Financial Statements

BUMIPUTRA COMMERCE

Bumiputra-Commerce Holdings Berhad (50841-W)

Annual Report 2007

Financial Calendar 2007

TUESDAY, 1 MARCH 2007
Announcement of audited consolidated financial results for the fourth quarter and financial year ended 31 December 2006 and Press/Analyst briefing on the financial year 2006 results.

TUESDAY, 3 APRIL 2007
Issue of Notice of 50th Annual General Meeting, Notice of Books Closure and Annual Report for the financial year ended 31 December 2006.

TUESDAY, 3 APRIL 2007
Issue of Notice of Extraordinary General Meeting.

THURSDAY, 26 APRIL 2007
50th Annual General Meeting and Extraordinary General Meeting in relation to the proposed amendments to Articles of Association.

MONDAY, 7 MAY 2007
Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2007.

MONDAY, 7 MAY 2007
Date of entitlement to the first and final dividend of 15.0 sen less income tax for the financial year ended 31 December 2006.

MONDAY, 28 MAY 2007
Date of payment of the first and final dividend of 15.0 sen less income tax for the financial year ended 31 December 2006.

FRIDAY, 24 AUGUST 2007
Announcement of the unaudited consolidated financial results for the second quarter and half year ended 30 June 2007 and Press/Analyst briefing on the half year results.

WEDNESDAY, 12 SEPTEMBER 2007
Date of entitlement to the special dividend of 25.0 sen less income tax for the financial year ended 31 December 2007.

FRIDAY, 28 SEPTEMBER 2007
Date of payment of the special dividend of 25.0 sen less income tax for the financial year ended 31 December 2007.

MONDAY, 12 NOVEMBER 2007
Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2007.

Statement of Directors' Responsibilities

(in respect of the Audited Financial Statements)

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- Considered the applicable standards as approved by the Malaysian Accounting Standards Board.
- Adopted and consistently applied appropriate accounting policies.
- Made judgements and estimates that are prudent and reasonable.

The Directors have responsibilities for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965, applicable and approved accounting standards in Malaysia, BNM guidelines, and the requirements of other relevant authorities.

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

Directors' Report

For the financial year ended 31 December 2007

The Directors have pleasure in submitting their annual report to the members together with the audited Financial Statements of the Group and the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding, management company, property management, provision of consultancy services and dealing in securities. The principal activities of the significant subsidiaries are commercial banking, investment banking, Islamic banking, off-shore banking, management of unit trust funds and fund management business, stock and sharebroking and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation and zakat attributable to:		
Equity holders of the Company	2,793,273	1,652,926
Minority interests	120,902	-
Profit for the financial year	2,914,175	1,652,926

DIVIDENDS

The dividends on ordinary shares paid, declared or proposed since the end of the Company's previous financial year were as follows:

	RM'000
(a) In respect of the financial year ended 31 December 2006	
• A first and final dividend of 15 sen gross per ordinary share, less income tax of 27%, paid on 28 May 2007	
- as shown in Directors' report of that year, dividend on 3,184,429,229 shares	348,695
- dividend on additional 177,836,228 shares due to exercise of Employee Share Option Scheme ("ESOS"), private placement of new shares, exercise of Guaranteed Redeemable Convertible Bonds and exercise of Redeemable Convertible Unsecured Loan Stocks ("RCULS")	19,473
(b) In respect of the financial year ended 31 December 2007	
• A special dividend of 25 sen gross per ordinary share, less income tax of 27%, paid on 28 September 2007 on 3,369,976,864 shares	615,020
	983,188

The Directors now recommend a final dividend of 25 sen gross per ordinary share, less income tax of 26% on 3,370,902,646 ordinary shares amounting to RM623,617,000 in respect of the financial year ended 31 December 2007.

RESERVES, PROVISIONS AND ALLOWANCES

Material transfers to or from reserves or provisions during the financial year are as disclosed in the Financial Statements and notes to the Financial Statements.

ISSUANCE OF SHARES

During the financial year, the issued and fully paid ordinary share capital increased from 3,184,429,229 to 3,374,181,446 ordinary shares of RM1.00 each, net of share buy-back of 2,074,500 ordinary shares, as shown below:

(a)

Number of shares ('000)	Purpose of issue	Class of issue	Terms of issue
8,684	Exercise of ESOS	Ordinary	At premium of RM2.13 per share
780	Exercise of ESOS	Ordinary	At premium of RM2.62 per share
16	Exercise of ESOS	Ordinary	At premium of RM2.69 per share
4,020	Exercise of ESOS	Ordinary	At premium of RM3.05 per share
59,520	Pursuant to part conversion of USD125 million bonds into ordinary shares	Ordinary	At premium of RM4.88 per share
1,806	Pursuant to part conversion of RCULS 2006/2008 into ordinary shares	Ordinary	At premium of RM6.28 per share
117,000	Pursuant to private placement of new ordinary shares	Ordinary	At premium of RM10.41 per share
191,826			

The newly issued shares rank pari passu in all respects with the existing issued shares.

(b) On 5 October 2007, the Company cancelled 2,074,500 ordinary shares previously held as treasury shares.

SHARE BUY-BACK

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 26 April 2007, approved the Company's plan and mandate to authorise the Directors of the Company to buy back up to 10% of its existing paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interest of the Company and its shareholders.

SHARE BUY-BACK (CONTINUED)

During the financial year, the Company bought back 5,353,300 shares, as stated in Note 35(b) to the financial statements, at an average price of RM10.26 per share from the open market using internally generated funds. On 5 October 2007, the Company cancelled 2,074,500 ordinary shares and as at the balance sheet date, there were 3,278,800 ordinary shares held as treasury shares. Accordingly, the adjusted issued and paid-up share capital of the Company with voting rights as at 31 December 2007 was 3,370,902,646 shares.

The shares purchased are held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

SHARE-BASED EMPLOYEE BENEFIT PLANS

The various share-based employee benefit plans within the Group and the Company are as follows:

- Employee Share Option Scheme ("ESOS")
- Modified CIMBB Executive Employee Share Option Scheme ("EESOS") and CIMBB CEO Option
- Management Equity Scheme ("MES")
- Management Option Programme ("MOP")
- Employee Stock Option Programme ("ESOP")

The above employee benefit schemes have been disclosed accordingly in Note 32 and Note 47 to the Financial Statements.

BAD AND DOUBTFUL DEBTS, AND FINANCING

Before the Financial Statements of the Group and Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing.

At the date of this Report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing in the Financial Statements of the Group and Company, inadequate to any substantial extent.

CURRENT ASSETS

Before the Financial Statements of the Group and Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this Report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the Financial Statements of the Group and Company 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 method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or the Company which has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of any company in 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 substantially affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the Financial Statements of the Group and of the Company, that would render any amount stated in the Financial Statements misleading.

ITEMS OF AN UNUSUAL NATURE

In opinion of the Directors:

(a) the results of the Group's and Company's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Notes 52 and 55 to the Financial Statements; and

(b) except as disclosed in Note 53 to the Financial Statements, there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this Report is made.

DIRECTORS

The Directors of the Company who have held office since the date of the last report and at the date of this report are as follows:

Tan Sri Dato' Md Nor bin Md Yusof	
Dato' Mohamed Nazir bin Abdul Razak	
Tan Sri Dato' Seri Haidar bin Mohamed Nor	
Dato' Zainal Abidin bin Putih	
Dato' Hamzah bin Bakar	
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	
Dato' Mohd Shukri bin Hussin	
Dato' Robert Cheim Dau Meng	
Cezar Peralta Consing	
Hiroyuki Kudo	(appointed on 17 August 2007)
Dr Roslan bin A Ghaffar	(resigned on 1 October 2007)

DIRECTORS (CONTINUED)

In accordance with Article 76 of the Articles of Association, the following Directors retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election:

Tan Sri Dato' Md Nor bin Md Yusof
Dato' Mohamed Nazir bin Abdul Razak
Dato' Mohd Shukri bin Hussin

In accordance with Article 83 of the Articles of Association, Hiroyuki Kudo retires from the Board at the forthcoming Annual General Meeting and being eligible, offers himself for election.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

According to the Register of Directors' Shareholdings, the beneficial interests of Directors who held office at the end of the financial year in the shares and share options of the Company during the financial year are as follows:

	No. of ordinary shares of RM1 each			
	As at 1 January	**Acquired**	**Disposed**	**As at 31 December**
Bumiputra-Commerce Holdings Berhad				
Direct interest				
Tan Sri Dato' Md Nor bin Md Yusof	600,000	-	-	600,000
* Dato' Mohamed Nazir bin Abdul Razak	12,958,872	19,644,389	(4,550,000)	28,053,261
^ Dato' Zainal Abidin bin Putih	-	15,000	-	15,000
Dato' Mohd Shukri bin Hussin	112	300,000	-	300,112
# Dato' Robert Cheim Dau Meng	-	996,500	(846,500)	150,000

Note: Includes shareholding of spouse/child, details of which are as follows:

	As at 1 January	**Transferred from spouse**	**Acquired**	**Disposed**	**As at 31 December**
* Datin Azlina binti Abdul Aziz	-	6,000,000	-	(1,550,000)	4,450,000
^ Datin Jasmine binti Abdullah Heng	-	-	10,000	-	10,000
^ Mohamad Ari Zulkarnain bin Zainal Abidin	-	-	5,000	-	5,000
# Datin Lai Kum Sim	-	-	11,500	(11,500)	-

	No. of share options over ordinary shares of RM1 each granted under Company's ESOS[&]			
	As at 1 January	**Granted**	**Exercised**	**As at 31 December**
Bumiputra-Commerce Holdings Berhad				
Dato' Mohd Shukri bin Hussin	300,000	-	(300,000)	-

[&] The options were granted at the option price of RM3.13 and expired on 19 November 2007.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (CONTINUED)

According to the Register of Directors' Shareholdings, the beneficial interests of Directors who held office at the end of the financial year in the shares and share options of the Company during the financial year are as follows: (Continued)

	No. of share options over ordinary shares of RM1 each granted under Modified CIMBB CEO option^^			
	As at 1 January	Granted	Exercised	As at 31 December
Bumiputra-Commerce Holdings Berhad				
Dato' Mohamed Nazir bin Abdul Razak	19,644,389	-	(19,644,389)	-

^^ The options were granted at the average exercise prices of RM1.42 and expired on 7 January 2008.

	No. of share options over ordinary shares of RM1 each granted under Modified CIMBB EESOS$			
	As at 1 January	Granted	Exercised	As at 31 December
Bumiputra-Commerce Holdings Berhad				
Dato' Robert Cheim Dau Meng	835,000	-	(835,000)	-

$ The options were granted at the option prices of RM1.33 and expired on 29 December 2007.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's ESOS, Modified CIMBB EESOS, CIMBB CEO Option and Management Equity Scheme (see Note 32 and Note 47 to the Financial Statements) as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 42 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

2007 BUSINESS PLAN AND STRATEGY

In 2007, our aim was to build upon our achievements in 2006 in transforming the Group into a universal bank as well as improving its financial performance. Our capacity-building activities were broadly divided along 2 themes - optimisation and regionalisation. These 2 themes encapsulate our efforts in capturing synergies throughout the universal bank, both domestically as well as regionally.

2007 BUSINESS PLAN AND STRATEGY (CONTINUED)

4 major projects which commenced in 2006 were completed in 2007. The IT and operations integration of Southern Bank Berhad which started in 2006 was completed on 18 March 2007, one month ahead of schedule. The rebranding of all branches to "CIMB Bank" was completed as scheduled by 31 August 2007. The strategic disposals of our insurance businesses, the sale of a 49% stake in each of Commerce Life Assurance and Commerce Takaful to Aviva Asia Pte Ltd was completed, and the new brand "CIMB Aviva" was launched in June 2007. The Group also completed the sale of Commerce Assurance Berhad to Allianz Malaysia Berhad ("Allianz"), and launched a bancassurance tie-up between Allianz and CIMB Bank Berhad ("CIMB Bank"). The transfer of PT Bank Niaga ("Bank Niaga") from the Company to CIMB Group was also completed in 2007.

In line with the aim to capture synergies throughout the universal bank, emphasis was placed on inter-divisional collaboration. For instance, leveraging on the Group's expertise in treasury, the consumer bank led the market in offering structured deposit products, both conventional and Islamic. Through the Niaga Synergy Programme launched in December 2006, the Group made advances in capturing cross-border synergies in treasury, corporate banking and credit cards.

Having completed the IT and operations merger with Southern Bank Berhad, the consumer bank concentrated on improving its service and product offering. The transformation of the consumer bank which was initiated in 2005 has begun to show results with branch product sales in key product areas such as mortgage loans, business premise loans, credit cards and unit trusts reaching record levels.

In Islamic Banking, the Group's strategic decision to adopt a dual banking model with all branches offering both conventional and Islamic banking gained momentum after the IT cross-platform project was completed on 6 November 2007. In Islamic investment banking, the Group maintained its leadership in global sukuk issuance.

Investment banking and treasury achieved record earnings this year. In investment banking, the Group continued to retain its leading position in the Malaysian capital market, as well as in key overseas markets. The Group played a leading role in 4 major transactions which were landmark transactions in the domestic and regional markets for the year, namely the mega Sime Darby merger, the Wilmar Group cross-border merger and the privatisations of Maxis and Malakoff. The Group's treasury and investments division continued to dominate the Ringgit debt capital markets while making significant advances in other areas such as structured products and foreign exchange.

In asset management, the Group grew assets under management ("AUM") by 22.5% from RM17.4 billion to RM21.3 billion. In addition, our private banking unit has grown AUM by 27% to RM4.4 billion. The Group also stepped up its efforts to pare down its Non-Performing Loans ("NPLs") with the creation of a new division, Group Special Asset Management. This division, which is also dubbed the "Bad Bank", focuses on the recovery of NPLs. As at year end, the "Bad Bank" managed a portfolio of RM12.9 billion with legally claimable loans with a net book value of RM2.7 billion.

The Group's Indonesian banking operations, Bank Niaga, continued to defend its strong market share in mortgages. Bank Niaga also leveraged on the strengths of CIMB Group in treasury to launch the first Rupiah-denominated structured product and Niaga Platinum card.

Regionally, the Group closed the Tokyo office of CIMB Bank, a cost-saving measure made possible by the strategic alliance with Bank of Tokyo-Mitsubishi UFJ. In Singapore, following the merger with Southern Bank, CIMB Bank was officially launched as a 2-branch bank with a full banking licence. CIMB-GK opened offices in Bangkok and New York. In Vietnam, the Group has also signed a joint-venture agreement to operate a securities firm in partnership with the Vietnam Shipbuilding Finance Company. At the end of 2007, our shareholder, Khazanah Nasional Berhad, announced its preference to merge its holdings in Bank Niaga (held via its shareholding in the Company) and Lippo Bank to comply with Bank Indonesia's single presence policy.

OUTLOOK FOR 2008

For 2008, the Group will focus on 3 key areas - "regionalisation, optimisation and innovation". One of the major projects will be the merger between Bank Niaga and Lippo Bank. The Group will also look to establish a presence in China and India, while expanding operations in Vietnam. The Group will continue to focus on transforming its consumer franchise while defending its strong share of regional capital market activities.

The Group has retained its medium term net return on equity ("ROE") target of 18%. Although it is expecting a less favourable operating environment for its capital market businesses, the consumer bank should perform significantly better now that most of its business integration and rebranding has been completed.

RATINGS BY EXTERNAL RATING AGENCIES

Details of the rating of the Company and its debt securities are as follows:

Rating agency	Date Accorded	Rating classification
Malaysian Rating Corporation Berhad	May 2007	Long Term Rating: AA-

Rating classification description:

Malaysian Rating Corporation Berhad ("MARC") has upgraded the long-term rating of the Company to AA-. This rating upgrade on the Group follows the successful vesting of Southern Bank Berhad ("SBB") into CIMB Bank on 1 November 2006.

Rating agency	Date Accorded	Rating classification
Malaysian Rating Corporation Berhad	August 2007	AA-/MARC-1 and AA-ID/ MARC-1ID

Rating classification description:

MARC has assigned a corporate debt rating of AA-/MARC-1 and AA-ID/MARC-1ID to the Company's Commercial papers/ Medium Term Notes programmes, for its conventional and Islamic issuances respectively, for a total combined nominal value of up to RM6.0 billion. The ratings outlook is stable.

Rating agency	Date Accorded	Rating classification
Rating Agency Malaysia Berhad	August 2007	Long Term Rating: A1

Rating classification description:

Rating Agency Malaysia ("RAM") has reaffirmed the long term rating of the Company's RM14 million Redeemable Convertible Unsecured Loan Stocks ("RCULS") at A1, with a stable outlook. This indicates adequate safety for timely payment of interest and principal and it is more susceptible to changes in circumstances and economic conditions than debts in higher rated categories.

RATINGS BY EXTERNAL RATING AGENCIES (CONTINUED)

Rating agency	Date Accorded	Rating classification
Standard & Poor's	December 2007	Counterparty Credit Rating: BBB-/Stable/A-3

Rating classification description:

Standard & Poor's has reaffirmed its BBB-/Stable/A-3 credit ratings on the Company. The ratings reflect the shared and well diversified financial profile of the Group's operating entities, its strong market position and established franchise in Malaysia. The Group has also reasonable geographic diversity with financial operations in the region, particularly in Indonesia and Singapore. The ratings also reflect the application of Standard & Poor's group methodology for holding companies and the individual credit profiles of the holding company's core operating subsidiaries, in particular CIMB Bank and CIMB Investment Bank Berhad.

SHARIAH COMMITTEE

Effective 1 January 2007, with the integration of the Shariah Committees of CIMB Investment Bank Berhad and CIMB Islamic Bank Berhad ("CIMB Islamic"), all the Islamic banking businesses of the CIMB Group came under the purview of the CIMB Islamic Shariah Committee, which resides at CIMB Islamic.

The Shariah Committee is formed as legislated under Section 3(5)(b) of the Islamic Banking Act, 1983 and as per BNM Guidelines on the Governance of Shariah Committee for Islamic Financial Institutions to advise the Group on the operation of its banking business and operations with the objective of ensuring that the Group is not involved in any elements/activities which are not approved under Shariah. In advising CIMB Islamic on such matters, the Shariah Committee also considers the views of the Shariah Council/Committees of relevant authorities such as Bank Negara Malaysia and the Securities Commission on issues relating to the activities and operations of Islamic banking and finance.

The members of the Shariah Committee are as follows:

1. Sheikh Professor Dr Mohammad Hashim Kamali (Chairman)
2. Sheikh Nedham Yaqoobi
3. Sheikh Dr Haji Mohd Nai'm bin Haji Mokhtar
4. Sheikh Associate Professor Dr Shafaai bin Musa
5. Sheikh Dr Haji Zainudin bin Jaffar (appointed on 31 May 2007)
6. Sheikh Associate Professor Hafiz El Sheikh Mohamed El Zaki (resigned on 1 January 2008)
7. Sheikh Assistant Professor Dr Ismail bin Mohd @ Abu Hassan (resigned on 1 April 2007)

ZAKAT OBLIGATIONS

A subsidiary bank, CIMB Islamic, is obliged to pay business zakat to comply with the principles of Shariah. CIMB Islamic does not pay zakat on behalf of the shareholders or depositors.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 52 to the Financial Statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent events after the financial year end are disclosed in Note 53 to the Financial Statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

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

Tan Sri Dato' Md Nor bin Md Yusof
Chairman

Dato' Mohamed Nazir bin Abdul Razak
Managing Director

Kuala Lumpur
8 April 2008

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Md Nor bin Md Yusof and Dato' Mohamed Nazir bin Abdul Razak, being two of the Directors of Bumiputra-Commerce Holdings Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 15 to 243 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2007 and of the results and cash flows of the Group and Company for the financial year ended on that date, in accordance with the provisions of the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines.

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

Tan Sri Dato' Md Nor bin Md Yusof
Chairman

Dato' Mohamed Nazir bin Abdul Razak
Managing Director

Kuala Lumpur
8 April 2008

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lim Tiang Siew, the officer primarily responsible for the financial management of Bumiputra-Commerce Holdings Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 15 to 243 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Lim Tiang Siew

Subscribed and solemnly declared by the abovenamed Lim Tiang Siew at Kuala Lumpur before me, on 8 April 2008.

