

THE ROYAL BANK OF SCOTLAND BERHAD
(formerly known as ABN AMRO Bank Berhad)
(Incorporated in Malaysia)

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THE ROYAL BANK OF SCOTLAND BERHAD
(formerly known as ABN AMRO Bank Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking and related financial services. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

CHANGE OF NAME

On 14 April 2008, the Bank changed its name from ABN AMRO Bank Berhad to The Royal Bank of Scotland Berhad.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	27,753	25,478
Taxation	(15,644)	(15,644)
Profit after taxation	<u>12,109</u>	<u>9,834</u>

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

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

DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

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

General (Rtd) Tan Sri Dato' Mohd Ghazali Seth
Dato' Jorgen Bornhoft
Wong See Hong
Robert Ralph Davis
Harold Douglas Naysmith
Tan Sri Datuk Asmat bin Kamaludin (appointed on 1 November 2007)
Datuk Abdul Majid bin Haji Hussein (resigned on 11 August 2007)

General (Rtd) Tan Sri Dato' Mohd Ghazali Seth, being over seventy years of age, retires in accordance with Section 129 (2) of the Companies Act, 1965. The Board recommends that he be re-appointed as a Director in accordance with Section 129 (6) of the Act.

DIRECTORS' INTERESTS

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in Note 25 of 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.

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

SUBORDINATED NEGOTIABLE INSTRUMENTS OF DEPOSITS

On 8 June 2007, the Bank issued 10-year non-callable 5-year Subordinated Negotiable Instruments of Deposits ("Subordinated NIDs") of RM200,000,000 for working capital purposes.

The terms of the Subordinated NIDs are disclosed in Note 18 of the financial statements.

NON PERFORMING DEBTS AND FINANCING

Before the financial statements of the Group and 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 debts and financing and the making of allowances for non-performing debts and financing and satisfied themselves that all known bad debts and financing had been written off and adequate allowances had been made for non-performing debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the allowance for non-performing debts and financing, in the financial statements of the Group and of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank 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 in the financial statements of the Group and of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

As at the date of this report there does not exist:

- (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

CONTINGENT AND OTHER LIABILITIES (CONTD.)

No contingent or other liability of the Group and 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 affect the ability of the Group and of the Bank to meet their obligations 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 of the Group and of the Bank, that would render any amount stated in the financial statements and consolidated financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

- (i) the results of the operations of the Group and of the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those as disclosed in the financial statements; and
- (ii) 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 which is likely to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

BUSINESS PLAN AND STRATEGY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

In 2007, the Bank had a landmark year, expanding to 2 new locations, building its Consumer banking presence especially with the Van Gogh Preferred Banking franchise, while deepening its Global Market and Commercial Banking relationships with clients. This deepening of relationship was reflected in the Bank being awarded the mandate for the privatisation of Maxis, which was the largest ever merger and acquisition deal in Malaysia, as well as being the issuer and underwriter for several bond issues. The Bank remained one of the key market makers for the local interbank derivatives market, on the back of strong client demand for customised derivative solutions.

OUTLOOK FOR 2008

In 2008, the Bank is looking to capitalise on the expansion of infrastructure and its workforce to further build the business here in Malaysia. The Bank hopes to build a niche Small Medium Enterprise ("SME") client base, adapting our commercial products to suit the needs of these smaller businesses, as well as increase the number of Preferred Banking customers, to ensure strong growth in our Consumer Banking business. In 2008, we intend to start Islamic Banking especially in the Global Market area, but with Islamic products being offered under our Consumer Banking platform. We hope to also increase our involvement with our selected commercial clients, especially the large local corporate in helping them fund their expansion activities in the country and overseas while providing them with solutions to also manage risks.

We foresee a difficult first half of 2008 in Malaysia and globally for credit markets, given the widening effect of the sub prime issue in the United States, but we are confident that Malaysia's strong fundamentals will ensure further economic growth in 2008.

RATING BY AGENCY

RAM, Ratings Agency Malaysia Berhad has reaffirmed the Bank's long term rating of AA2, with a stable outlook, and short-term rating at P1. The ratings reflect the Bank's sturdy fundamentals as well as the strong support from its parent, ABN AMRO Holding N.V., which is currently rated AA /Stable/A-1+ by Standard & Poor's. Meanwhile, the Bank's issue of RM200 million Subordinated NIDs have been assigned a long term rating of AA3, with a stable outlook, reflecting their subordination to the Bank's deposits.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2008.

Robert Ralph Davis

Harold Douglas Naysmith

**THE ROYAL BANK OF SCOTLAND BERHAD
(formerly known as ABN AMRO Bank Berhad)
(Incorporated in Malaysia)**

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Robert Ralph Davis and Harold Douglas Naysmith, being two of the Directors of The Royal Bank of Scotland Berhad (formerly known as ABN AMRO Bank Berhad), do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 9 to 71 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2007 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2008.

Robert Ralph Davis

Harold Douglas Naysmith

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Harold Douglas Naysmith being the Director primarily responsible for the financial management of The Royal Bank of Scotland Berhad (formerly known as ABN AMRO Bank Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 71 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 abovenamed Harold Douglas Naysmith
at Kuala Lumpur in the Federal
Territory on 28 April 2008

Harold Douglas Naysmith

Before me,

301932-A

**REPORT OF THE AUDITORS TO THE MEMBER OF
THE ROYAL BANK OF SCOTLAND BERHAD
(formerly known as ABN AMRO Bank Berhad)
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 9 to 71. These financial statements are the responsibility of the Bank's Directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia modified by Bank Negara Malaysia guidelines so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Bank as at 31 December 2007 and of the results and the cash flows of the Group and of the Bank for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by its subsidiary companies for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

301932-A

**REPORT OF THE AUDITORS TO THE MEMBER OF
THE ROYAL BANK OF SCOTLAND BERHAD (CONTD.)
(formerly known as ABN AMRO Bank Berhad)
(Incorporated in Malaysia)**

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

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

Ernst & Young
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/09(J)
Partner

Kuala Lumpur, Malaysia
28 April 2008

THE ROYAL BANK OF SCOTLAND BERHAD
(formerly known as ABN AMRO Bank Berhad)
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2007

	Note	Group		Bank	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	3	7,598,903	1,490,189	7,598,903	1,490,189
Deposits and placements with banks and other financial institutions	4	10,368	362,252	10,368	362,252
Securities held-for-trading	5	808,528	789,454	808,528	789,454
Securities available-for-sale	6	402,788	640,033	402,788	640,033
Loans, advances and financing	7	600,632	430,400	600,632	430,400
Other assets	8	1,148,919	607,047	1,148,919	607,047
Statutory deposits with Bank Negara Malaysia	9	200,663	29,051	200,663	29,051
Investments in subsidiaries companies	10	-	-	20	20
Investment in an associated company	11	10,778	-	8,503	-
Property, plant and equipment	12	34,008	3,554	34,008	3,554
Intangible asset	13	958	-	958	-
Deferred tax assets	14	34,508	14,292	34,508	14,292
TOTAL ASSETS		10,851,053	4,366,272	10,848,798	4,366,292
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	15	2,468,025	1,339,150	2,468,045	1,339,170
Deposits and placements of banks and other financial institutions	16	6,381,547	1,709,772	6,381,547	1,709,772
Other liabilities	17	1,341,111	873,596	1,341,111	873,596
Provision for taxation		5,522	-	5,522	-
Subordinated debt capital	18	200,000	-	200,000	-
TOTAL LIABILITIES		10,396,205	3,922,518	10,396,225	3,922,538

THE ROYAL BANK OF SCOTLAND BERHAD
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BALANCE SHEETS AS AT 31 DECEMBER 2007 (CONTD.)

