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Bank Islam Malaysia Berhad (98127-X)

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Strengthened by our on-going transformation, we aim to branch and grow . . .

annual report **2006**

Cover Rationale

Transforming to Reach Greater Heights

As the first Islamic bank in the region, Bank Islam Malaysia Berhad is akin to a mature tree; its roots – vast resources; its trunk – strength and fortitude; and its branches – new and constant growth. As purveyors of pure Islamic financial applications, we have weathered both storm and rain. Our strength has seen us stand firm, overcome and persevere. Heightened by our on-going transformation, we aim to branch and grow, greener and more resilient than ever.

History of Bank Islam Malaysia Berhad

Bank Islam Malaysia Berhad (Bank Islam), a name synonymous with Islamic banking in Malaysia, continues to lead the way and to assume the role of trendsetter for Islamic banking. Started operations as Malaysia's first Islamic bank on 1 July 1983, its establishment was primarily to cater for the financial needs of Muslims in the country and to further extend its services to the whole community.

Bank Islam has developed itself as one of the most respectable financial institutions in the country with a network of 90 branches nationwide. The bank parades a comprehensive list of about 50 innovative and sophisticated Islamic banking products and services, comparable to those of their conventional counterparts.

Bank Islam's success story is by and large a significant victory for Islamic financial system as a whole. This has put Bank Islam in the center of attention in the banking sector and is well on its way to turn Malaysia into the international capital of Islamic banking.

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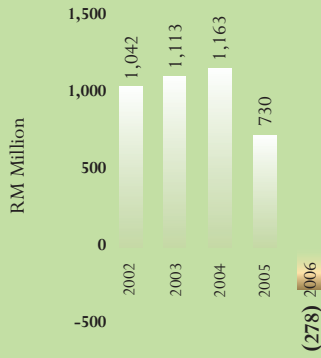
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Financial Highlights

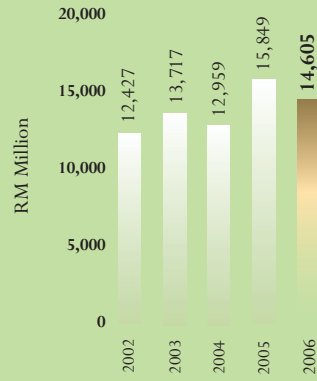
Financial Year Ended 30 June	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000
Selected Income Items					
(Loss)/Profit Before Zakat and Tax	66,189	130,331	98,298	(479,778)	(1,277,160)
(Loss)/Profit After Zakat and Tax	29,948	78,210	75,262	(507,807)	(1,296,789)
Selected Balance Sheet Items					
Assets					
Total Assets	12,426,651	13,717,155	12,958,514	15,848,906	14,605,316
Financing of Customers	5,984,738	6,890,765	7,640,474	9,168,596	8,501,362
Securities	3,213,037	3,817,681	3,151,149	3,239,136	2,466,157
Liabilities					
Total Customers' Deposits	11,056,355	12,365,040	11,268,901	13,483,171	14,386,516
Shareholders' Funds	1,042,416	1,113,126	1,163,188	730,181	(277,840)
Growth Rate					
(Loss)/Profit Before Zakat and Tax	17%	97%	(25%)	(588%)	(166%)
Total Assets	20%	10%	(6%)	22%	(8%)
Total Financing	19%	15%	11%	20%	(7%)
Total Shareholders' Funds	5%	7%	5%	(37%)	(138%)
Total Deposits	26%	19%	(9%)	20%	7%
Ratio Analysis					
Return on Assets	1%	1%	1%	(3%)	(9%)
Return on Shareholders' Funds	6%	12%	8%	(66%)	(460%)
Capital Adequacy Ratio	13%	12%	12%	11%	(3%)
Non-Performing Financing	11%	10%	12%	13%	9%
Financing to Deposit Ratio	54%	56%	68%	68%	59%
Earnings Per Share (EPS)	7 sen	16 sen	15 sen	(18 sen)	(175 sen)
Net Tangible Assets Backing Per Share	208 sen	222 sen	232 sen	146 sen	(32 sen)

Statistical Review for Five Years

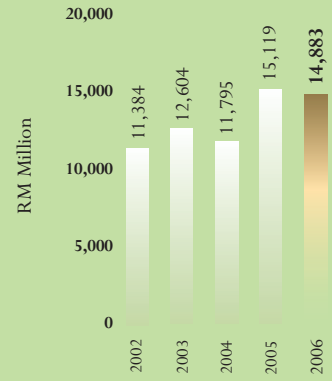
Shareholders' Funds



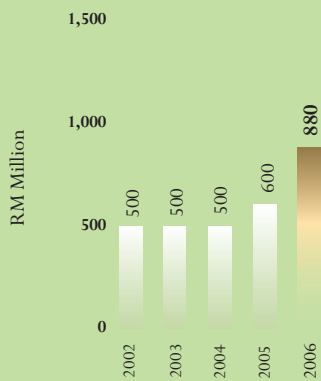
Total Assets



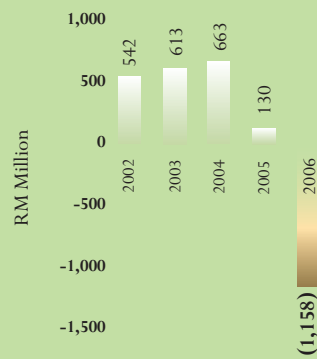
Total Liabilities



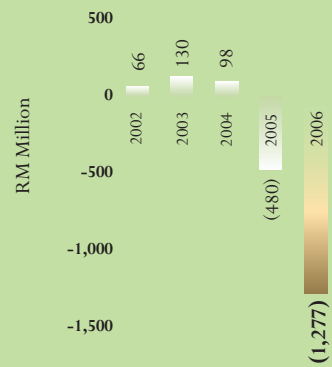
Share Capital



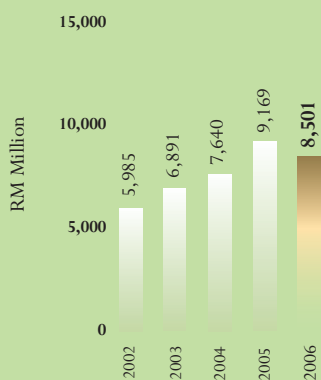
Reserves



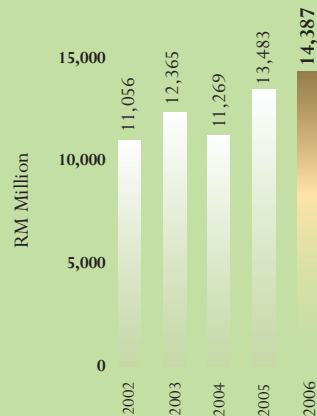
Profit/(Loss) Before Zakat and Tax



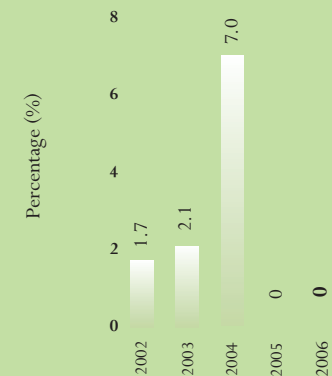
Financing of Customers



Total Deposits



Dividend Rate



Chairman's Statement



During the financial year ended 30 June 2006 (FYE2006), Bank Islam focused on two major initiatives. The first is a recapitalisation and balance sheet restructuring exercise to strengthen the capital base, and the second was to introduce strategic reforms at all levels of operations. These initiatives are part of a turnaround plan implemented during the year to return the Bank to profitability and enable it to play a significant role in the Government's pursuit of the Malaysian International Financial Centre (MIFC).

The recapitalisation of the Bank, completed after FYE2006 gave the Dubai Investment Group and Lembaga Tabung Haji strategic stakes in the Bank. Our new partners bring with them extensive experiences in the financial services industry and are committed to help the Bank become a dominant player in the global Islamic banking industry.

The operational reforms, on the other hand, have improved the robustness of the risk infrastructure, operational processes and enhanced the delivery of customer services and product innovation. We also set in motion a work-culture change to create a more dynamic and competitive Bank Islam.

As this annual report is being put together, we are working to finalise a "total solution" to fully address the non-performing financing issue which the Bank had to deal with since financial year ended 30 June 2005 (FYE2005).

On behalf of the Board of Directors (Board), I am pleased to present a review of the financial and operational review of Bank Islam amidst the silver linings in the horizon.

Financial Performance

For the FYE2006, the Bank reported a higher total income of RM960.63 million compared to FYE2005 but a one-off provision of RM1.48 billion for non-performing financing (NPF) resulted in a loss before tax and zakat of RM1.28 billion, while net loss amounted to RM1.30 billion.

The higher provisions were largely due to the adoption of a prudent policy to provide for NPF and to clean up the balance sheet. The provisions took into consideration, the following:

- Adherence to Bank Negara Malaysia's GP8-i provisioning requirement.
- A further deterioration of legacy financing.
- Provisions for consumer financing resulting from softer economic conditions in this particular sector.
- Non-financing adjustments.

Operational Performance

The Business and Consumer Banking Group performed better than the previous financial year. The improved performance was attributed to the more aggressive sales and marketing strategies during the year. These included forming strategic alliances with vendors and building on the strength of the Bank, which is the track record and the brand name for innovation.

In line with a customer-centric strategy, the Sales and Marketing Division was re-established. This division played a key role in the introduction of new products and services. As a result the Bank's market share in the credit card business, home and personal financing continued showing healthy growth.

While trade finance and cash management continued to be core offerings, efforts were also stepped up to generate more fee-based income in non-traditional segments such as the capital markets, especially in the second half of the FYE2006.

We have begun to take serious steps to address the alarming NPF situation. One of it is the establishment of a dedicated recovery unit, where several ex-Danaharta staff have been recruited to spearhead the effort.

Moving Forward

The Bank has a balance sheet that has been strengthened by the RM1.01 billion capital injection which raised its risk-weighted capital ratio way above the 8% minimum regulatory requirement.

The recapitalisation was a critical factor that has put us in a stronger financial position to pursue our annual and our long-term business plans in line with our goal to be the leading Islamic bank in the region.

The Islamic and banking finance industry in Malaysia and globally, is growing at an estimated 20% per annum. In certain economies its growth has surpassed that of conventional banking and it has moved from being a niche market offering to an increasingly mainstream product.

However, the Board is fully aware that strengthening our capital base alone would not determine our capacity to perform or to attain our goals.

Equally important are the quality of our management team, our systems, such as risk management and technology infrastructure, the level of corporate governance and the corporate culture. These elements need to be functioning equally well before we can realise our true potential.

In this regard, the Board has addressed these quality issues in a concerted and holistic approach under the turnaround plan, the implementation of which, began in the year under review; and would continue to be given priority in the current financial year.

The turnaround plan apart from addressing the need for recapitalisation and balance sheet restructuring, also comprise the following:

- i IT Infrastructure Revamp;
- ii Transformation Programme;
- iii Cost Rationalisation Exercise; and
- iv Human Capital Development.

Our senior management and staff have been briefed and they understand why it is critical for them to embrace the changes that will continue in the coming year.

As we move forward, the Bank is also confident that our business would benefit substantially from the synergies with our new shareholders. Lembaga Tabung Haji with close to 4.5 million members offers huge potential in terms of product innovation and offerings; while the Dubai Investment Group with its financial strength and sprawling business empire will provide a solid bridge to the Middle East, the stronghold for Islamic banking and regionally, where the growth of Islamic banking is outpacing conventional banking.

Last but certainly not the least, there will be fresh initiatives to rebrand the Bank, to build on the goodwill and premium of the Bank Islam brand. This is a distinct advantage which Bank Islam, Malaysia's pioneer Islamic bank has in the current industry scenario where close to a dozen new players have pitched in for a piece of the pie.

As the financial landscape evolves and competition intensifies, the Bank needs to respond to the changing market needs and continually reassess its strategies and alternatives. The challenge is for the Bank to become more flexible and adaptable and shift from the customary traditional offerings. Therefore, we need to offer unique value propositions to our customers whilst at the same time effectively manage their expectations.

Corporate Sosial Responsibility

As a corporation founded on Islamic principles, the Bank has never failed to fulfill its social obligation to the society. Besides allocating funds for zakat to be distributed to those in need, the Bank annually pledges sponsorships and contributions to deserving organisations as well as corporate customers for charitable and sports related activities. The fulfillment of our social duties even extend beyond the nation's shores.

Acknowledgements

As part of the change management, we are pleased to announce that YBhg Dato' Noorazman bin A. Aziz has been appointed as the first Group Managing Director of BIMB Holdings Berhad (Group), the holding company of Bank Islam, effective 9 June 2006. On behalf of the Board, I would like to thank YBhg Dato' Noorazman for his contributions as the previous Managing Director of Bank Islam and I am confident that he will continue to play a major role in leading the Group to greater heights.

The Board is also pleased to announce the appointment of YBhg Dato' Zukri bin Samat as the new Managing Director who will be providing direction in the implementation of the Bank's turnaround plan and in meeting its strategic goals and objectives.

We would also like to put on record the Bank's appreciation for the contributions of our Board members who have retired from the Board, Professor Dr Muhamad bin Muda, YBhg Datuk Siti Maslamah binti Osman and YBhg Datuk Dr Elias bin Md Kadir Baba. Their dedication and valuable guidance have helped the Bank to move forward during its most difficult period. At the same time, we are pleased to welcome Puan Zaiton binti Mohd Hassan and En Ismee Ismail to the Board. The Bank will certainly benefit from their vast experience in the finance and corporate sectors.

A special thank you to you, our valued customers, for your undivided support and your invaluable inputs to further improve Bank Islam's offerings.

Our appreciation also goes to the Board and members of the Shariah Supervisory Council who continuously offer their guidance to the Bank. Last, but not least, to our staff, thank you for your commitment, hard work and dedication.

Tan Sri Dato' Dr Abdullah bin Mohd Tahir
 Chairman
 Bank Islam Malaysia Berhad

Corporate Information

Board of Directors

Tan Sri Dato' Dr Abdullah bin Mohd Tahir Chairman (Appointed on 1 August 2006)	Salih Amaran bin Jamiaan Zaiton binti Mohd Hassan (Appointed on 2 February 2006)
Dato' Zukri bin Samat Managing Director (Appointed on 9 June 2006)	Ismee bin Ismail (Appointed on 9 October 2006)
Dato' Mohd Bakke bin Salleh	Dr Muhamad bin Muda (Resigned on 30 November 2005)
Dato' Noorazman bin A. Aziz	Datuk Siti Maslamah binti Osman (Resigned on 30 March 2006)
Zahari @ Mohd Zin bin Idris	Datuk Dr Elias bin Md Kadir Baba (Resigned on 30 March 2006)
Dato' Burhanuddin bin Ahmad Tajudin	

Shariah Supervisory Council

Dr Ahmad Shahbari
@ Sobri bin Salamon

Dr Abdullah bin Haji Ibrahim

Mohd Bakir bin Haji Mansor

Dato' Daud bin Muhammad

Dr Yusof bin Ramli

Dr Asmak bin Ab Rahman

Secretary

Nasrudin bin Yaakub

Audit & Examination Committee

Chairman

Zahari @ Mohd Zin bin Idris
Independent Non-Executive Director

Salih Amaran bin Jamiaan

(Appointed 30 March 2006)
Non-Independent
Non-Executive Director

Zaiton binti Mohd Hassan
Independent Non-Executive Director

Dr Muhamad bin Muda
(Resigned on 30 November 2005)
Independent Non-Executive Director

Datuk Elias bin Md Kadir Baba
(Resigned on 30 March 2006)
Independent Non-Executive Director

Datuk Siti Maslamah binti Osman
(Resigned on 30 March 2006)
Independent Non-Executive Director

Board Risk Committee

Chairman

Zaiton binti Mohd Hassan
Independent Non-Executive Director

Zahari @ Mohd Zin bin Idris
Independent Non-Executive Director

Salih Amaran binti Jamiaan
(Appointed 30 March 2006)
Non-Independent Non-Executive Director

Dr Muhamad bin Muda
(Resigned on 30 November 2005)
Independent Non-Executive Director

Datuk Elias bin Md Kadir Baba
(Resigned on 30 March 2006)
Independent Non-Executive Director

Datuk Siti Maslamah binti Osman
(Resigned on 30 March 2006)
Independent Non-Executive Director

Board Financing Review Committee

Chairman

Tan Sri Dato' Dr Abdullah bin Mohd Tahir
Non-Independent
Non-Executive Director

Alternate Chairman

Dato' Mohd Bakke bin Salleh
Independent Non-Executive Director

Zahari @ Mohd Zin bin Idris
Independent Non-Executive Director

Salih Amaran bin Jamiaan
Non-Independent
Non-Executive Director

Zaiton binti Mohd Hassan
Independent Non-Executive Director

Company Secretaries

Saiful Nizam bin Yasin
(LS 08955)
Nor Haimee bin Zakaria
(MIA 11813)

Auditors

KPMG Desa Megat & Co
(AF 0759)
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

Registered Address

14th Floor, Darul Takaful
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (6)03-2616 8000
Fax: (6)03-2694 9077
Web: www.bankislam.com.my

Directors' Profile



Tan Sri Dato' Dr Abdullah bin Mohd Tahir

Chairman
Non-Independent Non-Executive Director

59 years of age, Malaysian

PhD (Economics), American University, Washington DC (USA)
MBA (Finance), Catholic University of Leuven, Belgium
BSc Economics (Hons), University of Malaya

Chairman of Board Financing Review Committee, Bank Islam

Tan Sri Dato' Dr Abdullah bin Mohd Tahir was appointed as Chairman of Bank Islam on 1 August 2006.

Tan Sri Dato' Dr Abdullah retired from the civil service on 10 February 2005 after having served the Government for 34 years. Tan Sri has held several senior positions while in the civil services, among them as Director of Trade and Industry in the Economic Planning Unit of the Prime Minister's Department and Deputy Secretary General of the Ministry of International Trade and Industry where his last position was Secretary General of the Ministry of Entrepreneurial Development and Secretary General of the Ministry of Primary Industries (now known as the Ministry of Plantation Industries and Commodities).

He is currently Chairman of the National University Malaysia, Malaysian Rubber Board and Malaysian Furniture Promotion Council. He is also the Executive Director of Ekowood International Berhad and TSH Resources Berhad.

Tan Sri Dato' Dr Abdullah has no family relationship with any director/and or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

Dato' Zukri bin Samat

Managing Director
Non-Independent Executive Director

48 years of age, Malaysian

MBA, University of Hull (UK)
Diploma in Accountancy, UiTM



Dato' Zukri bin Samat was appointed as the Managing Director of Bank Islam on 9 June 2006.

Prior to this, he was the Executive Director – Investment, Khazanah Nasional Berhad. Prior to joining Khazanah, he was with Danaharta since October 1998 as General Manager, Operations Division and was later promoted to Director of Operations on 1 August 2001. He was then appointed by the Ministry of Finance as the Managing Director of Danaharta on 1 July 2003. Dato' Zukri has extensive experience in the banking sector having served in both local and international financial institutions in various capacities. He had also served as General Manager in Credit Agricole Indosuez Labuan from 1997 to 1998 and worked in Commerce International Merchant Bankers Berhad (CIMB) for a significant period of time whereby his last position there was the Deputy General Manager of the Capital Markets Department.

Dato' Zukri is also a Director of Pos Malaysia Services Holding Berhad.

Dato' Zukri has no family relationship with any director/and or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences. He attended 1 out of the 1 Board Meeting since his appointment as Managing Director.



Dato' Mohd Bakke bin Salleh

Independent Non-Executive Director

52 years of age, Malaysian

BSc (Econs), London School of Economics and Political Science
Fellow of ICA (England and Wales)
Member of MIA

Alternate Chairman of Board Financing Review Committee, Bank Islam

Dato' Mohd Bakke bin Salleh was appointed as a Director of Bank Islam on 3 June 2002.

Dato' Mohd Bakke is the Group Managing Director and Chief Executive Officer of FELDA Holdings Berhad. Prior to this, he was the Group Managing Director & Chief Executive Officer of Lembaga Tabung Haji.

He is also a Director of BIMB Holdings Berhad and a Commission Member of the Securities Commission of Malaysia.

Dato' Mohd Bakke has no family relationship with any director/and or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences. He attended all of the Board Meetings held in the financial year.



Dato' Noorazman bin A. Aziz

Non-Independent Non-Executive Director

51 years of age, Malaysian

BSc (Finance), Louisiana State University (USA)

Dato' Noorazman bin A. Aziz was the Managing Director of Bank Islam from 1 April 2005 until his recent appointment as the Group Managing Director of BIMB Holdings Berhad on 9 June 2006.

He served as the Managing Director and Head of Corporate Banking of Citibank Malaysia Berhad before being seconded to the Labuan Offshore Financial Services Authority as the Director General. Subsequently he moved on to become Chief Operating Officer of Bursa Malaysia Berhad.

He is also a Director of BIMB Holdings Berhad and Syarikat Takaful Malaysia Berhad.

Dato' Noorazman has no family relationship with any director/and or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences. He attended all of the Board Meetings held in the financial year.

Zahari @ Mohd Zin bin Idris

Independent Non-Executive Director

63 years of age, Malaysian

Senior Cambridge Certificate

Chairman of Audit and Examination Committee, Bank Islam

Member of Board Risk Committee, Bank Islam

Member of Board Financing Review Committee, Bank Islam



Zahari @ Mohd Zin bin Idris was appointed as a Director of Bank Islam on 20 September 2002.

Zahari was the Managing Director of Inter-City MPC (M) Sdn Bhd from 1999 to 2005. Prior to that, he was the General Manager, Commercial Banking Division of Malayan Banking Berhad (last position held) before retiring in 1996.

He is also a Director of BIMB Holdings Berhad and Putrajaya Perdana Berhad.

Zahari @ Mohd Zain has no family relationship with any director/and or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences. He attended 14 out of the 15 Board Meetings held in the financial year.

Datuk Burhanuddin bin Ahmad Tajudin

Non-Independent Non-Executive Director

74 years of age, Malaysian

Barrister at Law (Middle Temple)



Datuk Burhanuddin bin Ahmad Tajudin was appointed as a Director of Bank Islam on 26 April 2004.

Datuk Burhanuddin is a lawyer by profession, having practised law for 28 years.

He is also a Director of BIMB Holdings Berhad, Permodalan Nasional Berhad, Amanah Saham Nasional Berhad, Universal Trustee (M) Berhad and Ireka Corporation Berhad.

