

**Amlslamic Bank Berhad**

(Company No. 295576–U)

(Incorporated in Malaysia)

**Interim Financial Statements**

**For the Financial Period**

**1 April 2006 to**

**31 December 2006**

(In Ringgit Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED BALANCE SHEET AS AT 31 DECEMBER 2006**

		<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term funds		1,683,096	—
Deposits and placements with banks and other financial institutions		380,000	—
Securities held-for-trading	A8	160,699	—
Financing, advances and other loans	A9	6,174,360	—
Other assets		41,746	—
Statutory deposit with Bank Negara Malaysia		263,500	—
Deferred tax asset		182,759	153,038
Property and equipment		766	—
Intangible assets		61	—
<b>TOTAL ASSETS</b>		<b>8,886,987</b>	<b>153,038</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	A10	4,459,265	—
Deposits and placements of banks and other financial institutions	A11	2,493,990	—
Subordinated Sukuk Musyarakah		400,000	—
Bills and acceptance payable		334,990	—
Other liabilities		182,200	—
<b>Total Liabilities</b>		<b>7,870,445</b>	<b>—</b>
Share capital		403,038	153,038
Reserves		613,504	—
<b>Shareholders' Equity</b>		<b>1,016,542</b>	<b>153,038</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,886,987</b>	<b>153,038</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A22	<b>4,237,072</b>	<b>—</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>2.52</b>	<b>1.00</b>

*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.*

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2006**

		<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
		<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	A12	174,504	–	463,045	15,973
Income derived from investment of shareholders' funds	A13	38,014	–	90,055	408
Allowances for losses on financing	A14	(38,914)	–	(106,989)	(1,711)
Transfer from/(to) profit equalisation reserve		14,075	–	32,651	(315)
Other expenses directly attributable to the investment of the depositors and equity's funds		(3,986)	–	(16,515)	–
Total distributable income		183,693	–	462,247	14,355
Income attributable to the depositors	A15	(92,924)	–	(234,729)	(6,589)
Total net income		90,769	–	227,518	7,766
Other operating expenses		(39,844)	–	(109,302)	(320)
<b>Profit before taxation</b>		<b>50,925</b>	<b>–</b>	<b>118,216</b>	<b>7,446</b>
Taxation		(14,200)	–	(38,780)	–
<b>Profit from continuing operations</b>		<b>36,725</b>	<b>–</b>	<b>79,436</b>	<b>7,446</b>
<b>Profit from discontinued operations</b>	A16	–	–	–	1,331
<b>Profit for the period</b>		<b>36,725</b>	<b>–</b>	<b>79,436</b>	<b>8,777</b>
<b>Earnings per share (sen):</b>					
Basic, for profit from continuing operations	A17	9.11	–	21.14	0.98
Basic, for profit from discontinued operations	A17	–	–	–	0.17
Basic for the period		9.11	–	21.14	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.*

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**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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)
<b>Balance as at 31 March 2006</b>	<b>153,038</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>153,038</b>
Balance as at 1 April 2006	153,038	—	—	—	—	153,038
Issue of shares	250,000	534,068	—	—	—	784,068
Profit for the period	—	—	—	—	79,436	79,436
<b>Balance as at 31 December 2006</b>	<b>403,038</b>	<b>534,068</b>	<b>—</b>	<b>—</b>	<b>79,436</b>	<b>1,016,542</b>

*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 QUARTER ENDED 31 DECEMBER 2006**

	<b>31 December 2006 RM'000</b>	<b>31 December 2005 RM'000</b>
Profit before taxation – from continuing operations	118,216	7,446
Profit before taxation – from discontinued operations	–	4,731
Adjustments for non-cash items	69,208	19,597
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	187,424	31,774
Changes in working capital:		
Net changes in operating assets	293,911	(138,631)
Net changes in operating liabilities	(357,525)	687,599
Net assets vested from AmBank (M) Berhad	(784,068)	–
	<hr/>	<hr/>
Net Cash (Used in)/Generated From Operating Activities	(660,258)	580,742
Net Cash Generated From Investing Activities	1,159,286	10,721
Net Cash Generated From/(Used in) Financing Activities	1,184,068	(2,815,260)
	<hr/>	<hr/>
Net Increase/(Decrease) In Cash And Cash Equivalents	1,683,096	(2,223,797)
Cash And Cash Equivalents At Beginning Of The Period	–	2,223,797
	<hr/>	<hr/>
Cash And Cash Equivalents At End Of The Period	1,683,096	–
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*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 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 period ended 31 December 2006.