	Note	Group		Bank	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Share capital	19	203,000	203,000	203,000	203,000
Reserves	20	251,848	240,754	249,573	240,754
SHAREHOLDERS' FUNDS		<u>454,848</u>	<u>443,754</u>	<u>452,573</u>	<u>443,754</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>10,851,053</u>	<u>4,366,272</u>	<u>10,848,798</u>	<u>4,366,292</u>
COMMITMENTS AND CONTINGENCIES	31	<u>119,042,066</u>	<u>68,144,624</u>	<u>119,042,066</u>	<u>68,144,624</u>

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

THE ROYAL BANK OF SCOTLAND BERHAD
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(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	21	428,057	269,979	428,057	269,979
Interest income	22	341,569	173,972	341,569	173,972
Interest expense	23	(279,118)	(134,481)	(279,118)	(134,481)
Other operating income	24	86,488	96,007	86,488	96,007
Other operating expenses	25	(125,640)	(94,693)	(125,640)	(94,693)
Allowance for losses on loans and financing	26	477	(3,199)	477	(3,199)
Write back of provision for commitments and contingencies		1,702	-	1,702	-
Share of profit of an associate		2,275	-	-	-
Profit before taxation		27,753	37,606	25,478	37,606
Taxation	27	(15,644)	(4,132)	(15,644)	(4,132)
Profit for the year attributable to equity holders of the Bank		12,109	33,474	9,834	33,474
Earnings per share (sen)	28	5.97	16.49		

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

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

Group	← Non-distributable →				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Retained earnings RM'000	
At 1 January 2006	203,000	76,182	110,451	298	18,137	408,068
Profit for the year	-	-	-	-	33,474	33,474
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	2,212	-	2,212
Transfer of reserves	-	-	8,368	-	(8,368)	-
At 31 December 2006	203,000	76,182	118,819	2,510	43,243	443,754
At 1 January 2007	203,000	76,182	118,819	2,510	43,243	443,754
Profit for the year	-	-	-	-	12,109	12,109
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(1,015)	-	(1,015)
Transfer of reserves	-	-	2,459	-	(2,459)	-
At 31 December 2007	203,000	76,182	121,278	1,495	52,893	454,848

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

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)

Bank	← Non-distributable →				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Retained earnings RM'000	
At 1 January 2006	203,000	76,182	110,451	298	18,137	408,068
Profit for the year	-	-	-	-	33,474	33,474
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	2,212	-	2,212
Transfer of reserves	-	-	8,368	-	(8,368)	-
At 31 December 2006	203,000	76,182	118,819	2,510	43,243	443,754
At 1 January 2007	203,000	76,182	118,819	2,510	43,243	443,754
Profit for the year	-	-	-	-	9,834	9,834
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(1,015)	-	(1,015)
Transfer of reserves	-	-	2,459	-	(2,459)	-
At 31 December 2007	203,000	76,182	121,278	1,495	50,618	452,573

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

THE ROYAL BANK OF SCOTLAND BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities				
Profit before taxation	27,753	37,606	25,478	37,606
Adjustments for:				
Depreciation of property, plant and equipment	3,808	1,991	3,808	1,991
Amortisation of intangible asset	184	-	184	-
Loss on disposal of property, plant and equipment	-	29	-	29
Property, plant and equipment written-off	406	-	406	-
Allowance for losses on loans and financing	(477)	3,199	(477)	3,199
Amortisation of premium less accretion of discount	(15,613)	(20,017)	(15,613)	(20,017)
Loss/(gain) from sale of securities held-for-trading	8,946	(20,054)	8,946	(20,054)
Unrealised (gain)/loss on revaluation of securities held-for-trading	(2,363)	106	(2,363)	106
Unrealised foreign exchange loss	40,565	3,352	40,565	3,352
Unrealised loss/(gain) on derivatives trading	62,415	(79,577)	62,415	(79,577)
Write back for diminution in value of shares	-	(575)	-	(575)
Write back of provision for commitments and contingencies	(1,702)	-	(1,702)	-
Share of profit of an associate	(2,275)	-	-	-
Operating profit/(loss) before working capital changes carried forward	121,647	(73,940)	121,647	(73,940)

THE ROYAL BANK OF SCOTLAND BERHAD
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(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes brought forward	121,647	(73,940)	121,647	(73,940)
Decrease in securities purchased under resale agreements	-	26,683	-	26,683
Increase in securities held-for-trading	(25,657)	(410,168)	(25,657)	(410,168)
(Increase)/decrease in loans, advances and financing	(168,098)	9,577	(168,098)	9,577
Increase in other assets	(83,985)	(361,033)	(83,985)	(361,033)
(Increase)/decrease in statutory deposits with Bank Negara Malaysia	(171,612)	20,800	(171,612)	20,800
Increase/(decrease) in deposits from customers	1,128,875	(391,424)	1,128,875	(391,424)
Increase in deposits and placements of banks and other financial institutions	4,671,775	82,257	4,671,775	82,257
(Decrease)/increase in other liabilities	(110,176)	594,985	(110,176)	594,985
Cash generated from/(used in) operations	5,362,769	(502,263)	5,362,769	(502,263)
Income taxes paid	(13,016)	(18,333)	(13,016)	(18,333)
Net cash generated from/(used in) operating activities	<u>5,349,753</u>	<u>(520,596)</u>	<u>5,349,753</u>	<u>(520,596)</u>

Cash Flows from Investing Activities

Purchase of property, plant and equipment	(34,674)	(398)	(34,674)	(398)
Purchase of intangible asset	(1,142)	-	(1,142)	-
Proceeds from disposal of property, plant and equipment	6	407	6	407
Proceeds from redemption of securities available-for-sale	251,390	469,896	251,390	469,896
Investment in an associated company	(8,503)	-	(8,503)	-
Net cash generated from investing activities	<u>207,077</u>	<u>469,905</u>	<u>207,077</u>	<u>469,905</u>

THE ROYAL BANK OF SCOTLAND BERHAD
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(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Financing Activity				
Proceeds from issuance of subordinated debt capital, representing net cash generated from financing activity	200,000	-	200,000	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,756,830	(50,691)	5,756,830	(50,691)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,852,441	1,903,132	1,852,441	1,903,132
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7,609,271	1,852,441	7,609,271	1,852,441
Cash and cash equivalents comprise the following:				
Cash and short-term funds	7,598,903	1,490,189	7,598,903	1,490,189
Deposits and placements with banks and other financial institutions	10,368	362,252	10,368	362,252
	7,609,271	1,852,441	7,609,271	1,852,441

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

THE ROYAL BANK OF SCOTLAND BERHAD
(formerly known as ABN AMRO Bank Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

1. CORPORATE INFORMATION

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office is located at Level 1, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The Directors regard ABN AMRO Bank N.V. and RFS Holdings B.V. as the immediate and ultimate holding companies of the Bank respectively. Both companies are incorporated in The Netherlands.

The principal activities of the Bank are banking and related financial services. The principal activities of the subsidiary companies are to act as nominee, trustees, custodian trustees and agents on behalf of the Bank. There have been no significant changes in the nature of the principal activities during the financial year.

On 14 April 2008, the Bank changed its name from ABN AMRO Bank Berhad to The Royal Bank of Scotland Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia modified by Bank Negara Malaysia Guidelines.

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(b) Associates (Contd.)

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Securities

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

(i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired and held principally for the intention of resale in the near term. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of held-for-trading securities are recognised in the income statement.

(ii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading. 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 is 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(d) Allowance for losses on loans, advances and financing

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

A general allowance based on a percentage of the loan portfolio of the Bank is also made to cover possible losses which are not specifically identified.

An uncollectible loan or portion of a loan 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.

(e) Repurchase Agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at a future date. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at a future date. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the balance sheet.

(f) Intangible Assets

Computer Software

Computer software acquired is measured at cost on initial recognition. Following initial recognition, computer software is carried at cost less accumulated amortisation and accumulated impairment losses, if any. The cost are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at each balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(g) Property, Plant and Equipment, and Depreciation

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

Subsequent to recognition, property, plant and equipment except for freehold land and building are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Motor vehicles	20%
Office equipment and machinery	20%
Furniture, fixtures and fittings	10% - 20%
Computer equipment and software	20% - 33 1/3%

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

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 the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

(i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(g).

(ii) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(i) Impairment of Non-financial Assets

At each balance sheet date, the Group and the Bank review the carrying amounts of assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(j) Provisions for Liabilities

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

Provision for restructuring costs is recognised in the period in which the Group becomes legally or constructively committed to payment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Interest Income

Interest income is recognised in the income statement for all interest bearing assets on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Interest income on securities is recognised on an effective yield basis.

Interest income on loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, which are either monthly or daily.

Customers' accounts are classified as non-performing where repayments are in arrears for three (3) months and one (1) month after maturity date for trade bills, bankers' acceptances and trust receipts.

Interest accrued and recognised as income prior to the date the accounts are classified as non-performing shall be reversed out of the income statement and the accrued interest out of the balance sheet. Subsequently, interest earned on non-performing accounts shall be recognised as income on a cash basis.

(ii) Fee Income

Loan arrangement, commissions and service charges/fees are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Dividends from held-for-trading and available-for-sale securities are recognised when declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(l) Foreign currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(m) Income Tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(m) Income Tax (Contd.)

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

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

(n) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. 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 the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(n) Employee Benefits (Contd.)

(ii) Defined contribution plans

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

(o) Financial Instruments

Financial instruments are recognised on the balance sheet when the Bank has become a party to the contractual provisions of the instrument. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

(i) Cash and cash equivalents

Cash and cash equivalents as stated in the cash flow statement comprise cash and short-term funds, deposits and placements with financial institutions that are readily convertible to cash with insignificant risk of changes 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.

(iii) Subordinated debt capital

The interest-bearing instruments are recognised as liability and are recorded at face value. Interest expense is recognised on an accrual basis.

