



بنك معاملات
Bank Muamalat

(6175-W)

A N N U A L R E P O R T
2 0 0 6

To be a strong, progressive and modern Islamic Bank offering innovative, quality and competitive products and services. - **Vision**

To build the Bank into a modern, dynamic and strong Islamic Bank that would play a role in providing a viable alternative to the conventional system and contribute to the development of modern Malaysia. - **Mission**



Progressing for the future

In this era where innovation and agility is essential, the strong foundation of a progressive organisation stems from the strength of its people and the strong culture that is embraced by all. In merging ideas, people and their expertise to give the very best, Bank Muamalat continues its journey of infinite growth and continuous excellence.



treasury & capital markets

Bank Muamalat's Treasury & Capital Markets is one of the leading providers of sales and trading services in the Islamic markets encompassing the full spectrum of shariah-compliant fixed income products for institutional clients worldwide. In addition to market making and underwriting, we engage in trading and arbitrage activities in various ringgit and dollar denominated fixed income securities.

muamalat home financing-i

Our Home Financing Package is truly one with a difference. Providing customers better value through long term fixed payments, which does not affect your income, it's a plan distinctive from others. Be it a complete home, a house under construction or a refinancing option you're considering, our home financing packages are offered at attractive rates and tenures to suit our customer's budget.

prime banking

Bank Muamalat is proud to present its new kind of personalised banking, designed to make banking a rewarding experience with full dedication, passion, quality and excellent services.

Muamalat Prime Banking has been well thought-out and now it becomes a reality where customers can enjoy privileges, special services and quality products especially tailored to our customer's needs.

customer service

We, at Bank Muamalat believe that customer service is the key element in order to remain viable in the competitive market and having good customer service will bring in more customers as well as increase profits. Among the main focus is to enhance the existing Standard People Practice (SPP) as well as to enforce new initiatives that will help to improve the Bank's overall customer service.

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Message from the Holy Quran

Bismillahir Rahmanir Raheem

O ye who believe, eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual good will.

(Surah An-Nisaa: 29)

Those who devour Riba (usury) will not stand except as stands one whom the evil one by his touch hath driven to madness. That is because they say: Trade is like Riba (usury), but Allah hath permitted trade and forbidden Riba (usury). He who after receiving direction from his Rob (Lord), desist, shall be pardoned for the past; his case is for Allah (to Judge); but those who repeat (the offence) are companions of the fire: they will abide therein (for ever).

(Surah Al-Baqarah: 275)

Allah will deprive usury of all blessing, but will give increase for Sadaqat. Allah loveth not creatures ungrateful and wicked.

(Surah Al-Baqarah: 276)

O ye who believe, fear Allah, and give up what remains of your demand for usury, if ye are indeed believers.

(Surah Al-Baqarah: 278)

If ye do it not, take notice of war from Allah and His Messenger, but if ye repent, then ye shall have your capital sums: deal not unjustly, and ye shall not be dealt with unjustly.

(Surah Al-Baqarah: 279)



Bismillahirrahmanirrahim

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

All praises be to Allah SWT for his bountiful benevolence that has allowed Bank Muamalat Malaysia Berhad to perform exceptionally well in 2006.

Dato' Ismail Shahudin - Chairman



Chairman's Statement

I am pleased to present the Annual Report of Bank Muamalat Malaysia Berhad for the year ended 31 December 2006.

Operating Environment

The Malaysian economy strengthened in 2006 with growth momentum, as measured by Gross Domestic Product, improving to 5.9% from 5.2% in the preceding year. Enhanced capital formation, underpinned by greater public sector presence, contributed to the sturdier performance in the year under review, increasing 7.9% compared to 4.7% in 2005. Significantly, the benign investment trend had more than offset the impact from the less than stellar contributions from consumption and external trade where both registered lower growth amidst the dampened sentiment in the wake of higher business costs.

Global macro developments were the dominant catalyst that shaped the macro backdrop in 2006. Crude oil prices spiralled in the year under review, most evident in the earlier half of the year, triggering substantial rise in production costs that consequently trickled to higher consumer prices.



Left to right:
Opening of Kepala Batas Branch
Daily meetings conducted
Opening of Kota Bharu Branch

On the domestic front, consumer inflation, The Consumer Price Index, advanced to a high of 4.8% and for the year, it averaged a higher 3.6% compared to 3.0% in the preceding period. Profoundly, policy response commensurate with the less favourable inflation levels where monetary stance were tightened with the benchmark cost of funds, the Overnight Policy Rate, were tweaked twice, increasing a total of 50 basis points to 3.50%, its highest level since the implementation of the new interest rate framework introduced in April 2004.

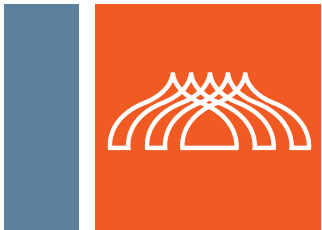
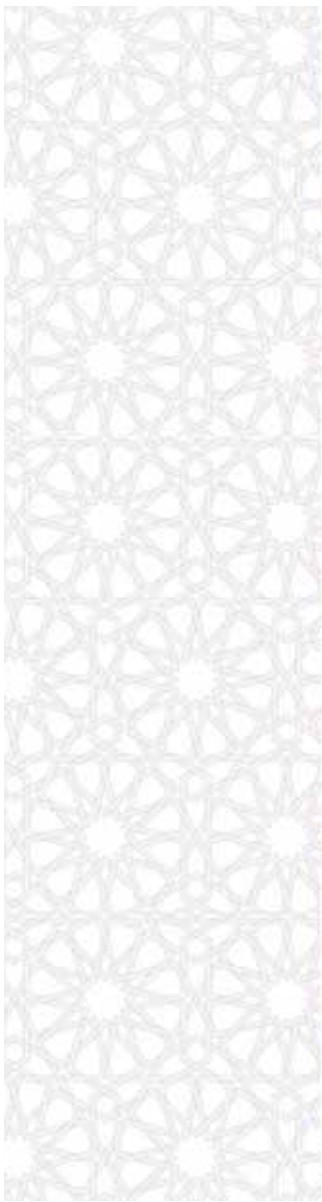
Meanwhile, primary financial indicators suggests that the banking system remained steady in 2006 with total assets rising to RM1.4 trillion, increasing a sharper 10.6% compared to 5.6% in the preceding year. At the same time, Islamic banking assets totalled RM133 billion as at end 2006, increasing 20.5% or equivalent to 12.2% of the total banking system assets.

Significantly, asset quality strengthened during the period under review, of which the non-performing asset ratio, measured on 3-month net basis, improved to 4.8% as at end 2006 compared to 5.8% in corresponding period in 2005. Risk-weighted capital ratio of the banking system, however, moderated as at end 2006, easing to 12.8% from 13.7% in the preceding year.

Financial Performance

Bank Muamalat Malaysia Berhad is pleased to announce that it posted another record year of profits in 2006, with pre-tax profits of RM104.5 million, increasing 154% to breach the RM100 million mark. The Group's net profit rose 130% to a historical high of RM73.9 million.

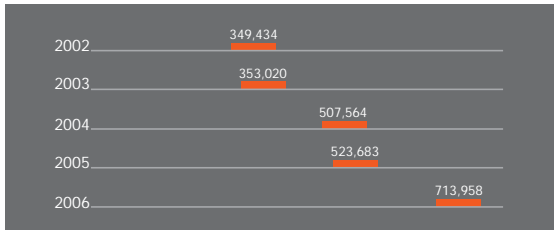
The robust increase was in part attributed to lower comparative figure in 2005, of which the RM32.3 million pre-tax was after absorbing the payment of RM34.0 million for the Voluntary Separation Scheme exercise.

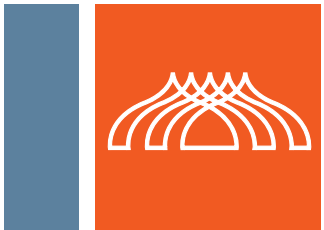


Trusting Technology

36%

Total Shareholders Fund (RM'000)
 2006 RM713,958
 2005 RM523,683

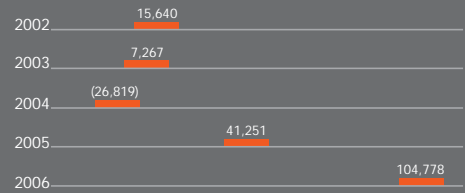




Accelerating Innovation

154%

Profit/(Loss) Before Tax (RM'000)
 2006 RM104,778
 2005 RM41,251



Broadly, the improved performance in 2006 was underpinned by strengthened earnings from the retail businesses, continued robust contribution from the wholesale businesses, enhanced asset quality that led to reduction in financing provisions and improved efficiency that resulted to lower overhead costs.

Total assets expanded to RM13.5 billion in 2006, increasing 31% from a year ago, fortified by 38% increase in financing (net), increasing to RM5.1 billion from RM4.0 billion in the preceding year.

Total revenue grew by 33% to a record RM627.2 million in 2006. Income from financing activities increased by 34% to RM297.3 million, driven by 30% increase in gross financing, led by 68% rise in financing of motor vehicles, 25% rise in home financing and the continued robust disbursement in corporate and SME financing. Income from securities gained 61% to 129.6 million on the back of more aggressive portfolio management while returns from money market were similarly sturdy at RM115 million or 67% higher from a year ago.

The Bank's non-performing financing (NPF) closed at RM354.0 million as compared to RM281.5 million as at 31 December 2005. The gross and net NPF ratios stood at 6.6% and 4.0% (December 2005: 6.7% and 4.2% respectively).

Bank Muamalat Return On Equity (ROE) improved to a historical high of 12.6% in 2006, increasing from 6.1% in the preceding year.

The Group's and the Bank's Risk-Weighted Capital Ratio remain strong, at 15.5% and 15.4% respectively. We are pleased to declare a dividend payment of 5.55% less 28% tax on 250,000,000 Musharakah Irredeemable Non Cumulative Convertible Preference Share, the inaugural dividend payment since the Bank was established in 1999.



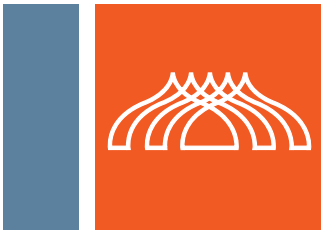
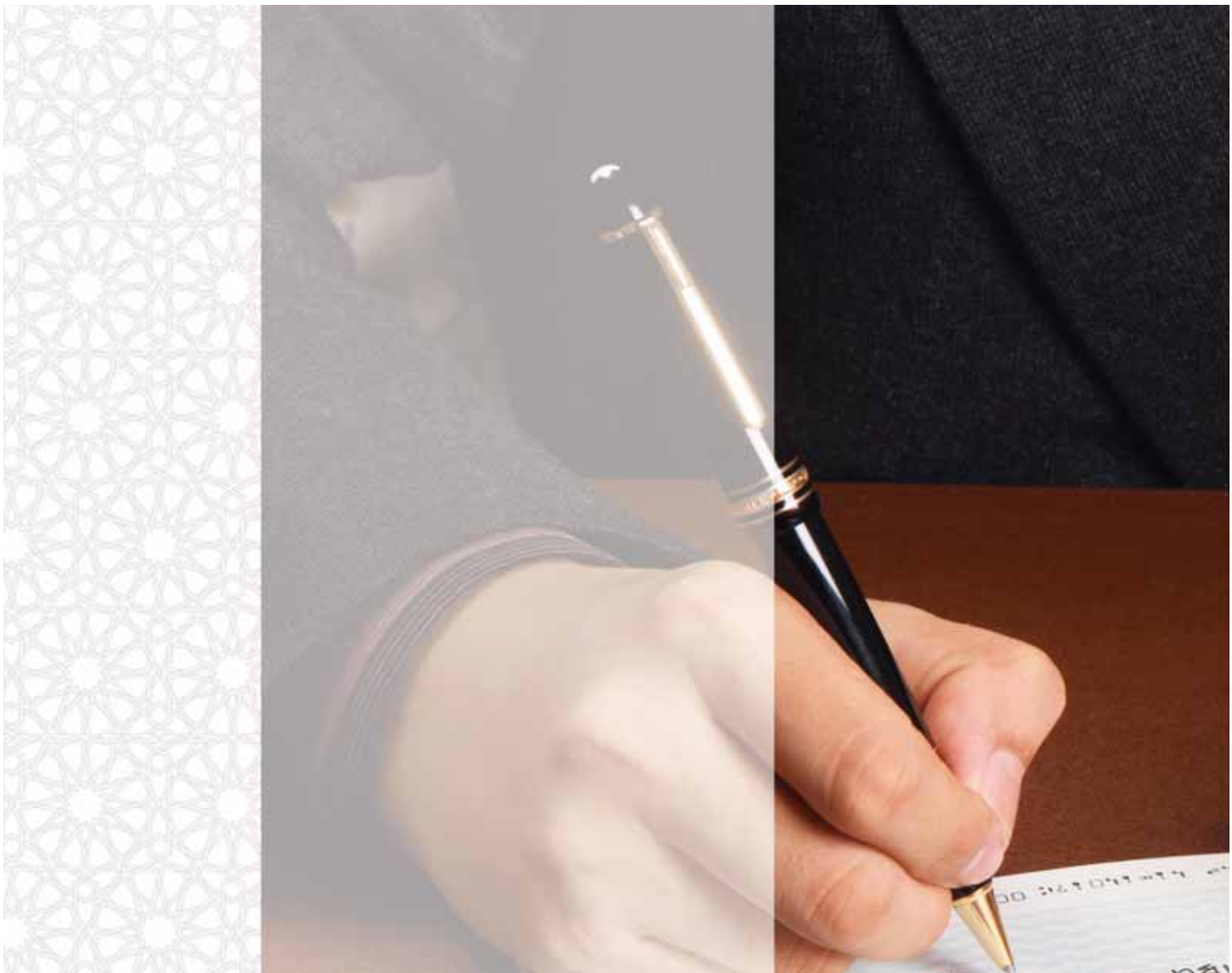
Left to right:
Corporate advertisement
Signing ceremony between
BMMB, MBF and T-Melmax
Maal Hijrah 1428 H

Prospects

Moving into 2007, Bank Muamalat is gearing up to position itself on a more sustaining basis. New initiatives to boost and broaden reach, enhance operational efficiency and fortify a performance oriented culture will be accelerated. The Bank intends to elevate its contribution in the development of the budding Islamic finance industry through skill-based differentiation, strengthened risk management and the attraction, retention and development of talent so as to strengthen its platform to achieve sustainable superior performance.

Outlook in 2007 portrays a macro environment almost little changed compared to the strenuous landscape that had shaped 2006. The local front had endured multiple hikes in interest rates as the policy maker strived for sustainable economic growth. The then broad theme of price stability however, remained relevant with the market contemplating diminishing inflationary pressure.

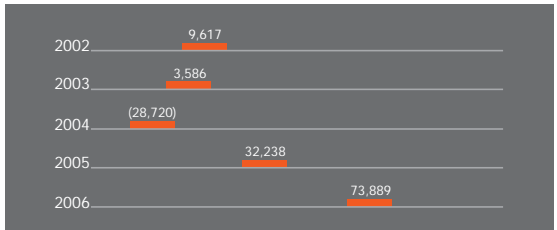
In conclusion, we look forward with confidence. The macro-economic front will almost always remain precarious in light of the increasingly volatile geopolitical landscape but the underlying trend suggests that both domestic and external developments will remain conducive in 2007, which appears to be shaped by potent trends; specifically, the increasingly benign economic climate as evident by the strengthening Ringgit, the accommodative monetary policy and significantly, the comprehensive fiscal programme.

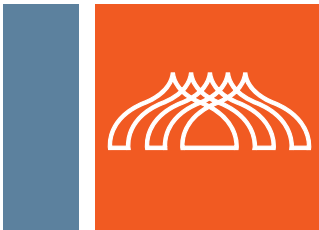


Investing Strategically

129%

Profit/(Loss) After Tax (RM'000)
 2006 RM73,889
 2005 RM32,238

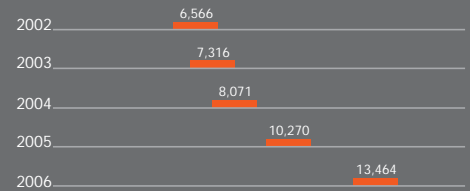




Strengthening Relationships

31%

Total Assets (RM'000)
2006 RM13,464
2005 RM10,270



Acknowledgement

Our performance would not have been possible without the support of so many people to whom I would like to extend our appreciation.

We thank the management and staff for their unstinting professionalism and commitment.

At the same time, I take this opportunity to welcome Tengku Dato' Hasmuddin Tengku Othman, who was appointed to the Board effective April 25, 2006.

We further extend our appreciation to our valued customers, shareholders, business associates and alliance partners for their contribution and support.

We also wish to thank the relevant authorities, in particular, Bank Negara Malaysia, and the Ministry of Finance, for their valuable guidance and assistance throughout the year.

Dato' Ismail Shahudin

Chairman



Board of Directors

Left to right: Encik Abdul Jabbar Abdul Majid, Professor Dr. Aziuddin Ahmad, YM Tengku Dato' Hasmuiddin Tengku Othman, Datin Azizah Mohd Jaafar, Encik Ismail Ibrahim, Dato' Ismail Shahudin (Chairman) and Dato' Abdul Manap Abd Wahab

Directors' Profile

Dato' Ismail Shahudin

Chairman, Non-Independent Director

Dato' Ismail Shahudin, was appointed Non-Independent Director of Bank Muamalat since 17 March 2004. Subsequently he was appointed Chairman of the Board on 30 March 2004.

Dato' Ismail holds a bachelor of Economics (Hons) degree from University of Malaya. Upon graduation in 1974, he joined ESSO Malaysia Berhad and served for 5 years within its Finance Division. Thereafter, he joined Citibank Malaysia in 1979 and served at the Bank's Headquarters in New York in 1984 as part of the team in the Asia Pacific Division. Upon his return to Malaysia in 1986, he was appointed as Vice President & Group Head of Public Sector and Financial Institutions Group in Citibank Malaysia.

In 1988, he joined United Asian Bank Berhad (UAB) as its Deputy General Manager until 1992 when UAB was taken over by Bank of Commerce. Subsequently, he joined Maybank as its General Manager, Corporate Banking Division. In September 1997, he was appointed as the Executive Director of Maybank. He left Maybank in July 2002 to assume the post as the Group Chief Executive for MMC Corporation Berhad until 31st March 2006. Dato' Ismail sits on the Boards of Rahman Hydraulic Tin Sdn Bhd and Perbadanan Kemajuan Ekonomi Islam Negeri Perak (PKEINPK) and he is also the President of Outward Bound Malaysia.

YM Tengku Dato' Hasmuddin Tengku Othman

Non-Executive Director

YM Tengku Dato' Hasmuddin Tengku Othman, Malaysian, aged 45, was appointed to the Board of Directors of Bank Muamalat Malaysia Berhad on 18 April 2006.

He is the Managing Partner of Hisham, Sobri & Kadir and also the Head of the Muamalat and Islamic Banking Department of the Firm. He completed his legal studies at the University of Malaya and was admitted to the Bar in 1987. He was a partner in Messrs Suhaimi & Abdullah, where he had earlier read in chambers, and subsequently became a partner of the current Firm following its amalgamation with Messrs Suhaimi & Abdullah. He is actively involved in various aspects of corporate, banking and litigation matters as well as Shariah matters. Since the introduction of the first Islamic Bank in Malaysia, he has taken an active role in the development of the Islamic banking and finance and has been at the forefront in developing structural framework of documentation for Islamic banking products. He has successfully established himself as one of the local legal experts in this industry.

He is currently a member of Task Force on Islamic Finance for Labuan IOFC and Law Review Committee for Islamic Banking and Financial transactions under the auspices of the Central Bank of Malaysia and acted as an adviser for the Association of Islamic Banking in Malaysia (AIBIM) as well as for "Skim Projek Usahawan Dalam Bidang Peruncitan (Prosper).

He is also active in social and charitable activities and has been appointed as trustee for Tuanku Najihah Foundation, Institute Quran Kuala Lumpur, Tabung Amanah Pesakit Malaysia and Institute Quran Tuanku Jaafar.

YM Tengku Dato' Hasmuddin is a Non-Executive Director of the Bank and is a member of the Audit Committee.

