

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 30 June 2012**

	Economic Entity		The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
ASSETS				
Cash and short-term funds	3,714,293	4,455,700	3,714,293	4,455,700
Deposits and placements with banks and other financial institutions	80,058	-	80,058	-
Financial investments available-for-sale	1,989,233	1,480,275	1,989,233	1,480,275
Financing, advances and other financing	4,704,795	4,374,205	4,704,795	4,374,205
Other assets	46	48,002	46	48,002
Tax recoverable	-	3,422	-	3,422
Statutory deposits with Bank Negara Malaysia	196,000	160,000	196,000	160,000
Investment in jointly controlled entity	212	290	500	500
Amount due from jointly controlled entity	2,745	2,745	2,745	2,745
Property and equipment	3,380	3,017	3,380	3,017
Intangible assets	2,857	3,255	2,857	3,255
TOTAL ASSETS	10,693,619	10,530,911	10,693,907	10,531,121
LIABILITIES AND EQUITY				
Deposits from customers	8,517,891	7,477,239	8,517,891	7,477,239
Deposits and placements of banks and other financial institutions	1,437,360	2,199,144	1,437,360	2,199,144
Other liabilities	92,668	16,798	92,668	16,798
Amount due to holding company	114,587	355,535	114,587	355,535
Provision for taxation	9,996	-	9,996	-
Deferred tax liabilities	1,314	907	1,314	907
TOTAL LIABILITIES	10,173,816	10,049,623	10,173,816	10,049,623
Share capital	260,000	260,000	260,000	260,000
Reserves	259,803	221,288	260,091	221,498
TOTAL EQUITY	519,803	481,288	520,091	481,498
TOTAL LIABILITIES AND EQUITY	10,693,619	10,530,911	10,693,907	10,531,121
COMMITMENTS AND CONTINGENCIES				
	1,570,565	1,889,674	1,570,565	1,889,674
Capital Adequacy				
Core capital ratio	10.24%	11.08%	10.24%	11.08%
Risk-weighted capital ratio	10.74%	12.10%	10.75%	12.10%

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS for the financial quarter ended 30 June 2012**

	Individual Quarter		Cumulative Quarter	
	Economic Entity		Economic Entity	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	116,803	84,584	228,344	166,996
Income derived from investment of shareholders' funds	5,567	5,159	10,409	10,113
Allowances for losses on financing	16,580	(4,572)	16,461	(7,504)
Total distributable income	138,950	85,171	255,214	169,605
Income attributable to the depositors	(76,275)	(45,983)	(147,801)	(88,936)
Transfer to profit equalisation reserve	-	(134)	-	(134)
Total net income	62,675	39,054	107,413	80,535
Personnel expenses	(15,496)	(13,305)	(30,513)	(27,918)
Other overheads and expenditures	(8,785)	(9,075)	(17,783)	(18,337)
	38,394	16,674	59,117	34,280
Share of joint venture's results	(41)	-	(78)	-
Profit before zakat and taxation	38,353	16,674	59,039	34,280
Zakat	(6,064)	-	(6,064)	-
Taxation	(9,520)	(3,926)	(14,605)	(7,661)
Net profit after zakat and taxation	22,769	12,748	38,370	26,619
Attributable to:				
Equity holders of the Bank	22,769	12,748	38,370	26,619
Earnings per share (sen):				
- Basic/fully diluted	8.8	4.9	14.8	10.2

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME** for the financial quarter ended 30 June 2012*(continued)*

	Individual Quarter		Cumulative Quarter	
	Economic Entity		Economic Entity	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	22,769	12,748	38,370	26,619
Other comprehensive income:				
Net fair value change in financial investments available-for-sale	4,011	725	362	(4,731)
Deferred tax on financial investments available-for-sale	(1,127)	(181)	(217)	1,183
Other comprehensive income for the financial period, net of tax	2,884	544	145	(3,548)
Total comprehensive income for the financial period	25,653	13,292	38,515	23,071
Attributable to equity holders of the Bank:				
- Total comprehensive income	25,653	13,292	38,515	23,071

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME** for the financial quarter ended 30 June 2012

(continued)

	Individual Quarter The Bank		Cumulative Quarter The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Preceding Year Corresponding Quarter 30/6/2011 RM'000	Current Financial Quarter 30/6/2012 RM'000	Preceding Year Corresponding Quarter 30/6/2011 RM'000
Income derived from investment of depositors' funds and others	116,803	84,584	228,344	166,996
Income derived from investment of shareholders' funds	5,567	5,159	10,409	10,113
Allowances for losses on financing	16,580	(4,572)	16,461	(7,504)
Total distributable income	138,950	85,171	255,214	169,605
Income attributable to the depositors	(76,275)	(45,983)	(147,801)	(88,936)
Transfer to profit equalisation reserve	-	(134)	-	(134)
Total net income	62,675	39,054	107,413	80,535
Personnel expenses	(15,496)	(13,305)	(30,513)	(27,918)
Other overheads and expenditures	(8,785)	(9,075)	(17,783)	(18,337)
Profit before zakat and taxation	38,394	16,674	59,117	34,280
Zakat	(6,064)	-	(6,064)	-
Taxation	(9,520)	(3,926)	(14,605)	(7,661)
Net profit after zakat and taxation	22,810	12,748	38,448	26,619
Attributable to:				
Equity holders of the Bank	22,810	12,748	38,448	26,619
Earnings per share (sen):				
- Basic/fully diluted	8.8	4.9	14.8	10.2

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME** for the financial quarter ended 30 June 2012

(continued)