(iv) Other financial instruments

The accounting policies for financial instruments other than equity instruments are disclosed in the individual policies associated with each item.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(p) Forward Exchange Contracts

Unmatured forward exchange contracts are valued at forward rates as at the balance sheet date, applicable to their respective dates of maturity, and unrealised losses and gains are recognised in the income statement.

(q) Interest Rates Swap, Futures, Forward and Option Contracts

The Bank acts as an intermediary with counterparties who wish to swap their interest obligations. The Bank also uses interest rate swaps, futures, forward and option contracts in its trading account activities and in its overall interest rate risk management.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rates futures, forward and option contracts that qualify as hedges are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expense.

Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current year using the mark-to-market method, and are included in net result from securities held-for-trading.

(r) Derivatives

Derivatives are financial instruments, the contracted or notional amounts of which are not included in the balance sheet either because rights and obligations arise out of one and the same contract, the performance of which is due after balance sheet date, or because the notional amounts serve merely as variables for calculation purposes. Examples of derivatives are forward exchange contracts, options, swaps, futures and forward rate agreements. The underlying value may involve interest rate, currency, commodity, bond or equity products or a combination of these.

All foreign currency contracts and interest rate swaps undertaken as a hedge against open positions created by customer transactions have been disclosed as contingent items.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Group Accounting Policies (Contd.)

(r) Derivatives (Contd.)

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

On 1 January 2007, the Group and the Bank adopted the following FRSs mandatory for financial periods beginning on or after 1 October 2006:

FRS 117: Leases

FRS 124: Related Party Disclosures

The Group and the Bank have also adopted Amendment to FRS119₂₀₀₄: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosure which is mandatory for financial periods beginning on or after 1 January 2007.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

The adoption of the above FRSs and Amendment to FRS did not result in significant changes in accounting policies of the Group and of the Bank and did not have a significant impact on the financial statements of the Group and of the Bank.

FRS 6: Exploration for and Evaluation of Mineral Resources which is mandatory for financial periods beginning on or after 1 January 2007 is not relevant to the Group and the Bank.

During the financial year, the Malaysian Accounting Standards Board ("MASB") had issued the following FRSs, Amendment to FRS and IC Interpretations that are effective for financial periods beginning on or after 1 July 2007, and that have not been applied in preparing these financial statements:

FRS 107: Cash Flow Statements

FRS 111: Construction Contracts

FRS 112: Income Taxes

FRS 118: Revenue

FRS 120: Accounting for Government Grants and Disclosure of Government Assistance

FRS 134: Interim Financial Reporting

FRS 137: Provisions, Contingent Liabilities and Contingent Assets

Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations

IC Interpretation 1: Changes in Existing Decommissioning Restoration and Similar Liabilities

IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments

IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

IC Interpretation 7: Applying the Restatement Approach under FRS129₂₀₀₄ Financial Report in Hyperinflationary Economies

IC Interpretation 8: Scope of FRS 2

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

The impact of applying the above FRSs, Amendment to FRS and IC Interpretations on these financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed as FRS 107, 112, 118, 134 and 137, Amendment to FRS 121, IC Interpretation 1 and 8 do not have any significant impact on the financial statements, and FRS 111 and 120 and IC Interpretation 2, 5, 6 and 7 are not applicable to the Group and the Bank.

In the previous financial year, the MASB had also issued FRS 139: Financial Instruments: Recognition and Measurement for which the MASB has yet to announce the effective date. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

2.4 Significant Accounting Estimates and Judgements

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

(i) Fair value estimation for securities held-for-trading and securities available-for-sale

The fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.

(ii) Deferred tax assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Estimates and Judgements (Contd.)

(iii) Allowances for losses on loans and financing

Whilst the assessment of allowance for losses required for loans, advances and financing is made in accordance with the requirements of BNM/GP3: Guidelines on the Classification of Non-Performing Loans and Provision for Substandards, Bad and Doubtful Debts, the Bank exercises judgement in the valuation of certain collateral when assessing the levels of loan loss allowance required.

(iv) Impairment of securities held-for-trading and securities available-for-sale

Assessment of impairment of securities available-for-sale and securities held-to-maturity is made in line with the guidance in the revised BNM/GP8: Guidelines on Financial Reporting for Licensed Institutions to determine when the investment is other than temporarily impaired. Management judgement is required to evaluate the duration and extent by which the fair value of the financial instruments are below its carrying value and when there is indication of permanent impairment in the carrying value of the financial instruments.

(v) Classification of computer software

A specific software which forms an integral part of a related computer equipment is classified as property, plant and equipment. When the computer software is not an integral part of the related computer equipment, it is classified as an intangible asset.

2.5 Restatement of Comparatives

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

Group/Bank	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Other operating income	96,442	(435)	96,007
Other operating expenses	(95,128)	435	(94,693)

3. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	2007	2006
	RM'000	RM'000
Cash and balances with banks and other financial institutions	52,961	24,272
Money at call and deposit placements maturing within one month	7,545,942	1,465,917
	<u>7,598,903</u>	<u>1,490,189</u>

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	2007	2006
	RM'000	RM'000
Licensed banks	10,368	109,752
Bank Negara Malaysia	-	252,500
	<u>10,368</u>	<u>362,252</u>

5. SECURITIES - HELD FOR TRADING

	Group/Bank	
	2007	2006
	RM'000	RM'000
At Fair Value		
Money market instruments:		
Malaysian Government Securities	334,862	102,752
Government Investment Issues	-	246,706
Khazanah bonds	-	3,010
Cagamas bonds	-	81,258
Private debt securities	473,666	355,728
Total securities held-for-trading	<u>808,528</u>	<u>789,454</u>

6. SECURITIES - AVAILABLE FOR SALE

	Group/Bank	
	2007	2006
	RM'000	RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	91,056	90,336
Government Investment Issues	159,750	157,752
Negotiable instruments of deposit	-	238,991
Private debt securities	150,263	151,235
Shares	3,615	3,615
	<u>404,684</u>	<u>641,929</u>
Less: Provision for diminution in value of shares	(1,896)	(1,896)
Total securities available-for-sale	<u>402,788</u>	<u>640,033</u>

7. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	2007	2006
	RM'000	RM'000
(i) By type		
Overdrafts	5,465	11,647
Term loans/financing		
Housing loans/financing	46,429	43,376
Other term loans/financing	137,988	5,376
Bills receivable	48,793	37,194
Trust receipts	-	35
Claims on customers under acceptance credits	24,119	15,588
Staff loans (of which RM Nil (2006 : RM116,015) were to Directors)	11,690	10,320
Revolving credit	347,691	344,769
Less: Unearned interest and income	(1,550)	(6,485)
	<u>620,625</u>	<u>461,820</u>
Less: Allowance for bad and doubtful debts and financing:		
- General	(15,783)	(15,783)
- Specific	(4,210)	(15,637)
Total net loans, advances and financing	<u>600,632</u>	<u>430,400</u>

7. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	2007	2006
	RM'000	RM'000
(ii) By type of customer		
Domestic business enterprises		
Small medium enterprises	5,584	9,683
Others	547,724	387,154
Individuals	67,317	64,978
Foreign entities	-	5
	<u>620,625</u>	<u>461,820</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
Housing loans/financing	8,773	7,972
Other fixed rate loan/financing	8,017	2,348
Variable rate		
BLR plus	188,332	59,766
Cost plus	415,503	391,734
	<u>620,625</u>	<u>461,820</u>
(iv) By Sector		
Agriculture, hunting, forestry & fishing	832	-
Mining and quarrying	-	14
Manufacturing	97,288	136,495
Construction	54,302	19,002
Real estate	126,215	4,383
Purchase of landed properties (Residential)	49,984	47,977
Transport, storage and communication	85,124	108,677
Finance, insurance and business services	-	13,403
Purchase of securities	6,480	10,000
Purchase of transport vehicles	2	24
Wholesale and retail	189,547	114,863
Consumption credit	10,851	6,977
Others	-	5
	<u>620,625</u>	<u>461,820</u>

7. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	2007	2006
	RM'000	RM'000
(v) Movements in the non-performing loans, advances and financing are as follows:		
Balance as at 1 January	17,879	15,690
Classified as non-performing during the year	115	4,693
Amount recovered	(757)	(527)
Amount written off	(11,875)	(1,977)
Balance as at 31 December	<u>5,362</u>	<u>17,879</u>
Specific allowance	(4,210)	(15,637)
Net non-performing loans, advances and financing	<u>1,152</u>	<u>2,242</u>
Ratio of net non-performing loans and financing to net loans and financing	<u>0.19%</u>	<u>0.50%</u>
(vi) Movements in allowance for bad and doubtful debts and financing are as follows:		
General allowance:		
Balance as at 1 January / 31 December	<u>15,783</u>	<u>15,783</u>
As % of gross loans, advances and financing less specific allowance	<u>2.56%</u>	<u>3.54%</u>
Specific allowance:		
Balance as at 1 January	15,637	14,415
Allowance made during the year	2,359	3,636
Amount written back	(2,836)	(650)
Received from written off debtors	-	212
Amount written off	(10,950)	(1,976)
Balance as at 31 December	<u>4,210</u>	<u>15,637</u>
(vii) Non-performing loans by sector		
Manufacturing	-	2,654
Construction	-	5,160
Purchase of landed properties (Residential)	5,292	5,785
Transport, storage and communication	-	3,789
Wholesale and retail	70	491
	<u>5,362</u>	<u>17,879</u>

8. OTHER ASSETS

	Group/Bank	
	2007	2006
	RM'000	RM'000
Other debtors, deposits and prepayments	133,072	49,107
Revaluation on derivatives contracts	1,015,847	541,071
Tax recoverable	-	16,869
	<u>1,148,919</u>	<u>607,047</u>

9. 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 amounts of which are determined at set percentages of total eligible liabilities.