Professor Dr. Aziuddin Ahmad

Non-Independent Non-Executive Director

Professor Dr. Aziuddin Ahmad, was appointed Non-Independent Non Executive Director on 24 August 2004. He graduated in 1977 with a Bachelors Degree (Honours) in Electrical & Electronics Engineering from Kings College London, Master's in Nuclear Reactor Science & Engineering from Queen Mary College London in 1979, and Doctor of Philosophy in Reactor Neutron Physics from Imperial College London in 1982.

He first served at the Tun Ismail Atomic Research Centre (Malaysian Institute of Nuclear Technology) before returning again to Kings College London to read Law full-time from 1989-1992. He was awarded the Cameron Waller Prize in Law in 1991.

In 1987 he had entered the financial services sector. From 1994 to 2005 he had been a holder of a Fund Management Representative's License practicing Islamic Finance. He had provided Islamic & Corporate Finance Advisory to the Founder Executive Chairman of AlBukhary Foundation. He had sat as a Member of the Board of Directors of MMC Corporation Bhd, Amanah Raya Asset Management Sdn Bhd, and was also the Group Financial Adviser to the Sapura Group of Companies.

Since October 2001, he was appointed an Investment Panel Member at Lembaga Tabung Haji. He was also a Board Director of Express Rail Link Sdn Bhd and Eastern Pacific Industrial Corporation Bhd. Currently he serves as a Fellow of the AlBukhary Foundation and is a Board Director of MEMS Technology Bhd.

From June 2002 to May 2003, he was Adjunct Professor, at the Faculty of Engineering University Putra Malaysia where he taught Engineering & Society, covering diverse topics such as Entrepreneurship, Corporate Governance, Management,

Finance, Ethics, Values & Moral expected in business. For three years from March 2003, he was also Adjunct Professor at the Centre for Civilisational Dialogue at University of Malaya. He had taught Science & Technology: Policy & Strategy to University of Malaya Master's degree students.

He is now a fulltime faculty member at the Graduate School of Management of University Putra Malaysia where he is a Professor in the field of Risk Management. Apart from his teaching in Risk Management and Corporate Governance, his current applied interests are in Education, Geo-Political Economy, Islamic Finance and Human Development. His reading and research interests cover the New Sciences of Quantum Theory, Complexity, Chaos, Cosmology & Parapsychology and their relationships with Mysticism, Ontology, Eschatology, Consciousness and Al Tawhid.

Dato' Abdul Manap bin Abdul Wahab

Chief Executive Officer

Dato' Abdul Manap bin Abdul Wahab joined Bank Muamalat as Chief Operating Officer in January, 2005 and was promoted to Chief Executive Officer in March 2006. He acquired his banking experience while serving in various capacities working with the largest bank in Malaysia for 22 years.

He has served as Branch Manager, Regional Manager and General Manager of Branch Operations Division.

His last position in the Bank before he left in early 2003 was as Head of Retail Marketing and as Director at the Bank's unit trust subsidiary.

He has a Diploma in Accountancy (ITM), a Degree in Business Administration from Ohio University and a Master in Business Administration (Finance) from the University of Hull, UK.

Datin Azizah Mohd Jaafar

Independent Director

Datin Azizah Mohd Jaafar is an Independent Director of Bank Muamalat since September 2001. Qualified as a chartered accountant in the U.K, she is a Fellow of the Institute of Chartered Accountants in England & Wales (ICAEW). She is also a member of the Malaysian Institute of Certified Public Accountants (MICPA).

Her career in the Government sector included various positions held in among others, the Public Trustee Department, the Ministry of Finance, the Ministry of Health and the Accountant General Department where she last served as the Deputy Accountant General. As nominee of the Government, she sat on the boards of several Government enterprises. She had also served as Deputy Commissioner of Commodities Trading as a seconded officer with the Commodities Trading Commission. She left the Government service and joined the Securities Commission Malaysia where she served as general manager in the Research and Development Department and also in the Financial Reporting Surveillance and Compliance Department.

Encik Ismail Ibrahim

Non-Independent Director

Encik Ismail Ibrahim holds a Degree in Accounting from Universiti Kebangsaan Malaysia in 1985. He is currently the Vice President of Khazanah Nasional Berhad. He joined Khazanah Nasional Berhad as Accountant/Finance Manager in 1995. He started his career in 1985 with the Accountant General's Department during which he served as Treasury Accountant in the Investment and Loan Division until 1991 and

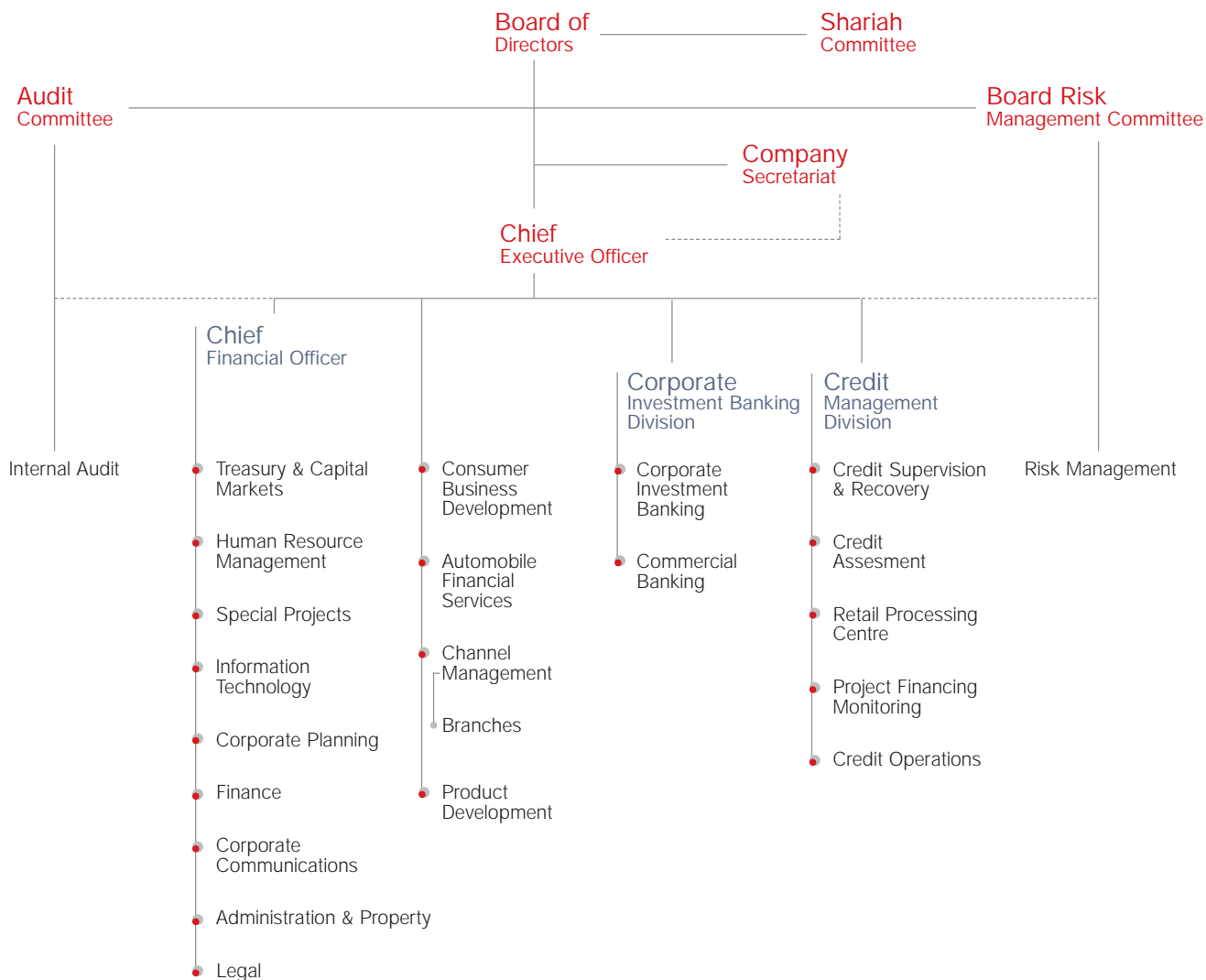
from 1991 to 1995, he was appointed as an Assistant Director in the Funds Management Division. He is a member of the Malaysian Institute of Accountants. He was appointed as a Non-Independent Director of Bank Muamalat on 23 March 2001. He is also a member of the Bank's Audit Committee.

Encik Abdul Jabbar Abdul Majid

Independent Director

Encik Abdul Jabbar Abdul Majid is an Independent Director of Bank Muamalat since 13 October 2004. Currently, he sits on the Boards of Tradewinds Corporation Berhad (formerly known as Pernas International Holdings Berhad); Malakoff Berhad; Perusahaan Otomobil Nasional Berhad (Proton); and Opcom Holdings Berhad as a Non-Executive Independent Director.

Abdul Jabbar is a fellow of the Institute of Chartered Accountants, Australia and a member of the Malaysian Institute of Certified Public Accountants. His career includes a two-year stint with Bank Pertanian Malaysia in the early 70's and followed by 21 years at KPMG Malaysia where he was a Senior Partner from 1995-2000.



Management Team

Dato' Abdul Manap Abd Wahab

Chief Executive Officer

Zafer Hashim

Chief Financial Officer

Syed Abdull Aziz Jailani Syed Kechik

Corporate Investment Banking Division

Azizan Ahmad

Credit Management Division

Syed Abdull Aziz Jailani Syed Kechik

Corporate Investment Banking

Azaddin Ngah Tasir

Consumer Business Development

Zainuddin Ahmad

Human Resource Management

Helmi Izham Harunarashid

Treasury & Capital Markets/Principal Officer
Labuan Offshore

Abu Yaziz Brahim

Internal Audit

Lukman Ismail

Information Technology

Farisan Mokhtar @ Mokhtar

Finance

Abdul Khalib Hj. Abdul Rashid

Automobile Financial Services

Nik Ahmad Fauzan Nik Mohamed

Corporate Planning

Mohammad Rouse Mohd Adam

Special Projects

Abdullah Sikandar Ali

Commercial Banking

Siti Rohani Atan

Risk Management

Abdul Hanif Abu Bakar

Corporate Communications

Mohd Rizah Che Ali

Channel Management

Khadijah Musa

Credit Supervision & Recovery

Zana Rudin Ujang

Administration & Property

Muhammad Firdaus Abdullah

Company Secretariat

Megat Suffian Merican Yacob Hussain Merican

Legal

Vacant

Product Development

Vacant

Credit Assessment

Abdul Rashid Ibrahim

Retail Processing Centre (Acting)

Mostapa Othman

Project Financing Monitoring Credit Operations



Shariah

Committee

Clockwise: Encik Azizi Che Seman, Dato' Haji Md. Saleh Haji Md @ Haji Ahmad, Dr Mohamad Sabri Haron and Engku Ahmad Fadzil Engku Ali

Encik Azizi Che Seman

Encik Azizi Che Seman is currently a lecturer at the Islamic Studies Academy, University of Malaya, a position he has held since 2002. He has been with Bank Muamalat Malaysia Berhad since 1 April 2005. Until now, he has been entrusted to be the Chairman for the Bank's Shariah Committee. In terms of qualifications, he holds a Masters Degree in Economics from International Islamic University Malaysia in 2001 and a Bachelor of Islamic Studies from University of Malaya in 1996.

Dr. Mohamad Sabri Haron

Dr. Mohamad Sabri Haron is a senior lecturer and Deputy Dean of the General Studies Centre, National University of Malaysia. He obtained a Diploma in Islamic Studies from Kolej Sultan Zainal Abidin in 1985 and Bachelor of Islamic Studies (al-Quran and al-Sunnah) from National University of Malaysia in 1988. He completed his studies at the masters level in 1993 in Comparative Law at International Islamic University Malaysia. He succeeded in obtaining his PhD in Islamic Law (Fiqh and Usul Fiqh) in 1998 from University of Jordan. He has been with Bank Muamalat since December 2003.

Engku Ahmad Fadzil bin Engku Ali

Engku Ahmad Fadzil bin Engku Ali graduated in 1993 with a Bachelor Degree in Laws from International Islamic University Malaysia. In subsequent year, he graduated from the same university with a Bachelor Degree in Shariah Laws and was called to the Bar in 1995. He pursued his studies at Jordan University and in the year 2000, he successfully obtained a Masters Degree in Islamic Judiciary. Since then, he served as a lecturer at International Islamic University Malaysia. Some of the subjects that he teaches are; Islamic Law of Successions, Islamic Jurisprudence and Islamic Criminal Laws. He has been a member of the Bank's Shariah Committee since 2005.

Dato' Haji Md. Saleh bin Md@ Haji Ahmad

Dato' Haji Md. Saleh bin Haji Md @ Haji Ahmad has been engaged as a Shariah consultant of Bank Muamalat since 2002. He obtained a Bachelor Degree in Shariah from Yayasan Pengajian Tinggi Islam Kelantan in 1974 and the same degree from University of al-Azhar in 1976. He completed his Masters Degree in Shariah from the same university in 1978. Currently, he is a lecturer at International Islamic University Malaysia on a contract basis. Prior to that, he served as a lecturer at University of Malaya from 1981 to 2004. Other than Bank Muamalat, he is also a committee member of the Perak Islamic Affairs Council, Islamic Religious Council of Penang, Shariah Research Panel of Jabatan Kemajuan Islam Malaysia and several other councils.

The Shariah Committee has its own terms and references. The said terms and references are as follows:

- To provide the Bank with guidelines and advice on religious matters.
- To ensure that the Bank's overall activities are in line with Shariah.
- To make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.
- To report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.

It is undeniably true to contend that the Shariah Committee is the backbone to any Islamic banking institution. It is extremely crucial to ensure that Shariah compliance is practiced in all aspects of the banking operations and activities. Some of the fundamental roles and responsibilities of the Shariah Committee are as follows:

- To provide Shariah advisory and consultancy services in all matters relating to Bank's products, transactions and activities as well as other businesses involving the Bank.
- To scrutinize and endorse the annual financial report of the Bank.
- To provide training to the staff as well as notes or relevant materials for their reference.
- To represent the Bank or to attend any meetings with the Shariah Advisory Council from the Central Bank of Malaysia or other relevant bodies concerning any Shariah issues relating to the Bank.

Most of the issues submitted to the Shariah Committee for clarification are resolved via meetings. For the 2006, 54 series of meetings were held. The details of their attendance are as follows:

No.	Shariah Committee Members	Attendance
1.	Encik Azizi Che Seman	54/54
2.	Dr. Mohamad Sabri Haron	51/54
3.	Engku Ahmad Fadzil Engku Ali	46/54
4.	Dato' Haji Md. Salleh Haji Md @ Haji Ahmad	36/54



Board Audit Committee

Left to right: Datin Azizah Mohd Jaafar, Encik Ismail Ibrahim,
Encik Abdul Jabbar Abdul Majid and Tengku Dato' Hasmuddin Tengku Othman

Membership

The Board Audit Committee consists of members of the Board of Directors of whom the majority shall be independent members. At least one member shall have expertise in finance or accounting. The Committee comprises the following:

Encik Abdul Jabbar Abdul Majid
Datin Azizah Mohd Jaafar
Encik Ismail Ibrahim
Tengku Dato' Hasmuddin Tengku Othman (Appointed on 25 April 2006)

Authority

In carrying out its duties and responsibilities, the Board Audit Committee shall have full, free and unrestricted access to the Bank's records, properties and officers. The Committee has the authority and is empowered to:

- Meet with members of Management, internal auditors and external auditors or outside counsel, as necessary.
- Retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation.
- Appoint, employ and oversee the work of a public accounting firm to conduct the annual financial audit who will report directly to the Committee.
- Seek any information it requires from employees, all of whom are directed to cooperate with the committee's requests or external parties.

Duties & Responsibilities

The primary duties and responsibilities of the Committee are as follows:

- Review significant accounting and reporting issues, including complex or unusual transactions and in highly judgemental areas and recent professional and regulatory pronouncements and understand their impact on the financial statements.
- Review the annual audited financial statements of the Bank and the Group to ensure compliance with appropriate accounting policies, accounting standards and disclosure requirements before submission to the Board and the regulators.
- Review the adequacy and effectiveness of the Bank's internal control and risk management framework implemented by the Bank.

- Review with Management and Chief Internal Auditor (CIA) the Internal Audit Charter, plans, activities, staffing and organizational structure of the Internal Audit Department (IAD). In order to maintain independence and objectivity, the Committee shall approve the Internal Audit Department's Charter, plans, activities, staffing and structure.
- Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on appointing and discharging of auditors.
- To review the effectiveness of the system for monitoring compliance with laws and regulations.
- Regularly report to the Board of Directors about Committee's activities, issues and related recommendations.

In 2006, there were nine (9) Board Audit Committee meetings and six (6) Special Board Audit Committee meetings. Details of the attendance of the Committee members are as follows:

Encik Abdul Jabbar Abdul Majid	15/15
Datin Azizah Mohd Jaafar	13/15
Encik Ismail Ibrahim	14/15
Tengku Dato' Hasmuddin Tengku Othman	7/10

Internal Audit Function

The Board Audit Committee is supported by the Internal Audit Department. The Department forms an important part of the Management team. It will assist the Bank in its effective discharge of responsibilities by providing reasonable assurance and value-added service.

The Internal Audit Department undertakes internal audit functions based on an audit plan that is reviewed by the Board Audit Committee. The audit plan will take into consideration the internal controls, risk environment, strategic direction and objectives of the operating units of the Bank. The Board Audit Committee deliberates on the internal audit reports prepared by the department and Management duly acts upon audit recommendations.

The Department will further enhance its risk-based auditing techniques and benchmark it against the best practices in internal auditing for financial services entities.

Statement On Internal Control

The Board Audit Committee (“Committee”) recognises the need for, and the value of, a sound system of internal control. It is the Committee’s responsibility to ensure that the Bank’s systems of internal controls are effective and put in place.

Such a system is designed to manage the Bank’s risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the policies and business objectives of the Bank. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Committee is of the view that the systems of internal controls are in place for the year under review and up to the date of issuance of the annual report and financial statements is sound and sufficient to safeguard the shareholders’ investment, the interests of customers, regulators and employees, and the Group’s assets.

The Committee reviews internal control issues identified by the Management, Internal Audit Department and the external auditors, and evaluates the adequacy and effectiveness of the Bank’s risk management and internal control systems. It also conducts a review of the internal audit functions with particular emphasis on the scope and quality of audits and independence of the Internal Audit Department.

The Internal Audit Department of the Bank monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlight significant findings in respect of any non-compliance. Audits are carried out on auditable units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these units and branches.

Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and directives issued by the Bank, which are updated from time to time.

The Board of Directors of Bank Muamalat Malaysia Berhad (BMMB) adopts the corporate governance framework as stipulated in the Malaysian Code of Corporate Governance as well as the Guidelines on Corporate Governance for licensed Islamic Banks issued by Bank Negara Malaysia (Revised BNM/GP1-i). Although the Bank is not a listed entity, BMMB nonetheless is committed to ensure highest standards of corporate governance are observed.

The Board of Directors

An effective Board leads the Bank. The direction and control of the Bank rest firmly with the Board as it effectively assumes the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and operations of the Bank. The Board exercises independent oversight on the management and bears the overall responsibility for the performance of the Bank and compliance with the principle of good governance.

There is a clear division of responsibility between the Chairman and the Chief Executive Officer (CEO) to ensure that there is a balance of power and authority. The Board is responsible for reviewing and approving the long-term strategic plan of the Bank as well as the business strategies. It is also responsible for identifying the principal risks and implementation of appropriate systems to manage those risks as well as reviewing the adequacy and integrity of the Bank's internal control systems, management information systems, including systems for compliance with applicable laws, regulations and guidelines. Whilst, the Management Committee, headed by the CEO, is responsible for the implementation of the strategies and internal control as well as monitoring the performance of the Bank. The Committee is also a forum to deliberate issues pertaining to the Bank's business, strategic initiatives, risk management, manpower development, supporting technology platform and business processes.

Board Balance

The Board currently has seven (7) members, comprising two (2) Independent, Non-Executive Directors, four (4) Non-Independent, Non-Executive Directors (including the Chairman) and one (1) Executive Director i.e. the Chief Executive Officer (CEO). The Non-Independent, Non-Executive Directors are the representatives of the major shareholders namely Khazanah Nasional Berhad and Bukhary Capital Sdn Bhd. The current board composition complies with the requirement set by Bank Negara Malaysia which requires at least 1/3 of the board members to be independent.

The current Board comprised of members with a mix of skill and experience from various professional background namely banking, legal, accounting and engineering. A brief profile of each Director is presented on pages 13 to 15 of the Annual Report.