	Individual Quarter		Cumulative Quarter	
	The Bank		The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	22,810	12,748	38,448	26,619
Other comprehensive income:				
Net fair value change in financial investments available-for-sale	4,011	725	362	(4,731)
Deferred tax on financial investments available-for-sale	(1,127)	(181)	(217)	1,183
Other comprehensive income for the financial period, net of tax	2,884	544	145	(3,548)
Total comprehensive income for the financial period	25,694	13,292	38,593	23,071
Attributable to equity holders of the Bank:				
- Total comprehensive income	25,694	13,292	38,593	23,071

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 30 June 2012

	Economic Entity		The Bank	
	30/6/2012 RM'000	30/6/2011 RM'000	30/6/2012 RM'000	30/6/2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before zakat and taxation	59,039	34,280	59,117	34,280
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments available-for-sale	(28,021)	(21,889)	(28,021)	(21,889)
Accretion of discount less amortisation of premium:				
- financial investments available-for-sale	(10,367)	(2,313)	(10,367)	(2,313)
Gain on sale from:				
- financial assets held-for-trading	-	(103)	-	(103)
- financial investments available-for-sale	(4,180)	(1,688)	(4,180)	(1,688)
Unrealised gain on revaluation:				
- financial assets held-for-trading	-	(2)	-	(2)
Depreciation of property and equipment	555	459	555	459
Property and equipment written-off	-	8	-	8
Amortisation of intangible assets	398	326	398	326
Net individual impairment	130	3,122	130	3,122
Net collective impairment	(16,374)	4,839	(16,374)	4,839
Bad debt on financing written-off	18	66	18	66
Share of joint venture's results	78	-	-	-
Transfer to profit equalisation reserve	-	134	-	134
Operating profit before changes in working capital	1,276	17,239	1,276	17,239
<i>(Increase)/decrease in operating assets:</i>				
Deposits and placements with banks and other financial institutions	(80,058)	-	(80,058)	-
Financial assets held-for-trading	-	103	-	103
Foreign exchange transaction	(1,140)	70	(1,140)	70
Financing, advances and other financing	(314,364)	(490,152)	(314,364)	(490,152)
Other assets	47,956	(39,105)	47,956	(39,105)
Amount due from holding company	-	(4,493)	-	(4,493)
Statutory deposits with Bank Negara Malaysia	(36,000)	-	(36,000)	-
<i>Increase/(decrease) in operating liabilities:</i>				
Deposits from customers	1,040,652	18,086	1,040,652	18,086
Deposits and placements of banks and other financial institutions	(761,784)	694,734	(761,784)	694,734
Amount due to holding company	(240,948)	-	(240,948)	-
Other liabilities	70,458	(20,945)	70,458	(20,945)
Cash generated (used in)/from operations	(273,952)	175,537	(273,952)	175,537
Tax paid	(998)	(7,500)	(998)	(7,500)
Zakat paid	(653)	(356)	(653)	(356)
Net cash generated (used in)/from operating activities	(275,603)	167,681	(275,603)	167,681

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CASH FLOWS** *for the financial quarter ended 30 June 2012 (continued)*

	Economic Entity		The Bank	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- financial investments available-for-sale	28,021	21,889	28,021	21,889
Net purchase of financial investments available-for-sale	(494,047)	(171,988)	(494,047)	(171,988)
Purchase of property and equipment	(918)	(820)	(918)	(820)
Net cash used in investing activities	(466,944)	(150,919)	(466,944)	(150,919)
Net (decrease)/increase in cash and cash equivalents	(742,547)	16,762	(742,547)	16,762
Net increase/(decrease) in foreign exchange	1,140	(70)	1,140	(70)
Cash and cash equivalents at beginning of the financial period	4,455,700	2,639,972	4,455,700	2,639,972
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	3,714,293	2,656,664	3,714,293	2,656,664

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2012

1 BASIS OF PREPARATION

This unaudited condensed interim financial information for the 6 months ended 30 June 2012 has been prepared in accordance with MFRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ('MASB') Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, 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 2011, which have been prepared in accordance with the Malaysian 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 2011.

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 30 June 2012.

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 Malaysian Financial Reporting Standards ('MFRS') which became effective for the financial period beginning 1 January 2012 are duly adopted by the Bank when preparing the financial report for the quarter ended 30 June 2012 are as follows:

MFRS 139 "Financial instruments: recognition and measurement"
The revised MFRS 124 "Related party disclosures"
IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"

Beginning of the financial period, the Bank has adopted the Guidelines on Profit Equalisation Reserve ('PER') introduced by Bank Negara Malaysia ('BNM'). The guidelines are applicable to the Bank in managing the Displaced Commercial Risk ('DCR') in accordance with Shariah principles. The explanatory note is provided in Note 6 Changes in Accounting Policies and Adjustment.

3 QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2011 was not qualified.

4 SEASONAL OR CYCLICAL FACTORS

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

5 EXCEPTIONAL ITEMS

There was no exceptional items for the quarter ended 30 June 2012.

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2012

6 CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT

(a) Transition to the MFRS framework

During the financial period, the Bank has applied MFRS 1 "First-time adoption of Malaysian Financial Reporting Standards" in the transition to the MFRS framework, which has resulted in the following change in accounting policy with effect 1 January 2012.

MFRS 139 "Financial Instruments: recognition and measurement" - Accounting Policy on Collective Assessment Allowance for Financing, Advances and Other Financing

Prior to the transition to MFRS 139, the Bank had maintained their collective assessment allowance of at least 1.5% of the total outstanding financing, net of individual assessment allowance, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing.

Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions which were allowed under the previous FRS framework, were removed and the Bank has applied the requirements of MFRS 139 in the determination of collective assessment allowance.

There is no significant financial impact arising from the retrospective application of MFRS 139 and accordingly, there are no restatement of both the opening balances of retained profits and allowance for collective impairment, which are allowed under MFRS 1.

