

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

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

## PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking and related financial services. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

## FINANCIAL RESULTS

	Group/Bank RM'000
Profit before taxation	37,606
Taxation	(4,132)
Profit after taxation	33,474
Transfer to statutory reserves	(8,368)
Retained earnings brought forward	18,137
Retained earnings carried forward	43,243

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 other than the effects arising from the changes in accounting policies due to the adoption of new and revised financial reporting standards ("FRS") as disclosed in Note 2.3 to the financial statements.

## DIVIDENDS

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

## NON PERFORMING DEBTS AND FINANCING

Before the financial statements of the Bank and of the Group 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 Bank and of the Group inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements of the Bank and of the Group 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 Bank and of the Group 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 Bank and of the Group 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 Bank or of the Group 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 Bank or of the Group that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Bank and of the Group 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 Bank and of the Group 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 Bank and of the Group, 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 Bank and of the Group 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

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

## ITEMS OF AN UNUSUAL NATURE (CONT'D)

- (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 Bank and of the Group for the current financial year in which this report is made.

## 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  
Datuk Abdul Majid bin Haji Hussein  
Dato' Jorgen Bornhoft  
Robert Ralph Davis  
Wong See Hong  
Harold Douglas Naysmith (*Appointed on 08.06.2006*)  
Diong Chin Teck @ Tiong Chin Sang (*Retired on 21.04.2006*)  
Lindsey Michael Haman (*Resigned on 30.08.2006*)

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 23 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.

## HOLDING COMPANIES

The Directors regard ABN AMRO Bank N.V. and ABN AMRO Holding N.V., as the immediate and ultimate holding companies of the Bank. Both companies are incorporated in The Netherlands.

## BUSINESS PLAN AND STRATEGY FOR FINANCIAL YEAR ENDED 31 DECEMBER 2006

ABN AMRO Bank Berhad successfully built on strengths in its Financial Markets business in 2006, performing exceptionally well in the Debt Capital Markets area. The Bank either led or co-managed a few key bond origination transactions in the year. It also continued to offer customised derivative solutions to its major clients and maintained a strong presence in the interbank derivatives market.

The Bank also embarked on a new business plan to broaden its customer base by offering retail products to a targeted segment of the market. The work to install the infrastructure for expanding the business segment has already been started in 2006.

## OUTLOOK FOR 2007

The Bank worldwide has embarked on a new strategy, which ABN AMRO Bank Berhad Malaysia will benefit from as there has been a new emphasis on growing businesses in Asia and targeting our key clients in sweet-spot industries or sectors.

For Malaysia, the Bank is bullish in the prospect for growth in various sectors, especially with the demand for credit and equity derivatives, in addition to a more vibrant debt capital market.

We also have plans to increase the number of branches through which we will operate, so that we can better serve our customers in the consumer segment especially through our Van Gogh Preferred Banking product offerings.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

## RATING BY AGENCY

RAM, Ratings Agency Malaysia Berhad reaffirmed the Bank's long term rating of AA2 and its short-term rating of P1. The ratings were based on the Bank's sound asset quality, relatively stable funding and well-capitalised position. The Bank's healthy asset quality as demonstrated by the low incidence of non-performing loans ("NPLs"), the Bank's promotion of its fee-based activities to sustain its earnings by leveraging on its extensive global network as well as the Bank's position as a wholly owned subsidiary of ABN AMRO Holding N.V., a major global banking institution with a very strong franchise and prudent operations, were considered in the above rating.

## 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.



ROBERT RALPH DAVIS



HAROLD DOUGLAS NAYSMITH  
Kuala Lumpur, Malaysia.  
28 March 2007

# 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 ABN AMRO Bank Berhad, do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 15 to 46 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2006 and of the results and the cash flows of the Bank and of the Group for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.



ROBERT RALPH DAVIS



HAROLD DOUGLAS NAYSMITH  
Kuala Lumpur, Malaysia.  
28 March 2007

# STATUTORY DECLARATION

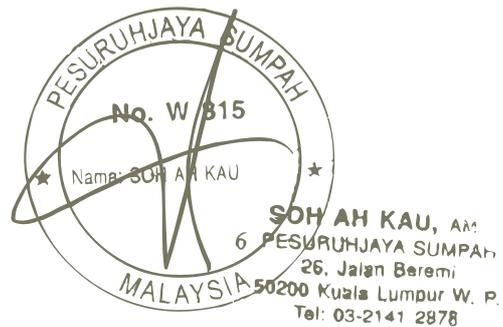
PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

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

I, Harold Douglas Naysmith being the Director primarily responsible for the financial management of ABN AMRO Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 46 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 March 2007

Before me,



*HD Naysmith*  
HAROLD DOUGLAS NAYSMITH

# REPORT OF THE AUDITORS

TO THE MEMBERS OF ABN AMRO BANK BERHAD

We have audited the financial statements set out on pages 15 to 46. These financial statements are the responsibility of the Bank's Directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities modified by Bank Negara Malaysia guidelines so as to give a true and fair view of:
  - (i) the financial position of the Bank and of the Group as at 31 December 2006 and of the results and the cash flows of the Bank and of the Group 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.

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. 2190/12/07(J))  
Partner

Kuala Lumpur, Malaysia  
28 March 2007

# BALANCE SHEETS

AS AT 31 DECEMBER 2006

	Note	GROUP		BANK	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	1,490,189	1,616,261	1,490,189	1,616,261
Deposits and placements with banks and other financial institutions	4	362,252	286,871	362,252	286,871
Securities purchased under resale agreements	5	-	26,683	-	26,683
Securities held-for-trading	6	789,454	359,338	789,454	359,338
Securities available-for-sale	7	640,033	1,087,125	640,033	1,087,125
Loans, advances and financing	8	430,400	443,176	430,400	443,176
Other assets	9	607,047	196,380	607,047	196,380
Deferred tax assets	10	14,292	11,611	14,292	11,611
Statutory deposits with Bank Negara Malaysia	11	29,051	49,851	29,051	49,851
Investment in subsidiary companies	12	-	-	20	20
Property, plant and equipment	13	3,554	5,584	3,554	5,584
<b>TOTAL ASSETS</b>		<b>4,366,272</b>	<b>4,082,880</b>	<b>4,366,292</b>	<b>4,082,900</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	14	1,339,150	1,730,574	1,339,170	1,730,594
Deposits and placements of banks and other financial institutions	15	1,709,772	1,627,515	1,709,772	1,627,515
Other liabilities	16	873,596	316,723	873,596	316,723
<b>TOTAL LIABILITIES</b>		<b>3,922,518</b>	<b>3,674,812</b>	<b>3,922,538</b>	<b>3,674,832</b>
Share capital	17	203,000	203,000	203,000	203,000
Reserves	18	240,754	205,068	240,754	205,068
<b>SHAREHOLDERS' FUNDS</b>		<b>443,754</b>	<b>408,068</b>	<b>443,754</b>	<b>408,068</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>4,366,272</b>	<b>4,082,880</b>	<b>4,366,292</b>	<b>4,082,900</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	31	<b>68,144,624</b>	<b>42,472,856</b>	<b>68,144,624</b>	<b>42,472,856</b>

