

Amlslamic Bank Berhad

(Formerly known as AMBB Capital Berhad and
prior to that, AmBank Berhad)
(Company No. 295576–U)
(Incorporated in Malaysia)

**Interim Financial Statements
For the Financial Half Year
1 April 2006 to
30 September 2006
(In Ringgit Malaysia)**

Amlslamic Bank Berhad

(Formerly known as AMBB Capital Berhad and
prior to that, AmBank Berhad)
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 30 SEPTEMBER 2006**

		30 September 2006 RM'000	31 March 2006 RM'000
	Note		
ASSETS			
Cash and short-term funds		1,346,298	—
Deposits and placements with banks and other financial institutions		280,000	—
Securities held-for-trading	A8	212,597	—
Financing, advances and other loans	A9	6,040,962	—
Other assets		53,553	—
Statutory deposit with Bank Negara Malaysia		264,000	—
Deferred tax asset		196,959	153,038
Property and equipment		437	—
Intangible assets		40	—
TOTAL ASSETS		8,394,846	153,038
LIABILITIES AND EQUITY			
Deposits from customers	A10	4,159,702	—
Deposits and placements of banks and other financial institutions	A11	2,765,683	—
Bills and acceptance payable		298,513	—
Other liabilities		191,131	—
Total Liabilities		7,415,029	—
Share capital		403,038	153,038
Reserves		576,779	—
Shareholders' Equity		979,817	153,038
TOTAL LIABILITIES AND EQUITY		8,394,846	153,038
COMMITMENTS AND CONTINGENCIES	A22	4,316,686	—
NET ASSETS PER SHARE (RM)		2.43	1.00

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2006.

AmlIslamic Bank Berhad

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2006

		Individual Quarter		Half Year Ended	
		30 September	30 September	30 September	30 September
		2006	2005	2006	2005
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A12	175,828	–	288,541	15,973
Income derived from investment of shareholders' funds	A13	31,741	–	52,041	408
Allowances for losses on financing	A14	(40,353)	–	(68,075)	(1,711)
Transfer from / (to) profit equalisation reserve		15,470	–	18,576	(315)
Other expenses directly attributable to the investment of the depositors and equity's funds		(7,674)	–	(12,529)	–
Total distributable income		175,012	–	278,554	14,355
Income attributable to the depositors	A15	(88,301)	–	(141,805)	(6,589)
Total net income		86,711	–	136,749	7,766
Other operating expenses		(42,284)	–	(69,458)	(320)
Profit before taxation		44,427	–	67,291	7,446
Taxation		(18,210)	–	(24,580)	–
Profit from continuing operations		26,217	–	42,711	7,446
Profit from discontinued operations	A16	–	–	–	1,331
Profit for the period		26,217	–	42,711	8,777
Earnings per share (sen):					
Basic, for profit from continuing operations	A17	6.50	–	11.80	0.98
Basic, for profit from discontinued operations	A17	–	–	–	0.17
Basic for the period		6.50	–	11.80	1.15

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2006.

Company No. 295576-U

Amlslamic Bank Berhad

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2006**

	← Non-distributable →				Distributable	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unappro- priated Profits RM'000	Total RM'000
Balance as at 1 April 2005	761,719	377,031	95,642	461	(677,925)	556,928
Profit for the period	—	—	—	—	8,777	8,777
Capital reduction	(608,681)	(377,031)	(95,642)	(461)	669,148	(412,667)
Balance as at 31 March 2006	153,038	—	—	—	—	153,038
Balance as at 1 April 2006	153,038	—	—	—	—	153,038
Issue of shares	250,000	534,068	—	—	—	784,068
Profit for the period	—	—	—	—	42,711	42,711
Balance as at 30 September 2006	403,038	534,068	—	—	42,711	979,817

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2006.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2006**