The Board of Directors meet on a scheduled basis once every month and special Board meetings may also be convened should the need arise. Board papers are sent in advance ahead of Board meetings to facilitate focused and constructive discussions. Permanent issues discussed at each schedule board meeting include the monthly financial performance, Risk Management, Information Technology, Human Resource Management, Shariah Compliance and any other operational matters.

For the financial year ended 31 December 2006, the Board met thirteen (13) times to deliberate on and consider a variety of significant matters that requires its guidance and approval. All the Board members have attended at least 75% of the total board meetings held during the year, thus complies with the requirements set by BNM under GP1-i. The details of attendance of each Board member for meetings held during the year under review are set out below:

Name of Members	Attendance Record and Number of Meetings Held	Percentage of Attendance (%)
Dato' Ismail Shahudin (Chairman)	12 out of 13	92
Dato' Abdul Manap Abd Wahab (appointed as Director on 1 March 2006)	11 out of 11	100
Datin Azizah Mohd Jaafar	12 out of 13	92
Encik Ismail Ibrahim	13 out of 13	100
Encik Abdul Jabbar Abdul Majid	11 out of 13	85
Dr. Aziuddin Ahmad	13 out of 13	100
Tengku Dato' Hasmuddin Tengku Othman (appointed on 16 April 2006)	9 out of 10	90

Board Committees

The Board is assisted by five (5) committees with specific terms of reference. This enables the committees to focus on areas or issues of critical importance to the operations of the Bank. Composition, functions and brief terms of reference of each committee are as follows:

1. Audit Committee

The Audit Committee assists the Board of Directors in its monitoring responsibilities for the financial reporting process, the system of internal control, the audit process and the Bank's process for monitoring compliance with laws and regulations and the Bank's code of conduct.

The Committee is authorised by the Board to investigate any activities within its terms of reference and has unrestricted access to both the internal and external auditors and Management team of the Bank. Further details on its composition, terms of reference, roles and responsibilities and activities carried out during the year is presented on pages 22 to 24 of this Annual Report

2. Nomination Committee

The Nomination Committee provides a formal and transparent procedure for the appointment of directors, CEO and members of Shariah Committee as well as assessment of effectiveness of board as a whole, Shariah Committee members and performance of CEO and key senior management officers.

The Committee's principal functions are to recommend to the Board candidates for appointment as additional directors, to fill up casual vacancies, to carry out an annual review of the mix of skills of directors and to perform an annual assessment of the Board as a whole.

The Committee is headed by Y.Bhg. Datin Azizah Mohd Jaafar and the other members are Encik Abdul Jabbar Abdul Majid, Encik Ismail Ibrahim and Dr. Aziuddin Ahmad. During the financial year ended 31 December 2006, the Committee met eight (8) times and details of attendance of each member are as follows:

Name of Members	Attendance Record and Number of Meetings Held	Percentage of Attendance (%)
Datin Azizah Mohd Jaafar (Chairman)	8 out of 8	100
Encik Ismail Ibrahim	8 out of 8	100
Encik Abdul Jabbar Abdul Majid	6 out of 8	75
Dr. Aziuddin Ahmad	8 out of 8	100

3. Remuneration Committee

The Remuneration Committee provides a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officer and Key Senior Management officers and ensuring that the compensation is competitive and consistent with the Islamic bank's culture, objectives and strategy. In addition, the Remuneration Committee is also responsible for developing remuneration policy for the Shariah Committee members that commensurate with their roles and responsibilities. The Remuneration Committee will then recommend the proposed remuneration package to the Board.

The determination of the remuneration package of the Directors, Chief Executive Officer, Shariah Committee members and Key Senior Management officers will be a matter for the Board as a whole. The individual concerned will abstain from participating and discussion of his/her own remuneration package.

The Committee comprises of wholly Non-Executive Directors and chaired by Encik Abdul Jabbar Abdul Majid. The other members are Encik Ismail Ibrahim and Dr. Aziuddin Ahmad.

For the financial year ended 31 December 2006, the Committee had four (4) meetings. The attendance details of the Committee members are set out below:

Name of Members	Attendance Record and Number of Meetings Held	Percentage of Attendance (%)
Encik Abdul Jabbar Abdul Majid (Chairman)	4 out of 4	100
Encik Ismail Ibrahim	4 out of 4	100
Dr. Aziuddin Ahmad	4 out of 4	100

4. Board Risk Management Committee

The Committee is authorised to oversee Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning. In addition, the Risk Management Committee is also responsible for ensuring that a comprehensive risk management infrastructure is in place for managing the risk associated with Mudharabah and Musharakah financing or investments.

The Committee is chaired by Y.Bhg. Datin Azizah Mohd Jaafar and the other three members are Encik Ismail Ibrahim, Encik Abdul Jabbar Abdul Majid and Dr. Aziuddin Ahmad.

For the financial year ended 31 December 2006, the committee had fourteen (14) meetings. The attendance details of the Committee members are set out below:-

Name of Members	Attendance Record and Number of Meetings Held	Percentage of Attendance (%)
Datin Azizah Mohd Jaafar (Chairman)	14 out of 14	100
Encik Ismail Ibrahim	12 out of 14	86
Encik Abdul Jabbar Abdul Majid	12 out of 14	86
Dr. Aziuddin Ahmad	11 out of 14	79

5. Shariah Committee

The Shariah Committee was established in accordance with the requirements of the Islamic Banking Act, 1983 as well as the Bank's Articles of Association, which prescribe the setting up of a Shariah body to ensure that the Bank conducts its affairs in accordance with the Shariah principles. The Shariah members are scholars renowned for their knowledge and experience in Fiqh Muamalat.

Further details of this Committee are set out on pages 19 to 20 of this Report.

Internal Audit and Control Activities

The statement of internal control and activities of the Bank are summarised on pages 22 to 24 of this Report.

Related Party Transactions

The details of related party transactions of the Bank are disclosed on pages 105 to 106 of the Audited Financial Statement section of this Annual Report.

Non-adherence to the Guidelines on Corporate Governance for Licensed Islamic Banks (Revised BNM/GP1-i) dated January 2007.

As at the date of this annual report, the Bank has not complied with the revised BNM / GP1-i, on the following matters:

- a) The assessment of Directors are done on totality basis which also encompasses and take into consideration each director's performance and contribution.
- b) The Nomination Committee comprise of only four (4) members as apposed to minimum composition of 5 members as required under the said guidelines. The Bank is in the process of identifying suitable candidates to be made a member of the Nomination Committee.



Board Risk Management Committee

Left to right: Datin Azizah Mohd Jaafar, Encik Abdul Jabbar Abdul Majid,
Encik Ismail Ibrahim and Professor Dr. Aziuddin Ahmad

Introduction

Risk-taking is an integral part of the financial services business, thus an appropriate balance between the level of risk and return desired needs to be defined and established. In order to ensure that the risks undertaken are well managed within the boundaries of the Bank's risk appetite, an effective integrated risk management system which commensurate with the size and complexity of the Bank's operations must be in place.

The integrated risk management system enables the Bank to achieve a single view of risks across its various business operations and to gain strategic competitive advantage from its capabilities. It can be described as the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management. It also aims at integrating the control and optimization of the principal risk areas of Market Risk (MR), Asset and Liability Management (ALM), Credit Risk (CR), Operational Risk (OR) and Shariah Compliance Risk; and building the requisite risk management organization, infrastructure, process and technology with the objective of advancing the Bank towards value protection and creation.



Risk Management Objectives

Generally, the objectives of the Bank's integrated risk management system include the following:

- Identifying all the risks exposures and their impact.
- Establishment of sound policies and procedures in line with the Bank's strategy, lines of business and nature of operations.
- Set out an enterprise-wide organization structure and defining the appropriate roles and responsibilities.
- Instill the risk culture within the Bank.

Risk Management Organisation Structure

A stable enterprise-level organisation structure for risk management is necessary to ensure a uniform view of risks across the Bank.

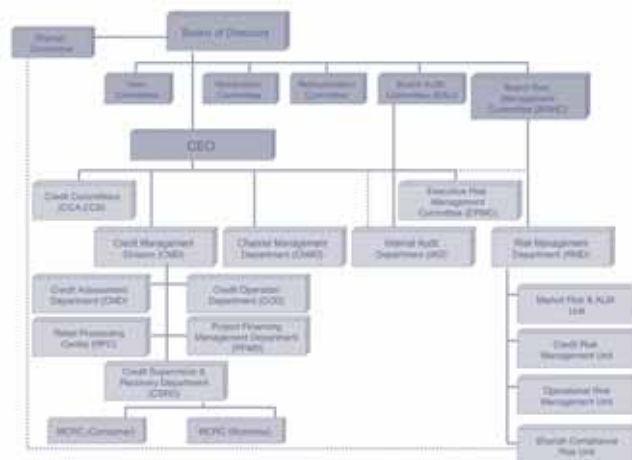
The Board of Directors has the overall responsibility for understanding the risks undertaken by the Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Bank, it has entrusted the Board Risk Management Committee (BRMC) to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

The execution of the Board's risk strategies and policies is the responsibility of the Bank's Management and the conduct of these functions are being exercised under a committee structure, namely the Executive Risk Management Committee (ERMC). The Chief Executive Officer (CEO) chairs the ERMC. The Committee focuses on the overall business strategies and day-to-day business operations of the Bank in respect of risk management.

In addition, as an Islamic Bank, a Shariah Committee (SC) is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.

To carry out the day-to-day risk management functions, a dedicated Risk Management Department (RMD) that is independent of profit and volume target, supports the above committees.

Risk Management Organisation Structure

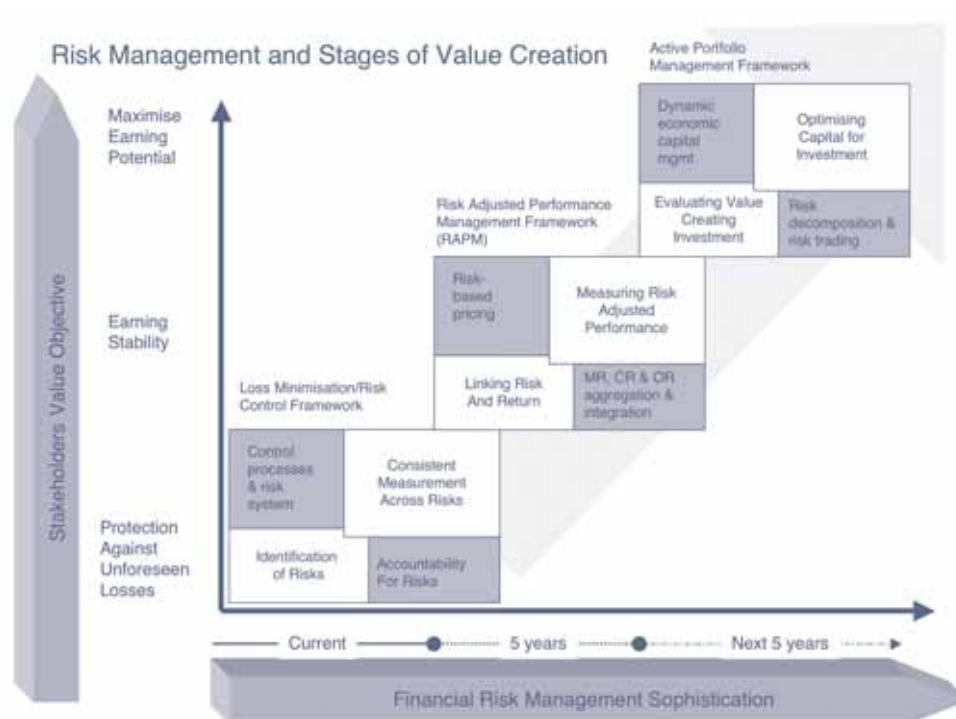


Preparation for Implementation of Basel II and IFSB

With the completion of the Integrated Risk Management Framework in 2004, the framework has provided a pathway for the Bank to implement the Basel II and IFSB requirements. The full implementation of Basel II and IFSB requirements will enable the Bank to further strengthen the risk management practices whilst at the same time ensuring that the Bank is adequately capitalized.

Given the importance of the implementation of Basel II and Islamic Financial Services Board (IFSB) standards, the Bank has embarked into various critical initiatives for Market Risk, Credit Risk, Operational Risk and Shariah Compliance Risk. The Basel II and IFSB project is strongly supported by the Bank's top management as well as the shareholders.

Each of the initiative is explained further in the risk sections below.



There are various levels of risk management sophistication as depicted above. The current stage of value creation focuses on loss minimization and risk control. Strategically, within 5 years period, the Bank is planning to progress to the next stage of Risk Adjusted Performance Management Framework.

Credit Risk Management (CRM)

Credit Risk is defined as risk due to the uncertainty in customers' or counterparty's ability to meet their obligations due to deterioration in credit quality or failure to perform according to the terms and conditions agreed upon in the financial contracts.

The primary objective of CRM is to maximize the Bank's returns by maintaining credit risk exposure within acceptable parameters in order to withstand potential losses; encompasses consumer financing, business financing, investment and capital market.

CRM is responsible for developing, enhancing and communicating an efficient, effective and consistent Credit Risk Management framework across the Bank. It covers the establishment of the appropriate credit risk environment. The credit policy function focuses on the credit policies/ guidelines formulation and is periodically reviewed, particularly to meet the regulatory requirements and BASEL II/ IFSB recommendations. The Board of directors (BOD) is responsible in approving and reviewing credit risk strategy and credit risk policies while the senior Management are responsible in implementing the strategies, identifying and managing the credit risk inherent in all products and the Bank's activities.

Credit Risk Identification and Measurement

At the Bank level, there are four stages of credit risk identification and measurement:

- **Credit Origination**

Each business line is responsible to identify, measure and mitigate the credit risk in their credit appraisal process. Realizing the need to have knowledgeable, skillful and competent credit processing personnel, the Bank requires them to undergo continuous credit related trainings and also to sit for the Certified Credit Professional examination conducted by the Institute of Bankers Malaysia.

- **Pre-Approval Evaluation**

Prior to credit approval, an independent pre-approval evaluation is carried out by Credit Analysts from Credit Management Division (CMD).



- **Post- Approval Credit Review**

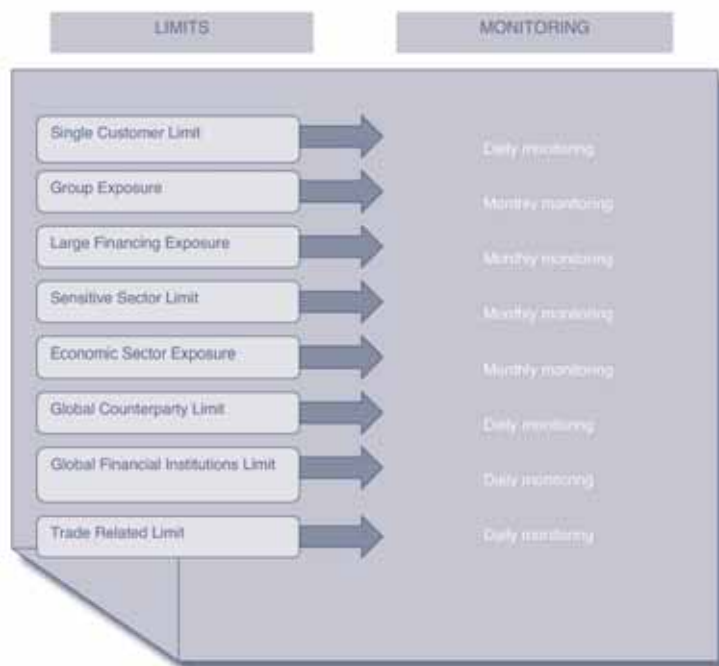
The credit review is carried out to ensure that the risk elements in the approved credit has been satisfactorily mitigated and reflective of the Bank's risk appetite.

- **Post Mortem Evaluation**

A post mortem evaluation is undertaken to identify the possible root causes that contribute to the deterioration in asset quality. The post review will allow the Bank to step back and review the credit granting and monitoring process.

Credit Risk Monitoring and Control

The Bank places a paramount attention to its portfolio through close monitoring and control. We have laid a structured monitoring mechanism in terms of imposing limits on our exposures to allow us to monitor our concentration risk in our financing portfolio. In addition, we also review the requirements and add the limit types in accordance to our business requirements.



In the post-approval stage, under the purview of CMD, various efforts have been taken to reduce the volatility of the credit exposures by way of setting up a centralized collection centre at the headquarter. In addition, the classifying and reporting of watch list exposures are conducted on quarterly basis to the management and supervisor. CMD also plays a vital role in recovery and rehabilitation on defaulted exposures.

Credit Risk Initiative

The Bank is embarking on a Collateral Management System to meet the operational and monitoring requirements under Basel II and IFSB. The system is to be part of the new Muamalat Banking Solution.

Market Risk Management

Market Risk is defined as a potential loss arising from adverse movements in market variables such as benchmark rate of return, foreign exchange rate, equity price and commodity price.

The principal objectives of the Market Risk Management are to:

- ensure the implementation of an effective Market Risk Management system in the Bank;
- assume an appropriate balance between the level of risk and the level of return desired in order to maximise the return to shareholders' funds; and
- ensure prudent management of the Bank's resources to support the growth of the bank's economic value.

Strategically, this can be achieved through the following:

- Risk management process - to identify, measure and monitor market risks inherent in all activities of the Bank.
- To ensure that the Bank holds adequate capital and that the capital is compensated for risks assumed.
- To ensure all relevant personnel clearly understands the Bank's approach in managing market risk.



Market Risk Management Process

Process	Detail
Risk Identification	<ul style="list-style-type: none">• Assessment on the Bank existing and new products
Risk Measurement	<ul style="list-style-type: none">• Valuation (Mark-to-Market) Process• Modified Duration for the Available for Sale (AFS) portfolio• Dollar Duration for Held-for-Trading (HFT) portfolio• Standardised Approach to Market Risk Capital Charge
Risk Mitigation	<ul style="list-style-type: none">• Imposing Control/Limits:<ul style="list-style-type: none">• Portfolio Limit - Held to Maturity (HTM), AFS & HFT• Stop Loss Limit• Net Open Position Limit• Modified Duration Limit for AFS• Dollar Duration Limit for HFT• Counterparty Limit
Risk Monitoring	<ul style="list-style-type: none">• Daily monitoring
Risk Reporting	<ul style="list-style-type: none">• Daily reporting to CRO• Monthly reporting to ERMC and BRMC

Asset Liability Management (ALM)

ALM refers to the coordinated management of the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Bank, which also focuses on the management of the Bank liquidity and rate of return risks.

The primary objective of ALM is to proactively manage the Bank's balance sheet, which includes assets, liabilities and capital, in order to maximise earnings and attain its strategic goal, within the overall risk/return preferences.

Generally the Bank's ALM strategies are to:

- ensure that the Bank achieves its financial objective through its strategic business plans, which shall be developed within the Bank's risk tolerance level;
- ensure that the Bank's pricing and funding are adequate to maintain a sound capital base through strategic management of balance sheet; and
- ensure the Bank identifies, measures, monitors and manage capital against ALM risk inherent in all activities of the Bank.

The Bank is exposed to rate of return risk in the context of balance sheet exposure. An increase in benchmark rates may result in having expectations of higher rate of return. A consequence of rate of return risk is displaced Commercial Risk. Displaced Commercial Risk arises from the risk that the Bank may confront under commercial pressure to pay returns that exceed the rate that has been earned on its assets financed by investment account holders. The Bank forgoes part or its entire share of profit in order to retain its fund providers and dissuade them from withdrawing their funds.

Rate of Return Risk Management Process

Process	Detail
Risk Identification	<ul style="list-style-type: none"> • Assessment on the Bank existing and new products • Assess the impact of changes in rate of return using the following perspective: <p><i>Earning perspective</i> The focus of analysis is the impact of changes in rate of return on accrual or reported earnings.</p> <p><i>Economic value perspective</i> Economic value of an instruments represent an assessment of present value of its expected net cash flows, discounted to reflect market rates. Economic value of a bank can be viewed as the present value of the bank's expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities.</p>
Risk Measurement	<ul style="list-style-type: none"> • Gap analysis • Simulation analysis- Earning at Risk (EAR) and Economic Value of Equity (EVE) • Stress Test
Risk Mitigation	<ul style="list-style-type: none"> • EVE limit • Guideline on the Bank's product pricing and funds transfer pricing • Hedging via Islamic Profit Rate Swap (IPRS)
Risk Monitoring	<ul style="list-style-type: none"> • Monthly assessment on EAR • Quarterly assessment on EVE • Quarterly stress test
Risk Reporting	<ul style="list-style-type: none"> • Monthly reporting to ERMC and BRMC

Liquidity is the ability to fund any obligation on time as they fall due, whether due to the increase in assets or demand for funds from depositors. This ability is crucial to the Bank as practically, every financial transaction or commitments have implication directly or indirectly to the Bank's liquidity. The Bank will incur liquidity risk if it is unable to create liquidity and this will cause serious repercussion to the Bank, in terms of its reputation and even its continued existence. In view of this, the Bank needs to be particularly attentive to the liquidity risk strategy and management approach. They are two types of liquidity risks that are of concern to the Bank; they are Funding Liquidity Risk and Market Liquidity Risk.

