Company No.

716122	P

ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED BALANCE SHEET AS AT 31 MARCH 2007

	Note	**31.03.2007**
		RM
ASSETS		
Cash and short-term funds	2	**347,863,053**
Deposits and placements with banks and other financial institutions	3	**742,409**
Financing and advances	4	**124,329**
Other assets	5	**2,047,191**
Property, plant and equipment		**6,698,415**
TOTAL ASSETS		**357,475,397**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits from customers	6	**1,341,430**
Other liabilities		**6,238,734**
		7,580,164
Ordinary share capital		**355,020,010**
Reserves		**(5,124,777)**
Shareholders' equity		**349,895,233**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**357,475,397**
COMMITMENTS AND CONTINGENCIES	11	**12,290,698**
KEY RATIOS		
Return on Assets		**-0.6476%**
Return on Equity		**-0.0007%**
Core capital ratio	12	**3663.74%**
Risk-weighted capital ratio	12	**3663.74%**

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT FOR THE QUARTER ENDED 31 MARCH 2007

	Note	**Current Quarter Ended 31.03.2007**
		RM
Income derived from investment of depositors' funds	7	**4,271**
Income derived from investment of shareholders' funds	8	**2,860,313**
Allowance for losses on financing and advances	9	**(1,894)**
Total distributable income		**2,862,690**
Income attributable to the depositors	10	**(657)**
Total net income		**2,862,033**
Personnel expenses		**(2,119,786)**
Other overheads and expenditures		**(1,324,756)**
Profit before zakat and taxation		**(582,509)**
Taxation		**-**
Net profit for the financial period		**(582,509)**

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE QUARTER ENDED 31 MARCH 2007.

Current Quarter Ended 31.03.2007

	Share Capital RM	**Retained Profits RM**	**Total RM**
Balance as at 31.12.2006	**355,020,010**	**(4,542,268)**	**350,477,742**
Net profit for the financial period	**-**	**(580,509)**	**(582,509)**
Balance as at 31.3.2007	**355,020,010**	**(5,122,883)**	**349,895,233**

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2007

	Current Quarter ended
	31.03.2007
	RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation and zakat for the financial period	**(582,509)**
Adjustments for:	
Depreciation of property, plant and equipment	**271,352**
Operating profit before working capital changes	**(311,157)**
Decrease/ (increase) in deposits and placements with financial institutions	**351,791,860**
Decrease/ (increase) in financing and advances	**(124,329)**
Other assets	**(523,640)**
Deposits from customers	**1,341,430**
Other liabilities	**(5,182,670)**
Net cash generated from operating activities	**346,991,494**
CASH FLOW FROM INVESTING ACTIVITIES	
Net purchase of property, plant and equipment	**(182,385)**
Net cash used in investing activities	**(182,385)**
ANALYSIS OF CASH AND CASH EQUIVALENT	
Net increase in cash and cash equivalents	**346,809,109**
Cash and cash equivalent as at 31.12.2006	**1,053,944**
Cash and cash equivalent carried forward	**347,863,053**

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ASIAN FINANCE BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2007
-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

1. GENERAL INFORMATION

Asian Finance Bank Berhad ('the Bank'), is a licensed Islamic Bank under the Islamic Banking Act 1983, a limited liability company domiciled in Malaysia, is principally engaged in Islamic banking business and the provision of related services.

The Bank commenced its business operations on 19 January 2007.

The address of the registered office of the Bank is 2nd Floor, Podium Block, Kenanga International, Jalan Sultan Ismail 50250 Kuala Lumpur.

(a) Performance Review

The Bank made an operating loss of RM0.58 million for the first three months ended 31 March 2007.

(b) Prospects for 2007

The Bank was officially launched on 28 March 2007. Hence, the bank plans to tap on the prevailing business opportunities in Malaysia as well as looking for opportunities within the region.

