

Company No. 295576–U

**Amlslamic Bank Berhad**

(Company No. 295576–U)

(Incorporated in Malaysia)

**Interim Financial Statements**

**For the Financial Period**

**1 April 2011 to**

**30 June 2011**

(In Ringgit Malaysia)

**AmlIslamic Bank Berhad**  
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

		<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term funds		4,913,287	4,738,758
Deposits and placements with banks and other financial institutions		400,000	250,000
Derivative financial assets		5,769	3,258
Financial assets held-for-trading	A8	1,149,417	991,136
Financial investments available-for-sale	A9	398,519	715,937
Financing and advances	A10	13,975,275	13,247,076
Other assets	A11	92,762	124,657
Statutory deposit with Bank Negara Malaysia	A12	50,000	-
Deferred tax asset		118,581	118,406
Property and equipment		603	654
Intangible assets		238	278
<b>TOTAL ASSETS</b>		<b>21,104,451</b>	<b>20,190,160</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits and placements of banks and other financial institutions	A13	1,597,156	1,467,556
Derivative financial liabilities		5,762	3,254
Deposits from customers	A14	15,765,306	15,249,655
Term funding		704,047	550,000
Bills and acceptances payable		893,294	879,522
Subordinated Sukuk Musyarakah		400,000	400,000
Other liabilities	A15	286,206	242,001
Provision for zakat		1,063	559
Total Liabilities		<b>19,652,834</b>	<b>18,792,547</b>
Share capital		403,038	403,038
Reserves		1,048,579	994,575
Equity attributable to equity holder of the Bank		<b>1,451,617</b>	<b>1,397,613</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>21,104,451</b>	<b>20,190,160</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A26	<b>7,291,612</b>	<b>7,595,982</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>3.60</b>	<b>3.47</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 2011.

**AmlIslamic Bank Berhad**  
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**UNAUDITED INCOME STATEMENT**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

		<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
		<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</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	A16	301,804	256,639	301,804	256,639
Income derived from investment of shareholder's funds	A17	34,435	34,240	34,435	34,240
Allowance for impairment on financing and advances	A18	(41,881)	(29,869)	(41,881)	(29,869)
Impairment writeback on financial investments		-	4,218	-	4,218
(Provision)/writeback of provision for commitments and contingencies		(1,133)	55	(1,133)	55
Transfer from/(to) profit equalisation reserve		4,758	(11,722)	4,758	(11,722)
Total distributable income		297,983	253,561	297,983	253,561
Income attributable to the depositors	A19	(142,057)	(95,655)	(142,057)	(95,655)
Total net income		155,926	157,906	155,926	157,906
Other operating expenses	A20	(70,828)	(75,701)	(70,828)	(75,701)
Finance cost		(10,696)	(6,468)	(10,696)	(6,468)
<b>Profit before zakat and taxation</b>		<b>74,402</b>	<b>75,737</b>	<b>74,402</b>	<b>75,737</b>
Zakat		(504)	(193)	(504)	(193)
Taxation		(19,344)	(19,641)	(19,344)	(19,641)
<b>Profit for the period</b>		<b>54,554</b>	<b>55,903</b>	<b>54,554</b>	<b>55,903</b>
<b>Earnings per share (sen) - basic/fully diluted</b>	A21	<b>13.54</b>	<b>13.87</b>	<b>13.54</b>	<b>13.87</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 2011.

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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the period	<u>54,554</u>	<u>55,903</u>	<u>54,554</u>	<u>55,903</u>
Other comprehensive (loss)/ income:				
Net change in revaluation of financial investments available-for-sale	(698)	123	(698)	123
Income tax relating to the components of other comprehensive income	<u>174</u>	<u>(31)</u>	<u>174</u>	<u>(31)</u>
Other comprehensive (loss)/ income for the period, net of tax	<u>(524)</u>	<u>92</u>	<u>(524)</u>	<u>92</u>
Total comprehensive income for the period	<u>54,030</u>	<u>55,995</u>	<u>54,030</u>	<u>55,995</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 2011.

Company No. 295576–U

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

	<----- Attributable to Equity Holder of the Bank----->					
	<----- Non-distributable ----->			Distributable		
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Available For-Sale Reserve RM'000	Retained Earnings RM'000	Total RM'000
<b>At 1 April 2010</b>	403,038	534,068	265,169	(3,291)	84,974	1,283,958
Total comprehensive income for the period	-	-	-	92	55,903	55,995
<b>At 30 June 2010</b>	<u>403,038</u>	<u>534,068</u>	<u>265,169</u>	<u>(3,199)</u>	<u>140,877</u>	<u>1,339,953</u>
<b>At 1 April 2011</b>	403,038	534,068	304,316	(6,324)	162,515	1,397,613
Total comprehensive income for the period	-	-	-	(524)	54,554	54,030
Transfer to ESS shares recharged - difference on purchase price of shares vested	-	-	-	-	(26)	(26)
<b>At 30 June 2011</b>	<u>403,038</u>	<u>534,068</u>	<u>304,316</u>	<u>(6,848)</u>	<u>217,043</u>	<u>1,451,617</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 2011.