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

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	GROUP/BANK	
		2006 RM'000	2005 RM'000
Revenue	19	270,414	217,032
Interest income	20	173,972	145,129
Interest expense	21	(134,481)	(100,267)
Other operating income	22	96,442	71,903
Other operating expenses	23	(95,128)	(63,372)
Allowance for losses on loans and financing	24	(3,199)	1,309
Profit before taxation		37,606	54,702
Taxation	27	(4,132)	(11,336)
Profit after taxation		33,474	43,366
Earnings per share (sen)	28	16	21

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

Group and Bank	Note	Share capital RM'000	Share premium RM'000	Non-distributable Statutory reserves RM'000	Unrealised reserves RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2005							
- As previously stated		203,000	76,182	88,768	-	16,695	384,645
- Prior year adjustments		-	-	-	5,179	(6,065)	(886)
As restated		203,000	76,182	88,768	5,179	10,630	383,759
Profit for the year		-	-	-	-	43,366	43,366
Unrealised net gain on revaluation of securities available-for-sale		-	-	-	(4,881)	-	(4,881)
Dividends	29	-	-	-	-	(14,176)	(14,176)
Transfer to reserves		-	-	21,683	-	(21,683)	-
At 31 December 2005		203,000	76,182	110,451	298	18,137	408,068
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 to reserves		-	-	8,368	-	(8,368)	-
At 31 December 2006		203,000	76,182	118,819	2,510	43,243	443,754

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

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	GROUP/BANK	
		2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		37,606	54,702
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		1,991	1,490
Loss/(gain) on disposal of property, plant and equipment		29	(165)
Loan loss and write back		3,199	(1,309)
Writeback for diminution in value of shares		(575)	(513)
Operating profit before working capital changes		42,250	54,205
(Increase)/decrease in securities held-for-trading		(430,116)	17,838
Decrease/(increase) in loans, advances and financing		9,577	(14,789)
Decrease in securities purchased under resale agreements		26,683	24,083
Increase in other assets		(399,146)	(26,372)
Decrease/(increase) in statutory deposits with Bank Negara Malaysia		20,800	(3,532)
Decrease in deposits from customers		(391,424)	(264,982)
Increase in deposits and placements of banks and other financial institutions		82,257	929,845
Increase in other liabilities		556,873	44,592
Cash (used in)/generated from operations		(482,246)	760,888
Income taxes paid		(18,333)	(15,793)
Dividends paid		-	(14,176)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>		<b>(500,579)</b>	<b>730,919</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(398)	(3,697)
Increase in securities available-for-sale		449,879	(78,740)
Proceeds from disposal of property, plant and equipment		407	165
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>449,888</b>	<b>(82,272)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(50,691)</b>	<b>648,647</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>1,903,132</b>	<b>1,254,485</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	25	<b>1,852,441</b>	<b>1,903,132</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 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, Malaysia.

The immediate and ultimate holding companies of the Bank are ABN AMRO Bank N.V. and ABN AMRO Holding N.V. respectively, both of which 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 March 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities modified by Bank Negara Guidelines. At the beginning of the current financial year, the Group and the Bank had adopted new and revised FRSS which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and 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.

### 2.2 Summary of Significant Group Accounting Policies

#### (a) Subsidiaries and Basis of Consolidation

##### (i) Subsidiaries

Subsidiaries are entities over which the Bank 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (a) Subsidiaries and Basis of Consolidation (Cont'd)

##### (i) Subsidiaries (Cont'd)

In the Company'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

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank 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 Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Bank'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.

#### (b) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (b) Revenue Recognition (Cont'd)

##### (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.

#### (c) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (c) Allowance for losses on loans, advances and financing (Cont'd)

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.

#### (d) 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.

#### (e) 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 held-to-maturity

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (e) Securities (Cont'd)

##### (iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value 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.

Malaysian Government Securities, Cagamas Bonds, other Government Securities and bank or government guaranteed private debt securities held for investments were stated at cost adjusted for amortisation of premium or accretion of discount, where applicable to maturity date. Other non-guaranteed private debt securities were stated at lower of cost and market value determined on a portfolio basis. Bankers' acceptances are stated at face value less unearned discount. Other investment securities were stated at cost less allowances for any diminution in value.

Unquoted equity securities held as long term investments are stated at cost and provision is made in the event of any permanent diminution in value.

#### (f) Property, Plant and Equipment, and Depreciation

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (f) Property, Plant and Equipment, and Depreciation (Cont'd)

depreciation and impairment losses, with the exception of freehold land and buildings which are not depreciated. The non-depreciation of buildings on freehold land is a non-compliance of FRS 104 - Depreciation Accounting, but the effect of this non-compliance is not material. Depreciation of other property, plant and equipment is calculated to write off the cost of each asset to its residual value on a straight line basis over the expected useful lives of the assets concerned. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

The principal annual rates of depreciation used are as follows:

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

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

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.

#### (g) Impairment of Non-financial Assets

At each balance sheet date, the Group and the Bank review the carrying amounts of the assets, other than deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (g) Impairment of Non-financial Assets (Cont'd)

An impairment loss is charged to the income statement 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.

#### (h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group and the Bank 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 (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (i) 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.

#### (j) 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.

#### (k) Foreign currencies

##### (i) Functional and Presentation Currency

The individual financial statements of each entity in the Group and the Bank 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 Company's functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (k) Foreign currencies

##### (ii) Foreign Currency Transactions

Individual foreign currency assets and liabilities are reported in Ringgit Malaysia in the balance sheet at spot rates of exchange which closely approximate those ruling at the balance sheet date. Income statement items are recorded at rates prevailing on transaction dates. Exchange gains and losses are recognised in the income statement in the year they arise.