Datuk Burhanuddin has no family relationship with any director/and or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam except by virtue of being a nominee director of Permodalan Nasional Berhad, and neither has he been charged with any offences. He attended all of the Board Meetings held in the financial year.



Salih Amaran bin Jamiaan

Non-Independent Non-Executive Director

66 years of age, Malaysian

MBA Wharton, University of Pennsylvania (USA)

Member of Audit and Examination Committee, Bank Islam

Member of Board Risk Committee, Bank Islam

Member of Board Financing Review Committee, Bank Islam

Salih Amaran bin Jamiaan was appointed as a Director of Bank Islam on 18 February 2005.

He was the former Deputy Secretary to the Malaysian Ministry of Finance's Division at the Malaysian Ministry of Finance; General Manager, International Banking Division of Malayan Banking Berhad; Special Adviser (Economics) of the Commonwealth Secretariat, London, and Deputy Director, Trade Finance and Promotion Department Islamic Development Bank (IDB) in Jeddah. From 2000 to 2002, he was the Regional Representative of IDB for Brunei, Indonesia and Malaysia in Kuala Lumpur.

He is also a Director of BIMB Holdings Berhad.

Salih has no family relationship with any director/and or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam except by virtue of being a nominee director of Permodalan Nasional Berhad, and neither has he been charged with any offences. He attended all of the Board Meetings held in the financial year.

Zaiton binti Mohd Hassan

Independent Non-Executive Director

50 years of age, Malaysian

Fellow of Malaysian Institute of Certified Public Accountants (MICPA)

Fellow of Association of Chartered Certified Accountants (UK)

Chairman of Board Risk Committee, Bank Islam

Member of Audit and Examination Committee, Bank Islam

Member of Board Financing Review Committee, Bank Islam



Zaiton binti Mohd Hassan was appointed as a Director of Bank Islam on 2 February 2006.

Zaiton is currently the Managing Director of Capital Intelligence Advisors Sdn Bhd. She was formerly the President/Chief Executive Officer of Malaysian Rating Corporation Berhad (MARC).

She is also a Director of BIMB Holdings Berhad, Mesiniaga Berhad, Malaysia Industrial Development Finance Berhad, Credit Guarantee Corporation Malaysia Berhad and a Commission Member of the Companies Commission of Malaysia.

Zaiton has no family relationship with any director/and or major shareholder of Bank Islam. She has no conflict of interest with Bank Islam and neither has she been charged with any offences. She attended 6 out of the 6 Board Meetings since her appointment as Director.



Ismee bin Ismail

Non-Independent Non-Executive Director

42 years of age, Malaysian

Chartered Institute of Management Accountants (UK)

Member of MIA

Ismee bin Ismail was appointed as a Director of Bank Islam on 9 October 2006.

Ismee is the Group Managing Director & Chief Executive Officer of Lembaga Tabung Haji. Prior to that, he was the Chief Executive Officer of ECM Libra Securities and Director of ECM Libra Capital Sdn Bhd. He has also served several organisations as Senior General Manager of Finance, Lembaga Tabung Haji; Senior Vice President, Business and Corporate Development, Medical Online Malaysia; Chief Accountant/Treasurer at Pengurusan Danaharta Nasional Berhad, General Manager, Business Development, Arab Malaysian Development Berhad and had served Shell Malaysia in various capacities of finance function.

He is also a Director of BIMB Holdings Berhad and TH Plantation Berhad.

Ismee has no family relationship with any director/and or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam except by virtue of being a nominee director of Lembaga Tabung Haji nor has he been charged with any offence.

Shariah Supervisory Council



Dr Ahmad Shahbari @ Sobri bin Salamon

Chairman

Executive Chairman

PUSRAWI Corporation Sdn Bhd



Dr Abdullah bin Haji Ibrahim

Member

Part-time Lecturer

Islamic Institute of Kedah



Mohd Bakir bin Haji Mansor

Member

Research Fellow

Islamic Banking and Finance Institute Malaysia



Dato' Daud bin Muhammad

Member

Sharie's Chief of Justice, Kelantan



Dr Yusof bin Ramli

Member

Lecturer

Center of Islamic Thought and Understanding,
Mara Institute of Technology



Dr Asmak binti Ab Rahman

Member

Lecturer

Shariah and Economic Department,
Islamic Studies Academy, University of Malaya



Nasrudin bin Yaakub

Secretary

Head of Shariah Department
Bank Islam Malaysia Berhad

Management Members



Dato' Zukri bin Samat
Managing Director



Mohd Redzuan Devan bin Abdullah
Chief Operating Officer

Business Units



Norashikin binti Mohd Kassim
General Manager
Financial Markets



Faizah binti Khairuddin
General Manager
Consumer Banking



Mashitah binti Dato' Hj Osman
Director
Corporate Investment Banking



Mokhlis bin Maizan
General Manager
Sales & Product Management



Nor Azam bin M Taib
General Manager
Business Banking

Business Support Units



Abdullah bin Arshad
Director
Human Resource



Dato' Wan Ismail bin Wan Yusoh
General Manager
**Corporate Affairs &
Business Development**



Mohammad Tahir bin Hashim
General Manager
Special Asset Management



Norhan bin Che Awang
General Manager
**Information Technology/
Project Management Office**



Mohd Fauzi bin Rahmat
Chief Risk Officer
Risk Management



Adissadikin bin Ali
Acting Chief Financial Officer
Finance



Yazit bin Yusuff
Assistant General Manager
Treasury



Maria binti Mat Said
Assistant General Manager
Legal & Secretarial



Zuraimy bin Mohd Akhir
Assistant General Manager
Managing Director's Office



Zahid bin Ahmad Zawawi
Acting Chief Internal Auditor
Internal Audit

Strategic Changes Made Have Strengthened Bank Islam For New Era In Islamic Banking: A Review of Operations

In the FYE2006 the world economy faced accelerated changes triggered by rising petrol prices and political uncertainty in some parts of the world. For Bank Islam, two events in particular, have had tremendous impact on business operations. These are the further liberalisation of the financial services sector and Bank Negara Malaysia's (BNM) hike in its Overnight Policy Rate (OPR).



Secondly, BNM's interest rate hike had a domino effect on consumers and businesses. It led to changes in priorities. For many, indiscriminate spending and loan repayments have become low priorities.

These developments have presented threats and opportunities; both of which demanded that we change or be left behind.

I am pleased to report that Bank Islam responded by making requisite strategic changes. We pushed to transform the organisation, to put us in the position to convert the huge opportunities in the Islamic banking industry, one of the fastest growing segments in the global financial services sector.



Firstly, BNM in its pursuit for Malaysia to become an International Islamic Finance Centre has adopted a policy of encouraging Islamic banking activities onshore and offshore, and for foreign incorporated institutions to operate Islamic financing in Malaysia.

This development, however, was not confined to Malaysia. Elsewhere, global financial centres such as Singapore and London also made deliberate efforts to encourage the growth of Islamic finance. Consequently, Islamic finance has moved from niche market to become an increasingly mainstream product.



In the year under review, Bank Islam's total income from investment of depositors' and shareholders' funds rose 9% from RM885.00 million in FYE2005 to RM960.63 million but provisions for NPF amounted to RM1.48 billion. This led to a loss before zakat and taxation (LBZT) of RM1.28 billion, compared with a LBZT of RM479.78 million in FYE2005. As a result of this prudent provisioning policy, the Bank's reserve and total shareholders funds turned to a negative RM1.16 billion and RM277.84 million respectively, as at 30 June 2006.

Total assets dropped 8% to RM14.61 billion in comparison to RM15.85 billion recorded in the previous financial year. Total customers' deposits however, showed a marked increase of 7% to RM14.39 billion from RM13.48 billion. This rise in deposits is attributed to aggressive marketing, in tandem with the Bank's balance sheet management policy that aims to minimise the gap between short term deposits and long term borrowing.

Operations

Business Banking Group

The Business Banking group performed strongly, achieving its revenue and total financing targets in the review period. However, it had to continue to deal with an increasing amount of legacy loans that had turned non-performing.

To address the problems associated with NPFs, several initiatives were launched. These included the establishment of new functional units within the division, such as Operations & Systems, Sales Support, Customer Fulfilment/Quality, Lead Generator, Finance and Planning and Early Warning and Collection.

To enhance the overall business operations, five new financing programmes were launched. These are:

- Local Credit
- Procurement Contract Financing
- Asset-based Financing
- Premises Financing
- Secured Letter of Guarantee

To strengthen management support for the commercial banking operations, two new teams, the Acquisition Team and Account Manager Team – were set up to ensure better and proper account planning and management.

In addition, the regional centres were reorganised from twelve operational regions into five, namely Central, Southern, Northern, East Coast and East Malaysia, in line with the strengthening of controls and processes.

Consumer Banking Group

Despite a general slowdown in general consumer banking in Malaysia, this group recorded an improved performance for the year under review. Growth was registered in deposits, financing as well as revenue income as follows:

	Revenue Growth (%)	Asset Growth (%)	NPF Growth (%)
Consumer	30	21	9
Personal	60	51	5
Vehicle	44	49	2



The group's growth in personal and vehicle financing was mainly due to newly built strategic partnerships with employers and car dealers respectively. This included initiatives in credit-related products such as Bancatakaful, product co-branding with Lembaga Tabung Haji and enhanced payment services to university students.

However, given the generally weaker business conditions, the division also focussed on non-repayment follow-up activities.

Sales and Product Management Group

The Cash Management division's current account rose to RM3.61 billion from RM2.87 billion in FYE2005 – an increase of RM0.74 billion.

This gave Bank Islam a 22% of the market share, based on BNM's statistics, a marginal drop from the previous year's 23%, due to intense competition in the Islamic banking sector. Nevertheless, the Bank's presence in the government sector remained strong, with 16% of the market share.

The division plans to build on this strength and to grow market share. In addition to staying focussed on our existing markets – government agencies, government linked agencies and higher learning institutions - new and improved cash management solutions, which are able to compete with international offerings will also be formulated to penetrate the corporate sector. Cash Management will also be jointly promoted via Business Banking Relationship Managers and Acquisition Managers for better market reach and scope.

To strengthen product delivery, operations and support functions to all Cash Management clients, a Product Management unit will be established.

As for Trade Services, almost 85% of trade facilities utilisation are concentrated on local purchases and import financing which does not generate fee-based income. Plans have been finalised to improve the Export Services and Financing business to generate stronger fee-based income.

New products in the pipelines include Treasury & Liquidity Management Services & Foreign Remittances, and Product Management.

Financial Markets and Treasury

For the year under review, the division enhanced the operations by establishing a corporate sales unit which offered foreign currency products and services. We also benefited from the introduction of new risk management policies.

On the uptrend, numerous developmental plans are underway. These include the development of new products such as Wiqa' Forward Rate Agreement, Wiqa' Profit Rate Swap and Commodity Murabahah.

Internal efforts and upgrades include:

- The restructuring of numerous divisions
- Improving of current systems and processes
- Upgrading of the treasury system
- Improvement in risk management practises
- Introduction of a hedging programme to enhance balance sheet management
- Identification of target customers and implementation of a more focused sales strategy

Human Capital and Organisation Development

The Bank views human capital development as critical in ensuring the achievement of its goals, short or long term; especially in this fast moving, knowledge-based arena where human capital gives the Bank a crucial competitive edge.

The strategies put in place are targeted at not only developing and upgrading existing talent, but to also recruit new talent with valuable experience that will subsequently help create a harmonious and viable working culture. This positive working culture requires collaboration from all to create superior-subordinate working relationship, flexibility and creativity in work-related thoughts and the development of the job scope itself.

By having this in place, the team can then focus on building on the strengths of its brand.



Moving Forward

To remain competitive and to keep the Bank on track to pursue our objective of being a leading Islamic banking institution in the region, Bank Islam has mapped out a turnaround plan to profitability.

This turnaround plan, comprise five main components:

- i recapitalisation and balance sheet restructuring;
- ii IT infrastructure revamp;
- iii a transformation programme;
- iv cost rationalisation exercise; and
- v human capital development.

With the plan, we will fully address the problems within the Bank, especially the NPF that have affected the Bank's overall performance for the last two financial years. Once addressed, the Bank will be able to pursue shareholders' objectives of growing Bank Islam into the leading Islamic bank.

In addition, the strong support from Dubai Investment Group and Lembaga Tabung Haji would enable the bank to reposition itself better in the international Islamic financial landscape.

Corporate Social Responsibility

As a responsible corporate citizen, Bank Islam routinely contributes to numerous organisations and charitable bodies. These sponsorships and assistance, both monetary and in-kind are normally made to Non-Government Organisations (NGOs), government bodies and corporate customers for their programmes.

In addition, the Bank has spent approximately RM1 million for zakat (tithes) that were distributed, especially for purposes related to medical treatments, and for underprivileged orphans, single mothers and deserving Malaysian students in both public and private higher learning institutions in Malaysia and abroad. Other NGOs, charity organisations, Tsunami victim funds in Kedah and Penang, mosques, religious schools and community throughout Malaysia were also beneficiaries of this zakat allocation.

Working in collaboration with Yayasan Dakwah Islam Malaysia (YADIM), the Bank has also extended assistance to Tsunami victims in Aceh by contributing RM50,000.

As part of our unending effort to promote knowledge amongst the young, Bank Islam extended contributions to various activities organised by local universities, especially towards knowledge-based programmes such as Hari Matematik, UiTM; Invention, Innovation Design UiTM; university convocational ceremonies, etc.

Other initiatives throughout the year include the participation in a yearly programme organised by Lembaga Tabung Haji called the 'Sahabat Korporat Tabung Haji'. Contribution to this cause included the provision of 'Surah Yaasin', 'Buku Panduan Haji' as well as monetary contributions to the pilgrims.



Statement of Corporate Governance

The Board of Bank Islam recognises the importance of corporate governance and is fully committed to the recommendations of the Malaysian Code of Corporate Governance. In this respect, the Board constantly strives to ensure that high standards of corporate governance are practiced throughout Bank Islam and its subsidiaries.

Further to this, the Board also considers for adoption where appropriate, recommendations and guidelines on corporate governance outlined by BNM's guidelines (BNM/GP1-i).

A Corporate Governance

1.0 The Board of Directors

1.1 Composition of the Board

The Board currently has nine members, comprising one Managing Director and eight non-executive Directors, of whom three are independent. The current composition of the Board is in compliance with BNM's Guidelines (BNM/GP1-i) which requires at least two of its directors to be independent directors.

The Board comprises members from diverse professional background and experience such as banking and finance, legal and accounting, bringing with them invaluable knowledge, expertise and perspective to achieve the Bank's objectives and vision. A brief profile of each member of the Board are set out in this Annual Report on pages 8 to 12.

1.2 Roles of the Chairman and Managing Director

The roles of the Chairman and Managing Director are clearly defined and differentiated. This distinction is to ensure a balance of power and authority for better understanding and distribution of responsibilities and accountabilities. The Chairman together with the rest of the Board are responsible for setting the policy framework within which Management is to operate. The Chairman also leads the Board in monitoring the performance of the Management in meeting the corporate goals and objectives of the Bank.

The Managing Director has overall executive responsibility for the day-to-day operations of the Bank which include implementing the policies and strategies adopted by the Board. The Managing Director also carries the primary responsibilities for ensuring management competency including the placement of an effective succession plan to sustain continuity.

1.3 Board Meetings

Board meetings are scheduled every month with additional meetings convened as and when important decisions are required to be taken between the scheduled meeting. Fifteen (15) board meetings were held during the FYE2006.

Details of attendance of each director during the FYE2006 are as follows:

Name of Directors	Designation	No of Meetings and Attendances*
Tan Sri Dato' Dr Abdullah bin Mohd Tahir ^(a)	Chairman Non-Independent Non-Executive	NA
Dato' Zukri bin Samat ^(b)	Managing Director Non-Independent Executive	1/1
Dato' Mohd Bakke bin Salleh	Independent Non-Executive	15/15
Dato' Noorazman bin A. Aziz ^(c)	Non-Independent Non-Executive	15/15
Zahari @ Mohd Zin bin Idris	Independent Non-Executive	14/15
Datuk Burhanuddin bin Ahmad Tajudin	Non-Independent Non-Executive	15/15
Salih Amaran bin Jamiaan	Non-Independent Non-Executive	15/15
Zaiton binti Mohd Hassan ^(d)	Independent Non-Executive	6/6
Ismee bin Ismail ^(e)	Non-Independent Non-Executive	NA
Dr Muhamad bin Muda ^(f)	Independent Non-Executive	6/6
Datuk Dr Elias bin Md Kadir Baba ^(g)	Non-Independent Non-Executive	9/9
Datuk Siti Maslamah binti Osman ^(h)	Independent Non-Executive	8/8

* reflects the number of meetings held during the period under review from the date the Director was appointed.

- (a) Tan Sri Dato' Dr Abdullah bin Mohd Tahir was appointed to the Board on 1 August 2006.
- (b) Dato' Zukri bin Samat was appointed to the Board on 9 June 2006.
- (c) Dato' Noorazman bin A. Aziz was re-designated from Non-Independent Executive Director (Managing Director) to Non-Independent Non-Executive Director with effect from 9 June 2006.
- (d) Zaiton binti Mohd Hassan was appointed to the Board on 2 February 2006.
- (e) Ismee bin Ismail was appointed to the Board on 9 October 2006.
- (f) Dr Muhamad bin Muda retired from the Board on 30 November 2005.
- (g) Datuk Dr Elias bin Md Kadir Baba retired from the Board on 30 March 2006.
- (h) Datuk Siti Maslamah binti Osman retired from the Board on 30 March 2006.

For the year under review, all Directors complied with the attendance requirement as stipulated by BNM.

1.4 Access to Information

The Directors have full and unrestricted access to all information pertaining to Bank Islam's businesses and affairs to enable them to discharge their duties effectively. All Directors have access to the advice and services of the Company Secretary and they may also seek independent professional advice where necessary.

Board reports providing updates on operational, financial and corporate developments are circulated on a timely basis prior to Board meetings to enable them to obtain further clarification or explanation where necessary in order to be adequately apprised before the meeting.

1.5 Appointment to the Board

The Board through the Nomination and Assessment Committee's recommendations, ensures that the level and make-up of its members are of the necessary credibility, integrity and calibre with the necessary skills and knowledge. There is a formal and transparent procedure for the appointment of new members to the Board.

1.6 Re-Election of Directors

In accordance with the Company's Articles of Association, all Directors, other than the Managing Director are subject to retirement from office at due intervals by rotation. Being eligible, they may offer themselves for re-election, a process that enables shareholders/proxy holders to vote them back into office.

Directors who are appointed as additional Directors or to fill casual vacancies during the year are subject to re-election by the shareholders at the next Annual General Meeting (AGM) following their appointment.

The office of Managing Director is exempted from retirement by rotation so as not to expose this office to the vagaries of discontinuity.

Directors who have attained the age of seventy (70) retire at every AGM and shall be eligible for re-appointment to hold office until the next AGM, pursuant to Section 129 of the Companies Act 1965.

All appointments of Directors are subject to the approval of BNM.

2.0 Board Committees

The Board has delegated certain responsibilities to Board Committees, which operate within clearly defined terms of reference. These Committees are:

2.1 Board Financing Review Committee (Committee or BFRC)

This Committee is responsible to review financing applications above certain level which had been approved by the Financing Committee of the Management. The Board Financing Review Committee has the right to veto any decision of Financing Committee, if necessary.

The Committee comprises the following members:

Chairman

- i Tan Sri Dato' Dr Abdullah bin Mohd Tahir

Alternate Chairman

- ii Dato' Mohd Bakke bin Salleh

Members

- iii Zahari @ Mohd Zin bin Idris
- iv Zaiton binti Mohd Hassan
- v Salih Amaran bin Jamiaan

2.2 Audit and Examination Committee

The Audit and Examination Committee (Committee or AEC) comprises three non-executive directors (two of whom, including the Chairman, are independent non-executive directors). Details of the members and their attendance at the Committee Meetings are as follows:

Name of Members	Designation	No of Meetings and Attendances*
Zahari @ Mohd Zin bin Idris	Chairman Independent Non-Executive	16/16
Zaiton binti Mohd Hassan ^(a)	Independent Non-Executive	5/5
Salih Amaran bin Jamiaan ^(b)	Non-Independent Non-Executive	3/3
Dr Muhamad bin Muda ^(c)	Independent Non-Executive	7/7
Datuk Dr Elias bin Md Kadir Baba ^(d)	Non-Independent Non-Executive	11/11
Datuk Siti Maslamah binti Osman ^(e)	Independent Non-Executive	11/11

* reflects the number of meetings held during the period under review from the date the Director was appointed.

- (a) Zaiton binti Mohd Hassan was appointed as a member on 2 February 2006.
 (b) Salih Amaran bin Jamiaan was appointed as a member on 30 March 2006.
 (c) Dr Muhamad bin Muda retired as a member on 30 November 2005.
 (d) Datuk Dr Elias bin Md Kadir Baba retired as a member on 30 March 2006.
 (e) Datuk Siti Maslamah binti Osman retired as a member on 30 March 2006.

2.2.1 Terms of Reference

The terms of reference of the Committee are as follows:

a Composition

The Committee shall comprise at least three non-executive directors, a majority of whom shall be independent non-executive directors. The Chairman shall be an independent non-executive director.

The Committee shall not consist of any alternate director of the Bank.

The members of the Committee shall elect a Chairman from among their members who shall be an independent non-executive director.

b Meetings

- i The Committee holds regularly monthly meetings with additional meeting being convened when necessary. The external auditors may request a meeting if they consider that one is necessary.
- ii The quorum shall be two, the majority of whom shall be independent non-executive directors.
- iii The Chief Internal Auditor and Heads of Divisions shall attend meetings by invitation of the Committee. Other Board members shall have the right of attendance. At least once a year the Committee shall meet with the external auditors without Executive Board members present
- iv The Company Secretary of Bank Islam shall act as Secretary to the Committee.

c Authority

The Committee is authorised by the Board to review and investigate any activity within its terms of reference. It is also authorised by the Board to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised to obtain independent professional advice and to secure the attendance of external parties with relevant experience and expertise if it considers this necessary.

d Duties and Responsibilities

The principal duties and responsibilities of the AEC:

- i Review the quarterly and year-end financial statements of the Bank to ensure compliance with appropriate accounting policies, accounting standards and disclosure requirements before submission to the Board.
- ii Act upon the Board's request to investigate and report on any issues or concerns with regard to the Management of the Company and its subsidiaries.
- iii Maintain a direct line of communication with the Board and the internal as well as external auditors through regular scheduled meetings.
- iv Examine the internal audit findings and ensure that the Management takes appropriate action.
- v Review the scope of audits, audit plans and audit reports of both external and internal auditors.
- vi Review the performance of the internal audit team and ensure they have the standing to exercise independence and professionalism in discharging their duties.
- vii Ensure the adequacy of the scope, functions and resources of the internal audit functions and that they have the necessary authorities to carry out their work.