Commissioner for Oaths

Report of the Auditors

To the members of Bumiputra-Commerce Holdings Berhad
Company No: 50841-W
(Incorporated in Malaysia)

We have audited the Financial Statements set out on pages 15 to 243. These Financial Statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these Financial Statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the Financial Statements have been prepared in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:

   (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the Financial Statements; and

   (ii) the state of affairs of the Group and Company as at 31 December 2007 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of subsidiaries of which we have not acted as auditors are indicated in Note 12 to the Financial Statements. We have considered the Financial Statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the Financial Statements of the subsidiaries that have been consolidated with the Company'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 subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

PricewaterhouseCoopers
(AF: 1146)
Chartered Accountants

Dato' Ahmad Johan Bin Mohammad Raslan
(1867/09/08 (J))
Partner

Kuala Lumpur
8 April 2008

Consolidated Balance Sheets

As at 31 December 2007

	Note	2007 RM'000	2006 RM'000
Assets			
Cash and short-term funds	2	30,525,460	19,921,941
Securities purchased under resale agreements		4,371,313	2,482,653
Deposits and placements with banks and other financial institutions	3	6,485,564	4,857,118
Securities held for trading	4	14,652,312	13,581,924
Available-for-sale securities	5	10,259,560	9,018,459
Held-to-maturity securities	6	3,529,444	2,040,062
Derivative financial instruments	7	1,783,013	1,233,713
Loans, advances and financing	8	95,904,058	90,334,759
Other assets	9	4,202,794	3,964,449
Deferred tax assets	10	482,835	433,063
Tax recoverable		122,487	372,322
Statutory deposits with central banks	11	3,048,612	2,249,347
Investment in associates	13	150,128	129,207
Jointly controlled entities	14	124,448	157,731
Property, plant and equipment	15	1,298,580	1,020,762
Investment properties	16	97,421	62,982
Prepaid lease payments	17	53,740	60,743
Goodwill	18	4,474,119	4,503,692
Intangible assets	19	503,660	527,282
		182,069,548	156,952,209
Non-current assets held for sale	57	762,094	-
Total assets		182,831,642	156,952,209

Consolidated Balance Sheets

As at 31 December 2007

	Note	2007 RM'000	2006 RM'000
Liabilities			
Deposits from customers	20	126,866,791	104,219,640
Deposits and placements of banks and other financial institutions	21	12,884,467	7,021,779
Derivative financial instruments	7	1,658,775	1,463,133
Obligations on securities sold under repurchase agreements		605,780	5,662,529
Bills and acceptances payable		4,668,033	4,495,562
Floating rate certificates of deposits	22	-	211,800
Other liabilities	23	8,273,525	5,956,175
Deferred tax liabilities	10	23,523	2,086
Current tax liabilities		217,887	209,800
Amount due to Cagamas Berhad		2,004,707	3,665,824
Loan stocks	25	-	41,610
Bonds	27	304,693	784,527
Irredeemable convertible unsecured loan stocks – detachable coupons	28	9,282	32,982
Redeemable convertible unsecured loan stocks	29	1,803	14,199
Other borrowings	30	4,752,167	7,015,261
Non-cumulative guaranteed and redeemable preference shares	33(a), 33(b)	816,033	798,728
Subordinated Notes	31	2,333,476	2,767,254
		165,420,942	144,362,889
Liabilities directly associated with non-current assets classified as held for sale	57	556,090	-
Total liabilities		165,977,032	144,362,889
Equity			
Perpetual preference shares	33(c)	200,000	200,000
Capital and reserves attributable to equity holders of the Company			
Ordinary share capital	32	3,374,181	3,184,429
Reserves	34	12,477,470	8,861,675
Less: Shares held under trust	35(a)	(107,166)	(261,574)
Treasury shares, at cost	35(b)	(34,434)	-
		15,710,051	11,784,530
Minority interests		944,559	604,790
Total equity		16,854,610	12,589,320
Total equity and liabilities		182,831,642	156,952,209
Commitments and contingencies	48	267,168,733	240,722,060

Consolidated Income Statements

For the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
Interest income	36	9,226,794	8,077,168
Interest expense	37	(4,791,635)	(4,420,721)
Net interest income		4,435,159	3,656,447
Income from Islamic banking operations	62	315,856	100,780
Non-interest income	38	4,260,494	2,635,343
		9,011,509	6,392,570
Overheads	39	(4,227,676)	(3,357,970)
Profit before allowances		4,783,833	3,034,600
Allowance for losses on loans, advances and financing	40	(1,127,431)	(1,016,595)
Allowance for other receivables		(37,375)	(28,001)
Provision for commitments and contingencies	23	(1,439)	(346)
Allowance written back/(made) for impairment losses	41	57,407	(24,048)
		3,674,995	1,965,610
Share of results of jointly controlled entity	14	3,410	2,316
Share of results of associates	13	7,398	34,116
Profit before taxation and zakat		3,685,803	2,002,042
Taxation			
- Company and subsidiaries	43	(771,484)	(393,037)
Zakat		(144)	(131)
Profit for the financial year		2,914,175	1,608,874
Attributable to:			
Equity holders of the Company		2,793,273	1,504,427
Minority interests		120,902	104,447
		2,914,175	1,608,874
Earnings per share attributable to ordinary equity holders of the Company (sen)			
- Basic	44	83.9	48.7
- Fully diluted	44	83.8	48.1
Dividends per ordinary share of 40.0 sen (2006: 15.0 sen) less 27% (2006: 28%) tax	45	29.2	10.8

Company Balance Sheets

As at 31 December 2007

	Note	2007 RM'000	2006 RM'000
Assets			
Cash and short-term funds	2	374,428	951,593
Available-for-sale securities	5	888	1,715
Held-to-maturity securities	6	1,471,544	1,459,474
Loans, advances and financing	8	2,610	2,643
Other assets	9	105,810	176,503
Tax recoverable		105,988	58,357
Deferred tax assets	10	-	12,250
Investment in subsidiaries	12	7,325,118	10,206,100
Amount owing by subsidiaries net of allowance for doubtful debts of RM852,820 (2006: RM852,820)	46	3,817,845	3,489,084
Investment in associate	13	3,834	3,834
Property, plant and equipment	15	291,058	108,794
Investment properties	16	4,715	4,840
Prepaid lease payments	17	4,674	4,832
Total assets		13,508,512	16,480,019
Liabilities			
Derivative financial instruments	7	19,052	165,145
Other liabilities	23	109,321	32,082
Amount owing to subsidiaries	46	264,838	7,526,149
Deferred tax liabilities	10	13,293	-
Bonds	27	250,000	250,000
Redeemable convertible unsecured loan stocks ("RCULS")	29	1,803	14,199
Other borrowings	30	2,998,911	1,000,000
Total liabilities		3,657,218	8,987,575
Equity			
Ordinary share capital	32	3,374,181	3,184,429
Reserves	34	6,511,547	4,308,015
Less: Treasury shares, at cost	35(b)	(34,434)	-
Total equity		9,851,294	7,492,444
Total equity and liabilities		13,508,512	16,480,019
Commitments and contingencies	48	350,000	4,160,000

Company Income Statements

For the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
Interest income	36	237,556	89,017
Interest expense	37	(329,030)	(265,446)
Net interest expense		(91,474)	(176,429)
Non-interest income	38	2,295,831	544,747
Net income		2,204,357	368,318
Overheads	39	(29,585)	(49,992)
Profit before taxation		2,174,772	318,326
Taxation	43	(521,846)	3,910
Profit for the financial year		1,652,926	322,236
Dividends per ordinary share of 40.0 sen (2006: 15.0 sen) less 27% (2006: 28%) tax	45	29.2	10.8

Consolidated Statements of Changes in Equity

For the financial year ended 31 December 2007

The Group	Note	Share capital RM'000	Share premium-ordinary shares RM'000	Statutory reserves RM'000	Capital reserve RM'000	Exchange fluctuation reserves RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve-available-for-sale securities RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Minority interests RM'000	Total RM'000
		Attributable to equity holders of the Company													
At 1 January 2007		3,184,429	3,642,043	1,909,044	113,855	(149,347)	(261,574)	-	145,593	4,747	3,195,740	11,784,530	200,000	604,790	12,589,320
Currency translation difference		-	-	-	-	(256,278)	-	-	-	-	-	(256,278)	-	(65,622)	(321,900)
Net change in available-for-sale securities		-	-	-	-	-	-	-	491,638	-	-	491,638	-	(5,010)	486,628
Transfer from deferred tax assets	10	-	-	-	-	-	-	-	2,793	-	-	2,793	-	(1,303)	1,490
Hedging reserve-cash flow hedge		-	-	-	-	-	-	-	-	1,723	-	1,723	-	-	1,723
Income and expense recognised directly in equity		-	-	-	-	(256,278)	-	-	494,431	1,723	-	239,876	-	(71,935)	167,941
Profit for the financial year		-	-	-	-	-	-	-	-	-	2,793,273	2,793,273	-	120,902	2,914,175
Total recognised income and expense for the financial year		-	-	-	-	(256,278)	-	-	494,431	1,723	2,793,273	3,033,149	-	48,967	3,082,116
Dividend for the financial year ended 31 December 2006	45	-	-	-	-	-	-	-	-	-	(368,168)	(368,168)	-	(21,008)	(389,176)
Special dividend for the financial year ended 31 December 2007	45	-	-	-	-	-	-	-	-	-	(615,020)	(615,020)	-	(45,503)	(660,523)

Attributable to equity holders of the Company

The Group	Note	Share capital RM'000	Share premium- ordinary shares RM'000	Statutory reserves RM'000	Capital reserve RM'000	Exchange fluctuation reserves RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve- available- for-sale securities RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Minority interests RM'000	Total RM'000
Transfer to statutory reserves		-	-	329,694	-	-	-	-	-	-	(329,694)	-	-	-	-
Issue of share capital arising from	32														
- exercise of Employee Share Option Scheme		13,501	32,844	-	-	-	-	-	-	-	-	46,345	-	-	46,345
- conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009	27(b)	59,520	290,460	-	-	-	-	-	-	-	-	349,980	-	-	349,980
- conversion of RCULS	29	1,806	11,344	-	-	-	-	-	-	(410)	-	12,740	-	-	12,740
- private placement of new shares		117,000	1,217,970	-	-	-	-	-	-	-	-	1,334,970	-	-	1,334,970
Option reserves arising from share option schemes of subsidiaries		-	-	-	-	-	-	-	-	39,848	-	39,848	-	-	39,848
Net reversal of shares held under trust	35(a)	-	-	-	-	-	154,408	-	-	-	-	154,408	-	-	154,408
Arising from accretion/ dilution of equity interests in subsidiary		-	-	-	(7,808)	-	-	-	-	-	-	(7,808)	-	359,513	351,705
Capital repayment of a subsidiary		-	-	-	-	-	-	-	-	-	-	-		(2,200)	(2,200)
Purchase of treasury shares	35(b)	-	-	-	-	-	-	(54,923)	-	-	-	(54,923)	-	-	(54,923)
Cancellation of treasury shares	35(b)	(2,075)	(20,489)	-	2,075	-	-	20,489	-	-	-	-	-	-	-
At 31 December 2007		3,374,181	5,174,172	2,238,738	108,122	(405,625)	(107,166)	(34,434)	640,024	45,908	4,676,131	15,710,051	200,000	944,559	16,854,610

Consolidated Statements of Changes in Equity

For the financial year ended 31 December 2007

The Group	Note	Share capital RM'000	Share premium-ordinary shares RM'000	Share premium-preference shares RM'000	Statutory reserves RM'000	Capital reserve RM'000	Exchange fluctuation reserves RM'000	Shares held under trust RM'000	Revaluation reserve-available-for-sale securities RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Perpetual and redeemable preference shares RM'000	Minority interests RM'000	Total RM'000
		Attributable to equity holders of the Company													
At 1 January 2006		2,756,398	2,038,353	-	1,749,931	77,818	(103,017)	-	6,169	63,834	3,047,967	9,637,453	200,000	1,269,025	11,106,478
Currency translation difference		-	-	-	-	-	(71,879)	-	-	-	-	(71,879)	-	(8,359)	(80,238)
Net change in available-for-sale securities		-	-	-	-	-	-	-	239,357	-	-	239,357	-	(22,689)	216,668
Transfer from deferred tax assets	10	-	-	-	-	-	-	-	(42,268)	-	-	(42,268)	-	(6,126)	(48,394)
Hedging reserve-cash flow hedge		-	-	-	-	-	-	-	-	(188)	-	(188)	-	-	(188)
Income and expense recognised directly in equity		-	-	-	-	-	(71,879)	-	197,089	(188)	-	125,022	-	(37,174)	87,848
Profit for the financial year		-	-	-	-	-	-	-	-	-	1,504,427	1,504,427	-	104,447	1,608,874
Total recognised income and expense for the financial year		-	-	-	-	-	(71,879)	-	197,089	(188)	1,504,427	1,629,449	-	67,273	1,696,722
Dividend for the financial year ended 31 December 2005		-	-	-	-	-	-	-	-	-	(340,356)	(340,356)	-	(32,657)	(373,013)

The Group	Note	Share capital RM'000	Share premium-ordinary shares RM'000	Share premium-preference shares RM'000	Statutory reserves RM'000	Capital reserve RM'000	Exchange fluctuation reserves RM'000	Shares held under trust RM'000	Revaluation reserve-available-for-sale securities RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Perpetual and redeemable preference shares RM'000	Minority interests RM'000	Total RM'000
		Attributable to equity holders of the Company													
Transfer to statutory reserves		-	-	-	251,536	-	-	-	-	-	(251,536)	-	-	-	-
Issue of share capital arising from	32														
- exercise of Employee Share Option Scheme		31,291	77,724	-	-	-	-	-	-	-	-	109,015	-	-	109,015
- conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009	27(b)	16,997	82,943	-	-	-	-	-	-	-	-	99,940	-	-	99,940
- restructuring exercise of CIMBB		319,085	1,212,523	-	-	-	-	-	-	-	-	1,531,608	-	-	1,531,608
- Modified EESOS and CEO option of CIMBB		60,658	230,500	-	-	-	-	-	-	-	-	291,158	-	-	291,158
Option reserves arising from share option schemes of subsidiaries		-	-	-	-	-	-	-	-	8,820	-	8,820	-	-	8,820
Net creation of shares held under trust	35(a)	-	-	-	-	-	-	(261,574)	-	-	-	(261,574)	-	-	(261,574)
Arising from accretion/ dilution of equity interests in subsidiary		-	-	-	(92,423)	36,037	25,549	-	(57,665)	-	(764,762)	(853,264)	-	(698,851)	(1,552,115)
Preference shares created during the year		-	-	99,000	-	-	-	-	-	-	-	99,000	1,000	-	100,000
Reclassification of preference shares to liability	59	-	-	(99,000)	-	-	-	-	-	-	-	(99,000)	(1,000)	-	(100,000)
Issue of redeemable convertible unsecured loan stocks															
- equity component, net of tax	29	-	-	-	-	-	-	-	-	454	-	454	-	-	454
Reclassification of equity component of a compound financial instrument to liability		-	-	-	-	-	-	-	-	(68,173)	-	(68,173)	-	-	(68,173)
At 31 December 2006		3,184,429	3,642,043	-	1,909,044	113,855	(149,347)	(261,574)	145,593	4,747	3,195,740	11,784,530	200,000	604,790	12,589,320

Company Statements of Changes in Equity

For the financial year ended 31 December 2007

The Company	Note	Share capital RM'000	Share premium RM'000	Non-distributable: Compound financial instrument (equity component) RM'000	Non-distributable: Capital redemption reserve RM'000	Non-distributable: Treasury shares RM'000	Distributable: Retained earnings RM'000	Total RM'000
At 1 January 2007		3,184,429	3,642,043	454	-	-	665,518	7,492,444
Profit for the financial year		-	-	-	-	-	1,652,926	1,652,926
Total recognised income and expense for the financial year		-	-	-	-	-	1,652,926	1,652,926
Dividend for the financial year ended 31 December 2006	45	-	-	-	-	-	(368,168)	(368,168)
Special dividend for the financial year ended 31 December 2007	45	-	-	-	-	-	(615,020)	(615,020)
Issue of share capital arising from	32							
- exercise of ESOS		13,501	32,844	-	-	-	-	46,345
- conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009	27(b)	59,520	290,460	-	-	-	-	349,980
- conversion of RCULS	29	1,806	11,344	(410)	-	-	-	12,740
- private placement of new shares		117,000	1,217,970	-	-	-	-	1,334,970
Purchase of treasury shares	35(b)	-	-	-	-	(54,923)	-	(54,923)
Cancellation of treasury shares	35(b)	(2,075)	(20,489)	-	2,075	20,489	-	-
At 31 December 2007		3,374,181	5,174,172	44	2,075	(34,434)	1,335,256	9,851,294
At 1 January 2006		2,756,398	2,038,353	-	-	-	683,638	5,478,389
Profit for the financial year		-	-	-	-	-	322,236	322,236
Total recognised income and expense for the financial year		-	-	-	-	-	322,236	322,236
Dividend for the financial year ended 31 December 2005		-	-	-	-	-	(340,356)	(340,356)
Issue of share capital arising from	32							
- exercise of ESOS		31,291	77,724	-	-	-	-	109,015
- conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009	27(b)	16,997	82,943	-	-	-	-	99,940
- restructuring exercise of CIMBB		319,085	1,212,523	-	-	-	-	1,531,608
- Modified EESOS and CEO option of CIMBB		60,658	230,500	-	-	-	-	291,158
Issue of redeemable convertible unsecured loan stock								
- equity component, net of tax	29	-	-	454	-	-	-	454
At 31 December 2006		3,184,429	3,642,043	454	-	-	665,518	7,492,444

Consolidated Cash Flow Statements

For the financial year ended 31 December 2007

	2007 RM'000	2006 RM'000
Operating Activities		
Profit before taxation and zakat	3,685,803	2,002,042
Adjustments for:		
Depreciation of property, plant and equipment	193,263	178,824
Amortisation of prepaid lease payments	2,242	1,085
Gain on disposal of property, plant and equipment	(3,106)	(28,310)
Gain on disposal of leased assets	(126)	(284)
Property, plant and equipment written off	55	731
Unrealised loss/(gain) of foreign exchange	86,475	(248,107)
Dividends from securities held for trading	(57,009)	(13,868)
Dividends from available-for-sale securities	(19,911)	(43,420)
Dividends from held-to-maturity securities	(76)	(387)
Dividends from associates	-	(456)
Allowance for losses on loans, advances and financing	1,421,682	1,079,008
Net interest suspended	217,392	118,923
Gain on sale of available-for-sale securities	(170,947)	(270,860)
Gain on sale of securities held for trading and derivative financial instruments	(593,052)	(319,831)
Gain on sale of held-to-maturity securities	(566)	-
(Write-back of)/allowance for impairment of losses	(57,407)	24,048
Accretion of discounts less amortisation of premiums	(188,242)	(101,707)
Accretion of redeemable convertible unsecured loan stocks ("RCULS")	190	141
Amortisation of intangible assets	97,476	59,452
Impairment of intangible assets	363	12,000
Interest income on USD bonds	(17,151)	-
Gain on disposal of interest in subsidiary	(708,739)	(98,671)
Share of results of associates	(7,398)	(34,116)
Unrealised loss/(gain) on revaluation of securities held for trading	142,421	(445,237)
Unrealised (gain)/loss on revaluation of derivative financial instruments	(351,084)	418,671
Allowance for other receivables	37,375	28,001
Provision for commitments and contingencies	1,439	346
Share of results of jointly controlled entities	(3,410)	(2,316)
	22,149	313,660
	3,707,952	2,315,702

Consolidated Cash Flow Statements

For the financial year ended 31 December 2007

	2007 RM'000	2006 RM'000
(Increase)/decrease in operating assets		
Securities purchased under resale agreements	(1,888,660)	1,990,910
Deposits and placements with banks and other financial institutions	(2,164,870)	(3,181,682)
Securities held for trading	(558,659)	(3,326,086)
Loans, advances and financing	(7,203,857)	(297,675)
Other assets	(363,274)	(799,638)
Statutory deposits with central banks	(799,265)	201,419
	(12,978,585)	(5,412,752)
Increase/(decrease) in operating liabilities		
Deposits from customers	22,647,151	11,205,814
Deposits and placements of banks and other financial institutions	5,862,688	(3,973,023)
Obligations on securities sold under repurchase agreements	(5,056,749)	(836,374)
Amount due to Cagamas Berhad	(1,661,117)	(1,102,110)
Bills and acceptances payable	172,471	409,452
Other liabilities	3,833,166	1,104,903
	25,797,610	6,808,662
Cash flows generated from operations	16,526,977	3,711,612
Taxation paid	(507,685)	(383,588)
Net cash flows generated from operating activities	16,019,292	3,328,024
Investing Activities		
Proceeds from disposal of property, plant and equipment	70,718	107,475
Proceeds from disposal of intangible assets	29,391	2,074
Dividends received from securities held for trading	57,009	13,868
Dividends received from available-for-sale securities	19,911	43,420
Dividends received from held-to-maturity securities	76	387
Proceeds from disposal of subsidiary shares	971,666	179,184
Net (purchase)/proceeds from disposal of available-for-sale securities	(1,674,039)	1,611,934
Net (purchase)/proceeds from disposal of held-to-maturity securities	(1,322,273)	922,999
Net cash outflow from acquisition of subsidiary	(29,297)	(3,130,146)
Purchase of property, plant and equipment	(497,153)	(264,586)
Purchase of prepaid lease payment	(542)	-
Purchase of intangible assets	(91,188)	(45,411)
Cash and short term funds reclassified to non-current assets held for sales	(78,341)	-
Net cash flows used in investing activities	(2,544,062)	(558,802)

	Note	2007 RM'000	2006 RM'000
Financing Activities			
Dividends paid to shareholders		(983,188)	(340,356)
Redemption of irredeemable convertible unsecured loan stocks ("ICULS")		(23,700)	(11,700)
Proceeds from issuance of ordinary shares of the Company		1,381,315	109,015
Proceeds from issuance of preference shares of a subsidiary		17,305	100,000
Proceeds from issuance of non-cumulative guaranteed preference shares of a subsidiary		-	797,728
Repayment of other borrowings		(4,514,043)	(1,483,876)
(Repayment of)/proceeds from Subordinated Notes		(300,000)	895,238
Net proceeds from syndicated term loan		350,000	3,864,537
Redemption of loan stocks		(41,610)	(741,153)
Proceeds from bridging loan		-	4,700,000
Repayment of bridging loan		(1,000,000)	(3,700,000)
Proceeds from term loan facility		1,380,000	1,059,000
Repayment of floating rate certificates of deposits		(211,800)	(14,970)
Repayment of redeemable unsecured RM bonds 2001/2007		-	(250,000)
Net proceeds from commercial papers and medium term notes		1,288,211	-
(Repayment of)/proceeds from redeemable asset-backed bonds		(112,703)	144,475
Net cash flows (used in)/generated from financing activities		(2,770,213)	5,127,938
Net increase in cash and cash equivalents during the financial year		10,705,017	7,897,160
Effects of exchange rate changes		(101,498)	(53,364)
Cash and cash equivalents at beginning of the financial year		19,921,941	12,078,145
Cash and cash equivalents at end of the financial year	2	30,525,460	19,921,941

Company Cash Flow Statements

For the financial year ended 31 December 2007

	2007 RM'000	2006 RM'000
Operating Activities		
Profit before taxation	2,174,772	318,326
Adjustments for:		
Depreciation of property, plant and equipment	1,878	1,999
Depreciation of investment properties	125	124
Amortisation of prepaid lease payments	158	159
Loss on disposal of property, plant and equipment	25	66
Gain on disposal of interest in subsidiary	(198,532)	(235,700)
Unrealised foreign exchange loss/(gain)	133,274	(184,701)
Unrealised loss/(gain) on revaluation of derivative financial instruments	19,052	(164,781)
Dividends from subsidiaries	(2,081,637)	(216,119)
Dividends from securities held for trading	-	(6,254)
Dividends from available-for-sale securities	-	(1,521)
Loss/(gain) from sale of securities held for trading and derivative financial instruments	18,057	(1,542)
Interest expense on bonds	23,396	51,433
Accretion of investment gain	(38,125)	(35,289)
Accretion of discounts less amortisation of premiums	(12,095)	(11,436)
Accretion of commercial papers	11,311	-
Accretion of redeemable convertible unsecured loan stocks ("RCULS")	190	141
	(2,122,923)	(473,859)
	51,849	(155,533)
(Increase)/decrease in operating assets		
Loans, advances and financing	33	576
Securities held for trading	-	321,786
Other assets	(86,404)	276,495
	(86,371)	598,857
Decrease in operating liabilities		
Other liabilities	77,527	203,489
	77,527	203,489
Cash flows generated from operations	43,005	646,813
Net taxation paid	(6,281)	(9,509)
Net cash flows generated from operating activities	36,724	637,304

	Note	2007 RM'000	2006 RM'000
Investing Activities			
Proceeds from disposal of property, plant and equipment		60	28
Purchase of available-for-sale securities		-	(9,744)
Capital distribution of available-for-sale securities		827	8,029
Proceeds from disposal of held-to-maturity securities		-	35,026
Purchase of property, plant and equipment		(184,229)	(38,705)
Advances to subsidiaries		(4,062,728)	(9,518)
Dividends from subsidiaries		1,335,159	164,407
Dividends from available-for-sale securities		-	1,150
Dividends from securities held for trading		-	6,043
Acquisition of additional interest in subsidiary		(12,619)	(6,733,763)
Proceeds from Group internal reorganisation		-	2,086,015
Net cash flows used in investing activities		(2,923,530)	(4,491,032)
Financing Activities			
Dividends paid to shareholders		(983,188)	(340,356)
Interest paid to bondholders		(20,875)	(28,456)
Interest paid to RCULS holders		(288)	-
Proceeds from issuance of shares of the Company		1,381,315	109,015
Proceeds from bridging loan		-	4,700,000
Repayment of bridging loan		(1,000,000)	(3,700,000)
Net proceeds from syndicated term loan		350,000	3,864,537
Proceeds from fixed rate term loan		1,380,000	-
Net proceeds from commercial papers and medium term notes		1,276,900	-
Purchase of treasury shares		(54,923)	-
Redemption of redeemable unsecured RM 2001/2007 bonds		-	(250,000)
Net cash flows generated from financing activities		2,328,941	4,354,740
Net (decrease)/increase in cash and cash equivalents during the financial year		(557,865)	501,012
Effects of exchange rate changes		(19,300)	-
Cash and cash equivalents at beginning of the financial year		951,593	450,581
Cash and cash equivalents at end of the financial year	2	374,428	951,593

Summary of Significant Group Accounting Policies

For the financial year ended 31 December 2007

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the Financial Statements.

A BASIS OF PREPARATION

The Financial Statements of the Group and the Company have been prepared under the historical cost convention, and modified by the revaluation of available-for-sale securities, securities held for trading and all derivative contracts.

The Financial Statements of the Group and the Company have been prepared in accordance with the Financial Reporting Standards, MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia Guidelines, Shariah requirements and the provisions of the Companies Act, 1965.