The major exchange rates used by the Bank and the Group are:

	2006	2005
United States Dollars	3.5275	3.7795
Great Britain Pounds	6.9190	6.5272
Euros	4.6430	4.4821
Singapore Dollars	2.3005	2.2731
Japanese Yen	0.0297	0.0322

#### (l) 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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (i) Income Tax (Cont'd)

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

#### (m) Employee Benefits

##### (i) Short term benefits

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

##### (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").

#### (n) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (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) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

##### (ii) Other financial instruments

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

#### (p) 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.

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:

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Group Accounting Policies (Cont'd)

#### (p) Derivatives

##### (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

The significant accounting policies and methods of computation applied are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2005 except for the adoption of the following new and revised Financial Reporting Standards ("FRS") issued by MASB that are effective for the Group's first FRS annual reporting date, 31 December 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 2, 3, 5, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136, 138 and 140 does not have significant financial impact on the Group and the Bank.

### 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) Income taxes

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.

## 3. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	2006 RM'000	2005 RM'000
Cash and balances with banks and other financial institutions	24,272	21,387
Money at call and deposit placements maturing within one month	1,465,917	1,594,874
	<u>1,490,189</u>	<u>1,616,261</u>

## 4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	2006 RM'000	2005 RM'000
Licensed banks	109,752	66,871
Bank Negara Malaysia	252,500	220,000
	<u>362,252</u>	<u>286,871</u>

## 5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resale agreements are as follows:

	Group/Bank	
	2006 RM'000	2005 RM'000
Reverse Repo	-	26,683

## 6. SECURITIES - HELD FOR TRADING

	Group/Bank	
	2006 RM'000	2005 RM'000
At Fair Value		
Money market instruments:		
Malaysian Government securities	102,752	5,004
Government Investment Issues (GII)	246,706	-
Khazanah	3,010	-
Cagamas	81,258	29,946
Private debt securities	355,728	324,388
Total securities held-for-trading	<u>789,454</u>	<u>359,338</u>

## 7. SECURITIES - AVAILABLE FOR SALE

	Group/Bank	
	2006 RM'000	2005 RM'000
At fair value		
Quoted securities:		
Malaysian Government securities	90,336	562,939
Khazanah bonds	-	9,934
Bankers' acceptances	-	84,882
Prasarana Bonds	-	49,935
Government Investment Issues	157,752	66,716
Negotiable instruments of deposit	238,991	311,000
Private debt securities	151,235	-
Shares	3,615	5,229
	<u>641,929</u>	<u>1,090,635</u>
Less: Provision for diminution in value of shares	(1,896)	(3,510)
Total securities available-for-sale	<u>640,033</u>	<u>1,087,125</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 7. SECURITIES - AVAILABLE FOR SALE (CONT'D)

	Group/Bank	
	2006 RM'000	2005 RM'000
Movements in provision for diminution in value of shares are as follows:		
Balance as at 1 January	3,510	4,883
Write off made during the year	(1,258)	(860)
Write back of provision during the year	(356)	(513)
Balance as at 31 December	1,896	3,510

## 8. LOANS, ADVANCES AND FINANCING

### (i) By type

	Group/Bank	
	2006 RM'000	2005 RM'000
Overdrafts	11,647	22,605
Term loans/financing	48,752	43,460
Housing loans/financing	43,376	35,986
Other term loans/financing	5,376	7,474
Bills receivable	37,194	98,162
Trust receipts	35	35
Claims on customers under acceptance credits	15,588	19,776
Staff loans (of which nil (2005 : RM 116,015) were to Directors)	10,320	8,441
Revolving credit	344,769	288,379
Less: Unearned interest and income	(6,485)	(7,484)
	461,820	473,374
Less: Allowance for bad and doubtful debts and financing:		
- General	(15,783)	(15,783)
- Specific	(15,637)	(14,415)
Total net loans, advances and financing	430,400	443,176

### (ii) By type of customer

Domestic business enterprises		
Small medium enterprises	9,683	21,488
Others	387,154	405,134
Government and statutory bodies	-	-
Individuals	64,978	46,731
Foreign entities	5	21
	461,820	473,374

## 8. LOANS, ADVANCES AND FINANCING (CONT'D)

### (iii) By interest/profit rate sensitivity

	Group/Bank	
	2006 RM'000	2005 RM'000
Fixed rate		
Housing loans/financing	7,972	6,806
Other fixed rate loan/financing	2,348	1,501
Variable rate		
BLR plus	59,766	64,540
Cost plus	391,734	400,527
	461,820	473,374

### (iv) By Sector

Mining and quarrying	14	825
Manufacturing	136,495	103,671
Construction	19,002	45,745
Real estate	4,383	5,027
Purchase of landed properties (Residential)	47,977	41,692
Transport, storage and communication	108,677	111,019
Finance, insurance and business services	13,403	47,916
Purchase of securities	10,000	-
Purchase of transport vehicles	24	132
Wholesale and retail	114,863	112,371
Consumption credit	6,977	4,927
Others	5	49
	461,820	473,374

Movements in the non-performing loans, advances and financing excluding interest receivable are as follows:

Balance as at 1 January	15,690	21,769
Classified as non-performing during the year	4,693	1,666
Amount recovered	(527)	(1,065)
Amount written off	(1,977)	(6,680)
Balance as at 31 December	17,879	15,690

Ratio of net non-performing loans to net loans	0.51%	0.29%
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Movements in allowance for bad and doubtful debts and financing are as follows:

General allowance:		
Balance as at 1 January	15,783	17,200
Amount written back during the year	-	(1,417)
Balance as at 31 December	15,783	15,783

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 8. LOANS, ADVANCES AND FINANCING (CONT'D)

(iv) By type of customer (Cont'd)

	Group/Bank	
	2006 RM'000	2005 RM'000
As a percentage of total financing less specific allowance	3.54%	3.44%
Specific allowance:		
Balance as at 1 January	14,415	20,986
Allowance made during the year	3,636	727
Amount recovered	(650)	(619)
Received from written off debtors	212	-
Amount written off	(1,976)	(6,679)
Balance as at 31 December	15,637	14,415

### Non-performing loans by sector

Manufacturing	2,654	3,249
Construction	5,160	5,159
Purchase of landed properties (Residential)	5,785	1,511
Transport, storage and communication	3,789	3,789
Wholesale and retail	491	1,981
Others	-	1
	17,879	15,690