Liquidity Risk Management Process

Process	Detail
Risk Identification	<ul style="list-style-type: none"> • Assessment on the Bank funding and market liquidity position
Risk Measurement	<ul style="list-style-type: none"> • Broad Assumptions on Assets and Liability • Behavioral analysis • Gap analysis • BNM Net Liquidity Compliance Level • Large withdrawal, future commitment and forecast • Liquidity stress test • Liquidity Risk Early Warning Signal in relation to LCCP
Risk Mitigation	<ul style="list-style-type: none"> • Two forms of control for liquidity risk management • Liquidity under normal condition focuses on net funding management, diversification and pre-crisis management • Liquidity Crisis Contingency Plan (LCCP). The plan outline below
Risk Monitoring	<ul style="list-style-type: none"> • Daily monitoring • Quarterly liquidity stress test
Risk Reporting	<ul style="list-style-type: none"> • Monthly reporting to ERM and BRMC

Liquidity Crisis Contingency Plan

During liquidity crisis, the Bank views that liquidity management is of high importance. Therefore, to overcome the above, a Liquidity Crisis Contingency Plan (LCCP) is established to detail out actions to be taken in the event of a liquidity crisis in order to minimize losses as well as potential damage to the Bank's image.

The LCCP organisation structure is responsible to address liquidity crisis at all business levels including branches.

In the event of a crisis, Emergency Management Team (EMT) will be established to oversee the overall liquidity management of the Bank.

The Bank will be managed by the EMT, which will be supported by the Emergency Management Support Team (EMST) and the Business Continuity Team (BCT). Upon a liquidity crisis declaration, the EMT will be responsible to communicate the event to both the Board of Directors and Board Risk Management Committee (BRMC) members.

Liquidity Crisis Contingency Plan



Market Risk and ALM Future Initiatives

In order to progress to the next stage of value creation, the Bank has outlined a strategic plan for Market Risk and ALM. Basically, the strategy focuses on the enhancement of current Market Risk and ALM framework to support the Bank's future activities. This includes the initiative to introduce Value at Risk (VaR) computation as part of risk measurement tools. The Bank is also planning to build the required capabilities to progress to risk-based capital allocation and ultimately computation of RAROC in line with Risk Adjusted Performance Management Framework.

Operational Risk Management

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal process, people, system and external events. The Bank is fully aware of the inherent operational risk in financial services activities.

To minimise the adverse effect of possible financial and non-financial loss, the Bank has embarked on the Operational Risk Management (ORM) program which will effectively:

- Identify potential sources of loss;
- Assess the financial and non-financial consequences of loss occurring; and
- Using procedural or system controls to minimise actual losses of the financial consequences.



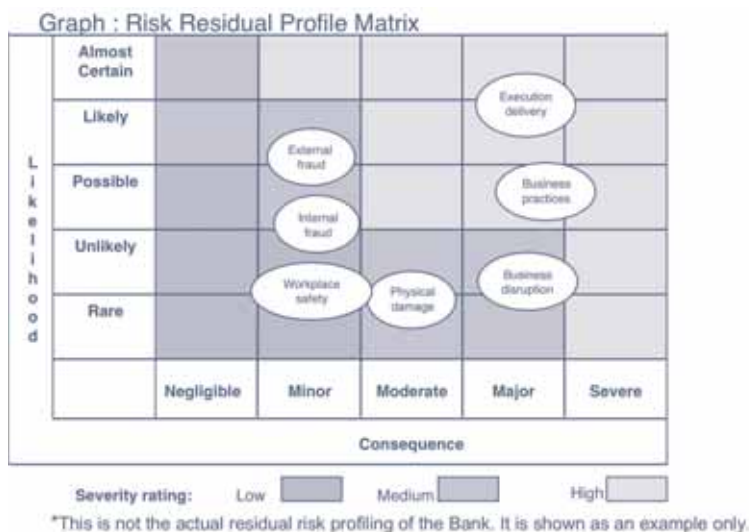
The ORM objectives are to:

- safeguard the interest and meet the expectation of the Bank's shareholders by safeguarding valuable resources and assets;
- maintain the integrity and confidence of the Bank's stakeholders, business community and public at large;
- meet the regulatory requirements for operational risks;
- minimize unexpected consequences on earning and return to stakeholders; and
- enhance strategic competitiveness and operational efficiency.

Risk Residual Profiling

Risk profiling is a deliverable of the risk identification process. It refers to developing a diagrammatic representation of the business line's susceptibility to operational risks. Such profiles comprise a combination of the likelihood and consequence of potential risk factors. Profiles assist the Bank to identify areas that are prone to losses due to causal factors relating to people, process, systems and external factors of a business line.

The objectivity of this tool is assured as the sources of profiling were based on audit reports, branch compliance reports and credit review reports, to name a few.



Controlled Risk Self Assessment

The Bank will employ the Controlled Risk Self Assessment (CRSA) methodology where business lines conduct self assessment on their risk areas and on the effectiveness of the existing risk controls. From this exercise, business lines would be able to identify the residual risks of the assessed area or subject and to draw the treatment or control measures to mitigate the risks.

Risk Mitigation Strategy

The risk mitigation stage formulates appropriate strategies to respond to the risks identified and quantified based on its acceptability level. At this stage, the Bank identifies and evaluates all possible options or strategies, which shall be put in place to manage those risks.

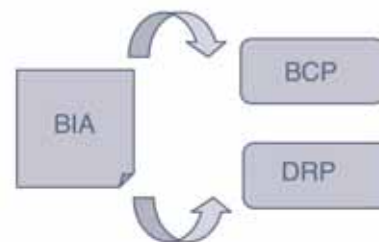
Risk mitigation strategy utilise some or all of the 4 T's strategies, namely:

TAKE	Accept the risk within the Bank and establish an appropriate plan to manage such risks
TRANSFER	Transfer the risk by moving the risk to another party or transfer or sharing some parts of the risks at a cost
TERMINATE	Avoid the risk by terminating the activity likely to generate risks
TREAT	Reduce the probability and consequence of risks

Business Continuity Management

Business Continuity Management (BCM) is part of the Bank's risk mitigation strategy. Under BCM, the Bank conducts yearly Business Impact Analysis (BIA) which assesses the potential impact of events on the Bank's business. This strategic finding helps the Bank to review its Business Continuity Plan (BCP) and IT Disaster Recovery Plan (DRP).

To further ensure the preparedness of the Bank to handle potential business and IT system disruptions, the two plans were periodically tested and reviewed.



Risk Reporting

Collation of loss events and material operational risk issues is part of the effort to monitor operational risks. Based on this information, periodical reports are submitted to the senior management and board risk committees for their risk oversight. Any material risk incident, for example fraud or disaster will be immediately escalated to the senior Management for their awareness or for decision making.

Regulatory Requirements

Adhering to regulatory requirements and good governance practices has been the basis of the Bank's operation. AML reporting and meeting the Basel II requirements are among the fundamentals of building the Bank's operational processes and its IT systems.

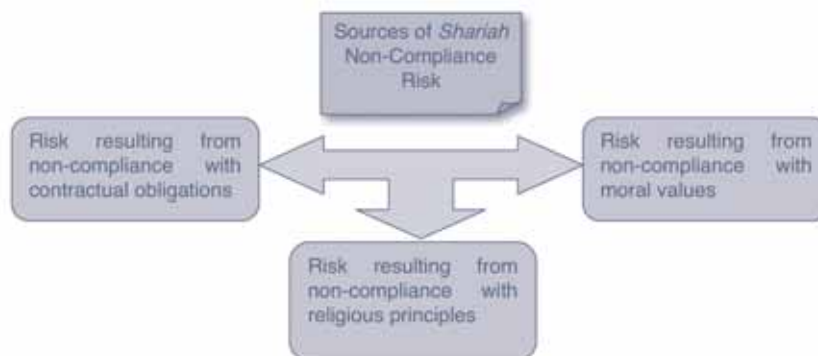
As a start, the Bank will use the Basic Indicator Approach (BIA) to compute its operational risk capital charge. Concurrently, the Bank is enhancing its IT system based on the Standardised Approach (TSA) as the platform to realise the implementation of the Advance Measurement Approach (AMA) in the near future.

SHARIAH COMPLIANCE RISK MANAGEMENT

Shariah compliance management is one of the unique features of an Islamic bank's risk management framework. Essentially, it refers to compliance with the principles of Shariah prescribed in the Quran and Sunnah as well as those principles designed and formulated through various ijihad instruments.

Shariah compliance can be well-defined as the risks arising from the Bank's failure to comply with the Shariah rules and principles embodied in the Quran and Sunnah as well as the fatwa issued by the Shariah Committee resulting from their exercise of ijihad.

SOURCES OF SHARIAH NON-COMPLIANCE RISK



We have identified the three main sources of Shariah non-compliance risk. They are:

- 1) Risk resulting from non-compliance with contractual obligations.
- 2) Risk resulting from non-compliance with religious principles.
- 3) Risk resulting from non-compliance with moral values.

The compliance aspect encompasses not only on fiqh muamalat but also inclusive of tawhid and akhlaq elements.

Shariah compliance management aims at ensuring the implementation of an efficient Shariah compliance management framework to ensure that the Bank's overall activities and operations are in line with the Shariah tenets. It will also uphold the Bank's image as an Islamic banking institution as well as ensuring that the income received by the Bank is free from syubhah elements. It is to be noted that Shariah compliance is zero-tolerance as compared to other risks.

In pursuing the above objectives, we are adopting the following strategies:

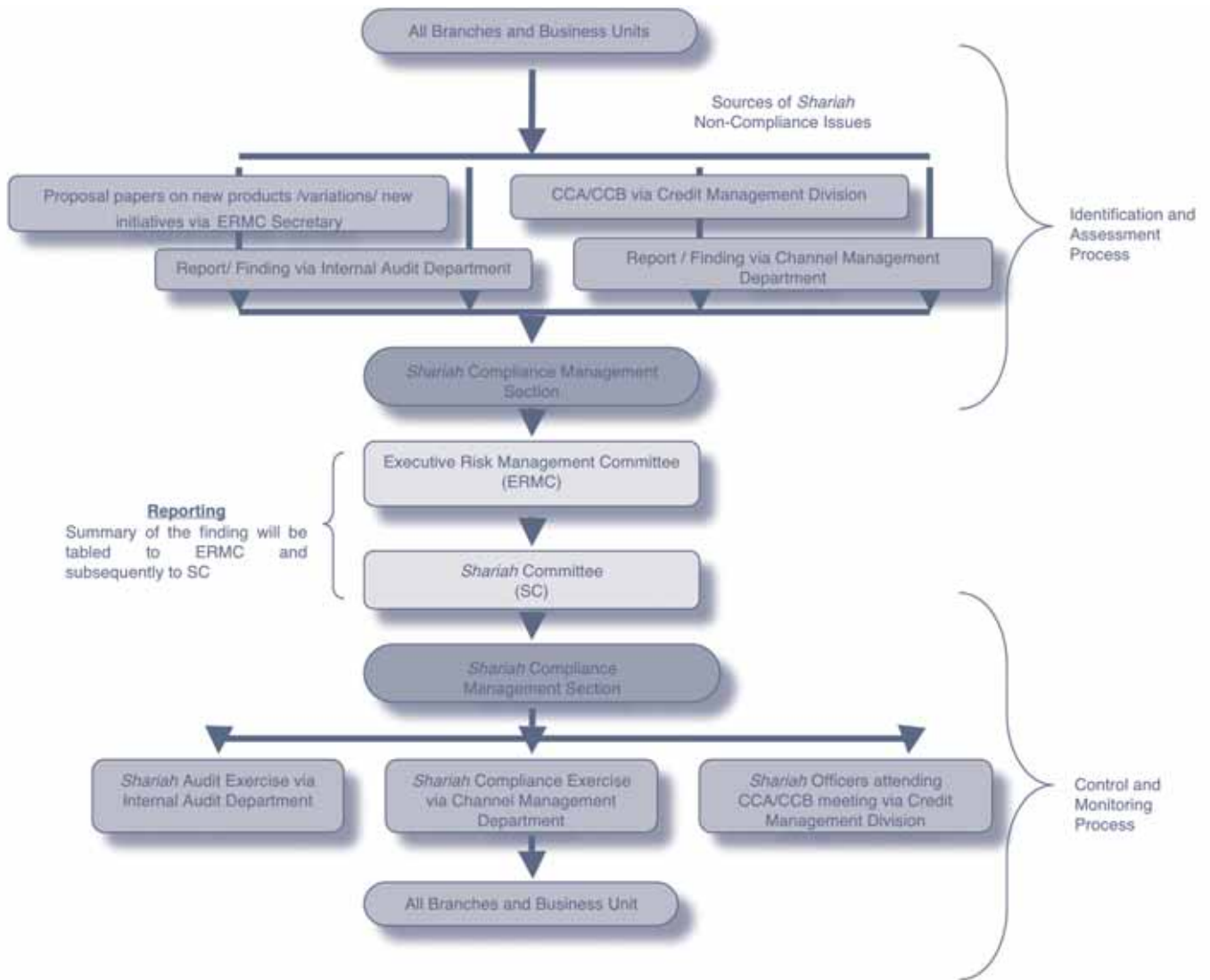
- 1) Disseminating the Shariah's decisions to the Bank's staff, vis-a-vis rendering the service of the Shariah advisory and consultancy panel.
- 2) Review the existing products and practices to ensure that it is fully Shariah compliant.
- 3) On-going Shariah training and awareness covering the entire scope of Fiqh Muamalat, Tawhid and Akhlaq.

SHARIAH COMPLIANCE MANAGEMENT PROCESS

Shariah Compliance Management processes can be best described by the following diagram:



SHARIAH NON-COMPLIANCE IDENTIFICATION, ASSESSMENT, MONITORING AND CONTROL PROCESS FLOW



SHARIAH NON-COMPLIANCE REPORTING PROCESS FLOW



CURRENT AND FUTURE INITIATIVES

Shariah Compliance Management Section has planned the following initiatives:

- 1) Structured training and awareness. To be specific, several types of training shall be conducted:
 - i) Islamic Banking and Finance for New Recruitment Staff. This training exposes the staff on general overview of Islam with regard to Banking and Finance activities.
 - ii) Celestial Management Training (CMT). This training adopts a holistic and spiritual approach focusing on Tawhid and Akhlaq of the individual. It is hoped that this effort will inhibit the tendency to commit Shariah non-compliance among the staff.
 - iii) Shariah Application in Islamic Banking (SAIB). This training aims at enhancing and strengthening the staff's knowledge on the application of various Shariah contracts in the products offered by the Bank.
- 2) Research and Development of new products with special focus on equity-based alternatives.



Financial

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are Islamic banking business and related financial services.

The principal activities of the subsidiaries are as disclosed in Note 12 to the financial statements.

There have been no significant changes in these activities during the financial year.

RESULTS

	<u>Group</u> RM'000	<u>Bank</u> RM'000
Profit after taxation and zakat	73,057	73,889
Minority interests	(537)	-
Net profit for the financial year	<u>72,520</u>	<u>73,889</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statement of changes in equity.

In the opinion of the directors, the results of the operations of the Group and the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend has been paid or declared by the Bank since the end of the previous financial year.

During the Board of Director's Meeting on 27 February 2007, a final dividend in respect of financial year ended 31 December 2006, of 5.55% less 28% taxation on 250,000,000 Musharakah Irredeemable Non-Cumulative Convertible Preference Shares ("MINCCPS"), amounting to a dividend payable of RM9,990,000 (4 sen net per MINCCPS Shares) had been approved by the Board.

Directors' Report

DIVIDEND (CONT'D)

The financial statements for the current financial year do not reflect this proposed dividends. Such dividends, if approved by shareholders at the forthcoming Annual General Meeting, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

DIRECTORS

The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Dato' Ismail Shahudin
Ismail Ibrahim
Datin Azizah Mohd. Jaafar
Dr. Aziuddin Ahmad
Abdul Jabbar Abdul Majid
Dato' Abdul Manap Abd Wahab (appointed on 1 March 2006)
Tengku Dato' Hasmuddin Tengku Othman (appointed on 18 April 2006)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 28 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTEREST

None of the directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares of the Bank or its related corporations.

Directors' Report

ISSUE OF SHARES

(a) During the financial year, the Bank increased its:

Issued and paid up Musharakah Irredeemable Non-Cumulative Convertible Preference Shares ("MINCCPS") from RM171,429,000 to RM274,154,000 by the issuance of 102,725,000 MINCCPS shares of RM1 each at an issue price of RM1 per preference share for cash, for additional working capital purposes.

(b) On 14 July 2006, the Bank converted 24,154,000 MINCCPS of RM1 each to 24,154,000 ordinary shares of RM1 each. This has resulted in an increase in the issued and paid up ordinary shares from RM225,846,000 to RM250,000,000 and a reduction in the issued and paid up MINCCPS from RM274,154,000 to RM250,000,000.

The ordinary shares converted during the year rank pari passu in all respects with the existing ordinary shares of the Bank.

OTHER STATUTORY INFORMATION

(a) Before the income statement and balance sheet of the Group and the Bank were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and have satisfied themselves that all known bad financing had been written off and that adequate allowance had been made for bad and doubtful financing; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

- (i) the amount written off for bad financing, or the amount of the allowance for bad and doubtful financing in the financial statements of Group and the bank inadequate to any substantial extent.
- (ii) the value attributed to current assets in the financial statements of the Group and the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations as; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

BUSINESS REVIEW 2006

Bank Muamalat had sustained performance at record pace in the financial year ended 2006 with profit before zakat and taxation exceeding the RM100 million mark to historical high of RM104.8 million. Net profit advanced to record RM73.9 million during the same period under review compared to the preceding high of RM32.3 million achieved in 2005. Significantly, the Bank's return on equity ratio was enhanced to 12.6% in 2006, from 6.1% in the preceding period.

Improved contribution from the core business segments underpinned the enhanced Bank performance in 2006, led by strengthened earnings generated from wholesale banking activities.

Meanwhile, total assets expanded to RM13.5 billion in 2006, an increase of 31.1% from the previous year, as gross financing-based activities enlarged to RM5.4 billion compared to RM4.2 billion in the preceding year. Importantly, asset quality as measured by the ratio of non-performing financing to total financing, improved during the same period under review, strengthening to 4.0% from 4.2% as at financial year end 2005.

Directors' Report

PROSPECTS AND OUTLOOK 2007

Moving from a position of strength into 2007, the Bank is gearing to reinvent itself on a more sustaining basis. Progressive and new initiatives to boost and broaden reach, enhance operational efficiency and fortify a performance oriented culture will be accelerated. The Bank intends to elevate its contribution in the development of the budding Islamic finance industry through skill-based differentiation, strengthened risk management and the attraction, retention and development of talent so as to strengthen its platform to achieve sustainable superior performance.

Outlook in 2007 portrays a macro environment almost little changed compared to the strenuous landscape that had shaped 2006 that even on the local front had endured multiple hikes in interest rates as the policy maker strived for sustainable economic growth. The then broad theme of price stability, however, remains relevant as the market contemplates diminishing inflationary pressure, amidst prices of primary commodities such as crude petroleum hovering at 20-month low, as such inclination also portends a deceleration in economic momentum that essentially inhibit the potential for enhanced operating margins.

RATING BY EXTERNAL RATING AGENCIES

Rating Agency	Date	Classification	Received
Rating Agency Malaysia Berhad	August, 2006	Long term Short term Subordinated Bond Outlook	A2 P1 A3 Stable

SIGNIFICANT EVENTS

Significant events are disclosed in notes 12(a), 12(b) and 12(c) to the financial statements.

DISCLOSURE OF SHARIAH COMMITTEE

The Bank's business activities are subject to the Shariah compliance and conformation by the Shariah Committee consisting of 4 members appointed by the Board for a 2-year term. The duties and responsibilities of the Shariah Committee are as follows:

- (a) To advise the Board on Shariah matters in order to ensure that the business operations of the Bank comply with Shariah principles at all times.