The Financial Statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under the Shariah principles.

BNM has granted indulgence to the banking subsidiaries of the Company and other local banks in Malaysia from complying with the requirements on the impairment of loans under the revised 'Guideline on Financial Reporting for Licensed Institutions' ("BNM/GP8"). Under the revised BNM/GP8, the impaired loans have to be measured at their estimated recoverable amount. This requirement is principally similar to the requirements under FRS 139 – Financial Instruments: Recognition and Measurement. In view of the deferment of the implementation of FRS 139 in Malaysia, the banking subsidiaries of the Company and other local banks in Malaysia will be deemed to be in compliance with the requirement on the impairment of loans under the revised BNM/GP8 if the allowance for non-performing loans, advances and financing is computed based on BNM's guidelines on the 'Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts' ("BNM/GP3") requirements.

The preparation of Financial Statements in conformity with the Financial Reporting Standards and Bank Negara Malaysia Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 56.

A BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are applicable to the Group and effective

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the Group and the Company for the financial year ended 31 December 2007 and applicable to the Group are as follows:

- FRS 117 Leases
- FRS 124 Related Party Disclosures
- Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
- TR-*i*-1 *Accounting for Zakat on Business*. This Technical Release prescribes the accounting treatment and presentation for zakat on business in the financial statements of entities that pay zakat.
- TR-*i*-2 *Ijarah*. This Technical Release provides guidance on the application of MASB approved accounting standards on transactions and events base on Ijarah.

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group and Company require retrospective application.

A summary of the impact of the new accounting standards, amendments to published standards and interpretations to existing standards on the Financial Statements of the Group and Company is set out in Note 58.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The new standards, amendments to published standards and interpretations that are applicable to the Group but which the Group and the Company have not early adopted, are as follows:

- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company will apply this standard when effective.

  However, with effect from 1 January 2005, the Revised BNM/GP8 has adopted certain FRS 139 principles in recognising and measuring financial assets, financial liabilities, derivative financial instruments and hedge accounting. The accounting policies are set out in Notes G, N and W to the Financial Statements.

- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in. The Group will apply this amendment from financial periods beginning on 1 January 2008.

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (Continued)

- FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July 2007). This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The Group will apply this standard from financial periods beginning on 1 January 2008.

- Other revised standards (effective for accounting periods beginning on or after 1 July 2007) that have no significant changes compared to the original standards:

  - FRS 107 Cash Flow Statements
  - FRS 118 Revenue
  - FRS 137 Provisions, Contingent Liabilities and Contingent Assets

  The Group will apply these standards from financial periods beginning on 1 January 2008.

- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate. The Group will apply this standard from financial periods beginning on 1 January 2008.

- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with liability or equity classification of financial instruments which give the holder the right to request redemption, but subject to limits on whether it will be redeemed. The Group will apply this IC Interpretation from financial periods beginning on 1 January 2008.

- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007). This interpretation clarifies that FRS 2 Share-based Payment applies even in the absence of specifically identifiable goods and services. The Group and the Company will apply this IC Interpretation from financial periods beginning on 1 January 2008.

The adoption of the above new and revised standards, amendments to published standards and interpretations to existing standards is expected not to have a material impact on the Group's and the Company's Financial Statements for the financial year ending 31 December 2008.

B ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

The Company treats as subsidiaries, those corporations, partnerships or other entities (including special purpose entities) in which the Company has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investment in subsidiaries is stated at cost less accumulated impairment losses. Where there is an indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

External costs directly attributable to an acquisition, other than costs of issuing shares and other capital instruments, are included as part of the cost of acquisition.

The consolidated Financial Statements include the Financial Statements of the Company and all its subsidiaries made up to the end of the financial year.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Subsidiaries are consolidated using the purchase method of accounting, except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which are accounted for using the pooling-of-interests method.

Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition up to the date of disposal. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (Continued)

The Directors note that business combinations involving entities or businesses under common control are outside the scope of FRS 3 ("Business Combinations") and that there is no guidance elsewhere in FRS covering such transactions. FRS contain specific guidance to be followed where a transaction falls outside the scope of FRS. This guidance is included in paragraphs 10 to 12 of FRS 108 ("Accounting Policies, Changes in Accounting Estimates and Errors"). This requires, inter alia, that where FRS does not include guidance for a particular issue, the Directors may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that the United States Financial Accounting Standards Board ("FASB") has issued an accounting standard covering business combinations ("FAS 141") that is similar in a number of respects to FRS 3.

In contrast to FRS 3, FAS 141 does include, as an Appendix, limited accounting guidance for transactions under common control which, as with FRS 3, are outside that scope of that accounting standard. The guidance contained in FAS 141 indicates that a form of accounting that is similar to pooling-of-interests method, which was previously set out in Accounting Principles Board ("APB") Opinion No. 16, may be used when accounting for transactions under common control.

Having considered the requirements of FRS 108 and the guidance included within FAS 141, the Directors consider appropriate to use a form of accounting which is similar to pooling-of-interests when dealing with business combinations involving entities or businesses under common control.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been reduced by a debit difference, are reclassified and presented as movement in other capital reserve.

All material transactions and balances between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(b) Investment in jointly controlled entity

The Group treats as a jointly controlled entity, corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

Investment in a jointly controlled entity is stated at cost less accumulated impairment losses. Where there is an indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

The Group's interest in jointly controlled entities is accounted for in the consolidated Financial Statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of the joint venture in the income statement and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition, net of accumulated impairment loss (if any).

(c) Investment in associates

The Group treats as associates, corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are stated at cost adjusted for goodwill identified on acquisition less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

Investments in associates are accounted for in the consolidated Financial Statements by the equity method of accounting.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its shares of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

C INCOME RECOGNITION

Interest income on financial assets is recognised on an accrual basis. Interest income on housing and term loans is recognised by reference to rest periods which are either daily, monthly or yearly. Interest earned on hire purchase, leasing and block discounting agreements is spread over the terms of the loans, using the "Sum-of-Digit" method so as to produce a constant periodic rate of interest by reference to monthly rest periods. Accretion of discount and amortisation of premium for securities are recognised on an effective yield basis.

Where an account is classified as non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of income and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest accrued on the non-performing loans is recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously. Customers' accounts are classified as non-performing where payments are in arrears for 3 months or more from first day of default for loans and overdrafts, and after 3 months from maturity date for trade bills, bankers' acceptances and trust receipts.

The Group's policy on recognition of interest income on loans, advances and financing is in conformity with BNM/GP3 and Revised BNM/GP8.

Income from Islamic Banking is recognised on an accrual basis in accordance with the principles of Shariah.

D RECOGNITION OF FEES AND OTHER INCOME

Loans, advances and financing arrangement fees and commissions are recognised as income when all conditions precedent is fulfilled.

Commitment fees, guarantee fees, portfolio management fees and income from asset management and securities services which are material are recognised as income based on a time apportionment method.

Brokerage fees are recognised as income based on inception of such transactions.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement.

Dividends are recognised when the right to receive payment is established.

E ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING

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

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

Any uncollectible loans or portion of loans classified as bad are 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.

The policy on allowances for non-performing debts and financing of Malaysian subsidiary banks is in conformity with the minimum requirements of BNM/GP3.

F SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group had purchased with a commitment to resell at future dates. 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 had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the balance sheet.

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

G SECURITIES

The Group and the Company classify their securities portfolio into the following categories: securities held for trading, available-for-sale securities and held-to-maturity securities. Management determines the classification of securities at initial recognition.

(a) Securities held for trading

This category comprises securities held for trading and those designated at fair value through profit or loss at inception. Securities are classified into this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Available-for-sale securities

Available-for-sale securities are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(c) Held-to-maturity securities

Held-to-maturity securities are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Company's management have the positive intent and ability to hold to maturity. If the Group or the Company sell other than an insignificant amount of held-to-maturity securities, the entire category will be tainted and reclassified as available-for-sale securities.

Securities are initially recognised at fair value plus transaction costs for all securities not carried at fair value through profit or loss and securities not held for trading. Securities are derecognised when the rights to receive cash flows from the securities have expired or where the Group or the Company have transferred substantially all risks and rewards of ownership.

Securities held for trading and available-for-sale securities are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the securities held for trading category are included in the income statement in the period in which they arise. Gains and losses arising from changes in fair value of available-for-sale securities are recognised directly in equity, until the securities are derecognised or impaired at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

G SECURITIES (CONTINUED)

Held-to-maturity securities are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from the de-recognition or impairment of the securities are recognised in the income statement.

Interest from securities held for trading, available-for-sale securities and held-to-maturity securities is calculated using the effective interest method and is recognised in the income statement. Dividends from available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted securities are based on quoted prices in active markets. If the market for an instrument is not active (and for unquoted securities), the Group and the Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

H PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are not stated at revalued amount. Cost includes expenditure that is directly attributable to the acquisition of the items. 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Freehold land and capital work-in-progress are not depreciated. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Buildings on freehold land	40 years
Buildings on leasehold land less than 50 years	40 years or over the remaining period of the lease, whichever is shorter
Buildings on leasehold land more than 50 years	50 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fixtures	3 years to 10 years
Computer equipment and software	3 years to 5 years
Computer equipment and software under lease	3 years
Motor vehicles	5 years
Renovations to rented premises	5 years or over the period of the tenancy, whichever is shorter
General plant and machinery	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

Depreciation on capital work in progress commences when the assets are ready for their intended use.

Property, plant and equipment are reviewed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

I INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Company.

Investment property of the Company is stated at cost less accumulated depreciation and accumulated impairment loss. At the Group level, investment property of the Company is classified as property, plant and equipment as the property is rented out to an entity within the Group.

Investment properties of the Group are stated at fair value, representing the open-market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

J INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on business combinations when the cost of acquisition exceeds the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Impairment testing is performed annually and it is done by comparing the present value of the CGU's projected cash flows against the carrying amount of its net assets which include the allocated goodwill. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group allocates goodwill to each business units (Note 18).

Goodwill on acquisitions of associates and jointly controlled entities respectively are included in investments in associates and jointly controlled entities. Such goodwill is tested for impairment as part of the overall balance.

Under the current applicable approved accounting standards for business combinations, FRS 3 – Business Combinations which apply to the accounting for business combinations for which the agreement date is on or after 1 January 2006, the provisions of the standard are applied prospectively and no retrospective changes in respect of accounting for business combinations prior to 1 January 2006 have been made. Under FRS 3, previously recognised negative goodwill (if any) has been derecognised with a corresponding adjustment to the opening balances of retained earnings.

J INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

Other intangible assets include credit card relationships, core deposits and computer software. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies and replacement cost. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. This impairment test may be performed at any time during the year, provided it is performed at the same time every year. An intangible asset recognised during the current period is tested before the end of the current year.

Intangible assets that have a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives.

Intangible assets are amortised over their finite useful lives as follows:

Credit card relationships	12 years
Core deposits	8 years
Computer software	3 years

K ASSETS PURCHASED UNDER LEASE

(a) Finance lease

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the Bank are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property, plant and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to income statement as incurred.

(b) Operating lease

Leasehold land

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

K ASSETS PURCHASED UNDER LEASE (CONTINUED)

(b) Operating lease (Continued)

Leasehold Land (Continued)

The Group and Company had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as leasehold land within its property, plant and equipment. In accordance with the transitional provisions of FRS 117 – Leases, the Group and Company treat such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments and the effect of this change is applied retrospectively.

Others

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

L ASSETS SOLD UNDER LEASE

(a) Finance lease

When assets are sold under a finance lease, the present value of the lease payments is recognised as a debtor. The difference between the gross debtor and the present value of the debtor is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(b) Operating lease

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight line basis over the lease term.

M BILLS AND ACCEPTANCES PAYABLE

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

N DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Company recognise profits immediately.

N DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group and the Company document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest/profit method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in the equity are included in the income statement when the foreign operation is partially disposed or sold.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

O BONDS

Bonds issued by the Company are stated at the issue price. When convertible Bonds are converted, the amount recognised in the shareholders' funds in respect of the shares issued is the amount at which the liability for the Bonds is stated as at the date of conversion. No gain or loss is recognised on conversion.

The premium over the principal amount arising from the put option of the Bonds not previously redeemed, purchased and cancelled, or converted, is provided over the period from the date of initial issue to the date of option to redeem, and is set aside to a non-distributable reserve.

Gains or losses on the redemption or purchase of Bonds by the Company are taken to the income statement in the financial year they arise.

P BORROWINGS

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Q HIRE PURCHASE RECEIVABLES SECURITISATION PROGRAMME

The Group through its Hire Purchase Receivables Securitisation Programme, sells undivided share of hire purchase receivables to a special purpose vehicle ("SPV"). The SPV will in turn issue bonds to raise funds for the purchase of assets.

The Group receives fee income for various services provided to the SPV. These fees are determined on an arms length basis and are recognised on an accrual basis. Deferred consideration/balance of hire purchase receivables obtained under this programme is held at cost and an allowance is made for any impairment loss based on the position of the SPV and its underlying assets.

R CURRENCY TRANSLATIONS

(a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities 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, which is the Company's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in equity.

R CURRENCY TRANSLATIONS (CONTINUED)

(b) Foreign currency transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

S INCOME AND DEFERRED TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

S INCOME AND DEFERRED TAXES (CONTINUED)

Deferred income tax related to the fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

T SHARE CAPITAL

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Dividends on ordinary shares are recognised as a liability when the shareholders' right to receive the dividend is established.

U EMPLOYEE BENEFITS

(a) Short term employee benefits

The Group and Company recognise a liability and an expense for bonuses. The Group and Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and Company.

(b) Post employment benefits

The Group and Company have various post-employment benefit schemes. These benefits plans are either defined contribution or defined benefit plans.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's and the Company's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

U EMPLOYEE BENEFITS (CONTINUED)

(b) Post employment benefits (Continued)

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of services or compensation.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost.

The Group and Company determine the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the Financial Statements do not differ materially from the amounts that would be determined at the balance sheet date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at balance sheet date of government securities which have currency and terms to maturity that approximate the terms of the related liability.

Plan assets in excess of the defined obligation are subject to the asset limitation specified in FRS 119 – Employee Benefits.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with FRS 119 and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

Past-service costs are recognised immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(c) Other long term employee benefits

The cost of long term employee benefits (for example, long term service leave) is accrued to match the rendering of the services by the employees concerned using a basis similar to that for defined benefit plans.

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and Company recognise termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

U EMPLOYEE BENEFITS (CONTINUED)

(e) Share-based compensation benefits

The share options granted to Directors and employees of the Group are disclosed in the notes to the Financial Statements. The Group makes a charge to the income statement in connection with expenses relating to share-based payments from grant date to vesting date. For those share-based compensation which were granted before 31 December 2004 and had not yet vested at 1 January 2006, the Group has elected not to apply FRS 2 ("Share-Based Payment") as allowed in the transition provisions of FRS 2. Share-based payments under ESOS, Modified CIMBB EESOS, Modified CIMBB CEO Option, Management Option Programme and Employee Stock Option Programme are treated as equity settled. Employee services received in exchange for the grant of the share options are recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity. Reserves are made for equity settled share-based compensation in the Financial Statements for the financial year end according to the requirements of FRS 2. FRS 2 only applies to transactions involving a transfer of equity instruments between shareholders and option holders, hence entitlements based on ordinary shares of the ultimate holding company granted under the Management Equity Scheme ("MES") have not been accounted for by the Group as they are not within the scope of FRS 2.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions for example, profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest. It recognises the impact to the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity and liability.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

V IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

W IMPAIRMENT OF SECURITIES PORTFOLIO

The Group and Company assess at each balance sheet date whether there is objective evidence that the securities are impaired. A security or a group of securities is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the securities (a "loss event") and that loss event has an impact on the estimated future cash flows of the securities that can be reliably estimated.

W IMPAIRMENT OF SECURITIES PORTFOLIO (CONTINUED)

(a) Securities carried at amortised cost

If there is an objective evidence that an impairment loss on held-to-maturity securities held at amortised cost has been incurred, the amount of loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the securities' original effective interest rate. The carrying amount of the securities is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(b) Securities carried at fair value

In the case of equity instruments classified as available-for-sale securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is objective evidence that an impairment loss on available-for-sale securities has been incurred, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the securities previously recognised in income statement is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale securities increases and the increase can be related objectively to an event occurring after the impairment was recognised in the income statement, the impairment loss is reversed through the income statement.

X FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of cost and net realisable value.

Y PROVISIONS

Provisions are recognised by the Group and the Company when all of the following conditions have been met:

(i) the Group and the Company have a present legal or constructive obligation as a result of past events:
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Company expect a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Z DEALERS' HANDLING CHARGES

Handling charges paid to hire purchase dealers are expensed off to the income statement.

AA ZAKAT

This represents business zakat. It is an obligating amount payable by the Group to comply with the principles of Shariah. Zakat provision is calculated based on the "Adjusted Growth" method, at 2.5% for individual Bumiputra shareholders of the operating Islamic entities.

AB CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances and short-term funds net of amounts held in trust for clients and dealers.

AC COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments contain both a liability and equity element. The Group's compound financial instruments comprise its Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and Redeemable Convertible Unsecured Loan Stocks ("RCULS"). Pursuant to the transition provisions of FRS 132 – Financial Instruments: Disclosure and Presentation, the classification of compound instruments into equity and liability components need to be applied only to financial instruments that are issued for reporting periods beginning on or after 1 January 2003. Accordingly, the ICULS continue to be classified according to their legal form i.e. liability instruments.

On issue of a financial instrument that contains both a liability and an equity component, the fair value of the liability portion is determined using a market interest rate for an equivalent financial instrument; this amount is carried as liability on the amortised cost basis until extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity; the value of the conversion option is not changed in subsequent periods.

AD SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those components.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

AE GENERAL INSURANCE

General insurance underwriting surplus before management expenses are determined after accounting for net premium, unearned premium reserves, net claims incurred and net commissions.

Premium income is recognised in a year in respect of risks assumed during that particular year. Unearned premium reserves are calculated in accordance with the fixed percentage method or time apportionment method, where applicable.

Provision is made for outstanding claims based on the estimated cost of claims, less reinsurance recoveries in respect of claims notified, and include claims incurred but not reported ("IBNR") at the balance sheet date. Provision for IBNR is computed based on an actuarial valuation carried out by a qualified actuary.

Commission is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

AF LIFE ASSURANCE REVENUE SURPLUS

The surplus transferable from the life assurance fund to the income statement is based on the surplus determined on the basis of an annual actuarial valuation of the long term liabilities to policyholders made in accordance with the provisions of the Insurance Act, 1996 and as declared by the Company's appointed actuary as being distributable to shareholders.

AG NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE

Non-current assets/disposal groups are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

1 GENERAL INFORMATION

The principal activities of the Company are those of investment holding, management company, property management, provision of consultancy services and dealing in securities. The principal activities of the significant subsidiaries are commercial banking, investment banking, Islamic banking, off-shore banking, management of unit trust fund and fund management business, stock and sharebroking and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is 12th Floor, Commerce Square, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and balances with banks and other financial institutions	3,382,982	2,713,687	23,898	1,308
Money at call and deposit placements maturing within one month	27,142,478	17,208,254	350,530	950,285
	30,525,460	19,921,941	374,428	951,593

Included in the Group's cash and short-term funds are RM237,000 (2006: RM883,000) of money at call and deposit placements relating to a jointly controlled entity, Proton Commerce Sdn Bhd ("PCSB").

Included in the Group's cash and short-term funds are the following monies held in trust in relation to the Group's stockbroking business:

	The Group	
	2007 RM'000	2006 RM'000
Client's trust balances	249,646	107,760
Dealers' representatives' balances	24,484	16,690
	274,130	124,450

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Licensed banks	4,651,412	1,675,161
Licensed investment banks	473,096	1,521,682
Bank Negara Malaysia	1,296,100	1,582,600
Other financial institutions	64,956	77,675
	6,485,564	4,857,118

4 SECURITIES HELD FOR TRADING

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Money market instruments:		
Unquoted		
Malaysian Government securities	416,150	379,011
Cagamas bonds	279,354	599,665
Khazanah bonds	96,918	93,554
Malaysian Government treasury bills	119,294	169,176
Bank Negara Malaysia bills	97,736	245,084
Bank Negara negotiable notes	409,900	79,259
Negotiable instruments of deposit	1,149,588	1,796,352
Bankers' acceptances	800,764	475,205
Credit-linked notes	353,247	356,189
Other Government's securities	630,359	211,720
Commercial papers	45,099	383,461
Government investment issue	56,075	40,090
	4,454,484	4,828,766

4 SECURITIES HELD FOR TRADING (CONTINUED)

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Quoted securities:		
In Malaysia		
Warrants	35	7,114
Shares	751,856	1,134,722
Loan stocks	5,838	15,432
Unit trusts	-	1,386
Outside Malaysia		
Shares	78,492	22,657
Other Government bonds	211,696	148,894
	1,047,917	1,330,205
Unquoted securities:		
In Malaysia		
Private and Islamic debt securities	6,844,516	5,431,460
Outside Malaysia		
Private and Islamic debt securities	2,305,395	1,991,493
	14,652,312	13,581,924

Included in the securities held for trading by the Group and the Company are:

(a) Securities amounting to RM11,823,000 (2006: RM20,226,000) invested by asset management companies on behalf of the Group.

(b) Securities held for trading of RM995,000 (2006: RM2,618,488,000) have been pledged by the Group to third parties in relation to securities sold under repurchase agreements.

5 AVAILABLE-FOR-SALE SECURITIES

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Debt securities				
Money market instruments:				
Unquoted				
Malaysian Government securities	177,504	530,567	-	-
Cagamas Notes	397,330	441,670	-	-
Khazanah bonds	379,044	154,691	-	-
Malaysian Government treasury bills	163,093	56,994	-	-
Other Government treasury bills	50,003	-	-	-
Bank Negara Malaysia bills	23,322	15,000	-	-
Bankers' acceptance, Islamic accepted bills and Islamic debt securities	520,298	101,049	-	-
Negotiable instruments of deposit	-	9,998	-	-
Government investment issues	813,186	943,443	-	-
Bank Negara Malaysia Negotiable Notes	130,393	29,952	-	-
	2,654,173	2,283,364	-	-
Quoted securities:				
In Malaysia				
Shares	944,602	96,896	-	-
Unit trusts	713,391	10,713	-	-
Outside Malaysia				
Shares	9,850	11,314	-	-
Mutual funds	-	1,701	-	-
	1,667,843	120,624	-	-

5 AVAILABLE-FOR-SALE SECURITIES (CONTINUED)

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted securities:				
In Malaysia				
Private and Islamic debt securities	5,478,750	6,394,331	-	-
Shares	550,510	518,714	888	1,715
Loan stocks	18,183	46,006	-	-
Property funds	113	84	-	-
Investment-linked funds	9,404	5,823	-	-
Commercial papers	34,630	19,830	-	-
Credit-linked notes	25,108	-	-	-
Outside Malaysia				
Shares	66,508	26,928	-	-
Mutual funds	17,013	11,340	-	-
Private equity funds	149,825	51,623	-	-
Loan stocks	1,194	-	-	-
	6,351,238	7,074,679	888	1,715
	10,673,254	9,478,667	888	1,715
Allowance for impairment loss:				
Private debt securities	(367,672)	(440,927)	-	-
Quoted shares	(8,099)	(6,604)	-	-
Quoted bonds	(197)	(248)	-	-
Unquoted shares	(37,671)	(12,373)	-	-
Mutual funds	(55)	(56)	-	-
	(413,694)	(460,208)	-	-
	10,259,560	9,018,459	888	1,715

Included in the available-for-sale securities by the Group are private and Islamic debt securities in Malaysia in the form of unit trusts managed by CIMB – Principal Asset Management Berhad on behalf of the Group amounting to RM512,321,000 (2006: RM515,578,000).