2. CASH AND SHORT-TERM FUNDS

	31.03.2007
	RM
Cash and balances with banks and other financial institutions	1,633,053
Money at call and deposit placements maturing within one month	346,230,000
	347,863,053

3. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.2007
	RM
Licensed banks	742,409
	742,409

4. FINANCING AND ADVANCES

(i) By type

	31.03.2007
	RM
Term financing	
- other term financing	**126,223**
Gross financing and advances	**126,223**
Less : Allowance for bad and doubtful financing :	
- general	**(1,894)**
Net financing and advances	**124,329**

(ii) By type of customer

Individuals	**126,223**
	126,223

(iii) Financing and advances analysed by contract are as follows:

Other Islamic concept - Qardhul Hassan	**126,223**
	126,223

(iv) By sector

	RM
Purchase of transport vehicles	**126,223**
	126,223

5. OTHER ASSETS

	31.03.2007
	RM
Other debtors, deposits and prepayments	1,564,819
Income receivable	482,372
	2,047,191

6. DEPOSITS FROM CUSTOMERS

	31.03.2007
	RM
Non-Mudharabah Funds:	
Demand deposits	635,878
Savings deposits	450,052
	1,085,930
Mudharabah Funds:	
General investment deposits	255,500
Total deposits	1,341,430

(i) The deposits are sourced from the following classes of customers:

Business enterprises	629,279
Individuals	712,150
	1,341,430

7. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Current Quarter ended 31.03.2007 RM
Income derived from investment of:-	
(i) General investment deposit	**782**
(ii) Other deposits	**3,489**
	4,271

(i) Income derived from investment of general investment deposits

Finance income and hibah:	
Money at call and deposit with financial institutions	**782**
	782

(ii) Income derived from investment of other deposits

Finance income and hibah:	
Money at call and deposit with financial institutions	**3,489**
	3,489

8. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Current Quarter ended 31.03.2007 RM
Finance income and hibah:	
Money at call and deposit with financial institutions	**2,854,888**
Total finance income and hibah	**2,854,888**
Other operating income (note a)	**5,425**
	2,860,313

a) Fee income :	
Service charges and fees	**1,096**
Other fee income	**4,329**
Total other operating income	**5,425**

9. ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES

	Ref to Wkg Sch Pg No	**Current Quarter ended 31.03.2007 RM**
Allowance for bad and doubtful financing on financing and advances		
General allowance		
- Made during the financial period	**6**	**1,894**
		1,894

10. INCOME ATTRIBUTABLE TO DEPOSITORS

	Current Quarter ended 31.03.2007 RM
Deposits from customers:	
- Mudharabah funds	**657**
	657

11. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to customers. No material losses are anticipated as a result of this transaction, which needs to be adjusted.

Risk weighted exposures of the Bank are as follows:

	31.03.2007		
	Principal Amount RM	**Credit Equivalent Amount * RM**	**Risk Weighted Amount RM**
Miscellaneous	**12,290,698**	**-**	**-**
Total	**12,290,698**	**-**	**-**

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

12 CAPITAL ADEQUACY

	31.03.2007
	RM
Tier I Capital	
Paid-up ordinary share capital	**355,020,010**
Retained profits	**(5,122,883)**
Total Tier I capital	**349,897,127**
Tier II Capital	
General allowance for bad and doubtful financing	-
Total Tier II capital	-
Total capital base	**349,897,127**
Capital ratios	
Inclusive of market risk :	
Core capital ratio (inclusive of market risk)	**3663.74%**
Risk-weighted capital ratio (inclusive of market risk)	**3663.74%**

	Risk Weighted
	RM
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:	
(i) Credit Risk	
0%	-
10%	-
20%	-
50%	-
100%	-
	-
(ii) Market Risk Capital Adequacy Framework #	**9,550,283**
	9,550,283

The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework, which is effective from 1 April 2005.

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ASIAN FINANCE BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2007 (CONTINUED)
-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

13. PROFIT RATE RISK

The table below summarises the Bank's exposure to profit rate risk. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates

31.03.2007	**Up to 1 month**	**>1-3 months**	**>3-12 months**	**>1-5 years**	**Over 5 years**	**Non-profit sensitive**	**Trading book**	**Total**	**Effective profit rate**
	Non-trading book								
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**%**
Assets									
Cash and short term funds	**347,863,053**	**-**	**-**	**-**	**-**	**-**	**-**	**347,863,053**	**3.58**
Deposits and placements with financial institutions	**742,409**	**-**	**-**	**-**	**-**	**-**	**-**	**742,409**	**3.77**
Financing and advances									
- performing	**-**	**-**	**-**	**-**	**-**	**124,329**	**-**	**124,329**	**-**
Other assets	**-**	**-**	**-**	**-**	**-**	**2,047,191**	**-**	**2,047,191**	**-**
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**6,698,415**	**-**	**6,698,415**	**-**
Total assets	**348,605,462**	**-**	**-**	**-**	**-**	**8,869,935**	**-**	**357,475,397**	