(b) Adoption of Revised Guidelines on Profit Equalisation Reserve ('PER') issued by Bank Negara Malaysia

Bank Negara Malaysia has issued its revised Guidelines on Profit Equalisation Reserve ('PER') and the implementation date of the guidelines take effect for financial year beginning 1 July 2011.

Beginning of the financial period, the Bank has adopted the revised Guidelines on PER and has apply in managing the Displaced Commercial Risk ('DCR') in accordance with Shariah principles.

With these revised PER Guidelines, the release of PER shall be appropriated from both Investment Account Holder ('IAH') and the Bank's portion based on the contractual profit sharing ratio at the point of utilisation. The amount of PER shall be limited to the maximum of the either PER of the IAH or Bank depending on prevailing profit sharing ratio.

The IAH portion of the existing PER shall be classified as a liability and is recognised at cost. Subsequent apportionments will be recognised in the income statement. The eventual distribution of PER as profit distributable to the IAH will be treated as an outflow of funds due to the settlement of the obligation to the IAH.

The PER of the Bank shall be classified as a separate reserve in equity and subsequent apportionments from and distributions to retained earnings will be treated as a transfer between reserves.

The change in accounting policy is accounted for prospectively and there is no financial impact to the result of the Bank.

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7 CHANGES IN DEBTS AND EQUITY SECURITIES

There were no purchases or disposal of quoted securities for the quarter ended 30 June 2012 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 30 June 2012 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 2011 audited accounts.

11 PURCHASE AND SALE OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the quarter ended 30 June 2012 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 30 June 2012.

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2012

13 FINANCING, ADVANCES AND OTHER FINANCING

(i) **By type**

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Cash line	206,831	207,564
Term financing		
- House financing	1,395,470	1,270,814
- Hire purchase receivables	1,313,806	1,232,416
- Syndicated financing	174,737	144,462
- Other term financing	1,418,748	1,347,351
Bills receivables	1,900	394
Trust receipts	19,982	33,581
Claims on customers under acceptances credits	78,610	91,844
Staff financing (of which RM Nil to Directors)	9,870	8,871
Revolving credits	157,512	132,544
Gross financing, advances and other financing	4,777,466	4,469,841
Less:		
Allowance for bad and doubtful debts and financing		
Allowance for impairment		
- Individual	(34,476)	(34,927)
- Collective	(38,195)	(60,709)
Total net financing, advances and other financing	4,704,795	4,374,205

(ii) **By maturity structure**

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Maturing within one year	599,505	617,049
One year to three years	187,484	226,528
Three years to five years	854,309	696,513
Over five years	3,136,168	2,929,751
	4,777,466	4,469,841

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2012

13 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(iii) By contract

	Economic Entity/The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2012	31/12/2011
	RM'000	RM'000
Bai' Bithamin Ajil (deferred payment sale)	2,286,776	2,278,578
AITAB	1,313,806	1,232,416
Murabahah (cost-plus)	167,701	172,282
Others	1,009,183	786,565
	4,777,466	4,469,841

(iv) By type of customer

	Economic Entity/The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2012	31/12/2011
	RM'000	RM'000
Domestic non-banking institutions		
- Others	321,013	307,259
Domestic business enterprises		
- Small medium enterprises	682,350	584,698
- Others	832,083	848,317
Government and statutory bodies	12,506	15,845
Individuals	2,684,980	2,470,533
Other domestic entities	118,618	117,520
Foreign entities	125,916	125,669
	4,777,466	4,469,841

(v) By profit rate sensitivity

	Economic Entity/The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2012	31/12/2011
	RM'000	RM'000
Fixed rate		
- House financing	88,154	92,769
- Hire purchase receivables	1,313,806	1,232,416
- Other fixed rate financing	615,092	594,839
Variable rate		
- BLR - plus	2,200,330	2,045,947
- Cost - plus	560,084	503,870
	4,777,466	4,469,841

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13 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(vi) By economic purpose

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Purchase of securities	51	81
Purchase of transport vehicles	1,313,785	1,232,126
Purchase of landed property of which:		
- Residential	1,508,414	1,374,301
- Non-residential	737,939	748,396
Fixed assets other than land and building	45,596	50,036
Personal use	39,717	38,726
Consumer durable	22	26
Construction	190,273	149,920
Working capital	901,085	870,231
Others	40,584	5,998
	4,777,466	4,469,841

(vii) By geographical distribution

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Perlis	8,643	3,014
Kedah	217,741	213,779
Pulau Pinang	118,491	101,315
Perak	215,106	198,587
Selangor	1,681,253	1,471,952
Wilayah Persekutuan	1,266,306	1,211,294
Negeri Sembilan	83,668	70,886
Melaka	48,841	40,046
Johor	152,774	174,660
Pahang	252,490	254,947
Terengganu	339,727	327,431
Kelantan	203,492	209,938
Sarawak	25,610	25,589
Sabah	58,610	60,990
Labuan	8	9
Outside Malaysia	104,706	105,404
	4,777,466	4,469,841

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2012**13 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(viii) Movements of impaired financing**

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
At beginning of the financial period	172,344	152,601
Classified as impaired	35,049	112,975
Reclassified as non-impaired	(27,362)	(70,602)
Amount recovered	(11,017)	(20,025)
Amount written-off	(6,141)	(2,605)
At end of the financial period	162,873	172,344
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing	3.41%	3.86%

(ix) Movements in allowance for impairment on financing

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Individual impairment		
At beginning of the financial period	34,927	36,141
Provision for loan impairment	145	5,029
Amount recovered	(15)	(1,372)
Amount written-off	-	(2,338)
Unwinding of discount of allowance	(581)	(2,533)
At end of the financial period	34,476	34,927
Collective impairment		
At beginning of the financial period	60,709	52,481
Provision for loan impairment/(recovered)	(16,374)	7,874
Amount written-off	(6,140)	-
Exchange differences	-	354
At end of the financial period	38,195	60,709