6 HELD-TO-MATURITY SECURITIES

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Unquoted				
Malaysian Government Securities	-	77,036	-	-
Cagamas bonds	290,000	-	-	-
Other Government treasury bills	-	92,427	-	-
Other Government's securities	-	18,702	-	-
Bank Negara Negotiable Notes	98,057	-	-	-
Quoted securities				
Outside Malaysia				
Bonds	21,443	27,756	-	-
Islamic bonds	21,821	10,480	-	-
Medium term notes – Islamic	3,520	9,704	-	-
Unquoted securities				
In Malaysia				
Shares	270	270	-	-
Private debt securities	1,737,931	560,202	-	-
Detachable coupons	-	-	84,158	84,175
Redeemable Preference Shares	-	-	1,300,000	1,300,000
Redeemable Convertible Unsecured Loan Stock	-	-	34,345	24,428
Loan stocks	32,478	30,858	-	-
Danaharta Urus Sdn Bhd ("DUSB") Bonds	1,151,932	1,151,973	-	-
	3,357,452	1,979,408	1,418,503	1,408,603
Accretion of discount net of amortisation of premium	197,423	82,198	53,041	50,871
Less: Allowance for impairment losses	(25,431)	(21,544)	-	-
	3,529,444	2,040,062	1,471,544	1,459,474

7 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group			The Company		
		Fair values			Fair values	
	Notional amount RM'000	Assets RM'000	Liabilities RM'000	Notional amount RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2007						
Foreign exchange derivatives						
Currency forwards	6,352,356	30,538	(69,507)	-	-	-
Currency swaps	15,443,596	201,549	(135,046)	-	-	-
Currency spots	101,474	127	(85)	-	-	-
Currency options	815,123	14,009	(12,541)	-	-	-
Cross currency interest rate swaps	8,059,361	246,504	(228,029)	350,000	-	(19,052)
		492,727	(445,208)		-	(19,052)
Interest rate derivatives						
Interest rate swaps	127,005,214	1,118,402	(796,239)	-	-	-
Interest rate futures	29,816,022	23,897	(12,900)	-	-	-
Interest rate options	5,980,000	8,826	(13,055)	-	-	-
		1,151,125	(822,194)		-	-
Equity derivatives						
Equity futures	179,525	213	-	-	-	-
Equity options	5,237,319	89,997	(235,246)	-	-	-
Index futures	44,032	-	(1,254)	-	-	-
		90,210	(236,500)		-	-
Credit related contract						
Credit default swaps	100,000	121	(78)	-	-	-
Held for hedging purpose						
Interest rate swaps	2,481,600	48,830	(41,091)	-	-	-
Cross currency interest rate swaps	1,031,800	-	(113,704)	-	-	-
		48,830	(154,795)		-	-
Total derivative assets/(liabilities)		1,783,013	(1,658,775)		-	(19,052)

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group			The Company		
		Fair values			Fair values	
	Notional amount RM'000	Assets RM'000	Liabilities RM'000	Notional amount RM'000	Assets RM'000	Liabilities RM'000
At 31 December 2006						
Foreign exchange derivatives						
Currency forwards	2,897,455	11,956	(26,686)	-	-	-
Currency swaps	6,173,976	60,620	(65,885)	-	-	-
Currency spots	829,944	865	(221)	-	-	-
Currency options	166,384	558	(641)	-	-	-
Cross currency swaps	10,269,191	236,494	(183,731)	-	-	-
Cross currency interest rate swaps	4,000,000	-	(165,059)	4,000,000	-	(165,059)
		310,493	(442,223)		-	(165,059)
Interest rate derivatives						
Interest rate swaps	121,787,006	838,300	(870,108)	160,000	-	(86)
Interest rate futures	33,031,697	44,158	(10,132)	-	-	-
Interest rate options	3,180,000	5,115	(11,732)	-	-	-
		887,573	(891,972)		-	(86)
Equity derivatives						
Equity futures	91,310	176	(5,141)	-	-	-
Equity options	222,158	35,471	(6,603)	-	-	-
		35,647	(11,744)		-	-
Held for hedging purpose						
Interest rate swaps	706,000	-	(34,659)	-	-	-
Cross currency swaps	746,500	-	(82,535)	-	-	-
		-	(117,194)		-	-
Total derivative assets/(liabilities)		1,233,713	(1,463,133)		-	(165,145)

8 LOANS, ADVANCES AND FINANCING

(i) By type

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Overdrafts	8,065,308	7,163,910	-	-
Term loans				
- Housing loans/financing	20,734,524	18,477,108	-	-
- Syndicated term loans	7,983,834	7,563,627	-	-
- Hire purchase receivables	14,332,824	16,564,963	-	-
- Lease receivables	177,235	196,690	-	-
- Factoring receivables	62,019	63,832	-	-
- Other term loans/financing	27,659,176	25,310,510	-	-
Bills receivable	257,743	472,618	-	-
Trust receipts	963,531	1,030,948	-	-
Claims on customers under acceptance credits	6,147,874	6,247,221	-	-
Staff loans [of which RM1,473,000 (2006: RM436,000) are to Directors]	631,118	649,751	2,610	2,643
Credit card receivables	2,581,883	2,108,731	-	-
Revolving credits	13,974,866	12,786,176	-	-
Share margin financing	1,090,957	813,616	-	-
Other loans	9,752	7,490	-	-
	104,672,644	99,457,191	2,610	2,643
Less: Unearned interest	(3,116,760)	(3,463,030)	-	-
	101,555,884	95,994,161	2,610	2,643
Less: Islamic financing sold to Cagamas	(575,918)	(780,289)	-	-
Gross loans, advances and financing	100,979,966	95,213,872	2,610	2,643
Less: Specific allowance	(3,551,988)	(3,399,836)	-	-
	97,427,978	91,814,036	2,610	2,643
Less: General allowance	(1,523,920)	(1,479,277)	-	-
Total net loans, advances and financing	95,904,058	90,334,759	2,610	2,643

Included in the Group's loans, advances and financing balances are RM2,064,458,000 (2006: RM2,165,378,000) of net loans relating to that of a jointly controlled entity, Proton Commerce Sdn Bhd ("PCSB"). The revenue and risks of these loan accounts are shared equally between CIMB Bank and the joint venture partner, Proton Edar Sdn Bhd, pursuant to the terms of a Joint Venture Agreement.

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

The maturity structure of loans, advances and financing is as follows:

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Within one year	29,016,788	31,799,951	36	41
One year to less than three years	21,853,191	14,213,590	92	128
Three years to less than five years	8,750,813	12,573,020	115	153
Five years and more	41,935,092	37,407,600	2,367	2,321
	101,555,884	95,994,161	2,610	2,643
Less: Islamic financing sold to Cagamas	(575,918)	(780,289)	-	-
	100,979,966	95,213,872	2,610	2,643

(ii) By type of customer

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Domestic banking institutions	160,452	216,828	-	-
Domestic non-bank financial institutions				
- stockbroking companies	996	330,868	-	-
- others	1,582,798	2,050,252	-	-
Domestic business enterprises				
- small medium enterprises	18,072,733	17,589,242	-	-
- others	25,068,778	24,368,173	-	-
Government and statutory bodies	69,614	136,951	-	-
Individuals	47,240,371	43,717,209	2,610	2,643
Other domestic entities	4,244,178	2,271,507	-	-
Foreign entities	5,115,964	5,313,131	-	-
	101,555,884	95,994,161	2,610	2,643
Less: Islamic financing sold to Cagamas	(575,918)	(780,289)	-	-
	100,979,966	95,213,872	2,610	2,643

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iii) By interest/profit rate sensitivity

	The Group		The Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Fixed rate				
- Housing loans	3,860,958	3,744,142	-	-
- Hire-purchase receivables	11,995,596	13,583,788	-	-
- Other fixed rate loans	17,578,063	16,217,782	2,610	2,643
Variable rate				
- BLR plus	54,932,102	50,916,706	-	-
- Cost plus	11,817,063	9,698,593	-	-
- Other variable rates	1,372,102	1,833,150	-	-
	101,555,884	95,994,161	2,610	2,643
Less: Islamic financing sold to Cagamas	(575,918)	(780,289)	-	-
	100,979,966	95,213,872	2,610	2,643

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Personal use	2,731,380	2,349,454	148	140
Credit card	2,581,883	2,128,152	-	-
Purchase of consumer durables	21,761	29,060	-	-
Construction	3,245,654	3,636,984	-	-
Residential property (Housing)	22,473,992	19,337,305	2,154	2,203
Non-residential property	6,067,633	4,422,393	-	-
Purchase of fixed assets other than land and building	2,741,448	2,547,168	-	-
Mergers and acquisitions	604,907	355,213	-	-
Purchase of securities	9,075,045	5,318,708	-	-
Purchase of transport vehicles	13,009,119	15,009,253	308	300
Working capital	35,428,323	37,114,632	-	-
Other purpose	3,574,739	3,745,839	-	-
	101,555,884	95,994,161	2,610	2,643
Less: Islamic financing sold to Cagamas	(575,918)	(780,289)	-	-
	100,979,966	95,213,872	2,610	2,643

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(v) Non-performing loans, advances and financing by economic purpose:

	The Group	
	2007 RM'000	2006 RM'000
Personal use	269,954	275,066
Credit card	70,119	100,871
Purchase of consumer durables	1,005	1,110
Construction	446,458	423,204
Residential property (Housing)	1,837,358	2,179,461
Non-residential property	558,248	584,618
Purchase of fixed assets other than land and building	130,813	114,179
Purchase of securities	119,446	442,710
Purchase of transport vehicles	603,421	948,991
Working capital	3,184,867	3,315,575
Other purpose	103,059	97,429
	7,324,748	8,483,214

(vi) Movements in the non-performing loans, advances and financing are as follows:

	The Group	
	2007 RM'000	2006 RM'000
At 1 January	8,483,214	6,306,398
Classified as non-performing during the financial year	4,393,349	4,264,672
Reclassified as performing during the financial year	(2,813,118)	(1,444,399)
Amount written back in respect of recoveries	(1,489,787)	(1,998,193)
Non-performing loans arising from acquisition of subsidiaries	-	2,802,844
Amount written off	(1,178,783)	(1,460,579)
Reclassified to non-current assets held for sale	(9,101)	-
Loans/financing converted to securities	(1,849)	-
Exchange fluctuation	(59,177)	12,471
At 31 December	7,324,748	8,483,214
Specific allowance	(3,551,988)	(3,399,836)
Net non-performing loans, advances and financing	3,772,760	5,083,378
Ratio of net non-performing loans, advances and financing to gross loans, advances and financing (including Islamic financing sold to Cagamas) less specific allowance	3.85%	5.49%

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vii) Classification of non-performing loans, advances and financing are as follows:

	The Group	
	2007 RM'000	2006 RM'000
Sub-standard	1,273,964	1,721,097
Doubtful	512,878	747,285
Bad	5,537,906	6,014,832
Balance as at 31 December	7,324,748	8,483,214

(viii) Movements in the allowance for bad and doubtful debts and financing are as follows:

	The Group	
	2007 RM'000	2006 RM'000
Specific allowance		
At 1 January	3,399,836	2,305,753
Allowance made during the financial year	2,145,797	1,909,931
Amount written back in respect of recoveries	(816,349)	(712,693)
Amount written off	(1,162,210)	(1,292,170)
Amount transferred in respect of loan converted to securities	(1,849)	-
Reclassified to non-current assets held for sale	(1,090)	-
Allowance made and charged to deferred assets	5,062	3,031
Allowance (written back)/made for loans in relation to jointly controlled entity	(9,132)	18,889
Allowance for loans arising from acquisition of subsidiaries	-	1,143,081
Exchange fluctuation	(8,077)	24,014
At 31 December	3,551,988	3,399,836
General allowance		
At 1 January	1,479,277	1,173,911
Net allowance made during the financial year	91,471	(118,543)
Allowance (written back)/made for loans in relation to jointly controlled entity	(658)	2,592
Allowance for loans arising from acquisition of subsidiaries	-	397,233
Reclassified to non-current assets held for sale	(465)	-
Exchange fluctuation	(45,705)	24,084
At 31 December	1,523,920	1,479,277
As % of gross loans, advances and financing (including Islamic financing sold to Cagamas) less specific allowance	1.55%	1.60%

9 OTHER ASSETS

		The Group		The Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest receivable		400,053	424,535	9,209	15,747
Due from brokers and clients net of allowance for doubtful debts of RM8,903,000 (2006: RM4,029,000)		2,020,387	1,391,767	-	-
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM24,953,000 (2006: RM2,767,000)		1,484,328	1,698,534	96,601	160,756
Due from insurers, brokers and reinsurers net of allowance for doubtful debts of RMNil (2006: RM2,817,000)		1,774	137,914	-	-
Deferred assets	(a)	226,311	247,474	-	-
Foreclosed properties net of allowance for impairment losses		69,941	64,225	-	-
		4,202,794	3,964,449	105,810	176,503

(a) Deferred assets comprise mainly the carrying value of the excess of liabilities over assets of Common Forge Berhad taken over by SBB Berhad (formerly known as Southern Bank Berhad) ("SBB") in 2000 and will be reduced progressively by a scheme of arrangement which has been agreed by Bank Negara Malaysia. Movements in deferred assets during the financial year are as follows:

	The Group	
	2007 RM'000	2006 RM'000
At 1 January	247,474	-
Arising from acquisition of banking business and related assets and liabilities of SBB	-	260,373
Amortisation for the financial year	(26,225)	(15,930)
Specific allowance made	5,062	3,031
At 31 December	226,311	247,474

10 DEFERRED TAXATION

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 taxes relate to the same tax authority. The following amounts are shown in the balance sheet, after offsetting:

	The Group		The Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Deferred tax assets	482,835	433,063	-	12,250
Deferred tax liabilities	(23,523)	(2,086)	(13,293)	-
	459,312	430,977	(13,293)	12,250

The gross movement on the deferred income tax account is as follows:

	The Group		The Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
At 1 January	430,977	345,788	12,250	(8,069)
Credited/(charged) to income statement (Note 43)				
- loans, advances and financing	88,352	26,029	(230)	-
- unutilised tax losses	(2,298)	(76,873)	-	-
- excess of capital allowance over depreciation	(17,352)	1,254	316	98
- intangible assets	19,351	2,155	-	-
- available-for-sale securities	(4,227)	(1,247)	-	-
- over-accrual in prior years	(69,159)	-	-	-
- other temporary differences	13,963	8,480	(25,783)	20,398
	28,630	(40,202)	(25,697)	20,496
(Disposal)/acquisition of subsidiaries	(3,857)	167,836	-	-
Transferred to equity				
- revaluation reserve – available-for-sale securities	2,793	(42,268)	-	-
RCULS	154	(177)	154	(177)
Reclassified to non-current assets held for sale	615	-	-	-
At 31 December	459,312	430,977	(13,293)	12,250

10 DEFERRED TAXATION (CONTINUED)

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax assets (before offsetting)				
Loans, advances and financing	497,695	409,343	-	230
Available-for-sale securities	1,367	3,944	-	-
Property, plant and equipment	1,794	-	-	-
Unutilised tax losses	61,257	110,706	-	-
Other temporary differences	91,076	112,752	535	27,039
	653,189	636,745	535	27,269
Offsetting	(170,354)	(203,682)	(535)	(15,019)
Deferred tax assets (after offsetting)	482,835	433,063	-	12,250
Deferred tax liabilities (before offsetting)				
Available-for-sale securities	(5,254)	(3,096)	-	-
Property, plant and equipment	(55,191)	(36,045)	(213)	(529)
Revaluation reserve – available-for-sale securities	(22,171)	(25,472)	-	-
RCULS	(23)	(177)	(23)	(177)
Intangible assets	(94,671)	(114,022)	-	-
Other temporary differences	(16,567)	(26,956)	(13,592)	(14,313)
	(193,877)	(205,768)	(13,828)	(15,019)
Offsetting	170,354	203,682	535	15,019
Deferred tax liabilities (after offsetting)	(23,523)	(2,086)	(13,293)	-

11 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by certain subsidiaries 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. The non-interest bearing statutory deposits of a foreign subsidiary and foreign branches of the bank subsidiary are maintained with respective central banks in compliance with the applicable legislation.

12 INVESTMENT IN SUBSIDIARIES

	The Company	
	2007 RM'000	2006 RM'000
Shares at cost:		
Quoted	-	1,034,383
Unquoted	7,326,393	9,172,992
Allowance for impairment loss of a subsidiary	(1,275)	(1,275)
	7,325,118	10,206,100

The direct subsidiaries of the Company are:

Name of Subsidiary	Principal activities	Percentage of equity held 2007 %	2006 %
CIMB Berhad	Dormant	100	100
CIMB Group Sdn Bhd	Investment holding	100	100
PT Bank Niaga Tbk + (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	-	64.06
Commerce MGI Sdn Bhd	Dormant	51	51
Commerce Asset Realty Sdn Bhd	Holding of properties for letting to a related company	100	100
Commerce Asset Nominees Sdn Bhd	Nominee services	100	100
Commerce Volantia Sdn Bhd	Dormant	100	100
Commerce Capital (Labuan) Ltd (Incorporated in the Federal Territory of Labuan)	Special purpose vehicle	100	100
iCIMB (MSC) Sdn Bhd (formerly known as iCIMB Sdn Bhd)	Provision of management services and outsourcing	100	-
PT Commerce Kapital # (Incorporated in the Republic of Indonesia)	Investment holding	-	99

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The direct subsidiaries of the Company are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held 2007 %	2006 %
SBB Berhad (formerly known as Southern Bank Berhad)	Dormant	100	100
Modified CIMBB Options Trust (unincorporated)	Holding of accelerated CIMBB's Modified EESOS and CEO options	-	-

The subsidiaries held through CIMB Group ("CIMBG") are:

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	Principal activities	2007 %	2006 %	2007 %	2006 %
CIMB Bank Berhad ("CIMB Bank")	Commercial banking and related financial services	99.99	99.99	-	-
CIMB Investment Bank Berhad ("CIMB Investment Bank")	Investment banking and the provision of related financial services	100	100	-	-
PT Bank Niaga Tbk + (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	62.91	-	-	-
PT Commerce Kapital # (Incorporated in the Republic of Indonesia)	Investment holding	99	-	-	-
CIMB SI Sdn Bhd	Trading in securities and direct principal investments	100	100	-	-
CIMB SI I Sdn Bhd	Investment holding	-	-	100	-
CIMB SI II Sdn Bhd (formerly known as Value Profile Sdn Bhd)	Investment holding	100	-	-	-
CIMB Private Equity Sdn Bhd	Investment holding	100	100	-	-

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are: (Continued)

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2007 %**	**2006 %**	**2007 %**	**2006 %**
Maju-Uni Concept Sdn Bhd	Investment holding	-	-	100	100
Mutiara Makmur Ventures Sdn Bhd	Investment holding	-	-	100	100
Hasrat Eramas Sdn Bhd	Investment holding	-	-	60	-
Platinum Merge Sdn Bhd	Investment holding	-	-	100	-
CIMB-GK Pte Ltd (Incorporated in Singapore) +	Investment holding	100	100	-	-
CIMB-GK Securities Pte Ltd +	Stock and sharebroking	-	-	100	100
CIMB-GK Research Pte Ltd +	Investment research	-	-	100	100
CIMB-GK Securities (UK) Ltd (Incorporated in United Kingdom) +	Securities related business	-	-	100	100
CIMB-GK Securities (USA), Inc (Incorporated in USA) #	Dormant	-	-	100	100
CIMB-GK Securities (HK) Ltd (Incorporated in Hong Kong) +	Securities broking, dealing and trading	-	-	100	100
CIMB-GK Securities (HK) Nominees Ltd (Incorporated in Hong Kong) +	Nominee services	-	-	100	100
PT CIMB-GK Securities Indonesia (Incorporated in the Republic of Indonesia) +	Stockbroking	-	-	100	100
KL Damansara Sdn Bhd (formerly known as GK Goh Research (M) Sdn Bhd)	Dormant	-	-	100	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are: (Continued)

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2007 %**	**2006 %**	**2007 %**	**2006 %**
CIMB-GK Securities (Thailand) Ltd (Incorporated in Thailand) +	Securities broking, dealing and trading	-	-	100	100
CIMB Real Estate Sdn Bhd	Real estate investment	100	100	-	-
CIMB-Mapletree Management Sdn Bhd	Real estate fund management	-	-	60	60
CIMB – Principal Asset Management Berhad	Establishment and management of unit trust fund and fund management business	60	60	-	-
CIMB Principal Asset Management Pte Ltd	Provision of management and investment analysis services	-	-	100	100
PT Niaga Aset Manajamen (Incorporated in the Republic of Indonesia)	Establishment and management of unit trust fund and fund management business	-	-	99.96	-
CIMB Wealth Advisors Berhad	Distribution of unit trust funds	-	-	100	100
SBB Asset Management Sdn Bhd	Dormant	-	-	100	100
SBBAM Nominees (Tempatan) Sdn Bhd	Dormant	-	-	100	100
SBBAM Nominees (Asing) Sdn Bhd	Dormant	-	-	100	100
BAM Nominees (Tempatan) Sdn Bhd	Dormant	-	-	100	100
BAM Nominees (Asing) Sdn Bhd	Dormant	-	-	100	100
i-Wealth Advisors Sdn Bhd (formerly known as Commerce Asset Fund Managers Sdn Bhd)	Provision of management services and distribution of products and services	60	60	-	-
CIMB Strategic Assets Sdn Bhd	Investment holding	100	100	-	-

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are: (Continued)

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2007 %**	**2006 %**	**2007 %**	**2006 %**
CIMB Standard Strategic Asset Advisors Sdn Bhd	Investment advisory services	-	-	60	60
CIMB Standard Strategic Asset Advisors Pte Ltd	Investment advisory services	-	-	100	100
South East Asian Strategic Asset (General Partner) Ltd	Investment advisory services	-	-	60	60
SEASAF Sdn Bhd	Investment holding	-	-	100	-
CIMB Strategic Assets (Cayman) Limited	Investment holding	100	100	-	-
CIMB Private Equity Advisors Sdn Bhd	Investment advisory and private equity management	100	100	-	-
Forward Wealth Advisors Berhad	Fund management	-	100	49.9	-
Commerce International Group Berhad	Insurance holding company	100	100	-	-
Commerce Assurance Berhad	General insurance business	-	-	-	100
CIMB Aviva Assurance Berhad (formerly known as Commerce Life Assurance Berhad)	Life assurance business	-	-	51	100
CIMB Aviva Takaful Berhad (formerly known as Commerce Takaful Berhad)	Takaful business	-	-	51	100
Commerce Asset Ventures Sdn Bhd ("CAV")	Provision of management services	100	100	-	-
Kibaru Manufacturing Sdn Bhd[&]	Manufacturing of rubber components	-	-	39.2	-

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are: (Continued)