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

**a) Issuance of 250,000,000 ordinary shares**

During the financial period ended 31 December 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.

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**A6. Issuance, Cancellation, Repurchase, Resale and Repayment of Debt and Equity Securities** (continued)

**b) Issuance of RM400 million Subordinated Sukuk Musyarakah**

On 21 December 2006, AmlIslamic Bank issued the RM400 million Subordinated Sukuk Musyarakah in one lump sum in the format of a 10 year Non-Call 5 year. Subject to the prior approval of Bank Negara Malaysia (“BNM”), AmlIslamic Bank may exercise its call option and redeem in whole (but not in part) the Subordinated Sukuk Musyarakah on the 5<sup>th</sup> anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

The Subordinated Sukuk Musyarakah bear an expected profit rate of 4.80% per annum for the first 5 years and commencing from the beginning of the 6<sup>th</sup> year from the issue date and at the beginning of every subsequent year thereafter, the expected profit rate shall be stepped up by 0.05% per annum to legal maturity date.

The Subordinated Sukuk Musyarakah which has been awarded a long term rating of A3 by Rating Agency Malaysia is not listed on Bursa Securities Malaysia Berhad or on any other stock exchange but is traded and prescribed under the Scripless Securities Trading System maintained by BNM.

The Subordinated Sukuk Musyarakah qualify as Tier 2 capital of AmlIslamic Bank.

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

**A7. Dividends Paid**

The directors do not recommend the payment of any dividend in respect of the financial period ended 31 December 2006 and no dividends were paid in the current financial period.

**A8. Securities Held-For-Trading**

	<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
<b>At fair value</b>		
Money Market Securities:		
Malaysia Government Investment Certificates	39,396	–
Cagamas bonds	50,855	–
Islamic Treasury bills	29,223	–
	<u>119,474</u>	<u>–</u>
Unquoted securities:		
Private debt securities	41,225	–
	<u>41,225</u>	<u>–</u>
Total securities held-for-trading	<u><u>160,699</u></u>	<u><u>–</u></u>

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**A9. Financing, Advances And Other Loans**

	<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
Overdrafts	11,167	—
Term loan facilities		
– Housing loans/financing	856,049	—
– Hire-purchase receivables	8,061,565	—
– Other loans/financing	2,334,898	—
Card receivables	319,969	—
Bills receivables	816	—
Trust receipts	29,272	—
Claims on customers under acceptance credits	367,996	—
Revolving credits	70,343	—
Total	12,052,075	—
Unearned income	(2,603,389)	—
Gross financing, advances and other loans	9,448,686	—
Less: Islamic financing sold to Cagamas Berhad	(2,864,338)	—
	6,584,348	
Less: Allowance for bad and doubtful debts and financing		—
– General	(137,645)	—
– Specific	(272,343)	—
Net financing, advances and other loans	6,174,360	—

**A9a. By concept**

	<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
Al-Bai' Bithaman Ajil	904,935	—
Al-Istisna	621	—
Al-Ijarah/Al-Ijarah Thumma Al-Bai'	6,452,045	—
Al-Musyarakah	20,518	—
Al-Murabahah	461,137	—
Other Islamic concept	1,609,430	—
Gross financing, advances and other loans	9,448,686	—



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**A9. Financing, Advances And Other Loans (continued)**

**A9b. By type of customer**

	<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
Domestic non-bank financial institutions	658	—
Domestic business enterprises		
– Small medium enterprises	453,621	—
– Others	580,718	—
Government and statutory bodies	21,485	—
Individuals	8,387,105	—
Other domestic entities	3,083	—
Foreign entities	2,016	—
	<hr/>	<hr/>
Gross financing, advances and other loans	<b>9,448,686</b>	<b>—</b>

**A9c. By profit rate sensitivity**

	<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
Fixed rate		
– Housing loans/financing	428,418	—
– Hire purchase receivables	6,670,227	—
– Other fixed rate loan/financing	2,350,041	—
Variable rate	—	—
	<hr/>	<hr/>
Gross financing, advances and other loans	<b>9,448,686</b>	<b>—</b>