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011**

	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Profit before zakat and taxation	74,402	75,737
Adjustments for non-operating and non-cash items	38,986	37,265
Operating profit before working capital changes	<u>113,388</u>	<u>113,002</u>
Changes in working capital:		
Net changes in operating assets	(948,115)	(1,623,277)
Net changes in operating liabilities	714,585	795,266
Taxes paid	<u>(27,077)</u>	<u>(5,737)</u>
Net cash (used in)/generated from operating activities	(147,219)	(720,746)
Net cash generated from investing activities	<u>321,748</u>	<u>405,602</u>
Net (decrease)/increase in cash and cash equivalents	174,529	(315,144)
Cash and cash equivalents at beginning of the period	<u>4,738,758</u>	<u>3,886,453</u>
Cash and cash equivalents at end of the period	<u>4,913,287</u>	<u>3,571,309</u>

For purposes of Statement of Cash Flows, cash and cash equivalents comprise cash and bank balances and money at call and deposit placements maturing within one month ("Cash and short-term funds").

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2011.

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**Explanatory Notes**

**A1. Basis of Preparation**

These unaudited condensed interim financial statements have been prepared in accordance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”). The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Bank as at and for the year ended 31 March 2011.

The accounting policies and methods of computation applied in these condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 March 2011 except for the adoption of the following FRSs and Technical Releases:

- FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 1, Limited Exemption from Comparative FRS 7, Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Share-based Payment and Group Cash-settled Share-based Payment Transactions
- FRS 3, Business Combinations
- Amendments to FRS 7, Improving Disclosures about Financial Instruments
- FRS 127, Consolidated and Separate Financial Statements
- Amendments to FRS 138, Intangible Assets
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 12, Service Concession Arrangements
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners
- IC Interpretation 18, Transfers of Assets from Customers
- Amendments to FRSs contained in Improvements to FRSs (2010)
- TR i-4, Shariah Compliant Sale Contract

The adoption of the Amendments to FRS 7 which promotes enhanced disclosures on fair value measurement of financial instruments via the introduction of the concept of the fair value hierarchy will only affect disclosures and will not have any financial impact on the results of the Bank.

The adoption of the other FRSs and Technical Releases did not have any material impact on the financial results of the Bank as they mainly deal with accounting policies affecting transactions which do not form part of the Bank's normal business operations or transactions where the Bank has no or only minimal exposure.

**A1. Basis of Preparation (continued)**

At the date of authorisation of these condensed interim financial statements, the following FRSs and IC Interpretations have been issued by the MASB but are not yet effective for, and have not been applied by, the Bank:

FRSs effective for annual periods beginning on or after 1 July 2011:

- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement
- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

FRSs effective for annual periods beginning on or after 1 January 2012:

- IC Interpretation 15, Agreements for the Construction of Real Estate
- FRS 124, Related Party Disclosures

The Directors expect that the FRSs above will not have material impact on the financial statements in the period of initial application.



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**A2. Audit Qualification**

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

**A3. Seasonality or Cyclicalality of Operations**

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

**A4. Unusual Items**

There were no unusual items during the current financial quarter.

**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 quarter ended 30 June 2011.

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

There were no issuance, cancellation, repurchase, resale and repayment of debt securities during the financial quarter.

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

**A7. Dividends**

The directors do not recommend the payment of any dividend in respect of the financial quarter ended 30 June 2011 and no dividends were paid in the current financial quarter.

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**A8. Financial Assets Held-for-trading**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
<b>At fair value</b>		
Money Market Securities in Malaysia:		
Malaysian Government Investment Certificates	300,497	549,823
Islamic Treasury Bills	28,148	18,302
Sukuk Bank Negara Malaysia	4,236	1,469
Bank Negara Malaysia Monetary Notes	218,863	179,241
	<u>551,744</u>	<u>748,835</u>
Unquoted securities in Malaysia:		
Private debt securities	597,673	242,301
Total financial assets held-for-trading	<u>1,149,417</u>	<u>991,136</u>

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**A9. Financial Investments Available-for-sale**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
<b>At fair value</b>		
Money Market Securities in Malaysia:		
Malaysian Government Investment Certificates	291,118	190,141
Negotiable instruments of deposit	49,790	348,470
	<u>340,908</u>	<u>538,611</u>
Quoted securities in Malaysia:		
Unit trusts	10,000	10,000
Unquoted securities in Malaysia:		
Private debt securities	47,611	167,326
Total financial investments available-for-sale	<u>398,519</u>	<u>715,937</u>

The Bank was appointed Islamic Principal Dealer ("i-PD") by Bank Negara Malaysia ("BNM") for Islamic Government and BNM Sukuk Berhad issuances with effect from 1 July 2009 until 31 December 2012.