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2007 %**	**2006 %**	**2007 %**	**2006 %**
CAV Private Equity Management Sdn Bhd	Providing management and advisory services	-	-	100	100
Commerce Technology Ventures Sdn Bhd	Investment holding company	-	-	100	100
Commerce Agro Ventures Sdn Bhd	Investment holding company	-	-	100	100
Vital Remarks Sdn Bhd	Manufacturing and distribution of halal meat based products	-	-	51	-
Ekspedisi Yakin Sdn Bhd #	Dormant	-	-	100	100
Titan Setup Sdn Bhd #	Investment holding company	-	-	100	100
Commerce-KPF Ventures Sdn Bhd	Investment holding company	-	-	51	51
Qualitas Healthcare Corporation Sdn Bhd &	Investment holding with subsidiaries providing primarily healthcare services	-	-	42.1	42.1
Radiant Direction Sdn Bhd #	Dormant	-	-	100	100
Quantum Epic Sdn Bhd #	Dormant	-	-	100	100
Goodmaid Chemical Corporation Sdn Bhd #	Manufacturing of household care products	-	-	99.6	99.6
Goodmaid Marketing Sdn Bhd #	Trading and marketing of household care products	-	-	100	100
Goodmaid Industrial Supplies Sdn Bhd	Trading of industrial chemical products	-	-	100	-
EQ Industry Supplies Sdn Bhd #	Trading and marketing of industrial chemicals	-	-	100	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held Directly by CIMBG 2007 %	Directly by CIMBG 2006 %	Through CIMBG's subsidiary company 2007 %	Through CIMBG's subsidiary company 2006 %
Itopia Sdn Bhd #	Provision of telephony infrastructure, products and services	-	-	53.2	53.2
CIMB Islamic Investment House BSCI (formerly known as CIMB-Kanoo Islamic) &+	Islamic investment	50	50	-	-

& Deemed a subsidiary by virtue of board control over the company's financial and operating policies

Audited by a firm other than member firms of PricewaterhouseCoopers International Limited

\+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

The subsidiaries held through CIMBG's direct subsidiary, CIMB Investment Bank are:

Name of Subsidiary	Principal activities	Percentage of equity held Directly by CIMB 2007 %	Directly by CIMB 2006 %	Through CIMB's subsidiary company 2007 %	Through CIMB's subsidiary company 2006 %
CIMB Holdings Sdn Bhd	Investment holding	100	100	-	-
CIMB Securities (Hong Kong) Ltd (Incorporated in Hong Kong) +	Dormant	-	-	100	100
CIMBS Sdn Bhd	Dormant	-	-	100	100
CIMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
CIMSEC Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
CIMSEC Nominees Sdn Bhd	Nominee services	100	100	-	-
CIMB Futures Sdn Bhd	Futures broking	100	100	-	-
CIMB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG's direct subsidiary, CIMB Investment Bank are: (Continued)

		Percentage of equity held			
		Directly by CIMB		Through CIMB's subsidiary company	
Name of Subsidiary	**Principal activities**	**2007 %**	**2006 %**	**2007 %**	**2006 %**
CIMB Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
iCIMB (MSC) Sdn Bhd (formerly known as iCIMB Sdn Bhd)	Dormant	-	100	-	-
CIMB Discount House Berhad	Dormant	100	100	-	-

\+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are:

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	**Principal activities**	**2007 %**	**2006 %**	**2007 %**	**2006 %**
Bumiputra-Commerce Factoring Berhad	Dormant	100	100	-	-
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	100	100	-	-
CIMB Trustee Berhad	Trustee services	20	20	80	80
BBMB Unit Trust Management Berhad	Dormant	100	100	-	-
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Offshore banking	100	100	-	-
Bumiputra-Commerce Finance Berhad	Dormant	100	100	-	-
iCIMB (Malaysia) Sdn Bhd (formerly known as EPIC – I Sdn Bhd)	Provision of management services and outsourcing	100	100	-	-

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are: (Continued)

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	**Principal activities**	**2007 %**	**2006 %**	**2007 %**	**2006 %**
Bumiputra-Commerce Properties Sdn Bhd	Dormant	100	100	-	-
CIMB Group Nominees Sdn Bhd (formerly known as Bumiputra-Commerce Nominees Sdn Bhd)	Nominee services	100	100	-	-
CIMB Group Nominees (Tempatan) Sdn Bhd (formerly known as Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd)	Nominee services	100	100	-	-
CIMB Group Nominees (Asing) Sdn Bhd (formerly known as Bumiputra-Commerce Nominees (Asing) Sdn Bhd)	Nominee services	100	100	-	-
BBMB Securities (Holdings) Sdn Bhd	Investment holding company	100	100	-	-
BBMB Futures Sdn Bhd	Dormant	-	-	100	100
Semerak Services Sdn Bhd	Service company	100	100	-	-
BOC Nominees Sdn Bhd	Dormant	100	100	-	-
BOC Nominees (Tempatan) Sdn Bhd	Dormant	100	100	-	-
BOC Nominees (Asing) Sdn Bhd	Dormant	100	100	-	-
BBMB Finance (Hong Kong) Ltd (Incorporated in Hong Kong)	Dormant	100	100	-	-
BBMB Finance Nominee (Hong Kong) Ltd (Incorporated in Hong Kong)	Dormant	-	-	100	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held: Directly by CIMB Bank 2007 %	Directly by CIMB Bank 2006 %	Through CIMB Bank's subsidiary company 2007 %	Through CIMB Bank's subsidiary company 2006 %
Bumiputra Nominee Ltd (Incorporated in the United Kingdom)	Dormant	100	100	-	-
South East Asian Bank Ltd (Incorporated in the Republic of Mauritius) α	Commercial banking and related financial services	60	60	-	-
CIMB Islamic Bank Berhad	Islamic banking	100	100	-	-
CIMB Trust Ltd (Incorporated in the Federal Territory of Labuan)	Trustee services	100	100	-	-
Bumiputra-Commerce Corporate Services Ltd (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
BC Management Services Sdn Bhd (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100
CIMB (L) Ltd (Incorporated in the Federal Territory of Labuan)	Offshore banking	100	100	-	-
Halyconia Asia Fund Limited (Incorporated in British Virgin Islands)	Open-ended investment fund	-	-	100	100
CIMB Private Equity General Partner Limited (Incorporated in the Federal Territory of Labuan)	Fund management	-	-	100	100
CIMB Mezzanine General Partner Limited (Incorporated in Federal Territory of Labuan)	Fund management	-	-	100	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are: (Continued)

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2007 %	2006 %	2007 %	2006 %
I-Prestige Sdn Bhd	Special purpose vehicle	100	100	-	-
Southern Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
Southern Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
S.B. Venture Capital Corporation Sdn Bhd	Investment holding and provision of management services	100	100	-	-
SBB Futures Sdn Bhd	Investment holding	100	100	-	-
BHLB Properties Sdn Bhd	Property ownership and management	100	100	-	-
SBB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-
SBB Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
CIMB Bank Nominees (S) Sdn Bhd (formerly known as Southern Nominees (Singapore) Sdn Bhd) [α]	Nominee services	100	100	-	-
SBB Capital Corporation	Special purpose vehicle	100	100	-	-
SFB Auto Berhad	Dormant	100	100	-	-
Common Forge Berhad	Dormant	100	100	-	-
Premier Fidelity Berhad	Dormant	100	100	-	-
Southern Finance Company Berhad	Dormant (In voluntary liquidation)	100	100	-	-
Perdana Visi Hartanah Sdn Bhd	Property investment	100	100	-	-
SFB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are: (Continued)

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	**Principal activities**	**2007 %**	**2006 %**	**2007 %**	**2006 %**
SFB Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-
SBB Capital Markets Sdn Bhd	Investment holding	100	100	-	-
SBB Securities Sdn Bhd	Stock and share broking	-	-	100	100
Mohaiyani Sdn Bhd	Investment holding	-	-	100	100
Mohaiyani Nominees Sdn Bhd	Dormant	-	-	100	100
Mohaiyani Nominees (Tempatan) Sdn Bhd	Dormant	-	-	100	100
Mohaiyani Nominees (Asing) Sdn Bhd	Dormant	-	-	100	100
Cempaka Nominees (Tempatan) Sdn Bhd	Dormant	100	100	-	-
BHLB Trustee Berhad	Trustee services	-	-	73	73
RC Nominees (Tempatan) Sdn Bhd	Nominee services	-	-	100	100
RC Nominees (Asing) Sdn Bhd	Nominee services	-	-	100	100
SBB Sec Research Sdn Bhd	Providing research and management services	-	-	100	100
BHL Venture Berhad	Investment holding	100	100	-	-
BHLB Asset Management Sdn Bhd	Investment holding	-	-	100	100
SBB Unit Trust Management Bhd	Dormant	-	-	100	100
S.B. Properties Sdn Bhd	Property ownership and management	100	100	-	-
Elite Constant Development Sdn Bhd	Construction of building	-	-	100	100

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held: Directly by CIMB Bank 2007 %	2006 %	Through CIMB Bank's subsidiary company 2007 %	2006 %
SFB Development Sdn Bhd	Property investment	100	100	-	-
Seal Line Trading Sdn Bhd	Property investment	-	-	100	100
Southern Investment Bank Berhad	Merchant banking business	80	80	-	-
Perdana Nominees (Tempatan) Sdn Bhd	Nominee services	-	-	80	80
Perdana Nominees (Asing) Sdn Bhd	Nominee services	-	-	80	80
Perdana Mutual Fund Berhad	Dormant	-	-	80	80
Auto ABS One Berhad ∞	Special purpose vehicle	-	-	-	-

The subsidiaries held through PT Bank Niaga Tbk are:

Name of Subsidiary	Principal activities	Percentage of equity held 2007 %	2006 %
PT Niaga Aset Manajemen α (Incorporated in the Republic of Indonesia)	Investment management	-	99.96
PT Saseka Gelora Finance α (Incorporated in the Republic of Indonesia)	Financing services	95.91	93.68

\# Not audited by any member firm of PricewaterhouseCoopers International

α Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

∞ In accordance with IC 112-Consolidation : "Special Purpose Entities", Auto ABS One Berhad (Auto ABS) is consolidated in the Group as the substance of the relationship between CIMB Bank and Auto ABS indicates that Auto ABS is controlled by CIMB Bank

All the subsidiaries, unless otherwise stated, are incorporated in Malaysia.

13 INVESTMENT IN ASSOCIATES

	The Company	
	2007 RM'000	2006 RM'000
Unquoted shares, at cost	3,834	3,834

	The Group	
	2007 RM'000	2006 RM'000
Share of net assets other than premium of associates	101,814	103,348
Premium on acquisition	48,314	25,859
	150,128	129,207

The Group's share of income and expenses of associates are as follows:

	2007 RM'000	2006 RM'000
Income	56,016	161,030
Expenses	(47,597)	(111,798)
Profit before taxation	8,419	49,232
Taxation	(1,021)	(15,116)
Profit for the financial year	7,398	34,116

The Group's share of the assets and liabilities of the associates are as follows:

	2007 RM'000	2006 RM'000
Non-current assets	115,067	113,036
Current assets	151,584	140,714
Current liabilities	(135,242)	(84,672)
Non-current liabilities	(29,595)	(65,730)
Net assets	101,814	103,348

13 INVESTMENT IN ASSOCIATES (CONTINUED)

The direct associate is:

Name of Associate	Principal activities	Percentage of equity held 2007 %	2006 %
Rangkaian Segar Sdn Bhd	Establishment, operation and management of an electronic collection system for toll and transport operators	20	20

The associates held through CAV are:

Name of Associate	Principal activities	Percentage of equity held 2007 %	2006 %
IHS Innovations Sdn Bhd	Provider and consultant specialising in reliability testing systems, vision and imaging systems	20	36.31
Meru Utama Sdn Bhd	General traders and rental of media space on airport baggage trolleys	20	20
Evermal Resources Sdn Bhd	Investment holding company	38.23	38.23
In-fusion Solutions Sdn Bhd	Provision of educational and training related solutions and services to various government bodies and private institutions	20.28	20.28
Fortlab Holdings Sdn Bhd	Investment holding company	40	65

The associate held through CAV's subsidiary, Ekspedisi Yakin Sdn Bhd is:

Name of Associate	Principal activities	Percentage of equity held 2007 %	2006 %
Opera Café Sdn Bhd	Leisure and entertainment services	49	49

13 INVESTMENT IN ASSOCIATES (CONTINUED)

The associate held through CAV's indirect subsidiary, Commerce Agro Ventures Sdn Bhd is:

Name of Associate	Principal activities	Percentage of equity held 2007 %	2006 %
Landas Bina Aquaventures Sdn Bhd	Aquaculture	40	-

The associates held through CAV's subsidiary, Commerce Technology Ventures Sdn Bhd are:

Name of Associate	Principal activities	Percentage of equity held 2007 %	2006 %
Dbix Systems Sdn Bhd	Provision of IT and internet solutions for enterprises	34.99	34.99
Sesama Equilab Sdn Bhd	Dormant	29	29
Consolidated Liquid Eggs Sdn Bhd	Dormant	30	30
Explorium (M) Sdn Bhd	Provider for customer and marketing management services, e-learning, brand experience	30	30
In-fusion Solutions Sdn Bhd	Provision of educational and training related solutions and services to various government bodies and private institutions	20.28	20.28

The associate held through CIMB Bank's subsidiary, CIMB (L) Limited is:

Name of Associate	Principal activities	Percentage of equity held 2007 %	2006 %
Navis-CIMB General Partner Ltd (Incorporated in the Federal Territory of Labuan)	Fund management	25	25

13 INVESTMENT IN ASSOCIATES (CONTINUED)

The associate held through CIMB Group's subsidiary, CIMB Private Equity Sdn Bhd is:

Name of Associate	Principal activities	Percentage of equity held 2007 %	2006 %
Engage Media Sdn Bhd (formerly known as Allied Harmony Sdn Bhd)	Operates out of home digital media network	35	-

The associate held through Bank Niaga is:

Name of Associate	Principal activities	Percentage of equity held 2007 %	2006 %
PT Asuransi Cigna	Life insurance activities	20	20

14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	The Group 2007 RM'000	2006 RM'000
Share of net assets of joint venture	124,448	157,731
Unquoted shares, at cost	125,000	161,693
Less: Allowance for impairment loss	(552)	(3,962)
	124,448	157,731

The joint venture held under CIMB Group is as follows:

Name	Principal activities	Percentage of equity held through subsidiary company 2007 %	2006 %
Proton Commerce Sdn Bhd	Financing of vehicles	50	50

14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

On 22 October 2003, Bumiputra-Commerce Finance Berhad ("BCF") entered into a joint venture agreement with Proton Edar Sdn Bhd ("PESB") for the purposes of building and operating a competitive vehicle financing business in Malaysia for vehicles distributed by PESB. Subsequently, a joint venture company was incorporated under the name of Proton Commerce Sdn Bhd ("PCSB") which is 50%:50% owned by BCF and PESB respectively. PCSB is primarily responsible for developing, managing and marketing hire purchase loans for vehicles sold to the customers of PESB. Pursuant to the joint venture, BCF issued RM200 million Perpetual Preference Shares ("PPS") which were fully subscribed by PCSB. Pursuant to the vesting of the finance company business and the related assets and liabilities of BCF to CIMB Bank and the subsequent capital reduction exercise undertaken by BCF, the BCF PPS were cancelled, and CIMB Bank issued RM200 million PPS to PCSB.

Under the joint venture, the assets and liabilities of PCSB are recorded and accounted for by CIMB Bank in a Special Project Account ("SPA") for and on behalf of PCSB. The respective balances in this SPA as at balance sheet date are consolidated and reported as the assets and liabilities of CIMB Bank Group.

All income and expenses arising from PCSB's activities are recorded in the books of PCSB. At CIMB Bank Group, the 50% share of profit and loss from the operations of PCSB is shown as a line item in the income statement. For the 12 months period ended 2007, PCSB recorded a profit after taxation of RM6,820,000 (2006: RM4,632,000) and CIMB Bank Group's share of this profit is RM3,410,000 (2006: RM2,316,000).

The assets and liabilities in the SPA as at 31 December 2007 are as follows:

	2007 RM'000	2006 RM'000
Assets		
Cash and short-term funds	237	883
Loans and advances	2,064,458	2,165,378
Other assets	4,647	2,396
Held-to-maturity securities	90,000	-
Total assets	2,159,342	2,168,657
Liabilities and equity		
Deposits and placements of banks and other financial institutions	741,833	1,146,187
Amount due to Cagamas Berhad	291,884	340,165
Other liabilities	442,579	482,305
Amount due to related company	483,046	-
Total liabilities	1,959,342	1,968,657
Perpetual preference shares	200,000	200,000
Total liabilities and equity	2,159,342	2,168,657
Commitments and contingencies	9,502	12,632

14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's share of income and expenses of the joint venture is as follows:

	2007 RM'000	2006 RM'000
Income	27,100	27,919
Expenses	(23,314)	(26,086)
Profit before taxation	3,786	1,833
Taxation	(376)	483
Net profit for the financial year	3,410	2,316

The Group's share of the assets and liabilities of the joint venture other than those that are held in trust by CIMB Bank is as follows:

	2007 RM'000	2006 RM'000
Non-current assets	339,062	146,865
Current assets	69,537	14,442
Current liabilities	(35,796)	(3,576)
Long term liabilities	(248,355)	-
Net assets	124,448	157,731

15 PROPERTY, PLANT AND EQUIPMENT

The Group 2007	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost														
At 1 January 2007														
- as previously reported		206,736	72,235	2,719	194,211	188,721	78,889	756,194	450,231	47,761	84,951	15,586	69,358	2,167,592
- change in accounting policy:														
- reclassification to prepaid lease payments	58	-	(72,235)	(2,719)	-	-	(2,934)	-	-	-	-	-	-	(77,888)
As restated		206,736	-	-	194,211	188,721	75,955	756,194	450,231	47,761	84,951	15,586	69,358	2,089,704
Additions		-	-	-	(52,755)	8,736	-	149,872	146,787	8,366	30,372	11,528	194,247	497,153
Disposals/written off		-	-	-	(10,775)	(161)	-	(58,988)	(65,027)	(1,015)	(16,126)	(3,984)	-	(156,076)
Transfer/reclassifications		(48,796)	-	-	71,117	(300)	(10,675)	(33,875)	28,655	(1,969)	(1,529)	(8,383)	5,755	-
Reclassified from prepaid lease payments	17	-	-	-	-	2,745	(785)	-	-	-	-	-	-	1,960
Reclassified (to)/from investment properties	16	16,044	-	-	50,624	(42,310)	(8,709)	-	-	-	-	-	-	15,649
Reclassified to non-current assets held for sale	57	(750)	-	-	(5,069)	(2,572)	(977)	(19,744)	(19,429)	-	(1,320)	-	-	(49,861)
Exchange adjustments		(1,553)	-	-	415	(251)	(343)	(646)	(1,046)	1,454	(112)	-	-	(2,082)
At 31 December 2007		171,681	-	-	247,768	154,608	54,466	792,813	540,171	54,597	96,236	14,747	269,360	2,396,447

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2007	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Accumulated depreciation														
At 1 January 2007														
- as previously reported		-	13,803	1,292	79,392	64,396	27,755	444,290	378,446	21,366	47,431	7,916	-	1,086,087
-change in accounting policy:														
- reclassification to prepaid lease payments	58	-	(13,803)	(1,292)	-	-	(2,050)	-	-	-	-	-	-	(17,145)
As restated		-	-	-	79,392	64,396	25,705	444,290	378,446	21,366	47,431	7,916	-	1,068,942
Charge for the financial year		-	-	-	5,108	3,478	570	99,576	65,346	9,393	8,068	1,724	-	193,263
Disposals/written off		-	-	-	(2,195)	(161)	-	(41,874)	(65,027)	(861)	(13,651)	(2,263)	-	(126,032)
Transfer/reclassifications		-	-	-	(3,323)	2,746	37	(4,999)	577	(635)	3,333	2,264	-	-
Reclassified from prepaid lease payments	17	-	-	-	-	40	-	-	-	-	-	-	-	40
Reclassified (to)/from investment properties	16	-	-	-	3,686	(9,141)	-	-	-	-	-	-	-	(5,455)
Reclassified to non-current assets held for sale	57	-	-	-	(360)	(969)	(759)	(15,055)	(14,851)	-	(1,015)	-	-	(33,009)
Exchange adjustments		-	-	-	13	(74)	(123)	-	(348)	689	(39)	-	-	118
At 31 December 2007		-	-	-	82,321	60,315	25,430	481,938	364,143	29,952	44,127	9,641	-	1,097,867
Net book value at 31 December 2007		171,681	-	-	165,447	94,293	29,036	310,875	176,028	24,645	52,109	5,106	269,360	1,298,580

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2006	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost														
At 1 January 2006														
- as previously reported		98,375	42,263	1,992	134,440	178,860	67,762	503,504	301,710	27,784	55,297	15,125	38,648	1,465,760
- change in accounting policy:														
- reclassification to prepaid lease payments	58	-	(42,263)	(1,992)	-	-	(2,934)	-	-	-	-	-	-	(47,189)
As restated		98,375	-	-	134,440	178,860	64,828	503,504	301,710	27,784	55,297	15,125	38,648	1,418,571
Additions		-	-	-	-	58	2,753	168,250	24,882	12,911	16,197	467	39,068	264,586
Arising from acquisition of subsidiary		109,401	-	-	76,680	16,575	2,176	191,038	167,334	-	23,702	-	315	587,221
Disposals/written off		(1,389)	-	-	(17,906)	(117)	(737)	(105,843)	(47,688)	(1,439)	(11,170)	(6)	(376)	(186,671)
Transfer/reclassification		-	-	-	-	(6,923)	6,923	(1,010)	802	8,505	-	-	(8,297)	-
Exchange adjustments		349	-	-	997	268	12	255	3,191	-	925	-	-	5,997
At 31 December 2006		206,736	-	-	194,211	188,721	75,955	756,194	450,231	47,761	84,951	15,586	69,358	2,089,704

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2006	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Accumulated depreciation														
At 1 January 2006														
- as previously reported		-	8,516	124	59,368	61,481	18,177	258,371	246,836	15,019	30,574	7,266	-	705,732
- change in accounting policy														
- reclassification to prepaid lease payments	58	-	(8,516)	(124)	-	-	(2,050)	-	-	-	-	-	-	(10,690)
As restated		-	-	-	59,368	61,481	16,127	258,371	246,836	15,019	30,574	7,266	-	695,042
Arising from acquisition of subsidiary		-	-	-	23,864	1,934	1,089	130,295	111,991	-	15,196	-	-	284,369
Charge for the financial year		-	-	-	1,719	4,553	2,174	116,089	35,630	8,381	9,588	690	-	178,824
Disposals/written off		-	-	-	(5,779)	-	-	(55,492)	(18,995)	(2,874)	(8,448)	(40)	-	(91,628)
Transfer/reclassification		-	-	-	-	(3,791)	3,791	(843)	(2)	840	5	-	-	-
Exchange adjustments		-	-	-	220	219	2,524	(4,130)	2,986	-	516	-	-	2,335
At 31 December 2006		-	-	-	79,392	64,396	25,705	444,290	378,446	21,366	47,431	7,916	-	1,068,942
Net book value at 31 December 2006		206,736	-	-	114,819	124,325	50,250	311,904	71,785	26,395	37,520	7,670	69,358	1,020,762

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2007	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Cost										
At 1 January 2007										
- as previously reported		5	6,787	31	45,687	3,096	1,110	2,340	75,000	134,056
- change in accounting policy: reclassification to prepaid lease payments	58	(5)	(6,787)	-	-	-	-	-	-	(6,792)
As restated		-	-	31	45,687	3,096	1,110	2,340	75,000	127,264
Additions		-	-	-	-	101	3	-	184,125	184,229
Disposals		-	-	-	-	(1)	-	(433)	-	(434)
At 31 December 2007		-	-	31	45,687	3,196	1,113	1,907	259,125	311,059
Accumulated depreciation										
At 1 January 2007										
- as previously reported		-	1,960	31	15,340	943	577	1,579	-	20,430
- change in accounting policy: reclassification to prepaid lease payments	58	-	(1,960)	-	-	-	-	-	-	(1,960)
As restated		-	-	31	15,340	943	577	1,579	-	18,470
Charge for the financial year		-	-	-	1,372	155	68	283	-	1,878
Disposals		-	-	-	-	(1)	-	(346)	-	(347)
At 31 December 2007		-	-	31	16,712	1,097	645	1,516	-	20,001
Net book value at 31 December 2007		-	-	-	28,975	2,099	468	391	259,125	291,058