- viii Review the adequacy of the established policies, procedures and guidelines on internal control systems.
- ix Review any significant transaction that is not within the normal course of business, particularly related party transactions and potential conflicts of interest that may arise within the Bank and its subsidiaries or associate company.
- x To consider and approve the recommendation for appointment of external auditors and their audit fees.

2.2.2 Summary of Activities of the Committee

In line with the terms of reference of the AEC, the following activities were carried out by the AEC during the financial year:

- a Reviewed and approved the external auditor's scope of their annual audit plan.
- b Reviewed and approved the Internal Audit Department's annual audit plan, including its resource and training needs.
- c Reviewed the Internal Audit Department's methodology in assessing and rating the risk levels of the various auditable areas and ensured that emphasis was given on high and critical risk areas.
- d Reviewed the reports of the Internal Audit Department (including internal investigations), BNM, external auditors and other external parties, considered Management's response and accordingly recommended the Management to take the necessary remedial action.
- e Reviewed the quarterly results and financial statements of the Bank and its subsidiaries.
- f Monitor the progress of the Internal Audit Department in completing its audit plan and assessed the performance of the Department.

2.3 Nomination & Assessment Committee (Committee or NAC)

The Board delegates to this Committee the process for assessing existing directors and identifying, nominating and thereafter making the necessary recommendation to the Board. This function extends to the recommendations on the appointments of senior management posts of General Managers and Assistant General Managers within the Bank.

The members of the NAC are:

Chairman

- i Dato' Mohd Bakke bin Salleh
(Independent Non-Executive Director)

Member

- ii Zahari @ Mohd Zin bin Idris
(Independent Non-Executive Director)
- iii Zaiton binti Mohd Hassan
(Independent Non-Executive Director)

2.4 Remuneration Committee (Committee or RC)

The Remuneration Committee has been established at BIMB Holdings Berhad (the ultimate holding company). This Committee has a broad responsibility of recommending to the Board the remuneration packages of all Directors, the Managing Director and Senior Management. The Board is ultimately responsible for the approval of the remuneration package. Details of the remuneration of Directors for FYE2006 are disclosed in the notes to the financial statements on page 69.

The members of the RC are:

Chairman

- i Dato' Mohd Bakke bin Salleh (Independent Non-Executive Director)

Member

- ii Zahari @ Mohd Zin bin Idris (Independent Non-Executive Director)
- iii Zaiton binti Mohd Hassan (Independent Non-Executive Director)

2.5 Board Risk Committee

The Board Risk Committee has been established at BIMB Holdings Berhad (the ultimate holding company). The Board Risk Committee (Committee or BRC) is established to assist the Board in discharging its functions by having a more focused forum that deliberates on issues pertaining to risks. The Committee constantly reviews risk issues to ensure effective management of risks and enforcement of risk tolerance at the Bank. In addition, the Committee is responsible to review and assess the adequacy of the existing risk management framework in addressing the various risk factors faced by the Bank.

This Committee meets monthly. The members of the Committee, the numbers of meetings held up to FYE2006 and their attendance are as follows:

Name of Members	Designation	No of Meetings and Attendances*
Zaiton binti Mohd Hassan ^(a)	Chairman Independent Non-Executive	6/6
Zahari @ Mohd Zin bin Idris	Independent Non-Executive	12/12
Salih Amaran bin Jamiaan ^(b)	Non-Independent Non-Executive	4/4
Dr Muhamad bin Muda ^(c)	Independent Non-Executive	4/4
Datuk Dr Elias bin Md Kadir Baba ^(d)	Non-Independent Non-Executive	6/6
Datuk Siti Maslamah binti Osman ^(e)	Independent Non-Executive	6/6

* reflects the number of meetings held during the period under review from the date the Director was appointed.

(a) Zaiton binti Mohd Hassan was appointed as a member with effect from 2 February 2006.

(b) Salih Amaran bin Jamiaan was appointed as a member with effect from 30 March 2006.

(c) Dr Muhamad bin Muda resigned on 30 November 2005.

(d) Datuk Dr Elias bin Md Kadir Baba resigned on 30 March 2006.

(e) Datuk Siti Maslamah binti Osman resigned on 30 March 2006.

3.0 Risk Management Structure

3.1 Structural Management of Risk

The responsibilities of the Board include the establishment of policies on the management of all risk categories. The Board is also accountable for ensuring effective management of internal control mechanisms. Assisting the Board in discharging these roles are the two board committees, ie the BRC and the AEC.

In addition, the Bank has also established a risk committee at the management level known as the Management Risk Control Committee (MRCC). The main responsibilities of the MRCC are to ensure proper implementation of policies approved by BRC/Board of Directors and effective management of operational issues.

Financing and credit decisions are made at 4 different layers of credit authorities – the regional, middle management, upper management and Board levels with the establishment of Regional Financing Committee (RFC), Financing Committee B (FCB), Financing Committee A (FCA) and BFRC. Each of this committees has its own terms of reference for guidance in discharging its respective duties efficiently.

3.2 Holistic Management of Risk

To manage risks holistically, the Bank has formulated a set of framework that is designed to assist it in charting its risk management activities going forward to continuously improve the reach and depth of its risk management prudence. The framework is intended to provide a foundation for managing optimally the risks associated with the banking business and managing them effectively by focusing on four areas namely the Strategy/Policy, Organisation/Structure, System/Processes and Measurement/Tools with the overriding objectives in the advancement of risk management within the enterprise toward value protection and creation. The core focus areas of managing the key risks namely, credit, market, Shariah compliance, liquidity and operational are briefly described as follows:

3.2.1 Credit Risk

Credit Risk is the potential loss of revenue, principal and capital in the form of specific allowances as a result of defaults or the inability to meet the terms of a contract by the customers or counter parties through financing, dealing and investment activities.

The primary exposure to credit risk arises from financing activities. The credit policy and the related guidelines governing the Bank's activities are being rigorously enhanced with the objective of improving the quality of assets.

The Bank has also embarked on a reengineering exercise, which would cover the entire credit management chain taking into account the available and learned technologies, experience and the best industry and regulated practices. The exercise also involves enhancing the existing structure such as separating the sales from the credit functions, enhancing of credit analytical capacity and capability, reviewing and establishing more robust systems and tools, as well as optimising processing, documentation, administration, collection and recovery activities. These efforts are designed to create a more robust, result driven but prudent credit culture in the bank; to work in line with the aspiration of the Bank's overall business.

3.2.2 Market Risk

Market Risk is the risk of loss arising from the adverse movement in the level of market prices or rates. Market risk components are foreign exchange risk, profit rate risk, equity risk and commodity risk.

a Foreign Exchange Risk

This risk refers to the impact of adverse exchange rate movements on foreign currency positions taken by the Bank. Foreign currency open positions are marked-to-market on a regular basis and are monitored against predetermined position limits and cut-loss limits.

b Profit Rate Risk

Profit rate risk refers to the potential impact on the Bank's net income margin or market value of equity caused by unexpected changes in rate of returns.

The Bank's policy is to measure and manage its profit rate sensitive positions to ensure that the Bank's profits are optimized and its long-run earning power sustained. The Bank will continuously assess the sensitivity of its assets and liabilities portfolio to market and price volatility using appropriate measurement tools and techniques.

c Equity Risk

Equity risk refers to the impact of adverse movements in the price of equities on equity positions. Equity open positions are marked to the market against prevailing market prices on a regular basis to reflect changes in market value due to changing market conditions

d Commodity Risk

Commodity risk refers to the risk of loss arising from movements in commodity prices. The commodity portfolio will be revalued on a regular basis to capture the changes in market value due to changing economic conditions. Market risks associated with holding commodity positions are managed by pre-determined transaction and other risk limits.

Risks arising from dealing and investment activities are managed by the establishment of limits that include trading limits, counter party limits, as well as product and sub-product limits.

3.2.3 Shariah Compliance Risk

Shariah compliance risk refers to potential impact of non-compliance to the rules and principles determined by the relevant Shariah regulatory councils. As part of the governance framework, Shariah Supervisory Council (SSC) has been established to advise and guide the Bank's management and Board to ensure that the Bank's business and operations are in compliance with the requirement of the Shariah.

In addition, the Bank has also established the Shariah Department to support the SSC's functions on a day-to-day basis. The Shariah Compliance Risk Department (SCRD), an independent unit under the Risk Management Division is the third layer of control mechanism with regard to Shariah compliance which is mainly involved in formulating the appropriate Shariah compliance policies and guidelines for guidance and benefit of the Bank's staff at all levels. SCRDR also participates in conducting Shariah assessment, audit and other activities together with other relevant business and risk management units, financing committees and Internal Audit.

3.2.4 Liquidity Risk

Liquidity risk refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost. In managing this, the Bank adopts the liquidity framework introduced by BNM that ascertains liquidity based on the contractual and behavioral assumptions of cash flows derived from the Bank's assets, liabilities and off-balance sheet commitments.

3.2.5 Operational Risk

This risk is defined as the risk of loss arising from inadequate or failure of internal processes, people and systems and external events. In managing the operational risk, a dedicated team has been established within the Risk Management Division to undertake the identification, assessment and measurement, establishing a control framework, monitoring and reporting of operational risks.

As part of the Bank's effort to improve its operational risk management, risk assessment using Management Awareness Self Assessment (MASA) was introduced in mid 2005. The main objective of MASA is to create a risk awareness culture throughout the Bank, at all levels. This would enable and facilitate line managers to identify, assess, manage and report operational risks inherent in their day-to-day activities.

In addition, the Bank has formed an Operational Risk Working Group Committee, which focuses on deliberating issues arising from the MASA and the appropriate remedial actions.

B Internal Audit Function

The Bank has an established Internal Audit Department that undertakes the audit of the Bank's operating units based on the audit plan that is reviewed and approved by the AEC. The audit plan covers reviews of adequacy of risk management, operational controls, and compliance with laws and regulations, quality of assets and management efficacy, highlighting weaknesses and making appropriate recommendations for improvement to the Management.

Its authority is provided in the Audit Charter, which formally documents the roles, duties and responsibilities of the internal auditors and their relationship with the Board, AEC, all levels of Management, the external auditors and the regulators. The annual Audit Plan that adopts a risk-based approach to audit is approved by the AEC.

The Internal Audit function covers all units and operations within the Bank with major emphasis being placed on high risk units.

The Internal Audit function is subject to continuous self-assessment with a view of ensuring audit processes are in line with recommended best practices in internal auditing. Overall, the Internal Audit function serves to assist the Bank to maintain a sound internal control environment through a comprehensive audit reporting system.

Going forward, the Department will further enhance its risk-based audit techniques and staff competencies as well as benchmark itself against global best practices in internal auditing.

C Accountability and Audit

1.0 Financial Reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Bank's operations and prospects each time it releases its quarterly annual financial statements to its shareholders. The Board ensures financial statements are properly drawn up in accordance with the provision of the Companies Act 1965, approved accounting standards in Malaysia, BNM Guidelines and Shariah requirements. The Board is assisted by the AEC in scrutinizing information to be disclosed to ensure accuracy, adequacy, completeness and transparency.

The statement by Directors pursuant to Section 169 of the Companies Act 1969 is set out in page 37 of this Annual Report.

2.0 Statement on Internal Control

The Board recognises the importance of maintaining a sound system of internal controls and risk management practices as well as good corporate governance. The Board exercises overall responsibility in identifying, evaluating and reviewing the adequacy and integrity of the Bank's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely. As such, systems and processes that have been put in place could only provide reasonable assurance and not absolute assurance of effectiveness against material misstatement of management and financial information or against any losses and fraud.

The Board is of the view that the internal control framework that has been instituted throughout the Bank is sound and sufficient to safeguard shareholders' investment, customers' interest and the Bank's assets. Nevertheless, reviews are continuously carried out to ensure the effectiveness of the system.

The Board has established the BRC to further strengthen the Bank's risk management process. The BRC meets monthly with the objective of assisting the Board in carrying out its responsibilities in relation to managing the Bank's range of inter-related risks in an integrated manner.

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal control are as follows:

- a The management of the Bank is delegated to the Managing Director, whose role and responsibilities and authority limits are set by the Board. The appointment of Managing Director requires the approval of the Board.
- b Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of reference. These committees have the authority to examine all matters within their scope of responsibility and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters however lies with the entire Board.
- c Delegation of authority including authorization limits at various level of management and those requiring the Boards approval are documented, designed to ensure accountability and responsibility.
- d Policies and procedures manuals for key processes are documented and regularly reviewed and updated for application across the Bank.

- e The Bank has in place its Management Audit Committee (MAC) comprising Senior Management that meet regularly to act on BNM, Internal and External auditors and other regulatory bodies findings and lapses of the Bank. The minutes of the MAC meetings are tabled to the AEC.
- f The Bank's risk management principles, procedures and practices are systematically documented and made available to all employees setting out the Board's position on risks.
- g The Bank has in place its MRCC to meet regularly to review, advise and recommend to the BRC for approval on key-risk related business strategy and budget, level of risk appetite and tolerance, risk management policies and risk management issues.
- h The Board receives and reviews regular reports from the Management on the adequacy and integrity of the Bank's internal control systems and management information system including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- i The Bank's annual business plan and budget are submitted to the Board for approval. In addition, variances between actual and targeted results are also presented on a monthly basis. This allows for timely responses and corrective actions to be taken to mitigate risks.
- j The Bank's internal audit team reporting to the AEC performs regular reviews of the business processes to assess the effectiveness of internal control and highlight significant risks affecting the Bank. The AEC conducts annual reviews on the adequacy of the internal audit department's scope of work and resources.
- k The AEC of the Board regularly reviews and holds discussions with the Management on actions taken on internal controls, issues identified in reports prepared by the internal audit department, the external auditor, regulatory authorities and the management.
- l The BRC regularly reviews the Bank's CAMELS components (C-Capital Adequacy, A-Asset Quality, M-Management, E-Earnings Performance, L-Liquidity and S-Sensitivity to Market Risk) as well as risk assessment.

3.0 Relationship with the Auditors

The Bank has established a formal and transparent relationship with its auditors, both internal and external, through the AEC. The external auditors are invited to attend meetings on special matters, when necessary. In addition, the external auditors also meet the Board at least once a year when the annual audited accounts and reports are presented to the Board for approval.

D Shariah Supervisory Council

The Shariah Supervisory Council (SSC) was established under the provision of Section 3(5)(b) of the Islamic Banking Act 1983 to ensure that the operations of the Bank have been conducted in conformity with the Shariah principles.

The duties and responsibilities of SSC are to review, appraise and advise the Directors on the operations of the Bank's business in order to ensure that the operations of the Bank have been conducted in conformity with the Shariah principles.

The SSC also takes the views of Shariah Committees of relevant authorities such as BNM and Securities Commission from time to time on issues relating to the industry.

The roles of SSC in monitoring the Bank's activities are as follows:

- a Review the products and services to ensure conformity with Shariah requirements.
- b Deliberate on Shariah issues pertaining to the day-to-day operation of the Bank and provide advice accordingly.

- c Form opinions on the operations of the Bank on whether they are Shariah compliant.
- d Provide training and education on muamalat or Islamic transactions based on Shariah principles.

The roles of SSC with respect to zakat are as follows:

- a Review computation of zakat and approve the amount to be paid according to Shariah.
- b Advise on the distribution of zakat to the appropriate 'asnaf'.

The members of the SSC are:

Chairman

- i Dr Ahmad Shahbari @ Sobri bin Salamon

Members

- ii Dr Abdullah bin Hj Ibrahim
- iii Mohd Bakir bin Hj Mansor
- iv Dato' Daud bin Muhammad
- v Dr Yusuf bin Ramli
- vi Dr Asmak binti Ab Rahman

Financial Statements

Directors' Report for the Year Ended 30 June 2006

The Directors hereby submit their report and the audited financial statements of the Bank for the year ended 30 June 2006.

Principal Activities

The Bank is principally engaged in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are as stated in Note 12 to the financial statements.

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

Results

	RM'000
Net loss for the year	1,296,789

Reserves and Provisions

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

Dividends

There was no dividend paid in respect of the year ended 30 June 2005.

There was no interim dividend paid during the year and the Directors do not recommend a final dividend for the year ended 30 June 2006.

Business Plan, Strategy and Future Outlook

Under Budget 2007, the Malaysian economy is slated to grow at a modest pace but sustainable at 6.0% for the budget year, as the impending external challenges remain imminent. The growth rate is healthy for the economy as there will be ample opportunities for doing business. Given this environment, and with the unwavering support from the Government, the Islamic banking industry will continue to play a significant role in meeting the financial needs of the Malaysian economy.

Incentives introduced under Budget 2007 for Islamic Financial Industry will provide impetus to accelerate the process of making the country an international hub for Islamic finance. Moreover, the incentives will reduce the cost of doing business for the domestic Islamic Financial Institutions, and this shall enable them to compete more effectively with the foreign-based Islamic institutions.

The Bank, in light of the losses recorded in the current financial year, has outlined several initiatives to remedy its current predicament and to put itself on a better footing to strengthen its position in the industry. Amongst its major initiatives are Balance Sheet Restructuring, Information Technology Transformation, Organizational Restructuring, Cost Rationalisation Exercise and Human Capital Development.

To guide implementation of the above-mentioned initiatives, the Bank has introduced a more robust risk management framework that would further strengthen its risks and credit controls. The risk management framework adopted is continuously reviewed to ensure its compliance with Basel II Accord and the Islamic Financial Services Board (IFSB) Standards.

Implementation of the initiatives are expected to bring about, amongst others, quality financing assets portfolio due to stringent risk controls being implemented at all (end-to-end) phases of the financing life-cycle from origination up to recovery. Coupled with better control over its overall expenses, the Bank expects to be on its road to recovery in the coming financial year.

Directors' Report for the year ended 30 June 2006

Rating by External Rating Agency

There was no rating conducted by external rating agency on the Bank for the financial year.

Bad and Doubtful Financing

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad financing and the making of provisions for doubtful financing, and have satisfied themselves that all known bad financing have been written off and adequate provisions had been made for bad and doubtful financing.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad financing, or amount of the provision for doubtful financing in the financial statements of the Bank, inadequate to any substantial extent.

Current Assets

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business, their value as shown in the accounting records of the Bank have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Bank to be misleading.

Valuation Methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Bank to be misleading or inappropriate.

Contingent and Other Liabilities

At the date of this report, there does not exist:

- a any charge on the assets of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- b any contingent liabilities in respect of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of the banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

Change of Circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Bank misleading.

Items of an Unusual Nature

Other than as disclosed in the financial statements, the results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

Directors' Report for the year ended 30 June 2006

Directors

Directors who served since the date of the last report are:

Tan Sri Dato' Dr Abdullah bin Mohd Tahir (Chairman – appointed on 01.08.2006)

Dato' Zukri bin Samat (Managing Director – appointed on 09.06.2006)

Dato' Mohd Bakke bin Salleh

Datuk Burhanuddin bin Ahmad Tajudin

Salih Amaran bin Jamiaan

Zahari @ Mohd Zin bin Idris

Dato' Noorazman bin A. Aziz

Zaiton binti Mohd Hassan (appointed on 02.02.2006)

Ismee bin Ismail (appointed on 09.10.2006)

Datuk Dr Elias bin Md Kadir Baba (resigned on 30.03.2006)

Datuk Siti Maslamah bin Osman (resigned on 30.03.2006)

Prof Dr Muhamad bin Muda (resigned on 30.11.2005)

None of the Directors holding office at 30 June 2006 had any interest in ordinary shares of the Bank and of its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Issue of Shares and Debentures

There were no changes in the issued and paid-up capital of the Bank during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Bank during the year.

Auditors

The auditors, Messrs KPMG Desa Megat & Co, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

Tan Sri Dato' Dr Abdullah bin Mohd Tahir

Dato' Zukri bin Samat

Kuala Lumpur,
26 October 2006

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 40 to 86 are drawn up in accordance with the provisions of the Companies Act, 1965 with such modifications and exceptions as have been determined by Bank Negara Malaysia pursuant to subsection 19 of Section 169 of the said Act and applicable approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Bank at 30 June 2006 and of its results and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Tan Sri Dato' Dr Abdullah bin Mohd Tahir

Dato' Zukri bin Samat

Kuala Lumpur,
26 October 2006

Report of the Shariah Supervisory Council

We, Dr Yusof bin Ramli and Mohd Bakir bin Mansor, being two of the members of Shariah Supervisory Council of Bank Islam Malaysia Berhad, do hereby confirm on behalf of the Council, that in our opinion, the operations of the Bank for the year ended 30 June 2006 have been conducted in conformity with the Shariah principles.

On behalf of the Council:

Dr Yusof bin Ramli

Mohd Bakir bin Mansor

Kuala Lumpur,
26 October 2006

Statutory Declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Adissadikin bin Ali, the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 86 are, to the best of my knowledge and belief, 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 above named in Kuala Lumpur on 26 October 2006.

Adissadikin bin Ali

Before me:

Mohd Radzi bin Yasin (W327)

Commissioner for Oaths Malaysia

Report of The Auditors to the Members of Bank Islam Malaysia Berhad

We have audited the financial statements set out on pages 40 to 86. The preparation of the financial statements is 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 approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- a the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 with such modifications and exceptions as have been determined by Bank Negara Malaysia pursuant to subsection 19 of Section 169 of the said Act and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i the state of affairs of the Bank at 30 June 2006 and the results of its operations and cash flows for the year ended on that date; and
 - ii the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Bank; and
- b the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Bank have been properly kept in accordance with the provisions of the said Act.

Without qualifying our opinion, we draw attention to Note 3(a) of the financial statements. The Bank incurred a net loss of RM1,296.79 million for the year ended 30 June 2006 and as of that date, the Bank's total liabilities exceeded its total assets by RM277.84 million. In addition, the risk weighted capital ratio as at 30 June 2006 was a negative 2.84%. The financial statements for the year ended 30 June 2006 have been prepared on a going concern basis after taking into account the additional capital injection of RM1,014.59 million received by the Bank subsequent to the balance sheet date as described in Note 46 of the financial statements. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that may be necessary had the Bank been unable to continue as a going concern.