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2012**13 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(x) Impaired financing by economic purpose**

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Purchase of transport vehicles	6,399	11,315
Purchase of landed property of which:		
- Residential	36,046	41,892
- Non-residential	535	504
Personal use	3	4,088
Construction	63,619	63,490
Working capital	56,168	50,955
Others	103	100
	162,873	172,344

(xi) Impaired financing by geographical distribution

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Kedah	1,436	1,001
Pulau Pinang	1,759	1,811
Perak	1,299	2,552
Selangor	45,037	46,930
Wilayah Persekutuan	6,950	12,217
Negeri Sembilan	2,520	2,181
Melaka	405	196
Johor	2,956	2,799
Pahang	3,370	3,718
Terengganu	1,834	2,620
Kelantan	2,020	4,486
Sarawak	370	238
Sabah	1,589	443
Outside Malaysia	91,328	91,152
	162,873	172,344

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14 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Non-Mudharabah		
Demand deposits	2,148,921	1,923,732
Savings deposits	212,826	204,743
Negotiable instruments of deposit ('NID')	-	119,778
Mudharabah		
Demand deposits	25,203	14,147
Savings deposits	98,188	98,790
General investment deposits	5,118,011	4,293,135
Special investment deposits	914,742	822,914
	8,517,891	7,477,239

(ii) Maturity structure of general investment deposits and NID

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Due within six months	3,468,515	3,540,513
Six months to one year	1,646,523	809,427
One year to three years	2,771	62,771
Three years to five years	202	202
	5,118,011	4,412,913

(iii) By type of customer

	Economic Entity/The Bank	
	Current Financial Quarter 30/6/2012 RM'000	Previous Financial Year-End 31/12/2011 RM'000
Government and statutory bodies	2,701,771	3,192,422
Business enterprise	2,702,587	2,358,011
Individuals	672,177	605,957
Others	2,441,356	1,320,849
	8,517,891	7,477,239

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15 INCOME FROM ISLAMIC BANKING OPERATIONS

	Individual Quarter		Cumulative Quarter	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	116,803	84,584	228,344	166,996
Income attributable to depositors	(76,275)	(45,983)	(147,801)	(88,936)
Income derived from investment of shareholders' funds	5,567	5,159	10,409	10,113
	46,095	43,760	90,952	88,173
of which:				
Profit earned on impaired financing, advances and other financing	124	2,414	332	2,414

16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Individual Quarter		Cumulative Quarter	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	79,786	49,879	143,309	98,461
- Other deposits (ii)	37,017	34,705	85,035	68,535
	116,803	84,584	228,344	166,996

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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	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other loans	41,524	31,135	75,729	60,547
Financial investments available-for-sale	9,579	6,486	16,819	12,169
Money at call and deposits with other financial institutions	21,403	9,648	38,712	20,075
Total finance income and hibah	72,506	47,269	131,260	92,791
Accretion of discount less amortisation of premium	4,046	598	6,223	1,286
	76,552	47,867	137,483	94,077
Other operating income				
Fee income				
Commission	261	230	515	518
Service charges and fees	933	465	1,535	1,038
Guarantee fees	233	245	423	655
	1,427	940	2,473	2,211
Income from financial instruments				
Gains on arising on financial assets held-for-trading:				
- net gain on disposal	-	38	-	57
- unrealised gains	-	(3)	-	1
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	1,309	98	2,509	939
	1,309	133	2,509	997
Other income				
Foreign exchange profit:				
- realised	40	149	74	204
Other non-operating income	458	790	770	972
	498	939	844	1,176
	79,786	49,879	143,309	98,461

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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	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other loans	19,078	21,664	44,935	42,145
Financial investments available-for-sale	4,507	4,512	9,980	8,470
Money at call and deposits with other financial institutions	9,886	6,712	22,970	13,973
Total finance income and hibah	33,471	32,888	77,885	64,588
Accretion of discount less amortisation of premium	2,046	416	3,692	895
	35,517	33,304	81,577	65,483
Other operating income				
Fee income				
Commission	114	161	306	361
Service charges and fees	456	323	911	722
Guarantee fees	107	170	251	456
	677	654	1,468	1,539
Income from financial instruments				
Gains on arising on financial assets held-for-trading:				
- net gain on disposal	-	27	-	40
- unrealised gains	-	(2)	-	1
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	583	68	1,489	653
	583	93	1,489	694
Other income				
Foreign exchange profit:				
- realised	18	104	44	142
Other non-operating income	222	550	457	677
	240	654	501	819
	37,017	34,705	85,035	68,535

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17 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Individual Quarter		Cumulative Quarter	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other loans	2,894	3,220	5,501	6,219
Financial investments available-for-sale	670	671	1,222	1,250
Money at call and deposits with other financial institutions	1,493	999	2,812	2,062
Total finance income and hibah	5,057	4,890	9,535	9,531
Accretion of discount less amortisation of premium	286	62	452	132
	5,343	4,952	9,987	9,663
Other operating income				
Fee income				
Commission	18	24	37	53
Service charges and fees	65	49	111	107
Guarantee fees	16	25	31	67
	99	98	179	227
Income from financial instruments				
Gains on arising on financial assets held-for-trading:				
- net gain on disposal	-	4	-	6
- unrealised gains	-	(1)	-	-
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	91	10	182	96
	91	13	182	102
Other income				
Foreign exchange profit:				
- realised	2	15	5	21
Other non-operating income	32	81	56	100
	34	96	61	121
	5,567	5,159	10,409	10,113

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2012**18 ALLOWANCES FOR LOSSES ON FINANCING**