10. INVESTMENTS IN SUBSIDIARY COMPANIES

	Bank	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost	<u>20</u>	<u>20</u>

The subsidiary companies of the Bank, both of which are incorporated in Malaysia, are as follows:

Name of Subsidiaries	Principal Activities	Percentage of equity held	
		2007	2006
RBS Nominees (Tempatan) Sdn. Bhd. (formerly known as ABN AMRO Nominees (Tempatan) Sdn. Bhd.)	Nominee Company	100%	100%
RBS Nominees (Asing) Sdn. Bhd. (formerly known as ABN AMRO Nominees (Asing) Sdn. Bhd.)	Nominee Company	100%	100%

All income and expenditure arising from the nominee activities of the subsidiary companies have been recognised in the Bank's results.

11. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	8,503	-	8,503	-
Share of post-acquisition reserve	2,275	-	-	-
	<u>10,778</u>	<u>-</u>	<u>8,503</u>	<u>-</u>

Details of the associate, which is incorporated in Malaysia, are as follows:

Name of Associate	Principal Activities	Percentage of equity held	
		2007	2006
Gale Force Sdn. Bhd.	Investing in or acquiring non-performing loans	25%	-

The financial statements of the above associate are coterminous with those of the Group.

The summarised financial information of the associate are as follows:

	2007	2006
	RM'000	RM'000
Assets and liabilities		
Current assets	348,634	-
Non-current assets	-	-
Total assets	<u>348,634</u>	<u>-</u>
Current liabilities	7,938	-
Non-current liabilities	321,074	-
Total liabilities	<u>329,012</u>	<u>-</u>
Results		
Revenue	7,306	-
Loss for the year	<u>(14,082)</u>	<u>-</u>

12. PROPERTY, PLANT AND EQUIPMENT

Group and Bank	Freehold Land and Buildings RM'000	Motor Vehicles RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment and Software RM'000	Total RM'000
At 31 December 2007						
Cost						
At 1 January 2007	388	563	916	4,132	11,942	17,941
Additions	-	-	4,331	24,501	5,842	34,674
Disposals	-	-	-	(15)	-	(15)
Write-off	-	-	-	(4,036)	(98)	(4,134)
At 31 December 2007	388	563	5,247	24,582	17,686	48,466
Accumulated Depreciation						
At 1 January 2007	-	159	842	3,495	9,891	14,387
Depreciation charge for the year	-	113	438	1,302	1,955	3,808
Disposals	-	-	-	(9)	-	(9)
Write-off	-	-	-	(3,640)	(88)	(3,728)
At 31 December 2007	-	272	1,280	1,148	11,758	14,458
Net carrying amount	388	291	3,967	23,434	5,928	34,008

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group and Bank	Freehold Land and Buildings RM'000	Motor Vehicles RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment and Software RM'000	Total RM'000
At 31 December 2006						
Cost						
At 1 January 2006	388	1,088	897	4,132	12,200	18,705
Additions	-	-	19	-	379	398
Disposals	-	(525)	-	-	(637)	(1,162)
At 31 December 2006	388	563	916	4,132	11,942	17,941
Accumulated Depreciation						
At 1 January 2006	-	117	822	3,088	9,094	13,121
Depreciation charge for the year	-	130	20	407	1,434	1,991
Disposals	-	(88)	-	-	(637)	(725)
At 31 December 2006	-	159	842	3,495	9,891	14,387
Net carrying amount	388	404	74	637	2,051	3,554

13. INTANGIBLE ASSET

	Group/Bank	
	2007	2006
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	-	-
Additions	1,142	-
At 31 December	<u>1,142</u>	<u>-</u>
Accumulated Amortisation		
At 1 January	-	-
Amortisation for the year	184	-
At 31 December	<u>184</u>	<u>-</u>
Net carrying amount	<u>958</u>	<u>-</u>

14. DEFERRED TAX ASSETS

	Group/Bank	
	2007	2006
	RM'000	RM'000
At 1 January	14,292	11,611
Recognised in the income statement (Note 27)	19,763	3,542
Recognised in equity statement	453	(861)
At 31 December	<u>34,508</u>	<u>14,292</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	34,508	14,292
Deferred tax liabilities	-	-
	<u>34,508</u>	<u>14,292</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

14. DEFERRED TAX ASSETS (CONTD.)

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

Deferred tax assets of the Group and of the Bank:

	Other Payables RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2007	15,921	-	15,921
Recognised in the income statement	17,965	2,539	20,504
At 31 December 2007	<u>33,886</u>	<u>2,539</u>	<u>36,425</u>
At 1 January 2006	12,281	-	12,281
Recognised in the income statement	3,640	-	3,640
At 31 December 2006	<u>15,921</u>	<u>-</u>	<u>15,921</u>

Deferred tax liabilities of the Group and of the Bank:

	Accelerated Capital Allowances RM'000	Unrealised Reserves RM'000	Total RM'000
At 1 January 2007	651	978	1,629
Recognised in the income statement	741		741
Recognised in equity statement	-	(453)	(453)
At 31 December 2007	<u>1,392</u>	<u>525</u>	<u>1,917</u>
At 1 January 2006	553	117	670
Recognised in the income statement	98	-	98
Recognised in equity statement	-	861	861
At 31 December 2006	<u>651</u>	<u>978</u>	<u>1,629</u>

Deferred tax asset has not been recognised in respect of general allowance for bad and doubtful debts and financing of RM15,783,000 (2006: RM15,783,000).

15. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Demand deposits	770,689	429,588	770,709	429,608
Saving deposits	5,637	6,212	5,637	6,212
Fixed deposits	1,661,699	456,751	1,661,699	456,751
Repurchase agreements	-	156,599	-	156,599
Negotiable instruments of deposit	30,000	290,000	30,000	290,000
	<u>2,468,025</u>	<u>1,339,150</u>	<u>2,468,045</u>	<u>1,339,170</u>

- (i) Maturity structure of fixed deposits and negotiable instruments of deposits is as follows:

	Group/Bank	
	2007 RM'000	2006 RM'000
Due within six months	1,596,931	706,739
Six months to one year	60,025	19,848
One year to three years	34,743	10,064
More than three years	-	10,100
	<u>1,691,699</u>	<u>746,751</u>

- (ii) The deposits are sourced from the following types of customers:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Government and statutory bodies	6,807	525	6,807	525
Business enterprises	1,908,765	1,192,490	1,908,765	1,192,490
Individuals	290,137	55,802	290,137	55,802
Others	262,316	90,333	262,336	90,353
	<u>2,468,025</u>	<u>1,339,150</u>	<u>2,468,045</u>	<u>1,339,170</u>

16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	2007	2006
	RM'000	RM'000
Licensed banks	37,664	651,322
Licensed merchant banks	-	90,000
Bank Negara Malaysia	185,344	257,327
Other financial institutions	6,158,539	711,123
	<u>6,381,547</u>	<u>1,709,772</u>

17. OTHER LIABILITIES

	Group/Bank	
	2007	2006
	RM'000	RM'000
Retirement benefits	22	22
Other liabilities	274,267	382,786
Revaluation on derivatives contracts	1,066,822	489,086
Provision for commitments and contingencies	-	1,702
	<u>1,341,111</u>	<u>873,596</u>

Movement in provision for commitments and contingencies are as follows:

At 1 January	1,702	1,702
Amount written-back	(1,702)	-
At 31 December	<u>-</u>	<u>1,702</u>

18. SUBORDINATED DEBT CAPITAL

	Group/Bank	
	2007	2006
	RM'000	RM'000
At face value	<u>200,000</u>	<u>-</u>

The following are the salient features of the said debt instrument:

- Description : Subordinated Negotiable Instruments of Deposits ("Subordinated NIDs") on a 10-year non-callable 5-year basis
- Tenure: : 10 years
- Settlement date : 8 June 2012
- Maturity date : 8 June 2017
- Interest rate : 4.15% per annum, subject to revision of rate in year six
- Revision of rate : The Subordinated NIDs, unless redeemed at the end of year five, shall bear interest of 4.65% per annum from the sixth year onwards until maturity

19. SHARE CAPITAL

	Group/Bank	
	2007	2006
	RM'000	RM'000
Authorised: 500,000,000 ordinary shares of RM1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid: Balance as at 1 January/31 December	<u>203,000</u>	<u>203,000</u>

20. RESERVES

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves (Note a)	121,278	118,819	121,278	118,819
Unrealised reserves (Note b)	1,495	2,510	1,495	2,510
Distributable:				
Retained earnings (Note c)	52,893	43,243	50,618	43,243
	<u>251,848</u>	<u>240,754</u>	<u>249,573</u>	<u>240,754</u>

(a) Statutory reserves

The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as dividends.