As i-PD, the Bank is required to undertake certain obligations as well as accorded certain incentives in the appointment period. One of the incentives accorded is the eligibility to maintain 1% Statutory Reserve Requirement ("SRR") in the form of Government Investment Certificates ("GIC") holdings instead of cash. As at 30 June 2011, the nominal values of GIC holdings maintained for SRR purposes amounted to RM290.3 million (31 March 2011: RM190.26 million).

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**A10. Financing and Advances**

<b>By type of financing</b>	<b>30 June</b>	<b>31 March</b>
<b>At amortised cost:</b>	<b>2011</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash lines	443,963	376,204
Term financing		
- House financing	1,178,248	1,077,494
- Hire-purchase receivables	9,000,634	8,730,827
- Other financing *	7,150,317	6,586,784
Cards receivables	313,679	313,246
Trust receipts	115,379	91,670
Claims on customers under acceptance credit	972,423	957,590
Revolving credit	1,130,457	1,608,944
Total	20,305,100	19,742,759
Unearned income	(4,266,679)	(4,291,192)
	16,038,421	15,451,567
Less: Islamic financing sold to Cagamas Berhad	(1,545,996)	(1,700,034)
Gross financing and advances	14,492,425	13,751,533
Allowances for impairment on financing and advances		
- Collective allowance	(488,704)	(479,010)
- Individual allowance	(28,446)	(25,447)
Net financing and advances	13,975,275	13,247,076

\* Included in other financing is financing amounting to RM726,325,000 (31 March 2011: RM200,469,000) which is exempted from collective allowance by Bank Negara Malaysia.

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**A10. Financing and Advances (continued)**

**A10a. By contract**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
Bai' Bithaman Ajil	3,038,245	2,364,361
Ijarah/Al-Ijarah Thumma Al-Bai'	6,108,747	5,623,929
Murabahah	1,239,642	1,271,257
Other Islamic contracts	4,105,791	4,491,986
Gross financing and advances	<u>14,492,425</u>	<u>13,751,533</u>

**A10b. By type of customer**

	<b>30 June 2010 RM'000</b>	<b>31 March 2011 RM'000</b>
Domestic non-bank financial institutions	131,879	134,867
Domestic business enterprises		
- Small medium enterprises	1,585,736	1,431,397
- Others	3,972,689	3,824,101
Government and statutory bodies	277,121	260,385
Individuals	8,517,376	8,093,551
Other domestic entities	1,769	1,783
Foreign entities	5,855	5,449
Gross financing and advances	<u>14,492,425</u>	<u>13,751,533</u>

**A10c. By geographical distribution**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
In Malaysia	<u>14,492,425</u>	<u>13,751,533</u>

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**A10. Financing and Advances (continued)**

**A10d. By profit rate sensitivity**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
Fixed rate		
- House financing	284,437	292,844
- Hire purchase receivables	5,225,558	5,195,687
- Other financing	4,952,913	5,010,842
Variable rate		
- Base financing rate plus	1,593,880	934,352
- Cost plus	2,435,637	2,317,808
Gross financing and advances	<u>14,492,425</u>	<u>13,751,533</u>

**A10e. By sector**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
Primary agriculture	166,716	136,324
Mining and quarrying	20,313	20,023
Manufacturing	1,616,845	1,456,937
Electricity, gas and water	133,174	216,324
Construction	1,016,762	922,841
Wholesale, retail trade, restaurant and hotel	521,737	497,651
Transport, storage and communication	720,616	764,120
Finance, insurance, real estate and business activities	1,225,577	1,168,643
Education and health	461,647	415,475
Household	10,069,226	9,765,682
of which:		
- purchase of residential properties	478,746	453,697
- purchase of transport vehicles	7,284,834	6,882,486
- others	2,305,646	2,429,499
Others	85,808	87,547
Less: Islamic financing sold to Cagamas Berhad	(1,545,996)	(1,700,034)
Gross financing and advances	<u>14,492,425</u>	<u>13,751,533</u>

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**A10. Financing and Advances (continued)**

**A10f. By residual contractual maturity**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
Maturing within one year	2,406,888	3,090,124
One year to three years	1,444,067	1,374,951
Three years to five years	2,852,027	2,405,274
Over five years	7,789,443	6,881,184
Gross financing and advances	<u>14,492,425</u>	<u>13,751,533</u>

**A10g. Impaired financing and advances by geographical distribution**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
In Malaysia	<u>289,431</u>	<u>320,418</u>