	30 September 2006 RM'000	30 September 2005 RM'000
Profit before taxation – from continuing operations	67,291	7,446
Profit before taxation – from discontinued operations	–	4,731
Adjustments for non-cash items	<u>45,667</u>	<u>19,597</u>
Operating Profit Before Working Capital Changes	112,958	31,774
Changes in working capital:		
Net changes in operating assets	486,627	(138,631)
Net changes in operating liabilities	(412,941)	687,599
Net assets vested from AmBank (M) Berhad	<u>(784,068)</u>	<u>–</u>
Net Cash (Used in) /Generated From Operating Activities	(597,424)	580,742
Net Cash Generated From Investing Activities	1,159,654	10,721
Net Cash Generated From/(Used in) Financing Activities	<u>784,068</u>	<u>(2,815,260)</u>
Net Increase/(Decrease) In Cash And Cash Equivalents	1,346,298	(2,223,797)
Cash And Cash Equivalents At Beginning Of The Period	<u>–</u>	<u>2,223,797</u>
Cash And Cash Equivalents At End Of The Period	<u><u>1,346,298</u></u>	<u><u>–</u></u>

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2006.

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Explanatory Notes

A1. Basis of Preparation

The interim financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") 134 Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2006.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the adoption of the new and revised FRS issued by MASB that are effective for the Bank's first FRS annual reporting date, 31 March 2007. The adoption of the new and revised FRS have resulted in changes in the accounting policies of the Bank and are disclosed in Note A25.

The specific and general allowances for loans, advances and financing of the Bank are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. No values are assigned to property collaterals for corporate and retail loans which are in arrears for more than seven years and nine years, respectively, although the realisable values based on independent valuers are available.

A2. Audit Qualification

The auditors' report on the audited annual financial statements for the financial year 31 March 2006 was not qualified.

A3. Seasonality or Cyclicity of Operations

The operations of the Bank are not materially affected by any seasonal or cyclical fluctuation in the current financial period.

A4. Unusual Items

There were no unusual items during the current financial period.

A5. Use of Estimates

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial half year ended 30 September 2006.

A6. Issuance, Cancellation, Repurchase, Resale and Repayment of Debt and Equity Securities

During the financial period ended 30 September 2006, the issued and paid-up share capital of the Bank was increased from 153,038,000 ordinary shares of RM1.00 each to 403,038,000 ordinary shares due to the issuance of 250,000,000 shares of RM1.00 issued at RM3.14 per share, as consideration for the vesting of AmBank (M) Berhad's Islamic banking assets and liabilities to the Bank.

There were no share buy-backs, share cancellations nor shares held as treasury shares by the Bank during the financial period.

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A7. Dividends Paid

The directors do not recommend the payment of any dividend in respect of the financial half year ended 30 September 2006 and no dividends were paid in the current financial period.

A8. Securities Held-For-Trading

	30 September 2006 RM'000	31 March 2006 RM'000
At fair value		
Money Market Securities:		
Malaysia Government Investment Certificates	77,952	—
Negotiable instruments of deposit	14,500	—
Cagamas bonds	25,168	—
Treasury bills	28,920	—
Sukuk BNM Ijarah	55,905	—
	<u>202,445</u>	<u>—</u>
Unquoted securities:		
Private debt securities	10,152	—
	<u>10,152</u>	<u>—</u>
Total securities held-for-trading	<u>212,597</u>	<u>—</u>

A9. Financing, Advances And Other Loans

	30 September 2006 RM'000	31 March 2006 RM'000
Overdrafts	2,070	—
Term loan facilities		
– Housing loans/financing	847,042	—
– Hire-purchase receivables	8,198,552	—
– Other loans/financing	2,287,200	—
Card receivables	314,011	—
Trust receipts	18,656	—
Claims on customers under acceptance credits	316,227	—
Revolving credits	47,356	—
Total	<u>12,031,114</u>	<u>—</u>
Unearned income	<u>(2,618,221)</u>	<u>—</u>
Gross financing, advances and other loans	9,412,893	—
Less: Islamic financing sold to Cagamas Berhad	<u>(3,005,666)</u>	<u>—</u>
	6,407,227	—
Less: Allowance for bad and doubtful debts and financing		
– General	(137,766)	—
– Specific	<u>(228,499)</u>	<u>—</u>
Net financing, advances and other loans	<u>6,040,962</u>	<u>—</u>