## 9. OTHER ASSETS

	Group/Bank	
	2006 RM'000	2005 RM'000
Other debtors, deposits and prepayments	49,107	31,995
Revaluation on derivatives contracts	541,071	159,109
Tax recoverable	16,869	5,276
	607,047	196,380

## 10. DEFERRED TAX

	Group/Bank	
	2006 RM'000	2005 RM'000
At 1 January	(11,611)	(4,771)
Recognised in the income statement (Note 27)	(3,542)	(4,943)
Recognised in equity statement	861	(1,897)
At 31 December	(14,292)	(11,611)

## 10. DEFERRED TAX (CONT'D)

	Group/Bank	
	2006 RM'000	2005 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	(15,921)	(12,281)
Deferred tax liabilities	1,629	670
	(14,292)	(11,611)

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

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

Deferred Tax Liabilities of the Bank and of the Group:

	Accelerated	Other	Total
	Capital Allowances	Temporary Differences	
	RM'000	RM'000	RM'000
At 1 January 2006	553	117	670
Recognised in the income statement	98	-	98
Recognised in equity statement	-	861	861
At 31 December 2006	651	978	1,629

At 1 January 2005	479	2,014	2,493
Recognised in the income statement	74	-	74
Recognised in equity statement	-	(1,897)	(1,897)
At 31 December 2005	553	117	670

Deferred Tax Assets of the Bank and of the Group:

	Other	Total
	Payables	
	RM'000	RM'000
At 1 January 2006	(12,281)	(12,281)
Recognised in the income statement	(3,640)	(3,640)
At 31 December 2006	(15,921)	(15,921)
At 1 January 2005	(7,264)	(7,264)
Recognised in the income statement	(5,017)	(5,017)
At 31 December 2005	(12,281)	(12,281)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 11. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

(The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act 1958 (revised 1994), the amounts of which are determined at set percentages of total eligible liabilities.

## 12. INVESTMENTS IN SUBSIDIARY COMPANIES

	Bank	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost	20	20

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

Name	Principal Activities	Percentage of equity held
ABN AMRO Nominees (Tempatan) Sdn. Bhd.	Nominee Company	100%
ABN AMRO Nominees (Asing) Sdn. Bhd.	Nominee Company	100%

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 13. PROPERTY, PLANT AND EQUIPMENT

	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
Group and Bank						
At 31 December 2006:						
Cost						
At 1 January 2006	388	1,088	897	4,132	12,200	18,705
Additions	-	-	19	-	379	398
Disposals/write-offs	-	(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
At 31 December 2005:						
Cost						
At 1 January 2005	388	427	1,176	4,748	9,834	16,573
Additions	-	1,088	72	26	2,511	3,697
Disposals/write-offs	-	(427)	(351)	(642)	(145)	(1,565)
At 31 December 2005	388	1,088	897	4,132	12,200	18,705
Accumulated Depreciation						
At 1 January 2005	-	427	1,141	3,324	8,304	13,196
Depreciation charge for the year	-	117	32	406	935	1,490
Disposals	-	(427)	(351)	(642)	(145)	(1,565)
At 31 December 2005	-	117	822	3,088	9,094	13,121
Net carrying amount	388	971	75	1,044	3,106	5,584

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 14. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Demand deposits	429,588	448,537	429,608	448,557
Saving deposits	6,212	4,774	6,212	4,774
Fixed deposits	456,751	1,242,827	456,751	1,242,827
Repurchase agreements	156,599	34,436	156,599	34,436
Negotiable Instrument of Deposit	290,000	-	290,000	-
	<u>1,339,150</u>	<u>1,730,574</u>	<u>1,339,170</u>	<u>1,730,594</u>

(i) Maturity structure of fixed deposits is as follows:

	Bank	
	2006 RM'000	2005 RM'000
Due within six months	416,739	918,213
Six months to one year	19,848	24,069
One year to three years	10,064	445
More than three years	10,100	300,100
	<u>456,751</u>	<u>1,242,827</u>

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

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Government and statutory bodies	525	1,340	525	1,340
Business enterprises	1,192,490	1,588,631	1,192,490	1,588,631
Individuals	55,802	51,896	55,802	51,896
Others	90,333	88,707	90,353	88,727
	<u>1,339,150</u>	<u>1,730,574</u>	<u>1,339,170</u>	<u>1,730,594</u>

## 15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	2006 RM'000	2005 RM'000
Deposits from licensed banks	1,361,559	1,493,970
Negotiable instruments of deposits issued to other financial institutions	348,213	133,545
	<u>1,709,772</u>	<u>1,627,515</u>

## 16. OTHER LIABILITIES

	Group/Bank	
	2006 RM'000	2005 RM'000
Retirement benefits	22	22
Other liabilities	382,786	190,121
Revaluation on derivatives contracts	489,086	124,878
Provision for commitments and contingencies	1,702	1,702
	<u>873,596</u>	<u>316,723</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 17. SHARE CAPITAL

	Group/Bank	
	2006 RM'000	2005 RM'000
Authorised: 500,000,000 ordinary shares of RM1 each	500,000	500,000
Issued and fully paid: Balance as at 1 January/ 31 December	203,000	203,000

## 18. RESERVES

	Group/Bank	
	2006 RM'000	2005 RM'000
Non-distributable		
Share premium (Note a)	76,182	76,182
Statutory reserves (Note b)	118,819	110,451
Non-distributable		
Unrealised reserves (Note c)	2,510	298
Distributable		
Retained earnings (Note d)	43,243	18,137
	<u>240,754</u>	<u>205,068</u>

### (a) Share premium

Balance as at 1 January and 31 December	76,182	76,182
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### (b) Statutory reserves

Balance as at 1 January	110,451	88,768
Transfer from distributable earnings	8,368	21,683
Balance as at 31 December	<u>118,819</u>	<u>110,451</u>

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

### (c) Unrealised reserves

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

### (d) Retained earnings

As at 31 December 2006, the Bank has tax exempt profits available for distribution of approximately RM40,383,000 (2004 : RM40,383,000), subject to the agreement of the Inland Revenue Board. The Company 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 2006.