**A10h. Impaired financing and advances by sector**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
Primary agriculture	328	429
Mining and quarrying	110	106
Manufacturing	27,283	28,397
Electricity, gas and water	-	1
Construction	5,014	5,201
Wholesale, retail trade, restaurant and hotel	19,444	23,584
Transport, storage and communication	1,695	1,714
Finance, insurance, real estate and business activities	92	2,948
Education and health	4,454	1,834
Household	230,958	256,119
of which:		
- purchase of residential properties	19,644	20,923
- purchase of transport vehicles	97,367	98,508
- others	113,947	136,688
Others	53	85
Impaired financing and advances	<u>289,431</u>	<u>320,418</u>

**A10i. Movements in impaired financing and advances are as follows:**

	30 June 2011 RM'000	31 March 2011 RM'000
Balance at beginning of period/year	320,418	191,894
Impaired during the period/year	74,192	309,733
Reclassified as non-impaired	(48,450)	(56,861)
Amount recovered	(15,611)	(34,476)
Amount written off	(41,118)	(89,872)
Balance at end of period/year	<u>289,431</u>	<u>320,418</u>
Gross financing and advances	14,492,425	13,751,533
Add: Islamic financing sold to Cagamas Berhad	<u>1,545,996</u>	<u>1,700,034</u>
Gross financing and advances (including Islamic financing sold to Cagamas Berhad)	<u>16,038,421</u>	<u>15,451,567</u>
Ratio of gross impaired financing and advances to gross financing and advances (including Islamic financing sold to Cagamas Berhad)	1.8%	2.1%



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**A10. Financing and Advances (continued)**

**A10j. Movements in the allowance for impaired financing and advances are as follows:**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
<b>Collective Allowance</b>		
Balance at beginning of period/year	479,010	287,844
Allowance made during the period/year	50,812	281,169
Amount written off	(41,118)	(90,003)
Balance at end of period/year	<u>488,704</u>	<u>479,010</u>
 As % of gross financing and advances (including Islamic financing sold to Cagamas Berhad) less individual allowance and financing exempted from collective allowance by Bank Negara Malaysia	      <u>3.2%</u>	      <u>3.1%</u>
<b>Individual Allowance</b>		
Balance at beginning of period/year	25,447	1,108
Allowance made during the period/year - net	<u>2,999</u>	<u>24,339</u>
Balance at end of period/year	<u>28,446</u>	<u>25,447</u>

**A11. Other Assets**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
Other receivables and prepayments	13,345	51,365
Profit receivable	18,050	14,132
Deferred charges	<u>61,367</u>	<u>59,160</u>
	<u>92,762</u>	<u>124,657</u>

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**A12. Statutory Deposit with Bank Negara Malaysia**

The non-profit bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities. As at 30 June 2011, a total of RM290.3 million (31 March 2011: RM190.26 million) nominal value of Government Investment Certificates, classified as financial investments available-for-sale, was used for Statutory Reserve Requirement purposes, as mentioned in Note A9.

**A13. Deposits and Placements of Banks and Other Financial Institutions**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
<u>Non-Mudharabah</u>		
Licensed Islamic banks	176,000	-
Licensed banks	807,788	811,398
Licensed investment banks	136,707	129,806
Other financial institutions	124,241	142,647
Bank Negara Malaysia	17,783	15,216
	<u>1,262,519</u>	<u>1,099,067</u>
<u>Mudharabah</u>		
Licensed investment banks	100	157
Other financial institutions	334,537	368,332
	<u>334,637</u>	<u>368,489</u>
<b>Total</b>	<u><b>1,597,156</b></u>	<u><b>1,467,556</b></u>

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**A14. Deposits from Customers**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
(i) <u>By type of deposit:</u>		
<u>Non-Mudharabah</u>		
Demand deposits	1,199,028	1,166,546
Savings deposits	1,385,076	1,335,281
Term deposits	9,792	-
Negotiable instruments of deposits	256,371	13,168
Other deposits	201,568	22,490
	<u>3,051,835</u>	<u>2,537,485</u>
<u>Mudharabah</u>		
Demand deposits	12,364	11,286
Savings deposits	4,668	4,617
General investment deposits	12,533,921	12,585,105
Structured deposits	162,518	111,162
	<u>12,713,471</u>	<u>12,712,170</u>
Total	<u>15,765,306</u>	<u>15,249,655</u>
(ii) <u>By type of customers:</u>		
Government and other statutory bodies	5,657,310	5,881,071
Business enterprises	7,120,784	6,528,508
Individuals	2,665,973	2,532,779
Others	321,239	307,297
	<u>15,765,306</u>	<u>15,249,655</u>
(iii) The maturity structure of negotiable instruments of deposits, general investment deposits and structured deposits are as follows:		
Due within six months	11,495,583	11,585,122
Six months to one year	1,006,584	720,194
One year to three years	299,879	190,603
Three years to five years	160,556	213,516
	<u>12,962,602</u>	<u>12,709,435</u>