	Individual Quarter		Cumulative Quarter	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Individual impairment				
- made in the financial period	61	2,180	145	3,747
- written-back	(2)	(54)	(15)	(625)
Collective impairment				
- made/(written-back)	(16,512)	2,552	(16,374)	4,839
Bad debts on financing				
- recovered	(128)	(149)	(235)	(523)
- written-off	1	43	18	66
	(16,580)	4,572	(16,461)	7,504

19 INCOME ATTRIBUTABLE TO DEPOSITORS

	Individual Quarter		Cumulative Quarter	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	53,910	28,469	97,721	56,246
- Non-mudharabah	7,104	5,346	14,035	10,817
Deposits and placements of banks and other financial institutions				
- Mudharabah	14,693	11,415	34,758	20,158
Others	568	753	1,287	1,715
	76,275	45,983	147,801	88,936

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2012**20 PERSONNEL EXPENSES**

	Individual Quarter		Cumulative Quarter	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	11,882	10,334	23,677	21,246
Defined contribution plan ('EPF')	1,935	1,510	3,853	3,215
Other personnel costs	1,679	1,461	2,983	3,457
	15,496	13,305	30,513	27,918

21 OTHER OVERHEADS AND EXPENDITURES

	Individual Quarter		Cumulative Quarter	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Establishment costs				
Rental of premises	958	860	1,908	1,735
Equipment rental	8	6	16	12
Repair and maintenance	839	969	2,269	2,026
Depreciation of property and equipment	291	259	555	459
Amortisation of intangible assets	199	122	398	326
Licence fee	46	46	100	92
Insurance and indemnities	5	8	66	21
Security services	527	455	1,028	867
Electricity, water and sewerage	365	311	730	598
Other establishment costs	3,016	2,817	6,102	5,847
	6,254	5,853	13,172	11,983

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	Individual Quarter		Cumulative Quarter	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Marketing expenses				
Business promotion and advertisement	146	336	215	401
Entertainment	77	76	164	176
Traveling and accommodation	285	160	536	340
Other marketing expenses	50	60	213	228
	558	632	1,128	1,145

	Individual Quarter		Cumulative Quarter	
	Economic Entity/The Bank		Economic Entity/The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Administration and general expenses				
Telecommunication expenses	200	181	386	360
Auditors' remuneration	64	63	141	111
Professional fees	464	1,140	598	2,289
Property and equipment written-off	-	1	-	8
Mail and courier charges	148	140	300	273
Stationery and consumables	629	622	1,023	1,101
Other administration and general expenses	468	443	1,035	1,067
	1,973	2,590	3,483	5,209
	8,785	9,075	17,783	18,337

22 COMMITMENTS AND CONTINGENCIES

	Current financial quarter ended			Previous financial year ended		
	30/6/2012			31/12/2011		
Economic Entity/The Bank	Principal	* Credit	* Risk-weighted	Principal	* Credit	* Risk-weighted
	Amount	Equivalent	Amount	Amount	Equivalent	Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	8,526	8,526	6,899	8,104	8,104	6,470
Transaction-related contingent items	119,096	59,548	58,158	149,456	74,728	69,462
Short-term self-liquidating trade-related contingencies	257,510	51,502	13,287	345,900	69,180	28,160
Irrevocable commitments to extend credit:						
- Maturity less than one year	804,081	160,816	133,464	958,076	191,615	156,334
- Maturity more than one year	381,352	190,676	173,815	428,138	85,628	79,644
	1,570,565	471,068	385,623	1,889,674	429,255	340,070

* 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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MFRS 134 INTERIM FINANCIAL REPORTING - 30 JUNE 2012**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 30 June 2012.

24 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	Current Financial Quarter	Previous Financial Year-End	Current Financial Quarter	Previous Financial Year-End
	30/6/2012	31/12/2011	30/6/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Tier I capital				
Paid-up share capital	260,000	260,000	260,000	260,000
Retained profits	112,149	112,149	112,359	112,359
Statutory reserves	106,420	106,420	106,420	106,420
Total Tier I capital	478,569	478,569	478,779	478,779
Tier II capital				
Collective impairment [^]	23,705	44,041	23,705	44,041
Total Tier II capital	23,705	44,041	23,705	44,041
Total capital	502,274	522,610	502,484	522,820
Capital base	502,274	522,610	502,484	522,820
Core capital ratio	10.24%	11.08%	10.24%	11.08%
Risk-weighted capital ratio	10.74%	12.10%	10.75%	12.10%
Core capital ratio (net of proposed dividends)	10.24%	11.08%	10.24%	11.08%
Risk-weighted capital ratio (net of proposed dividends)	10.74%	12.10%	10.75%	12.10%

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

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24 CAPITAL ADEQUACY (continued)

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

	Economic Entity		The Bank	
	Principal Current Financial Quarter 30/6/2012 RM'000	Principal Previous Financial Year-End 31/12/2011 RM'000	Principal Current Financial Quarter 30/6/2012 RM'000	Principal Previous Financial Year-End 31/12/2011 RM'000
0%	4,694,658	5,387,683	4,694,658	5,387,683
10%	-	-	-	-
20%	1,280,431	836,420	1,280,431	836,420
35%	82,781	93,541	82,781	93,541
50%	140,356	110,119	140,356	110,119
75%	2,371,646	2,118,497	2,371,646	2,118,497
100%	2,006,810	1,864,063	2,006,810	1,864,063
150%	140,368	183,367	140,368	183,367
Total risk-weighted assets for credit risk	10,717,050	10,593,690	10,717,050	10,593,690

	Economic Entity		The Bank	
	Risk-Weighted Current Financial Quarter 30/6/2012 RM'000	Risk-Weighted Previous Financial Year-End 31/12/2011 RM'000	Risk-Weighted Current Financial Quarter 30/6/2012 RM'000	Risk-Weighted Previous Financial Year-End 31/12/2011 RM'000
0%	-	-	-	-
10%	-	-	-	-
20%	256,086	167,284	256,086	167,284
35%	28,973	32,740	28,973	32,740
50%	70,178	55,059	70,178	55,059
75%	1,778,735	1,588,873	1,778,735	1,588,873
100%	2,006,810	1,864,063	2,006,810	1,864,063
150%	210,553	275,051	210,553	275,051
Total risk-weighted assets for credit risk	4,351,335	3,983,070	4,351,335	3,983,070
Risk-weighted assets for market risk	8,814	30,671	8,814	30,671
Risk-weighted assets for operational risk	315,549	307,036	315,549	307,036
Total risk-weighted assets	4,675,698	4,320,777	4,675,698	4,320,777

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). The Bank has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

The following information concerning the Bank's risk exposures are disclosed in Appendix I, II, III and IV.