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A9. Financing, Advances And Other Loans (continued)

A9a. By concept

	30 September 2006 RM'000	31 March 2006 RM'000
Al-Bai' Bithaman Ajil	953,437	—
Al-Istisna	634	—
Al-Ijarah/Al-Ijarah Thumma Al-Bai'	6,495,086	—
Al-Musyarakah	19,728	—
Al-Murabahah	383,254	—
Other Islamic concept	1,560,754	—
	<hr/>	<hr/>
Gross financing, advances and other loans	9,412,893	—

A9b. By type of customer

	30 September 2006 RM'000	31 March 2006 RM'000
Domestic non-bank financial institutions	663	—
Domestic business enterprises		
– Small medium enterprises	448,458	—
– Others	558,059	—
Government and statutory bodies	21,196	—
Individuals	8,379,760	—
Other domestic entities	3,106	—
Foreign entities	1,651	—
	<hr/>	<hr/>
Gross financing, advances and other loans	9,412,893	—

A9c. By profit rate sensitivity

	30 September 2006 RM'000	31 March 2006 RM'000
Fixed rate		
– Housing loans/financing	423,310	—
– Hire purchase receivables	6,760,652	—
– Other fixed rate loan/financing	2,228,931	—
Variable rate	—	—
	<hr/>	<hr/>
Gross financing, advances and other loans	9,412,893	—

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A9. Financing, Advances And Other Loans (continued)

A9d. By loan purpose

	30 September 2006 RM'000	31 March 2006 RM'000
Purchase of securities	9,294	–
Purchase of transport vehicles	6,511,258	–
Purchase of landed property		
– Residential	426,181	–
– Non-residential	60,906	–
Purchase of fixed assets other than land and building	252,621	–
Personal use	1,245,355	–
Credit cards	314,010	–
Purchase of consumer durables	1,494	–
Construction	4,003	–
Working capital	529,465	–
Other purposes	58,306	–
	<hr/>	<hr/>
Gross financing, advances and other loans	9,412,893	–

A9e(i). Movements in non-performing financing, advances and other loans ("NPL") are as follows:

	6 months ended 30 September 2006 RM'000	Year ended 31 March 2006 RM'000
Gross		
Balance at 1 April	–	2,067,708
Non-performing during the period / year	128,071	76,292
Reclassified as performing	(32,840)	(342,019)
Amount recovered	(41,055)	(22,461)
Amount written off	–	(56)
Amount vested from / (to) holding company	510,976	(1,779,464)
	<hr/>	<hr/>
Balance at end of period / year	565,152	–
Less:		
Specific allowance	(228,499)	–
	<hr/>	<hr/>
Non-performing financing, advances and other loans – net	336,653	–
	<hr/>	<hr/>
Ratio of non-performing financing, advances and other loans to total financing, advances and other loans – net	3.67%	–

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A9. Financing, Advances And Other Loans (continued)

A9e(ii). Movements in the allowance for bad and doubtful debts (and financing) accounts are as follows:

	6 months ended 30 September 2006 RM'000	Year ended 31 March 2006 RM'000
General Allowance		
Balance at 1 April	–	127,287
Allowance made during the period / year	5,458	999
Amount vested from/(to) holding company	132,308	(128,286)
	<hr/>	<hr/>
Balance at end of period	137,766	–
	<hr/>	<hr/>
% of total loans less specific allowance	1.50%	–
	<hr/>	<hr/>
Specific Allowance		
Balance at 1 April	–	475,323
Allowance made during the period / year	103,044	34,076
Amount written back in respect of recoveries	(35,492)	(22,461)
	<hr/>	<hr/>
Net charge to income statements	67,552	11,615
Transferred to accumulated impairment losses in value of securities	–	(57)
Amount written off/ Adjustment to Asset Deficiency Account	6,900	–
Amount vested from/(to) holding company	154,047	(486,881)
	<hr/>	<hr/>
Balance at end of period	228,499	–
	<hr/>	<hr/>