**A9d. By loan purpose**

	<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
Purchase of securities	9,001	—
Purchase of transport vehicles	6,464,432	—
Purchase of landed property		
– Residential	431,142	—
– Non-residential	61,779	—
Purchase of fixed assets other than land and building	207,836	—
Personal use	1,291,717	—
Credit cards	319,969	—
Purchase of consumer durables	1,542	—
Construction	2,504	—
Working capital	599,520	—
Other purposes	59,244	—
	<hr/>	<hr/>
Gross financing, advances and other loans	<b>9,448,686</b>	<b>—</b>

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**A9. Financing, Advances And Other Loans (continued)**

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

	<b>Nine months ended 31 December 2006 RM'000</b>	<b>Year ended 31 March 2006 RM'000</b>
Gross		
Balance at 1 April	–	2,067,708
Non-performing during the period/year	181,535	76,292
Reclassified as performing	(31,527)	(342,019)
Amount recovered	(62,372)	(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	598,612	–
Less:		
Specific allowance	(272,343)	–
	<hr/>	<hr/>
Non-performing financing, advances and other loans – net	<u>326,269</u>	<u>–</u>
Ratio of non-performing financing, advances and other loans to total financing, advances and other loans – net	<u>3.56%</u>	<u>–</u>

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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:

	<b>Nine months ended 31 December 2006 RM'000</b>	<b>Year ended 31 March 2006 RM'000</b>
<b>General Allowance</b>		
Balance at 1 April	–	127,287
Allowance made during the period/year	5,337	999
Amount vested from/(to) holding company	132,308	(128,286)
	<hr/>	<hr/>
Balance at end of period	137,645	–
	<hr/>	<hr/>
% of total loans less specific allowance	1.50%	–
	<hr/>	<hr/>
<b>Specific Allowance</b>		
Balance at 1 April	–	475,323
Allowance made during the period/year	168,216	34,076
Amount written back in respect of recoveries	(56,807)	(22,461)
	<hr/>	<hr/>
Net charge to income statements	111,409	11,615
Transferred to accumulated impairment losses in value of securities	–	(57)
Amount written off/ Adjustment to Asset Deficiency Account	6,887	–
Amount vested from/(to) holding company	154,047	(486,881)
	<hr/>	<hr/>
Balance at end of period	272,343	–
	<hr/>	<hr/>

**A9f.** Non-performing loans by purpose

	<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
Purchase of securities	6,332	–
Purchase of transport vehicles	349,796	–
Purchase of landed property		
– Residential	99,016	–
– Non-residential	32,670	–
Purchase of fixed assets other than land and building	20,662	–
Personal use	918	–
Credit cards	50,768	–
Construction	2,504	–
Working capital	31,163	–
Other purposes	4,783	–
	<hr/>	<hr/>
	598,612	–
	<hr/>	<hr/>

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**A10. Deposits from Customers**

	<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
(i) <u>By type of deposits</u>		
<u>Non-Mudharabah</u>		
Demand deposit	328,406	–
Savings deposit	586,015	–
Negotiable instruments of deposit	88,179	–
	<u>1,002,600</u>	<u>–</u>
 <u>Mudharabah</u>		
General investment deposit	<u>3,456,665</u>	<u>–</u>
	<u>4,459,265</u>	<u>–</u>
 (ii) <u>By type of customer</u>		
Business enterprises	1,528,670	–
Individuals	1,337,836	–
Government and other statutory bodies	1,391,374	–
Others	201,385	–
	<u>4,459,265</u>	<u>–</u>

**A11. Deposits and Placements of Banks and Other Financial Institutions**

	<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
<u>Non-Mudharabah</u>		
Licensed banks	322,174	–
Licensed merchant banks	911,883	–
Bank Negara Malaysia (“BNM”)	8,235	–
Non-banking institutions	477,276	–
	<u>1,719,568</u>	<u>–</u>
 <u>Mudharabah</u>		
Licensed merchant banks	50,086	–
Non-banking institutions	724,336	–
	<u>774,422</u>	<u>–</u>
	<u>2,493,990</u>	<u>–</u>