KPMG Desa Megat & Co
Firm Number: AF 0759
Chartered Accountants

Mohamed Raslan bin Abdul Rahman
Partner
Approval Number: 1825/05/07(J/PH)

Kuala Lumpur,

26 October 2006

Balance Sheet as at 30 June 2006

	Note	2006 RM'000	2005 RM'000
Assets			
Cash and short-term funds	4	2,866,488	2,723,061
Securities:			
– Held-for-trading	5	249,618	1,132,372
– Held-to-maturity	6	132,064	103,473
– Available-for-sale	7	2,084,475	2,003,291
Financing, advances and other loans	8	8,501,362	9,168,596
Other assets	10	212,781	192,481
Statutory deposits with Bank Negara Malaysia	11	459,856	428,467
Investment in subsidiary companies	12	5,947	13,075
Investment in an associated company	13	–	1,900
Property, plant and equipment	14	85,335	82,190
Tax recoverable	19	7,390	–
Total assets		14,605,316	15,848,906
Liabilities and Shareholder's Funds			
Deposits from customers	15	14,386,516	13,483,171
Deposits and placements of banks and other financial institutions	16	63,028	1,357,526
Bills and acceptances payable		100,919	86,471
Other liabilities	17	232,693	85,204
Zakat and taxation	19	–	1,259
Deferred taxation	20	–	5,094
Subordinated financing	21	100,000	100,000
Total liabilities		14,883,156	15,118,725
Shareholders' Funds			
Share capital	22	880,000	600,000
Reserve		(1,157,840)	130,181
Total shareholders' funds		(277,840)	730,181
Total liabilities and shareholder's funds		14,605,316	15,848,906
Commitments and contingencies	37	4,026,381	4,594,983
Capital Adequacy			
	42		
Core capital ratio		-2.78%	6.77%
Risk-weighted capital ratio		-2.84%	9.06%
Core capital ratio net of proposed dividends		-2.78%	6.77%
Risk-weighted capital ratio net of proposed dividends		-2.84%	9.06%

The financial statements were approved and authorised for issue by the Board of Directors on 26 October 2006.

The notes set out on pages 45 to 86 form an integral part of, and should be read in conjunction with these financial statements.

Income Statement for the Year Ended 30 June 2006

	Note	2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds	25	810,545	753,777
Income derived from the investment of shareholder's funds	26	150,088	131,222
Allowance for losses on financing	27	(1,325,478)	(648,030)
Impairment loss	28	(156,473)	(50,903)
Profit equalization reserve		(9,308)	(7,148)
		(530,626)	178,918
Income attributable to the depositors	29	(371,011)	(281,217)
Total net loss		(901,637)	(102,299)
Personnel expenses	30	(158,593)	(132,128)
Other overheads and expenditure	31	(206,773)	(245,351)
Finance cost	33	(10,157)	—
Loss before zakat and taxation		(1,277,160)	(479,778)
Zakat		(4,000)	(2,520)
Taxation	34	(15,629)	(25,509)
Net loss for the financial year		(1,296,789)	(507,807)
Loss per share (sen)	35	(175.24)	(92.33)

The notes set out on pages 45 to 86 form an integral part of, and should be read in conjunction with these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2006

	Note	Non-distributable				Translation Reserve	Distributable Retained Profits/ (Accumulated Losses)	Total
		Share Capital	Share Premium	Statutory Reserve	Fair Value Reserve			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2004		500,000	331,375	200,533	–	–	131,280	1,163,188
Net loss for the year		–	–	–	–	–	(507,807)	(507,807)
Issue of shares	22	100,000	–	–	–	–	–	100,000
Dividends – 2004 final		–	–	–	–	–	(25,200)	(25,200)
At 30 June 2005/ 1 July 2005		600,000	331,375	200,533	–	–	(401,727)	730,181
Effect of adopting revised GP8– i		–	–	–	56,499	–	–	56,499
At 1 July 2005 (restated)		600,000	331,375	200,533	56,499	–	(401,727)	786,680
Exchange differences on translation of the financial statements of offshore branch		–	–	–	–	15,418	–	15,418
Fair value loss on revaluation of securities available-for-sale *		–	–	–	(63,149)	–	–	(63,149)
Net loss for the year		–	–	–	–	–	(1,296,789)	(1,296,789)
Issue of shares	22	280,000	–	–	–	–	–	280,000
At 30 June 2006		880,000	331,375	200,533	(6,650)	15,418	(1,698,516)	(277,840)

* Net gains and losses not recognised in income statements.

Cash Flow Statements for the Year Ended 30 June 2006

	2006 RM'000	2005 RM'000
Cash Flows from Operating Activities		
Loss before zakat and taxation	(1,277,160)	(479,778)
Adjustments for:		
Depreciation	17,713	18,126
Impairment of property, plant & equipment	–	918
Impairment loss on securities available-for-sale	90,156	–
Impairment loss on securities held-to-maturity	55,887	–
Impairment loss on investment in subsidiary	7,550	51,848
Impairment loss on investment in an associate	1,900	–
Allowance for losses on financing	1,325,478	648,030
Allowance for doubtful debts	7,313	78,900
Writeback of allowance for diminution in value	–	(945)
Dividends	(758)	(1,969)
Income from Malaysian Government Investment Issues and Islamic Debt Securities	–	(80,635)
Gain on disposal of property, plant and equipment	(81)	(14)
Loss on disposal of investments	–	1,338
Net gain on sale of securities held-for-trading	(17,663)	–
Net gain on sale of securities available-for-sale	(48,109)	–
Fair value gain on securities held-for-trading	(6,985)	–
Amortisation of premium less accretion of discount	(21,894)	–
Dividend received from securities available-for-sale	(55,573)	–
Dividend received from securities held-for-trading	(15,296)	–
Dividend received from securities held-to-maturity	(1,018)	–
Operating profit before working capital changes	61,460	235,819
Changes in working capital:		
Deposits and placements with banks and other financial institutions	(1,294,498)	1,008,404
Financing and advances	(658,244)	(2,292,257)
Statutory deposits with Bank Negara Malaysia	(31,389)	(55,789)
Bills receivables	(3,532)	2,996
Other receivables	(24,080)	(11,151)
Deposits from customers	903,345	2,214,270
Bills and acceptance payable	14,448	6,949
Other payables	147,196	4,911
Cash (used in)/generated from operations	(885,294)	1,114,152
Zakat paid	(3,364)	(3,117)
Tax paid	(30,008)	(30,602)
Net cash (used in)/generated from operating activities	(918,666)	1,080,433

Cash Flow Statements for the Year Ended 30 June 2006 (cont'd)

	2006 RM'000	2005 RM'000
Cash Flows from Investing Activities		
Additional investment in a subsidiary	(422)	(250)
Purchase of property, plant & equipment	(20,604)	(19,105)
Proceeds from disposal of property, plant & equipment	120	8,621
Dividend received	758	1,969
Dividend received from securities held-for-trading	15,296	–
Dividend received from securities available-for-sale	55,573	–
Dividend received from securities held-to-maturity	1,018	–
Income from Malaysian Government Investment Issues and Islamic Debt Securities	–	80,635
Net disposal of securities	714,936	–
Transfer of net assets from subsidiary	–	(719)
Purchase of investment	–	(93,826)
Net cash generated from/(used in) financing activities	766,675	(22,675)
Cash Flows from Financing Activities		
Dividend paid	–	(25,200)
Proceeds from issuance of shares	280,000	100,000
Subordinated financing from holding company	–	100,000
Net cash generated from financing activities	280,000	174,800
Exchange difference on translation	15,418	–
Net increase in cash and cash equivalents	143,427	1,232,558
Cash and cash equivalents at beginning of year	2,723,061	1,490,503
Cash and cash equivalents at end of year	2,866,488	2,723,061
Cash and cash equivalents comprise:		
Cash and short-term funds	2,866,488	2,723,061

The notes set out on pages 45 to 86 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statements

1 Principal Activities and General Information

The Bank is principally engaged in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are stated in Note 12 to the financial statements.

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

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 Level 14, Darul Takaful, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The holding as well as the ultimate holding company of the Bank is BIMB Holdings Berhad, a public limited company incorporated in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 October 2006.

2 Basis of Preparation of the Financial Statements

The accounting policies adopted by the Bank are consistent with those adopted in the previous years except for the adoption of the revised guidelines on Financial Reporting for Licensed Islamic Banks (BNM/GP8-i) issued by Bank Negara Malaysia in June 2005, which became effective for the current financial year. The adoption of the revised GP8-i has resulted in the adoption of the following accounting policies:

- i the recognition and measurement of the holdings of the investment and dealing securities portfolio of the Bank as securities held-for-trading, securities held-to-maturity and securities available-for-sale, which has been adopted prospectively as it is impracticable to apply retrospectively due to factors explained in Note 47;
- ii where a financing account becomes non-performing, profit accrued and recognised as income prior to the date the account is classified as non-performing is not reversed out of income but an allowance is made against that income in conformity with Bank Negara Malaysia guidelines. Thereafter, profit on the non-performing financing shall only be recognised as income on a cash basis instead of being accrued and suspended at the same time as practised previously. The policy has been adopted retrospectively.

3 Significant Accounting Policies

a Basis of Accounting

The financial statements of the Bank are prepared on the historical cost basis except as disclosed in the notes to the financial statements and are in accordance with the applicable approved accounting standards in Malaysia as modified by Bank Negara Malaysia Guidelines and comply with the provisions of the Companies Act, 1965 and Shariah requirements.

The Bank incurred a net loss of RM1,296.79 million for the year ended 30 June 2006 and as of that date, the Bank has a deficit in shareholders' funds of RM277.84 million.

The Bank had received capital injection amounting to RM1,014.59 million from Dubai Financial LLC and Lembaga Tabung Haji subsequent to the balance sheet date on 16 October 2006 pursuant to its restricted issue, as detailed in Note 46.

With this capital injection, the Bank has improved its financial position to a positive shareholders' funds.

The financial statements for the year ended 30 June 2006 have been prepared on a going concern basis after taking into account the additional capital injection received as described above.

The financial statements of the Bank do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary had the Bank been unable to continue as a going concern.

Notes to the Financial Statements (cont'd)

3 Significant Accounting Policies (cont'd)

b Basis of Consolidation

i Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of the subsidiaries have not been consolidated as the Bank is a wholly owned subsidiary of BIMB Holdings Berhad, a company incorporated in Malaysia with a registered address at Level 14, Darul Takaful, Jalan Sultan Ismail, 50250 Kuala Lumpur.

ii Associate

Associate is an enterprise in which the Bank has a long term equity interest and exercise significant influence but not control through management participation in the policy decisions of the associate.

c Investment in Subsidiaries and Associate

Long term investments in subsidiaries and associate are stated at cost in the Bank, less impairment loss where applicable.

d Financing, Advances and Other Loans

Financing

Financing is stated after deducting the allowance for possible losses.

Allowance for Bad and Doubtful Financing

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

A general allowance based on a percentage of the financing portfolio is also made. These percentages are reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowance, if necessary.

An 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 management, there is no prospect of recovery.

Specific allowance for bad and doubtful financing has been made in full compliance with the revised BNM GP3 (September 1998). Any allowance during the year is charged to the income statement.

During the financial year, the provisioning policy has been made more stringent:

- a Full allowance for doubtful financing is provided on the shortfall of carrying value against the collateral value where repayment is in arrears for more than three months from the first date of default. In prior years, allowances of 20% on such shortfall was provided where repayment was in arrears for six to less than nine months from the first date of default; allowances of 50% for repayment in arrears for nine to less than twelve months; whilst full allowance was provided for arrears exceeding twelve months.
- b Where values assigned to collaterals held for non-performing financing secured by properties (determined based on the net realisable values of the properties, being the forced sale value provided by independent party/valuers), following basis have been adopted:
 - i assigning only fifty percent (50%) of the net realisable value of the properties held as collaterals for non-performing financing which are in arrears for more than five (5) years but less than seven (7) years; and
 - ii for non-performing financing which are in arrears for more than seven (7) years, no value will be assigned to the realisable value of the properties held as collaterals.

In prior years, no discounting of collateral value was assigned on those financing that are in arrears exceeding five (5) years.

Notes to the Financial Statements (cont'd)

3 Significant Accounting Policies (cont'd)

d Financing, Advances and Other Loans (cont'd)

Allowance for Bad and Doubtful Financing (cont'd)

- c In addition, for non-performing vehicle financing, collateral value is not assigned until the vehicles are repossessed. In prior years, collateral value were assigned on non-performing vehicle financing though the vehicles were not yet repossessed by the Bank.

e Securities

The holdings of the securities portfolio of the Bank are recognised based on the following categories and consequently their valuation methods:

a Securities Held-for-Trading

Securities are classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Securities classified as held-for-trading will be stated at fair value and any gain or loss arising from a change in the fair value will be recognised in income statement.

b Securities Held-to-Maturity

Held-to-maturity securities are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. These securities are measured at amortised cost using the effective profit method. A gain or loss is recognised in the income statement when the securities are derecognised or impaired, as well as amortisation of premium and accretion of discounts.

c Securities Available-for-Sale

Available-for-sale securities are securities that are not classified as held-for-trading or held-to-maturity and are measured at fair value. Securities in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost. Any gain or loss arising from a change in the fair value is recognised directly in equity through the statement of changes in equity until the securities are sold, disposed off or impaired, at which time the cumulative gains or losses previously recognised in equity will be transferred to income statement. Profit from the available-for-sale securities is recognised in the income statement.

f Property, Plant and Equipment

Management Information System development costs and all work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Leasehold land is amortised in equal instalments over the period of the respective leases. Management Information System development costs and all work-in-progress are not depreciated. The straight line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Building improvements and renovations	16.7%
Furniture, fixtures, fittings and equipment	16.7% – 50%
Motor vehicles	25%

g Impairment

The carrying amount of the Bank's assets, other than deferred tax assets and financial assets (excluding investments in subsidiaries and associate, securities available-for-sale and securities held-to-maturity), 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. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Notes to the Financial Statements (cont'd)

3 Significant Accounting Policies (cont'd)

g Impairment (cont'd)

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

h Leases

The Bank accounts for its Ijarah leasing contracts as operating leases and Ijarah Muntahia Bittamlik as finance leases.

i Bills and Other Receivables

Bills and other receivables are stated at cost less allowance for doubtful debts.

j Bills and Acceptances Payable

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

k Liabilities

Deposits from customers and deposits and placements of banks and financial institutions are stated at placement values.

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

Other payables are stated at cost.

l Income Recognition

Finance Income

Finance income is recognised on an accrual basis.

Income on cash line, house and term financing is accounted for on a constant rate of return basis by reference to the rest periods as stipulated in the financing agreement.

Where a financing account becomes non-performing, profit accrued and recognised as income prior to the date the account is classified as non-performing is not reversed out of income but an allowance is made against that income in conformity with Bank Negara Malaysia guidelines. Thereafter, profit on the non-performing financing shall only be recognised as income on a cash basis. Income is not recognised on customers' accounts where repayments are in arrears for more than six months from the first day of default for financing, cash line and advances; and three months from the first day of default for trade bills, credit cards, bankers acceptances, trust receipts and other instruments of similar nature.

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 subsidiary and associated companies and other investments are recognised when the Bank's rights to receive payment is established.

Notes to the Financial Statements (cont'd)

3 Significant Accounting Policies (cont'd)

m Foreign Currency Translations

i Foreign Currency Transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

ii Financial Statements of Foreign Operations

The Bank's offshore branch is not considered an integral part of the Bank's operations. Accordingly, the assets and liabilities of the offshore branch, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of the offshore branch are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of offshore branch are as follows:

1USD	RM3.67	(2005:	1USD	RM3.80)
1EUR	RM4.69	(2005:	1EUR	RM4.58)
1SAR	RM0.98	(2005:	1SAR	RM1.01)

n Income Tax

Tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

o Zakat

This represents business zakat. It is an obligatory amount payable by the Bank to comply with the principles of Shariah.

p Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term funds, and deposits and placement with banks and other financial institutions.

q Profit Equalisation Reserve (PER)

PER is a mechanism to reduce the fluctuations in the profit rates payable to the depositors. It is provided based on the Framework of the Rate of Return or BNM/GP2-i issued by Bank Negara Malaysia. The amount of PER is appropriated from and written back to the total gross income. PER is reflected under other liabilities of the Bank.

Notes to the Financial Statements (cont'd)

3 Significant Accounting Policies (cont'd)

r Employee Benefits**i Short term Employee Benefits**

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of 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, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii Defined Contribution Plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

4 Cash and Short Term Funds

	2006 RM'000	2005 RM'000
Cash and balances with banks and other financial institutions	390,261	393,978
Money at call and interbank placements with remaining maturity not exceeding one month	2,476,227	2,329,083
	2,866,488	2,723,061

5 Securities Held-for-Trading

	2006 RM'000	2005 RM'000
At Fair Value:		
Quoted securities In Malaysia		
Shares	20,703	24,572
Unquoted securities In Malaysia		
Bank Negara Negotiable Notes	–	50,845
Islamic Commercial Papers	4,356	149,719
Negotiable Islamic Debt Certificates	49,950	485,322
Malaysian Government Investment Issues	4,971	–
Bankers Acceptance	169,638	421,914
	228,915	1,107,800
	249,618	1,132,372

Notes to the Financial Statements (cont'd)

6 Securities Held-to-Maturity

	2006 RM'000	2005 RM'000
At Amortised Cost:		
Islamic Debt Securities	162,711	118,188
Less:		
Accumulated impairment loss	(30,647)	(14,715)
	132,064	103,473

7 Securities Available-for-Sale

	2006 RM'000	2005 RM'000
At Fair Value:		
Quoted securities In Malaysia		
Unit trust	3,183	3,183
Shares	124,591	128,920
	127,774	132,103
Unquoted Securities In Malaysia		
Malaysian Government Investment Issues	254,600	579,272
Unquoted shares-at cost	27,006	28,360
Promissory notes	6,022	6,022
Negotiable Islamic Debt Certificate	333,763	34,189
Islamic Debt Securities	1,463,064	1,220,777
	2,084,455	1,868,620
Outside Malaysia		
Islamic Development Bank Unit Trust	2,039	1,350
Unquoted shares-at cost	27,209	28,109
Less:		
Impairment loss – unit trust	(462)	(291)
Impairment loss – Islamic debt security	(109,952)	–
Impairment loss – unquoted shares	(20,881)	(26,600)
Impairment loss – quoted shares	(25,707)	–
	2,084,475	2,003,291

Notes to the Financial Statements (cont'd)

8 Financing, Advances and Other Loans

	2006 RM'000	2005 RM'000
i By Type		
Cash Line	16,535	27,295
Term Financing		
House financing	5,686,068	5,624,068
Syndicated financing	229,959	330,561
Leasing receivables	358,714	81,247
Bridging financing	474,453	1,176,190
Personal financing	1,791,079	1,273,386
Other term financing	4,965,446	4,406,051
Staff financing	264,746	244,857
Credit cards	175,406	142,512
Revolving credit	1,259,281	1,499,045
	15,221,687	14,805,212
Less: Unearned income	(5,004,225)	(4,763,650)
	10,217,462	10,041,562
Balance carried forward	10,217,462	10,041,562
Balance brought forward	10,217,462	10,041,562
Less: Allowance for bad and doubtful financing		
– General	(168,462)	(160,533)
– Specific	(1,547,638)	(879,931)
Add: Deferred allowance for bad and doubtful financing	–	167,498
	8,501,362	9,168,596

During the financial year, the Bank has fully expensed off the deferred allowance for bad and doubtful financing to the income statement.

	2006 RM'000	2005 RM'000
ii By Contract		
Bai' Bithaman Ajil	6,511,849	6,537,602
Ijarah	98,984	39,763
Ijarah Muntahia Bittamlik	216,602	307,269
Mudharabah	21,316	21,994
Murabahah	1,411,259	1,902,177
Musarakah	50,000	50,000
Bai-Al-Inah Cash Note	1,061,477	813,672
Bai-Al-Inah	182,882	140,304
Istisna'	633,553	190,241
Others	29,540	38,540
	10,217,462	10,041,562

Notes to the Financial Statements (cont'd)

8 Financing, Advances and Other Loans (cont'd)

	2006 RM'000	2005 RM'000
iii By Type of Customer		
Domestic non-bank financial institutions	114,437	308,805
Domestic business enterprise	1,501,526	1,756,092
Small medium industries	1,187,954	1,346,481
Government	74,049	80,526
Individuals	6,508,875	5,419,025
Others domestic entities	37,331	50,438
Foreign entities	793,290	1,080,195
	10,217,462	10,041,562

	2006 RM'000	2005 RM'000
iv By Profit Rate Sensitivity		
Fixed rate		
House financing	2,600,168	2,648,670
Others	7,617,294	7,392,892
	10,217,462	10,041,562

	2006 RM'000	2005 RM'000
v By Economic Purposes		
Agriculture, hunting, forestry & fishing	140,123	259,613
Mining and quarrying	5,459	13,527
Manufacturing	1,198,577	1,417,235
Electricity, gas and water	93,584	300,303
Construction	777,488	983,729
Real estate	123,757	49,844
Purchase of landed property:		
– Residential	2,757,048	2,674,078
– Non-residential	529,783	626,832
Wholesale & retail trade and restaurants & hotels	468,286	392,010
Transport, storage and communication	82,775	170,619
Finance, insurance and business services	115,080	185,209
Purchase of securities	486,005	572,266
Purchase of transport vehicles	1,959,577	1,309,112
Consumption credit	1,235,712	908,054
Community, Social & Personal	49,835	61,096
Others	194,373	118,035
	10,217,462	10,041,562

Notes to the Financial Statements (cont'd)

9 Non-performing financing

	2006 RM'000	2005 RM'000
i Movements in the Non-performing Financing		
At 1 July	2,036,240	1,454,284
Classified as non-performing during the year	1,147,756	1,114,670
Reclassified as performing during the year	(189,763)	(136,724)
Amount recovered	(127,873)	(90,193)
Amount written off	(502,861)	(112,726)
Other adjustments	(11,011)	(193,071)
Exchange differences	(25,337)	–
At 30 June	2,327,151	2,036,240
Less: Specific allowance (SA)	(1,547,638)	(879,931)
Net non-performing financing, advances and other loans	779,513	1,156,309
Ratio of net non-performing financing to total gross financing, advances and other loans less SA	8.99%	12.62%

	2006 RM'000	2005 RM'000
ii Movements in the Allowance for Bad and Doubtful Financing		
General Allowance		
At 1 July	160,533	141,217
Allowance made during the year	29,437	19,316
Amount transferred to specific allowance	(11,342)	–
Amount transferred to PER	(3,150)	–
Write-back made during the year	(6,298)	–
Exchange differences	(718)	–
At 30 June	168,462	160,533
(as % of total loans less SA)	1.94%	1.75%
Specific Allowance		
At 1 July	879,931	396,699
Allowance made during the year	1,237,296	613,088
Transferred from allowance for doubtful debts	11,089	–
Amount recovered	(83,273)	(36,362)
Amount written off	(484,404)	(93,494)
Exchange differences	(13,001)	–
At 30 June	1,547,638	879,931

Notes to the Financial Statements (cont'd)

9 Non-performing Financing (cont'd)

ii Movements in the Allowance for Bad and Doubtful Financing (cont'd)

During the financial year, the provisioning policy has been made more stringent where values assigned to collaterals held for non-performing financing secured by properties (determined based on the net realisable values of the properties, being the forced sale value provided by independent party/valuers), have been made on the following basis:

- i Assigning only fifty percent (50%) of the net realisable values of the properties held as collateral for non-performing financing which are in arrears for more than five (5) years but less than seven (7) years. This has resulted in additional allowance of RM33.98 million.
- ii For non-performing financing which are in arrears for more than seven (7) years, no value will be assigned to the realisable values of the properties held as collateral. This has resulted in additional allowance of RM70.35 million.
- iii Full allowance for doubtful financing is provided on the shortfall of carrying value against the collateral values where repayment is in arrears exceeding three months from the first date of default. This has resulted in additional allowance of RM116.86 million.
- iv For non-performing vehicle financing, no collateral value is assigned until the vehicles are repossessed. This has resulted in additional allowance of RM30.95 million.