(b) Unrealised reserves

The unrealised reserves comprise fair value changes on securities available-for-sale.

(c) Retained earnings

In the past, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Bank did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007.

20. RESERVES (CONTD.)**(c) Retained earnings (Contd.)**

As at 31 December 2007, the Bank has tax exempt profits available for distribution of approximately RM40,401,000 (2006: RM40,383,000), subject to the agreement of the Inland Revenue Board. The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 December 2007.

21. OPERATING REVENUE

Operating revenue of the Group and of the Bank comprise all types of revenue derived from the business of banking and comprises gross interest income (after adding back net interest/income suspended), fee and commission income, investment income, gross dividends and other income derived from banking operations.

22. INTEREST INCOME

	Group/Bank	
	2007	2006
	RM'000	RM'000
Interest income other than recoveries from NPLs	159,956	24,142
Recoveries from NPLs	85	127
Money at call and deposit placements with financial institutions	138,531	94,728
Securities - Available-for-sale	7,264	11,714
Securities - Held-for-trading	20,492	23,570
	<u>326,328</u>	<u>154,281</u>
Amortisation of premium less accretion of discount	15,613	20,017
Interest suspended	(372)	(326)
Total Interest Income	<u>341,569</u>	<u>173,972</u>

23. INTEREST EXPENSE

	Group/Bank	
	2007	2006
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	213,765	86,824
Deposits from other customers	59,718	42,467
Others	5,635	5,190
	<u>279,118</u>	<u>134,481</u>

24. OTHER OPERATING INCOME

	Group/Bank	
	2007	2006
	RM'000	RM'000
Fee income:		
Commission	1,770	1,721
Service charges and fees	35,901	448
Guarantee fees	1,148	769
Other fee income	8,923	37,496
	<u>47,742</u>	<u>40,434</u>
(Loss)/gain arising from sale of securities:		
Securities held-for-trading	(8,946)	20,054
	<u>(8,946)</u>	<u>20,054</u>
Unrealised gain/(loss) on revaluation of securities:		
Securities held-for-trading	2,363	(106)
	<u>2,363</u>	<u>(106)</u>
Gross dividend income from:		
Securities available-for-sale	59	54
	<u>59</u>	<u>54</u>
Other income:		
Foreign exchange (loss)/gain		
Unrealised	(40,565)	(3,352)
Realised	73,169	28,674
(Loss)/gain on derivatives trading		
Unrealised	(62,415)	79,577
Realised	70,978	(73,345)
Write back of provision in diminution in value of shares	-	575
Others	4,103	3,442
	<u>45,270</u>	<u>35,571</u>
Total	<u>86,488</u>	<u>96,007</u>

25. OTHER OPERATING EXPENSES

	Group/Bank	
	2007	2006
	RM'000	RM'000
Personnel costs (Note a)	57,017	44,152
Establishment costs (Note b)	16,925	17,135
Marketing expenses (Note c)	5,512	1,533
Administration and general expenses (note d)	46,186	31,873
	<u>125,640</u>	<u>94,693</u>
(a) Personnel costs		
Salaries, bonuses and allowances	44,492	35,644
Social security costs	102	61
Pension costs-defined contribution plan	3,269	2,007
Other staff related expenses	9,154	6,440
	<u>57,017</u>	<u>44,152</u>
(b) Establishment costs		
Share of Head Office costs	13,697	13,595
Others	3,228	3,540
	<u>16,925</u>	<u>17,135</u>
(c) Marketing Expenses		
Advertising	4,186	615
Others	1,326	918
	<u>5,512</u>	<u>1,533</u>
(d) Administration and general expenses		
Share of information technology costs	8,657	7,889
Depreciation of property, plant and equipment	3,808	1,991
Amortisation of intangible asset	184	-
Communication and transportation	2,994	2,409
Others	30,543	19,584
	<u>46,186</u>	<u>31,873</u>

25. OTHER OPERATING EXPENSES (CONTD.)

	Group/Bank	
	2007	2006
	RM'000	RM'000
Included in the above expenditure are the following:		
Directors' remuneration and benefits-in-kind	5,226	2,652
Rental of premises	4,239	2,136
Auditors' remuneration - statutory audit	130	112
Depreciation of property, plant and equipment	3,808	1,991
Amortisation of intangible asset	184	-
Property, plant and equipment written off	406	-
	<u>5,226</u>	<u>2,652</u>

Forms of remuneration in aggregate for all Directors charged to the income statement for the year are as follows:

	Group/Bank	
	2007	2006
	RM'000	RM'000
Executive directors		
- Salary and other remuneration	1,932	2,183
- Bonuses	2,775	346
- Benefits-in-kind	316	1
Non-executive directors		
- Fees	203	122
	<u>5,226</u>	<u>2,652</u>

The remuneration attributable to the Managing Director of the Bank, including benefits-in-kind during the year amounted to RM4,707,000 (2006: RM2,003,000).

26. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group/Bank	
	2007	2006
	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing:		
Specific allowance		
- Made in the financial year	2,359	3,849
- Written back	(2,836)	(650)
	<u>(477)</u>	<u>3,199</u>

27. TAXATION

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax based on results for the year:				
Current year	16,348	4,430	16,348	4,430
Underprovision in prior years	19,059	3,244	19,059	3,244
	<u>35,407</u>	<u>7,674</u>	<u>35,407</u>	<u>7,674</u>
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	(6,462)	6,534	(6,462)	6,534
Relating to changes in tax rates	1,348	(90)	1,348	(90)
Overprovision in prior years	(14,649)	(9,986)	(14,649)	(9,986)
	<u>(19,763)</u>	<u>(3,542)</u>	<u>(19,763)</u>	<u>(3,542)</u>
	<u>15,644</u>	<u>4,132</u>	<u>15,644</u>	<u>4,132</u>

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

27. TAXATION (CONTD.)

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

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	27,753	37,606	25,478	37,606
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	7,493	10,530	6,879	10,530
Effect of changes in tax rates on opening balance of deferred tax	529	(90)	529	(90)
Deferred tax recognised at different tax rates	819	-	819	-
Expenses not deductible for tax purposes	3,007	434	3,007	434
Effect of share of an associate's post-tax profit included in Group's profit before taxation	(614)	-	-	-
Overprovision of deferred tax in prior years	(14,649)	(9,986)	(14,649)	(9,986)
Underprovision of tax expense in prior years	19,059	3,244	19,059	3,244
Tax expense for the year	15,644	4,132	15,644	4,132

28. EARNINGS PER SHARE

The earnings per share has been calculated based on the net profit after taxation of RM12,109,000 (2006: RM33,474,000) on the weighted average number of ordinary shares of RM1 each in issue of 203,000,002 (2006: 203,000,002) during the year.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**(a) Transactions with related parties**

	Immediate holding company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000
2007				
Income				
Commission	9,466	-	-	-
Interest income	87,128	-	-	-
Expense				
Interest expense	173,096	-	-	-
Management fee	36,183	-	-	-
Amount due from:				
Deposits and current accounts	123,642	-	-	397,500
Loans and advances	-	-	105,800	-
Interest receivable	248	-	1,211	8,074
Amount due to:				
Deposits and current accounts	-	20	-	5,756,116
Interest payable	-	-	-	25,831
Foreign exchange related contracts				
- purchased and receivable	1,087,936	-	-	2,269,994
- sold and payable	421,851	-	-	485,209
2006				
Income				
Commission	31,665	-	-	-
Interest income	44,315	-	-	-
Expense				
Interest expense	70,948	-	-	-
Management fee	37,233	-	-	-
Amount due from:				
Deposits and current accounts	826,761	-	-	132,365
Interest receivable	1,193	-	-	6,884
Amount due to:				
Deposits and current accounts	2,409	20	-	416,390
Interest payable	239	-	-	1,877
Foreign exchange related contracts				
- purchased and receivable	463,658	-	-	123,118
- sold and payable	461,362	-	-	382,031

29. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)**(b) Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	Group/Bank	
	2007	2006
	RM'000	RM'000
Short-term employee benefits	5,652	3,393
Post-employment benefits:		
Defined contribution plan	337	227
	<u>5,989</u>	<u>3,620</u>

Included in the total key management personnel are:

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration excluding benefits-in-kind (Note 25)	<u>4,910</u>	<u>2,651</u>	<u>4,910</u>	<u>2,651</u>

30. OPERATING LEASE ARRANGEMENTS

The Group and the Bank has entered into non-cancellable operating lease agreements for the use of buildings. These leases have an average life of between 3 and 5 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group and the Bank by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities and the total of future aggregate minimum sublease receipts expected to be received under non-cancellable subleases, are as follows:

	Group/Bank	
	2007	2006
	RM'000	RM'000
Future minimum rental payments:		
Not later than 1 year	3,555	3,087
Later than 1 year and not later than 5 years	4,206	7,246
	<u>7,761</u>	<u>10,333</u>

31. 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 Group and of the Bank as at 31 December are as follows:

	2007	2007	Risk-	2006	2006	Risk-
	Principal	Credit	weighted	Principal	Credit	weighted
	amount	equivalent	amount	amount	equivalent	amount
	RM'000	amount *	RM'000	RM'000	amount *	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	44,983	44,983	44,983	21,760	21,760	21,760
Transaction-related contingent items	279,821	139,910	109,825	176,571	88,285	56,202
Short-term self-liquidating trade-related contingencies	10,104	2,021	1,990	25,579	5,116	5,116
Other assets sold with recourse and commitments with certain drawdown	17,868	17,868	17,868	4,687	4,687	4,687
Irrevocable commitments to extend credit:						
- maturity less than one year	132,587	-	-	63,097	-	-
- maturity more than one year	6,091	3,046	1,523	10,313	5,157	2,579
Foreign exchange related contracts:						
- Forward contracts						
- less than one year	26,653,902	600,217	115,310	14,366,257	357,069	85,124
- one year to less than five years	5,517,986	426,703	91,696	3,186,840	242,953	48,942
- five years and above	2,922,160	316,647	100,972	566,479	62,113	12,423
Interest rate related contracts:						
- less than one year	34,627,551	177,000	37,853	15,468,885	154,026	34,530
- one year to less than five years	34,465,736	1,093,518	242,902	24,291,356	754,736	152,599
- five years and above	14,363,277	1,515,562	457,903	9,962,800	979,338	304,481
	119,042,066	4,337,474	1,222,825	68,144,624	2,675,240	728,443

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

32. FINANCIAL RISK MANAGEMENT POLICIES

The Bank's financial risk management policy seeks to ensure that adequate resources are available for the development of the Bank's business whilst managing its interest rate, market, credit and liquidity risks. The Board of Directors has approved guidelines pertaining to the risk management policies of the Bank which are closely adhered to, ensuring that the operations of the Bank are conducted in a prudent manner.

(a) Operational Risk

Operational risk is the risk of loss to the Bank resulting from weaknesses or failures in its internal processes, people and systems, or due to external events whether within or beyond its control.

The Bank has implemented an Internal Operational Self Risk Assessment system, identifying areas and probability of risk. The actual occurrence of operational loss is entered into a Corporate Loss Database and reconciled against the financial statements. The Bank also has the Operational Risk Assessment Process and a Business Continuity Plan in place.

(b) Credit Risk

Credit risk arises from the possibility that a customer or counterparty may be unable to meet its financial obligations to the Bank, either from a facility granted or a contract in which the Bank has a gain position. At customer level, the Bank will evaluate the total credit risk for all products.

Credit risk for derivatives is measured as sum of replacement cost of the outstanding position (determined by using current market rates) plus an estimate of the Bank's future credit exposure as a result of market price changes. A "Contracts Violations Report" is generated and the report presents credit violations that were committed. These violations will be monitored and reported to Head Office by the Country Risk Officer ("CRO").

With respect to country risk:

- (i) The CRO signs off on the monthly country risk reports which reflect the cross border risk exposure, sovereign risk exposure and gross country exposure in accordance with the Bank's policy on country risk, and
- (ii) The CRO will track limit violations and together with the Business Support Unit, reports the violations to Head Office.

32. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Credit Risk (Contd.)**

The credit risk concentrations of the Group and Bank are set out in the following tables.

	2007							
	Short term funds and placements with financial institutions including Statutory Deposit with BNM	Securities purchased under resale agreements	Securities held-for-trading	Securities available-for-sale	Loans and advances	General provision	Other assets	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agricultural mining and quarrying	-	-	-	-	832	-	-	-
Manufacturing	-	-	-	-	97,288	-	-	-
Construction	-	-	-	-	54,302	-	-	-
Real estate	-	-	-	-	126,215	-	-	-
Purchase of landed properties (Residential)					-			
i) Resident	-	-	-	-	49,984	-	-	-
ii) Non-resident	-	-	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	189,547	-	-	-
Transport, storage and communication	-	-	-	-	85,124	-	-	-
Finance, insurance and business services	-	-	-	-	-	-	-	-
Purchase of securities	-	-	-	-	6,480	-	-	-
Purchase of transport vehicles	-	-	-	-	2	-	-	-
Consumption credit	-	-	-	-	10,851	-	-	-
Others	7,809,934	-	808,527	402,788	-	(15,783)	-	119,042,066
	7,809,934	-	808,527	402,788	620,625	(15,783)	-	119,042,066

32. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Credit Risk (Contd.)**

The credit risk concentrations of the Group and Bank are set out in the following tables.

	2006							
	Short term funds and placements with financial institutions including Statutory Deposit with BNM	Securities purchased under resale agreements	Securities held-for-trading	Securities available-for-sale	Loans and advances	General provision	Other assets	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agricultural mining and quarrying	-	-	-	-	14	-	-	-
Manufacturing	-	-	-	-	136,495	-	-	-
Construction	-	-	-	-	19,002	-	-	-
Real estate	-	-	-	-	4,383	-	-	-
Purchase of landed properties (Residential)								
i) Resident	-	-	-	-	47,977	-	-	-
ii) Non-resident	-	-	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	114,863	-	-	-
Transport, storage and communication	-	-	-	-	108,677	-	-	-
Finance, insurance and business services	-	-	-	-	13,403	-	-	-
Purchase of securities	-	-	-	-	10,000	-	-	-
Purchase of transport vehicles	-	-	-	-	24	-	-	-
Consumption credit	-	-	-	-	6,977	-	-	-
Others	1,881,492	-	789,454	640,033	5	(15,783)	-	68,144,624
	1,881,492	-	789,454	640,033	461,820	(15,783)	-	68,144,624

32. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Market Risk

Market risk is the potential change in value caused by movements in market rates and prices. The Bank is exposed to foreign exchange and interest rate risks, which are monitored daily through its market risk management systems. Daily reports measuring utilization of currency and holding limits together with price value basis points limits are generated and circulated to the relevant parties for information and action.

All limits are approved by the holding company and are reviewed regularly.

(d) Liquidity Risk

Liquidity risk is the risk of loss due to failure by the Bank to meet its short term funding requirements.

The Assets and Liabilities Committee (“ALCO”) is primarily responsible for the strategic management of the Bank’s liquidity, the daily operations of which are carried out by the Money Market Desk of the Treasury Department.

ALCO monitors at its monthly meeting, adherence to the liquidity and mismatch limits, and compliance with ABN AMRO Bank N.V. worldwide, ALCO guidelines and Bank Negara Malaysia’s New Liquidity Framework.

33. INTEREST RATE RISK

Interest rate risk is the potential change in interest rate levels including changes in interest rate differentials and arises mainly from the differing yields and maturity profiles between assets and liabilities.

Interest rate is monitored through the market risk management systems as part of the overall market risk management of the Bank.

33. INTEREST RATE RISK (CONTD.)

The following table represents the Group's carrying assets and liabilities at carrying amounts as at 31 December 2007.