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25 REVIEW OF PERFORMANCE OF THE BANK

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

During the 2nd quarter of 2012, the Bank registered a profit before tax of RM38.4 million as compared to the previous year's corresponding quarter of RM16.7 million, an increase of RM21.7 million or 129.9%.

This was due to:

- i) higher income derived from investment of depositors' funds and others by RM32.2 million.
- ii) higher income derived from investment of shareholders' funds by RM0.4 million.
- iii) lower allowance for losses on financing by RM21.2 million.
- iv) lower profit equalisation reserve by RM0.1 million.

The above was off-set by:

- i) higher income attributable to depositors by RM30.3 million.
- ii) higher operating expenses by RM1.9 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 2nd quarter of 2012 stood at RM38.4 million as compared to RM20.7 million reported in the 1st quarter of 2012, an increase of RM17.7 million or 85.5%.

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 RM5.3 million.
- ii) higher income derived from investment of shareholders' funds by RM0.7 million.
- iii) lower allowance for losses on financing by RM16.7 million.

The above was off-set by:

- i) higher income attributable to depositors by RM4.8 million.
- ii) higher other operating expenses by RM0.2 million.

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27 PROSPECT FOR THE CURRENT FINANCIAL YEAR

In 2012, AFFIN Islamic will look into 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.
- Continue to improve the Bank's asset quality.
- Making our Islamic branches shine.
- Strategic Partnership with Bank of East Asia (BEA) on Islamic Banking.
- Creation of new wealth, i.e. new markets, new products, etc.

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 AFFIN Bank, AFFIN Islamic believes that it 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 2012 will provide growth opportunities in various business segments especially within the ASEAN region as it moved into 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 RM16.2 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 RM9.4 million.

Other operating expenses

Operating costs showed a favourable variance of RM1.6 million.

Allowance for losses on financing

Allowance for losses on financing showed a favourable variance of RM24.0 million.

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29 CONNECTED PARTIES TRANSACTIONS AND BALANCES

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

i)	The aggregate value of outstanding credit exposures with connected parties (RM'000)	308,219
ii)	The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	5%
iii)	The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil

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BASEL II Pillar 3 Disclosures**Disclosure on Capital Adequacy under the Standardised Approach (RM'000)****Economic Entity/The Bank****30.6.2012**

	Exposure Class	Gross Exposures /EAD before CRM	Net Exposures /EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	<u>CREDIT RISK</u>					
	<u>On Balance Sheet Exposures</u>					
	Corporates	2,027,548	1,941,330	1,423,560	1,423,560	113,885
	Regulatory Retail	1,530,855	1,524,973	1,143,748	1,143,748	91,500
	Other Assets	260,017	260,017	29,274	29,274	2,342
	Sovereigns/Central Banks	4,463,963	4,463,963	-	-	-
	Banks, Development Financial Institutions & MDBs	615,071	615,071	130,536	130,536	10,443
	Insurance Companies, Securities Firms & Fund Managers	110,286	110,286	110,286	110,286	8,823
	Residential Mortgages	1,123,856	1,121,455	845,432	845,432	67,634
	Higher Risk Assets	67,996	67,915	83,279	83,279	6,662
	Defaulted Exposures	148,714	148,702	199,598	199,598	15,968
	Total for On-Balance Sheet Exposures	10,348,306	10,253,712	3,965,713	3,965,713	317,257
	<u>Off Balance Sheet Exposures</u>					
	Off Balance sheet Exposures other than OTC derivatives or credit derivatives	470,284	462,554	384,447	384,447	30,756
	Defaulted Exposures	784	784	1,175	1,175	94
	Total for Off-Balance Sheet Exposures	471,068	463,338	385,622	385,622	30,850
	Total for On and Off-Balance Sheet Exposures	10,819,374	10,717,050	4,351,335	4,351,335	348,107
2	<u>MARKET RISK</u>					
		Long Position	Short Position			
	Foreign Currency Risk	771	8,814	(8,043)	8,814	-
3	<u>OPERATIONAL RISK</u>					
	Operational Risk			315,549		25,244
	Total RWA and Capital Requirements			4,675,698	4,351,335	374,056

OTC "Over The Counter"

PSIA "Profit Sharing Investment Account"

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BASEL II Pillar 3 Disclosures (continued)**Disclosure on Capital Adequacy under the Standardised Approach (RM'000)****Economic Entity/The Bank**

