Current</b>	Preceding Year
	<b>Financial</b>	Corresponding	<b>Financial</b>	Corresponding
	<b>Quarter</b>	Quarter	<b>Quarter</b>	Quarter
	<b>31/3/2011</b>	31/3/2010	<b>31/3/2011</b>	31/3/2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Administration and general expenses</b>				
Telecommunication expenses	<b>179</b>	170	<b>179</b>	170
Auditors' remuneration	<b>48</b>	44	<b>48</b>	44
Professional fees	<b>1,149</b>	876	<b>1,149</b>	876
Property and equipment written-off	<b>7</b>	-	<b>7</b>	-
Mail and courier charges	<b>133</b>	189	<b>133</b>	189
Stationery and consumables	<b>479</b>	240	<b>479</b>	240
Other administration and general expenses	<b>624</b>	301	<b>624</b>	301
	<b>2,619</b>	1,820	<b>2,619</b>	1,820
	<b>9,262</b>	8,492	<b>9,262</b>	8,492

**22 COMMITMENTS AND CONTINGENCIES**

	<b>Current financial quarter ended</b>			<b>Previous financial year ended</b>		
	<b>31/3/2011</b>			<b>31/12/2010</b>		
	<b>Principal</b>	<b>* Credit</b>	<b>* Risk-weighted</b>	<b>Principal</b>	<b>* Credit</b>	<b>* Risk-weighted</b>
<b>The Bank/Economic Entity</b>	<b>Amount</b>	<b>Equivalent</b>	<b>Amount</b>	<b>Amount</b>	<b>Equivalent</b>	<b>Amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	25,375	25,375	16,027	26,528	26,528	18,864
Transaction-related contingent items	173,872	86,936	81,554	198,425	99,212	93,813
Short-term self-liquidating trade-related contingencies	710,633	142,126	32,869	686,477	137,295	31,527
Irrevocable commitments to extend credit:						
- Maturity less than one year	663,540	132,708	90,661	651,595	-	-
- Maturity more than one year	494,538	98,908	92,229	459,864	-	-
	<b>2,067,958</b>	<b>486,053</b>	<b>313,340</b>	<b>2,022,889</b>	<b>263,035</b>	<b>144,204</b>

\*The credit equivalent amount and risk-weighted amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

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**FRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2011****23 CAPITAL MANAGEMENT**

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 24 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 31 March 2011.

**24 CAPITAL ADEQUACY**

The capital adequacy ratios are as follows:

	<b>The Bank/Economic Entity</b>	
	<b>Current</b>	Previous
	<b>Financial</b>	Financial
	<b>Quarter</b>	Year-End
	<b>31/3/2011</b>	31/12/2010
	<b>RM'000</b>	RM'000
<b>Tier I capital</b>		
Paid-up share capital	<b>260,000</b>	260,000
Retained profits	<b>87,348</b>	87,349
Statutory reserves	<b>81,410</b>	81,410
	<b>428,758</b>	428,759
Less:		
Deferred tax assets *	<b>(5,872)</b>	(5,872)
Total Tier I capital	<b>422,886</b>	422,887
<b>Tier II capital</b>		
Collective impairment ^	<b>42,828</b>	42,234
Total Tier II capital	<b>42,828</b>	42,234
<b>Capital base</b>	<b>465,714</b>	465,121
Core capital ratio	<b>11.25%</b>	12.36%
Risk-weighted capital ratio	<b>12.39%</b>	13.59%
Core capital ratio (net of proposed dividends)	<b>11.25%</b>	12.36%
Risk-weighted capital ratio (net of proposed dividends)	<b>12.39%</b>	13.59%

\* Deferred tax assets exclude deferred tax arising from investment fluctuation reserves.

^ Qualifying collective impairment is restricted to allowances on unimpaired portion of the loans, advances and financing.

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**FRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2011****24 CAPITAL ADEQUACY (continued)**

Breakdown of gross risk weighted assets in the various categories of risk-weights:

	<b>The Bank/Economic Entity</b>	
	<b>Principal Current Financial Quarter 31/3/2011 RM'000</b>	<b>Principal Previous Financial Year-End 31/12/2010 RM'000</b>
0%	3,268,012	3,568,310
10%	-	-
20%	696,778	545,688
35%	57,372	57,554
50%	168,231	164,229
75%	2,055,996	1,927,320
100%	1,470,407	1,288,793
150%	136,872	123,867
Total risk-weighted assets for credit risk	<b>7,853,668</b>	<b>7,675,761</b>