	← Non-Trading Book →					Non-interest sensitive RM'000	Provisions RM'000	SPI-related items RM'000	Trading book RM'000	Total RM'000
	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					
Assets										
Cash and short-term funds	7,598,903	-	-	-	-	-	-	-	-	7,598,903
Deposits and placements with banks and other financial institutions	-	-	10,368	-	-	-	-	-	-	10,368
Securities held-for-trading	-	-	2,012	177,768	638,515	-	(9,767)	-	-	808,528
Securities available-for-sale	-	-	66,161	284,969	51,658	-	-	-	-	402,788
Loans, advances and financing	189,700	153,118	213,127	66,230	-	-	(21,543)	-	-	600,632
Other assets	-	-	-	-	-	1,148,919	-	-	-	1,148,919
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	200,663	-	-	-	200,663
Investments in subsidiary companies	-	-	-	-	-	-	-	-	-	-
Investment in an associated company	-	-	-	-	-	10,778	-	-	-	10,778
Deferred tax assets	-	-	-	-	-	34,508	-	-	-	34,508
Property, plant and equipment	-	-	-	-	-	34,008	-	-	-	34,008
Intangible asset	-	-	-	-	-	958	-	-	-	958
Total Assets	7,788,603	153,118	291,668	528,967	690,173	1,429,834	(31,310)	-	-	10,851,053
Liabilities										
Deposits from customers	2,147,999	160,867	124,416	34,743	-	-	-	-	-	2,468,025
Deposits and placements of banks and other financial institutions	4,425,788	963,934	820,276	171,549	-	-	-	-	-	6,381,547
Other liabilities	-	-	-	-	-	1,341,111	-	-	-	1,341,111
Provision for taxation	-	-	-	-	-	5,522	-	-	-	5,522
Subordinated debt capital	-	-	-	-	-	200,000	-	-	-	200,000
Total Liabilities	6,573,787	1,124,801	944,692	206,292	-	1,546,633	-	-	-	10,396,205
On balance sheet interest rate gap	1,214,816	(971,683)	(653,024)	322,675	690,173	(116,799)	(31,310)	-	-	454,848
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	6,000	6,000
Net interest rate gap	1,214,816	(971,683)	(653,024)	322,675	690,173	(116,799)	(31,310)	-	6,000	460,848

33. INTEREST RATE RISK (CONTD.)

The following table represents the Group's carrying assets and liabilities at carrying amounts as at 31 December 2006.

	← Non-Trading Book →					Non-interest sensitive RM'000	Provisions RM'000	SPI-related items RM'000	Trading book RM'000	Total RM'000
	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					
Assets										
Cash and short-term funds	1,490,189	-	-	-	-	-	-	-	-	1,490,189
Deposits and placements with banks and other financial institutions	-	287,775	74,477	-	-	-	-	-	-	362,252
Securities held-for-trading	14,998	167,215	507,125	100,116	-	-	-	-	-	789,454
Securities available-for-sale	186,719	53,991	10,292	336,823	52,208	-	-	-	-	640,033
Loans, advances and financing	195,989	150,121	51,494	70,701	-	-	(37,905)	-	-	430,400
Other assets	-	-	-	-	-	607,047	-	-	-	607,047
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	29,051	-	-	-	29,051
Investments in subsidiary companies	-	-	-	-	-	-	-	-	-	-
Investment in an associated company	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	14,292	-	-	-	14,292
Property, plant and equipment	-	-	-	-	-	3,554	-	-	-	3,554
Intangible asset	-	-	-	-	-	-	-	-	-	-
Total Assets	1,887,895	659,102	643,388	507,640	52,208	653,944	(37,905)	-	-	4,366,272
Liabilities										
Deposits from customers	905,410	383,838	29,738	20,164	-	-	-	-	-	1,339,150
Deposits and placements of banks and other financial institutions	826,533	554,368	328,871	-	-	-	-	-	-	1,709,772
Other liabilities	-	-	-	-	-	873,596	-	-	-	873,596
Subordinated debt capital	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,731,943	938,206	358,609	20,164	-	873,596	-	-	-	3,922,518
On balance sheet interest rate gap	155,952	(279,104)	284,779	487,476	52,208	(219,652)	(37,905)	-	-	443,754
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	232,000	232,000
Net interest rate gap	155,952	(279,104)	284,779	487,476	52,208	(219,652)	(37,905)	-	232,000	675,754

33. INTEREST RATE RISK (CONTD.)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2007.

	← Non-Trading Book →					Non-interest sensitive	Provisions	SPI-related items	Trading book	Total
	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	RM'000	RM'000
Assets										
Cash and short-term funds	7,598,903	-	-	-	-	-	-	-	-	7,598,903
Deposits and placements with banks and other financial institutions	-	-	10,368	-	-	-	-	-	-	10,368
Securities held-for-trading	-	-	2,012	177,768	638,515	-	(9,767)	-	-	808,528
Securities available-for-sale	-	-	66,161	284,969	51,658	-	-	-	-	402,788
Loans, advances and financing	189,700	153,118	213,127	66,230	-	-	(21,543)	-	-	600,632
Other assets	-	-	-	-	-	1,148,919	-	-	-	1,148,919
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	200,663	-	-	-	200,663
Investments in subsidiary companies	-	-	-	-	-	20	-	-	-	20
Investment in an associated company	-	-	-	-	-	8,503	-	-	-	8,503
Deferred tax assets	-	-	-	-	-	34,508	-	-	-	34,508
Property, plant and equipment	-	-	-	-	-	34,008	-	-	-	34,008
Intangible asset	-	-	-	-	-	958	-	-	-	958
Total Assets	7,788,603	153,118	291,668	528,967	690,173	1,427,579	(31,310)	-	-	10,848,798
Liabilities										
Deposits from customers	2,148,019	160,867	124,416	34,743	-	-	-	-	-	2,468,045
Deposits and placements of banks and other financial institutions	4,425,788	963,934	820,276	171,549	-	-	-	-	-	6,381,547
Other liabilities	-	-	-	-	-	1,341,111	-	-	-	1,341,111
Provision for taxation	-	-	-	-	-	5,522	-	-	-	5,522
Subordinated debt capital	-	-	-	-	-	200,000	-	-	-	200,000
Total Liabilities	6,573,807	1,124,801	944,692	206,292	-	1,546,633	-	-	-	10,396,225
On balance sheet interest rate gap	1,214,796	(971,683)	(653,024)	322,675	690,173	(119,054)	(31,310)	-	-	452,573
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	6,000	6,000
Net interest rate gap	1,214,796	(971,683)	(653,024)	322,675	690,173	(119,054)	(31,310)	-	6,000	458,573

33. INTEREST RATE RISK (CONTD.)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2006.

	← Non-Trading Book →					Non-interest sensitive RM'000	Provisions RM'000	SPI-related items RM'000	Trading book RM'000	Total RM'000
	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					
Assets										
Cash and short-term funds	1,490,189	-	-	-	-	-	-	-	-	1,490,189
Deposits and placements with banks and other financial institutions	-	287,775	74,477	-	-	-	-	-	-	362,252
Securities held-for-trading	14,998	167,215	507,125	100,116	-	-	-	-	-	789,454
Securities available-for-sale	186,719	53,991	10,292	336,823	52,208	-	-	-	-	640,033
Loans, advances and financing	195,989	150,121	51,494	70,701	-	-	(37,905)	-	-	430,400
Other assets	-	-	-	-	-	607,047	-	-	-	607,047
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	29,051	-	-	-	29,051
Investments in subsidiary companies	-	-	-	-	-	20	-	-	-	20
Investment in an associated company	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	14,292	-	-	-	14,292
Property, plant and equipment	-	-	-	-	-	3,554	-	-	-	3,554
Intangible asset	-	-	-	-	-	-	-	-	-	-
Total Assets	1,887,895	659,102	643,388	507,640	52,208	653,964	(37,905)	-	-	4,366,292
Liabilities										
Deposits from customers	905,430	383,838	29,738	20,164	-	-	-	-	-	1,339,170
Deposits and placements of banks and other financial institutions	826,533	554,368	328,871	-	-	-	-	-	-	1,709,772
Other liabilities	-	-	-	-	-	873,596	-	-	-	873,596
Subordinated debt capital	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,731,963	938,206	358,609	20,164	-	873,596	-	-	-	3,922,538
On balance sheet interest rate gap	155,932	(279,104)	284,779	487,476	52,208	(219,632)	(37,905)	-	-	443,754
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	232,000	232,000
Net interest rate gap	155,932	(279,104)	284,779	487,476	52,208	(219,632)	(37,905)	-	232,000	675,754

34. INTEREST RATE RISK (CONTD.)

Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates and their average effective interest rates per annum at their balance sheet dates.

	Group													
	2007							2006						
	MYR	USD	AUD	NZD	SGD	EUR	GBP	MYR	USD	AUD	NZD	SGD	EUR	GBP
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Financial Assets														
Cash and short-term funds	3.50	4.52	-	-	-	3.85	-	3.55	5.26	-	-	-	3.62	-
Deposits and placements with banks and other financial institutions	3.53	-	-	-	2.27	-	-	3.64	2.41	-	-	-	-	-
Securities available-for-sale	2.27	-	-	-	-	-	-	3.68	-	-	-	-	-	-
Loans, advances and financing	7.51	5.35	-	-	-	-	-	5.19	5.62	-	-	-	-	-
Financial Liabilities														
Deposits from customers	3.39	4.52	6.21	9.27	1.73	3.84	5.91	3.36	5.15	5.53	-	-	3.15	4.61
Deposits and placements of banks and other financial institutions	2.88	4.99	-	-	-	-	-	3.69	-	-	-	-	-	-
Obligations on securities sold under repurchase	-	-	-	-	-	-	-	3.00	-	-	-	-	-	-

34. INTEREST RATE RISK (CONTD.)

Included in the tables are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates and their average effective interest rates per annum at their balance sheet dates.