31.12.2011

	Exposure Class	Gross Exposures /EAD before CRM		Net Exposures /EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%	
1	CREDIT RISK							
	<u>On Balance Sheet Exposures</u>							
	Corporates	1,890,565	1,815,381		1,347,470	1,347,470	107,798	
	Regulatory Retail	1,302,701	1,298,513		973,885	973,885	77,911	
	Other Assets	271,035	271,035		29,574	29,574	2,366	
	Sovereigns/Central Banks	5,137,298	5,137,298		-	-	-	
	Banks, Development Financial Institutions & MDBs	174,994	174,994		34,999	34,999	2,800	
	Insurance Companies, Securities Firms & Fund Managers	110,616	110,616		98,549	98,549	7,884	
	Residential Real Estate (RRE) Financing	1,109,367	1,107,060		816,501	816,501	65,320	
	Higher Risk Assets	41,327	41,326		61,988	61,988	4,959	
	Defaulted Exposures	215,504	215,490		280,034	280,034	22,403	
	Total for On-Balance Sheet Exposures	10,253,407	10,171,713		3,643,000	3,643,000	291,441	
	<u>Off Balance Sheet Exposures</u>							
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	424,631	417,474		333,315	333,315	26,665	
	Defaulted Exposures	4,624	4,503		6,755	6,755	540	
	Total for Off-Balance Sheet Exposures	429,255	421,977		340,070	340,070	27,205	
	Total for On and Off-Balance Sheet Exposures	10,682,662	10,593,690		3,983,070	3,983,070	318,646	
2	MARKET RISK							
	Foreign Currency Risk			Long Position	Short Position			
				1,292	30,671	(29,379)	30,671	-
								2,454
3	OPERATIONAL RISK							
	Operational Risk				307,036		24,563	
	Total RWA and Capital Requirements				4,320,777	3,983,070	345,663	

OTC "Over The Counter"

PSIA "Profit Sharing Investment Account"

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BASEL II Pillar 3 Disclosures (continued)

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. The Bank's Capital-at-Risk ('CaR') is defined as the amount of the Bank's capital that is exposed to the risk of unexpected losses arising particularly from movements in profit rates and foreign exchange rates. A CaR Limit is set as a management trigger to ensure that the Bank's exposure to such movements do not compromise the Bank's capital adequacy. The Bank is currently adopting BNM's Standardised Approach for the computation of market risk capital charges. The market risk capital charges addresses among others, capital requirement for market risk which includes the profit rate risk pertaining to the Bank's exposure in the trading book as well as foreign exchange risk in the trading and banking books.

The computation of market risk capital charge covers the following outstanding financial instruments:

- a) Foreign Exchange
- b) Islamic Profit Rate Swap
- c) Cross Currency Swap ('CCS')
- d) Fixed Income instruments (i.e. Private Debt and Government Securities)

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BASEL II Pillar 3 Disclosures (continued)

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)
Economic Entity/The Bank
30.6.2012

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets	
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitization			Equity
0%	4,465,835	-	-	-	-	-	-	-	228,823	-	-	-	4,694,658	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	47,769	-	592,912	-	635,322	-	-	-	4,428	-	-	-	1,280,431	256,086
35%	-	-	-	-	-	-	82,781	-	-	-	-	-	82,781	28,973
50%	-	-	25,071	-	55,369	876	59,040	-	-	-	-	-	140,356	70,178
70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	1,596,045	775,601	-	-	-	-	-	2,371,646	1,778,735
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	149,213	1,578,650	69	218,171	37,188	23,519	-	-	-	2,006,810	2,006,810
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	1,755	31,737	43,687	59,945	3,244	-	-	-	140,368	210,553
250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight														
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	-

PSE "Public Sector Entities"

MDB "Multilateral Development Banks"

FDI "Financial Development Institutions"

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BASEL II Pillar 3 Disclosures (continued)**Disclosure on Credit Risk: Disclosures on Risk Weights (RM'000)****Economic Entity/The Bank**

31.12.2011

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets	
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitization			Equity
0%	5,145,976	-	-	-	-	-	-	-	241,707	-	-	-	5,387,683	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	51,243	-	188,177	15,084	580,195	-	-	-	1,721	-	-	-	836,420	167,284
35%	-	-	-	-	-	-	93,541	-	-	-	-	-	93,541	32,740
50%	-	-	-	-	45,000	922	64,197	-	-	-	-	-	110,119	55,059
70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	1,327,834	790,663	-	-	-	-	-	2,118,497	1,588,873
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	135,049	1,491,776	-	175,818	37,058	24,362	-	-	-	1,864,063	1,864,063
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	29,421	31,786	48,402	70,513	3,245	-	-	-	183,367	275,051
250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight														
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	-

PSE "Public Sector Entities"

MDB "Multilateral Development Banks"

FDI "Financial Development Institutions"

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BASEL II Pillar 3 Disclosures (continued)**(i) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)****Economic Entity/The Bank****30.6.2012**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						
Total						
		-	-	-	-	-
		25,325	55,489	-	-	149,886
		25,325	55,489	-	-	2,282,374
		25,325	55,489	-	-	2,432,260

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
Banks, MDBs and FDIs						
<u>Rated Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						
Total						
		-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-

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BASEL II Pillar 3 Disclosures (continued)**(i) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)****Economic Entity/The Bank**

31.12.2011

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						
Total						
		-	-	-	-	-
		2,985	69,975	-	-	153,133
		2,985	69,975	-	-	2,154,723
		2,985	69,975	-	-	2,307,856

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated
On and Off-Balance-Sheet Exposures						
Banks, MDBs and FDIs						
Rated Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						
Total						
		-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-

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BASEL II Pillar 3 Disclosures (continued)

- (ii) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)**
Economic Entity/The Bank
30.6.2012

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		-	4,513,603	-	-	-	-
Total		-	4,513,603	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and FDIs		82,912	-	-	-	-	535,071
Total		82,912	-	-	-	-	535,071

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BASEL II Pillar 3 Disclosures (continued)

- (ii) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)**
Economic Entity/The Bank
31.12.2011

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		-	5,197,219	-	-	-	-
Total		-	5,197,219	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and FDIs		13,183	-	-	-	-	174,994
Total		13,183	-	-	-	-	174,994

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BASEL II Pillar 3 Disclosures (continued)

a) **Disclosures on Credit Risk Mitigation (RM'000)**
Economic Entity/The Bank
30.6.2012