## 19. 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.

## 20. INTEREST INCOME

	Group/Bank	
	2006 RM'000	2005 RM'000
Interest income other than recoveries from NPLs	24,142	21,819
Recoveries from NPLs	127	40
Money at call and deposit placements with financial institutions	94,728	70,337
Securities - Available-for-sale	11,714	10,659
Securities - Held-for-trading	23,570	17,992
	<u>154,281</u>	<u>120,847</u>
Amortisation of premium less accretion of discount	20,017	24,690
Interest suspended	(326)	(408)
Total Interest Income	<u>173,972</u>	<u>145,129</u>

## 21. INTEREST EXPENSE

	Group/Bank	
	2006 RM'000	2005 RM'000
Deposits and placements of banks and other financial institutions	86,824	49,303
Deposits from other customers	42,467	47,819
Others	5,190	3,145
	<u>134,481</u>	<u>100,267</u>

## 22. OTHER OPERATING INCOME

	Group/Bank	
	2006 RM'000	2005 RM'000
Fee income:		
Commission	41,892	11,143
Service charges and fees	2,098	2,827
Guarantee fees	769	524
Other fee income	722	676
	<u>45,481</u>	<u>15,170</u>
Gain arising from sale of securities:		
Net gain from sale of securities held-for-trading	20,054	34,698
	<u>20,054</u>	<u>34,698</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. OTHER OPERATING INCOME (CONT'D)

	Group/Bank	
	2006 RM'000	2005 RM'000
Unrealised loss on revaluation of securities held-for-trading	(106)	(9,020)
	<u>(106)</u>	<u>(9,020)</u>
Gross dividend income from:		
Securities available-for-sale	54	54
	<u>54</u>	<u>54</u>
Other income:		
Foreign exchange (loss)/profit	25,322	18,697
Unrealised	(3,352)	10,554
Realised	28,674	8,143
Gain on disposal of property, plant and equipment	(29)	165
Profit/(loss) on derivatives trading	6,232	8,466
Unrealised	79,577	3,739
Realised	(73,345)	4,727
Premium earned from currency option trading	-	576
Writeback of restructuring costs	-	2,315
Writeback of provision in diminution in value of shares	575	513
Others	(1,141)	269
	<u>30,959</u>	<u>31,001</u>
<b>Total</b>	<b>96,442</b>	<b>71,903</b>

## 23. OTHER OPERATING EXPENSES

	Group/Bank	
	2006 RM'000	2005 RM'000
Personnel costs (Note a)	43,164	22,152
Establishment costs (Note b)	17,848	15,401
Marketing expenses (Note c)	1,533	1,023
Administration and general expenses (Note d)	32,583	24,796
	<u>95,128</u>	<u>63,372</u>
(a) Personnel costs		
Salaries, bonuses and allowances	35,644	17,507
Social security costs	61	44
Pension costs-defined contribution plan	2,007	1,627
Other staff related expenses	5,452	2,974
	<u>43,164</u>	<u>22,152</u>

## 23. OTHER OPERATING EXPENSES (CONT'D)

	Group/Bank	
	2006 RM'000	2005 RM'000
(b) Establishment costs		
Share of Head Office costs	13,595	9,315
Others	4,253	6,086
	<u>17,848</u>	<u>15,401</u>
(c) Marketing Expenses		
Advertising	615	400
Others	918	623
	<u>1,533</u>	<u>1,023</u>
(d) Administration and general expenses		
Share of information technology costs	7,889	9,718
Depreciation of property, plant and equipment	1,991	1,490
Communication and transportation	2,409	3,555
Others	20,294	10,033
	<u>32,583</u>	<u>24,796</u>

Included in the above expenditure are the following:

	Group/Bank	
	2006 RM'000	2005 RM'000
Directors' remuneration and benefits-in-kind	2,652	2,441
Rental of premises	2,136	2,139
Rental of equipment	-	-
Auditors' remuneration - statutory audit	112	90
Depreciation of property, plant and equipment	1,991	1,490

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

	Group/Bank	
	2006 RM'000	2005 RM'000
Executive directors		
- Salary and other remuneration	2,183	1,952
- Bonuses	346	379
- Benefits-in-kind	1	34
Non-executive directors		
- Fees	122	76
	<u>2,652</u>	<u>2,441</u>

The remuneration attributable to the Managing Director of the Bank, including benefits-in-kind during the year amounted to RM 2,003,246 (2005 : RM 1,618,045).

# NOTES TO THE FINANCIAL STATEMENTS

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## 24. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group/Bank	
	2006 RM'000	2005 RM'000
Allowance for bad and doubtful debts on loans and financing:		
Specific allowance		
- Made in the financial year	3,849	727
- Written back	(650)	(619)
General allowance		
- Written back in the financial year	-	(1,417)
	<u>3,199</u>	<u>(1,309)</u>

## 25. CASH AND CASH EQUIVALENTS

	Group/Bank	
	2006 RM'000	2005 RM'000
Cash and cash equivalents comprise the following:		
Cash and short-term funds	1,490,189	1,616,261
Deposits and placements with banks and other financial institutions	362,252	286,871
	<u>1,852,441</u>	<u>1,903,132</u>

## 26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

	Immediate holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
2006			
Income:			
Commission	31,665	-	-
Interest income	44,315	-	-
Expense:			
Interest expense	70,948	-	-
Management fee	37,233	-	-
Cost sharing automation	-	-	-
Amount due from:			
Deposits and current accounts	826,761	-	132,365
Interest receivable	1,193	-	6,884

## 26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

	Immediate holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
2006			
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

During the year the Bank disposed several bonds with a face value of RM 80,000,000 to ABN Amro NV Singapore (a branch of the Holding Company) at book value of RM 68,931,500.

2005

Income:			
Commission	10,801	-	-
Interest income	35,473	-	(1,230)
Expense:			
Interest expense	24,861	-	-
Management fee	25,501	-	-
Cost sharing automation	162	-	-

Amount due from:			
Deposits and current accounts	48,618	-	88,513
Interest receivable	2,161	-	5,883

Amount due to:			
Deposits and current accounts	631,943	20	59,027
Interest payable	1,746	-	13,366

Foreign exchange related contracts			
- purchased and receivable	674,453	-	210,888
- sold and payable	682,258	-	301,570

# NOTES TO THE FINANCIAL STATEMENTS

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## 27. TAXATION

	Group/Bank	
	2006 RM'000	2005 RM'000
Malaysian income tax based on results for the year:		
Current year	4,430	16,279
Under provision in prior years	3,244	-
	<u>7,674</u>	<u>16,279</u>
Deferred tax (Note 10)		
Relating to origination and reversal of temporary differences	6,444	(1,394)
Under recognition of deferred tax assets in prior years	(9,986)	(3,549)
	<u>4,132</u>	<u>11,336</u>

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	
	2006 RM'000	2005 RM'000
Profit before taxation	37,606	54,702
Taxation at Malaysian statutory tax rate of 28% (2005:28%)	10,530	15,317
Income not subject to tax	-	(797)
Effect of changes in tax rates on opening balance of deferred tax	(90)	-
Expenses not deductible for tax purposes	434	365
Under recognition of deferred tax assets in prior years	(9,986)	(3,549)
Underprovision of income tax expense	3,244	-
Tax expense for the year	<u>4,132</u>	<u>11,336</u>

## 28. EARNINGS PER SHARE

The earnings per share has been calculated based on the net profit after taxation of RM 33,474,000 (2005: RM 43,366,000) on the weighted average number of ordinary shares of RM1 each in issue of 232,000,002 (2005 : 203,000,002) during the year.