Directors' Report

DISCLOSURE OF SHARIAH COMMITTEE (CONT'D)

- (b) To endorse and validate relevant documentations of the Bank's products to ensure that the products comply with Shariah principle; and
- (c) To advise the Bank on matters to be referred to the Shariah Advisory Council.

ZAKAT OBLIGATIONS

The Bank only pays zakat on its business. The Bank does not pay zakat on behalf of the shareholders or depositors.

AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated

Dato' Ismail Shahudin

Kuala Lumpur, Malaysia

Dato' Abdul Manap Abd Wahab

Statement By Directors

pursuant to Section 169(15) of The Companies Act, 1965

We, Dato' Ismail Shahudin and Dato' Abdul Manap Abd Wahab, being two of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 59 to 121 are drawn up in accordance with the provisions of the Companies Act, 1965, applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, as modified by Bank Negara Malaysia Guidelines, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2006 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated

Dato' Ismail Shahudin

Dato' Abdul Manap Abd Wahab

Kuala Lumpur, Malaysia

Statutory Declaration

pursuant to Section 169(15) of The Companies Act, 1965

I, Mohd Zafer Mohd Hashim, being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 59 to 121 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Mohd Zafer Mohd Hashim
at Kuala Lumpur in Federal Territory
on

Mohd Zafer Mohd Hashim

Before me,

Commissioner for Oaths

We, the Shariah Committee of Bank Muamalat Malaysia Berhad, do hereby confirm that in our opinion, the operations of the Bank for the year ended 31 December 2006, to the best of our knowledge have been conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee,

Azizi Che Seman

Mohamad Sabri Haron

Kuala Lumpur, Malaysia

Report of the Auditors

to the members of Bank Muamalat Malaysia Berhad

We have audited the accompanying financial statements set out on pages 59 to 121. These financial statements are the responsibility of the Bank's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965, applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of:
 - (i) the financial position of the Group and the Bank as at 31 December 2006 and of the results and the cash flows of the Group and the Bank for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report thereon of the subsidiary of which we have not acted as an auditors, as indicated in Note 12 to the financial statements, being the financial statements that have been included on the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 1759/02/08(J)
Partner

Balance Sheets

as at 31 December 2006 (10 Zulhijjah 1427)

	Note	Group		Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
Cash and short-term funds	4	4,995,840	3,638,392	4,995,376	3,638,392
Deposits and placements with banks and other financial institutions	5	63,000	31,000	63,000	31,000
Securities:					
Held-to-maturity	6 (a)	33,186	33,114	33,186	33,114
Available-for-sale	6 (b)	2,817,688	2,253,569	2,817,688	2,253,569
Financing of customers	7	5,148,171	3,962,527	5,148,171	3,962,527
Statutory deposits with Bank Negara Malaysia	9	279,260	242,995	279,260	242,995
Other assets	10	48,357	36,992	56,466	36,987
Property, plant and equipment	11	48,238	50,202	48,120	50,202
Investment in subsidiaries	12	-	-	6,305	5
Deferred tax assets (net)	13	16,669	20,856	16,669	20,856
Goodwill		227	-	-	-
Total assets		13,450,636	10,269,647	13,464,241	10,269,647
LIABILITIES					
Deposits from customers	14	12,178,691	9,373,971	12,195,372	9,373,971
Deposits and placements of banks and other financial institutions	15	100,150	232,362	100,150	232,362
Bills and acceptances payable		118,563	65,043	118,563	65,043
Other liabilities	16	84,914	68,782	84,479	68,782
Provision for zakat and taxation	18	1,681	5,806	1,719	5,806
Subordinated bonds	20	250,000	-	250,000	-
Total liabilities		12,733,999	9,745,964	12,750,283	9,745,964

Balance Sheets

as at 31 December 2006 (10 Zulhijjah 1427)

	Note	Group		Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
SHAREHOLDERS' EQUITY					
Share capital	19	500,000	397,275	500,000	397,275
Reserves	21	213,126	126,408	213,958	126,408
		713,126	523,683	713,958	523,683
Minority interest		3,511	-	-	-
Total shareholders' equity		716,637	523,683	713,958	523,683
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		13,450,636	10,269,647	13,464,241	10,269,647
COMMITMENTS AND CONTINGENCIES					
	35	3,211,850	2,834,722	3,211,850	2,834,722
CAPITAL ADEQUACY *					
	39				
Core capital ratio		10.7%	9.7%	10.7%	9.7%
Risk-weighted capital ratio		15.8%	11.1%	15.7%	11.1%
Core capital ratio net of proposed dividends		10.5%	9.7%	10.4%	9.7%
Risk-weighted capital ratio net of proposed dividends		15.6%	11.1%	15.5%	11.1%

* The capital adequacy ratios are computed after taking into account the credit and market risks.

The accompanying notes form an integral part of the financial statements.

Income

Statements

for the year ended 31 December 2006 (10 Zulhijjah 1427)

	Note	Group		Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds and others	22	573,497	345,830	573,497	345,830
Income derived from investment of shareholders' funds	23	53,773	126,039	53,583	126,039
Allowance for losses on financing	24	(53,814)	(67,893)	(53,814)	(67,893)
Provision for commitments and contingencies		668	(2,809)	668	(2,809)
Impairment loss	25	(17,403)	(10,000)	(17,403)	(10,000)
Marked to market gain from derivatives		469	-	469	-
Profit equalisation reserve	17	-	3,756	-	3,756
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(10,398)	(8,953)	(10,369)	(8,953)
Total distributable income		546,792	385,970	546,631	385,970
Income attributable to depositors	26	(274,007)	(151,077)	(274,007)	(151,077)
Total net income		272,785	234,893	272,624	234,893
Personnel expenses	27	(79,577)	(80,668)	(78,879)	(80,668)
Other overheads and expenditures	29	(84,748)	(78,995)	(83,916)	(78,995)
Finance cost	30	(5,051)	-	(5,051)	-
Profit before voluntary separation scheme costs		103,409	75,230	104,778	75,230
Voluntary separation scheme costs		-	(33,979)	-	(33,979)
Profit before zakat and taxation		103,409	41,251	104,778	41,251
Zakat	31	(540)	(200)	(540)	(200)
Taxation	32	(30,349)	(8,723)	(30,349)	(8,723)
Net profit for the financial year		72,520	32,328	73,889	32,328
Attributable to:					
Equity holders of the parent		73,057	-	-	-
Minority interest		(537)	-	-	-
		72,520	-	-	-
Earnings per share (sen):					
Basic	33 (a)	29.0	14.3	29.6	14.3
Diluted	33 (b)	14.5	8.1	14.8	8.1

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2006 (10 Zulhijjah 1427)

Group	Attributable to Equity Holders of the Parent					Total	Minority Interest	Total Equity
	Share capital	Musharakah irredeemable non-cumulative convertible preference shares	Statutory reserve*	Net unrealised gains/ (losses) on available-for-sale securities	Distributable Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	225,846	171,429	79,019	(4,374)	51,763	523,683	-	523,683
Acquisition of a subsidiary	-	-	-	-	-	-	4,048	4,048
Net gains and losses not recognised in the income statement	-	-	-	13,661	-	13,661	-	13,661
Net profit for the year	-	-	-	-	73,057	73,057	(537)	72,520
Transfer to statutory reserve	-	-	36,944	-	(36,944)	-	-	-
Issuance of preference shares for cash	-	102,725	-	-	-	102,725	-	102,725
Converted to ordinary shares during the year	24,154	(24,154)	-	-	-	-	-	-
At 31 December 2006	250,000	250,000	115,963	9,287	87,876	713,126	3,511	716,637
At 1 January 2005	225,846	171,429	62,855	11,835	35,599	507,564	-	507,564
Net gains and losses not recognised in the income statement	-	-	-	(16,209)	-	(16,209)	-	(16,209)
Net profit for the year	-	-	-	-	32,328	32,328	-	32,328
Transfer to statutory reserve	-	-	16,164	-	(16,164)	-	-	-
At 31 December 2005	225,846	171,429	79,019	(4,374)	51,763	523,683	-	523,683

* The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act 1983 and is not distributable as dividends.

The accompanying notes form an integral part of the financial statements.

Statement of

Changes in Equity

for the year ended 31 December 2006 (10 Zulhijjah 1427)

	Share capital RM'000	Musharakah irredeemable non- cumulative convertible preference shares RM'000	← Non-distributable →		Distributable Retained profits RM'000	Total RM'000
			Statutory reserve *	Net unrealised gains/ (losses) on available- for-sale securities RM'000		
Bank						
At 1 January 2006	225,846	171,429	79,019	(4,374)	51,763	523,683
Net gains and losses not recognised in the income statement	-	-	-	13,661	-	13,661
Net profit for the year	-	-	-	-	73,889	73,889
Transfer to statutory reserve	-	-	36,944	-	(36,944)	-
Issuance of preference shares for cash	-	102,725	-	-	-	102,725
Converted to ordinary shares during the year	24,154	(24,154)	-	-	-	-
At 31 December 2006	250,000	250,000	115,963	9,287	88,708	713,958
At 1 January 2005	225,846	171,429	62,855	11,835	35,599	507,564
Net gains and losses not recognised in the income statement	-	-	-	(16,209)	-	(16,209)
Net profit for the year	-	-	-	-	32,328	32,328
Transfer to statutory reserve	-	-	16,164	-	(16,164)	-
At 31 December 2005	225,846	171,429	79,019	(4,374)	51,763	523,683

* The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act 1983 and is not distributable as dividends.

The accompanying notes form an integral part of the financial statements.

Cash Flow

Statements

for the year ended 31 December 2006 (10 Zulhijjah 1427)

	Group		Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES				
Income from financing	290,202	201,954	290,202	201,954
Income/profit paid to depositors	(256,166)	(150,078)	(256,166)	(150,078)
Operating fees and commission receipts	37,813	24,767	37,813	24,767
Guarantee fees receipts	5,697	4,879	5,697	4,879
Service charges receipts	3,508	2,411	3,508	2,411
Recoveries of non-performing financing	42,220	22,809	42,220	22,809
Cash payments to employees and others	(134,956)	(270,512)	(132,922)	(270,512)
Cash flow from operating profit before changes in operating assets and liabilities	(11,682)	(163,770)	(9,648)	(163,770)
(Increase)/Decrease in Operating Assets				
Financing, advances and other loans	(1,185,063)	(1,246,268)	(1,185,637)	(1,246,268)
Other assets	(11,570)	10,570	(61,633)	10,570
Statutory deposits with Bank Negara Malaysia	(36,265)	(80,568)	(36,265)	(80,568)
Increase/(Decrease) in Operating Liabilities				
Deposits from customers	2,804,720	1,918,961	2,821,401	1,918,961
Deposits and placements of banks and other financial institutions	(132,212)	228,341	(132,212)	228,341
Bills and acceptances payable	53,520	24,630	53,520	24,630
Other payables	6,494	6,742	11,515	6,742
Net cash from operating activities before zakat and taxation	1,487,942	698,638	1,461,041	698,638
Zakat paid	(247)	-	(247)	-
Taxes paid (net)	(33,891)	(1,352)	(33,891)	(1,352)
Net cash generated from operating activities	1,453,804	697,286	1,426,903	697,286

Cash Flow

Statements

for the year ended 31 December 2006 (10 Zulhijjah 1427)

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOW FROM INVESTING ACTIVITIES				
Dividend from available-for-sale securities	122,460	100,838	122,460	100,838
Proceeds from disposal of available-for-sale securities	2,543,364	1,817,429	2,543,364	1,817,429
Purchase of available-for-sale securities	(3,189,733)	(2,171,583)	(3,189,733)	(2,171,583)
Acquisition of a subsidiary company, net of cash acquired	3,171	-	(6,300)	-
Dividend from money market	114,958	-	114,958	-
Proceeds from disposal of property, plant and equipment	358	91	358	91
Purchase of property, plant and equipment	(11,659)	10,788	(11,632)	10,788
Net cash used in from investing activities	(417,081)	(242,437)	(426,525)	(242,437)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of preferences shares	102,725	-	102,725	-
Proceeds from issuance of subordinated bonds	250,000	-	250,000	-
Net cash generated from financing activities	352,725	-	352,725	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,389,448	454,849	1,353,103	454,849
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,669,392	3,214,543	3,669,392	3,214,543
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5,058,840	3,669,392	5,022,495	3,669,392
Cash and cash equivalents comprise:				
Cash and short-term funds	4,995,840	3,638,392	4,959,495	3,638,392
Deposits and placements with financial institutions	63,000	31,000	63,000	31,000
	5,058,840	3,669,392	5,022,495	3,669,392

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related services in accordance with Shariah principles.

There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the subsidiaries are as disclosed in Note 12 to the financial statements.

The Bank is a licensed Islamic Bank under the Islamic Banking Act, 1983, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 28th Floor, Menara Bumiputra, Jalan Melaka, 50100, Kuala Lumpur.

The holding company and ultimate holding company of the Bank are Bukhary Capital Sdn. Bhd. and Albukhary Corporation Sdn. Bhd. respectively. Both are private limited liability companies incorporated in Malaysia. The registered office of the holding company is located at Level 16, Menara Tun Razak, Jalan Raja Laut, 50350, Kuala Lumpur.

The total number of branches are 43 at 31 December 2006 (31 December 2005: 42) while the total number of employees are 1,380 (31 December 2005: 1,145).

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 February 2007.

2. BASIS OF PREPARATION

The financial statements of the Bank have been prepared in accordance with the provision of the Companies Act, 1965, applicable MASB Approved Accounting Standards for Entities Other Than Private Entities as modified by Bank Negara Malaysia (BNM) Guidelines and Shariah requirements. At the beginning of current financial year, the Bank had adopted new and revised FRs which are mandatory for financial period beginning on or after 1 January 2006 as described fully in Note 3.2.

The financial statement are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Bank are prepared under the historical cost convention, unless otherwise indicated in the respective accounting policies.

(b) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Summary of Significant Accounting Policies (Cont'd)

(b) Subsidiaries and Basis of Consolidation (Cont'd)

(ii) Basis of Consolidation (Cont'd)

Minority interest represents the portion of profit and loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of the changes in the subsidiaries' equity since then.

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(d) Financing of Customers

Financing are stated after deducting the allowance for possible losses.

(e) Allowances for Impaired Financing

Specific allowances are made for impaired financing, which have been individually reviewed and specifically identified as substandard, doubtful or bad.

A general allowance based on a percentage of the financing portfolio is also made. These percentages are reviewed annually in light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowances, if necessary. In addition, additional general provision is also made for certain high risk accounts.

Any uncollectible financing or portion of a financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the directors, there is no prospect of recovery.

Specific allowance provided for impaired financing had been made in full compliance with the BNM/GP3. Additional allowances for impaired financing are provided when the recoverable amount is lower than the net book value of financing (outstanding amount of financing, net of specific allowances) and long outstanding non-performing financing on the following basis:

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Summary of Significant Accounting Policies (Cont'd)

(e) Allowances for Impaired Financing (Cont'd)

- (i) assigning fifty percent (50%) of the force sale value of the properties held as collateral for non-performing financing which are outstanding for more than (5) years but less than seven (7) years; and
- (ii) no value will be assigned for the collateral of non-performing financing which are outstanding for (7) years and above.

Any allowance made during the year is charged to the income statement.

(f) Securities

The holding of securities of the Bank are segregated based on the categories and valuation methods:

(i) Securities Held-For-Trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement.

(ii) Securities Available-For-Sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

(iii) Securities Held-To-Maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. The securities held-to-maturity are measured at accreted/amortised cost based on effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Summary of Significant Accounting Policies (Cont'd)

(f) Securities (Cont'd)

The estimated fair values for securities held-for-trading and securities available-for-sale are based on quoted and observable market prices at the balance sheet date. Where such quoted and observable market prices are not available, fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted based on current market rates for similar instruments at the balance sheet date.

(g) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and therefore is not depreciated. Renovation work-in-progress are also not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	3%
Long term leasehold land	3%
Office furniture and equipment	15%
Building improvements and renovations	20%
Motor vehicles	20%
Computer equipment	20% - 33.3%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Summary of Significant Accounting Policies (Cont'd)

(g) Property, Plant and Equipment and Depreciation (Cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(h) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Gains or losses arising from foreign currency transactions are only recognised when realised to comply with the principles of Shariah.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year.

(i) Derivatives

(a) Foreign Exchange Contract

Foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at balance sheet date and the resultant gains and losses are recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.1 Summary of Significant Accounting Policies (Cont'd)****(i) Derivatives (Cont'd)****(b) Profit Rate and Foreign Currency Swaps (Cont'd)**

All derivatives financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statement unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in a separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are released to the income statement in the periods when the hedged item affects the income statement.

(j) Bills and Acceptances Payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

(k) Provision for Liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Summary of Significant Accounting Policies (Cont'd)

(l) Liabilities

Deposits from customers, deposits and placement of banks and financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(m) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absence such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(n) Income Recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Income from Financing

Income from financing of customers are recognised based on the constant rate of return method. Income includes the amortisation of premium and accretion of discount. Income from securities are recognised on an effective yield basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Summary of Significant Accounting Policies (Cont'd)

(n) Income Recognition (Cont'd)

(i) Income from Financing (Cont'd)

Where a customer's financing account is classified as non-performing, income is suspended until it is realised on a cash basis. Financing income recognised prior to the non-performing classification is treated as uncollectible, thus an additional amount of specific provision is made. Customers' accounts are classified as non-performing where repayments are in arrears for more than six months from the first day of default for financing; and three months from the first day of default for trade bills, bankers acceptances, trust receipts and other instruments of similar nature.

(ii) Fee and Other Income Recognition

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from dealing and investment securities are recognised when the Bank's right to receive payment is established.

(o) Income Tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Summary of Significant Accounting Policies (Cont'd)

(o) Income Tax (Cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(p) Zakat

This represents business zakat. It is an obligatory amount payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on 2.5% of the shareholders' funds growth method.

(q) Profit Equalisation Reserve ("PER")

PER refers to the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return". PER is reflected under other liabilities of the Bank.

The Bank did not maintain "PER" due to insufficient income from depositors funds, to cover the funding cost. In mitigating this, the Bank have utilised income from shareholders' fund.

(r) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents includes cash and bank balances and short-term funds with remaining maturity of less than one month.

(s) Financial Instruments

Financial instruments are recognised in the balance sheet when the Bank has become a party to the contractual provisions of the instrument. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Bank has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Summary of Significant Accounting Policies (Cont'd)

(t) Impairment of Non-Financial Assets

The carrying amounts of assets, other than investment property and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Bank adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has not adopted FRS 117 - Leases and FRS 124 - Related Party Transactions that have been issued but first effective for the Group on 1 January 2007. The Group has also not adopted FRS 139 - Financial Instruments: Recognition and Measurement as the effective date has been deferred.

The adoption of the new and revised FRSs did not result in significant changes in accounting policies of the Group.

3.3 Significant Accounting Estimates and Judgements

Preparation of the financial statements involved making certain estimates and assumptions concerning the future judgements. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in these estimates and assumptions by management may have an effect on the balances as reported in financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Estimates and Judgements (Cont'd)

(a) Fair Value Estimation of Securities

As disclosed in Note 3.1(f), where the quoted and observable market prices of certain securities are not available, fair value is estimated using pricing models or discounted cash flow techniques. The usage of these models and techniques require the Group to make certain estimates and assumptions, including but not limited to estimated future cash flows and discount rates.

(b) Income Taxes

Deferred tax assets are measured and recognised based on the tax rates that are expected to apply in the period when the asset is realised. Estimates are made as to the amount of taxable profits in these periods which will enable the deferred tax assets to be realised.

(c) Allowances for Losses on Loans, Advances and Financing

As stated in Note 3.1(e), specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as substandard, bad or doubtful. The individual assessment of financing may include making estimates and judgements about the counterparty's financial position, fair value of the underlying collaterals and future recoverable cash flows in workout/restructuring arrangements.