	2006 RM'000	2005 RM'000
iii Movement in Deferred Allowance for Bad and Doubtful Financing		
At 1 July	167,498	258,709
Amount amortised, in previous year, now fully expensed	(167,498)	(72,498)
Transfer to PER	–	(12,114)
Sharing of amount recovered from Danaharta	–	(6,599)
At 30 June	–	167,498

In prior years, the Bank amortised the deferred allowance for bad and doubtful financing at an amount of not less than RM3 million per month as permitted by Bank Negara Malaysia. During the current financial year, the Bank has expensed off the remaining unamortised balance into the income statement.

Notes to the Financial Statements (cont'd)

9 Non-performing Financing (cont'd)

	2006 RM'000	2005 RM'000
iv Non-performing Financing by Sector		
Agriculture, hunting, forestry & fishing	71,833	88,592
Mining and quarrying	4,926	4,907
Manufacturing	393,907	224,989
Electricity, gas and water	88,200	279,787
Construction	503,813	274,409
Real estate	4,487	105
Purchase of landed property:		
– Residential	317,471	244,792
– Non-residential	150,453	161,405
Wholesale & retail trade and restaurants & hotels	243,613	114,663
Transport, storage and communication	19,468	94,268
Finance, insurance and business services	5,007	10,111
Purchase of securities	297,506	292,722
Purchase of transport vehicles	40,067	52,251
Consumption credit	110,173	121,609
Community, Social & Personal	17,054	19,280
Others	59,173	52,350
Total	2,327,151	2,036,240

Notes to the Financial Statements (cont'd)

10 Other Assets

	2006 RM'000	2005 RM'000
Income receivable	152,175	116,105
Bill receivable	12,601	9,069
Other receivables	102,044	81,730
Deposits and prepayments	10,027	6,240
Related companies *	15,987	48,705
Sundry debtors	4,262	29,430
	297,096	291,279
Allowance for doubtful debts	(84,315)	(98,798)
	212,781	192,481

* This relates to amounts due from related companies that are non-trade in nature, not subject to financing charges and has no fixed terms of repayment.

11 Statutory Deposits with Bank Negara Malaysia

The non-interest bearing 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 amount of which are determined as set percentages of total eligible liabilities.

Notes to the Financial Statements (cont'd)

12 Investment in Subsidiary Companies

	2006 RM'000	2005 RM'000
In Malaysia		
Unquoted shares		
At cost	65,345	64,923
Less: Accumulated impairment loss	(59,398)	(51,848)
	5,947	13,075

Name	Principal Activities	Effective Ownership Interest		Paid up Capital 30 June 2006 RM'000
		2006 %	2005 %	
Al-Wakalah Nominees (Tempatan) Sendirian Berhad	Provides nominee services	100	100	25
BIMB Unit Trust Management Berhad	Manager of BIMB Unit Trust Fund	100	100	5,000
BIMB International Islamic Trust (Labuan) Sendirian Berhad and its subsidiary:	Provides trust and related services	100	100	250
BIMB Offshore Company				
Management Services Sdn Bhd	Dormant	100	100	*
Bank Islam (L) Ltd (BILL)	Ceased operation	100	100	57,000
BIMB Trust Ltd	Provides trust and related services	100	100	250
BIMB Foreign Currency Clearing Agency Sendirian Berhad	Foreign currency clearing house	75.5	75.5	10,000

* Represents RM2.00

Notes to the Financial Statements (cont'd)

13 Investment in an Associated Company

	2006 RM'000	2005 RM'000
In Malaysia		
Unquoted shares		
At cost	1,900	1,900
Less: Accumulated impairment loss	(1,900)	–
	–	1,900

The principal activities of the associate and the interest of the Bank are as follows:

Name	Principal Activities	Effective Ownership Interest		Paid up Capital 30 June 2006
		2006 %	2005 %	RM'000
MySpeed.com Sdn Bhd	e-business activities	20.54	20.54	9,250

The carrying amount of the investment in associate as at 30 June 2005 and 2006, had equity method been applied, would have been nil as the associate had negative shareholders' funds as at these dates.

Notes to the Financial Statements (cont'd)

14 Property, Plant and Equipment

	Long Term Leasehold Land RM'000	Buildings -in- Progress RM'000	Improvement and Renovations RM'000	Furniture, Fixtures and Fittings RM'000	Office Equipment RM'000	Motor Vehicle RM'000	Renovation Work-in Progress RM'000	Management Information System Development Cost RM'000	Total RM'000
Cost									
At 1 July 2005	14,147	12,330	11,767	21,828	105,000	1,037	21,072	6,641	193,822
Additions	–	–	223	1,141	7,365	403	6,188	5,284	20,604
Reclassification	–	–	4,199	4,574	10,576	–	(19,349)	–	–
Disposal	–	–	–	–	(146)	(294)	–	–	(440)
Exchange difference	–	–	(53)	–	(135)	(9)	–	–	(197)
At 30 June 2006	14,147	12,330	16,136	27,543	122,660	1,137	7,911	11,925	213,789
Accumulated Depreciation and Impairment Losses									
Accumulated depreciation	–	–	9,886	16,179	84,045	604	–	–	110,714
Accumulated impairment losses	–	918	–	–	–	–	–	–	918
At 1 July 2005	–	918	9,886	16,179	84,045	604	–	–	111,632
Depreciation charge for the year	–	–	1,102	2,727	13,736	148	–	–	17,713
Reclassification	–	–	(46)	(215)	(51)	–	–	–	(312)
Disposal	–	–	–	–	(125)	(276)	–	–	(401)
Exchange difference	–	–	(43)	–	(128)	(7)	–	–	(178)
At 30 June 2006	–	918	10,899	18,691	97,477	469	–	–	128,454
Net Book Value									
At 30 June 2006	14,147	11,412	5,237	8,852	25,183	668	7,911	11,925	85,335
At 30 June 2005	14,147	11,412	1,881	5,649	20,955	433	21,072	6,641	82,190
Depreciation charge for the year ended 30 June 2005	–	–	702	1,457	15,909	58	–	–	18,126
Impairment loss for the year ended 30 June 2005	–	918	–	–	–	–	–	–	918

Notes to the Financial Statements (cont'd)

15 Deposits from customers

	2006 RM'000	2005 RM'000
i By Type of Deposit		
Non-Mudharabah Fund:		
Demand deposits	3,650,270	2,954,160
Savings deposits	1,422,174	1,385,432
Negotiable Islamic Debt Certificates (NIDC)	2,480,933	747,951
Others	24,897	18,999
	7,578,274	5,106,542
Mudharabah Fund:		
Savings deposits	454,387	433,229
General investment deposits	2,417,239	3,110,483
Special investment deposits	3,927,516	4,823,817
Others	9,100	9,100
	6,808,242	8,376,629
	14,386,516	13,483,171

	2006 RM'000	2005 RM'000
ii By Type of Customer		
Government and statutory bodies	2,876,855	2,405,840
Business enterprises	5,433,895	4,832,010
Individuals	2,292,431	2,144,688
Others	3,783,335	4,100,633
	14,386,516	13,483,171

16 Deposits and Placements of Banks and Other Financial Institutions

	2006 RM'000	2005 RM'000
Mudharabah Fund		
Licensed banks	63,028	1,098,647
Licensed merchant banks	–	75,045
Bank Negara Malaysia	–	183,834
	63,028	1,357,526

Notes to the Financial Statements (cont'd)

17 Other Liabilities

	2006 RM'000	2005 RM'000
Sundry creditors	222,891	84,881
Profit equalisation reserve (Note 18)	9,490	—
Amount due to subsidiary	312	323
	232,693	85,204

18 Profit Equalisation Reserve

	2006 RM'000	2005 RM'000
At 1 July	—	32,710
Recognised in the income statement	9,684	25,939
Written back in the financial year	(376)	(18,791)
Transferred from general allowance	3,150	—
Transferred to deferred allowance	—	(12,114)
Transferred to profit payable to depositors	(2,968)	(27,744)
At 30 June	9,490	—

19 Tax Recoverable/(Zakat Provision)

	2006 RM'000	2005 RM'000
Zakat	(3,568)	(2,932)
Taxation	10,958	1,673
	7,390	(1,259)

20 Deferred Taxation

	2006 RM'000	2005 RM'000
At 1 July	5,094	7,020
Recognised in income statement	(5,094)	(1,926)
At 30 June	—	5,094

Notes to the Financial Statements (cont'd)

20 Deferred Taxation (cont'd)

The components and movements of deferred tax assets and liabilities during the financial year (before offsetting) are as follows:

Deferred tax assets of the Bank:

	Allowance for Losses on Financing RM'000	Other Temporary Differences RM'000	Total RM'000
At 1st July	11,687	(9,158)	2,529
Recognised in income statement	(11,687)	9,158	(2,529)
As at June 2006	–	–	–

Deferred tax liabilities of the Bank:

	Excess of Capital Allowances Over Depreciation RM'000	Other Temporary Differences RM'000	Total RM'000
At 1st July	12,162	(4,539)	7,623
Recognised in income statement	(12,162)	4,539	(7,623)
As at June 2006	–	–	–

No deferred tax asset has been recognised for the following items:

	2006 RM'000	2005 RM'000
Allowances for losses on financing	171,936	–
Impairment losses	136,693	–
Unutilised tax losses	489,261	–
	797,890	–

The deferred tax assets have not been recognised in respect of these items due to the losses incurred by the Bank during the financial year. The unutilised tax losses will be available to be offset against future profits.

21 Subordinated Financing

The amount refers to subordinated Mudharabah financing facility granted by the holding company which is subordinated to all other liabilities and matures in year 2010.

Notes to the Financial Statements (cont'd)

22 Share Capital

	2006 RM'000	2005 RM'000
Authorised:		
Ordinary shares of RM1.00 each	2,000,000	2,000,000
	2,000,000	2,000,000
Issued and Fully Paid:		
Ordinary shares of RM1.00 each		
As at 1 July	600,000	500,000
Issued during the year	280,000	100,000
	880,000	600,000
At end of year	880,000	600,000

23 Reserve Fund

Reserve fund is statutory reserves maintained in compliance with Section 15 of the Islamic Banking Act 1983 and is not distributable as cash dividends.

24 Section 108 Tax Credit and Tax Exempt Income Account

Subject to agreement by the Inland Revenue Board, the Bank has sufficient Section 108 tax credit and tax exempt income to frank up to approximately RM537,565,000 as dividend subject to availability of sufficient profits.

25 Income Derived from Investment of Depositors' Funds

	2006 RM'000	2005 RM'000
Income derived from investment of:		
i General investment deposits	193,116	210,578
ii Other deposits	617,429	543,199
	810,545	753,777

	2006 RM'000	2005 RM'000
i Income Derived from Investment of General Investment Deposits		
Finance Income and Hibah		
Financing, advances and other loans	147,656	172,890
Securities:		
– Held-for-trading	3,726	6,484
– Available-for-sale	18,055	5,914
Money at call and deposit with financial institutions	13,255	9,206
	182,692	194,494

Notes to the Financial Statements (cont'd)

25 Income Derived from Investment of Depositors' Funds (cont'd)

	2006 RM'000	2005 RM'000
i Income Derived from Investment of General Investment Deposits (cont'd)		
Finance Income and Hibah (cont'd)		
Amortisation of premium less accretion of discounts	2,371	4,995
	185,063	199,489
Other Dealing Income		
Net gain from foreign exchange transactions	3,116	141
Net gain from sale of securities held-for-trading	3,507	9,356
Net gain/(loss) on revaluation of securities:		
– Held-for-trading	82	(357)
	6,705	9,140
Other Operating Income		
Net gain from sale of securities available-for-sale	1,348	1,529
Gross dividend income from securities:		
Quoted in Malaysia	–	98
	1,348	1,627
Other Income	–	322
	193,116	210,578

	2006 RM'000	2005 RM'000
ii Income Derived from Investment of Other Deposits		
Finance Income and Hibah		
Financing, advances and other loans	491,730	437,706
Securities:		
– Held-for-trading	15,592	18,388
– Available-for-sale	16,368	17,028
Money at call and deposit with financial institutions	53,890	27,898
	577,580	501,020
Amortization of premium less accretion of discounts	11,917	13,499
	589,497	514,519
Other Dealing Income		
Net gain from foreign exchange transactions	7,598	394
Net gain from sale of securities held-for-trading	14,359	24,667
Net gain/(loss) on revaluation of securities:		
– Held-for-trading	252	(1,491)
	22,209	23,570

Notes to the Financial Statements (cont'd)

25 Income Derived from Investment of Depositors' Funds (cont'd)

	2006 RM'000	2005 RM'000
ii Income Derived from Investment of Other Deposits (cont'd)		
Other Operating Income (cont'd)		
Net gain from sale of securities available-for-sale	5,723	4,243
Gross dividend income from securities:		
Unquoted in Malaysia	–	209
Other Income	–	658
	617,429	543,199

26 Income Derived from Investment of Shareholder's Funds

	2006 RM'000	2005 RM'000
Finance Income and Hibah		
Financing, advances and other loans	3,116	3,719
Securities available-for-sale	67,019	37,362
Money at call and deposit with financial institutions	19,193	12,457
	89,328	53,538
Amortization of premium less accretion of discounts	7,605	8,480
	96,933	62,018
Other Dealing Income		
Net gain from foreign exchange transactions	11,083	231
Net gain/(loss) from sale of securities held-for-trading	1,463	(24)
Net gain on revaluation of securities held-for-trading	–	1,425
	12,546	1,632
Other Operating Income		
Net gain from sale of securities available-for-sale	4,179	26,326
Gain on disposal of investments	423	–
Gross dividend income from securities:		
Quoted in Malaysia	–	778
Quoted outside Malaysia	–	71
Unit trust in Malaysia	189	914
Unit trust outside Malaysia	102	–
Unquoted in Malaysia	2,543	1,334
Gain on disposal of unquoted shares in Malaysia	1,690	–
Gross dividend income subsidiary companies	–	149
	9,126	29,572

Notes to the Financial Statements (cont'd)

26 Income Derived from Investment of Shareholder's Funds (cont'd)

	2006 RM'000	2005 RM'000
Fees and Commission		
Processing fees	1,151	211
Commitment fees	566	177
Corporate advisory fees	731	2,442
Others	28,673	25,942
	31,121	28,772
Other Income		
Net gains/(loss) on disposal of property, plant & equipment	81	(17)
Rental Income	281	357
Other Income	–	8,888
	362	9,228
	150,088	131,222

27 Allowance for Losses on Financing

	2006 RM'000	2005 RM'000
Allowance for bad and doubtful financing:		
– Specific allowance		
– made in financial year	1,237,296	613,088
– written back	(83,273)	(36,362)
– General allowance		
– made in financial year	29,437	19,316
– written back in financial year	(6,298)	–
– transferred to specific allowance	(11,342)	–
– Deferred allowance for bad and doubtful financing*	167,498	72,498
– Bad debts and financing:		
– recovered	(18,799)	(16,278)
– Exchange differences	10,959	–
	1,325,478	652,262
Allowance for amounts recoverable from Danaharta reversed in the financial year	–	(4,232)
	1,325,478	648,030

* In prior years, the Bank amortised the deferred allowance for bad and doubtful financing at an amount of not less than RM3 million per month as permitted by Bank Negara Malaysia. During the current financial year, the Bank has expensed off the remaining unamortised balance into the income statement.

Notes to the Financial Statements (cont'd)

28 Impairment Loss

	2006 RM'000	2005 RM'000
Securities		
Held-to-maturity	55,887	–
Available-for-sale	90,156	(945)
Exchange difference	980	–
	147,023	(945)
Investment in subsidiary companies	7,550	51,848
Investment in an associated company	1,900	–
	156,473	50,903

29 Income Attributable to the Depositors

	2006 RM'000	2005 RM'000
Deposits from customers		
– Mudharabah Fund	209,361	194,247
– Non-Mudharabah Fund	139,022	62,473
Deposits and placements of banks and other financial institutions		
– Mudharabah Fund	22,628	24,497
	371,011	281,217

30 Personnel Expenses

	2006 RM'000	2005 RM'000
Salaries and wages	85,000	77,221
Allowance and bonuses	27,112	20,940
Others	46,481	33,967
	158,593	132,128

The number of employees of the Bank (including Executive Directors) at the end of the year was 2,812 (2005 – 2,906). Personnel expenses include contributions to the Employees' Provident Fund of RM15,114,000 (2005 – RM13,748,000).

Notes to the Financial Statements (cont'd)

31 Other Overhead Expenses

	2006 RM'000	2005 RM'000
Promotion		
Advertisement and publicity	6,494	4,730
Establishment		
Office Rental	23,134	17,330
Depreciation	17,713	18,126
EDP expenses	920	882
Lease Rental	28,970	20,737
Hire purchase equipment	3,145	2,978
General Expenses		
Auditors' fees		
– audit work	191	191
– non-audit work	4	20
Professional fee	2,841	1,941
Directors' remuneration	1,301	404
Allowance for doubtful debts	7,313	78,900
Impairment loss- property, plant and equipment	–	918
Others	114,747	98,194
	206,773	245,351

32 Directors and Shariah Supervisory Council Members' Remuneration

	2006 RM'000	2005 RM'000
a i Aggregate remuneration of all Directors for the Bank categorised into appropriate components are as follows:		
Executive Directors:		
Allowances	229	60
Salaries, bonuses and EPF contributions	873	219
Other remuneration – Gratuity	70	–
Benefit-in-kind	188	38
	1,360	317
Non-Executive Directors:		
Fees and allowances	129	125
Total	1,489	442
Total (excluding benefits-in-kind)	1,301	404
ii Shariah Supervisory Council	130	110

Notes to the financial statements (cont'd)

32 Directors and Shariah Supervisory Council Members' Remuneration (cont'd)

	2006 RM'000	2005 RM'000
b i Number of Directors whose remuneration fall into the following bands:		
Number of Executive Directors		
Below RM300,000	1	–
RM300,001 to RM400,000	–	1
More than RM 400,000	1*	–
Number of Non-Executive Director		
Below RM50,000	8	9
Total	10	10
ii Number of Shariah Supervisory Council Members	6	5

* Re-designated as a Non-Executive Director effective from 9 June 2006

33 Finance Cost

	2006 RM'000	2005 RM'000
Subordinated financing	10,157	–

34 Taxation

	2006 RM'000	2005 RM'000
Current tax expense:		
Malaysia – current year	1,008	22,579
Malaysia – under provision in prior years	19,715	4,856
	20,723	27,435
Deferred tax expense:		
Origination and reversal of temporary differences	(5,094)	(1,926)
	15,629	25,509
Reconciliation of effective tax expense:		
Loss before taxation	(1,277,160)	(479,778)
Income tax using Malaysian tax rates	(357,605)	(134,338)
Deferred tax assets not recognised	218,315	–
Non-deductible expenses	135,204	154,991
	(4,086)	20,653
Under provision in prior years	19,715	4,856
Tax expenses	15,629	25,509

Notes to the Financial Statements (cont'd)

35 Loss Per Share

Basic loss per share of the Bank is calculated based on the net loss attributable to the ordinary shareholders of RM1,296,789,000 (2005 – net loss of RM507,807,000) and the weighted average number of ordinary shares outstanding during the year of 740,000,000 (2005 – 550,000,000).

36 Related Party Transactions

Controlling related party relationships are as follows:

- i Its subsidiaries as disclosed in Note 12.
- ii Its holding company, BIMB Holdings Berhad.
- iii Substantial shareholders of the holding company.

Significant transactions and balances with related parties other than disclosed elsewhere in the financial statements are as follows:

	2006 RM'000	2005 RM'000
<i>Holding Company</i>		
Income		
Management fees	142	141
Expenditure		
Income on deposits and placements of banks and other financial institutions	297	972
Dividend paid	–	35,000
Finance cost	10,157	–
Amounts Due From		
Others	363	223
Amounts Due To		
Current account and investment deposits	3,561	4,423
Financing, advances and other loans	100,000	–
Others	–	12

	2006 RM'000	2005 RM'000
<i>Substantial Shareholders of the Holding Company</i>		
Expenditure		
Rental of premises	3,064	1,307
<i>Other Related Companies</i>		
Income		
Income on financing, advances and other loans	4,491	5,529
Management fees	248	248
Office rental	–	38
Lease rental	36	36
Others	–	167

Notes to the Financial Statements (cont'd)

36 Related Party Transactions (cont'd)

	2006 RM'000	2005 RM'000
Other Related Companies		
Expenditure		
Income on deposits and placements of banks and other financial institutions	5,858	5,743
Office rental	5,756	7,957
Lease rental	29,109	20,866
Others	169	1,014
Amounts Due From		
Financing, advances and other loans	37,622	51,531
Investment and deposit and placements with banks and other financial institutions	–	12,567
Others	2,560	20,304
Amounts Due To		
Current account and investment deposits	191,465	295,815
Others	8,763	3,416

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with non-related parties.