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	4,463,963	-	-	-
Banks, Development Financial Institutions & MDBs	615,071	-	-	-
Insurance Cos, Securities Firms & Fund Managers	110,286	-	673	-
Corporates	2,027,548	3,200	92,093	-
Regulatory Retail	1,530,855	-	7,062	-
Residential Mortgages	1,123,856	-	2,400	-
Higher Risk Assets	67,996	-	82	-
Other Assets	260,017	-	-	-
Defaulted Exposures	148,714	-	-	-
Total for On-Balance Sheet Exposures	10,348,306	3,200	102,310	-
<u>Off-Balance Sheet Exposures</u>				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	470,284	-	-	-
Defaulted Exposures	784	-	13	-
Total for Off-Balance Sheet Exposures	471,068	-	13	-
Total On and Off-Balance Sheet Exposures	10,819,374	3,200	102,323	-

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BASEL II Pillar 3 Disclosures (continued)**a) Disclosures on Credit Risk Mitigation (RM'000)****Economic Entity/The Bank**

31.12.2011

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	5,137,298	-	-	-
Banks, Development Financial Institutions & MDBs	174,994	-	-	-
Insurance Cos, Securities Firms & Fund Managers	110,616	-	-	-
Corporates	1,890,565	3,200	81,171	-
Regulatory Retail	1,302,701	-	5,358	-
Residential Mortgages	1,109,367	-	2,306	-
Higher Risk Assets	41,327	-	2	-
Other Assets	271,035	-	-	-
Defaulted Exposures	215,504	-	134	-
Total for On-Balance Sheet Exposures	10,253,407	3,200	88,971	-
<u>Off-Balance Sheet Exposures</u>				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	424,631	-	-	-
Defaulted Exposures	4,624	-	-	-
Total for Off-Balance Sheet Exposures	429,255	-	-	-
Total On and Off-Balance Sheet Exposures	10,682,662	3,200	88,971	-

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BASEL II Pillar 3 Disclosures (continued)**b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000)**

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cashflows. An economic loss could occur if the transactions with the counterparty has a positive economic value for the Bank at the time of default.

In contrast to the exposure to credit risk through a financing, where the exposure to credit risk is unilateral and only the financing bank faces the risk of loss, Counterparty Credit Risk creates a bilateral risk of loss where the market value for many types of transactions can be positive or negative to either counterparty.

In respect of Off-balance sheet items, the credit risk inherent in each off-balance sheet instrument is translated into an on-balance sheet exposure equivalent (credit equivalent) by multiplying the nominal principal amount with a credit conversion factor ('CCF') as prescribed by the Standardised Approach under the Risk Weighted Capital Adequacy Framework. The resulting amount is then weighted against the risk weight of the counterparty. In addition, counterparty risk weights for over-the-counter ('OTC') derivative transactions will be determined based on the external rating of the counterparty and will not be subject to any specific ceiling.

Economic Entity/The Bank

30.6.2012

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	8,526		8,526	6,899
Transaction related contingent Items	119,096		59,548	58,158
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	381,352		190,676	173,815
Short Term Self Liquidating trade related contingencies	257,510		51,502	13,287
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	804,081		160,816	133,464
Total	1,570,565	-	471,068	385,623

Economic Entity/The Bank

31.12.2011

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	8,104		8,104	6,470
Transaction related contingent Items	149,456		74,728	69,462
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	428,138		85,628	79,644
Short Term Self Liquidating trade related contingencies	345,900		69,180	28,160
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	958,076		191,615	156,334
Total	1,889,674	-	429,255	340,070

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BASEL II Pillar 3 Disclosures (continued)**c) Disclosures on Market Risk - Profit Rate Risk/Rate of Return Risk in the Banking Book (RM million)**

Profit rate risk is the current and prospective impact to the Bank's financial condition due to adverse changes in the profit rates to which the statement of financial position is exposed. The objective is to manage profit rate risk to achieve stable and sustainable net gap income in the long term which impact can be viewed from the perspectives of (1) earnings in the next 12 months, and (2) economic value.

(1) Next 12 months' Earnings - Profit rate risk from the earnings perspective is the impact based on changes to the net gap income over the next 12 months. This risk is measured monthly through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in profit rates across the yield curve. The prospective change to the net gap income is measured using an Asset Liability Management simulation model which incorporates the assessment of both existing and new business.

(2) Economic Value - Measuring the change in the economic value of equity is an assessment of the long term impact to the earnings potential. 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.

The above calculations do not take into account loan prepayments.

Type of Currency	Economic Entity/The Bank 30.6.2012		Economic Entity/The Bank 31.12.2011	
	Impact on Positions (100 basis points) Parallel Shift		Impact on Positions (100 basis points) Parallel Shift	
	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value
Ringgit Malaysia	17.5	79.3	8.0	(48.8)
US Dollar	(0.1)	(0.1)	(1.2)	(0.1)
Total	17.4	79.2	6.8	(48.9)

* Others comprise of AUD, EUR and GBP currencies where the amount of each currency is relatively small.

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BASEL II Pillar 3 Disclosures (continued)**d) Disclosures on indicators of Displaced Commercial Risk (DCR)**

	Economic Entity/The Bank 30.6.2012		Economic Entity/The Bank 31.12.2011	
	RM'000	%	RM'000	%
PER for SIA				
At beginning of reporting period	-	-	-	-
Islamic bank's portion	-		-	
IAH's portion	-		-	
Provision during the reporting period	-	-	-	-
Islamic bank's portion	-		-	
IAH's portion	-		-	
Write-back during the reporting period	-	-	-	-
Islamic bank's portion	-		-	
IAH's portion	-		-	
At end of the reporting period	-	-	-	-
Islamic bank's portion	-		-	
IAH's portion	-		-	