4. CASH AND SHORT-TERM FUNDS

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Cash and balances with banks and other financial institutions	150,376	150,376	60,392
Money at call and interbank placements with remaining maturity not exceeding one month	4,845,464	4,845,000	3,578,000
	4,995,840	4,995,376	3,638,392

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2006	2005
	RM'000	RM'000
Bank Negara Malaysia	63,000	31,000

6. SECURITIES

	Group and Bank	
	2006	2005
	RM'000	RM'000
(a) Held-to-maturity		
At amortised cost		
Corporate bonds	35,247	34,672
Accumulated impairment loss	(2,061)	(1,558)
Total held-to-maturity securities	33,186	33,114
(b) Available-for-sale		
At fair value		
Quoted securities:		
Malaysian government investment certificate	792,294	399,631
Cagamas bonds	110,093	124,496
Khazanah bonds	340,978	332,417
Islamic private debt securities	1,358,837	1,168,632
Sukuk	130,800	132,264
Negotiable instrument of deposit certificates	81,106	91,974
	2,814,108	2,249,414
Unquoted securities:		
Shares	3,580	4,155
Total available-for-sale securities	2,817,688	2,253,569

7. FINANCING OF CUSTOMERS

(i) By Type

	Group and Bank	
	2006	2005
	RM'000	RM'000
Cash line	326,408	332,886
Term financing:		
Home financing	3,416,531	2,591,178
Syndicated financing	72,863	60,038
Hire purchase receivables	1,532,320	875,384
Leasing receivables	143,957	95,371
Other term financing	1,110,294	1,171,493
Trust receipts	81,621	96,404
Claims on customers under acceptance credits	651,055	421,629
Staff financing	100,370	104,157
Revolving credit	659,425	399,304
	8,094,844	6,147,844
Less : Unearned income	(2,687,401)	(1,956,822)
	5,407,443	4,191,022
Less : Financing sold to Cagamas	(34,100)	(37,001)
	5,373,343	4,154,021
Less : Allowance for bad and doubtful financing:		
General	(81,453)	(75,948)
Specific	(143,719)	(115,546)
Total net financing, advances and other loans	5,148,171	3,962,527
(ii) By Contract		
Bai' Bithaman Ajil (deferred payment sale)	1,977,474	1,691,088
Ijarah (lease)	73,970	65,400
Ijarah Thumma Al-Bai (lease ended with ownership)	1,239,488	706,269
Inah (purchase of debt)	629,677	621,209
Murabahah (cost-plus)	1,075,754	905,345
Musharakah (profit and loss sharing)	60	156
Mudharabah (profit sharing)	504	1,223
Istisna' (sale order)	369,861	156,242
Qard Hasan (benevolent loan)	6,555	7,089
	5,373,343	4,154,021

7. FINANCING OF CUSTOMERS (CONT'D)

(iii) By Type of Customer

	Group and Bank	
	2006	2005
	RM'000	RM'000
Domestic non-banking institutions	47,363	50,721
Domestic business enterprises		
Small business enterprises	594,538	748,468
Others	1,467,750	917,084
Government and statutory bodies	56,960	59,210
Individuals	3,155,184	2,353,284
Other domestic entities	4,826	4,290
Foreign entities	46,722	20,964
	5,373,343	4,154,021

(iv) By Profit Rate Sensitivity

Fixed rate:		
Home financing	1,311,767	1,132,164
Hire purchase receivables	1,239,488	706,269
Others	2,436,378	2,191,918
Variable rate:		
Home financing	263,210	104,770
Others	122,500	18,900
	5,373,343	4,154,021

Notes to the Financial Statements

- 31 December 2006 (10 Zulhijjah 1427)

7. FINANCING OF CUSTOMERS (CONT'D)

(v) By Sector

	Group and Bank	
	2006	2005
	RM'000	RM'000
Agriculture	85,980	39,808
Manufacturing	829,439	697,544
Electricity, gas and water	15,293	79,677
Construction	659,957	533,616
Purchase of landed property:		
Residential	1,574,975	1,279,587
Non-residential	266,389	206,906
General commerce	203,664	101,609
Transport, storage and communication	80,693	62,699
Finance, insurance and business services	138,717	98,835
Purchase of securities	25,678	32,332
Purchase of transport vehicles	1,239,719	706,155
Consumption credit	206,241	267,952
Others	46,598	47,301
	5,373,343	4,154,021

8. NON-PERFORMING FINANCING

(i) Movements in the Non-Performing Financing, Advances and Other Financing

	Group and Bank	
	2006	2005
	RM'000	RM'000
As at 1 January	281,472	272,672
Classified as non-performing during the year	293,124	180,009
Reclassified as performing during the year	(142,391)	(78,725)
Recovered during the year	(53,566)	(37,514)
Written off during the year	(24,147)	(54,970)
As at 31 December	354,492	281,472
Less : Specific allowance	(143,719)	(115,546)
Net non-performing financing	210,773	165,926
Ratio of net non-performing financing to total net financing	4.0%	4.2%

8. NON-PERFORMING FINANCING (CONT'D)

(ii) Movements in the allowance for bad and doubtful financing

	Group and Bank	
	2006	2005
	RM'000	RM'000
General allowance		
As at 1 January	75,948	44,598
Allowance made during the year	5,505	31,350
As at 31 December	81,453	75,948
As % of total gross financing, advances and other loans less specific allowance	1.6%	1.9%
Specific allowance		
As at 1 January	115,546	139,496
Allowance made during the year	99,565	58,671
Amount recovered	(50,610)	(21,298)
Amount written off	(24,101)	(54,970)
Transferred to provision for commitments and contingencies	-	(6,353)
Transferred from provision for doubtful debts	3,319	-
As at 31 December	143,719	115,546
(iii) Non-performing financing by sector		
Agriculture	229	111
Manufacturing	17,614	17,134
Electricity, gas and water	227	787
Construction	64,372	35,242
Purchase of landed property:		
Residential	162,055	129,630
Non-residential	40,272	44,499
General commerce	6,119	7,749
Transport, storage and communication	364	621
Finance, insurance and business services	10,716	11,407
Purchase of securities	16,608	20,773
Purchase of transport vehicles	18,856	4,132
Consumption credit	17,060	9,387
	354,492	281,472

9. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The statutory deposits are 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 at set percentages of total eligible liabilities.

10. OTHER ASSETS

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits	2,447	1,935	2,447	1,935
Prepayments	7,543	3,084	7,543	3,084
Income receivables	30,262	21,403	30,262	21,403
Sundry debtors	8,105	13,889	16,214	13,884
Provision for doubtful debts	48,357	40,311	56,466	40,306
	-	(3,319)	-	(3,319)
	48,357	36,992	56,466	36,987

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Long term leasehold land	Freehold land and building	Office building and long term leasehold land	Furniture, fixtures, fitting, motor vehicle and equipment	Renovation work in progress	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	303	3,163	14,092	107,292	1,801	126,651
Subsidiary acquired	-	-	-	120	-	120
Additions	-	-	-	8,763	2,896	11,659
Disposals	-	(205)	-	(126)	-	(331)
Reclassification	-	-	-	3,408	(3,408)	-
At 31 December 2006	303	2,958	14,092	119,457	1,289	138,099

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (Cont'd)

	Long term leasehold land RM'000	Freehold land and building RM'000	Office building and long term leasehold land RM'000	Furniture, fixtures, fitting, motor vehicle and equipment RM'000	Renovation work in progress RM'000	Total RM'000
Accumulated Depreciation						
At 1 January 2006	26	494	2,204	73,725	-	76,449
Subsidiary acquired	-	-	-	29	-	29
Charge for the year	4	77	353	13,110	-	13,544
Disposals	-	-	-	(161)	-	(161)
At 31 December 2006	30	571	2,557	86,703	-	89,861
Net Book Value						
At 31 December 2006	273	2,387	11,535	32,754	1,289	48,238
At 31 December 2005	277	2,669	11,888	33,567	1,801	50,202
Details at 1 January 2005						
Cost	303	3,163	14,092	95,092	3,379	116,029
Accumulated Depreciation	21	415	1,852	58,725	-	61,013
Depreciation charge for 2005	5	79	352	15,154	-	15,590

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Bank

	Long term leasehold land	Freehold land and building	Office building and long term leasehold land	Furniture, fixtures, fitting, motor vehicle and equipment	Renovation work in progress	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	303	3,163	14,092	107,292	1,801	126,651
Additions	-	-	-	8,736	2,896	11,632
Disposals	-	(205)	-	(126)	-	(331)
Reclassification	-	-	-	3,408	(3,408)	-
At 31 December 2006	303	2,958	14,092	119,310	1,289	137,952
Accumulated Depreciation						
At 1 January 2006	26	494	2,204	73,725	-	76,449
Charge for the year	4	77	353	13,110	-	13,544
Disposals	-	-	-	(161)	-	(161)
At 31 December 2006	30	571	2,557	86,674	-	89,832
Net Book Value						
At 31 December 2006	273	2,387	11,535	32,636	1,289	48,120
At 31 December 2005	277	2,669	11,888	33,567	1,801	50,202
Details at 1 January 2005						
Cost	303	3,163	14,092	95,092	3,379	116,029
Accumulated Depreciation	21	415	1,852	58,725	-	61,013
Depreciation charge for 2005	5	79	352	15,154	-	15,590

12. INVESTMENT IN SUBSIDIARIES

	2006 RM'000	Bank 2005 RM'000
Unquoted shares at cost		
- in Malaysia	6,305	5

Details of the subsidiary companies are as follows:

Name	Principal activities	Country of Incorporation	Percentage of equity held		Paid up capital 31/12/2006
			2006 %	2005 %	
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	Malaysia	100	100	2
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	Malaysia	100	100	2
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital Business	Malaysia	100	-	2
Muamalat Avenue Sdn. Bhd. *	Provision of Fund Management Services	Malaysia	60	-	10,000,000

* Audited by firms other than Ernst & Young

- (a) On 12 January 2006, the Bank acquired 6,000,000 ordinary shares of RM1 each in Muamalat Avenue Sdn. Bhd., representing 60% of the enlarged equity share capital of the Company for a cash consideration of RM6,300,000.
- (b) On 20 June 2006, the Bank incorporated Muamalat Venture Sdn. Bhd., a wholly owned subsidiary of the Bank to undertake venture capital operations to complement the Group's banking business.
- (c) The Bank had on 18 December 2006 entered into a Share Sale Agreement to acquire the remaining 40% equity interest in Muamalat Avenue Sdn. Bhd. The said transaction had received regulatory approvals on 14 February 2007.

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(i) Acquisition of Muamalat Avenue Sdn Bhd

	RM'000
Purchase consideration satisfied by cash	6,300

The acquired subsidiary has contributed the following results to the Group:

	2006 RM'000
Revenue	187
Loss for the year	(1,343)

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment	91	91
Amount owing by a former related company	433	433
Deposits with financial institutions	9,450	9,450
Other receivables, deposits and prepaid expenses	204	204
Cash and bank balances	21	21
	10,199	10,199
Trade and other payables	(78)	(78)
Fair value of net assets	10,121	
Less: Minority interests	(4,048)	
Group's share of net assets	6,073	
Goodwill on acquisition	227	
Total cost of acquisition	6,300	

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(i) Acquisition of Muamalat Avenue Sdn Bhd (Cont'd)

The cash outflow on acquisition is as follows:

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Purchase consideration satisfied by cash representing total cash outflow of the Bank	6,300	
Cash and cash equivalents of subsidiary acquired	(9,471)	
Net cash outflow of the Group	(3,171)	

13. DEFERRED TAX ASSETS (NET)

	Group and Bank	
	2006	2005
	RM'000	RM'000
At 1 January	20,856	12,193
Recognised in the income statement	(640)	8,663
Recognised in the equity	(3,547)	-
At 31 December	16,669	20,856

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group and Bank	
	2006	2005
	RM'000	RM'000
Deferred tax assets	25,340	25,327
Deferred tax liabilities	(8,671)	(4,471)
	16,669	20,856

13. DEFERRED TAX ASSETS (NET) (CONT'D)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets of the Group and the Bank:

	General allowance for bad and doubtful financing RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2006	21,266	4,061	-	25,327
Recognised in income statements	1,539	(1,683)	157	13
At 31 December 2006	22,805	2,378	157	25,340
At 1 January 2005	12,488	3,191	3,236	18,915
Recognised in income statements	8,778	870	(3,236)	6,412
At 31 December 2005	21,266	4,061	-	25,327

Deferred Tax Liabilities of the Group and the Bank:

	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2006	(4,471)	-	(4,471)
Recognised in the income statement	(363)	(290)	(653)
Recognised in the equity	-	(3,547)	(3,547)
At 31 December 2006	(4,834)	(3,837)	(8,671)
At 1 January 2005	(5,830)	(892)	(6,722)
Recognised in the income statement	1,359	892	2,251
At 31 December 2005	(4,471)	-	(4,471)

14. DEPOSITS FROM CUSTOMERS

(i) By type of deposits

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Non-Mudharabah Fund			
Demand deposits	2,620,473	2,620,473	2,070,895
Savings deposits	472,532	472,532	468,130
Negotiable Islamic debt certificate	2,123,434	2,123,434	1,655,673
Others	17,734	34,415	32,939
	5,234,173	5,250,854	4,227,637
Mudharabah Fund			
General investment deposits	5,960,122	5,960,122	4,568,636
Special general investment deposits	984,396	984,396	577,698
	6,944,518	6,944,518	5,146,334
	12,178,691	12,195,372	9,373,971
(ii) By type of customer			
Government and statutory bodies	3,445,569	3,445,569	2,424,462
Business enterprises	5,732,944	5,749,625	5,133,138
Individuals	957,164	957,164	822,511
Others	2,043,014	2,043,014	993,860
	12,178,691	12,195,372	9,373,971

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Mudharabah			
Licensed banks	-	-	18,900
Licensed Islamic banks	-	-	209,996
	-	-	228,896

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS (CONT'D)

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Non-Mudharabah			
Bank Negara Malaysia	3,966	3,966	3,466
Licensed banks	34,242	34,242	-
Licensed Islamic banks	31,748	31,748	-
Others financial institutions	30,194	30,194	-
	100,150	100,150	232,362

16. OTHER LIABILITIES

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Sundry creditors	11,174	11,174	7,852
Income payable to depositors	46,895	46,895	27,319
Profit equalisation reserve [Note 17]	-	-	-
Provision for commitments and contingencies [Note 16(a)]	8,494	8,494	9,162
Inter branch balances	4,064	4,064	6,683
Accrual for bonus	8,085	8,085	11,570
Others	6,202	5,767	6,196
	84,914	84,479	68,782

(a) Movement in provision for commitments and contingencies

	Group and Bank	
	2006 RM'000	2005 RM'000
At 1 January	9,162	-
Provision made during the year	-	2,809
Write back in the year	(668)	-
Transfer from specific allowance for bad and doubtful financing	-	6,353
At 31 December	8,494	9,162

The provision relates to bank guarantees issued by the Group and the Bank that have a high likelihood to result in claims from the beneficiaries.

17. PROFIT EQUALISATION RESERVE

	Group and Bank	
	2006	2005
	RM'000	RM'000
At 1 January	-	3,756
Written back in the financial year	-	(3,756)
At 31 December	-	-

18. PROVISION FOR ZAKAT AND TAXATION

	Group	Bank	Group and Bank
	2006	2006	2005
	RM'000	RM'000	RM'000
Zakat	540	540	309
Taxation	1,141	1,179	5,497
	1,681	1,719	5,806

19. SHARE CAPITAL

	Number of shares of RM1 each		Amount	
	2006	2005	2006	2005
	'000	'000	RM'000	RM'000
Authorised:				
Ordinary shares of RM1 each	3,000,000	3,000,000	3,000,000	3,000,000
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares of RM1 each	1,000,000	1,000,000	1,000,000	1,000,000
Total	4,000,000	4,000,000	4,000,000	4,000,000

19. SHARE CAPITAL (CONT'D)

	Number of shares of RM1 each		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	225,846	225,846	225,846	225,846
Converted during the year	24,154	-	24,154	-
At 31 December	250,000	225,846	250,000	225,846
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares of RM1 each				
At 1 January	171,429	171,429	171,429	171,429
Issued during the year	102,725	-	102,725	-
Converted during the year	274,154 (24,154)	171,429 -	274,154 (24,154)	171,429 -
At 31 December	250,000	171,429	250,000	171,429
Total	500,000	397,275	500,000	397,275

During the financial year, the Bank increased its issued and paid-up Musharakah Irredeemable Non-Cumulative Convertible Preference Shares ("MINCCPS") from RM171,429,000 to RM274,154,000 by the issuance of 102,725,000 MINCCPS of RM1 each at an issue price of RM1 per MINCCPS each, for additional working capital purposes.

On 14 July 2006, 24,154,000 MINCCPS of RM1 each were converted into 24,154,000 ordinary shares of RM1 each. This has resulted in an increase in the issued and paid up ordinary shares from RM225,846,000 to RM250,000,000 and a reduction in the MINCCPS from RM274,154,000 to RM250,000,000.

The ordinary shares converted during the year rank pari passu in all respects with the existing ordinary shares of the Company.

19. SHARE CAPITAL (CONT'D)

The terms of the MINCCPS are as follows:

- (a) The dividend rate for the MINCCPS will be decided by the Board of Directors upon management's recommendation based on the preceding year's profit after tax after the annual results have been presented.
- (b) The MINCCPS holders have the same rights as ordinary shareholders with regards to receiving notices, reports and audited financial statements and attending general meetings of the Bank. The MINCCPS holders however is not entitled to vote except in the following circumstances:
 - (i) on a proposal to reduce the Bank's share capital;
 - (ii) on a proposal for the disposal of the whole of the Bank's property, business and undertaking;
 - (iii) on a proposal that affects rights attached to the MINCCPS;
 - (iv) on a proposal to wind up the Bank; and
 - (v) during the winding up of the Bank.
- (c) The MINCCPS have a three year maturity date and is convertible into ordinary shares of the Bank at the conversion ratio of 1 : 1 without premium.
- (d) The MINCCPS are transferable and assignable subject to the regulatory and the Board of Directors' approvals.

The shareholding of the Bank held by Bukhary Capital Sdn Bhd and Khazanah Nasional Berhad remain at 70% and 30% respectively.

20. SUBORDINATED BONDS

On 5 September 2006, the Bank issued RM250 million Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, with a profit rate of 6.25% per annum payable semi-annually. Under the 10 non-callable 5 basic feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate from the beginning of the 6th year to the final maturity date.

Notes to the Financial Statements

- 31 December 2006 (10 Zulhijjah 1427)

21. RESERVES

		Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Statutory reserve	(a)	115,963	115,963	79,019
Retained profit	(b)	87,876	88,708	51,763
Net unrealised gains/(losses) on available-for-sale securities	(c)	9,287	9,287	(4,374)
		213,126	213,958	126,408

(a) Statutory Reserve

The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act 1983 and are not distributable as cash dividends.

(b) Retained Profit

The accumulated profits retained by the Group and the Bank and are distributable.

(c) Net Unrealised Gains/(Losses) on Available-For-Sale Securities

The net unrealised gains/(losses) on revaluation of the securities classified under available-for-sale category to its fair value.

Movement of the unrealised gains or (losses) on available-for-sale securities is as follow:

	Group and Bank 2006 RM'000	2005 RM'000
At 1 January	(4,374)	11,835
Unrealised gains/(losses) on available-for-sale securities during the year	13,661	(16,209)
At 31 December [^]	9,287	(4,374)

[^] Net unrealised gain on available-for-sale securities at end of the financial year of which depositors' portion is RM7,043,100 (2005: unrealised gain of RM2,497,400).