37 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 30 June are as follows:

	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
2006			
Direct credit substitutes	251,029	251,029	238,060
Transaction-related contingent items	323,360	161,680	160,078
Short term self-liquidating trade related contingencies	851,528	170,306	14,389
Assets sold with recourse and commitments with certain drawdown	60,925	60,925	60,925
Obligation under underwriting agreement	89,000	44,500	44,500
Foreign exchange related contracts	1,361,105	–	–
Miscellaneous	1,089,434	468,037	–
	4,026,381	1,156,477	517,952

Notes to the Financial Statements (cont'd)

37 Commitments and Contingencies (cont'd)

Risk Weighted Exposures of the Bank as at 30 June are as follows:

	Principal	Credit	Risk
	Amount	Equivalent	Weighted
	RM'000	RM'000	Amount
			RM'000
2005			
Direct credit substitutes	380,548	380,548	372,814
Transaction-related contingent items	396,004	198,002	195,815
Short term self-liquidating trade related contingencies	1,390,308	278,062	13,987
Assets sold with recourse and commitments with certain drawdown	121	121	121
Obligation under underwriting agreement	70,000	35,000	35,000
Foreign exchange related contracts	720,034	14,401	2,880
Miscellaneous	1,637,968	483,707	—
	4,594,983	1,389,841	620,617

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

	2006		2005	
	Principal	Credit	Principal	Credit
	amount	equivalent	amount	equivalent
	RM'000	amount*	RM'000	amount*
		RM'000		RM'000
Foreign Exchange Contracts				
– Forward contracts	1,155,980	—	400,299	8,006
– Others	205,125	—	319,735	6,395
Total	1,361,105	—	720,034	14,401

Foreign exchange related contracts are subject to market risk and credit risk.

Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

Credit Risk

Credit risk is a risk that a counterparty will be unable to meet the terms of a contract in which the Bank has a gain position.

38 Profit Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The following table summarises the Bank's exposure to profit rate risk. The assets and liabilities at carrying amount are categorised by the earlier contractual repricing or maturity dates.

Notes to the Financial Statements (cont'd)

38 Profit Rate Risk (cont'd)

	Non-trading Book					Non Profit Sensitive	Trading Book	Effective Total Profit Rate	
	Up to 1 Month	>1-3 Months	>3-12 Months	1-5 Years	Over 5 Years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
As at 30 June 2006									
Assets									
Cash &									
short-term funds	2,476,227	—	—	—	—	—	390,261	2,866,488	3.87%
Securities									
– Held-for-trading	—	—	—	—	—	—	249,618	249,618	5.64%
– Held-to-maturity	—	—	—	33,728	98,336	—	—	132,064	—
– Available-for-sale	558,535	491,533	318,072	367,790	348,545	—	—	2,084,475	6.70%
Financing, advances & other loans									
– performing	1,061,615	167,822	981,101	1,208,358	4,302,953	—	—	7,721,849	8.17%
– non performing	—	—	—	—	—	779,513	—	779,513	—
Other assets	—	—	—	—	—	771,309	—	771,309	—
Total Assets	4,096,377	659,355	1,299,173	1,609,876	4,749,834	1,550,822	639,879	14,605,316	
Liabilities									
Deposits from customers									
	2,961,961	1,686,939	2,275,344	1,436,829	498,612	5,526,831	—	14,386,516	2.49%
Deposits & placement of banks & other financial institutions									
	63,028	—	—	—	—	—	—	63,028	2.67%
Bills & acceptance payable									
	100,919	—	—	—	—	—	—	100,919	—
Subordinated financing									
	—	—	—	100,000	—	—	—	100,000	10.18%
Other liabilities									
	—	—	—	—	—	232,693	—	232,693	—
Total Liabilities	3,125,908	1,686,939	2,275,344	1,536,829	498,612	5,759,524	—	14,883,156	
Shareholders' Equity									
	—	—	—	—	—	(277,840)	—	(277,840)	
Total Liabilities and shareholders equity	3,125,908	1,686,939	2,275,344	1,536,829	498,612	5,481,684	—	14,605,316	
On balance sheet profit sensitivity gap									
	970,470	(1,027,584)	(976,171)	73,047	4,216,223				
Off balance sheet profit sensitivity gap									
	1,111,893	1,513,100	311,954	1,089,434	—				
Total profit sensitivity gap	2,082,363	485,516	(664,217)	1,162,481	4,216,223				

Notes to the Financial Statements (cont'd)

38 Profit Rate Risk (cont'd)

	Non-trading Book					Non Profit Sensitive	Trading Book	Effective Total Profit Rate	
	Up to 1 Month	>1-3 Months	>3-12 Months	1-5 Years	Over 5 Years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
As at 30 June 2005									
Assets									
Cash & short-term funds	2,104,226	170,070	260,059	—	—	—	188,706	2,723,061	2.44%
Securities									
– Held-for-trading	—	—	—	—	—	—	1,132,372	1,132,372	4.56%
– Held-to-maturity	—	—	3,980	14,401	85,092	—	—	103,473	—
– Available-for-sale	300	341,055	70,650	637,246	954,040	—	—	2,003,291	12.01%
Financing, advances & other loans									
– performing	1,605,295	561,336	743,159	1,454,895	3,647,602	—	—	8,012,287	7.17%
– non-performing	—	—	—	—	—	1,156,309	—	1,156,309	—
Other assets	—	—	—	—	—	718,113	—	718,113	—
Total Assets	3,709,821	1,072,461	1,077,848	2,106,542	4,686,734	1,874,422	1,321,078	15,848,906	
Liabilities									
Deposits from customers	5,986,087	561,336	743,159	331,440	1,553,870	4,307,279	—	13,483,171	1.98%
Deposits & placement of banks & other financial institutions	20,048	107,402	989,884	—	—	—	240,192	1,357,526	2.87%
Bills & acceptance payable	86,471	—	—	—	—	—	—	86,471	—
Subordinated financing	—	—	—	100,000	—	—	—	100,000	—
Other liabilities	—	—	—	—	—	91,557	—	91,557	—
Total Liabilities	6,092,606	668,738	1,733,043	431,440	1,553,870	4,398,836	240,192	15,118,725	
Shareholders' equity	—	—	—	—	—	730,181	—	730,181	
Total Liabilities and shareholders equity	6,092,606	668,738	1,733,043	431,440	1,553,870	5,129,017	240,192	15,848,906	
On balance sheet profit sensitivity gap									
On balance sheet profit sensitivity gap	(2,382,785)	403,723	(655,195)	1,675,102	3,132,864				
Off balance sheet profit sensitivity gap									
Off balance sheet profit sensitivity gap	1,390,308	360,017	360,017	2,484,641	—				
Total profit sensitivity gap	(992,477)	763,740	(295,178)	4,159,743	3,132,864				

Notes to the Financial Statements (cont'd)

39 Liquidity Risk

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing liquidity of the reporting institution. The table below provides analysis of assets and liabilities into relevant maturity tenures based on their behavioural profile:

Maturities of assets and liabilities by behavioural maturity profile:

	Up to 1 Month RM'000	>1-3 Months RM'000	>3-12 Months RM'000	1-5 Years RM'000	Over 5 Years RM'000	Total RM'000
As at 30 June 2006						
Assets						
Cash & short-term funds	2,866,488	–	–	–	–	2,866,488
Securities						
– Held-for-trading	249,618	–	–	–	–	249,618
– Held-to-maturity	–	–	–	33,728	98,336	132,064
– Available-for-sale	558,535	491,533	318,072	367,790	348,545	2,084,475
Financing, advances & other loans	1,061,615	167,822	981,101	1,208,358	5,082,466	8,501,362
Other assets	680,027	–	–	–	91,282	771,309
Total Assets	5,416,283	659,355	1,299,173	1,609,876	5,620,629	14,605,316
Liabilities						
Deposits from customers	8,488,792	1,686,939	2,275,344	1,436,829	498,612	14,386,516
Deposits & placement of banks & other financial institutions	63,028	–	–	–	–	63,028
Bills & acceptance payable	100,919	–	–	–	–	100,919
Subordinated financing	–	–	–	100,000	–	100,000
Other liabilities	232,693	–	–	–	–	232,693
Total Liabilities	8,885,432	1,686,939	2,275,344	1,536,829	498,612	14,883,156
Shareholders' Equity	–	–	–	–	(277,840)	(277,840)
Total Liabilities & Equity	8,885,432	1,686,939	2,275,344	1,536,829	220,772	14,605,316
Commitments & contingencies	1,111,893	1,513,100	311,954	1,089,434	–	4,026,381
Net Maturity Mismatch	(4,581,042)	(2,540,684)	(1,288,125)	(1,016,387)	5,399,857	(4,026,381)

Notes to the Financial Statements (cont'd)

39. Liquidity Risk (cont'd)

Maturities of assets and liabilities by behavioural maturity profile:

	Up to 1 Month RM'000	>1-3 Months RM'000	>3-12 Months RM'000	1-5 Years RM'000	Over 5 Years RM'000	Total RM'000
As at 30 June 2005						
Assets						
Cash & short-term funds	2,723,061	—	—	—	—	2,723,061
Securities						
– Held-for-trading	1,132,372	—	—	—	—	1,132,372
– Held-to-maturity	—	—	3,980	14,401	85,092	103,473
– Available-for-sale	300	341,055	70,650	637,246	954,040	2,003,291
Financing, advances & other loans	1,605,295	561,336	743,159	1,454,895	4,803,911	9,168,596
Other assets	620,948	—	—	—	97,165	718,113
Total Assets	6,081,976	902,391	817,789	2,106,542	5,940,208	15,848,906
Liabilities						
Deposits from customers	10,293,366	561,336	743,159	331,440	1,553,870	13,483,171
Deposits & placement of banks & other financial institutions	260,240	107,402	989,884	—	—	1,357,526
Bills & acceptance payable	86,471	—	—	—	—	86,471
Subordinated financing	—	—	—	100,000	—	100,000
Other liabilities	91,557	—	—	—	—	91,557
Total Liabilities	10,731,634	668,738	1,733,043	431,440	1,553,870	15,118,725
Shareholders' Equity	—	—	—	—	730,181	730,181
Total Liabilities & Equity	10,731,634	668,738	1,733,043	431,440	2,284,051	15,848,906
Commitments & contingencies	1,390,308	360,017	360,017	2,484,641	—	4,594,983
Net Maturity Mismatch	(6,039,966)	(126,364)	(1,275,271)	(809,539)	3,656,157	(4,594,983)

Notes to the Financial Statements (cont'd)

40 Lease Commitments

The Bank has lease commitments in respect of vehicle and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long term commitments are as follows:

	2006 RM'000	2005 RM'000
As Lessee		
Year		
Within one year	28,232	20,600
Between one and five year	54,639	61,683
	82,871	82,283

41 Capital Commitments

	2006 RM'000	2005 RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	10,988	7,935

42 Capital Adequacy

i The capital adequacy ratios of the Bank are as follows:

	2006 RM'000	2005 RM'000
Tier I Capital		
Paid-up share capital	880,000	600,000
Share premium	331,375	331,375
Accumulated losses	(1,698,516)	(401,727)
Other reserve	215,951	200,533
Total Tier-1 Capital	(271,190)	730,181
Tier II Capital		
Redeemable Subordinated Mudharabah	100,000	100,000
General allowance for bad and doubtful financing	168,462	160,533
Total Tier-II Capital	268,462	260,533
Total Capital	(271,190)	990,714
Less: Investment in Subsidiaries	(5,947)	(13,075)
Capital base	(277,137)	977,639

Notes to the financial statements (cont'd)

42 Capital Adequacy (cont'd)

- i The capital adequacy ratios of the Bank are as follows:

Core capital ratio	-2.78%	6.77%
Risk-weighted capital ratio	-2.84%	9.06%
Core capital ratio net of proposed dividends	-2.78%	6.77%
Risk-weighted capital ratio net of proposed dividends	-2.84%	9.06%

Pursuant to the additional capital injection of RM1,014.59 million received by the Bank subsequent to the balance sheet date on 16 October 2006, (as described in Note 46) the core capital ratio and risk-weighted capital ratio have improved to exceed the minimum regulatory requirement.

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

	Principal 2006 RM'000	Risk- Weighted 2005 RM'000	Principal 2006 RM'000	Risk- Weighted 2005 RM'000
0%	3,545,424	—	3,844,975	—
10%	13,640	1,364	33,640	3,364
20%	726,679	145,336	1,841,988	368,398
50%	2,435,386	1,217,693	2,446,854	1,223,427
100%	7,909,296	7,909,296	9,195,799	9,195,799
Total risk-weighted assets for credit risk	14,630,425	9,273,689	17,363,256	10,790,988
Total risk-weighted assets for market risk	—	471,239	—	—
Total risk-weighted assets for credit and market risk	14,630,425	9,744,928	17,363,256	10,790,988

Notes to the Financial Statements (cont'd)

43 Segment Information

Business Segments

	Corporate and Institutional Banking		Commercial Banking	Consumer Banking	Others	Total
	Offshore	Domestic				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2006						
Total Operating Income	60,754	316,111	123,163	448,256	12,349	960,633
Segment result	(345,303)	(102,867)	(438,754)	(77,056)	(15,333)	(979,313)
Unallocated corporate expenses						(297,847)
Loss from operation						(1,277,160)
Zakat						(4,000)
Tax expense						(15,629)
Net loss for the financial year						(1,296,789)
Segment assets	721,505	6,702,830	1,699,882	5,388,686	–	14,512,903
Tax recoverable						7,390
Unallocated corporate assets						85,023
Total assets						14,605,316
Segment liabilities	502,968	2,571,193	56,686	11,568,609	–	14,699,456
Unallocated corporate liabilities						183,700
Total liabilities						14,883,156
Other segment items						
Capital expenditure	–	4,538	3,713	6,871	5,483	20,605
Depreciation	222	3,718	3,042	5,628	5,103	17,713
Expense off of deferred allowance for bad and doubtful financing that was previously amortised over 7 years	–	–	–	–	167,498	167,498

Notes to the financial statements (cont'd)

43 Segment Information (cont'd)

Business Segments

	Corporate and Institutional Banking		Commercial Banking	Consumer Banking	Others	Total
	Offshore RM'000	Domestic RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2005						
External Income	29,838	310,813	162,430	378,419	3,499	884,999
Segment result	(449,226)	105,167	18,741	31,188	3,505	(290,625)
Unallocated corporate expenses						(189,153)
Loss from operation						(479,778)
Zakat						(2,520)
Tax expense						(25,509)
Net loss for the financial year						(507,807)
30 June 2005						
Segment assets	1,496,531	6,092,264	2,455,882	5,737,752	–	15,782,429
Investment in associates						1,900
Unallocated corporate assets						64,577
Total assets						15,848,906
Segment liabilities	1,893,909	1,383,552	23,909	11,645,115	–	14,946,485
Unallocated corporate liabilities						172,240
Total liabilities						15,118,725
Other Segment Items						
Capital expenditure	–	3,313	3,044	7,111	6,478	19,946
Depreciation	–	3,011	2,766	6,462	5,887	18,126
Amortisation of deferred allowance for bad and doubtful financing over 7 years	–	–	–	–	72,498	72,498

Notes to the Financial Statements (cont'd)

44 Financial Risk Management Policies

Operational Risk

This risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events. In managing this risk a dedicated team has been established. The team is responsible for identification, assessment and measurement, control framework, monitoring and reporting of operational risks.

Credit Risk

Credit risk is the potential loss of revenue and principal in the form of specific allowances as a result of defaults by the customers or counter parties through the financing, dealing and investing activities.

The primary exposure to credit risk arises from financing activities. Credit policy to govern the activities is rigorously being enhanced with the objectives of improving the quality of assets originated and preserved. This is in line with the on-going organisation transformation.

Under the credit process flow, credit administration, credit control, review and analysis are performed independently of individuals involved in business origination. In addition, an independent evaluation of credit proposal before approval has been established for all proposal involving corporate and commercial. This function is performed by risk management division.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which includes, counter parties limits, permissible acquisition of not less than A-rated private entities' instruments. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

Market Risk

Market risk is the risk of loss arising from the adverse movement in the level of market prices or rates. The market risk components are foreign exchange risk, profit rate risk and equity risk.

i Foreign Exchange Risk

This risk refers to the adverse exchange rate movements on foreign currency positions taken by the Bank. Foreign currency open position is monitored against predetermined position limits and cut-loss limits.

ii Profit Rate Risk

This risk refers to volatility in the net profit income as a result of changes in the levels of profit rate and shift in the composition of the assets and liabilities. The profit rate risk, however, is self-mitigated when most of the financing assets are based on fixed rate while profit paid to depositors are not contractual.

Profit paid to depositors/investors depends on the profit generated from the Bank's activities and the profit sharing distribution.

The Bank is not exposed directly to interest rate risk because interest is prohibited under Islamic banking. The indirect interest rate risk exists arising from competition with other banks. This is managed by regularly reviewing the Bank profit rates.

iii Equity Risk

Equity risk refers to the adverse movements in the price of equities on equity positions. Equity position is marked to market and monitored Risk Management Division and reported to Risk Management Committee.

Liquidity Risk

Liquidity risk is related to the risk arising mainly from withdrawals of deposits. In managing this, the Bank is adopting the liquidity framework introduced by Bank Negara Malaysia which ascertain liquidity based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments.

Notes to the financial statements (cont'd)

45 Fair Value of Financial Assets and Liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in assumptions could materially affect these estimates and resulting fair value estimates.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132₂₀₀₄, "Financial Instruments: Disclosure and Presentation" which requires the fair value information to be disclosed.

The following table summarises the carrying and fair values of the financial assets and liabilities on the balance sheet date:

	Carrying Value		Fair Value	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Financial Assets				
Cash and short-term funds	2,866,488	2,723,061	2,866,488	2,723,061
Securities				
– Held-for-trading	249,618	1,132,372	249,618	1,132,372
– Held-to-maturity	132,064	103,473	132,064	103,473
– Available-for-sale	2,084,475	2,003,291	2,077,825	2,059,827
Financing, advances and other loans	8,501,362	9,168,596	8,669,824	9,307,866
Financial Liabilities				
Deposits from customers	14,386,516	13,483,171	14,386,516	13,483,171
Deposits and placements of banks and other financial institutions	63,028	1,357,526	63,028	1,357,526
Bills and acceptance payable	100,919	86,471	100,919	86,471
Subordinated financing	100,000	100,000	77,007	74,726

The fair value of the Bank's financial instruments which include cash and short-term funds, deposits and placements with banks and other financial institutions and short-term borrowings are not materially sensitive to shifts in market interest rate because of the limited term to maturity of these instruments.

As such, the carrying value of these financial assets and liabilities at balance sheet date approximate their fair values.

The fair values are based on the following methodologies and assumptions:

Deposits and Placements with Banks and Other Financial Institutions

For deposits and placements with financial instruments with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining period to maturity.

Held-for-Trading and Available-for-Sale Securities

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Notes to the Financial Statements (cont'd)

45 Fair Value of Financial Assets and Liabilities (cont'd)

Financing, Advances and Other Loans

Their fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities. The fair values are represented by their carrying value, net of specific allowance and income-in-suspense, being the recoverable amount.

Deposits from Customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate for their fair values. For deposits with maturities of six months or more, the fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and Placements of Banks and Other Financial Institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

Bills and Acceptance Payable

The estimated fair values of bills and acceptance payables with maturity of less than six months approximate their carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile.

46 Significant Event After the Balance Sheet Date

On 30 June 2006 BIMB Holdings Berhad (BHB) announced that BHB and its wholly-owned subsidiary, BIMB, have entered into the following:

- i a subscription agreement for subscription by Dubai Financial LLC (DF, a subsidiary of Dubai Investment Group LLC, (DIG)) of 690,196,000 new BIMB Shares representing 40% of the enlarged share capital of BIMB at an issue price of RM1.20 per new BIMB Share; and
- ii a subscription agreement for subscription by Lembaga Tabung Haji (LTH) of 155,294,000 new BIMB Shares representing approximately 9% of the enlarged share capital of BIMB at an issue price of RM1.20 per new BIMB Share.

BHB, BIMB, DF and LTH have also on 30 June 2006 entered into the Shareholders Agreement for purposes of regulating the relationship with each other as shareholders of BIMB and certain aspects of the affairs of and their shareholdings in BIMB following the completion of the Proposed Restricted Issue to DF and the Proposed Restricted Issue to LTH.

BHB has obtained the approval of the Securities Commission vide its letter dated 5 September 2006 under the SC Guidelines and FIC Guidelines; and approval from the Ministry of Finance on 9 October 2006.

Upon completion of the Proposed Restricted Issue, BHB's shareholdings in BIMB has been reduced from 100% to approximately 51%.

BHB convened an Extraordinary General Meeting on 13 October 2006 and obtained shareholders' approval for the issuance of new BIMB shares to DF and LTH pursuant to the above subscription agreements.

Upon subscription of the above issuance of new BIMB shares to DF and LTH, BIMB has received RM1,014.59 million cash on 16 October 2006.

With this capital injection, the Bank improved into a positive shareholder's funds. On this basis, the financial statements has been prepared on a going concern basis for the year ended 30 June 2006.

Notes to the Financial Statements (cont'd)

47 Changes in Accounting Policy

During the financial year ended 30 June 2006, the Bank adopted revised Bank Negara Malaysia/GP8-i which resulted in the following new accounting policies:

1 Securities

The holdings of the securities portfolio of the Bank are recognised based on the following categories and valuation methods:

i Securities Held-for-Trading

Securities are classified as held-for-trading if these financial assets are acquired principally for the purpose of benefiting from actual or expected short-term price movement. The securities held-for-trading are 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 Held-to-Maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that 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.

iii 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 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.

The change in the measurement and recognition of these investments has been effected prospectively as it is impracticable to obtain relevant information regarding investment portfolio retrospectively. This arises from the constraint faced by the Bank due to the change in its treasury system. The Bank changed its treasury system from Matrix System to Quantum System effective March 2006.

Notes to the Financial Statements (cont'd)

2 Financing

Where a financing account becomes non-performing, profit accrued and recognised as income prior to the date the account is classified as non-performing is not reversed out of income but an allowance is made against that income in conformity with Bank Negara Malaysia guidelines. Thereafter, profit on the non-performing financing shall only be recognised as income on a cash basis instead of being accrued and suspended at the same time as practised previously.