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2006	Note	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations, office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Cost										
At 1 January 2006										
- as previously reported		5	6,787	31	45,629	2,174	1,039	2,362	37,500	95,527
- change in accounting policy: reclassification to prepaid lease payments	58	(5)	(6,787)	-	-	-	-	-	-	(6,792)
As restated		-	-	31	45,629	2,174	1,039	2,362	37,500	88,735
Additions		-	-	-	58	922	71	154	37,500	38,705
Disposals		-	-	-	-	-	-	(176)	-	(176)
At 31 December 2006		-	-	31	45,687	3,096	1,110	2,340	75,000	127,264
Accumulated depreciation										
At 1 January 2006										
- as previously reported		-	1,801	31	13,971	817	494	1,240	-	18,354
- change in accounting policy: reclassification to prepaid lease payments	58	-	(1,801)	-	-	-	-	-	-	(1,801)
As restated		-	-	31	13,971	817	494	1,240	-	16,553
Charge for the financial year		-	-	-	1,369	126	83	421	-	1,999
Disposals		-	-	-	-	-	-	(82)	-	(82)
At 31 December 2006		-	-	31	15,340	943	577	1,579	-	18,470
Net book value at 31 December 2006		-	-	-	30,347	2,153	533	761	75,000	108,794

16 INVESTMENT PROPERTIES

The Group	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2007					
At 1 January 2007	16,044	46,938	-	-	62,982
Reclassified (to)/from property, plant and equipment (Note 15)	(16,044)	(46,938)	8,709	33,169	(21,104)
Fair value adjustments	-	-	36,384	19,774	56,158
Exchange fluctuations	-	-	(574)	(41)	(615)
At 31 December 2007	-	-	44,519	52,902	97,421
2006					
Cost					
At 1 January 2006/31 December 2006	16,044	46,938	-	-	62,982

The Company	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
2007			
Cost			
At 1 January 2007/31 December 2007	1,708	4,149	5,857
Accumulated depreciation			
At 1 January 2007	-	1,017	1,017
Charge for the financial year	-	125	125
At 31 December 2007	-	1,142	1,142
Net book value at 31 December 2007	1,708	3,007	4,715
2006			
Cost			
At 1 January 2006/31 December 2006	1,708	4,149	5,857
Accumulated depreciation			
At 1 January 2006	-	893	893
Charge for the financial year	-	124	124
At 31 December 2006	-	1,017	1,017
Net book value at 31 December 2006	1,708	3,132	4,840

17 PREPAID LEASE PAYMENTS

The Group	Note	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Total RM'000
2007				
Cost				
At 1 January				
- as previously reported		-	-	-
- change in accounting policies	58	75,169	2,719	77,888
As restated		75,169	2,719	77,888
Additions		532	10	542
Disposals		(2,410)	-	(2,410)
Reclassified to property, plant and equipment	15	(1,960)	-	(1,960)
Reclassified to non-current assets held for sale	57	(1,176)	-	(1,176)
Exchange adjustments		(2,092)	(54)	(2,146)
At 31 December		68,063	2,675	70,738
Amortisation				
At 1 January				
- as previously reported		-	-	-
- change in accounting policies	58	15,853	1,292	17,145
As restated		15,853	1,292	17,145
Amortisation during the financial year		2,021	221	2,242
Disposals		(16)	-	(16)
Reclassified to property, plant and equipment	15	(40)	-	(40)
Reclassified to non-current assets held for sale	57	(179)	-	(179)
Exchange adjustments		(1,900)	(254)	(2,154)
At 31 December		15,739	1,259	16,998
Net book value at 31 December 2007		52,324	1,416	53,740

17 PREPAID LEASE PAYMENTS (CONTINUED)

The Group	Note	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Total RM'000
2006				
Cost				
At 1 January				
- as previously reported		-	-	-
- change in accounting policies	58	45,197	1,992	47,189
As restated		45,197	1,992	47,189
Arising from acquisition of subsidiary		31,638	915	32,553
Transfer/reclassification		(1,639)	1,639	-
Exchange adjustments		(27)	(1,827)	(1,854)
At 31 December		75,169	2,719	77,888
Amortisation				
At 1 January				
- as previously reported		-	-	-
- change in accounting policies	58	10,566	124	10,690
As restated		10,566	124	10,690
Arising from acquisition of subsidiary		5,104	385	5,489
Amortisation during the financial year		1,085	-	1,085
Transfer/reclassification		(783)	783	-
Exchange adjustments		(119)	-	(119)
At 31 December		15,853	1,292	17,145
Net book value at 31 December 2006		59,316	1,427	60,743

17 PREPAID LEASE PAYMENTS (CONTINUED)

The Company	Note	Leasehold land 50 years or more RM'000	Total RM'000
2007			
Cost			
At 1 January			
- as previously reported		-	-
- change in accounting policies	58	6,792	6,792
As restated/At 31 December		6,792	6,792
Amortisation			
At 1 January			
- as previously reported		-	-
- change in accounting policies	58	1,960	1,960
As restated		1,960	1,960
Amortisation during the financial year		158	158
At 31 December		2,118	2,118
Net book value at 31 December 2007		4,674	4,674
2006			
Cost			
At 1 January			
- as previously reported		-	-
- change in accounting policies	58	6,792	6,792
As restated/At 31 December		6,792	6,792
Amortisation			
At 1 January			
- as previously reported		-	-
- change in accounting policies	58	1,801	1,801
As restated		1,801	1,801
Amortisation during the financial year		159	159
At 31 December		1,960	1,960
Net book value at 31 December 2006		4,832	4,832

18 GOODWILL

	The Group	
	2007 RM'000	2006 RM'000
Cost		
At 1 January	4,503,692	534,618
Goodwill arising from business combinations (Note 55):	102,349	3,965,075
- Kibaru Manufacturing Sdn Bhd	13,007	-
- Vital Remarks Sdn Bhd	2,570	-
- CIMB Wealth Advisors Berhad and SBB Assets Management Sdn Bhd	86,772	-
- SBB Berhad	-	3,965,075
Goodwill arising from acquisition of additional interest in subsidiary	2,025	70,936
Disposal of interest in subsidiary	(50,634)	(66,937)
Reclassified to non-current assets held for sale (Note 57(iv))	(76,574)	-
At 31 December	4,480,858	4,503,692
Impairment		
At 1 January	-	-
Impairment	(9,739)	-
Reclassified to non-current assets held for sale (Note 57(iv))	3,000	-
At 31 December	(6,739)	-
Net book value at 31 December	4,474,119	4,503,692

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating-units ("CGUs"). These CGUs do not carry any intangible assets with indefinite useful lives:

Acquisition	CGU	2007 RM'000	2006 RM'000
CIMB Investment Bank	Corporate and Investment Banking	21,547	21,547
CIMB-Gk Pte Ltd	Corporate and Investment Banking	153,081	153,081
CIMB SI	Corporate and Investment Banking	19,246	19,246
Commerce Asset Ventures	Asset Management	50,210	32,590
Insurance	Insurance	26,549	83,922
Bank Niaga	Foreign Banking Operations	226,639	226,657
SBB Berhad	Retail Banking	1,101,075	1,101,075
	Business Banking	911,000	911,000
	Corporate and Investment Banking	419,000	419,000
	Islamic Banking	136,000	136,000
	Direct Banking Group	587,000	587,000
	Treasury and Investment	537,000	537,000
	Others		
	- arising from acquisition of SBB Group in 2006	76,000	274,000

18 GOODWILL (CONTINUED)

Allocation of goodwill to cash-generating units (Continued)

Acquisition	CGU	2007 RM'000	2006 RM'000
CIMB-Principal Asset Management	Asset Management	281,772	-
Others	Others		
	- arising from business combinations prior to 2007	1,574	1,574
Less: - reclassification to non-current assets held for sale (Note 57)		(73,574)	-
		4,474,119	4,503,692

Impairment test for goodwill

Value-in-use

The recoverable amount of CGUs which are not classified as held for sale is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2007 financial budgets approved by management with any projected cash flow for 5 years based on country and industry specific growth rates covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates and discounted using discount rates which reflect the specific risks relating to the CGU.

The key assumptions used for value-in-use calculations are as follows:

	Growth rate	Discount rate
Corporate and Investment Banking	5.42%	8.43%
Asset Management	6%	8.43%
Foreign Banking Operation	0%	10.85%
Consumer Banking	5.42%	8.43%
Treasury and Investment	5.42%	8.43%
Others	5.42%	8.43%

Fair value less costs to sell

For the CGUs which are associated with the proposed disposals as disclosed in Note 57, the recoverable amount is determined based on the estimated disposal price less any costs to sell. The disposal price is determined based on the net tangible assets of the affected business as at 31 December 2007, plus an estimated premium which has yet to be agreed by both CIMB Bank and the acquirer of the business. An impairment loss of RM3 million was recognised during the financial year.

For the CGUs not held for sale, but whose recoverable amount is based on fair amount is based on fair value less costs to sell, the recoverable amount is based on observable quoted market prices.

Impairment charge

The impairment charge of RM6,739,000 (2006:RM Nil) arises from the Insurance CGU.

19 INTANGIBLE ASSETS

	Credit card customer relationship RM'000	Core deposits RM'000	Securities stockbroking license* RM'000	Computer software RM'000	Total RM'000
The Group					
2007					
Cost or valuation					
At 1 January	153,091	263,612	28,982	236,225	681,910
Additions during the financial year	-	-	-	91,188	91,188
Disposals during the financial year	-	-	-	(41,365)	(41,365)
Exchange difference	-	-	583	(163)	420
At 31 December	153,091	263,612	29,565	285,885	732,153
Amortisation and impairment					
At 1 January	6,833	17,125	-	130,670	154,628
Amortisation during the financial year	12,301	32,303	-	52,872	97,476
Disposals during the financial year	-	-	-	(11,974)	(11,974)
Impaired during the financial year	-	-	-	363	363
Exchange difference	-	-	-	(12,000)	(12,000)
At 31 December	19,134	49,428	-	159,931	228,493
Net book value at 31 December 2007	133,957	214,184	29,565	125,954	503,660

* Securities stockbroking license is not amortised as it has an infinite life. It is assessed for impairment on an annual basis.

19 INTANGIBLE ASSETS (CONTINUED)

	Credit card customer relationship RM'000	Core deposits RM'000	Securities stockbroking license* RM'000	Computer software RM'000	Total RM'000
The Group					
2006					
Cost or valuation					
At 1 January	-	-	-	173,658	173,658
Acquisition of assets and liabilities of SBB	153,091	263,612	-	48,395	465,098
Additions during the financial year	-	-	28,982	16,429	45,411
Disposals during the financial year	-	-	-	(2,257)	(2,257)
At 31 December	153,091	263,612	28,982	236,225	681,910
Amortisation and impairment					
At 1 January	-	-	-	56,690	56,690
Acquisition of assets and liabilities of SBB	-	-	-	26,669	26,669
Amortisation during the financial year	6,833	17,125	-	35,494	59,452
Disposals during the financial year	-	-	-	(183)	(183)
Impaired during the financial year	-	-	-	12,000	12,000
At 31 December	6,833	17,125	-	130,670	154,628
Net book value at 31 December 2006	146,258	246,487	28,982	105,555	527,282

* Securities stockbroking license is not amortised as it has an infinite life. It is assessed for impairment on an annual basis.

The valuation of credit card customer relationship was determined through the sum of the discounted future excess earnings attributable to existing credit card customers over the remaining life span of the customer relationships. Income from existing credit card base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of credit card customer relationship was 11.7%, which is arrived at using the weighted average cost of capital adjusted for the risk premium after taking into consideration the average market cost of equity.

19 INTANGIBLE ASSETS (CONTINUED)

The valuation of core deposits was derived by discounting the anticipated future benefits in the form of net interest savings from core deposits. The discount rate used was 9.6%, which was derived from the average of the weighted average cost of capital and the cost of equity, reflecting the lower risk premium for core deposit intangibles compared with equity returns.

The remaining amortisation period of credit card customer relationship and core deposits range from 6 to 10 years, respectively.

20 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	The Group	
	2007 RM'000	**2006 RM'000**
Demand deposits	25,774,351	21,306,269
Savings deposits	10,465,848	9,406,659
Fixed deposits	65,403,991	64,452,603
Negotiable instruments of deposit	6,829,767	6,655,431
Others	18,392,834	2,398,678
	126,866,791	104,219,640

The maturity structure of fixed deposits and negotiable instruments of deposit is as follows:

	The Group	
	2007 RM'000	**2006 RM'000**
Due less than six months	50,547,423	50,690,415
Six months to less than one year	15,625,574	16,074,117
One year to less than three years	2,770,605	3,176,748
Three years to less than five years	3,289,728	1,166,555
Five years and more	428	199
	72,233,758	71,108,034

20 DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) By type of customer

	The Group	
	2007 RM'000	2006 RM'000
Government and statutory bodies	11,169,600	9,892,743
Business enterprises	65,381,723	49,145,811
Individuals	35,528,579	32,683,060
Others	14,786,889	12,498,026
	126,866,791	104,219,640

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2007 RM'000	2006 RM'000
Licensed banks	8,375,660	5,623,841
Licensed finance companies	18,235	58,706
Licensed investment banks	1,332,565	650,164
Bank Negara Malaysia	1,952,360	365,000
Other financial institutions	1,205,647	324,068
	12,884,467	7,021,779

22 FLOATING RATE CERTIFICATES OF DEPOSIT

	The Group	
	2007 RM'000	2006 RM'000
Floating rate certificates of deposit		
- USD60 million	-	211,800

The USD60 million floating rate certificates of deposit issued by CIMB Bank (L) Limited, a subsidiary of CIMB Bank, are guaranteed by CIMB Bank and carry floating interest rates calculated with a spread based on LIBOR. It matured on 8 April 2007.

23 OTHER LIABILITIES

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest payable	616,956	698,107	28,009	24,967
Due to brokers and clients	2,208,599	1,279,753	-	-
Amount due to special purpose vehicle of jointly controlled entity	483,046	-	-	-
Expenditure payable	657,741	369,186	-	-
Short-term borrowings (Note 26)	75,266	63,129	-	-
Provision for legal claims	267,230	203,028	-	-
Sundry creditors	186,811	168,819	-	-
Insurance fund – life and takaful insurance business	1,971,650	1,419,059	-	-
Insurance fund – general insurance business (a)	-	414,375	-	-
Provision for commitments and contingencies (b)	4,035	3,184	-	-
Post employment benefit obligations (Note 24)	71,290	81,022	110	30
Others	1,730,901	1,256,513	81,202	7,085
	8,273,525	5,956,175	109,321	32,082

(a) General insurance business

	The Group	
	2007 RM'000	2006 RM'000
Provision for outstanding claims	-	249,371
Unearned premium reserve	-	165,004
	-	414,375

(b) The movements in provision for commitments and contingencies are as follows:

	The Group	
	2007 RM'000	2006 RM'000
At 1 January	3,184	3,776
Provision made during the financial year	1,439	346
Amount written back in respect of recoveries	(588)	(938)
At 31 December	4,035	3,184

24 POST EMPLOYMENT BENEFIT OBLIGATIONS

		The Group		The Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Defined contribution plan – EPF	(a)	10,654	4,801	110	30
Defined benefit plans	(b)	60,636	76,221	-	-
		71,290	81,022	110	30

(a) Defined contribution plan

Group companies incorporated in Malaysia contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(b) Defined benefit plans

The Group operates final salary defined benefit plans for its employees in Malaysia and Indonesia, the assets of which are held in separate trustee-administered funds. The latest actuarial valuations of the plans in Indonesia and Malaysia were carried out as at 14 December 2007 and 31 December 2007 respectively.

The provision for defined benefit obligation of an indirect subsidiary, South East Asian Bank Limited has been reclassified to non-current assets held for sale during the current financial year.

The amount recognised in the balance sheet in respect of defined benefit plans is as follows:

	The Group	
	2007 RM'000	2006 RM'000
Present value of funded obligations	318,032	299,399
Fair value of plan assets	(288,677)	(244,865)
Status of funded plan	29,355	54,534
Present value of unfunded obligations	-	291
Unrecognised actuarial gains	8,141	2,188
Unrecognised past service costs	-	291
Unrecognised transition liability	23,140	18,917
Liability	60,636	76,221

24 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The amount recognised in the income statement in respect of defined benefit plans is as follows:

	The Group	
	2007 RM'000	2006 RM'000
Current service costs	14,556	17,508
Interest costs	24,603	27,191
Expected return on plan assets	(24,544)	(22,470)
Net actuarial losses recognised during the year	(3,342)	(14,088)
Past service costs	-	50
Amortisation of transition liability	11,253	19,308
Curtailment/settlement costs	-	3,390
Total included in personnel costs (Note 39)	22,526	30,889

The actual return on plan assets of the Group was RM33,001,054 (2006: RM19,319,827).

The movements in the defined benefit obligation over the financial year are as follows:

	The Group	
	2007 RM'000	2006 RM'000
At 1 January	299,399	307,568
Current service costs	14,556	17,508
Interest costs	24,603	27,191
Actuarial gains/(losses)	19,190	(2,061)
Benefits paid	(7,913)	(4,394)
Liabilities reclassified as non-current assets held for sale	(1,860)	-
Past service cost-vested benefits	(7,570)	-
Settlements	-	(50,350)
Exchange fluctuation	(22,373)	3,937
At 31 December	318,032	299,399

24 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The movements in the fair value of plan assets for the financial year are as follows:

	The Group	
	2007 RM'000	**2006 RM'000**
At 1 January	244,865	240,653
Expected return on plan assets	24,544	22,470
Actuarial gains	23,323	6,682
Employer contributions	20,652	26,731
Contribution by plan participant	3,396	3,234
Assets reclassified as non-current assets held for sale	(1,481)	-
Benefits paid	(5,676)	(3,125)
Settlements	-	(53,675)
Exchange fluctuation	(20,946)	1,895
At 31 December	288,677	244,865

The principal actuarial assumptions used in respect of the Group's defined benefit plans are as follows:

	The Group	
	2007 %	**2006 %**
Discount rates	6.00	8.13
Expected return on plan assets	6.25	8.38
Future salary increases	5.00	6.50

Expected contribution to post employment benefits plan for the financial year ending 31 December 2008 is RM18,471,000 to the Group.

	2007 RM'000	**2006 RM'000**	**2005 RM'000**	**2004 RM'000**	**2003 RM'000**
The Group					
As at 31 December					
Present value of defined benefit obligation	318,032	299,399	307,568	272,318	137,027
Fair value of plan assets	(288,677)	(244,865)	(240,563)	(209,415)	(73,103)
Deficit	29,355	54,534	67,005	62,903	63,924
Experience adjustments on plan liabilities	19,190	(2,061)	1,686	(2)	-
Experience adjustments on plan assets	23,323	6,682	-	-	-

25 LOAN STOCKS

	The Group 2007 RM'000	The Group 2006 RM'000
Negotiable certificates of deposits	-	41,610

	The Group 2007 RM'000	The Group 2006 RM'000
Maturity structure of loan stocks is as follows:		
- One year to less than two years	-	41,610

The negotiable certificates of deposits issued are unsecured. The details of the negotiable certificates of deposits are as follows:

Principal segregated by maturity year	Range of fixed interest rate per annum (%)	The Group 2007 RM'000	The Group 2006 RM'000
Year 2008	3.60	-	41,610

26 SHORT-TERM BORROWINGS

	The Group 2007 RM'000	The Group 2006 RM'000
Revolving credit facilities	75,266	63,129

The revolving credit facilities from financial institutions are unsecured and carry interest rates between 6.25% to 10.64% (2006: 7.5% to 16.75%) per annum.

27 BONDS

		The Group		The Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
8.35% Redeemable unsecured RM bonds 2001/2008	(a)	250,000	250,000	250,000	250,000
USD zero coupon guaranteed convertible bonds 2004/2009	(b)	22,921	390,052	-	-
Redeemable asset-backed bonds	(c)	31,772	144,475	-	-
		304,693	784,527	250,000	250,000

27 BONDS (CONTINUED)

(a) 8.35% Redeemable unsecured RM bonds 2001/2008

The main features of the 8.35% RM250 million nominal value redeemable unsecured RM bonds are as follows:

(i) Nominal value of the RM bonds is RM250 million.

(ii) The RM bonds will mature on 22 May 2008.

(iii) The RM bonds are represented by a Global Certificate deposited with BNM and is exchangeable for definitive bearer only in certain limited circumstances.

(iv) The RM bonds are in denominations or multiples of RM1,000.

(v) The RM bonds are constituted by a Trust Deed dated 4 May 2001 made between the Company and the Trustees to act for the benefit of the bondholders.

(vi) The RM bonds bear interest at 8.35% per annum on the nominal value of the outstanding bonds, payable semi annually.

(vii) The RM bonds will be redeemed by the Company at their nominal value together with interest accrued to the date of redemption.

(viii) The bonds shall constitute direct, unconditional, subordinated and unsecured obligations of the Company.

(b) USD zero coupon guaranteed convertible bonds 2004/2009 ("USD Convertible Bonds")

The main features of the USD convertible bonds are as follows:

(i) The USD convertible bonds are issued by a special purpose vehicle, a subsidiary, Commerce Capital (Labuan) Ltd, and are guaranteed by the Company.

(ii) The nominal value of the USD convertible bonds is USD125 million.

(iii) The USD convertible bonds will mature on 22 September 2009.

(iv) The USD convertible bonds are convertible by holders into ordinary shares, par value RM1.00 per share, of the Company at any time on or after 22 October 2004 but prior to 8 September 2009. The conversion price was initially RM6.03 per share upon issuance. Effective from 28 September 2007, the conversion price was revised to RM5.88 per share pursuant to a capital distribution by the Company.

(v) The USD convertible bonds are listed on Labuan International Financial Exchange Inc. and Singapore Exchange Securities Trading Limited.

(vi) Unless the USD convertible bonds have been previously redeemed, repurchased and cancelled or converted, the issuer will redeem the USD convertible bonds on the maturity date at 107.758% of the principal amount.

27 BONDS (CONTINUED)

(b) USD zero coupon guaranteed convertible bonds 2004/2009 ("USD Convertible Bonds") (Continued)

The USD convertible bonds are recognised in the balance sheet as follows:

	The Group	
	2007 RM'000	2006 RM'000
Face value	475,000	475,000
Conversion of bond to ordinary shares of the Company	(449,920)	(99,940)
	25,080	375,060
Realisation of foreign exchange loss on conversion	(3,254)	-
Interest expense	1,095	14,992
Balance at 31 December	22,921	390,052
Current	1,095	34,069
Non-current	21,826	355,983
	22,921	390,052

(c) Redeemable asset-backed bonds

	The Group	
	2007 RM'000	2006 RM'000
Nominal value of bonds		
- 4.50% Redeemable asset-backed bonds 2003/2007	-	83,742
- 5.00% Redeemable asset-backed bonds 2003/2009	32,059	62,464
	32,059	146,206
Less: Unaccreted discounts	(287)	(1,731)
	31,772	144,475
Discount upon issuance	712	7,104
Less: Accumulated accretion	(425)	(5,373)
Unaccreted discounts as at 31 December	287	1,731

The Group's Hire Purchase Receivables Securitisation Programme is funded through the issuance of bonds by a special purpose vehicle, Auto ABS One Berhad, and deferred consideration owing by I-Prestige Sdn Bhd to CIMB Bank. The scheme and the issuance of Bonds are in compliance with the Securities Commission's "Guidelines on the Offering of Asset-Backed Debt Securities".