## 29. DIVIDENDS

	Amount		Net Dividends per Share	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Final dividend of 9.699% less 28% taxation, paid on 6 April 2006	-	14,176	-	14,176
	<u>-</u>	<u>14,176</u>	<u>-</u>	<u>14,176</u>

## 30. LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long term lease commitments, net of sub-leases is as follows:

	Group/Bank	
	2006 RM'000	2005 RM'000
Capital expenditure		
Approved and contracted for:		
2006	-	1,053
2007	564	153
2008	38	153
Approved but not contracted for:		
2007	2,523	-
2008	3,243	-
2009	3,243	-
2010	721	-

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 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 the Bank as at 31 December:

	2006			2005		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	21,760	21,760	21,760	34,700	34,700	34,700
Transaction-related contingent items	176,571	88,285	56,202	204,953	102,477	53,383
Short-term self-liquidating trade-related contingencies	25,579	5,116	5,116	45,927	9,185	9,185
Other assets sold with recourse and commitments with certain drawdown	4,687	4,687	4,687	3,678	3,678	3,678
Irrevocable commitments to extend credit:						
- maturity less than one year	63,097	-	-	52,889	-	-
- maturity more than one year	10,313	5,157	2,579	20,327	10,164	5,402
Foreign exchange related contracts:						
- Forward contracts						
- less than one year	14,366,257	357,069	85,124	7,397,022	152,391	37,277
- one year to less than five years	3,186,840	242,953	48,942	3,165,089	242,237	50,300
- five years and above	566,479	62,113	12,423	64,575	6,907	1,538
Interest rate related contracts:						
- less than one year	15,468,885	154,026	34,530	7,048,260	10,696	2,395
- one year to less than five years	24,291,356	754,736	152,599	16,646,942	402,685	85,674
- five years and above	9,962,800	979,338	304,481	7,788,494	1,067,625	370,700
	<b>68,144,624</b>	<b>2,675,240</b>	<b>728,443</b>	<b>42,472,856</b>	<b>2,042,744</b>	<b>654,232</b>

\* 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 has also the Operational Risk Assessment Process and a Business Continuity Plan already in place.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 32. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

### (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.

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 RM'000	Securities purchased under resale agreements RM'000	Securities held for trading RM'000	Securities available for sale RM'000	Loans and advances RM'000	General provision RM'000	Other assets RM'000	Commitments and contingencies 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
	<b>1,881,492</b>	<b>-</b>	<b>789,454</b>	<b>640,033</b>	<b>461,820</b>	<b>(15,783)</b>	<b>-</b>	<b>68,144,624</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 32. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

### (b) Credit Risk (Cont'd)

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

	2005							
	Short term funds and placements with financial institutions including Statutory Deposit with BNM RM'000	Securities purchased under resale agreements RM'000	Securities held-for-trading RM'000	Securities available-for-sale RM'000	Loans and advances RM'000	General provision RM'000	Other assets RM'000	Commitments and contingencies RM'000
Agricultural mining and quarrying	-	-	-	-	825	-	-	-
Manufacturing	-	-	-	-	103,671	-	-	-
Construction	-	-	-	-	45,745	-	-	-
Real estate	-	-	-	-	5,027	-	-	-
Purchase of landed properties (Residential)								
i) Resident	-	-	-	-	41,692	-	-	-
ii) Non-resident	-	-	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	112,371	-	-	-
Transport, storage and communication	-	-	-	-	111,019	-	-	-
Finance, insurance and business services	-	-	-	-	47,916	-	-	-
Purchase of securities	-	-	-	-	-	-	-	-
Purchase of transport vehicles	-	-	-	-	132	-	-	-
Consumption credit	-	-	-	-	4,927	-	-	-
Others	1,952,983	26,683	359,338	1,087,125	49	(15,783)	-	42,472,856
	1,952,983	26,683	359,338	1,087,125	473,374	(15,783)	-	42,472,856

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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.

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

	Non-Trading Book									
	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	Non- interest sensitive RM'000	Provisions RM'000	SPI- related items RM'000	Trading book RM'000	Total RM'000
<b>Assets</b>										
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 purchased under resale agreements	-	-	-	-	-	-	-	-	-	-
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
Deferred tax assets	-	-	-	-	-	14,292	-	-	-	14,292
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	29,051	-	-	-	29,051
Investment in subsidiary companies	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	3,554	-	-	-	3,554
<b>Total Assets</b>	<b>1,887,895</b>	<b>659,102</b>	<b>643,388</b>	<b>507,640</b>	<b>52,208</b>	<b>653,944</b>	<b>(37,905)</b>	<b>-</b>	<b>-</b>	<b>4,366,272</b>
<b>Liabilities</b>										
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
<b>Total Liabilities</b>	<b>1,731,943</b>	<b>938,206</b>	<b>358,609</b>	<b>20,164</b>	<b>-</b>	<b>873,596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,922,518</b>
<b>On balance sheet</b>										
interest rate gap	155,952	(279,104)	284,779	487,476	52,208	(219,652)	(37,905)	-	-	443,754
<b>Off balance sheet</b>										
interest rate gap	-	-	-	-	-	-	-	-	232,000	232,000
<b>Net interest</b>										
rate gap	155,952	(279,104)	284,779	487,476	52,208	(219,652)	(37,905)	-	232,000	675,754

# NOTES TO THE FINANCIAL STATEMENTS

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## 33. INTEREST RATE RISK (CONT'D)