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ASIAN FINANCE BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2007 (CONTINUED)
-PART A – EXPLANATORY NOTES PURSUANT TO GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (BNM GP8-I) ISSUED BY BANK NEGARA MALAYSIA

13. PROFIT RATE RISK (CONTINUED)

	Non-trading book								
	Up to 1 month	**>1-3 months**	**>3-12 months**	**>1-5 years**	**Over 5 years**	**Non-profit sensitive**	**Trading book**	**Total**	**Effective profit rate**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**%**
Liabilities									
Deposits from customers	**1,085,930**	**255,500**	**-**	**-**	**-**	**-**	**-**	**1,341,430**	**0.54**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**6,238,734**	**-**	**6,238,734**	**-**
Total liabilities	**1,085,930**	**255,500**	**-**	**-**	**-**	**6,238,734**	**-**	**7,580,164**	
Total shareholders equity	**-**	**-**	**-**	**-**	**349,895,233**	**-**	**-**	**349,895,233**	
	1,085,930	**255,500**	**-**	**-**	**349,895,233**	**6,238,734**	**-**	**357,475,397**	
Total profit-sensitivity gap	**347,519,532**	**(255,500)**	**-**	**-**	**(349,895,233)**	**2,631,201**	**-**	**-**	

14. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the 1st quarter and three months ended 31 March 2007 have been prepared in accordance with FRS 134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), Guidelines on Financial Reporting for Licensed Islamic Banks (“BNM/GP8-I”) issued by Bank Negara Malaysia (BNM) and comply with the provisions of the Companies Act, 1965 as well as the principles of Shariah.

15. ACCOUNTING POLICIES

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. The Bank had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as the following:

FRS 101 Presentation of Financial Statements
FRS 108 Accounting Policies, Changes in Estimates and Errors
FRS 110 Events After Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 121 The Effect of Changes in Foreign Exchange Rates
FRS 132 Financial Instruments: Disclosure and Presentation
FRS 136 Impairment of Assets
FRS 138 Intangible Assets

The financial statements of the Bank have been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM).

As this is the first reporting to be published, a summary of significant accounting policies are explained in notes 15.1, 16 and 23.

15.1 Summary of significant accounting policies

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

Income from placements is recognised on an accrual basis using the effective yield method.

(b) Other provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

15. ACCOUNTING POLICIES (CONTINUED)

15.1 Summary of significant accounting policies (contd)

(c) Property, plant and equipment

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Renovations	10 - 20%
Computers	20% - 33 1/3%
Equipment, furniture and fittings	20% - 33 1/3%
Motor Vehicle	20%

Capital work-in-progress is not depreciated until such time when the assets are ready for their intended use.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(d) Intangible Assets

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

Cost associated with developed computer software programmes that will generate economic benefits beyond one year are recognised as intangible assets. Such costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of five years.

(ii) Licenses

Acquired licenses are shown at cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is derived using the straight-line method to allocate the cost of licenses over their estimated useful lives, not exceeding a period of five years.

15. ACCOUNTING POLICIES (CONTINUED)

15.1 Summary of significant accounting policies (contd)

(e) Impairment of Non-financial Assets

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

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

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

An impairment loss is recognised in profit or loss in the period in which it arises.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(f) Currency conversion and translation

The financial statements are presented in Ringgit Malaysia.

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities outstanding at balance sheet date are translated into Ringgit Malaysia at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

(g) Income Taxes

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

15. ACCOUNTING POLICIES (CONTINUED)

15.1 Summary of significant accounting policies (contd)

(g) Income Taxes and Zakat (contd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(h) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Income, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk if change in value.

(ii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(i) Employee benefits

(i) Short-term employee benefits

Wages, salaries and other salary related expenses are recognised as an expense in the period 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

15. ACCOUNTING POLICIES (CONTINUED)

15.1 Summary of significant accounting policies (contd)

(i) Employee benefits (contd)

(ii) Defined contributions

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

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

16.1 Overview and organisation

Risk is inherent in banking business and sound risk management is cornerstone of prudent and successful banking. In compliance with best practices under the Malaysian Code of Corporate Governance, the Board of Directors (Board) through the Bank’s Risk Management Department (RMD) and Board Risk Committee (BRC) is responsible for identifying principal risk and ensuring that there is an ongoing process to continuously manage the Bank’s risks proactively.