28 IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") – DETACHABLE COUPONS

	The Group	
	2007 RM'000	2006 RM'000
Detachable coupons from 7.5% ICULS 2001/2011	9,282	32,982

The 7.5% ICULS 2001/2011 were issued by CIMB Bank.

The Company with CIMB Investment Bank as the arranger purchased the ICULS from CIMB Bank and CIMB Investment Bank restructured the ICULS, where the Coupons were detached from the ICULS and placed out to investors.

Nominal value of the ICULS are RM667,000,000 in denomination or multiples of RM1,000 with detachable coupons.

The main features of the Detachable Coupons ("the Coupons") are as follows:

(i) Nominal value of the Coupons are RM500,250,000 and are issued in bearer form in multiples of RM1,000 and constituted by the Trust Deed.

(ii) The Coupons mature over ten tranches with tenures ranging from one to ten years from the date of issue of the ICULS.

(iii) The Coupons represent the interest of the ICULS and as such, bear no further interest.

(iv) Each Coupon entitles the Coupon holder to redeem the Coupon at their respective nominal values.

(v) The Coupons shall constitute direct, unconditional, subordinated and unsecured obligations of CIMB Bank.

29 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") 2006/2008

	The Group and the Company	
	2007 RM'000	2006 RM'000
Redeemable convertible unsecured loan stocks ("RCULS") 2006/2008	1,803	14,199

29 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") 2006/2008 (CONTINUED)

The RCULS were issued by the Company as integral part of the settlement on the acquisition of SBB Group. The main features of the RCULS are as follows:

(i) The RCULS were issued on 17 July 2006 with issue size of 14,122,185 RCULS with coupon.

(ii) The issue price and nominal value of the RCULS is RM1.04 per RCULS.

(iii) The coupon bears interest of 2.5% per annum in arrears on the anniversary of the Issue Date during the tenure of the RCULS.

(iv) The RCULS will mature on 16 July 2008.

(v) The RCULS are convertible into new share of the Company during the Conversion Period based on the following formula:

No. of new Shares of the Company = Issue Price/ Conversion Price ("Conversion Formula").

(vi) The RCULS are convertible into new shares of the Company at anytime, from the Issue Date up to the Maturity Date, at the option of the RCULS holder.

(vii) The RCULS are redeemable at the Issue Price at anytime from the Issue Date up to the Maturity Date, at the option of the RCULS holders, and unless previously converted or redeemed, the RCULS which are not converted into the new Shares of the Company during the Conversion Period shall automatically be redeemable at the Nominal Value on the Maturity Date.

(viii) The RCULS are governed by the laws of Malaysia.

In accordance with FRS 132 - Financial Instruments : Disclosure and Presentation, the fair values of the liability component and the equity conversion component were determined upon the issuance of the RCULS. The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible loan stock. The residual amount, representing the value of the equity conversion component, net of deferred tax liability, is included in shareholders' equity in reserves, as detailed in Note 34 to the Financial Statements.

29 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") 2006/2008 (CONTINUED)

The RCULS are recognised in the balance sheet as follows:

	The Group and the Company	
	2007 RM'000	2006 RM'000
Face value	14,687	14,687
Conversion of RCULS to ordinary shares of the Company	(13,150)	-
Equity conversion component (Note 34)	44	(454)
Deferred tax liability	(23)	(177)
Liability component	1,558	14,056
Interest expense	245	143
Liability component at 31 December	1,803	14,199
Current	1,803	311
Non-current	-	13,888
	1,803	14,199

Interest expense on the RCULS is calculated on the effective yield basis by applying the effective interest rate of 4.8% for an equivalent non-convertible loan stock to the liability component of the RCULS.

30 OTHER BORROWINGS

		The Group		The Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Syndicated term loan – USD140 million	(a)	-	494,200	-	-
Syndicated term loan – USD300 million	(b)	992,100	1,059,000	-	-
Syndicated term loan – USD1.095 billion	(c)	-	3,864,537	-	-
Bridging loan	(d)	-	1,000,000	-	1,000,000
Syndicated term loan – USD100 million	(e)	330,700	-	330,700	-
Commercial Papers/Medium Term Notes	(f)	1,288,211	-	1,288,211	-
Term loan	(g)	1,380,000	-	1,380,000	-
Others		761,156	597,524	-	-
		4,752,167	7,015,261	2,998,911	1,000,000

30 OTHER BORROWINGS (CONTINUED)

(a) In 2004, a subsidiary, CIMB Bank (L) Limited secured a 3-year syndicated term loan facility amounting to USD140 million. The syndicated term loan has matured on 8 April 2007. It bore interest rate of LIBOR + 0.25% per annum.

(b) In 2006, a subsidiary, CIMB Bank (L) Limited secured a term loan which will mature on 22 June 2011. It bears floating interest rates of LIBOR + 0.19% per annum.

(c) In 2006, a subsidiary, Commerce Capital (Labuan) Ltd secured a syndicated term loan amounting to USD1.095 billion. It bore floating interest rate of LIBOR + 0.17% per annum. The syndicated term loan has matured on 5 September 2007.

(d) The Company secured a bridging loan which was fully settled during the year. It bore floating interest rates of KLIBOR (6 month) + 0.3% to 0.5% per annum.

(e) In 2007, the Company secured a syndicated term loan amounting to USD100 million which will mature on 4 September 2010. It bears floating interest rate of LIBOR + 0.16% per annum.

(f) In 2007, the Company issued Conventional Commercial Papers ("CP") and Conventional Medium Term Notes ("MTN") amounting to RM950,000,000 and RM350,000,000 respectively, as follows:

(i) The CPs were issued at discount on zero coupon basis. The discount rate ranges from 3.62% to 3.70%. The tenor ranges from 3 months to 6 months; and

(ii) The MTN was issued at par. It carries a fixed interest rate of 3.93% per annum. It will mature on 4 March 2009.

(g) In 2007, the Company secured a term loan amounting to RM1.38 billion which is divided into two tranches:

(i) RM690 million term loan which will mature on 4 September 2010. It bears fixed interest rate of 4.05% per annum; and

(ii) RM690 million term loan which will mature on 4 September 2012. It bears fixed interest rate of 4.25% per annum.

31 SUBORDINATED NOTES

		The Group	
		2007 RM'000	2006 RM'000
Subordinated Notes 2003/2013	(a)	1,024,264	1,065,186
Subordinated Notes 2006/2014	(b)	339,865	353,198
Subordinated Notes 2005/2015	(c)	328,620	350,735
Subordinated Notes 2002/2012	(d)	-	300,000
Subordinated Notes 2004/2014	(e)	640,727	698,135
		2,333,476	2,767,254

31 SUBORDINATED NOTES (CONTINUED)

(a) Subordinated Notes 2003/2013

During the financial year, the Group has undertaken a fair value hedge on the foreign exchange risk and interest rate risk of the USD300 million subordinated note using cross currency interest rate swaps and interest rate swaps.

	The Group	
	2007 RM'000	2006 RM'000
Subordinated notes, at par	1,140,000	1,140,000
Fair value changes arising from fair value hedges	32,164	6,186
Foreign exchange translations	(147,900)	(81,000)
	1,024,264	1,065,186

The fair values of outstanding cross currency interest rate swaps and interest rate swaps at 31 December 2007 were RM106,801,000 (2006: RM82,525,000) and RM3,558,000 (2006: RM17,452,000) respectively.

The main features of the USD300 million Subordinated Notes due 2013 Callable with Step-up in 2008 issued in 2003 ("The Notes") are as follows:

(i) The Notes are in bearer form, serially numbered and in denominations of USD1,000, USD10,000 and USD100,000.

(ii) The Notes bear interest at the rate of 5.125% per annum from and including 16 October 2003 to, but excluding, 16 October 2008 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 3.55%. Interest will be payable semi-annually in arrears on 16 April and 16 October, in each year, commencing 16 April 2004.

(iii) The Notes and Coupons constitute direct and unsecured obligations of the Issuer and are subordinated in the manner described in the Conditions of the Notes and, for the avoidance of doubt, rank pari passu with the Issuer's 7.5% RM667 million ICULS with detachable coupons 2001/2011. The Notes and the Coupons rank and will rank pari passu without any preference among themselves.

(iv) The principal of, and interest and any additional amounts payable on, the Notes will be subordinated in right of payment upon occurrence of any Winding Up Proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or subordinated to the Notes.

(v) The Issuer may at its option, but subject to the prior written approval of Bank Negara Malaysia ("BNM"), redeem the Notes on 16 October 2008 at their principal amount plus accrued interest.

31 SUBORDINATED NOTES (CONTINUED)

(b) Subordinated Notes 2006/2014

On 12 June 2006, CIMB Bank Berhad issued a USD100 million subordinated loan due on 2014 callable with step-up in 2009.

The main features of the USD100 million subordinated loan due 2014 Callable with Step-up in 2009 issued in 2006 are as follows:

(i) The loan bears interest at the rate of 5% per annum from, and including 12 June 2006 to, but excluding 15 October 2008 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 3.7%.

(ii) The interest is payable semi-annually in arrears on 15 April and 15 October in each year, commencing on 12 June 2006.

(c) Subordinated Notes 2005/2015

The Subordinated Notes Callable with Step-Up in 2010 Coupon 2005/2015 were issued by a subsidiary bank, PT Bank Niaga.

The main features of the Subordinated Notes are as follows:

(i) The USD 100,000,000 Notes are issued in registered form and are represented by the Global Certificate and in denominations of USD 1,000.

(ii) The Notes will bear interest at the rate of 7.75 per cent per annum from and including 14 July 2005 to, but excluding, 14 July 2010 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 6.1875 per cent. Interest will be payable semi-annually in arrears on 14 January and 14 July, in each year, commencing 14 January 2006.

(iii) The Notes and Coupons constitute direct and unsecured obligations of the Issuer and are subordinated in the manner described in the Conditions of the Notes and will rank pari passu without any preference among themselves. The instrument is listed on the Singapore Exchange.

(iv) The principal of, and interest and any additional amounts payable on, the Notes will be subordinated in right of payment upon occurrence of any Winding Up Proceeding (as defined in the Condition of the Notes) to the prior payment in full of all deposit liabilities and all other liabilities of the Issuer except, in each case, to those liabilities which by their terms rank equally in right of payment with or are subordinate to the Notes.

(v) PT Bank Niaga may at its option, but subject to the prior written approval of Bank Indonesia, redeem the Notes on 14 July 2010 at their principal amount plus accrued interest.

31 SUBORDINATED NOTES (CONTINUED)

(d) Subordinated Notes 2002/2012

The RM300 million 10-year non-callable 5-year subordinated bonds ("the Bonds") were issued by SBB on 29 November 2002. The Bonds bore interest at 8.0% per annum payable semi-annually in arrears for the first 5 years from the issue date, after which interest rate will be reset to 10.25% per annum until maturity date. The Bonds qualify as Tier-2 Capital for the purpose of the risk-weighted capital ratio computation ("RWCR").

On each anniversary subsequent to the 5 years from the issue date, CIMB Bank may redeem the Bonds in full or in part subject to the approval of Bank Negara Malaysia.

During the financial year, CIMB Bank fully redeemed the Bonds upon obtaining approval from BNM.

(e) Subordinated Notes 2004/2014

The USD200 million 10-year subordinated notes ("the USD200 million Notes") were issued by SBB on 30 June 2004. The USD200 million Notes were issued at a price of 99.028% of the principal amount and are callable with step-up in 2009. The USD200 million Notes bear an interest rate of 6.125% per annum payable semi-annually in arrears for the first 5 years, after which interest rate will be reset at a rate per annum equal to the 5-year US Treasury Rate plus 3.925%.

After the vesting of SBB's assets and liabilities to CIMB Bank, CIMB Bank may at its option, subject to the prior approval of Bank Negara Malaysia, redeem the USD200 million Notes in whole but not in part, on 30 June 2009 at their principal amount plus accrued interest.

The USD200 million Notes were listed on the Luxembourg Stock Exchange on 30 June 2004 and qualify as Tier-2 Capital for the purpose of the risk weighted capital ratio ("RWCR") computation.

32 SHARE CAPITAL

	The Group and The Company	
	2007 RM'000	**2006 RM'000**
Ordinary shares of RM1.00 each:		
Authorised:		
At 1 January/31 December	5,000,000	5,000,000
Issued and fully paid shares of RM1.00 each:		
At 1 January	3,184,429	2,756,398
Issued during the year:		
- exercise of Employee Share Option Scheme	13,501	31,291
- conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009	59,520	16,997
- conversion of Redeemable Convertible Unsecured Loan stocks	1,806	-
- private placement of new shares (Note 52(b))	117,000	-
- cancellation of treasury shares (Note 35(b))	(2,075)	-
- restructuring exercise of CIMBB	-	319,085
- exercise of modified EESOS and CEO Option of CIMBB	-	60,658
At 31 December	3,374,181	3,184,429

32 SHARE CAPITAL (CONTINUED)

The issued and paid-up share capital of the Company increased upon the issuance of the new Company shares pursuant to the exercise of Employee Share Option Scheme (ESOS), conversion of USD Zero Coupon guaranteed convertible bonds, conversion of RCULS, private placement of new shares and reduction of share capital pursuant to cancellation of treasury shares.

The main features of the conversion of USD Zero Coupon guaranteed convertible bonds and the conversion of RCULS are described in Note 27 (b) and Note 29 respectively to the Financial Statements.

Employee Share Option Scheme

On 20 November 2002, the Company implemented an Employee Share Option Scheme ("ESOS 2002/2007"). The ESOS 2002/2007 is governed by the by-laws which were approved by the shareholders on 26 April 2002.

The main features of the ESOS 2002/2007 scheme are:

(a) Eligible persons are employees of the Group who have been in the employment of the Group (excluding CIMBB and the Company's associates) when an offer is made in writing to an employee to participate in the Scheme. The eligibility for participation in the Scheme shall be at the discretion of the Board of Directors.

(b) The total number of new ordinary shares available under the Scheme had not exceeded 10% of the total issued and paid-up share capital of the Company at any point of time during the existence of the Scheme, which was in force for a period of five years, and had expired on 19 November 2007.

(c) No option shall be granted for less than 1,000 shares and shall always be in multiples of 1,000 ordinary shares.

(d) The subscription price for each RM1.00 share shall be higher of the following:

    (i) the weighted average market price of the shares of the Company as shown in the Daily Official List of the Bursa Malaysia Securities Berhad for the five market days immediately preceding the offer date with an allowance for a discount of not more than ten per centum therefrom at the Option Committee's discretion; or

    (ii) the par value of the shares of the Company.

(e) The consideration is payable in full on application. The options granted do not confer any right to participate in any share issue of any other company.

32 SHARE CAPITAL (CONTINUED)

Employee Share Option Scheme (Continued)

On 22 November 2002, 211,448,000 share options were offered at an option price of RM3.13 per share option to eligible employees.

Subsequent share options were offered to eligible employees as follows:

(a) On 29 December 2003, 10,994,000 share options were offered at an option price of RM3.62 per share option (being the 5 days weighted average price from 19 December 2003 to 26 December 2003, net of 10% discount).

(b) On 7 January 2004, 351,000 share options were offered at an option price of RM3.69 per share option (being the 5 days weighted average price from 26 December 2003 to 5 January 2004, net of 10% discount).

(c) On 14 October 2004, 37,721,000 share options were offered at an option price of RM4.05 per share option (being the 5 days weighted average price from 7 October 2004 to 13 October 2004, net of 10% discount).

These issuances have similar main features with the first issuance and are governed by the similar by-laws which were approved by the shareholders on 26 April 2002.

Set out below are details of options over the ordinary shares of the Company granted under the ESOS 2002/2007:

Grant date	Expiry date	Exercise price RM/share	At start of year '000	Exercised '000	Lapsed '000	At end of year '000
Year ended 31.12.2007						
22 November 2002	19 November 2007	3.13	14,699	(8,685)	(6,014)	-
29 December 2003	19 November 2007	3.62	1,421	(780)	(641)	-
7 January 2004	19 November 2007	3.69	16	(16)	-	-
14 October 2004	19 November 2007	4.05	7,126	(4,020)	(3,106)	-
			23,262	(13,501)	(9,761)	-
Year ended 31.12.2006						
22 November 2002	19 November 2007	3.13	33,148	(18,449)	-	14,699
29 December 2003	19 November 2007	3.62	3,120	(1,699)	-	1,421
7 January 2004	19 November 2007	3.69	50	(34)	-	16
14 October 2004	19 November 2007	4.05	18,235	(11,109)	-	7,126
			54,553	(31,291)	-	23,262

32 SHARE CAPITAL (CONTINUED)

Employee Share Option Scheme (Continued)

	The Company 2007 '000	2006 '000
Number of share options vested at balance sheet date	-	23,262

Details relating to options exercised during the year are as follows:

Exercise date	Fair value of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued 2007 '000	2006 '000
ESOS				
January 2006 – December 2006	4.46 – 5.90	3.13	-	18,449
January 2006 – December 2006	4.46 – 5.90	3.62	-	1,699
January 2006 – December 2006	4.46 – 5.90	3.69	-	34
January 2006 – December 2006	4.46 – 5.90	4.05	-	11,109
January 2007 – December 2007	5.50 – 7.95	3.13	8,685	-
January 2007 – December 2007	5.50 – 7.95	3.62	780	-
January 2007 – December 2007	5.50 – 7.95	3.69	16	-
January 2007 – December 2007	5.50 – 7.95	4.05	4,020	-
			13,501	31,291

	2007 RM'000	2006 RM'000
Ordinary share capital - at par	13,501	31,291
Share premium	32,844	77,724
Proceeds received on exercise of share options	46,345	109,015
Fair value at exercise date of shares issued	139,934	203,467

33 PREFERENCE SHARES

(a) Non-cumulative guaranteed preference shares

	The Group	
	2007 RM'000	**2006 RM'000**
Authorised		
Non-cumulative guaranteed preference shares of RM0.10 each		
At 1 January	20	-
Created during the financial year	-	20
At 31 December	20	20
Issued and fully paid		
Non-cumulative guaranteed preference shares of RM0.10 each		
At 1 January	698,728	-
Redeemed during the year	(17,695)	-
Issued during the year	35,000	698,728
At 31 December	716,033	698,728

The USD200 million 6.62% Non-cumulative Guaranteed Preference Shares were issued on 2 November 2005 by SBB Capital Corporation ("SCC"), a wholly owned subsidiary company of CIMB Bank incorporated in Labuan. In accordance with FRS 132 ("Financial Instruments: Disclosure and Presentation"), the SCC Preference Shares are recognised as financial liability in the Financial Statements. The main features of the SCC Preference Shares are as follows:

(i) The SCC Preference Shares are entitled to dividends which are payable in arrears on 2 May and 2 November up to and including 2 November 2015 at a fixed rate of 6.62% per annum.

(ii) On 2 November 2015 (First Optional Redemption Date) and on each dividend date thereafter, SCC may at its option, subject to the prior approval of Bank Negara Malaysia, redeem the SCC Preference Shares in whole but not in part, at their principal amount plus accrued but unpaid dividends. If the SCC Preference Shares are not called on 2 November 2015, dividends will be reset at a floating rate per annum equal to three-month LIBOR plus 2.53%, payable quarterly on 2 February, 2 May, 2 August and 2 November.

(iii) The SCC Preference Shares will not be convertible into ordinary shares.

(iv) The SCC Preference Shares are guaranteed by CIMB Bank on a subordinated basis. If the SCC Preference shares have not been redeemed in full on or prior to 2 November 2055, CIMB Bank shall cause the substitution of the SCC Preference Shares with Preference Shares issued by CIMB Bank (Substitute Preference Shares) and the SCC Preference Shares shall be mandatory exchanged for such Substitute Preference Shares having economic terms which are in all material aspects equivalent to those of the SCC Preference Share.

The SCC Preference Shares were admitted to the Official List of the Singapore Exchange Securities Trading Limited and Labuan International Financial Exchange Inc on 4 November 2005 and 24 November 2005 respectively and qualify as Tier-1 Capital for the purpose of the RWCR computation, subject to the limit as prescribed in the "Guidelines on Innovative Tier 1 Capital Instruments" issued by Bank Negara Malaysia on 24 December 2004.

33 PREFERENCE SHARES (CONTINUED)

(b) Redeemable preference shares

	The Group	
	2007 RM'000	2006 RM'000
Authorised		
Redeemable preference shares of RM1.00 each		
At 1 January	1,000	-
Created during the year	-	1,000
At 31 December	1,000	1,000
Issued and fully paid		
Redeemable preference shares of RM1.00 each		
At 1 January	100,000	-
Created during the year	-	1,000
Reclassified from share premium on preference shares (Note 59)	-	99,000
At 31 December	100,000	100,000

On 2 October 2006, a subsidiary, Commerce Agro Ventures Sdn Bhd ("CAgV"), has allotted and issued redeemable preference shares ("RPS") to BNM amounting to RM100,000,000, comprising RM1,000,000 at nominal value and RM99,000,000 at premium.

The main features of the RPS are as follows:

(i) The RPS do not carry any fixed dividends.

(ii) In the event of winding-up of CAgV or other repayment of capital, the RPS carry the right to have the surplus assets applied first in paying off the RPS holders.

(iii) The RPS rank pari passu in all aspects among themselves.

(c) Perpetual preference shares

	The Group	
	2007 RM'000	2006 RM'000
Authorised		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	500,000	500,000
Issued and fully paid		
Perpetual preference shares of RM1.00 each		
At 1 January/31 December	200,000	200,000

33 PREFERENCE SHARES (CONTINUED)

(c) Perpetual preference shares (Continued)

The main features of the new Perpetual Preference Shares ("PPS") are as follows:

(i) The PPS has no right to dividends.

(ii) In the event of liquidation, dissolution or winding-up of CIMB Bank, Proton Commerce Sdn Bhd ("PCSB") as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of CIMB Bank.

(iii) The PPS rank pari passu in all aspects among themselves.

(iv) CIMB Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act, 1965 and as approved by Bank Negara Malaysia.

34 RESERVES

		The Group		The Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Share premium		5,174,172	3,642,043	5,174,172	3,642,043
Statutory reserves	(a)	2,238,738	1,909,044	-	-
Capital reserve		108,122	113,855	2,075	-
Exchange fluctuation reserves	(b)	(405,625)	(149,347)	-	-
Revaluation reserve – available-for-sale securities		640,024	145,593	-	-
Retained profits	(c)	4,676,131	3,195,740	1,335,256	665,518
Other reserves					
- compound financial instruments (equity component) (Note 29)		44	454	44	454
- hedging reserve – cash flow hedge		(2,804)	(4,527)	-	-
- options reserve	(d)	48,668	8,820	-	-
		12,477,470	8,861,675	6,511,547	4,308,015

(a) The statutory reserves of the Group are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and include a reserve maintained by a subsidiary in compliance with the Bursa Malaysia Securities Berhad Rules and Regulations. These reserves are not distributable by way of cash dividends.

(b) Exchange translation differences have arisen from translation of net assets of Labuan Offshore subsidiaries, foreign subsidiary banks and foreign branches.

(c) Subject to agreement by Inland Revenue Board, the Company's tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 are sufficient to frank dividends out of all its retained profits as at 31 December 2007.

(d) The option reserve arose from the employee share option schemes granted to Directors and employees of the Group, which are deemed equity-settled payment under FRS 2. See Note 47 for the terms of the share options and movements in the number of share options.