As such, the following comparatives have been reclassified to reflect the changes in accounting policy.

	As Restated RM '000	As Previously Stated RM'000
Balance Sheet		
Securities held-for-trading	1,132,372	–
Securities held-to-maturity	103,473	–
Securities available-for-sale	2,003,291	–
Dealing securities	–	1,132,372
Investment securities	–	2,106,764
Financing, advances and other loans	9,186,596	9,284,701
Other Assets Income receivable	116,105	–

	As Restated RM '000	As Previously Stated RM'000
Income Statement		
Income derived from investment of depositors' funds	753,777	741,921
Income attributable to depositors	281,217	269,361

Changes in accounting policy have been adopted prospectively hence cash flow statement was not restated as it is impracticable to retrieve retrospective information.

Properties Owned by Bank Islam Malaysia Berhad

Location	Description Existing Use	Tenure	Land Built- up Area (square metre)	Net Book Value as at 30.06.06	Date of Acquisition
H S (D) 80625 PT 45 Seksyen 87 Jalan Tun Razak Bandar Kuala Lumpur	Building site	Leasehold for 99 years expiring on 29.12.2093	6,597	14,076,345	30.12.1994
No PT 1708 & 1709 H S (M) 2660 & 2661 Batu 5 1/2 Jalan Cheras Kuala Lumpur	Vacant land	Leasehold for 99 years expiring on 02.04.2085	4,443	70,560	03.04.1986
Lot No PT 805-HSD 1323 Mukim Nakhoda Omar Sabak Bernam, Selangor	Vacant Land	Leasehold for 99 years expiring 03.02.2101	405,000	600,000	04.02.2002



Feb-Dec | 2005

Islamic Banking & Takaful Road Show 2005

Bank Islam, together with other local institutions, participated in the ISLAMIC BANKING & TAKAFUL ROADSHOW (IBTR) 2005, organised by the Association of Islamic Banking Institutions Malaysia (AIBIM). The road show provided a comprehensive platform for Islamic banks and Takaful with the opportunity to showcase their latest products and services.



22-29 | 09 | 2005

Islamic Banking & Takaful Week 2005

Bank Islam and other local institutions participated in the ISLAMIC BANKING & TAKAFUL WEEK 2005, organised by Association of Islamic Banking Institutions Malaysia (AIBIM) which provided another platform of opportunities for Islamic banks and Takaful to showcase their latest products and services and to enhance the public's awareness on Islamic Banking and Takaful.



26-30 | 09 | 2005

PNB Group Q-Day 2005

Bank Islam was invited by Permodalan Nasional Berhad (PNB) to participate in its Q-day or Hari-Q that was held at Menara PNB. The objectives of Hari-Q were three fold that is, to foster the PNB-family spirit, be knowledgeable of each member company's businesses and to share information on achievements and quality initiatives among the PNB Group of Companies.

Calendar of Events



16 | 01 | 2006

Top Award for Islamic Finance to Bank Islam

Bank Islam was named the best provider of Islamic Finance in Malaysia for 2005, as polled by Islamic Finance News.

02 | 03 | 2006

Blood Donation Campaign

Bank Islam held a blood donation campaign jointly with the National Blood Bank in its effort to support the blood bank's drive to increase their supply to aid patients in need.



03 | 03 | 2006

New Scheme from Bank Islam and Takaful Malaysia

Bank Islam and Syarikat Takaful Berhad (Takaful Malaysia) collaborated to launch a new Motorised Vehicle Takaful Scheme targeted at both new and existing Takaful Malaysia customers.

This collaboration allows all Takaful Malaysia's customers to purchase or renew their motorised vehicle Takaful insurance at all 90 Bank Islam branches throughout Malaysia.



15 | 03 | 2006

The Asian Banker Achievement Award 2005 for Islamic Finance

Dato' Noorazman bin A Aziz was awarded The Asian Banker Achievement Award 2005 for Islamic Finance at the annual Asian Banker Achievement Awards 2005 on 15 March 2006. The Asian Banker Achievement Awards recognise the tactical skills of leaders and highly talented individuals in the financial services industry based on specific achievements in the past year; that being the ability to apply high professional standards in response to challenges in a fast changing marketplace.



28 | 03 | 2006

Signing Agreement of RM100 million BBA Financing between Felcra and Bank Islam

The agreement enabled Bank Islam to finance Felcra projects and is a further boost to the bank's corporate financing activities.



04 | 04 | 2006

MoU Signing between BIMB Unit Trust Management Berhad (BUTM) and Wasiyyah Shoppe

BUTM will utilise about 500 Wasiyyah Shoppe agents to sell its products and services including working together and marketing the four unit trust funds of BUTM.



20-29 | 04 | 2006

Bank Islam participated in the annual PNB's 'Minggu Saham Amanah Malaysia 2006' (MSAM) held in Kuala Terengganu, Terengganu

MSAM is one of PNB's main nation-building efforts to educate the public on investment and eventually encourage them to actively participate in the country's unit trust industry. The Bank participated and introduced its offerings including its unit trust to the public.



30 | 05 | 2006

MoU Signing between Bank Islam and Mobile 88 for FPX Facilities

Mobile 88 has decided to provide their users with a more secure and efficient way of making payments via their website. In line with this, they signed an agreement with Bank Islam for a Financial Process Exchange (FPX) service.

Head Office & Subsidiaries

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Telex: MA 31783, 31785

SWIFT: BIMBMYKL

Website: www.bankislam.com.my

Dato' Zukri bin Samat

Managing Director

Tel: (6)03-2616 8003

Fax: (6)03-2616 8070

Mohd Redzuan Devan bin Abdullah

Chief Operating Officer

Tel: (6)03-2615 1400

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Business Units

Financial Markets

Norashikin binti

Mohd Kassim

General Manager

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Fax: (6)03-2616 8256

Consumer Banking

Faizah binti Khairuddin

General Manager

Tel: (6)03-2616 8060

Fax: (6)03-2616 8293

Corporate Investment
Banking

Mashitah binti Dato'

Hj Osman

Director

Tel: (6)03-2698 1801

Fax: (6)03-2612 2600

Sales and Product
Management

Mokhlis bin Maizan

General Manager

Tel: (6)03-2615 1578

Fax: (6)03-2615 1560

Business Banking

Nor Azam bin M Taib

General Manager

Tel: (6)03-2616 8006

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Business Support Units

Human Resource

Abdullah bin Arshad

Director

Tel: (6)03-2616 8004

Fax: (6)03-2616 8207

Corporate Affairs and
Business Development

**Dato' Wan Ismail bin
Wan Yusoh**

General Manager

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Special Asset
Management

Mohammad Tahir bin Hashim

General Manager

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Fax: (6)03-2616 8104

Information
Technology/Project
Management Office

Norhan bin Che Awang

General Manager

Tel: (6)03-2616 8023

Fax: (6)03-2691 2270

Risk Management

Mohd Fauzi bin Rahmat

Chief Risk Officer

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 Acting Chief Financial Officer
 Tel: (6)03-2616 8005
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 Assistant General Manager
 Tel: (6)03-2693 5028
 Fax: (6)03-2693 4539

Legal and Secretarial
Maria binti Mat Said
 Assistant General Manager
 Tel: (6)03-2616 8029
 Fax: (6)03-2691 2270

Managing Director's Office
Zuraimy bin Mohd Akhir
 Assistant General Manager
 Tel: (6)03-2616 8025
 Fax: (6)03-2616 8070

Internal Audit
Zahid bin Ahmad Zawawi
 Acting Chief Internal Auditor
 Tel: (6)03-2616 8165
 Fax: (6)03-2693 2506

Shariah
Nasrudin bin Yaakub
 Head
 Tel: (6)03-2616 8270
 Fax: (6)03-2691 2287

Special Investigation
Rumaizi bin Mohd Amin
 Head
 Tel: (6)03-2615 1488
 Fax: (6)03-2615 1505

Subsidiaries of Bank Islam Malaysia Berhad

**Al-Wakalah Nominees
 (Tempatan) Sdn Bhd (122372-P)**
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 Jalan Sultan Ismail
 50250 Kuala Lumpur
 Tel: (6)03-2616 8000
 Fax: (6)03-2693 7062

**BIMB Unit Trust
 Management Berhad (276246-X)**
 5th Floor, Darul Takaful
 Jalan Sultan Ismail
 50250 Kuala Lumpur
 Tel: (6)03-2694 6617
 Fax: (6)03-2694 3516

**BIMB Foreign Currency
 Clearing Agency Sdn Bhd (507913-V)**
 9th Floor, Menara Tun Razak
 Jalan Raja Laut
 Peti Surat 11080
 50734 Kuala Lumpur
 Tel: (6)03-2693 4287
 Fax: (6)03-2693 4115

BIMB Trust Ltd (LL04013)
 Level 15, Block 4
 Financial Park Office
 Jalan Merdeka
 87000 Labuan I O F C
 Tel: (6)087-451 806
 Fax: (6)087-451 808

Bank Islam (L) Ltd
 Level 15(A), Block 4
 Main Office Tower
 Financial Park Complex
 87000 Labuan I O F C
 Tel: (6)087-451 802/801
 Fax: (6)087-451 8000

Regional Offices

Central Regional Office

Tingkat 24 & 25
Menara TH Perdana
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (6)03-2692 6994, 2694 8118
Fax: (6)03-2693 7336, 2693 5329

Regional Manager: Abdull Halim bin Yaakub

Eastern Corridor Regional Office

Tingkat 1, 4, 7, 8 & 9
Darul Takaful, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu Darul Iman
Tel: (6)09-627 2700
Fax: (6)09-627 2818

Regional Manager: Md Shakri bin Che Ismail

Northern Corridor Regional Office

Tingkat Bawah & Mezzanine
Bangunan KWSP Seberang Jaya
No 3009, Lebu Tenggiri 2
13700 Seberang Jaya
Pulau Pinang
Tel: (6)04-382 9100, 382 9111, 382 9155
Fax: (6)04-382 9138, 382 9166

Regional Manager: Amiruddin bin Abdul Rani

Sabah and Sarawak Regional Office

Tingkat Bawah 1 & 7, Menara Zecon
Section 5, KTL D, Jalan Satok
Kuching, Sarawak
Tel: (6)082-416 215, 425 118, 235 419
Fax: (6)082-233 172, 234 108, 235 521

Regional Manager: Elia binti Boweng

Southern Corridor Regional Office

Tingkat 15, Menara TH
Jalan Ayer Molek
80000 Johor Bahru
Johor Darul Takzim
Tel: (6)07-225 8800
Fax: (6)07-225 8901

Regional Manager: Abdul Rahman bin Ali

Branches

Perlis

Jalan Raja Syed Alwi Branch

Lot 49 & 51, Lorong Seruling
Off Jalan Raja Syed Alwi
Peti Surat 30
01700 Kangar
Perlis Indera Kayangan
Tel: (6)04-976 3711, 976 3712
Fax: (6)04-976 0951

Manager: Alwi bin Mahmud

Kedah

Alor Setar Branch

No 4197, Jalan Teluk Wanjah
05200 Alor Setar
Kedah Darul Aman
Tel: (6)04-733 5126, 733 5136, 731 9813
Fax: (6)04-733 5128

**Manager: Ahmad Yasir bin
Abdul Razak**

Baling Branch

Tingkat Bawah, Lot B
Bangunan Tabung Haji Baling
Jalan Sultan Abdul Halim
09100 Baling
Kedah Darul Aman
Tel: (6)04-470 1678, 470 7052
Fax: (6)04-470 1679

Manager: Musa bin Abdullah

Guar Chempedak Branch

Lot No 006681, Jalan Besar
Bangunan Tabung Haji
08800 Guar Chempedak
Kedah Darul Aman
Tel: (6)04-468 0880, 468 4827
468 4829, 468 4830
Fax: (6)04-468 0884

Manager: Amir bin Ahmad

Jitra Branch

No 64 & 65, Kompleks Jitra
Jalan Sungai Korok
06000 Jitra
Kedah Darul Aman
Tel: (6)04-917 4404, 917 1151, 917 3453
Fax: (6)04-917 4225

Manager: Norlida binti Mohd Noor

Kulim Branch

Tingkat Bawah, No 8
Taman Manggis
Jalan Kilang Lama
09000 Kulim
Kedah Darul Aman
Tel: (6)04-490 0022, 491 3975,
491 3976, 491 3980
Fax: (6)04-490 0030

Manager: Mohd Nabil bin Yahya

Langkawi Branch

No 43 & 45
Jalan Pandak Mayah 5
Pusat Bandar Kuah
07000 Langkawi
Kedah Darul Aman
Tel: (6)04-966 2463, 966 2464
966 2466, 966 5191
Fax: (6)04-966 2469

Manager: Abd Halim bin Ramlee

Pokok Sena Branch

Tingkat Bawah, Lot 1247
Mukim Jabi
06400 Pokok Sena
Kedah Darul Aman
Tel: (6)04-782 1033
Fax: (6)04-782 1022

**Manager: Muhammad Yusri
bin Saidin**

Sungai Petani Branch

No 11 & 12, Tingkat Bawah & Satu
Kompleks Seri Temin
Jalan Ibrahim, Peti Surat 77
08007 Sungai Petani
Kedah Darul Aman
Tel: (6)04-422 0620, 422 0621
422 0622, 423 8752
Fax: (6)04-421 3912

Manager: Ashida binti Abdullah

UUM Sintok Branch

Tingkat Bawah, Institut Pembangunan
Keusahawanan Kompleks Konvensyen
Universiti Utara Malaysia
06010 Sintok
Kedah Darul Aman
Tel: (6)04-924 6271, 924 6272, 924 6275
928 6765, 928 6766
Fax: (6)04-924 6270

**Manager: Sharifah Sabrina
binti Syed Mansor**

Pulau Pinang**Bandar Baru Perda Branch**

No 2, Lorong Perda Selatan 2
Bandar Baru Perda
14000 Bukit Mertajam
Pulau Pinang
Tel: (6)04-540 3150, 540 3151
540 3153, 540 3154, 540 3155
Fax: (6)04-540 3153

**Manager: Abdul Mutalib
bin Abdul Rahman**

Bayan Baru Branch

No 122, Jalan Mayang Pasir
Taman Sri Tunas
11950 Bayan Baru
Pulau Pinang
Tel: (6)04-642 5094, 642 5095
642 5096, 642 5097
Fax: (6)04-642 5098

Manager: Mahathir bin Hassim

Butterworth Branch

No 71 & 73, Jalan Taman Selat
Off Jalan Bagan Luar
Peti Surat 303
12720 Butterworth
Pulau Pinang
Tel: (6)04-331 2357, 331 2358
332 1301, 332 1317
Fax: (6)04-331 2360

Manager: Rasidi bin Umar

Georgetown Branch

64D, Lebuhr Bishop
10200 Georgetown
Pulau Pinang
Tel: (6)04-262 4724, 262 4933
262 5019, 262 0626
Fax: (6)04-262 2594

**Manager: Hj Abdul Razak bin
Hj Mohd Kassim P.P.T**

Kepala Batas Branch

No 2146 & 2147, Tingkat Bawah
Jalan Bertam
13200 Kepala Batas
Seberang Perai Utara
Pulau Pinang
Tel: (6)04-575 4463, 575 5517
575 5579, 575 3376
Fax: (6)04-5753 986

Manager: Jamilah binti Abdul

Perak**Bagan Serai Branch**

No 126/128, Jalan Setia
Pusat Bandar Bagan Serai
34300 Bagan Serai
Perak Darul Ridzuan
Tel: (6)05-721 8509, 721 8513, 721 8512
Fax: (6)05-721 8515

Manager: Ahmad Shafizi bin Mokhtar

Ipoh Branch

Tingkat Bawah, Kompleks
Islam Darul Ridzuan
Jalan Panglima Bukit
Gantang Wahab, Peti Surat 671
30770 Ipoh
Perak Darul Ridzuan
Tel: (6)05-255 3866, 255 3867
255 3868, 255 9625
Fax: (6)05-253 5760

Manager: Ab Rahman bin Ab Hadi

Parit Buntar Branch

Tingkat Bawah & Satu
No 1 & 2, Bangunan YPEIM
Jalan Kelichap
Pekan Baru Parit Buntar
34200 Parit Buntar
Perak Darul Ridzuan
Tel: (6)05-716 4493, 716 4494, 717 2896
Fax: (6)05-716 4495

Manager: Hashim bin Mustapa

Seri Iskandar Branch

No 1, Jalan PP1
Bandar Universiti Seri Iskandar
31750 Tronoh
Perak Darul Ridzuan
Tel: (6)05-363 3883, 363 3884
363 3885, 363 3886, 363 3887
Fax: (6)05-363 3888

Manager: Zambri bin Abdul Majid

Sri Manjung Branch

2408 Taman Samudera
32040 Sri Manjung
Perak Darul Ridzuan
Tel: (6)05-688 1227, 688 9071
688 4221 (D/L)
Fax: (6)05-688 1672

Manager: Abd Razak bin Khalid

Taiping Branch

Tingkat Bawah
Lot 29 & 30
Tingkat 1 & 2 Lot 29
Pusat Perniagaan Jalan Tupai
34000 Taiping
Perak Darul Ridzuan
Tel: (6)05-806 5441, 806 5442, 806 5443
Fax: (6)05-806 5436

Manager: Aziz bin Zaini**Tanjung Malim Branch**

Tingkat Bawah & Satu
No 33 & 35
Jalan Bunga Anggerik
35900 Tanjung Malim
Perak Darul Ridzuan
Tel: (6)05-459 8237, 459 5127, 459 5125
Fax: (6)05-459 8241

Manager: Nurul Azmi bin Adnan**Teluk Intan Branch**

Tingkat Bawah & Satu
No 24, Jalan Ah Cheong
36000 Teluk Intan
Perak Darul Ridzuan
Tel: (6)05-622 1700, 622 1200, 622 1411
Fax: (6)05-622 1489

Manager: Syahrudin Nizam bin Mohd**Kelantan****Gua Musang Branch**

Tingkat Bawah, Lot 7 & 8
Bangunan Tabung Haji
18300 Gua Musang
Kelantan Darul Naim
Tel: (6)09-912 2003
Fax: (6)09-912 1772

Manager: Mohd Supardi bin Yatim**Kota Bharu II Branch**

Tingkat Bawah & Mezzanine
Wisma Abrar International
Lot No 54, Seksyen 8
Jalan Kebun Sultan
15350 Kota Bharu
Kelantan Darul Naim
Tel: (6)09-743 8825, 741 9222
741 9333, 741 9555
Fax: (6)09-743 8826

Manager: Mohamad Dashuki bin Shukri**Kuala Krai Branch**

Tingkat Bawah & Satu
Lot 2396
Jalan Tengku Zainal Abidin
18000 Kuala Krai
Kelantan Darul Naim
Tel: (6)09-966 4627, 960 3004
960 3002, 960 3008
Fax: (6)09-966 4651

Manager: Shahrul Azrin bin Abdul Karim**Machang Branch**

No 26 & 27, Pasar Baru
Jalan Tanjung
18500 Machang
Kelantan Darul Naim
Tel: (6)09-975 2977, 975 2800, 975 1490
Fax: (6)09-975 2900

Manager: Meor bin Abdul Rahman**Pasir Mas Branch**

Tingkat Bawah & Mezzanine
No 41 & 42
Jalan Tengku Ahmad
17000 Pasir Mas
Kelantan Darul Naim
Tel: (6)09-790 0750, 790 0751, 790 0850
Fax: (6)09-790 0752

Manager: Fathmawati binti Muda**Pasir Puteh Branch**

Lot No 493, Seksyen 1
Bandar Pasir Puteh
16800 Pasir Puteh
Kelantan Darul Naim
Tel: (6)09-786 0067, 786 0061
786 0062, 786 0063
Fax: (6)09-786 0068

Manager: Ahmad Rushdan bin Md Salleh**Rantau Panjang Branch**

No 182, Jalan Besar
Lubok Stal
17200 Rantau Panjang
Kelantan Darul Naim
Tel: (6)09-795 0077, 795 2768
Fax: (6)09-795 0088

Manager: Abdul Sukor bin Osman**Tanah Merah Branch**

Lot 4142, Jalan Tasik
Tanah Merah
17500
Kelantan Darul Naim
Tel: (6)09-955 8341
Fax: (6)09-955 8342

Manager: Mohd Nasruddin bin Mohd Yusof**Wakaf Siku Branch**

Lot 330-331
Jalan Sultan Yahya Petra
Peti Surat 232
15720 Kota Bharu
Kelantan Darul Naim
Tel: (6)09-744 8377, 744 8443, 744 8573
744 2503, 744 2570
Fax: (6)09-744 3811

Manager: Nurol'ain binti Abg Latip**Terengganu****Chukai Branch**

Tingkat Bawah, Wisma Serangkai
Jalan Sulaimani Cukai
24000 Kemaman
Terengganu Darul Iman
Tel: (6)09-8592 795, 8592 796
8581 675, 8594 402
Fax: (6)09-859 2794

Manager: Zameran bin Jusoh**Dungun Branch**

Tingkat Bawah & Satu
Lot 7928 & 7929
Jalan Baru Pak Sabah
23000 Dungun
Terengganu Darul Iman
Tel: (6)09-848 5498, 845 3302, 845 3055
Fax: (6)09-848 5502

Manager: Sabri bin Dollah**Jalan Sultan Ismail Branch**

Tingkat Bawah & Satu, Lot 1128
Bangunan Majlis Agama Islam &
Adat Melayu Terengganu
Jalan Banggol, Peti Surat 205
20720 Kuala Terengganu
Terengganu Darul Iman
Tel: (6)09-623 4537, 622 4730, 622 4744
622 4754, 622 4780
Fax: (6)09-623 3944

Manager: Ahmad Fauzi bin Mohd Akhir

Jerteh Branch

Tingkat Bawah & Satu
Lot 180 & 181, Jalan Tuan Hitam
22000 Jerteh
Terengganu Darul Iman
Tel: (6)09-697 3388
Fax:(6)09-697 1592

Manager: Sulaima binti Mohd Zin

Pahang**Bandar Muadzam Shah Branch**

No 9, Medan Mewah
26700 Bandar Muadzam Shah
Pahang Darul Makmur
Tel: (6)09-452 3175, 452 5175, 452 5176
Fax:(6)09-452 3177

Manager: Othman bin Kamel

Bandar Pusat Jengka Branch

No 33 & 34, Kedai 36 Unit
LKWJ ,Nadi Kota
26400 Bandar Jengka
Pahang Darul Makmur
Tel: (6)09-466 2890, 466 2871
466 4837, 466 4153
Fax:(6)09-466 2891