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**A15. Other Liabilities**

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
Profit payable	82,864	94,193
Other creditors and accruals	66,296	60,638
Lease deposits and advance rentals	12,672	12,898
Profit equalisation reserve	2,096	6,854
Amount due to related companies	61,770	284
Provision for commitments and contingencies	19,753	18,620
Deferred income	-	26
Provision for taxation	40,755	48,488
	<u>286,206</u>	<u>242,001</u>

**A16. Income Derived From Investment of Depositors' Funds and Others**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Income derived from investment of:				
- General investment deposits	200,343	182,375	200,343	182,375
- Other deposits	101,461	74,264	101,461	74,264
	<u>301,804</u>	<u>256,639</u>	<u>301,804</u>	<u>256,639</u>

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**A16. Income Derived From Investment of Depositors' Funds and Others (continued)**

	Individual Quarter		Cumulative Quarter	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Income derived from investment of general investment deposits</b>				
<u>Finance income and hibah:</u>				
Financing and advances				
- Financing income	160,074	155,699	160,074	155,699
- Financing income on impaired financing	47	47	47	47
Financial assets held-for-trading	5,048	1,925	5,048	1,925
Money at call and deposits with financial institutions	23,939	16,092	23,939	16,092
Total finance income and hibah	189,108	173,763	189,108	173,763
<u>Other operating income:</u>				
Fee and commission income:				
- Commission	1,331	1,375	1,331	1,375
- Other fee income	6,261	5,633	6,261	5,633
Net gain from sale of financial assets held-for-trading	1,351	1,037	1,351	1,037
Gain on revaluation of financial assets held-for-trading	2,258	601	2,258	601
Foreign exchange	27	(34)	27	(34)
Others	7	-	7	-
Total other operating income	11,235	8,612	11,235	8,612
Total	200,343	182,375	200,343	182,375

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**A16. Income Derived From Investment of Depositors' Funds and Others (continued)**

	Individual Quarter		Cumulative Quarter	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Income derived from investment of other deposits</b>				
<u>Finance income and hibah:</u>				
Financing and advances				
- Financing income	81,067	63,400	81,067	63,400
- Financing income on impaired financing	24	19	24	19
Financial assets held-for-trading	2,557	784	2,557	784
Money at call and deposits with financial institutions	12,124	6,553	12,124	6,553
Total finance income and hibah	<u>95,772</u>	<u>70,756</u>	<u>95,772</u>	<u>70,756</u>
<u>Other operating income:</u>				
Fee and commission income:				
- Commission	673	561	673	561
- Other fee income	3,172	2,294	3,172	2,294
Net gain from sale of financial assets held-for-trading	684	422	684	422
Gain on revaluation of financial assets held-for-trading	1,143	245	1,143	245
Foreign exchange	13	(14)	13	(14)
Others	4	-	4	-
Total other operating income	<u>5,689</u>	<u>3,508</u>	<u>5,689</u>	<u>3,508</u>
Total	<u>101,461</u>	<u>74,264</u>	<u>101,461</u>	<u>74,264</u>

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**A17. Income Derived From Investment of Shareholder's Funds**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Finance income and hibah:</u>				
Financing and advances				
- Financing income	20,826	21,223	20,826	21,223
Financial investments				
available-for-sale	6,415	6,632	6,415	6,632
Total finance income and hibah	27,241	27,855	27,241	27,855
<u>Other operating income:</u>				
Fee and commission income:				
- Commission	981	1,087	981	1,087
- Other fee income	3,868	2,338	3,868	2,338
Net gain from sale of financial investments available-for-sale	2,345	2,960	2,345	2,960
Total other operating income	7,194	6,385	7,194	6,385
Total	34,435	34,240	34,435	34,240

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**A18. Allowance for Impairment on Financing and Advances**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance for impaired financing and advances:				
Individual allowance (net)	2,999	(656)	2,999	(656)
Collective allowance	50,812	39,939	50,812	39,939
Bad financing recovered - net	(11,930)	(9,414)	(11,930)	(9,414)
	<u>41,881</u>	<u>29,869</u>	<u>41,881</u>	<u>29,869</u>

**A19. Income Attributable to The Depositors**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposit from customers				
- Mudharabah fund	101,068	67,186	101,068	67,186
- Non-Mudharabah fund	8,397	6,684	8,397	6,684
	<u>109,465</u>	<u>73,870</u>	<u>109,465</u>	<u>73,870</u>
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	2,776	2,121	2,776	2,121
- Non-Mudharabah fund	10,850	8,515	10,850	8,515
	<u>13,626</u>	<u>10,636</u>	<u>13,626</u>	<u>10,636</u>
Others	<u>18,966</u>	<u>11,149</u>	<u>18,966</u>	<u>11,149</u>
Total	<u>142,057</u>	<u>95,655</u>	<u>142,057</u>	<u>95,655</u>



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**A20. Other Operating Expenses**