22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group and Bank	
	2006	2005
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	339,064	169,458
(ii) Other deposits	234,433	176,372
	573,497	345,830

(i) Income Derived from Investment of General Investment Deposits

	Group and Bank	
	2006	2005
	RM'000	RM'000
Finance income and hibah		
Income from financing	175,831	97,901
Held-for-trading securities	293	-
Held-to-maturity securities	169	-
Available-for-sale securities	44,580	18,733
Money at call and deposit with financial institutions	66,598	28,360
	287,471	144,994
Amortisation of premium less accretion of discounts	14,004	12,035
Total finance income and hibah	301,475	157,029
Other operating income		
Net gain from sale of available-for-sale securities	20,500	8,332
Net gain from sale of held-for-trading securities	1,501	-
	22,001	8,332
Fees and commission		
Guarantee fees	3,780	2,549
Processing fees	11,136	1,036
Commission	672	512
	15,588	4,097
Total	339,064	169,458

22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D)

(ii) Income Derived from Investment of Other Deposits

	Group and Bank	
	2006	2005
	RM'000	RM'000
Finance income and hibah		
Income from financing	121,421	101,896
Held-for-trading securities	203	-
Held-to-maturity securities	117	-
Available-for-sale securities	31,073	19,497
Money at call and deposit with financial institutions	45,989	29,518
	198,803	150,911
Amortisation of premium less accretion of discounts	9,671	12,526
Total finance income and hibah	208,474	163,437
Other operating income		
Net gain from sale of available-for-sale securities	14,156	8,672
Net gain from sale of held-for-trading securities	1,037	-
	15,193	8,672
Fees and commission		
Guarantee fees	2,611	2,653
Processing fees	7,690	1,078
Commission	465	532
	10,766	4,263
Total	234,433	176,372

23. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Finance income and hibah			
Income from financing	-	-	21,498
Held-to-maturity securities	-	-	304
Available-for-sale securities	30,713	30,713	10,853
Money at call and deposit with financial institutions	2,371	2,371	11,024
	33,084	33,084	43,679
Amortisation of premium less accretion of discounts	(1,730)	(1,730)	6,569
Total finance income and hibah	31,354	31,354	50,248
Other operating income			
Net gain from foreign exchange transaction	3,844	3,844	2,953
Net gain from sale of available-for-sale securities	4,014	4,014	44,385
Gross dividend income from unquoted securities in Malaysia	417	417	1,111
	8,275	8,275	48,449
Fees and commission			
Guarantee fees	-	-	403
Processing fees	1,481	1,481	235
Corporate advisory fees	2,755	2,755	7,610
Service charges and fees	414	414	2,345
Commission	2,073	2,073	5,284
Others	243	53	6,513
	6,966	6,776	22,390
Other income			
Rental income	6,820	6,820	4,873
Gains on disposal of property, plant and equipment	358	358	79
	7,178	7,178	4,952
Total	53,773	53,583	126,039

24. ALLOWANCE FOR LOSSES ON FINANCING

	Group and Bank	
	2006	2005
	RM'000	RM'000
Allowance for bad and doubtful financing:		
(a) Specific allowance		
- Provided in the financial year	99,565	58,671
- Written back during the year	(50,610)	(21,298)
	48,955	37,373
(b) General allowance		
- Provided in the financial year	5,505	31,350
Bad debts on financing:		
- Written off	155	682
- Recovered	(801)	(1,512)
	53,814	67,893

25. IMPAIRMENT LOSS

The impairment loss of RM17.4 million relates to the provision of RM16.9 million made for the outstanding amount relating to a defaulted corporate bond, classified under available-for-sale securities. Another provision of RM0.5 million relates to the impairment of unquoted securities, classified under held-to-maturity securities.

26. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group and Bank	
	2006	2005
	RM'000	RM'000
Deposits from customers		
- Mudharabah funds	186,001	121,165
- Non-Mudharabah funds	6,881	26,868
Deposits and placements of banks and other financial institutions		
- Mudharabah funds	4,629	1,116
- Non-Mudharabah funds	76,496	1,928
	274,007	151,077

27. PERSONNEL EXPENSES

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Salaries and wages	50,269	49,722	48,178
Contributions to defined contribution plan	9,652	9,564	8,350
Social security contributions	563	560	452
Allowances and bonuses	11,479	11,455	17,040
Others	7,614	7,578	6,648
	79,577	78,879	80,668

Included in personnel expenses of the Group and of the Bank are executive director's remuneration amounting to RM512,000 (2005: RM64,000) as further disclosed in Note 28.

28. CEO, DIRECTORS AND SHARIAH COMMITTEE REMUNERATION

	Group and Bank	
	2006 RM'000	2005 RM'000
Executive Director/Chief Executive Officer		
Salaries and wages	400	35
Contributions to defined contribution plan	72	4
Allowances	-	5
Others	40	20
	512	64
Non-Executive Directors		
Fees	606	188
Other remunerations	136	120
	742	308
Shariah Committee Members	105	100
	1,359	472

28. CEO, DIRECTORS AND SHARIAH COMMITTEE REMUNERATION (CONT'D)

The number of directors of the Bank whose total remuneration during the financial year fell within the following bands is analysed below:

	Group 2006	Bank 2006	Group and Bank 2005
Executive Director/Chief Executive Officer			
RM500,001 - RM550,000	1	1	-
RM50,001 - RM100,000	-	-	1
Non-Executive Directors			
RM350,001 - RM400,000	1	1	-
RM50,001 - RM100,000	2	2	-
RM50,000 and below	4	4	8

29. OTHER OVERHEADS AND EXPENDITURES

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Promotion			
Advertisement and publicity	3,334	3,254	1,038
Establishment			
Rental	7,028	7,009	6,145
Depreciation	13,746	13,544	15,590
EDP expenses	26,069	26,069	25,045
Hire of equipment	2,519	2,519	1,499
General expenses			
Auditors' fees			
audit work	150	150	120
non-audit work	40	40	53
Professional fees	684	684	270
Legal expenses	627	627	1,684
Repair and maintenance	3,139	3,136	1,955
Insurance	4,057	4,057	4,071
Utilities expenses	3,060	3,060	2,950
Security guard expenses	4,444	4,444	4,571
Provision for doubtful debts	-	-	772
Others	15,851	15,323	13,232
	84,748	83,916	78,995

30. FINANCE COST

	Group and Bank	
	2006	2005
	RM'000	RM'000
Subordinated bonds	5,051	-

31. ZAKAT

	Group and Bank	
	2006	2005
	RM'000	RM'000
Provision for zakat based on result for the year:		
- Current	540	200

32. TAXATION

	Group	Group
	2006	and Bank
	RM'000	2005
		RM'000
Current income tax	30,473	22,494
Under/(over) provision in prior years	(764)	(5,108)
	29,709	17,386
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,741)	(10,802)
Underprovision in prior years	2,381	2,139
	640	(8,663)
	30,349	8,723

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

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32. TAXATION (CONT'D)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank is as follows:

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Profit before taxation	103,409	104,778	41,251
Taxation at Malaysian statutory tax rate 28% (2005: 28%)	28,955	29,338	11,550
Income not subject to tax	(1,535)	(1,535)	(2,724)
Expenses not deductible for tax purposes	1,312	929	2,866
Over provision of income tax in prior years	(764)	(764)	(5,108)
Underprovision of deferred tax in prior years	2,381	2,381	2,139
Income tax expense for the year	30,349	30,349	8,723

33. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Group and of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Profit attributable to ordinary equity holders of the Group and of the Bank (RM'000)	72,520	73,889	32,328
Weighted average number of ordinary shares in issue ('000)	250,000	250,000	225,846
Basic earnings per share (sen)	29.0	29.6	14.3

33. EARNINGS PER SHARE (CONT'D)

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Group and of the Bank and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Musharakah Irredeemable Non-Cumulative Convertible Preference Shares ("MINCCPS").

	Group 2006 RM'000	Bank 2006 RM'000	Group and Bank 2005 RM'000
Profit attributable to ordinary equity holders of the Group and of the Bank (RM'000)	72,520	73,889	32,328
Weighted average number of ordinary shares in issue ('000)	250,000	250,000	225,846
Effect of dilution of MINCCPS ('000)	250,000	250,000	171,429
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	500,000	500,000	397,275
Diluted earnings per share (sen)	14.5	14.8	8.1

34. RELATED PARTY TRANSACTIONS

(a) Related Parties and Relationships

The related parties of and their relationship with the reporting institution are as follows:

Related parties	Relationship
Malakoff Berhad and its subsidiaries	Common directors at its holding company

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34. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party transactions

The significant transactions of the Bank with the companies due to common directorship are as follows:

	Group and Bank	
	2006	2005
	RM'000	RM'000
Income		
Fee income	-	25
Expenditure		
Income/profit on deposits and placements		
- to companies due to common directorship	100	40
- to subsidiaries of a group due to common directorship at its holding company	8,322	4,668
Amounts due to		
- to companies due to common directorship	-	18,000
- to subsidiaries of a group due to common directorship at its holding company	397,124	710,103

35. 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.

Risk weighted exposures of the Bank as at 31 December 2006 are as follows:

	Group and Bank			
	2006		2005	
	Principal Amount	Credit Equivalent Amount	Principal Amount	Credit Equivalent Amount
	RM'000	RM'000	RM'000	RM'000
The commitments and contingencies constitute the following:				
Direct credit substitutes	126,975	126,975	132,807	132,807
Trade-related contingencies	103,939	20,788	70,955	14,191
Transaction related contingencies	1,391,305	695,653	1,437,819	718,910

35. COMMITMENTS AND CONTINGENCIES (CONT'D)

Risk weighted exposures of the Bank as at 31 December 2006 are as follows: (Cont'd)

	Group and Bank			
	2006		2005	
	Principal Amount	Credit Equivalent Amount	Principal Amount	Credit Equivalent Amount
	RM'000	RM'000	RM'000	RM'000
The commitments and contingencies constitute the following:				
Housing financing sold directly and indirectly to Cagamas with recourse	34,100	34,100	37,001	37,001
Credit extension commitment:				
- Maturity within one year	567,636	-	567,562	-
- Maturity exceeding one year	227,237	113,618	305,537	152,769
Foreign exchange related contracts	660,658	4,611	283,041	-
Interest rate related contracts	100,000	2,000	-	-
	3,211,850	997,745	2,834,722	1,055,678

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's risk management strategy seeks to ensure that risks undertaken are well managed within the boundaries of its risk appetite. With the approval by the Board, the Bank is in the process of putting in place an integrated risk management capability that would enable the Bank to achieve a single view of risks across its various business operations and to gain strategic competitive advantage from its management capabilities. This is in line with the BASEL II recommendation.

Market Risk

Market risk is the potential loss arising from adverse movements in market variables such as rate of return, foreign exchange rate, equity prices and commodity prices.

Credit Risk

Credit risk arises from the possibility that a customer or counterparty may be unable to meet its financial obligations to the Bank, either from a facility granted or a contract in which the Bank has a gain position.

Liquidity Risk

Liquidity risk refers to the inability for the Bank to meet its funding requirements arising from cash flow mismatches and its inability to liquidate position quickly and in sufficient volumes.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Bank manages risks strategically through the following risk committees.

Board Risk Management Committee ("BRMC")

BRMC is primarily responsible for effective functioning of the integrated risk management function within the Bank. As a committee of the Board, it acts with the delegated authority to decide or make recommendations to the Board of Directors on risk management issues. Its members comprise three independent non-executive directors and two non-independent non-executive directors, of which one of the independent non-executive director act as the committee chairman.

The key functions of the BRMC includes to review and recommend risk management strategies to the Board; to review and approve risk management policies; to oversee the overall management of all risks covering market risk, asset and liability management, credit risk and operational risk; to approve risk methodologies for measuring and managing risks and to approve contingency plan for dealing with various extreme internal/external events and disasters.

Executive Risk Management Committee ("ERMC")

The Board and BRMC have the overall responsibility for establishing the risk strategies and the policies of the Bank. Execution of these strategies and policies are the responsibilities of the ERMC. The committee consists of senior members of the management and the Chief Risk Officer. The committee focuses on the overall business strategies and daily business operations of the Bank in respect of risk management.

Among the responsibilities of ERMC includes overall responsibility for management of risks from a day-to-day business and operational perspective; to execute risk management strategies and policies as set by the Board and BRMC and ensure compliance thereof; to review risk management policies, controls and systems; to cultivate a proactive risk management culture within the Bank; to provide advisory to the BRMC and Risk Management Department on impact of risk measures on business strategies.

37. PROFIT RATE RISK

The Bank is exposed to the risk associated with the effects of fluctuations in the prevailing levels of profit rate on the financial position and cash flows of its portfolio. The fluctuations in profit rate can be influenced by changes in interest rates that affect the value of financial instruments under its portfolio. Profit rate risk is monitored and managed by the Risk Management Department to protect the income from operations.

The table below summarises the Bank's exposure to profit rate risk for its operations. The table indicates effective profit rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

37. PROFIT RATE RISK (CONT'D)

Group 2006	Non-trading book				Non-profit rate sensitive RM'000	Total RM'000	Effective profit rate %
	Up to 6 months RM'000	> 6 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000			
Assets							
Cash and short-term funds	4,881,345	-	-	-	114,495	4,995,840	3.6
Deposits and placements with banks and other financial institutions	63,000	-	-	-	-	63,000	3.6
Securities							
- held-to-maturity	-	2,295	2,444	28,447	-	33,186	1.0
- available-for-sale	185,846	50,948	1,786,049	794,845	-	2,817,688	4.7
Financing of customers							
- performing	638,036	49,413	997,330	3,108,900	-	4,793,679	6.1
- non-performing*	-	-	-	-	354,492	354,492	
Other non-profit sensitive assets	-	-	-	-	392,751	392,751	
Total assets	5,768,227	102,656	2,785,823	3,932,192	861,738	13,450,636	
Liabilities and shareholders' equity							
Deposits from customers	8,872,856	1,209,441	2,078,660	-	17,734	12,178,691	2.5
Deposits and placements of banks and other financial institutions	100,150	-	-	-	-	100,150	4.1
Bills and acceptances payable	-	-	-	-	118,563	118,563	
Subordinated bonds	-	-	250,000	-	-	250,000	6.3
Other non-profit sensitive liabilities	-	-	-	-	86,595	86,595	
Total liabilities	8,973,006	1,209,441	2,328,660	-	222,892	12,733,999	
Shareholders' equity	-	-	-	-	716,637	716,637	
Total liabilities and shareholders' equity	8,973,006	1,209,441	2,328,660	-	939,529	13,450,636	
On-balance sheet profit rate sensitivity gap	(3,204,779)	(1,106,785)	457,163	3,932,192			
Off-balance sheet profit rate sensitivity gap	(462,631)	-	-	-			
Total profit rate sensitivity gap	(3,667,410)	(1,106,785)	457,163	3,932,192			

* This is arrived at after deducting general and specific allowances from gross non-performing financing outstanding.

37. PROFIT RATE RISK (CONT'D)

Bank 2006	Non-trading book				Non-profit rate sensitive RM'000	Total RM'000	Effective profit rate %
	Up to 6 months RM'000	> 6 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000			
Assets							
Cash and short-term funds	4,880,881	-	-	-	114,495	4,995,376	3.6
Deposits and placements with banks and other financial institutions	63,000	-	-	-	-	63,000	3.6
Securities							
- held-to-maturity	-	2,295	2,444	28,447	-	33,186	1.0
- available-for-sale	185,846	50,948	1,786,049	794,845	-	2,817,688	4.7
Financing of customers							
- performing	638,036	49,413	997,330	3,108,900	-	4,793,679	6.1
- non-performing*	-	-	-	-	354,492	354,492	
Other non-profit sensitive assets	-	-	-	-	406,820	406,820	
Total assets	5,767,763	102,656	2,785,823	3,932,192	875,807	13,464,241	
Liabilities and shareholders' equity							
Deposits from customers	8,872,856	1,209,441	2,078,660	-	34,415	12,195,372	2.5
Deposits and placements of banks and other financial institutions	100,150	-	-	-	-	100,150	4.1
Bills and acceptances payable	-	-	-	-	118,563	118,563	
Subordinated bonds	-	-	250,000	-	-	250,000	6.3
Other non-profit sensitive liabilities	-	-	-	-	86,198	86,198	
Total liabilities	8,973,006	1,209,441	2,328,660	-	239,176	12,750,283	
Shareholders' equity	-	-	-	-	713,958	713,958	
Total liabilities and shareholders' equity	8,973,006	1,209,441	2,328,660	-	953,134	13,464,241	
On-balance sheet profit rate sensitivity gap	(3,205,243)	(1,106,785)	457,163	3,932,192			
Off-balance sheet profit rate sensitivity gap	(462,631)	-	-	-			
Total profit rate sensitivity gap	(3,667,874)	(1,106,785)	457,163	3,932,192			

* This is arrived at after deducting general and specific allowances from gross non-performing financing outstanding.

37. PROFIT RATE RISK (CONT'D)

Group and Bank 2005	Non-trading book				Non-profit rate sensitive	Total	Effective profit rate %
	Up to 6 months	> 6 - 12 months	>1 - 5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets							
Cash and short-term funds	3,578,000	-	-	-	60,392	3,638,392	2.7
Deposits and placements with banks and other financial institutions	31,000	-	-	-	-	31,000	2.7
Securities							
- held-to-maturity	-	-	4,739	28,375	-	33,114	1.0
- available-for-sale	225,131	81,840	1,258,833	664,714	23,051	2,253,569	4.5
Financing of customers							
- performing	824,378	13,787	1,396,271	1,638,113	-	3,872,549	6.6
- non-performing*	-	-	-	-	89,978	89,978	
Other assets	-	-	-	-	351,045	351,045	
Total assets	4,658,509	95,627	2,659,843	2,331,202	524,466	10,269,647	
Liabilities and shareholders' equity							
Deposits from customers	6,681,698	652,337	2,006,997	-	32,939	9,373,971	2.1
Deposits and placements of banks and other financial institutions	228,896	-	3,466	-	-	232,362	3.1
Bills and acceptances payable	10,704	-	-	-	54,339	65,043	
Other liabilities	-	-	-	-	74,588	74,588	
Total liabilities	6,921,298	652,337	2,010,463	-	161,866	9,745,964	
Shareholders' equity	-	-	-	-	523,683	523,683	
Total liabilities and shareholders' equity	6,921,298	652,337	2,010,463	-	685,549	10,269,647	
On-balance sheet profit rate sensitivity gap	(2,262,789)	(556,710)	649,380	2,331,202			
Off-balance sheet profit rate sensitivity gap	104,413	18,750	-	-			
Total profit rate sensitivity gap	(2,158,376)	(537,960)	649,380	2,331,202			

* This is arrived at after deducting the general and specific allowances from gross non-performing financing outstanding.