	Bank													
	2007							2006						
	MYR	USD	AUD	NZD	SGD	EUR	GBP	MYR	USD	AUD	NZD	SGD	EUR	GBP
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Financial Assets														
Cash and short-term funds	3.50	4.52	-	-	-	3.85	-	3.55	5.26	-	-	-	3.62	-
Deposits and placements with banks and other financial institutions	3.53	-	-	-	2.27	-	-	3.64	2.41	-	-	-	-	-
Securities available-for-sale	2.27	-	-	-	-	-	-	3.68	-	-	-	-	-	-
Loans, advances and financing	7.51	5.35	-	-	-	-	-	5.19	5.62	-	-	-	-	-
Financial Liabilities														
Deposits from customers	3.39	4.52	6.21	9.27	1.73	3.84	5.91	3.36	5.15	5.53	-	-	3.15	4.61
Deposits and placements of banks and other financial institutions	2.88	4.99	-	-	-	-	-	3.69	-	-	-	-	-	-
Obligations on securities sold under repurchase	-	-	-	-	-	-	-	3.00	-	-	-	-	-	-

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table summarises the carrying values and fair values of financial assets and liabilities of the Group and of the Bank.

	Group				Bank			
	2007		2006		2007		2006	
	Carrying Amount RM'000	Fair value RM'000	Carrying Amount RM'000	Fair value RM'000	Carrying Amount RM'000	Fair value RM'000	Carrying Amount RM'000	Fair value RM'000
Assets								
Cash and short-term funds	7,598,903	7,598,903	1,490,189	1,490,189	7,598,903	7,598,903	1,490,189	1,490,189
Deposits and placements of banks and other financial institutions	10,368	10,368	362,252	362,252	10,368	10,368	362,252	362,252
Securities held-for-trading	808,528	808,528	789,454	789,454	808,528	808,528	789,454	789,454
Securities available-for-sale	402,788	402,788	640,033	640,033	402,788	402,788	640,033	640,033
Loans, advances and financing	600,632	600,632	430,400	430,400	600,632	600,632	430,400	430,400
Other assets	1,148,919	1,148,919	607,047	607,047	1,148,919	1,148,919	607,047	607,047
Statutory deposit with Bank Negara Malaysia	200,663	200,663	29,051	29,051	200,663	200,663	29,051	29,051
Total Assets	10,770,801	10,770,801	4,348,426	4,348,426	10,770,801	10,770,801	4,348,426	4,348,426
Liabilities								
Deposits from customers	2,468,025	2,468,025	1,339,150	1,339,150	2,468,045	2,468,045	1,339,170	1,339,170
Deposits and placements of banks and other financial institutions	6,381,547	6,381,547	1,709,772	1,709,772	6,381,547	6,381,547	1,709,772	1,709,772
Other liabilities	1,341,111	1,341,111	873,596	873,596	1,341,111	1,341,111	873,596	873,596
Provision for taxation	5,522	5,522	-	-	5,522	5,522	-	-
Subordinated debt capital	200,000	200,000	-	-	200,000	200,000	-	-
Total Liabilities	10,396,205	10,396,205	3,922,518	3,922,518	10,396,225	10,396,225	3,922,538	3,922,538

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

2007	Group/Bank					
	Underlying Notional RM'000	Notional		Total Fair Value RM'000	Fair Value	
		Asset RM'000	Liability RM'000		Asset RM'000	Liability RM'000
Derivative financial instruments						
Foreign exchange contracts:						
- Forward	4,638,825	1,613,165	3,025,660	(2,183,800)	1,623,162	3,806,962
- Cross currency swaps	22,441,423	11,385,535	11,055,888	792,628	11,577,027	10,784,399
	27,080,248	12,998,700	14,081,548	(1,391,172)	13,200,189	14,591,361
Interest rate contracts:						
- Futures	10,183,000	350,000	9,833,000	6,763	6,763	-
- Swaps	65,144,669	31,171,130	33,973,539	(2,020,211)	31,601,419	33,621,630
- Cross currency interest rate swaps	8,128,895	3,511,086	4,617,809	(544,418)	3,770,224	4,314,642
	83,456,564	35,032,216	48,424,348	(2,557,866)	35,378,406	37,936,272

2006	Group/Bank					
	Underlying Notional RM'000	Notional		Total Fair Value RM'000	Fair Value	
		Asset RM'000	Liability RM'000		Asset RM'000	Liability RM'000
Derivative financial instruments						
Foreign exchange contracts:						
- Forward	1,565,221	726,379	838,842	(95,747)	735,547	831,294
- Cross currency swaps	9,610,037	3,454,688	6,155,349	(2,447,610)	3,555,715	6,003,325
	11,175,258	4,181,067	6,994,191	(2,543,357)	4,291,262	6,834,619
Interest rate contracts:						
- Futures	4,023,000	1,422,000	2,601,000	1,370	1,370	-
- Swaps	38,635,640	20,619,780	18,015,860	2,984,046	20,813,073	17,829,027
- Cross currency interest rate swaps	7,064,401	5,115,996	1,948,405	3,560,347	5,365,821	1,805,474
	49,723,041	27,157,776	22,565,265	6,545,763	26,180,264	19,634,501

Derivative financial assets represent contracts that are in a favourable position, and derivative financial liabilities are contracts that are in an unfavourable position at reporting date and may fluctuate in relation to changes in market rates.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two parties under normal market conditions.

However, certain assets such as loans, deposits and derivatives, fair values are not readily available as there is no open market where these instruments are traded.

The fair values for these instruments are estimated based on the assumptions and techniques below.

These methods are subjective in nature and therefore the fair values presented may not be indicative of the actual realisable value.

(i) Cash and Short Term Funds

The carrying amounts are a reasonable estimate of the fair values because of their short-term nature.

(ii) Deposits and Placements with Financial Institutions

Deposits and placements of below one year are at carrying amounts while those maturing beyond one year have been valued at discounted cashflows.

(iii) Securities held-for-trading and available-for-sale

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

(iv) Loans and Advances

Loans, advances and financing have been adjusted to reflect the capacity of the borrowers to repay on demand by calculating the discounted amount payable and credit worthiness of borrowers.

(v) Other Assets

Other assets have been reflected at amounts generated from internal sources and credit adjusted for amounts recoverable from external parties.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)**(vi) Statutory Deposits with BNM**

Statutory deposits with BNM are stated at carrying amounts.

(vii) Deposits from Customers

Deposits from customers are valued at carrying amounts for all amounts on demand and below one year, while deposits over one year have been valued at discounted cashflows.

(viii) Deposits and Placements of Banks and Other Financial Institutions

Deposits and placements of banks and other financial institutions are valued at carrying amounts.

(ix) Other Liabilities

Other liabilities are stated at carrying amounts.

(x) Subordinated Debt Capital

Subordinated debt capital is stated at carrying amounts.

35. CAPITAL ADEQUACY

The components of Tier I and Tier II capital are as follows:

	Bank	
	2007	2006
	RM'000	RM'000
Tier-I capital		
Paid-up share capital	203,000	203,000
Share premium	76,182	76,182
Statutory reserves	121,278	118,819
Retained earnings	50,618	43,243
	<u>451,078</u>	<u>441,244</u>
Less :		
- Deferred tax assets	(34,508)	(14,292)
Total Tier-I capital	<u>416,570</u>	<u>426,952</u>

35. CAPITAL ADEQUACY (CONTD.)

	Bank	
	2007	2006
	RM'000	RM'000
Tier-II Capital		
General provision for bad and doubtful debts and financing	15,783	15,783
Subordinated debt capital	200,000	-
Total Tier-II capital	<u>215,783</u>	<u>15,783</u>
Total capital funds	632,353	442,735
Less: Investment in subsidiary companies	(20)	(20)
Capital base	<u>632,333</u>	<u>442,715</u>
Capital Ratios		
Core capital ratio	9.55%	13.08%
Risk-weighted capital ratio	<u>14.50%</u>	<u>13.56%</u>

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

Bank	2007		2006	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	7,777,482	-	1,338,844	-
20%	3,990,654	798,131	3,444,149	688,830
50%	827,644	413,822	475,166	237,586
100%	731,587	731,587	1,064,652	1,064,652
Risk-weighted assets for credit risk		<u>1,943,540</u>		<u>1,991,068</u>
Risk-weighted assets for market risk		<u>2,416,452</u>		<u>1,272,929</u>
Total risk-weighted assets		<u>4,359,992</u>		<u>3,263,997</u>