	Individual Quarter		Cumulative Quarter	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Personnel costs				
– Salaries, allowances and bonuses	1,938	1,668	1,938	1,668
– Shares and options granted under Executives' Share Scheme	59	48	59	48
– Others	447	375	447	375
Establishment costs				
– Depreciation	55	39	55	39
– Amortisation of intangible assets	43	43	43	43
– Rental	175	184	175	184
– Cleaning, maintenance and security	9	10	9	10
– Computerisation cost	2	2	2	2
– Others	17	11	17	11
Marketing and communication expenses				
– Communication, advertising and marketing	564	1,295	564	1,295
– Others	73	17	73	17
Administration and general expenses	1,337	627	1,337	627
Service transfer pricing expenses	66,109	71,382	66,109	71,382
	<u>70,828</u>	<u>75,701</u>	<u>70,828</u>	<u>75,701</u>

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**A21. Earnings Per Share (EPS)**

**Basic/Diluted**

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

Diluted earnings per share is calculated by dividing the adjusted net profit attributable to equity holder of the Bank by the adjusted weighted average number of ordinary shares in issue and issuable during the financial period.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
Net profit attributable to equity holder of the Bank (RM'000)	<u>54,554</u>	<u>55,903</u>	<u>54,554</u>	<u>55,903</u>
Number of ordinary shares at beginning/end of period representing weighted average number of ordinary shares in issue ('000)	403,038	403,038	403,038	403,038
Basic/Diluted earnings per share (sen)	<u>13.54</u>	<u>13.87</u>	<u>13.54</u>	<u>13.87</u>

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**A22. Business Segment Analysis**

30 June 2011	Retail Banking	Business Banking	Corporate and Institutional Banking	Markets	Group Functions and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total operating revenue	139,539	37,479	81,529	13,666	64,026	336,239
Net income	114,734	26,638	7,793	12,479	21,842	183,486
Other operating expenses	(48,700)	(5,416)	(636)	(720)	(15,356)	(70,828)
Profit before provision	66,034	21,222	7,157	11,759	6,486	112,658
Provision - (charge)/writeback	(29,091)	2,736	9,796	281	(21,978)	(38,256)
Profit/(loss) before zakat and taxation	36,943	23,958	16,953	12,040	(15,492)	74,402
Zakat and taxation	(9,236)	(5,989)	(4,238)	(3,010)	2,625	(19,848)
Profit/(loss) for the period	27,707	17,969	12,715	9,030	(12,867)	54,554

**Other information**

Cost to income ratio	42.4%	20.3%	8.2%	5.8%	70.3%	38.6%
Net financing and advances	10,470,641	3,498,824	1,645,112	-	(1,639,302)	13,975,275
Impaired financing and advances	248,729	37,938	-	-	2,764	289,431
Deposits	4,398,476	1,442,656	9,858,171	162,618	1,500,541	17,362,462

**A22. Business Segment Analysis (continued)**

<b>30 June 2010</b>	<b>Retail Banking</b>	<b>Business Banking</b>	<b>Corporate and Institutional Banking</b>	<b>Markets</b>	<b>Group Functions and Others</b>	<b>Total</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>
Total operating revenue	145,302	21,671	49,300	7,444	67,162	290,879
Net income	121,580	14,219	6,624	6,854	39,479	188,756
Other operating expenses	(53,756)	(6,183)	(176)	(680)	(14,906)	(75,701)
Profit before provision	67,824	8,036	6,448	6,174	24,573	113,055
Provision - (charge)/writeback	(28,261)	(1,032)	(2,448)	4,273	(9,850)	(37,318)
Profit before zakat and taxation	39,563	7,004	4,000	10,447	14,723	75,737
Zakat and taxation	(9,891)	(1,751)	(1,000)	(2,612)	(4,580)	(19,834)
Profit for the period	29,672	5,253	3,000	7,835	10,143	55,903
<b>Other information</b>						
Cost to income ratio	44.2%	43.5%	2.7%	9.9%	37.8%	40.1%
Net financing and advances	9,330,762	2,422,316	2,167,521	-	(1,134,876)	12,785,723
Impaired financing and advances	167,532	21,315	-	-	2,757	191,604
Deposits	4,423,471	1,268,325	7,690,663	78,570	1,680,566	15,141,595

The financial information by geographical segment is not presented as the Bank's activities are principally conducted in Malaysia.

**A23a. Performance Review for the Period ended 30 June 2011**

The Bank recorded a Profit before zakat and taxation ("Pre-tax profit") of RM74.4 million for the period ended 30 June 2011 compared to RM75.7 million for the corresponding period in the previous year.

The decrease in Pre-tax profit was mainly due to higher income attributable to the depositors, allowances for impairment on financing and advances and finance cost. These were mitigated by increase in financing income driven by growth in financing and advances, increase in fee income, investment and trading income, transfer from profit equalisation reserve and decrease in other operating expenses.