38. LIQUIDITY RISK

Maturities of assets and liabilities by behavioural maturity profile

Group 2006	Up to 6 months RM'000	> 6 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets					
Cash and short-term funds	4,995,840	-	-	-	4,995,840
Deposits and placements with banks and other financial institutions	63,000	-	-	-	63,000
Securities					
- Held-to-maturity	-	28,375	2,192	2,619	33,186
- Available-for-sale	211,458	765,817	54,019	1,786,394	2,817,688
Financing of customers	685,219	53,067	1,071,082	3,338,803	5,148,171
Other assets	48,357	16,669	-	327,725	392,751
Total assets	6,003,874	863,928	1,127,293	5,455,541	13,450,636
Liabilities					
Deposits from customers	8,885,796	1,211,204	2,081,691	-	12,178,691
Deposits and placements of banks and other financial institutions	100,150	-	-	-	100,150
Bills and acceptances payable	118,563	-	-	-	118,563
Other liabilities	68,335	18,260	-	-	86,595
Subordinated bonds	-	-	250,000	-	250,000
Total liabilities	9,172,844	1,229,464	2,331,691	-	12,733,999
Off-balance sheet liabilities					
Credit and commitments	2,950,513	-	227,237	34,100	3,211,850
Net maturity mismatch	(6,119,483)	(365,536)	(1,431,635)	5,421,441	(2,495,213)

38. LIQUIDITY RISK (CONT'D)

Maturities of assets and liabilities by behavioural maturity profile (Cont'd)

Bank 2006	Up to 6 months RM'000	> 6 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets					
Cash and short-term funds	4,995,376	-	-	-	4,995,376
Deposits and placements with banks and other financial institutions	63,000	-	-	-	63,000
Securities					
- Held-to-maturity	-	28,375	2,192	2,619	33,186
- Available-for-sale	211,458	765,817	54,019	1,786,394	2,817,688
Financing of customers	685,219	53,067	1,071,082	3,338,803	5,148,171
Other assets	56,466	16,669	-	333,685	406,820
Total assets	6,011,519	863,928	1,127,293	5,461,501	13,464,241
Liabilities					
Deposits from customers	8,907,081	1,209,511	2,078,780	-	12,195,372
Deposits and placements of banks and other financial institutions	100,150	-	-	-	100,150
Bills and acceptances payable	118,563	-	-	-	118,563
Other liabilities	67,900	18,298	-	-	86,198
Subordinated bonds	-	-	250,000	-	250,000
Total liabilities	9,193,694	1,227,809	2,328,780	-	12,750,283
Off-balance sheet liabilities					
Credit and commitments	2,950,513	-	227,237	34,100	3,211,850
Net maturity mismatch	(6,132,688)	(363,881)	(1,428,724)	5,427,401	(2,497,892)

38. LIQUIDITY RISK (CONT'D)

Maturities of assets and liabilities by behavioural maturity profile (Cont'd)

Bank 2005	Up to 6 months RM'000	> 6 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Assets					
Cash and short-term funds	3,638,392	-	-	-	3,638,392
Deposits and placements with banks and other financial institutions	31,000	-	-	-	31,000
Securities					
- Held-to-maturity	-	-	4,739	28,375	33,114
- Available-for-sale	248,182	81,840	1,258,833	664,714	2,253,569
Financing of customers	914,356	13,787	1,396,271	1,638,113	3,962,527
Other assets	20,931	-	279,912	50,202	351,045
Total assets	4,852,861	95,627	2,939,755	2,381,404	10,269,647
Liabilities					
Deposits from customers	6,714,637	652,337	2,006,997	-	9,373,971
Deposits and placements of banks and other financial institutions	228,896	-	3,466	-	232,362
Bills and acceptances payable	65,043	-	-	-	65,043
Other liabilities	3,617	70,971	-	-	74,588
Total liabilities	7,012,193	723,308	2,010,463	-	9,745,964
Off-balance sheet liabilities					
Credit and commitments	2,492,184	-	305,537	37,001	2,834,722
Net maturity mismatch	(4,651,516)	(627,681)	623,755	2,344,403	(2,311,039)

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39. CAPITAL ADEQUACY

The capital adequacy ratio of the Group/Bank is as follows:

	Group 2006	Bank 2006	Group and Bank 2005
Core capital ratio:			
Credit risk	14.5%	14.4%	13.7%
Credit and market risks	10.7%	10.7%	9.7%
Risk-weighted capital ratio:			
Credit risk	21.4%	21.3%	15.8%
Credit and market risks	15.8%	15.7%	11.1%

	2006 RM'000	2006 RM'000	2005 RM'000
<u>Tier-I Capital</u>			
Paid-up ordinary share capital	250,000	250,000	225,846
Paid-up Musharakah irredeemable non-cumulative convertible preference shares	250,000	250,000	171,429
Statutory reserve	115,963	115,963	79,019
Retained profits	87,876	88,708	51,763
Minority interest	3,511	-	-
Less: Intangible	(227)	-	-
Less: Deferred tax assets (net)	(16,669)	(16,669)	(20,856)
Total Tier-I Capital	690,454	688,002	507,201
<u>Tier-II Capital</u>			
Subordinated bonds	250,000	250,000	-
General allowance for bad and doubtful financing	81,453	81,453	75,948
Total Tier-II Capital	331,453	331,453	75,948
Less: Investment in subsidiary companies	-	(6,305)	(5)
Capital Base	1,021,907	1,013,150	583,144

39. CAPITAL ADEQUACY (CONT'D)

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

Group	2006		2005	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	5,962,420	-	4,559,643	-
10%	-	-	-	-
20%	284,127	56,825	303,555	60,711
50%	1,462,999	731,500	1,237,769	618,885
100%	3,980,111	3,980,111	3,020,448	3,020,448
Risk-weighted assets for credit risk	11,689,657	4,768,436	9,121,415	3,700,044
Risk-weighted market for market risk		1,680,288		1,545,823
Total risk-weighted assets for credit and market risks		6,448,724		5,245,867

Bank	2006		2005	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	5,961,956	-	4,559,643	-
10%	-	-	-	-
20%	284,127	56,825	303,555	60,711
50%	1,462,999	731,500	1,237,769	618,885
100%	3,978,107	3,978,107	3,020,448	3,020,448
Risk-weighted assets for credit risk	11,687,189	4,766,432	9,121,415	3,700,044
Risk-weighted assets for market risk		1,680,288		1,545,823
Total risk-weighted assets for credit and market risks		6,446,720		5,245,867

40. SEGMENT INFORMATION

(a) Business Segments

The bank is organised into two major business segments:

- (i) Wholesale banking - this segment include corporate banking, treasury and capital market and investment banking activities.
- (ii) Retail banking - this segment include Small Medium Enterprise banking, commercial and retail banking.

Other business segments include rental services, none of which are of a sufficient size to be reported separately.

Group
31 December 2006

	Wholesale Banking RM'000	Retail Banking RM'000	Others RM'000	Total RM'000
Total income	305,641	315,420	6,184	627,245
Result				
Segment result	67,502	29,723	6,184	103,409
Profit from operation				103,409
Zakat and taxation				(30,889)
Net profit for the financial year				72,520
Other information				
Segment assets	4,704,088	8,607,448		13,311,536
Unallocated corporate assets	-	-		139,100
Total assets	4,704,088	8,607,448		13,450,636
Segment liabilities	4,739,288	7,556,234		12,295,522
Unallocated corporate liabilities	-	-		438,477
Total liabilities	4,739,288	7,556,234		12,733,999
Other segment items				
Capital expenditure	910	4,397	6,472	11,779
Depreciation	638	5,238	7,697	13,573

40. SEGMENT INFORMATION (CONT'D)

(a) Business Segments (Cont'd)

Bank

31 December 2006

	Wholesale Banking RM'000	Retail Banking RM'000	Others RM'000	Total RM'000
Total income	305,641	315,420	6,184	627,245
Result				
Segment result	68,871	29,723	6,184	104,778
Profit from operation				104,778
Zakat and taxation				(30,889)
Net profit for the financial year				73,889
Other information				
Segment assets	4,704,088	8,607,448		13,311,536
Unallocated corporate assets	-	-		152,705
Total assets	4,704,088	8,607,448		13,464,241
Segment liabilities	4,732,692	7,525,680		12,258,372
Unallocated corporate liabilities	-	-		491,911
Total liabilities	4,732,692	7,525,680		12,750,283
Other segment items				
Capital expenditure	910	4,397	6,325	11,632
Depreciation	638	5,238	7,668	13,544

40. SEGMENT INFORMATION (CONT'D)

(a) Business Segments (Cont'd)

Group and Bank
31 December 2005

	Wholesale Banking RM'000	Retail Banking RM'000	Others RM'000	Total RM'000
Total income	228,583	238,670	4,897	472,150
Result				
Segment result	103,927	13,313	4,897	122,137
Unallocated corporate expenses	-	-	-	(80,886)
Profit from operation				41,251
Zakat and taxation				(8,923)
Net profit for the financial year				32,328
Other information				
Segment assets	3,778,691	6,377,166		10,155,857
Unallocated corporate assets	-	-		113,790
Total assets	3,778,691	6,377,166		10,269,647
Segment liabilities	3,624,638	5,981,696		9,606,334
Unallocated corporate liabilities	-	-		139,630
Total liabilities	3,624,638	5,981,696		9,745,964
Other segment items				
Capital expenditure	1,157	6,598	3,033	10,788
Depreciation	2,208	7,812	5,570	15,590

(b) Geographical segment

No segmental reporting in respect of geographical segment is presented as the Bank operates only in Malaysia.

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities of the Bank at the balance sheet date approximated their fair values except for the following:

	Group and Bank			
	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financing of customers	5,148,171	5,217,132	3,962,527	4,015,606
Financial liabilities				
Subordinated obligations	250,000	277,777	-	-

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two parties under normal market conditions. However, for certain assets such as financing and deposits, fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions below. These methods are subjective in nature therefore the fair values presented may not be indicative of the actual realisable value.

Cash and short-term funds, statutory deposits with Bank Negara Malaysia, other assets, deposits and placements of banks and other financial institutions, bills and acceptances payable and other liabilities.

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities

The "held-to-maturity" securities are stated at amortised cost. Provision for impairment is provided for when there is a permanent impairment loss and the fair values are deemed to approximate the carrying values.

Financing to customers

The fair values of financing to customers are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of specific allowance for bad and doubtful financing.

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

Deposits from customers

The fair value of deposits from customers are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

Subordinated obligations

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risks profiles.

42. COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of the adoption of new and revised FRSs as disclosed in Note 3.2.

43. CURRENCY

All amounts are stated in Ringgit Malaysia.

Addresses

REGISTERED OFFICE

Menara Bumiputra, Jalan Melaka
50100 Kuala Lumpur
Tel : 03-2698 8787

MUAMALAT BUSINESS CENTRE - SOUTHERN REGION

Lot 001 & 002, 13th Floor, Menara TH
Jalan Ayer Molek, 80000 Johor Bahru, Johor
Tel : 07-223 4644 / 221 3467 Fax : 07-222 4623

MUAMALAT BUSINESS CENTRE - CENTRAL REGION

LM 02, Mezzanine Floor
Wisma Sunway Mas
Jalan Tengku Ampuan Zabedah C9/9
Section 9, 40100 Shah Alam
Tel : 03-5513 7622 Fax : 03-5512 6981

MUAMALAT BUSINESS CENTRE - NORTHERN REGION

Ground & First Floor, Wisma Perkeso
3012 Off Lebuah Tenggiri 2
13700 Seberang Jaya, Prai, Pulau Pinang
Tel : 04-399 4770 Fax : 04-399 4816

REPRESENTATIVE, COMMERCIAL BANKING - EAST COAST

Ground Floor, Lot PT 265 & PT 266
Wisma Nik Kob
Jalan Sultan Yahya Petra
15200 Kota Bharu
Tel : 09-747 3187 / 228 Fax : 09-747 3230

REPRESENTATIVE, COMMERCIAL BANKING - EAST MALAYSIA

Bintulu Branch
35-38 Ground Floor, BDA-Shahida Commercial Centre
P.O. Box 2728, 97012 Bintulu
Tel : 086-337 462 Fax : 086-337 461

BRANCHES/SERVICE CENTRES

Wilayah Persekutuan

JALAN MELAKA

1st Floor, Podium Block, Menara Bumiputra
21, Jalan Melaka, 50100 Kuala Lumpur
Tel : 03-2032 4059 / 4060
Fax : 03-2032 5997

TAMAN SEGAR

No. 30, Jalan Manis 4
Taman Segar Off Jln Cheras
56100 Kuala Lumpur
Tel : 03-9130 2426
Fax : 03-9130 2007

JALAN IPOH

Ground Floor, Wisma TCT, No. 516-1, Batu 3
Jalan Ipoh, 51200 Kuala Lumpur
Tel : 03-4041 1885
Fax : 03-4043 1467

JALAN TAR

Ground Floor & Third Floor
Bangunan UMNO Lama
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel : 03-2697 7077
Fax : 03-2697 8020

TAMAN MELAWATI

268, 269 & 270, Jalan Bandar 12
Taman Melawati, 53100 Kuala Lumpur
Tel : 03-4108 1160
Fax : 03-4107 4625

BANDAR TASIK SELATAN

No. 14, Ground & First Floor, Jalan 4/146
Metro Centre, Bandar Tasik Selatan
57000 Kuala Lumpur
Tel: 03-9051 3100
Fax: 03-9058 1476

UNIVERSITI ISLAM ANTARABANGSA

Central Complex, Jalan Gombak
53100 Kuala Lumpur
Tel : 03-6185 8102
Fax : 03-6187 8579

Selangor

SELAYANG

No. 53, 53 (M), 51 & 51 (M)
Jalan SBC 1 Taman Sri Batu Caves
68100 Batu Caves, Selangor
Tel : 03-6187 8235
Fax : 03-6186 2387

KAJANG

No. 3 & 4, Jalan Dato' Seri P. Alagendra 1
43000 Kajang
Tel : 03-8734 7340
Fax : 03-8734 7332

KELANG

Ground & First Floor, Lot No. 46
Wisma Ban Guat Huat
Jalan Kapar, 41400 Kelang
Tel : 03-3344 4148
Fax : 03-3344 4146

PETALING JAYA

45, Jalan SS 2/64, 47300 Petaling Jaya
Tel : 03-7874 5722
Fax : 03-7875 5623

SHAH ALAM, SEK 9

28, Jalan Tengku Ampuan Zabedah D9/D
40000 Shah Alam
Tel : 03-5512 8830
Fax : 03-5512 8836

RAWANG

No. 9 & 11, Jalan Rawang 1
Bandar Baru Rawang
48000 Rawang
Tel : 03-6092 1680
Fax : 03-6092 1677

SHAH ALAM, PKNS

G-1, 2 & 3 Ground Floor
Kompleks PKNS
40000 Shah Alam
Tel : 03-5510 6511
Fax : 03-5512 5730

SUBANG JAYA

9 & 11, Lot 4015 & 4017
Jalan SS 15/5A, 47500 Subang Jaya
Tel : 03-5634 3971
Fax : 03-5634 3954

PUTRAJAYA

G-3, Block 2, Menara PJH, The Boulevard Precinct 2
Pusat Pentadbiran Kerajaan Persekutuan
62000 Wilayah Persekutuan Putrajaya
Tel : 03-8888 9778
Fax : 03-8889 2053

Negeri Sembilan

SEREMBAN

Lot 1522 & 1523, Jalan Tun Dr. Ismail, 70200 Seremban
Tel : 06-765 1500
Fax : 06-762 7218

Melaka

395, Taman Sinn, Jalan Semabuk, 75050 Melaka
Tel : 06-282 8464
Fax : 06-282 7191

Johor

JOHOR BAHRU

Ground & First Floor
No. 32 & 32A, Jalan Sementera A
Off Jalan Abdul Razak, 80000 Johor Bahru
Tel : 07-223 5822
Fax : 07-224 0811

BATU PAHAT

24-25, Ground & First Floor
Jalan Kundang, Taman Bukit Pasir
83000 Batu Pahat
Tel : 07-432 5257
Fax : 07-432 4945

JOHOR JAYA

Ground & First Floor, No. 17
Jalan Ros Merah 2/20
Taman Johor Jaya, 81100 Johor Bahru
Tel : 07-357 7451
Fax : 07-355 8106

Addresses

KLUANG

No. 1, Jalan Persiaran Dato' Haji Ismail Hassan
86000 Kluang
Tel : 07-772 2487
Fax : 07-774 4419

KULAI

18 & 19, Taman Seraya, Jalan Raya Kulai Besar
81000 Kulai
Tel : 07-663 8486
Fax : 07-663 8496

SEGAMAT

54, Jalan Susur, Kampong Abdullah
85000 Segamat
Tel : 07-931 0540
Fax : 07-931 0542

Terengganu

KUALA TERENGGANU

1, Jalan Air Jerneh, 20300 Kuala Terengganu
Tel : 09-622 2177
Fax : 09-623 4624

Kelantan

KOTA BHARU

Lot 2 & 257, Bangunan Perbadanan Menteri
Besar Kelantan (PMBK), Jalan Kuala Krai
15150 Kota Bharu
Tel : 09-744 1711
Fax : 09-744 4622

Jalan Sultan Yahya Petra
Ground Floor, Lot PT 265 & PT 266
Wisma Nik Kob, Jalan Sultan Yahya Petra
15200 Kota Bharu
Tel : 09-747 3187
Fax : 09-747 3230

Perak

IPOH

Ground & Mezzanine Floor, Wisma Maju UMNO
Jalan Sultan Idris Shah, 30000 Ipoh
Tel : 05-249 8800
Fax : 05-243 4997

PARIT BUNTAR

No. 17 & 19, Jalan Perwira, Pusat Bandar Baru
34200 Parit Buntar
Tel : 05-716 7201
Fax : 05-716 7204

SITIAWAN

Ground & First Floor, No. 392, Taman Samudera
32040 Seri Manjung, Perak
Tel : 05-688 4915
Fax : 05-688 4931

TAIPING

18-20, Ground & Mezzanine Floor
Jalan Taming Sari, 34000 Taiping
Tel : 05-807 8372
Fax : 05-807 8375

Kedah

ALOR SETAR

Lot T-1, Ground & Mezzanine Floor, Wisma PKNK
Jalan Sultan Badlishah, 05000 Alor Setar
Tel : 04-731 5722
Fax : 04-731 5724

KULIM

No. 6, Bangunan Al-Ikhwan
Pusat Perniagaan Putra
Jalan Kilang Lama, 09000 Kulim
Tel : 04-496 3500
Fax : 04-490 7825

SUNGAI PETANI

No. 1 & 2, Ground & First Floor, Wisma OIB
Jalan Bank, 08000 Sungai Petani
Tel : 04-420 4300
Fax : 04-421 5007

Penang

BAYAN BARU

No. 24, 26 & 28, Taman Seri Tunas
11950 Bayan Baru
Tel : 04-630 8100
Fax : 04-641 1058

BUTTERWORTH

Ground & First Floor, Wisma Perkeso
3012 Off Jalan Lebuah Tenggara 2
13700 Seberang Jaya, Perai, Pulau Pinang
Tel : 04-390 1292
Fax : 04-399 3797

Perlis

KANGAR

No. 11 & 13, Jalan Bukit Lagi, 01000 Kangar
Tel : 04-976 4751
Fax : 04-976 4799

Pahang

KUANTAN

B-114 & B-116 Sri Dagangan Centre
Jalan Tun Ismail, 25000 Kuantan
Tel : 09-516 2782
Fax : 09-516 2853

MENTAKAB

6 & 7, Jalan Tun Abd Razak, 28400 Mentakab
Tel : 09-277 5917
Fax : 09-277 4940

Sarawak

KUCHING

Lot 543-545, Bangunan Cheema
Jalan Tun Ahmad Zaidi Aduce, 93400 Kuching
Tel : 082-257 877
Fax : 082-414 142

BINTULU

35-38 Ground Floor, BDA-Shahida Commercial Centre
Peti Surat 2784, 97012 Bintulu
Tel : 086-337 462
Fax : 086-337 461

MIRI

433-434, Ground & First Floor, Block F
Miri Concession Land District, 98000 Miri
Tel : 085-420 622
Fax : 085-418 111

Sabah

KOTA KINABALU

Shoplot 69-72
Block H, Asia City
88000 Kota Kinabalu
Tel : 088-239 122
Fax : 088-239 128

Service Centers

Universiti Kebangsaan Malaysia

Lot 1.03A, Level 1, Wisma Unikab, 43600 Bangi
Tel : 03-8925 6034
Fax : 03-8925 6029

Kolej Universiti Teknologi Tun Hussein Onn

KM 21, Jalan Kluang
86400 Parit Raja, Batu Pahat
Tel : 07-453 6132
Fax : 07-453 6125

Universiti Teknologi Malaysia

Rumah Universiti (R02), 81310 UTM, Skudai
Tel : 07-558 1560
Fax : 07-557 6064

Lembah Keriang

Lot No. 195, Jalan Chengal, Kg Tradisi Lembah Keriang
Off Jalan Sintok, 06010 Changlun
Tel : 04-924 6243
Fax : 04-924 6246

Universiti Sains Malaysia

Bangunan D12, 11800 Minden, Pulau Pinang
Tel : 04-660 4600
Fax : 04-658 5945

Pusat Budi Penyayang

Jalan Bertam 2, Kepala Batas
13200 Seberang Perai Utara
Tel : 04-575 3588
Fax : 04-575 5703

Labuan

LABUAN OFFSHORE

Unit E002, Ground Floor
Financial Park Labuan Complex
Jalan Merdeka, 87000 Wilayah Persekutuan Labuan
Tel : 087-412 858
Fax : 087-451 164

LABUAN

Unit U0014, Ground Floor
Jalan OKK Awang Besar
87000 Wilayah Persekutuan Labuan
Tel : 087-424 190
Fax : 087-424 204

Trade Finance Centre

1st Floor, Podium Block
Menara Bumiputra, Jalan Melaka
50100 Kuala Lumpur
Tel : 03-2059 1321
Fax : 03-2072 8271

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Corporate

Identity



Bank Muamalat's logo and identity is formed by a dynamic line in a continuous motion. The principle objectives of efficiency and dynamism are reflected by a single line. The single line linking the 5 domes signifies the efficient, clear and focused vision, reflecting the strong relationship between the Bank, customers and its external environment.

The dome is a basic design element of Islamic Architecture. It is used to signify the place for prayers and shelter. This represents the products and services that the Bank can offer to its customers. The 5 domes are representatives of the 5 tenets of Islam and the 5 times Muslims are called to pray. The 5 points are also used in relation to the 5 principles of the Rukun Negara, giving a truly Malaysian object to its existence. An hour glass embedded in the centre within the logo design stands for the time which is essence of a Bank. Investments grow over time. The whole design translates the very meaning of Muamalat itself, which is "relationship between mankind".

Two colours are used within the logo. Sultan blue, a royal colour is used to provide a feeling of strength and confidence. Orange is a warm and exciting colour. It gives light and signifies growth. The orange is used to signify the warmth of the Bank, which is in continuous growth, never static but always dynamic.

BANK MUAMALAT
Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur



Progressing for the future

In this era where innovation and agility is essential, the strong foundation of a progressive organisation stems from the strength of its people and the strong culture that is embraced by all. In merging ideas, people and their expertise to give the very best, Bank Muamalat continues its journey of infinite growth and continuous excellence.