A9f. Non-performing loans by purpose

	30 September 2006 RM'000	31 March 2006 RM'000
Purchase of securities	6,300	–
Purchase of transport vehicles	311,439	–
Purchase of landed property		
– Residential	100,499	–
– Non-residential	38,721	–
Purchase of fixed assets other than land and building	4,545	–
Personal use	2,010	–
Credit cards	45,282	–
Construction	4,003	–
Working capital	36,074	–
Other purposes	16,279	–
	<hr/>	<hr/>
	565,152	–
	<hr/>	<hr/>

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A10. Deposits from Customers

	30 September 2006 RM'000	31 March 2006 RM'000
(i) <u>By type of deposits</u>		
<u>Non-Mudharabah</u>		
Demand deposit	278,049	–
Savings deposit	549,487	–
Negotiable instruments of deposit	167,586	–
	<u>995,122</u>	<u>–</u>
 <u>Mudharabah</u>		
General investment deposit	3,164,580	–
	<u>4,159,702</u>	<u>–</u>
 (ii) <u>By type of customer</u>		
Business enterprises	1,706,142	–
Individuals	1,297,540	–
Government and other statutory bodies	1,121,439	–
Others	34,581	–
	<u>4,159,702</u>	<u>–</u>

A11. Deposits and Placements of Banks and Other Financial Institutions

	30 September 2006 RM'000	31 March 2006 RM'000
<u>Non-Mudharabah</u>		
Licensed banks	243,661	–
Licensed merchant banks	964,800	–
Bank Negara Malaysia (“BNM”)	8,378	–
Non-banking institutions	603,546	–
	<u>1,820,385</u>	<u>–</u>
 <u>Mudharabah</u>		
Licensed merchant banks	30,000	–
Non-banking institutions	915,298	–
	<u>945,298</u>	<u>–</u>
	<u>2,765,683</u>	<u>–</u>

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A12. Income Derived From Investment of Depositors' Funds and Others

	Individual Quarter		Half Year Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Income derived from investment of:				
- General investment deposits	72,054	–	118,474	2,405
- Specific investment deposits	–	–	–	–
- Other deposits	103,774	–	170,067	13,568
	<u>175,828</u>	<u>–</u>	<u>288,541</u>	<u>15,973</u>
 Income derived from investment of general investment depositors				
<u>Finance income and hibah:</u>				
Financing, advances and other loans	62,790	–	103,782	1,276
Securities held-for-trading	269	–	524	168
Money at call and deposits with financial institutions	5,470	–	8,200	228
	<u>68,529</u>	<u>–</u>	<u>112,506</u>	<u>1,672</u>
Accretion of discount	420	–	979	263
	<u>68,949</u>	<u>–</u>	<u>113,485</u>	<u>1,935</u>
 <u>Fee and commission income:</u>				
Commission	835	–	958	46
Other fee income	1,856	–	3,673	433
	<u>2,691</u>	<u>–</u>	<u>4,631</u>	<u>479</u>
 <u>Gain/(Loss) arising from sale of securities:</u>				
Net (loss)/gain from sale of securities held-for-trading	(26)	–	(10)	8
 <u>Others:</u>				
Gain/(Loss) on revaluation of securities held-for-trading	439	–	367	(17)
Others	1	–	1	–
	<u>440</u>	<u>–</u>	<u>368</u>	<u>(17)</u>
 Total	<u>72,054</u>	<u>–</u>	<u>118,474</u>	<u>2,405</u>