Higher income attributable to the depositors was consistent with the increase in overnight policy rate during the financial period and higher finance cost due to the issuance of senior sukuk in the second quarter of financial year 2011.

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

**A23b. Prospects for 31 March 2012**

Malaysia's gross domestic product ("GDP") is projected to grow at circa 5% in calendar year 2011. This will be supported by accommodative monetary policy, alongside the implementation of entry point projects ("EPPs") under the Economic Transformation Programme ("ETP"). The Government is expecting EPPs to encourage growth across most sectors and will be a catalyst for growth, creating higher employment and domestic demand from income push. To date, investments totalling RM169.8 billion have been announced under the ETP, potentially generating RM220.2 billion in gross national income ("GNI") and creating 362,396 jobs.

Prospects for the Malaysian banking sector remain positive. The sector is set to benefit from the ETP and the second Capital Market Master Plan ("CMP2"), with expected increase in loans and debt market activities, foreign investment flows, funds management, private sector involvement and domestic consumption.

However, Malaysia is not immune to external headwinds, with continual weakness of labour and housing markets in the United States, sovereign debt risk in the Eurozone, uncertain aftermath of the disaster in Japan, and fiscal risks in industrial economies.

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**A23b. Prospects for 31 March 2011 (continued)**

Against this backdrop, AMMB Holdings Berhad and its subsidiaries ("the Group") is positioned to weather the economic uncertainties, with enhanced risk and financial disciplines in addition to capitalising on domestic growth opportunities. We are guided by strategic priorities and growth levers outlined under our Medium Term Aspiration ("MTA") towards delivering greater value to our shareholders.

The Group will continue executing to our strategic themes and leverage our strategic partners, the Australia and New Zealand Banking Group ("ANZ") in our banking businesses, Insurance Australia Group in general insurance and Friends Life in life assurance, to drive business growth and achieve our MTA. ANZ's established geographical presence throughout Asia Pacific provides the Group the access to cross-border markets, and is a key part of our international connectivity agenda.

**A24. Valuation of Property and Equipment**

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

**A25. Events Subsequent To Reporting Date**

There has not arisen in the interval between the end of the financial period and the date of this report any item, 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.

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**A26. 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.

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
<b>Contingent Liabilities</b>		
Direct credit substitutes	291,617	247,796
Certain transaction-related contingent items	445,660	413,461
Short-term self liquidating trade-related contingencies	114,966	148,770
Islamic financing sold to Cagamas Berhad with recourse	1,545,996	1,589,790
Obligations under underwriting agreements	137,500	192,500
Others	10,729	14,804
	<u>2,546,468</u>	<u>2,607,121</u>
<b>Commitments</b>		
Irrevocable commitments to extend credit maturing :		
- less than one year	3,025,711	2,636,090
- more than one year	840,084	1,520,857
Unutilised credit card lines	468,636	464,251
Forward asset purchase	70,919	145,137
	<u>4,405,350</u>	<u>4,766,335</u>
<b>Derivative Financial Instruments</b>		
Foreign exchange related contracts:		
- less than one year	10,230	-
Equity and commodity related contracts:		
- Over one year to five years	329,564	222,526
	<u>339,794</u>	<u>222,526</u>
<b>Total</b>	<u>7,291,612</u>	<u>7,595,982</u>

## **A27. Risk Management Policy on Financial Derivatives**

### **Purpose of engaging in financial derivatives**

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivative is one of the financial instruments engaged by the Bank both for client solutions generating revenue for future as well as to manage the Bank's own market risk exposure. The Bank's involvement in financial derivatives is currently focused on equity and foreign exchange rate derivatives.

The principal foreign exchange rate contracts used are forward foreign exchange contracts. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. The principal equity contracts used are equity option. An equity option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date).

As part of the asset and liability exposure management, the Bank uses derivatives to manage the Bank's market risk exposure. As the value of these financial derivatives are principally driven by profit rate and foreign exchange rate factors, the Bank uses them to reduce the overall profit rate and foreign exchange rate exposures of the Bank. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Bank. The Bank manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Bank.

### **Risk associated with financial derivatives**

As derivatives are contracts that transfer risks, they expose the holder to the same types of market and credit risk as other financial instruments, and the Bank manages these risks in a consistent manner under the overall risk management framework.

### **General disclosure for derivatives and counterparty credit risk**

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Bank's exposure. The markets covered by this treatment include foreign exchange and equities.



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**A27. Risk Management Policy on Financial Derivatives (continued)**

**General disclosure for derivatives and counterparty credit risk (continued)**

For counterparty credit risk, the general approach is to calculate the exposure as the sum of the mark-to-market value of the exposure, plus the sum of the notional principal multiplied by the potential credit risk exposure ("PCRE") factor for the exposure.