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

	Individual Quarter		Cumulative Quarter	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<b>Income derived from investment of:</b>				
- General investment deposits	76,813	–	195,287	2,405
- Specific investment deposits	1,225	–	1,225	–
- Other deposits	96,466	–	266,533	13,568
	<u>174,504</u>	<u>–</u>	<u>463,045</u>	<u>15,973</u>
<b>Income derived from investment of general investment depositors</b>				
<u>Finance income and hibah:</u>				
Financing, advances and other loans	66,346	–	170,128	1,276
Securities held-for-trading	492	–	1,016	168
Money at call and deposits with financial institutions	6,471	–	14,671	228
	<u>73,309</u>	<u>–</u>	<u>185,815</u>	<u>1,672</u>
Accretion of discount	132	–	1,111	263
	<u>73,441</u>	<u>–</u>	<u>186,926</u>	<u>1,935</u>
<u>Fee and commission income:</u>				
Commission	503	–	1,461	46
Other fee income	2,617	–	6,290	433
	<u>3,120</u>	<u>–</u>	<u>7,751</u>	<u>479</u>
<u>Gain/(Loss) arising from sale of securities:</u>				
Net (loss)/gain from sale of securities held-for-trading	(42)	–	(52)	8
<u>Others:</u>				
Gain/(Loss) on revaluation of securities held-for-trading	294	–	661	(17)
Others	–	–	1	–
	<u>294</u>	<u>–</u>	<u>662</u>	<u>(17)</u>
<b>Total</b>	<u><u>76,813</u></u>	<u><u>–</u></u>	<u><u>195,287</u></u>	<u><u>2,405</u></u>

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	Individual Quarter		Cumulative Quarter	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<b>Income derived from investment of specific investment deposits</b>				
<u>Finance income and hibah:</u>				
Financing, advances and other loans	1,225	—	1,225	—
<b>Income derived from investment of other funds</b>				
<u>Finance income and hibah:</u>				
Financing, advances and other loans	83,205	—	232,196	7,346
Securities held-for-trading	635	—	1,386	926
Money at call and deposits with financial institutions	8,260	—	20,023	1,259
	92,100	—	253,605	9,531
Accretion of discount	111	—	1,516	1,448
	92,211	—	255,121	10,979
<u>Fee and commission income:</u>				
Commission	618	—	1,993	252
Other fee income	3,317	—	8,586	2,390
	3,935	—	10,579	2,642
<u>Gain/(Loss) arising from sale of securities:</u>				
Net (loss)/gain from sale of securities held-for-trading	(57)	—	(71)	42
<u>Others:</u>				
Gain/(Loss) on revaluation of securities held-for-trading	377	—	903	(95)
Others	—	—	1	—
	377	—	904	(95)
Total	96,466	—	266,533	13,568

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**A13. Income Derived From Investment of Shareholders' Funds**

	Individual Quarter		Cumulative Quarter	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<u>Finance income and hibah:</u>				
Financing, advances and other loans	32,866	—	78,454	232
Securities held-for-trading	238	—	468	5
Money at call and deposits with financial	3,164	—	6,766	42
	36,268	—	85,688	279
Accretion of discount	82	—	512	48
	36,350	—	86,200	327
<u>Fee and commission income:</u>				
Commission	252	—	673	8
Other fee income	1,288	—	2,901	77
	1,540	—	3,574	85
<u>Gain/(Loss) arising from sale of securities:</u>				
Net loss from sale of securities held-for-trading	(20)	—	(24)	(3)
<u>Others:</u>				
Gain/(Loss) on revaluation of securities held-for-trading	144	—	305	(1)
<b>Total</b>	<b>38,014</b>	<b>—</b>	<b>90,055</b>	<b>408</b>

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**A14. Allowance for Losses on Financing**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31 December 2006 RM'000</b>	<b>31 December 2005 RM'000</b>	<b>31 December 2006 RM'000</b>	<b>31 December 2005 RM'000</b>
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
– made in the financial year	65,172	–	168,216	4,250
– written back	(21,315)	–	(56,807)	(2,202)
General allowance	(121)	–	5,337	255
Bad debts and financing recovered	(4,822)	–	(9,757)	(592)
	<u>38,914</u>	<u>–</u>	<u>106,989</u>	<u>1,711</u>

**A15. Income attributable to depositors**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31 December 2006 RM'000</b>	<b>31 December 2005 RM'000</b>	<b>31 December 2006 RM'000</b>	<b>31 December 2005 RM'000</b>
Deposit from customers				
- Mudharabah	35,254	–	79,306	867
- Non-Mudharabah	2,360	–	9,783	324
	<u>37,614</u>	<u>–</u>	<u>89,089</u>	<u>1,191</u>
Deposits and placements of banks and other financial institutions				
- Mudharabah	4,608	–	17,767	205
- Non-Mudharabah	19,130	–	54,911	5,163
	<u>23,738</u>	<u>–</u>	<u>72,678</u>	<u>5,368</u>
Others	31,572	–	72,962	30
	<u>92,924</u>	<u>–</u>	<u>234,729</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:

	<b>RM'000</b>
<b>ASSETS</b>	
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
<b>TOTAL ASSETS</b>	<b>13,122,964</b>
 <b>LIABILITIES</b>	
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
<b>TOTAL LIABILITIES</b>	<b>12,710,297</b>
<b>NET ASSETS</b>	<b>412,667</b>

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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:

	<b>31 December 2005 RM'000</b>
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>
<b>Profit before taxation</b>	<b>4,731</b>
Taxation	<u>(3,400)</u>
<b>Profit for the period</b>	<b><u>1,331</u></b>

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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.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31 December 2006 RM'000</b>	<b>31 December 2005 RM'000</b>	<b>31 December 2006 RM'000</b>	<b>31 December 2005 RM'000</b>
<b>Basic, for profit from continuing operations</b>				
Net profit attributable to shareholders of the Bank	36,725	—	79,436	7,446
Number of ordinary shares at beginning of period	403,038	—	153,038	761,719
Effect of the issuance of shares	—	—	222,727	—
Weighted average number of ordinary shares in issue	403,038	—	375,765	761,719
Basic earnings per share (sen)	9.11	—	21.14	0.98
<b>Basic, for profit from discontinued operations</b>				
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 Period ended 31 December 2006**

The Bank recorded a Pre-tax profit of RM118.2 million for the period ended 31 December 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**

Despite changes in global economic conditions, prospects for the Malaysian economy remain positive for 2007. With strong capitalization and continuous improvement in asset quality, the banking and financial institution sector remains robust amidst favorable macroeconomic environment. In tandem with the implementation of several projects by the Government under the 9<sup>th</sup> Malaysian Plan, the Bank will remain competitive in seizing potential growth opportunities available in the market and to continue to offer a full range of intergrated financial services for its customers, by leveraging on a strong Group within its established franchise and extended customer base.

Further, the Bank is confident in forging ahead in addressing challenges and competition from foreign and local players, with the possible entry of Australia and New Zealand Banking Group Limited (ANZ) as a long-term strategic partner and investor of the AmBank Group. As earlier announced, the ultimate holding company, AMMB Holdings Bhd ("AHB") and AmCorpGroup Berhad had on 31 January 2007 submitted an application to Bank Negara Malaysia (BNM) to obtain the approval of the Minister of Finance for both parties to enter into definitive agreements in relation to ANZ's proposed equity participation in AHB. Upon obtaining the necessary regulatory approvals, the formal agreements between the parties are expected to be executed by 28 February 2007. The partnership will see the coalition of ANZ's international expertise and best practices together with the AmBank Group's considerable brand equity and steady leadership position in various customer and product segments, thus improving shareholders value. The Bank anticipates an exciting year ahead as it becomes part of a resilient, regional banking group.

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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:

	<b>31 December 2006</b>			<b>31 March 2006</b>		
	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount* RM'000</b>	<b>Risk Weighted Amount RM'000</b>	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount* RM'000</b>	<b>Risk Weighted Amount RM'000</b>
Direct credit substitutes	115,514	115,514	97,866	—	—	—
Certain transaction-related contingent items	40,685	20,342	20,342	—	—	—
Obligations under underwriting agreements	120,000	60,000	60,000	—	—	—
Irrevocable commitments to extend credit:						
– maturing less than one year	985,087	—	—	—	—	—
– maturing more than one year	11,444	5,722	5,722	—	—	—
Short-term self-liquidating trade-related contingencies	86,435	17,287	17,287	—	—	—
Islamic financing sold to Cagamas Berhad with recourse	2,864,338	2,864,338	2,864,338	—	—	—
Others	13,569	—	—	—	—	—
	<u>4,237,072</u>	<u>3,083,203</u>	<u>3,065,555</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 14.11% exceeds the minimum requirements of BNM.