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

	Non-Trading Book									
	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	Non- interest sensitive RM'000	Provisions RM'000	SPI- related items RM'000	Trading book RM'000	Total RM'000
<b>Assets</b>										
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 purchased under resale agreements	-	-	-	-	-	-	-	-	-	-
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
Deferred tax assets	-	-	-	-	-	14,292	-	-	-	14,292
Statutory deposits with Bank										
Negara Malaysia	-	-	-	-	-	29,051	-	-	-	29,051
Investment in subsidiary companies	-	-	-	-	-	20	-	-	-	20
Property, plant and equipment	-	-	-	-	-	3,554	-	-	-	3,554
<b>Total Assets</b>	<b>1,887,895</b>	<b>659,102</b>	<b>643,388</b>	<b>507,640</b>	<b>52,208</b>	<b>653,964</b>	<b>(37,905)</b>	<b>-</b>	<b>-</b>	<b>4,366,292</b>
<b>Liabilities</b>										
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
<b>Total Liabilities</b>	<b>1,731,963</b>	<b>938,206</b>	<b>358,609</b>	<b>20,164</b>	<b>-</b>	<b>873,596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,922,538</b>
<b>On balance sheet</b>										
interest rate gap	155,932	(279,104)	284,779	487,476	52,208	(219,632)	(37,905)	-	-	443,754
<b>Off balance sheet</b>										
interest rate gap	-	-	-	-	-	-	-	-	232,000	232,000
<b>Net interest rate gap</b>										
interest rate gap	155,932	(279,104)	284,779	487,476	52,208	(219,632)	(37,905)	-	232,000	675,754

# NOTES TO THE FINANCIAL STATEMENTS

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## 33. INTEREST RATE RISK (CONT'D)

The following table represents the Group's carrying assets and liabilities at carrying amounts as at 31 December 2005.

	Non-Trading Book							Provisions	SPI-related items	Trading book	Total
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest sensitive	RM'000				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets</b>											
Cash and short-term funds	1,616,261	-	-	-	-	-	-	-	-	-	1,616,261
Deposits and placements with banks and other financial institutions	-	268,655	18,216	-	-	-	-	-	-	-	286,871
Securities purchased under resale agreements	-	26,683	-	-	-	-	-	-	-	-	26,683
Securities held-for-trading	-	49,771	9,986	175,745	123,836	-	-	-	-	-	359,338
Securities available-for-sale	183,498	224,037	306,774	372,816	-	-	-	-	-	-	1,087,125
Loans, advances and financing	200,983	136,786	115,619	20,016	7,454	-	(37,682)	-	-	-	443,176
Other assets	-	-	-	-	-	196,380	-	-	-	-	196,380
Deferred tax assets	-	-	-	-	-	11,611	-	-	-	-	11,611
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	49,851	-	-	-	-	49,851
Investment in subsidiary companies	-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	5,584	-	-	-	-	5,584
<b>Total Assets</b>	<b>2,000,742</b>	<b>705,932</b>	<b>450,595</b>	<b>568,577</b>	<b>131,290</b>	<b>263,426</b>	<b>(37,682)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,082,880</b>
<b>Liabilities</b>											
Deposits from customers	1,259,312	44,322	126,394	300,546	-	-	-	-	-	-	1,730,574
Deposits and placements of banks and other financial institutions	1,001,687	492,283	-	133,545	-	-	-	-	-	-	1,627,515
Other liabilities	-	-	-	-	-	316,723	-	-	-	-	316,723
<b>Total Liabilities</b>	<b>2,260,999</b>	<b>536,605</b>	<b>126,394</b>	<b>434,091</b>	<b>-</b>	<b>316,723</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,674,812</b>
On balance sheet											
interest rate gap (260,257)	169,327	324,201	134,486	131,290	(53,297)	(37,682)	-	-	-	-	408,068
Off balance sheet											
interest rate gap	-	-	-	-	-	-	-	-	17,000	17,000	-
<b>Net interest rate gap</b>	<b>(260,257)</b>	<b>169,327</b>	<b>324,201</b>	<b>134,486</b>	<b>131,290</b>	<b>(53,297)</b>	<b>(37,682)</b>	<b>-</b>	<b>17,000</b>	<b>425,068</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 33. INTEREST RATE RISK (CONT'D)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2005.

	Non-Trading Book						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	Non- interest sensitive RM'000				
<b>Assets</b>										
Cash and short-term funds	1,616,261	-	-	-	-	-	-	-	-	1,616,261
Deposits and placements with banks and other financial institutions	-	268,655	18,216	-	-	-	-	-	-	286,871
Securities purchased under resale agreements	-	26,683	-	-	-	-	-	-	-	26,683
Securities held-for-trading	-	49,771	9,986	175,745	123,836	-	-	-	-	359,338
Securities available-for-sale	183,498	224,037	306,774	372,816	-	-	-	-	-	1,087,125
Loans, advances and financing	200,983	136,786	115,619	20,016	7,454	-	(37,682)	-	-	443,176
Taxation	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	196,380	-	-	-	196,380
Deferred tax assets	-	-	-	-	-	11,611	-	-	-	11,611
Statutory deposits with Bank										
Negara Malaysia	-	-	-	-	-	49,851	-	-	-	49,851
Investment in subsidiary companies	-	-	-	-	-	20	-	-	-	20
Property, plant and equipment	-	-	-	-	-	5,584	-	-	-	5,584
<b>Total Assets</b>	<b>2,000,742</b>	<b>705,932</b>	<b>450,595</b>	<b>568,577</b>	<b>131,290</b>	<b>263,446</b>	<b>(37,682)</b>	<b>-</b>	<b>-</b>	<b>4,082,900</b>
<b>Liabilities</b>										
Deposits from customers	1,259,312	44,322	126,394	300,546	-	20	-	-	-	1,730,594
Deposits and placements of banks and other financial institutions	1,001,687	492,283	-	133,545	-	-	-	-	-	1,627,515
Other liabilities	-	-	-	-	-	316,723	-	-	-	316,723
<b>Total Liabilities</b>	<b>2,260,999</b>	<b>536,605</b>	<b>126,394</b>	<b>434,091</b>	<b>-</b>	<b>316,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,674,832</b>
On balance sheet										
interest rate gap (260,257)	169,327	324,201	134,486	131,290	(53,297)	(37,682)	-	-	-	408,068
Off balance sheet										
interest rate gap	-	-	-	-	-	-	-	-	17,000	17,000
<b>Net interest rate gap</b>	<b>(260,257)</b>	<b>169,327</b>	<b>324,201</b>	<b>134,486</b>	<b>131,290</b>	<b>(53,297)</b>	<b>(37,682)</b>	<b>-</b>	<b>17,000</b>	<b>425,068</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 33. INTEREST RATE RISK (CONT'D)

Included in the tables are the Group's and 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.