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive ("in the money"), the Bank has credit exposure against the counterparty; if it is negative, ("out of the money"), the value used in calculation is zero.
- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

Exposure to the counterparty risk is governed by setting a credit limit to manage such exposure. This limit is governed under the Bank Risk Appetite Framework approved by the Board.

Other than credit limit setting, the Bank's primary tool to mitigate counterparty credit risk by having collateral arrangement with the counterparty. Standard market documentation governs the amount of collateral required and the re-margining frequency between counterparties. Some of the standard market documentation has link between the amount of collateral required and external ratings, as well as minimum transfer amounts. This means that if the Bank's or a counterparty's external rating were downgraded, the Bank or the counterparty would likely be required to place additional collateral. The amount required to be placed would depend upon the underlying instruments and the state of the markets, so would be different at each re-margining interval.

**Liquidity risk of derivatives**

Two types of liquidity risk are associated with derivatives: market liquidity risk and funding risk.

Market liquidity risk arises when a position cannot be sold or closed out quickly or risk be eliminated by entering into an offsetting position. In general, an over-the-counter ("OTC") market tends to offer less liquidity than an exchange market due to the customized nature of some OTC contracts. OTC contracts include foreign exchange contracts, cross currency swaps, profit rate swaps and foreign exchange options while interest rate futures, equity futures and equity options are examples of exchange traded derivatives. The liquidity risk of a position can be estimated by the notional amount of contracts held and the market value of the contract position. Both the OTC and exchange markets have liquid and illiquid contracts.

**A27. Risk Management Policy on Financial Derivatives (continued)**

**Liquidity risk of derivatives (continued)**

Funding risk is the risk of derivative activities placing an adverse funding and cash flow pressure on the Bank, arising from the need to post collateral (for example, like a margin call due to mark-to-market valuations) to compensate for an existing out of the money position (Note: if collateral isn't posted, the counterparty can close out their position and claim such mark-to-market loss from the Bank. This would also result in the Bank no longer being hedged).

Generally, the Bank measures and monitors funding risk through the cash flow gap analysis according to specified time interval. The Bank's access to deposits and funding markets is dependent on its credit rating. A downgrading in the credit rating could adversely affect its access to liquidity, as well as the competitive position, and could increase the cost of funding.

The primary objective of funding risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due under normal market condition and on contingency basis.

**Derivative Financial Instruments and Hedge Accounting**

Derivative financial instruments are recognised at fair value upon inception in the statement of financial position, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The Bank enters into derivative transactions for hedging purposes. For all derivatives, fair value changes are recognised in the income statement. For derivative transactions that meet the specific criteria for hedge accounting, the Bank applies either fair value, cash flow or net investment hedge accounting.

At the time a financial instrument is designated as a hedge, the Bank formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

**A27. Risk Management Policy on Financial Derivatives (continued)**

**Derivative Financial Instruments and Hedge Accounting (continued)**

The Bank discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

**(i) Fair value hedge**

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the changes in fair value of the hedging instrument and the hedged item relating to the hedged risk are recognised in the income statement. In the event the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the expected life of the hedged item.

**(ii) Cash flow hedge**

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to equity as a cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are released to the income statement in the periods when the hedged forecast transactions affect the income statement. If the hedged forecast transactions result in the recognition of a non-financial asset or a non-financial liability, the gain and loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset or liability.

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**A28. Capital Adequacy**

(a) The capital adequacy ratios of the Bank are as follows:

	<b>30 June 2011</b>	<b>31 March 2011</b>
Core capital ratio	8.0%	8.0%
Risk-weighted capital ratio	12.5%	12.5%

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

(b) The components of Tier 1 and Tier 2 capital of the Bank are as follows:

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
<u>Tier 1 capital</u>		
Paid-up ordinary share capital	403,038	403,038
Share premium	534,068	534,068
Statutory reserve	304,316	304,316
Retained earnings	162,515	162,515
	<u>1,403,937</u>	<u>1,403,937</u>
Less: Deferred tax asset	(116,298)	(116,298)
Total Tier 1 capital	<u>1,287,639</u>	<u>1,287,639</u>
<u>Tier 2 capital</u>		
Subordinated Sukuk Musyarakah	400,000	400,000
Collective allowance *	330,166	324,004
Total Tier 2 capital	<u>730,166</u>	<u>724,004</u>
Capital base	<u>2,017,805</u>	<u>2,011,643</u>

\* Excludes collective allowance on impaired financing restricted from Tier 2 capital of the Bank of RM158,538,000 as at 30 June 2011 (31 March 2011: RM155,006,000).

**A28. Capital Adequacy (continued)**

The breakdown of the risk weighted assets in various categories of risk are as follows:

	<b>30 June 2011 RM'000</b>	<b>31 March 2011 RM'000</b>
Credit risk	14,393,704	14,379,718
Market risk	562,664	459,864
Operational risk	1,237,200	1,209,490
Total risk weighted assets	<u>16,193,568</u>	<u>16,049,072</u>