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	Individual Quarter		Half Year Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Income derived from investment of other funds				
<u>Finance income and hibah:</u>				
Financing, advances and other loans	90,441	—	148,991	7,346
Securities held-for-trading	388	—	751	926
Money at call and deposits with financial institutions	7,868	—	11,763	1,259
	98,697	—	161,505	9,531
Accretion of discount	607	—	1,405	1,448
	99,304	—	162,910	10,979
<u>Fee and commission income:</u>				
Commission	1,200	—	1,375	252
Other fee income	2,677	—	5,269	2,390
	3,877	—	6,644	2,642
<u>Gain/(Loss) arising from sale of securities:</u>				
Net (loss)/gain from sale of securities held-for-trading	(37)	—	(14)	42
<u>Others:</u>				
Gain/(Loss) on revaluation of securities held-for-trading	629	—	526	(95)
Others	1	—	1	—
	630	—	527	(95)
Total	103,774	—	170,067	13,568

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A13. Income Derived From Investment of Islamic Banking Capital Funds

	Individual Quarter		Half Year Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Income derived from investment of shareholders' funds				
<u>Finance income and hibah:</u>				
Financing, advances and other loans	27,662	—	45,588	232
Securities held-for-trading	119	—	230	5
Money at call and deposits with financial	2,408	—	3,602	42
	<u>30,189</u>	<u>—</u>	<u>49,420</u>	<u>279</u>
Accretion of discount	185	—	430	48
	<u>30,374</u>	<u>—</u>	<u>49,850</u>	<u>327</u>
<u>Fee and commission income:</u>				
Commission	367	—	421	8
Other fee income	818	—	1,613	77
	<u>1,185</u>	<u>—</u>	<u>2,034</u>	<u>85</u>
<u>Gain/(Loss) arising from sale of securities:</u>				
Net loss from sale of securities held-for-trading	(11)	—	(4)	(3)
<u>Others:</u>				
Gain/(Loss) on revaluation of securities held-for-trading	193	—	161	(1)
	<u>193</u>	<u>—</u>	<u>161</u>	<u>(1)</u>
Total	<u>31,741</u>	<u>—</u>	<u>52,041</u>	<u>408</u>

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A14. Allowance for Losses on Loans, Advances and Financing

	Individual Quarter		Half Year Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
– made in the financial year	61,016	–	103,044	4,250
– written back	(21,427)	–	(35,492)	(2,202)
General allowance	3,708	–	5,458	255
Bad debts and financing recovered	(2,944)	–	(4,935)	(592)
	<u>40,353</u>	<u>–</u>	<u>68,075</u>	<u>1,711</u>

A15. Income distributable to depositors

	Individual Quarter		Half Year Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Deposit from customers				
- Mudharabah	28,085	–	44,052	867
- Non-Mudharabah	4,941	–	7,423	324
	<u>33,026</u>	<u>–</u>	<u>51,475</u>	<u>1,191</u>
Deposits and placements of banks and other financial institutions				
- Mudharabah	7,593	–	13,159	205
- Non-Mudharabah	20,431	–	35,781	5,163
	<u>28,024</u>	<u>–</u>	<u>48,940</u>	<u>5,368</u>
Others	27,251	–	41,390	30
	<u>88,301</u>	<u>–</u>	<u>141,805</u>	<u>6,589</u>

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A16. Profit From Discontinued Operations

i) Business merger

The commercial banking business of Amlslamic Bank comprising assets and liabilities (save for non-transferable assets) amounting to RM412.7 million were vested to its holding company, AmBank (M) Berhad on 1 June 2005. The assets and liabilities were vested pursuant to a High Court Vesting Order made under section 50 of the Banking and Financial Institutions Act, 1989.