The BRC provides oversight and management of all risks in an integrated way. Risk Management Division (RMD) is independent and reports directly to this committee. RMD is independent and reports directly to this committee. RMD through BRC assists the Board to formulate risk related policies, advises the Board on the risk impact of business strategies, and reviews compliance by the management to the risk policy framework that is approved by the Board.

Primary responsibility for managing risks, however, rests with business managers. They are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits. Additionally, the management of risks associated with financial instruments is continuously carried out in the organization. The Board has set up policies and procedures to manage the risks that may arise in connection with the use of financial instruments.

16.2 Market risk management

Market risk is the risk of potential loss resulting from adverse movements in the level of market prices or rates, the two key components being profit rate risk and foreign currency exchange risks. It is incurred as a result of trading and non-trading activities.

The primary objective of market risk management is to ensure that losses from market risk can be promptly addressed, such that losses are contained within acceptable levels.

A framework of approved risk policies, measurement methodologies and limits as approved by the Board, controls financial market activities. The Asset Liability Committee (ALCO) comprising key officers of the banks, plays a fundamental role in the asset/liability management of the bank, and establishes strategies which assist in controlling and reducing any potential exposures to market risk. RMD plays an independent role in the monitoring and assessing of risk exposures arising from these, and reports independently to the BRC.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

16.2 Market risk management (contd)

Apart from monitoring compliance with risk policies, methodologies and limits, scenario analysis and stress testing examine the impact of unusual market forces on the existing portfolios.

Some specific methods for managing the various types of market risks are:

(a) Currency risk

Currency risk refers to the risk that earnings and value of financial instruments will fluctuate due to changes in foreign exchange rates.

There is an approved position limits for each currency and an overall total limit. Trading loss limits are imposed on each trading desk and on each individual dealer. The levels of these exposures (including off-balance sheet items) by currency and overall total for both intra-day and overnight positions are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by ALCO.

Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.

(b) Profit rate risk

Profit rate risk is the risk to earnings and the value of financial instruments held by the Bank caused by fluctuation in the profit rates. Profit rate risks arise from differences in maturities and repricing dates of assets, liabilities and off-balance sheet items.

The ALCO monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to profit rate movements. There are set limits on the level of mismatch of profit rate repricing that may be undertaken, which are monitored monthly. Market Risk Measurement and sensitivity analysis are undertaken to provide guidance towards limiting profit rate risks. The tables in Note 12 summarises the exposure to profit rate risk.

(c) Liquidity risk

The primary objective of liquidity risk management is to ensure that the Bank maintains sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

Liquidity is assessed based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into account consideration of realisable cash value of eligible liquefiable securities. The Bank sets limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities, to ensure adequate cover for withdrawals at unexpected level of demand. The Bank constantly ensures compliance with Bank Negara Malaysia's Liquidity Framework. The Bank's liquidity framework is subject to periodic stress tests and the results are constantly reviewed.

(d) Credit risk management

Credit risk represents the possibility of loss due to changes in the quality of counter-parties and the market price for credit risk assets (collateral).

The primary objective of credit risk management is to keep the Bank's exposure to credit risk within its capability and financial capacity to withstand potential financial losses.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

<u>(d) Credit risk management (contd)</u>

The credit risk policy is to develop a strong credit culture with the objective of maintaining a well diversified, evaluated and current portfolio, fully satisfied for credit risk, giving no concern for unexpected losses and which ensures a reliable and satisfactory risk weighted return. This policy, the bedrock of credit risk management, is in the form of a written statement of credit standards, principles and guidelines, which is distributed bank-wide and used as a common source of reference.

Stringent measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by the RMD. The Executive Committee of the Board sanction credits beyond the discretionary limit of the Credit Commmittee. The strict adherence to the discretionary powers sanctioned by the Board is monitored by the RMD.

A risk rating system is used to categorize the risk of individual credits and determine whether the Bank is adequately compensated. Client accounts will be reviewed at regular intervals and weakening credits will be closely monitored.

The Bank strives to maintain a diverse credit profile and track changing risk concentrations in response to market changes and external events. Risks are further mitigated through counterparty, industry and product exposure limits and risk reward mapping.

At the time of reporting, the credit risk of the Bank is not significant given that financing has not started.