Manager: Ahmad Fauzi bin Jamlus

Jalan Teluk Sisek Branch

No 45, Jalan Teluk Sisek
Peti Surat 396
25740 Kuantan
Pahang Darul Makmur
Tel: (6)09-513 3366, 513 3367, 513 3368
Fax:(6)09-513 3369

Manager: Abd Manan bin Talib

Jerantut Branch

No 4, Lorong Dulang 1
Bandar Baru Jerantut
27000 Jerantut
Pahang Darul Makmur
Tel: (6)09-266 6120, 266 6121
266 9096, 266 9380, 266 9381
Fax:(6)09-266 6380

Manager: Zamri bin Daud

Pekan Branch

No 1 & 2, Lot 61, Seksyen 7
Jalan Engku Muda Mansor
26600 Pekan
Pahang Darul Makmur
Tel: (6)09-422 8622, 422 8922
Fax:(6)09-422 8818

**Manager: Mahamad Bazli
bin Bahador**

Raub Mini Branch

Lot 1674 & 1675
Pusat Perniagaan Inderapura
Jalan Tras
27600 Raub
Pahang Darul Makmur
Tel: (6)09-355 8300, 355 8301
Fax:(6)09-355 8302

**Manager: Mohd Amir Saripudin
bin Abu Bakar**

Temerloh Branch

No 29 & 31
Pusat Komersial Temerloh
Jalan Datuk Bahaman 3
28000 Temerloh
Pahang Darul Makmur
Tel: (6)09-296 5301, 296 1416, 296 3222
Fax:(6)09-296 5300

Manager: Anuar bin Kusni

Selangor**Bandar Baru Bangi Branch**

No 2 & 4, Jalan 6C/7
Bandar Baru Bangi,
43650 Selangor Darul Ehsan
Tel: (6)03-8925 8490, 8925 8491
8925 8492
Fax:(6)03-8925 6168

Manager: Ashharudin bin Ismail

Banting Branch

Tingkat Bawah, No 16 & 18
Jalan Chempaka
42700 Banting
Selangor Darul Ehsan
Tel: (6)03-3187 3772, 3181 3776
3181 4772
Fax:(6)03-3187 3776

Manager: Rohaida binti Daud

Jalan Kapar Branch

Lot 336, Kompleks Majlis
Agama Islam Selangor
Seksyen 23, Jalan Kapar
41400 Klang
Selangor Darul Ehsan
Tel: (6)03-3342 1911, 3342 1912
3342 1913
Fax:(6)03-3342 1914

Manager: Mohd Yusof bin Basran

Kajang Branch

No. 20 & 21, Jalan Jeloh 3
43000 Kajang
Selangor
Tel: (6)03-8736 0798, 8736 1773
8736 2185
Fax:(6)03-8736 2362

**Manager: Nor Ashikin binti Mohd
Yusuff @ Ahmat**

Seksyen 14 Branch

Tingkat Bawah & Satu, No 2 & 4
Jalan 14/22 Seksyen 14
46100 Petaling Jaya
Selangor Darul Ehsan
Tel: (6)03-7957 3131, 7957 3834
Fax:(6)03-7957 4141

Manager: Kasri bin Ab Rahman

Shah Alam Branch

Tingkat Satu, Fasa 1
Kompleks PKNS
40505 Shah Alam
Selangor Darul Ehsan
Tel: (6)03-5510 1481, 5510 1492
5510 4509
Fax:(6)03-5510 1497

Manager: Yahya bin Daud

Subang Jaya Branch

Tingkat Bawah & Satu
No 24, Jalan USJ 10/1B
47620 UEP Subang Jaya
Selangor Darul Ehsan
Tel: (6)03-5636 4258, 5636 4260
5636 4261, 5638 8136
Fax:(6)03-5636 4278

Manager: Mohd Khairi bin Taha

Sungai Besar Branch

Tingkat Bawah, Lot 9824
 Jalan Mahsuri, 45300 Sungai Besar
 Selangor Darul Ehsan
 Tel: (6)07-322 43478
 Fax: (6)07-322 43479

Manager: Ramlan bin Othman

Tanjung Karang Branch

Tingkat Bawah, Lot 342
 Bangunan Tabung Haji
 45500 Tanjung Karang
 Selangor Darul Ehsan
 Tel: (6)03-3269 1090
 Fax: (6)03-3269 1091

**Manager: Mohd Kusni
 bin Mohd Saperi**

Kuala Lumpur

Bandar Wawasan Branch

Tingkat Satu & Dua
 Darul Takaful
 Jalan Sultan Ismail
 50250 Kuala Lumpur
 Tel: (6)03-2694 8175, 2694 8192
 2694 8244, 2694 8286
 Fax: (6)03-2694 8291

**Manager: Muhammad
 Khairulailzaki
 bin Sarwani**

Jalan Raja Laut Branch

Tingkat Bawah & Plaza
 Menara Tun Razak
 Jalan Raja Laut, Peti Surat 11080
 50734 Kuala Lumpur
 Tel: (6)03-2693 5062, 2693 7176
 2693 7177, 2693 7178
 2693 7179, 2693 7180

Fax: (6)03-2693 7336, 2693 5326
Manager: Md Isa bin Supa

Jalan Tun Razak Branch

Tingkat Bawah
 Bangunan Ibu Pejabat Tabung Haji
 Jalan Tun Razak
 Peti Surat 11590
 50750 Kuala Lumpur
 Tel: (6)03-2161 1333, 2161 1340, 2161 1341
 Fax: (6)03-2161 1360, 2164 8450

**Manager: Abdul Ghani
 bin Abdul Wahab**

KL Sentral Branch

Unit No CS/3B/G, Ground Floor
 Blok 3B, Plaza Sentral
 50474 Kuala Lumpur
 Tel: (6)03-2274 9878, 2274 9899
 2274 9901, 2274 6430

Fax: (6)03-2274 9902, 2274 4324
**Manager: Mohamad Norwafi
 bin Sahroni**

Medan MARA Branch

Tingkat Bawah, Blok Podium
 Medan MARA
 No 21, Jalan Raja Laut
 Peti Surat 11698
 50350 Kuala Lumpur
 Tel: (6)03-2691 9079, 2691 9082
 2691 9086, 2691 9088

Fax: 603 2692 1890
Manager: Muhamad Rafi bin Narais

Menara TM Branch

LG1, Menara TM
 Jalan Pantai Baharu
 59200 Bangsar
 Kuala Lumpur
 Tel: (6)03-2240 2020, 2240 0296
 Fax: (6)03-2240 2391

Manager: Azhar bin Mohamad

Selayang Branch

Tingkat Bawah
 Bangunan Persatuan
 Nelayan Kebangsaan (NEKMAT)
 Lot 150A, 152A & 154A
 Jalan 2/3A, Pusat Bandar Utara
 KM12, Off Jalan Ipoh
 68100 Batu Caves
 Kuala Lumpur
 Tel: (6)03-6135 2655, 6135 2934
 613 52935, 613 77199

Fax: (6)03-6137 9199
Manager: Azman bin Hassan

Taman Melawati Branch

Lot 254 & 255
 Jalan Bandar 12, Taman Melawati
 53100 Kuala Lumpur
 Tel: (6)03-4107 7800, 4107 6842
 4107 6852, 4107 1811

Fax: (6)03-4107 7181
Manager: Mohd Halim bin Mahfodz

Taman Tun Dr Ismail Branch

Tingkat Bawah, No 5 & 7
 Jalan Wan Kadir 2
 Taman Tun Dr Ismail
 60000 Kuala Lumpur
 Tel: (6)03-7726 5744, 7728 7894
 7728 5270

Fax: (6)03-7722 4539
Manager: Abd Aziz bin Md Zain

UIAM Gombak Branch

C1, Central Kompleks
 Universiti Islam Antarabangsa
 Islam Malaysia, Jalan Sungai Pusu
 53100 Gombak
 Kuala Lumpur
 Tel: (6)03-6185 3354, 6185 3150
 6185 3262, 6185 3282

Fax: (6)03-6185 3402
Manager: Norhalimi bin Yahya

Universiti Malaya Branch

Tingkat Bawah, Bangunan
 Peperiksaan Universiti Malaya
 Jalan Pantai Baru
 50603 Kuala Lumpur
 Tel: (6)03-7960 8934, 7960 7429
 7960 9943

Fax: (6)03-7960 4320
Manager: Ahmad Shukri bin Che Yen

Putrajaya

Putrajaya Branch

Anjung Perdana, Blok E16
 Parcel E, Precinct 1
 Anjung
 62000 Putrajaya
 Wilayah Persekutuan
 Tel: (6)03-8889 3192, 8889 3193
 8889 3194

Fax: (6)03-8889 3189
Manager: Zaidah binti Jaafar

Negeri Sembilan

Kuala Pilah Branch

Tingkat Bawah & Satu
 Bangunan Darul Takaful
 Lot 3803 & 3804
 Jalan Dato' Ulu Muar
 72000 Kuala Pilah
 Negeri Sembilan Darul Khusus
 Tel: (6)06-481 4600, 481 8482

Fax: (6)06-481 1431
Manager: Rakiah binti Bojeng

Nilai Branch

Tingkat Bawah, PT 7183 & PT 7184
Jalan BBN 1/2E
71800 Bandar Baru Nilai
Negeri Sembilan Darul Khusus
Tel: (6)06-799 6124, 799 0549, 799 0277
Fax: (6)06-799 6217

Manager: Idris bin Abdullah

Port Dickson Branch

No 42, Jalan Mahajaya
PD Centre Point
71000 Port Dickson
Negeri Sembilan Darul Khusus
Tel: (6)06-647 4330
Fax: (6)06-647 5657

Manager: Rasul bin Zainal

Seremban Branch

Tingkat Bawah & Satu
Lot 4981, Jalan Dato' Sheikh Ahmad
70000 Seremban
Negeri Sembilan Darul Khusus
Tel: (6)06-762 9814, 762 9815
762 9816, 762 9817
Fax: (6)06-763 8391

Manager: Zuraimi bin Ayub

Tampin Branch

Lot 40 & 41, Jalan Besar
73000 Tampin
Negeri Sembilan Darul Khusus
Tel: (6)06-441 4131, 441 4132
441 4133, 441 7479
Fax: (6)06-441 4134

Manager: Yusof bin Ibrahim

Melaka**Jalan Hang Tuah Branch**

Tingkat Bawah, Mezzanine & Satu
Lot 11 & 12, Bangunan Syarikat
Takaful Malaysia Berhad
Melaka Plaza, Jalan Hang Tuah
Peti Surat 290
75750 Melaka
Tel: (6)06-284 1366, 284 1367
284 1368, 284 1369
Fax: (6)06-284 7257

Manager: Haris bin Ahmad

Jasin Branch

Tingkat Bawah
No JA 1765 & 1766
Pusat Bandar Baru Jasin
77000 Jasin
Melaka
Tel: (6)06-529 4859, 529 3515, 529 3517
Fax: (6)06-529 4875

Manager: Abdul Razak bin Osman

Masjid Tanah Branch

Tingkat Bawah & Satu
MT 1357 & 1358
Komplek Perniagaan Masjid Tanah
78300 Masjid Tanah
Melaka
Tel: (6)06-384 5108, 384 8340, 384 8332
Fax: (6)06-384 5109

**Manager: Raja Rozian binti
Raja Samah**

Johor**Batu Pahat Branch**

Tingkat Bawah & Satu
No 46 & 47, Darul Takaful
Jalan Rahmat
83000 Batu Pahat
Johor Darul Takzim
Tel: (6)07-431 9350, 431 9352
Fax: (6)07-431 9351

**Manager: Fadzilah binti
Elham @ Alhim**

Jalan Bukit Timbalan Branch

Tingkat Bawah & Mezzanine
No 8, Menara PERISIND
Jalan Bukit Timbalan
80000 Johor Bahru
Johor Darul Takzim
Tel: (6)07-224 0242, 224 0244, 224 0272
Fax: (6)07-224 0243

Manager: Abdullah bin Hj Ibrahim

Kluang Branch

No 20, Jalan Haji Manan
86000 Kluang
Johor Darul Takzim
Tel: (6)07-772 6423, 772 6417, 772 6878
Fax: (6)07-773 2702

Manager: Azlan bin Abu Kasim

Kota Tinggi Branch

No 14C & 14D
Jalan Tun Habab
81900 Kota Tinggi
Johor Darul Takzim
Tel: (6)07-883 8800,
882 6205, 883 0335
Fax: (6)07-882 4485

Manager: Zamree bin Mohamed

Mersing Branch

Tingkat Bawah, No 30
Jalan Abu Bakar
86800 Mersing
Johor Darul Takzim
Tel: (6)07-799 5076, 799 6606
799 6607, 799 6608
Fax: (6)07-799 5077

Manager: Md Fazeli bin Md Johari

Muar Branch

No 75-4, 75-5
Tingkat Bawah & Mezzanine
Jalan Arab
84000 Muar
Johor Darul Takzim
Tel: (6)06-952 8301, 952 8302, 952 8303
Fax: (6)06-952 8304

Manager: Mohamad bin Hashim

Pasir Gudang Branch

Tingkat Bawah & Satu
Lot 112719, No 11
Pusat Perdagangan Pasir Gudang
Jalan Bandar
81700 Pasir Gudang
Johor Darul Takzim
Tel: (6)07-252 6671, 252 6672, 252 6673
Fax: (6)07-252 6676

Manager: Mohd Norizan bin Mukhtar

Pontian Branch

Tingkat Bawah & Satu
No 29, Jalan Delima
Pusat Perdagangan Pontian
82000 Pontian
Johor Darul Takzim
Tel: (6)07-688 1909, 686 5666, 688 2259
Fax: (6)07-688 3660

Manager: Abu Bakar bin Osman

Segamat Branch

No 48 & 49
 Jalan Genuang Kampung
 85000 Segamat
 Johor Darul Takzim
 Tel: (6)07-932 4257, 932 2901
 932 2862, 932 2873
 Fax: (6)07-932 4273

Manager: Md Sani bin Ahmad

Tampoi Branch

No 8 & 10, Jalan Padi Emas 5/2
 Bandar Baru Uda
 81200 Johor Bahru
 Johor Darul Takzim
 Tel: (6)07-234 5228, 234 5229, 235 8785
 Fax: (6)07-234 5230

Manager: Zulkifli bin Abdul Rahman

Sarawak

Bintulu Branch

No 195 & 196, Phase 3
 Bintulu Park City Commercial Centre
 Jalan Tun Ahmad Zaidi
 97000 Bintulu
 Sarawak
 Tel: (6)086-337 413, 337 418
 337 434, 337 493, 337 781
 Fax: (6)086-337 401

Manager: Raliah binti Adeni

Kota Samarahan Branch

Lot 6966 & 6967, Blok 59
 Muara Tuang Land District
 94300 Kota Samarahan
 Sarawak
 Tel: (6)082-672 467, 672 477
 672 461, 672 462
 Fax: (6)082-672 469

Manager: Dayang Rasidah binti Awang Abdul Rahman

Kuching Branch

Lot 433, 434 & 435, Seksyen 11 KTLD
 Bangunan Tuanku Muhammad
 Al-Idrus, Jalan Kulas
 93400 Kuching, Sarawak
 Tel: (6)082-412 259, 414 159
 417 289, 413 229
 Fax: (6)082-410 446

Manager: Fatimah binti Idris

Miri Branch

Lot 755, Blok 9
 Jalan Merpati
 98000 Miri
 Sarawak
 Tel: (6)08-415 422, 415 424, 415 425
 Fax: (6)08-4154 21

Manager: Abdul Salip bin Ejal

Sabah

Lahad Datu Branch

Lot 54 & 55, Blok 4
 Bandar Wilayah
 91100 Lahad Datu
 Sabah
 Tel: (6)089-889 233, 889 244
 889 255, 889 266
 Fax: (6)089-889 277

Manager: Herman bin Aripuddin

Tawau Branch

Tingkat Bawah & Satu
 Lot 1 & 2, Block 41
 Fajar Commercial Complex
 Jalan Haji Karim
 91000 Tawau, Sabah
 Tel: (6)089-778 966, 778 758, 779 917
 Fax: (6)089-779 666

Manager: Mahadi bin Abd Manan

Wisma MUIS Branch

Tingkat Bawah, Wisma MUIS
 Jalan Tengku Abdul Rahman
 Peti Surat 14427
 88850 Kota Kinabalu
 Sabah
 Tel: (6)088-223 515, 223 527
 223 537, 223 635
 Fax: (6)088-218 323

Manager: Abdul Rahim bin Muluk

Labuan

Labuan Branch

Lot 13 & 14, Tingkat Bawah & Satu
 Lazenda Phase 3
 Jalan OKK Abdullah
 87008
 Wilayah Persekutuan Labuan
 Tel: (6)087-419 205, 424 667, 424 901
 Fax: (6)087-419 206

Manager: Ag Nordin bin Ag Bahar

**Automobile Financing
 Centres (Pusat Pembiayaan
 Automobil – PPA)**

PPA Alor Star

No 1786, Tingkat Bawah
 Bangunan LTS
 Jalan Telok Wanjah
 05200 Alor Star
 Kedah Darul Aman
 Tel: (6)04-735 5966, 735 5930, 735 5931
 Fax: (6)04-735 1002

Manager: Azmi bin Shariff

PPA Butterworth

No 75, Ground Floor
 Jalan Taman Selat
 Off Jalan Bagan Luar
 12790 Butterworth
 Pulau Pinang
 Tel: (6)04-332 1333, 332 6754
 Fax: (6)04-332 3326

Manager: Zohari bin Mohamad

PPA Pulau Pinang

Tingkat 3 & 5
 64D Lebu Bishop
 Peti Surat 1204
 10208 Georgetown
 Pulau Pinang
 Tel: (6)04-263 6177, 263 2077
 263 4470, 263 3536 (D/L)
 Fax: (6)04-261 5579

Manager: Muhd Helmi bin Zainal Abidin

PPA Ipoh

No 8, Jalan Medan Istana
 Bandar Ipoh Raya
 Perak Darul Ridzuan
 Tel: (6)05-242 4866, 241 2866
 241 0866, 241 9866 (D/L)
 Fax: (6)05-242 1866

Manager: Abdul Majid bin Abdul Manaf

PPA Kota Bharu

Tingkat 1, Lot 434/444
 Jalan Sultan Yahya Petra
 Wakaf Siku
 15200 Kota Bharu
 Kelantan Darul Naim
 Tel: (6)09-747 5599, 747 4242, 747 4949
 Fax: (6)09-747 4545

Manager: Mohd Usoff bin Zakaria

PPA Kuala Terengganu

Ground Floor, Lot 1129-1130
 Darul Takaful, Jalan Sultan Ismail
 20200 Kuala Terengganu
 Terengganu Darul Iman
 Tel: (6)09-631 4544, 631 6544, 631 7544
 Fax: (6)09-631 5455

Manager: Abdul Jalil bin Sulaiman

PPA Kuantan

Tingkat 2, No 45
 Jalan Teluk Sisek
 25740 Kuantan
 Pahang Darul Makmur
 Tel: (6)09-513 6262, 515 8624, 515 8627
 Fax: (6)09-515 8623

**Manager: Mohd Fadzil
 bin Ajmain**

PPA Temerloh

29, Tingkat 1, Jalan Dato' Bahaman 3
 Pusat Komersil Temerloh
 28000 Temerloh
 Pahang Darul Makmur
 Tel: (6)09-290 1461, 290 1462, 290 1463
 Fax: (6)09-296 5300

Manager: Sumun bin Mat Saed

PPA Shah Alam

Ground Floor, Lot G11
 Kompleks PKNS Shah Alam
 Persiaran Tasik
 40450 Shah Alam
 Selangor Darul Ehsan
 Tel: (6)03-5519 5188, 5519 7677
 5519 5602, 5519 8237
 5519 7188 (D/L)

Fax: (6)03-5519 6188, 5519 7261
**Manager: Khairul Anuar bin
 Mohd Shariff**

PPA Kuala Lumpur

Tingkat 5, SME Bank
 Jalan Sultan Ismail
 50250 Kuala Lumpur
 Tel: (6)03-2616 8000, 2698 0834
 Fax: (6)03-2698 0832, 2698 8636

**Manager: Nashuha bin
 Mohamed Ramli**

PPA Putrajaya

Tingkat 1, Block E 16
 Parcel E, Precint 1
 Anjung, 62000 Putrajaya
 Wilayah Persekutuan
 Tel: (6)03-8889 1122, 8889 1207
 8889 4098

Fax: (6)03-8889 3191
**Manager: Nor Mahazir bin
 Abd Ghani**

PPA Seremban

Tingkat 2, Lot 4981
 Jalan Dato Sheikh Ahmad
 70720 Seremban
 Negeri Sembilan Darul Khusus
 Tel: (6)06-764 8718, 764 2484
 761 0849, 764 9055

Fax: (6)06-761 0400
Manager: Zulkarnanie bin Ariffin

PPA Batu Pahat

No 46 & 47, Jalan Rahmat
 83000 Batu Pahat
 Johor Darul Takzim
 Tel: (6)07-432 2812, 432 1924
 Fax: (6)07-432 3116

**Manager: Ahdan Shariff bin
 Muhammad**

PPA Johor Bahru

No 8-01, Jalan Padi Emas 5/2
 Bandar Baru Uda
 81200 Johor Bahru
 Johor Darul Takzim
 Tel: (6)07-237 9155
 Fax: (6)07-237 9166

**Manager: Amirul Hakim bin
 Abdullah**

PPA Kuching

Tingkat 2, Lot 433-435
 Seksyen 11, KTL D Bangunan
 Tuanku Muhammad Al-Idrus
 Jalan Kulas, 93400 Kuching
 Sarawak
 Tel: (6)082-240 499, 254186
 Fax: (6)082-414 360

**Manager: Abdul Khalid Khan bin
 Hajid Ahmad Khan**

PPA Miri

2nd Floor, Lot 755
 Block 9, Jalan Merpati
 98000 Miri
 Sarawak
 Tel: (6)085-415 434, 415 435
 Fax: (6)085-415 421

Manager: Deng Tiong Hock

PPA Kota Kinabalu

Lot A 104, Tingkat Satu
 Wisma MUIS
 Jalan Tengku Abdul Rahman
 88000 Kota Kinabalu, Sabah
 Tel: (6)088-272 476, 272 470
 272 471

Fax: (6)088-272 475
Manager: Zamri bin Abdul Kumang