Amounts of assets and liabilities vested by Amlslamic Bank into AmBank (M) Berhad on 1 June 2005 were as follows:

	RM'000
ASSETS	
Cash and short-term funds	2,815,260
Deposits and placements with banks and other financial institutions	83,256
Securities held-for-trading	546,145
Securities available-for-sale	150,343
Securities held-to-maturity	483,733
Loans, advances and financing	8,415,042
Other assets	142,470
Statutory deposit with Bank Negara Malaysia	319,565
Deferred tax asset	135,159
Property and equipment	31,991
TOTAL ASSETS	13,122,964
 LIABILITIES	
Deposits from customers	7,245,119
Deposits and placements of banks and other financial institutions	3,887,752
Obligation on securities sold under repurchase agreements	25,738
Bills and acceptances payable	603,341
Recourse obligation of loans sold to Cagamas Berhad	179,683
Other liabilities	308,664
Subordinated term loan	460,000
TOTAL LIABILITIES	12,710,297
NET ASSETS	412,667

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ii) Impact to the Income Statement

As Amlslamic Bank commenced operations as a full fledged Islamic Bank on 1 May 2006, the profit of the Conventional Banking Operations of the Bank for the corresponding period in the previous year was reported as discontinued operations in compliance with FRS 5: Non-Current assets held for sale and Discontinued operations.

The profit of the Conventional Banking Operations of the Bank reported as discontinued operations was as follows:

	30 September 2005 RM'000
Interest income	85,342
Interest expense	<u>(49,369)</u>
Net interest income	35,973
Other operating income	<u>16,090</u>
Net income	52,063
Other operating expenses	<u>(44,505)</u>
Operating profit	7,558
Allowance for losses on loans and financing	(4,039)
Impairment written back	<u>1,212</u>
Profit before taxation	4,731
Taxation	<u>(3,400)</u>
Profit for the period	<u>1,331</u>

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A17. Earnings Per Share (EPS)**Basic**

Basic earnings per share is calculated by dividing the net profit for the financial period attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the financial period.

	Individual Quarter		Half Year Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Basic, for profit from continuing operations				
Net profit attributable to shareholders of the Bank	26,217	—	42,711	7,446
Number of ordinary shares at beginning of period	403,038	—	153,038	761,719
Effect of the issuance of shares	—	—	209,016	—
Weighted average number of ordinary shares in issue	403,038	—	362,054	761,719
Basic earnings per share (sen)	6.50	—	11.80	0.98
Basic, for profit from discontinued operations				
Net profit attributable to shareholders of the Bank	—	—	—	1,331
Number of ordinary shares at beginning of period	—	—	—	761,719
Effect of the issuance of shares	—	—	—	—
Weighted average number of ordinary shares in issue	—	—	—	761,719
Basic earnings per share (sen)	—	—	—	0.17

There are no dilutive potential ordinary shares during the financial period.

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A18a. Performance Review for the Half Year ended 30 September 2006

The Bank recorded a Pre-tax profit of RM67.3 million for the half year ended 30 September 2006 as compared to RM7.4 million for the corresponding period in the previous year. The improvement is due to the injection of the profitable Islamic Banking Business of its holding company, AmBank (M) Berhad into the Bank on 1 May 2006.

In the opinion of the Directors, the results of the Group and the Bank for the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

A18b. Prospects for 31 March 2007

With the GDP growth moderating to 5.8% in 2006, stability in the interest rates, and the implementation of various projects under the 9th Malaysian Plan, the Bank expects to register an overall loans growth of 8% for the current financial year ending 31 March, 2007.

Going forward, the Bank will continue to improve its core competencies while looking for opportunities to take advantage of market trends and introduce innovative products to suit its customers' financial needs in these prevailing market conditions.

On 1 May 2006, the Islamic banking business of the holding company AmBank (M) Berhad was transferred to and vested in the Bank, a wholly owned subsidiary of AmBank (M) Berhad, to formalize the corporate separation of the conventional banking business from the Islamic banking business. With the new Islamic operational structures in place and ongoing effective communication with its customers, the Bank is aiming for the maximum optimization of its services to further propel its Islamic banking services.