	<b>The Bank/Economic Entity</b>	
	<b>Risk-Weighted Current Financial Quarter 31/3/2011 RM'000</b>	<b>Risk-Weighted Previous Financial Year-End 31/12/2010 RM'000</b>
0%	-	-
10%	-	-
20%	139,356	109,138
35%	20,080	20,144
50%	84,116	82,115
75%	1,541,998	1,445,490
100%	1,470,407	1,288,793
150%	205,307	185,801
Total risk-weighted assets for credit risk	<b>3,461,263</b>	<b>3,131,480</b>
Risk-weighted assets for market risk	<b>5,879</b>	<b>4,599</b>
Risk-weighted assets for operational risk	<b>291,321</b>	<b>285,924</b>
<b>Total risk-weighted assets</b>	<b>3,758,463</b>	<b>3,422,003</b>

Pursuant to Bank Negara Malaysia's circular, 'Recognition of Deferred Tax Asset ('DTA') and Treatment of DTA for RWCR Purposes' dated 8 August 2003, deferred tax income/(expenses) is excluded from the calculation of Tier I capital and DTA is excluded from the calculation of risk-weighted assets.

Effective 1 January 2008, the Bank's capital ratios is being computed in accordance with the RWCAF (Basel II - Risk Weighted Assets Computation) or Capital Adequacy Framework for Islamic Banks (CAFIB).

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### **FRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2011**

#### **25 REVIEW OF PERFORMANCE OF THE BANK**

**(Analysis of financial performance of current quarter comparing to previous year's corresponding quarter)**

During the 1st quarter of 2011, the Bank registered a profit before tax of RM17.6 million as compared to the preceding quarter of RM14.6 million, an increase of RM3.0 million or 20.6%.

This was due to:

- i) higher income derived from investment of depositors' funds and others by RM18.1 million.
- ii) higher income derived from investment of shareholders' funds by RM0.9 million.
- iii) lower allowance for impairment on financing by RM2.4 million.

The above was off-set by:

- i) higher income attributable to depositors by RM16.4 million.
- ii) higher operating expenses by RM2.0 million.

#### **26 COMMENT ON FINANCIAL RESULTS**

**(Analysis of financial performance of current quarter comparing to immediate preceding quarter)**

The Bank's profit before tax for 1st quarter of 2011 stood at RM17.6 million as compared to RM8.8 million reported in the 4th quarter of 2010, an increase of RM8.8 million or 100.0%.

Increase in profit before tax as compared to immediate preceding quarter due to:

- i) higher income derived from investment of depositors' funds and others by RM2.6 million.
- ii) lower income attributable to depositors by RM0.2 million.
- iii) lower allowance for impairment on financing by RM8.4 million.

The above was off-set by:

- i) higher other operating expenses by RM2.4 million.



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**27 PROSPECT FOR THE CURRENT FINANCIAL YEAR**

In 2011, AFFIN ISLAMIC will look the following areas to increase and improve its business further:-

- Further develop the deposits business sector especially the retail segment.
- Increase fee-based income segment.
- Improve asset quality.
- Synergise all resources.

AFFIN ISLAMIC is confident that the business climate will be favourable in the coming year. Eventhough, the Bank is still relatively new and small, it is an advantage as it is able to move agilely and change accordingly to the needs of the market.

Being a wholly-owned subsidiary of AFFINBANK, AFFIN ISLAMIC believes that its complementary role to conventional banking will act as a catalyst to increase market share and create new business opportunities.

While there are synergistic and tangible benefits from the sharing of resources, branches as well as people, the unity that is demonstrated by close collaboration will ensure that AFFIN ISLAMIC will have the opportunity to be a meaningful contributor to the Group as the growth of Islamic banking in Malaysia is on the rise.

Furthermore, the strength and capabilities of the Bank in promoting its Islamic banking products and services will place the bank in good standing not only in Malaysia but in the region.

AFFIN ISLAMIC anticipates that 2011 will provide growth opportunities in various business segments especially within the ASEAN region as it look into moving to the Indonesian market. The Bank will seek to leverage on these opportunities and will play a catalytic role to ensure that it remains a significant and relevant entity to the growth of Islamic banking throughout.

**28 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

The Bank's profit before tax registered a favourable variance of RM1.5 million. The main contributing factors are as follows:

Net income and other operating income

The net income and other operating income showed an adverse variance of RM5.0 million.

Other operating expenses

Operating costs showed a favourable variance of RM2.8 million.

Allowance for impairment on financing

Allowance for impairment on financing showed a favourable variance of RM3.7 million.