<u>(d) Operational risk</u>

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

The management of operational risk is an important feature of sound risk management practice in today's banking operations. Policies and procedures, internal controls and internal reviews or compliance monitoring and audit processes are primary means to control operational risk. The operational risk function is responsible for development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs to the business units on the operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis. Operating processes and policies are continually being refined and strengthened to prevent or minimize unexpected losses.

As the Bank implements its Basel II initiatives, RMD is putting in place the key risk indicators (KRIs) to support various business units and support group to manage and monitor their operational risk more effectively.

The Bank has its ongoing business continuity planning (BCP) programme for its major critical business operations and activities at the Head Office, Datacentre, and branches locations. The BCP programme is subject to regular testing's to ensure efficacy, reliability and functionality.

The Human Resource Division has in place an established policy and procedures in ensuring quality people with integrity are recruited, trained and retained. Operational risk awareness training is also part of the bank's Learning Centre/HR initiatives for targeted staff.

All new products/services introduced by the Bank are evaluated by RMD before they are being approved by the Board.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Information technology ('IT') risk

As for IT risk, there is a continuous process of risk assessment and risk mitigation on the existing hardware, software and the processes.

IT risk management is the process that balances the operational and economic costs of protective measures of IT systems and data against the goal of the organization.

Dedicated disaster recovery plan (DRP) hot site is established for the mainframe system, as well as for the other specific software systems that Bank has.

The Bank allocates substantial time and dedicated staff to constantly review, revamp and develop new policy and procedures to cater for the constant change of the financial industry.

17. AUDIT REPORT ON PRECEEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2006 was not qualified.

18. SEASONAL OR CYCLICAL FACTORS AFFECTING OPERATIONS

The operations of the Bank were not materially affected by any seasonal or cyclical factors during the financial period ended 31 March 2007.

19. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Bank during the financial period ended 31 March 2007.

20. CHANGES IN ESTIMATES

There were no changes to the estimates of amounts reported in interim periods in previous financial year that have a material effect in the financial period ended 31 March 2007.

21. DEBT AND EQUITY SECURITIES

There were no issuances, cancellation, repurchases, resale or repayments of debt and equity securities during the financial period ended 31 March 2007.

22. DIVIDENDS PAID

There were no dividends paid during the financial period ended 31 March 2007.

23. SEGMENT INFORMATION

Segment information is presented in respect of the Bank's business segment and geographical segment.

All inter-segment transactions are conducted on an arms-length basis and on normal commercial terms not more favourable than those generally available to the public.

Primary reporting format – by segment

The Bank's divisional segment can be organised into the following main segments reflecting the Bank's internal reporting structure: -

Domestic banking – Pending confirmation from Domestic banking

Domestic banking caters to financing needs of corporate customers including public listed corporations and its related entities, multinationals corporations, Financial Institutions, Government and state owned entities, small and medium enterprises. Domestic banking also focuses on providing products and services to individual customers. The products and services offered to customers include trade finance, contract financing, capital goods financing, asset purchase financing, project financing, home financing and personal financing.

Investment & international banking

Treasury operations involve managing the bank's funding requirement, investment and compliance requirements. Treasury also involve proprietary trading in treasury related products such as foreign exchange, money market and fixed income. Investment banking provides services related to the capital markets such as corporate finance advisory and Sukuk issuance as well as syndicated and structured finance for corporate clients. We further develop investment products such as property investment funds with a view to provide investors from GCC with an avenue to invest in the Asian properties.

(i) By business segment

	1st Quarter ended 31 March 2007		
	Operating Revenue	**Profit/(Loss) Before Tax Expense**	**Total Assets**
	RM	**RM**	**RM**
Domestic banking	5,232	(689,661)	2,733,907
Investment and international banking	2,859,351	2,561,640	348,826,258
Unallocated expenses	-	(2,454,488)	-
Unallocated assets	-	-	5,915,233
	2,864,584	(582,509)	357,475,397

(ii) By geographical location

The Bank's operations are only in Malaysia during the financial period ended 31 March 2007.

24. VALUATION OF PROPERTY & EQUIPMENT

The property & equipment are stated at cost less accumulated depreciation and impairment losses as mentioned in notes 14.1 (c), (d) and (e) above. There were no changes in the valuation of property & equipment brought forward from previous audited financial statements for the financial year ended 3 December 2006.

25. SUBSEQUENT EVENTS

There were no material events subsequent to the end of current interim period that requires disclosure o adjustments to the unaudited condensed interim financial statements.