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A19. Valuation of Property & Equipment

The Bank's property and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

A20. Events Subsequent To Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any items, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Bank for the current period.

A21. Significant Events

Transfer of Islamic Banking Business of AmBank (M) Berhad to Amlslamic Bank Berhad

On 1 May 2006, the Islamic banking business of its holding company, AmBank (M) Berhad was transferred to and vested into the Bank pursuant to the vesting order of the High Court of Malaya made pursuant to Section 50 of the Banking and Financial Institutions Act, 1989. The net book value of the assets and liabilities transferred was RM784.1 million.

The consideration for the transfer of business was satisfied by way of issue of 250.0 million new ordinary shares of RM1.00 each by Amlslamic Bank to AmBank (M) Berhad Bank at RM3.14 per share.

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A22. Commitments and Contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Bank's assets.

The risk-weighted exposure of the Bank is as follows:

	30 September 2006			31 March 2006		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	113,469	113,469	96,039	—	—	—
Certain transaction-related contingent items	39,380	19,690	19,690	—	—	—
Obligations under underwriting agreements	120,000	60,000	60,000	—	—	—
Irrevocable commitments to extend credit:				—	—	—
– maturing less than one year	939,202	—	—	—	—	—
– maturing more than one year	12,177	6,089	6,089	—	—	—
Short-term self-liquidating trade-related contingencies	68,460	13,692	13,692	—	—	—
Islamic financing sold to Cagamas Berhad with recourse	3,005,666	3,005,666	3,005,666	—	—	—
Others	18,332	—	—	—	—	—
	<u>4,316,686</u>	<u>3,218,606</u>	<u>3,201,176</u>	<u>—</u>	<u>—</u>	<u>—</u>

* The credit equivalent amount is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

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A23. Capital Adequacy

Bank Negara Malaysia's ("BNM") guideline on capital adequacy requires the Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The risk weighted capital adequacy ratio of the Bank of 9.85% exceeds the minimum requirements of BNM.

	The Bank	
	30 September 2006 RM'000	31 March 2006 RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	403,038	153,038
Share premium	534,068	—
Unappropriated profit	42,711	—
	<u>979,817</u>	<u>153,038</u>
Less: Deferred tax asset	<u>(196,959)</u>	<u>(153,038)</u>
Total Tier 1 capital	<u>782,858</u>	<u>—</u>
<u>Tier 2 capital</u>		
General allowance for bad and doubtful debts and financing	<u>137,766</u>	<u>—</u>
	<u>—</u>	<u>—</u>
Capital base	<u>920,624</u>	<u>—</u>
	30 September 2006	31 March 2006
	Principal	Risk -
	RM'000	Weighted
		RM'000
Notional risk-weighted assets		
Categories		
0%	1,609,679	—
10%	—	—
20%	341,904	68,381
50%	321,230	160,615
100%	9,119,228	9,119,228
	<u>11,392,041</u>	<u>9,348,224</u>
Notional risk-weighted assets*	<u>11,392,041</u>	<u>9,348,224</u>
Capital Ratios		
Core capital ratio	8.37%	—
Risk-weighted capital ratio	<u>9.85%</u>	<u>—</u>

* The notional risk-weighted assets of the Bank as at 30 September 2006 have been adjusted to incorporate market risk, pursuant to Bank Negara Malaysia's Market Risk Capital Adequacy Framework, which became effective on 1 April 2005.