	Group									
	2006					2005				
	MYR %	USD %	AUD %	EUR %	GBP %	MYR %	USD %	AUD %	EUR %	GBP %
<b>Financial Assets</b>										
Cash and short-term funds	3.55	5.26	-	3.62	-	3.06	4.35	-	2.34	-
Deposits and placements with banks and other financial institutions	3.64	2.41	-	-	-	3.18	3.89	-	2.33	-
Securities available-for-sale	3.68	-	-	-	-	3.15	-	-	-	-
Loans, advances and financing	5.19	5.62	-	-	-	4.48	4.48	-	-	-
<b>Financial Liabilities</b>										
Deposits from customers	3.36	5.15	5.53	3.15	4.61	3.02	3.97	4.74	1.79	4.02
Deposits and placements of banks and other financial institutions	3.69	-	-	-	-	2.27	4.33	-	-	-
Obligations on securities sold under repurchase agreements	3.00	-	-	-	-	2.45	-	-	-	-
	Bank									
	2006					2005				
	MYR %	USD %	AUD %	EUR %	GBP %	MYR %	USD %	AUD %	EUR %	GBP %
<b>Financial Assets</b>										
Cash and short-term funds	3.55	5.26	-	3.62	-	3.06	4.35	-	2.34	-
Deposits and placements with banks and other financial institutions	3.64	2.41	-	-	-	3.18	3.89	-	2.33	-
Securities available-for-sale	3.68	-	-	-	-	3.15	-	-	-	-
Loans, advances and financing	5.19	5.62	-	-	-	4.48	4.48	-	-	-
<b>Financial Liabilities</b>										
Deposits from customers	3.36	5.15	5.53	3.15	4.61	3.02	3.97	4.74	1.79	4.02
Deposits and placements of banks and other financial institutions	3.69	-	-	-	-	2.27	4.33	-	-	-
Obligations on securities sold under repurchase agreements	3.00	-	-	-	-	2.45	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

## 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			
	2006		2005		2006		2005	
	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
<b>Assets</b>								
Cash and short-term funds	1,490,189	1,490,189	1,616,261	1,616,261	1,490,189	1,490,189	1,616,261	1,616,261
Deposits and placements of banks and other financial institutions	362,252	362,252	286,871	286,871	362,252	362,252	286,871	286,871
Securities purchased under resale agreements	-	-	26,683	26,683	-	-	26,683	26,683
Securities held-for-trading	789,454	789,454	359,338	359,338	789,454	789,454	359,338	359,338
Securities available-for-sale	640,033	640,033	1,087,125	1,087,125	640,033	640,033	1,087,125	1,087,125
Loans, advances and financing	430,400	430,400	443,176	443,176	430,400	430,400	443,176	443,176
Other assets	607,047	607,047	196,380	196,380	607,047	607,047	196,380	196,380
Statutory deposit with Bank Negara Malaysia	29,051	29,051	49,851	49,851	29,051	29,051	49,851	49,851
<b>Total Assets</b>	<b>4,348,426</b>	<b>4,348,426</b>	<b>4,065,685</b>	<b>4,065,685</b>	<b>4,348,426</b>	<b>4,348,426</b>	<b>4,065,685</b>	<b>4,065,685</b>
<b>Liabilities</b>								
Deposits from customers	1,339,150	1,339,150	1,730,574	1,730,574	1,339,170	1,339,170	1,730,594	1,730,594
Deposits and placements of banks and other financial institutions	1,709,772	1,709,772	1,627,515	1,627,515	1,709,772	1,709,772	1,627,515	1,627,515
Other liabilities	873,596	873,596	353,971	353,971	873,596	873,596	353,971	353,971
<b>Total Liabilities</b>	<b>3,922,518</b>	<b>3,922,518</b>	<b>3,712,060</b>	<b>3,712,060</b>	<b>3,922,538</b>	<b>3,922,538</b>	<b>3,712,080</b>	<b>3,712,080</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

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

31.12.2006

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

31.12.2005

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	838,928	650,457	188,471	472,795	660,528	187,733
- Cross currency swaps	6,340,473	3,845,819	2,494,654	1,413,164	3,878,263	2,465,099
	7,179,401	4,496,276	2,683,125	1,855,959	4,538,791	2,652,832
Interest rate contracts:						
- Futures	5,914,000	2,254,000	3,660,000	(1,723)	908	2,631
- Swaps	22,118,392	13,779,047	8,339,345	8,855	82,951	74,096
- Cross currency interest rate swaps	3,451,304	1,865,519	1,585,785	(123,328)	37,561	160,889
	31,483,696	17,898,566	13,585,130	(116,196)	121,420	237,616

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

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

### (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, held-to-maturity 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.

### (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.

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

### (ix) Other Liabilities

Other liabilities are stated at carrying amounts.

## 35. CAPITAL ADEQUACY

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

	Bank	
	2006	2005
	RM'000	RM'000
<b>Tier-I capital</b>		
Paid-up share capital	203,000	203,000
Share premium	76,182	76,182
Statutory reserves	118,819	110,451
Retained earnings	43,243	18,137
	<u>441,244</u>	<u>407,770</u>
Less:		
- Deferred tax assets	(14,292)	(11,611)
<b>Total Tier-I capital</b>	<u>426,952</u>	<u>396,159</u>

### Tier-II Capital

General provision for bad and doubtful debts and financing	15,783	15,783
<b>Total Tier-II capital</b>	<u>15,783</u>	<u>15,783</u>
Total capital funds	442,735	411,942
Less: Investment in subsidiary companies	(20)	(20)
<b>Capital base</b>	<u>442,715</u>	<u>411,922</u>

### Capital Ratios

Core capital ratio	13.08%	13.68%
Risk-weighted capital ratio	13.56%	14.23%

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

	2006	2005
	RM'000	RM'000
0%	-	-
10%	-	-
20%	688,830	436,596
50%	237,586	308,332
100%	1,064,652	703,955
<b>Total Credit Risk</b>	<u>1,991,068</u>	<u>1,448,883</u>

<b>Total Risk-Weighted Assets</b>		
Incorporating Market Risk	3,263,997	2,895,628