		<b>The Bank</b>	
		<b>31 December 2006 RM'000</b>	<b>31 March 2006 RM'000</b>
<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>			
Subordinated Sukuk Musyarakah		391,429	—
General allowance for bad and doubtful debts and financing		137,645	—
		<u>529,074</u>	<u>—</u>
Capital base		<u>1,311,932</u>	<u>—</u>
		<b>31 December 2006</b>	<b>31 March 2006</b>
		<b>Principal RM'000</b>	<b>Risk - Weighted RM'000</b>
		<b>Principal RM'000</b>	<b>Risk - Weighted RM'000</b>
Notional risk-weighted assets			
Categories			
0%	2,193,115	—	—
10%	—	—	—
20%	198,195	39,639	—
50%	327,767	163,884	—
100%	<u>9,092,317</u>	<u>9,092,317</u>	<u>—</u>
Notional risk-weighted assets*	<u>11,811,394</u>	<u>9,295,840</u>	<u>—</u>
<b>Capital Ratios</b>			
Core capital ratio		8.42%	—
Risk-weighted capital ratio		<u>14.11%</u>	<u>—</u>

\* The notional risk-weighted assets of the Bank as at 31 December 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.

**31 December 2006**

	<b>Up to 1 month</b>	<b>&gt;1 to 3 months</b>	<b>&gt;3 to 6 months</b>	<b>&gt;6 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Non- interest sensitive</b>	<b>Trading Book</b>	<b>Total</b>	<b>Effective interest rate</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<b>ASSETS</b>										
Cash and short-term funds	1,677,150	–	–	–	–	–	5,946	–	1,683,096	3.60
Deposits and placements with banks and other financial institutions	–	380,000	–	–	–	–	–	–	380,000	3.62
Securities held-for-trading	–	–	–	–	–	–	–	160,699	160,699	3.59
Securities available-for-sale	–	–	–	–	–	–	–	–	–	–
Securities held-to-maturity	–	–	–	–	–	–	–	–	–	–
Loans, advances and financing										
– Performing	319,024	192,430	117,986	129,061	353,061	4,874,176	–	–	5,985,738	8.07
– Non-performing	–	–	–	–	–	–	188,622	–	188,622	–
Other non-interest sensitive balances	–	–	–	–	–	–	488,832	–	488,832	–
<b>TOTAL ASSETS</b>	<b>1,996,174</b>	<b>572,430</b>	<b>117,986</b>	<b>129,061</b>	<b>353,061</b>	<b>4,874,176</b>	<b>683,400</b>	<b>160,699</b>	<b>8,886,987</b>	
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>										
Deposits from customers	2,879,430	625,868	606,991	288,948	58,028	–	–	–	4,459,265	3.06
Deposits and placements of banks and other financial institutions	512,101	293,863	195,470	496,649	995,907	–	–	–	2,493,990	3.72
Obligation on securities sold under repurchase agreements	–	–	–	–	–	–	–	–	–	–
Subordinated Sukuk Musyarakah	–	–	–	–	400,000	–	–	–	400,000	4.80
Bills and acceptances payables	96,749	163,069	75,172	–	–	–	–	–	334,990	3.85
Other non-interest sensitive balances	–	–	–	–	–	–	182,200	–	182,200	–
Total Liabilities	3,488,280	1,082,800	877,633	785,597	1,453,935	–	182,200	–	7,870,445	
Shareholder's Funds	–	–	–	–	–	–	1,016,542	–	1,016,542	
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<b>3,488,280</b>	<b>1,082,800</b>	<b>877,633</b>	<b>785,597</b>	<b>1,453,935</b>	<b>–</b>	<b>1,198,742</b>	<b>–</b>	<b>8,886,987</b>	
On-balance sheet interest sensitivity gap	(1,492,106)	(510,370)	(759,647)	(656,536)	(1,100,874)	4,874,176	(515,342)	160,699	–	
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–	–	
Total interest sensitivity gap	<u>(1,492,106)</u>	<u>(510,370)</u>	<u>(759,647)</u>	<u>(656,536)</u>	<u>(1,100,874)</u>	<u>4,874,176</u>	<u>(515,342)</u>	<u>160,699</u>	<u>–</u>	



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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 %
<b>ASSETS</b>										
Other non-interest sensitive balances	–	–	–	–	–	–	153,038	–	153,038	–
<b>TOTAL ASSETS</b>	–	–	–	–	–	–	153,038	–	153,038	
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>										
Shareholder's Funds	–	–	–	–	–	–	153,038	–	153,038	
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	–	–	–	–	–	–	153,038	–	153,038	
On-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–	–	
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–	–	
Total interest sensitivity gap	–	–	–	–	–	–	–	–	–	

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**A25. Change in Accounting Policies**

During the financial period ended 31 December 2006, the Bank adopted the new and revised FRSs issued by MASB that are applicable with effect from the accounting period beginning 1 April 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 A17.

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