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A24. The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

30 September 2006

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
ASSETS										
Cash and short-term funds	1,340,050	–	–	–	–	–	6,248	–	1,346,298	3.72
Deposits and placements with banks and other financial institutions	–	280,000	–	–	–	–	–	–	280,000	3.74
Securities held-for-trading	–	–	–	–	–	–	–	212,597	212,597	3.59
Securities available-for-sale	–	–	–	–	–	–	–	–	–	–
Securities held-to-maturity	–	–	–	–	–	–	–	–	–	–
Loans, advances and financing										
– Performing	344,377	190,438	71,567	119,458	308,274	4,807,962	–	–	5,842,076	8.13
– Non-performing	–	–	–	–	–	–	198,886	–	198,886	–
Other non-interest sensitive balances	–	–	–	–	–	–	514,989	–	514,989	–
TOTAL ASSETS	1,684,427	470,438	71,567	119,458	308,274	4,807,962	720,123	212,597	8,394,846	
LIABILITIES AND SHAREHOLDER'S FUNDS										
Deposits from customers	2,820,475	704,575	325,451	250,293	58,908	–	–	–	4,159,702	3.10
Deposits and placements of banks and other financial institutions	540,660	383,868	269,195	543,509	1,028,451	–	–	–	2,765,683	3.73
Obligation on securities sold under repurchase agreements	–	–	–	–	–	–	–	–	–	–
Bills and acceptances payables	97,882	157,273	43,358	–	–	–	–	–	298,513	3.85
Other non-interest sensitive balances	–	–	–	–	–	–	191,131	–	191,131	–
Total Liabilities	3,459,017	1,245,716	638,004	793,802	1,087,359	–	191,131	–	7,415,029	
Shareholder's Funds	–	–	–	–	–	–	979,817	–	979,817	
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	3,459,017	1,245,716	638,004	793,802	1,087,359	–	1,170,948	–	8,394,846	
On-balance sheet interest sensitivity gap	(1,774,590)	(775,278)	(566,437)	(674,344)	(779,085)	4,807,962	(450,825)	212,597	–	
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–	–	
Total interest sensitivity gap	(1,774,590)	(775,278)	(566,437)	(674,344)	(779,085)	4,807,962	(450,825)	212,597	–	

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	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
ASSETS										
Cash and short-term funds	–	–	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	–	–	–
Securities held-for-trading	–	–	–	–	–	–	–	–	–	–
Securities available-for-sale	–	–	–	–	–	–	–	–	–	–
Securities held-to-maturity	–	–	–	–	–	–	–	–	–	–
Loans, advances and financing										
– Performing	–	–	–	–	–	–	–	–	–	–
– Non-performing	–	–	–	–	–	–	–	–	–	–
Other non-interest sensitive balances	–	–	–	–	–	–	153,038	–	153,038	–
TOTAL ASSETS	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>153,038</u>	<u>–</u>	<u>153,038</u>	
LIABILITIES AND SHAREHOLDER'S FUNDS										
Deposits from customers	–	–	–	–	–	–	–	–	–	–
Deposits and placements of banks and other financial institutions	–	–	–	–	–	–	–	–	–	–
Obligation on securities sold under repurchase agreements	–	–	–	–	–	–	–	–	–	–
Bills and acceptances	–	–	–	–	–	–	–	–	–	–
Recourse obligation of loans sold to Cagamas Berhad	–	–	–	–	–	–	–	–	–	–
Other non-interest sensitive balances	–	–	–	–	–	–	–	–	–	–
Total Liabilities	–	–	–	–	–	–	–	–	–	–
Shareholder's Funds	–	–	–	–	–	–	153,038	–	153,038	–
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>153,038</u>	<u>–</u>	<u>153,038</u>	
On-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–	–	–
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–	–	–
Total interest sensitivity gap	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	

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A25. Change in Accounting Policies

During the half year ended 30 September 2006, the Bank adopted the new and revised FRSs issued by MASB that are applicable with effect from 1 January 2006 which have resulted in the change in accounting policy as follows:

FRS 5: Non-current Assets Held For Sale and Discontinued Operations

Profit from discontinued operations is now required to be disclosed on face of the Income Statements. Details of the discontinued operations are set out in Note A16.

Apart from the above, the adoption of the other revised and new FRS do not have a significant financial impact on the Bank.