35 SHARES HELD UNDER TRUST AND TREASURY SHARES

(a) Shares held under trust

	The Group	
	2007 RM'000	2006 RM'000
At 1 January	261,574	-
Created during the financial year	-	291,158
Utilised during the financial year	(154,408)	(29,584)
At 31 December	107,166	261,574

As an integral part of the CIMBB's restructuring exercise, the then existing CIMBB's ESOS, CEO option and Employee Equity Scheme ("EES") ceased to have any value pursuant to the delisting from Bursa Malaysia Securities Berhad. Accordingly, consistent with the fair treatment to all Executive Employees and the spirit of continuity of the scheme in existence, the schemes were modified with terms and conditions remaining and subsequently called the Modified EESOS and Modified CEO option. For the EES, the remaining options were accelerated and exercised prior to the completion of the CIMBB's restructuring.

The CIMBB restructuring exercise and the schemes were approved by the shareholders of the Company during the Extraordinary General Meeting held on 8 September 2005. The modified schemes entailed the following;

(i) The setting up of a trust to subscribe for all the remaining CIMBB shares under the unexercisable tranches under the CIMBB ESOS ("ESOS Trust") and CEO option ("CEO Trust") respectively prior to the implementation of the CIMBB restructuring. The subscription was facilitated through an accelerated vesting of the unexercisable options. The funding for the subscription for the CIMBB shares by the trustee for both Trusts was provided by the Company by way of a loan.

(ii) Under the CIMBB restructuring exercise, both trustees have opted for new shares of the Company at the ratio of approximately 1.146 of the Company's shares for one CIMBB share. The Executive Employees or the CEO are entitled to instruct the trustee as to the sale, subject to a minimum market price that is higher than a price to be determined by dividing the existing adjusted exercise price by the ratio of approximately 1.146, plus transaction costs and any income tax liability, if applicable, of such shares of the Company in the manner as previously provided under the CIMBB ESOS and CEO option.

(iii) The number of the Company's shares subject to such instruction per annum will be in the same proportion as per the adjusted total outstanding number under the previous CIMBB ESOS multiplied by the ratio approximately 1.146.

(iv) If the Executive Employee or CEO opt to instruct the trustee to transfer or sell in the market, upon such instruction under the Modified EESOS and Modified CEO Option, a proportion of the proceeds received by the Trustee, plus any income tax, if applicable, will be retained by the Trustee and used to offset the Loan and the excess (net of transaction costs) will be payable to the Executive Employee or CEO.

35 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

(a) Shares held under trust (Continued)

Set out below are details of options over the ordinary shares of the Company granted under the Modified EESOS and Modified CEO option as described in Note 47(a) and 47(b) to the Financial Statements. The Company's shares were issued and placed under Trust:

Grant date	Expiry date	Exercise price RM/share	At start of year '000	Granted '000	Exercised '000	Forfeited '000	At end of year '000
Year ended 31.12.2007							
Modified EESOS							
30 December 2003	29 December 2007	1.33	2,954	-	(2,954)	-	-
30 December 2004	29 December 2008	3.67	12,872	130	(5,280)	(879)	6,843
30 December 2004	29 December 2008	3.99	1,052	-	(346)	-	706
30 December 2005	29 December 2009	4.39	17,394	647	(2,575)	(1,232)	14,234
			34,272	777	(11,155)	(2,111)	21,783
Modified CEO option							
8 January 2003	7 January 2008	1.39	9,822	-	(9,822)	-	-
8 January 2003	7 January 2008	1.46	9,822	-	(9,822)	-	-
			19,644	-	(19,644)	-	-
Year ended 31.12.2006							
Modified EESOS							
30 December 2003	29 December 2007	1.27	4,675	-	(1,721)	-	2,954
30 December 2004	29 December 2008	3.49	16,021	-	(3,095)	(54)	12,872
30 December 2004	29 December 2008	3.80	1,052	-	-	-	1,052
30 December 2005	29 December 2009	4.18	19,266	-	(1,348)	(524)	17,394
			41,014	-	(6,164)	(578)	34,272
Modified CEO option							
8 January 2003	7 January 2008	1.39	9,822	-	-	-	9,822
8 January 2003	7 January 2008	1.46	9,822	-	-	-	9,822
			19,644	-	-	-	19,644

The share prices of the share options exercised during the year range from RM7.85 to RM12.40 (2006:RM5.80 to RM7.95).

35 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

(a) Shares held under trust (Continued)

	The Group	
	2007	2006
	'000	'000
Number of share options vested at balance sheet date	21,783	53,916

(b) Treasury shares, at cost

	The Group and the Company			
	2007		2006	
	Units '000	RM'000	Units '000	RM'000
At 1 January	-	-	-	-
Purchased during the year	5,353	54,923	-	-
Cancelled during the year	(2,075)	(20,489)	-	-
At 31 December	3,278	34,434	-	-

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 26 April 2007, approved the Company's plan and mandate to authorize the Directors of the Company to buy back its own shares up to 10% of existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company bought back 5,353,300 of its issued share capital at an average price of RM10.26 per share, from the open market. As at balance sheet date, 3,278,800 ordinary shares were held as treasury shares. The share buyback transactions were financed by internally generated funds. Treasury shares have no rights to vote, dividends and participation in other distribution.

35 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

(b) Treasury shares, at cost (Continued)

The details of the Company's purchase of its own shares in the Bursa Malaysia Securities Berhad during the financial year were as follows:

	Date	No of shares purchased '000	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share RM	Total consideration RM'000
Held as treasury shares	15 August 2007	880	10.00	9.90	9.97	8,804
	16 August 2007	805	9.90	9.45	9.69	7,830
	17 August 2007	389	9.90	9.80	9.88	3,855
	15 November 2007	2,594	10.50	10.40	10.49	27,292
	16 November 2007	165	10.50	10.30	10.41	1,723
	20 November 2007	235	10.40	10.30	10.31	2,432
	21 November 2007	65	10.50	10.40	10.42	681
	18 December 2007	120	10.40	10.30	10.39	1,252
	19 December 2007	100	10.50	10.50	10.50	1,054
		5,353			10.26	54,923

36 INTEREST INCOME

	The Group 2007 RM'000	The Group 2006 RM'000	The Company 2007 RM'000	The Company 2006 RM'000
Loans, advances and financing				
- interest income other than recoveries	6,619,155	5,899,220	85	81
- recoveries from non-performing loans	450,114	346,002	-	-
Money at call and deposits with financial institutions	941,390	639,901	22,930	5,898
Securities purchased under resale agreement	123,384	132,479	-	-
Securities held for trading	512,721	439,780	-	-
Available-for-sale securities	359,985	416,688	-	-
Held-to-maturity securities	37,216	121,115	-	-
Others	211,979	99,199	202,446	71,602
	9,255,944	8,094,384	225,461	77,581
Accretion of discounts less amortisation of premiums	188,242	101,707	12,095	11,436
Net interest suspended	(217,392)	(118,923)	-	-
	9,226,794	8,077,168	237,556	89,017

37 INTEREST EXPENSE

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits and placements of banks and other financial institutions	448,946	525,190	-	-
Deposits from other customers	3,270,037	2,858,626	-	-
Obligation on securities sold under repurchase agreements	107,202	185,841	-	-
Bonds	26,962	71,003	23,396	51,433
Loan stocks/ICULS	2,846	5,899	-	-
Subordinated Notes	199,160	162,614	-	-
Loans sold to Cagamas	111,861	117,753	-	-
Negotiable certificates of deposits	193,273	206,103	-	-
Other borrowings	212,841	159,216	193,651	160,079
Others	218,507	128,476	111,983	53,934
	4,791,635	4,420,721	329,030	265,446

38 NON-INTEREST INCOME

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fee income:				
Commissions	267,590	192,379	-	-
Fee on loans, advances and financing	407,255	214,941	-	-
Portfolio management fees	6,363	30,958	-	-
Service charges and fees	210,734	186,389	-	-
Corporate advisory fees	92,362	85,479	-	-
Guarantee fees	61,719	69,111	-	-
Other fee income	204,995	221,342	339	935
Placement fees	20,342	7,558	-	-
Underwriting commission	154,074	81,181	-	-
Al-Wakalah fee	36,045	13,991	-	-
	1,461,479	1,103,329	339	935

38 NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross dividend income from:				
In Malaysia				
- Subsidiaries	-	-	2,056,103	185,375
- Securities held for trading	51,392	10,847	-	6,254
- Available-for-sale securities	19,911	43,420	-	1,521
- Held to maturity investment	76	387	-	-
- Associates	-	456	-	-
Outside Malaysia				
- Subsidiaries	-	-	25,534	30,744
- Securities held for trading	5,617	3,021	-	-
	76,996	58,131	2,081,637	223,894
Net gain/(loss) arising from securities held for trading				
- realised	664,332	180,284	-	1,542
- unrealised	(142,421)	445,237	-	-
	521,911	625,521	-	1,542
Net gain/(loss) arising from derivative financial instruments				
- realised	(71,280)	139,547	(18,057)	-
- unrealised	351,084	(418,671)	(19,052)	(164,781)
	279,804	(279,124)	(37,109)	(164,781)
Net gain from sale of available-for-sale securities	170,947	270,860	-	-
Net gain from maturity of held-to-maturity securities	566	-	-	-
Income from assets management and securities services	134,012	60,217	-	-
Brokerage income	400,017	194,304	-	-

38 NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other non-interest income/ (loss)				
Foreign exchange gain/(loss):				
- realised	292,967	(20,266)	153,706	(2,561)
- unrealised	(86,475)	248,107	(133,274)	184,701
Accretion of investment gain	-	-	38,125	35,289
Gain on disposal of interest in subsidiary	708,739	98,671	198,532	235,700
Provision for diminution in value on investment	-	(828)	-	-
Rental income	15,966	8,610	4,037	4,016
Gain/(loss) on disposal of property, plant and equipment	3,106	28,310	(25)	(66)
Gain on disposal of leased assets	126	284	-	-
Net gain from insurance business	2,916	12,915	-	-
Underwriting surplus before management expenses (Note (a))	36,399	77,580	-	-
Other non-operating income	241,006	147,968	(10,137)	26,078
Gain on disposal of foreclosed properties	12	754	-	-
	1,214,762	602,105	250,964	483,157
	4,260,494	2,635,343	2,295,831	544,747

(a) Underwriting surplus before management expenses is as follows:

	The Group	
	2007 RM'000	2006 RM'000
Insurance premium earned	152,525	292,902
Net claims incurred	(103,626)	(184,508)
Net commissions	(12,500)	(30,814)
	36,399	77,580

39 OVERHEADS

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Personnel costs				
- Salaries, allowances and bonus	1,693,477	1,261,102	3,133	4,516
- Pension costs (defined contribution plan)	111,411	99,663	490	676
- Pension costs (defined benefit plans (Note 24(b))	22,526	30,889	-	-
- Mutual separation scheme ("MSS")	-	118,142	-	-
- Others	333,472	242,104	844	1,291
Establishment costs				
- Depreciation of property, plant and equipment	193,263	178,824	1,878	1,999
- Depreciation of investment properties	-	-	125	124
- Amortisation of prepaid lease payments	2,242	1,085	158	159
- Rental	135,793	139,649	163	366
- Insurance	19,653	559	216	275
- Others	438,011	383,855	1,526	1,241
Marketing expenses				
- Sales commission	34,209	28,215	-	-
- Advertisement	149,161	136,916	140	82
- Others	103,739	41,564	-	-
Administration and general expenses				
- Impairment of intangible assets	363	12,000	-	-
- Amortisation of intangible assets	97,476	59,452	-	-
- Legal and professional fees	115,217	179,715	13,329	25,956
- Stationery	52,523	25,688	870	748
- Merchant expenses	71,121	11,105	-	-
- Communication	95,624	72,600	-	-
- Others	558,395	334,843	6,713	12,559
	4,227,676	3,357,970	29,585	49,992

39 OVERHEADS (CONTINUED)

The above expenditure includes the following statutory disclosures:

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors' remuneration (Note 42)	15,210	9,026	1,834	2,031
Rental of premises	104,017	127,172	-	-
Hire of equipment	5,206	10,162	-	-
Lease rental	7,413	51,488	-	-
Auditors' remuneration				
- Statutory audit (PricewaterhouseCoopers Malaysia*)	2,499	3,112	80	80
- Statutory audit (Other member firms of PricewaterhouseCoopers International Limited*)	2,272	2,418	-	-
- Others (PricewaterhouseCoopers Malaysia*)	2,525	3,943	418	315
- Others (Other member firms of PricewaterhouseCoopers International Limited*)	890	481	-	-
Property, plant and equipment written off	55	731	-	-

* PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

40 ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group	
	2007 RM'000	2006 RM'000
Allowance for bad and doubtful debts on loan and financing		
(a) Specific allowance		
- made during the financial year	2,145,797	1,909,931
- written back	(816,349)	(712,693)
(b) General allowance		
- made during the financial year	91,471	(118,543)
Bad debts on loans and financing		
- recovered	(294,251)	(62,413)
- written off	763	313
	1,127,431	1,016,595

40 ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING (CONTINUED)

During the financial year, the Malaysian banking subsidiaries have evaluated its portfolio of non-performing loans, advances and financing that have been in default and that remained uncollected for more than 7 years and also those non-performing loans, advances and financing in default for more than 5 but less than 7 years. For loans, advances and financing in default for more than 7 years, no value is assigned as the realisable value of collateral. For loans, advances and financing which are in default for more than 5 but less than 7 years, 50% of the realisable value of assets held has been assigned as the value of collateral. The effect of this exercise resulted in specific allowance of RM303,981,333 (2006: RM266,038,000) made during the financial year for the Group.

41 ALLOWANCE (WRITTEN BACK)/MADE FOR IMPAIRMENT LOSSES

	The Group	
	2007 RM'000	**2006 RM'000**
Available-for-sale securities		
- net allowance (written back)/made during the financial year	(70,324)	24,048
Held-to-maturity securities		
- made during the financial year	3,178	-
Goodwill		
- made during the financial year	9,739	-
	(57,407)	24,048

42 DIRECTORS' REMUNERATION

The Directors of the Company in office during the year are as follows:

Executive Directors

Dato' Mohamed Nazir bin Abdul Razak
Dato' Mohd Shukri bin Hussin

Non-Executive Directors

Tan Sri Dato' Md Nor bin Md Yusof
Tan Sri Dato' Seri Haidar bin Mohamed Nor
Dato' Zainal Abidin bin Putih
Dato' Hamzah bin Bakar
Datuk Dr Syed Muhamad bin Syed Abdul Kadir
Dato' Robert Cheim Dau Meng
Cezar Peralta Consing
Hiroyuki Kudo
Dr Roslan bin A Ghaffar

42 DIRECTORS' REMUNERATION (CONTINUED)

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Executive Directors #				
- Salary and other remuneration	10,321*^	1,272*^	600	975
- Benefits-in-kind	108	50	43	44
	10,429	1,322	643	1,019
Non-Executive Directors #				
- Fees	1,159^	933^	722	651^
- Other remuneration	3,487α	6,710+	469	361
- Benefits-in-kind	135α	61	-	-
	4,781	7,704	1,191	1,012
	15,210	9,026	1,834	2,031

\# The functions and responsibilities of the Chief Executive Officer (CEO) were carried out by Dato' Mohamed Nazir bin Abdul Razak on a Group basis, following the corporate restructuring between BCHB, CIMB Bank and CIMB Investment Bank. The salary and other remuneration, bonus (in respect of 2006, paid in 2007) and benefits-in-kind totaling RM9,350,000 (2006: RM5,341,000) for the CEO were paid by a subsidiary, CIMB Investment Bank. For 2006, RM142,000 of the salary, other remuneration and benefits-in-kind of the CEO is disclosed under Executive Directors, while the balance of RM5,199,000 is disclosed under Non-Executive Directors as Dato' Mohamed Nazir bin Abdul Razak was appointed as Group CEO on 7 November 2006.

* In addition to the CEO's remuneration is an amount paid to an Executive Director of the Company.

^ These salary and other remuneration, and fees exclude RM Nil (2006: RM187,000) paid by the Company and certain subsidiaries in relation to the directorships of Dato' Mohamed Nazir bin Abdul Razak, Dato' Mohd Shukri bin Hussin and Dato' Robert Cheim Dau Meng which were paid to the respective companies in which they were employed.

\+ In addition to the CEO's remuneration is an amount paid to a Non-Executive Director in his capacity as an executive of CIMB Investment Bank.

α Other remuneration and benefits-in-kind included RM1,872,000 and RM97,000 respectively paid to two Non-Executive Directors by a subsidiary, CIMB Investment Bank.

42 DIRECTORS' REMUNERATION (CONTINUED)

2007	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Company Total RM'000
Executive Director								
Dato' Mohamed Nazir bin Abdul Razak	-	9,285	65	9,350	-	-	-	-
Dato' Mohd Shukri bin Hussin	-	1,036	43	1,079	-	600	43	643
	-	10,321	108	10,429	-	600	43	643
Non-Executive Directors								
Tan Sri Dato' Md Nor bin Md Yusof	124	278	-	402	99	266	-	365
Tan Sri Dato' Seri Haidar bin Mohamed Nor	208	365	33	606	111	32	-	143
Dato' Zainal Abidin bin Putih	208	275	-	483	124	51	-	175
Dato' Hamzah bin Bakar	184	322	-	506	124	40	-	164
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	205	322	5	532	124	42	-	166
Dato' Robert Cheim Dau Meng	-	1,672	37	1,709	-	-	-	-
Hiroyuki Kudo	-	200	60	260	-	-	-	-
Cezar Peralta Consing	181	31	-	212	100	21	-	121
Dr Roslan bin A Ghaffar	49	22	-	71	40	17	-	57
	1,159	3,487	135	4,781	722	469	-	1,191
	1,159	13,808	243	15,210	722	1,069	43	1,834

42 DIRECTORS' REMUNERATION (CONTINUED)

2006	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-In-kind RM'000	The Company Total RM'000
Executive Director								
Dato' Mohamed Nazir bin Abdul Razak *	-	136	6	142	-	-	-	-
Dato' Mohd Shukri bin Hussin	-	1,136	44	1,180	-	975	44	1,019
	-	1,272	50	1,322	-	975	44	1,019
Non-Executive Directors								
Tan Sri Dato' Mohd Desa bin Pachi	60	176	-	236	60	176	-	236
Dato' Anwar bin Aji	80	11	-	91	80	11	-	91
Tan Sri Datuk Asmat bin Kamaludin	110	19	-	129	110	19	-	129
Dato' Mohd Salleh bin Mahmud	100	15	-	115	100	15	-	115
Dr Roslan bin A Ghaffar	90	260	-	350	90	11	-	101
Izlan bin Izhab	85	14	-	99	85	14	-	99
Tan Sri Dato' Md Nor bin Md Yusof	62	105	-	167	38	105	-	143
Dato' Zainal Abidin bin Putih	124	2	-	126	20	2	-	22
Dato' Hamzah bin Bakar	134	288	-	422	18	2	-	20
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	37	3	-	40	18	3	-	21
Tan Sri Dato' Seri Haidar bin Mohamed Nor	36	3	-	39	17	3	-	20
Dato' Robert Cheim Dau Meng	-	655	21	676	-	-	-	-
Cezar Peralta Consing	15	-	-	15	15	-	-	15
Dato' Mohamed Nazir bin Abdul Razak *	-	5,159	40	5,199	-	-	-	-
	933	6,710	61	7,704	651	361	-	1,012
	933	7,982	111	9,026	651	1,336	44	2,031

* Appointed as Non-Executive Director on 27 January 2006 and subsequently appointed as Managing Director/Group Chief Executive Officer ("CEO") on 7 November 2006

43 TAXATION

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	701,828	393,418	496,149	10,971
- Foreign tax	167,119	175,937	-	34
Over provision in prior years	(68,833)	(216,520)	-	5,581
	800,114	352,835	496,149	16,586
Deferred tax (Note 10)				
Origination and reversal of temporary differences	(97,789)	40,202	25,697	(20,496)
Under accrual in prior years	69,159	-	-	-
	(28,630)	40,202	25,697	(20,496)
	771,484	393,037	521,846	(3,910)

Reconciliation between tax charge and the Malaysian tax rate:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit before tax	3,685,803	2,002,042	2,174,772	318,326
Tax calculated at a rate of 27% (2006: 28%)	995,167	560,572	587,188	89,131
Income not subject to tax	(401,884)	(280,913)	(111,460)	(130,533)
Effects of different tax rates in other countries	(60,436)	7,339	-	-
Effects of change in tax rates	15,083	12,681	(519)	461
Expenses not deductible for tax purposes	232,281	272,119	46,637	31,450
Utilisation of previously unrecognised tax losses	(9,053)	(8,864)	-	-
(Over)/under provision in prior years	326	(169,897)	-	5,581
Tax charge of current year	771,484	393,037	521,846	(3,910)

44 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	2007	2006
Net profit for the financial year (RM'000)	2,793,273	1,504,427
Weighted average number of ordinary shares in issue ('000)	3,330,288	3,086,650
Basic earnings per share (expressed in sen per share)	83.9	48.7

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. As at financial year end, the Company has two categories of dilutive potential ordinary shares: USD Zero Coupon Guaranteed Convertible Bonds and Redeemable Convertible Unsecured Loan Stock ("RCULS"). The USD Zero Coupon Guaranteed Convertible Bonds and RCULS are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the applicable interest expense.

	2007 RM'000	2006 RM'000
Net profit for the financial year	2,793,273	1,504,427
Elimination of interest expense on USD Zero Coupon Guaranteed Convertible Bonds	341	14,571
Elimination of interest expense on RCULS (net of tax effect)	53	233
Income from ESOS proceeds assumed placed on money market instruments (net of tax effect)	-	2,387
Net profit used to determine diluted earnings per share	2,793,667	1,521,618

	2007 Unit'000	2006 Unit'000
Weighted average number of ordinary shares in issue	3,330,288	3,086,650
Adjustments for		
- Conversion of USD Zero Coupon Guaranteed Convertible Bonds	4,287	63,786
- RCULS	211	923
- ESOS	-	10,751
Weighted average number of ordinary shares for diluted earnings per share	3,334,786	3,162,110
Diluted earnings per share (expressed in sen per share)	83.8	48.1

45 DIVIDENDS PER ORDINARY SHARE

Dividends recognised as distributions to equity holders:

	The Group and the Company			
	2007		2006	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Final dividend	15.0	368,168	15.0	340,356
Special dividend	25.0	615,020	-	-
	40.0	983,188	15.0	340,356

The proposed dividends for the previous financial year were approved by the shareholders and paid in the current financial year. This is shown as a deduction from the retained profits in the statement of changes in equity.

In respect of this financial year, the proposed final dividend of 25 sen gross per ordinary shares, less income tax of 26% on 3,370,902,646 ordinary shares amounting to RM623,617,000 will be put forth for the shareholders' approval at the forthcoming Annual General Meeting. The proposed final dividend will be reflected in the Financial Statements for the next financial year ending 31 December 2008 when approved by the shareholders.

46 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) The related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
Subsidiaries of the Company as disclosed in Note 12	Subsidiaries
Associates of the Company as disclosed in Note 13	Associates
Proton Commerce Sdn Bhd	Joint venture company
Key management personnel	See below

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Group and the Company include all the Directors of the Company and employees of the Group who make certain critical decisions in relation to the strategic direction of the Group.

(b) Related party transactions

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short term deposits were at normal commercial rates.

46 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions (Continued)

	Subsidiaries		Associates		Key management personnel	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Related party transactions						
The Group						
Income earned						
Interest on loans, advances and financing	-	-	-	-	139	21
Brokerage income	-	-	-	-	480	1,972
Expenditure incurred						
Interest on deposits from customers	-	-	-	-	3,429	2,308

	Subsidiaries		Associates		Key management personnel	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
The Company						
Income earned						
Interest on fixed deposits and money market	19,605	5,763	-	-	-	-
Interest on preference shares	54,621	-	-	-	-	-
Accretion on held-to-maturity securities	12,095	11,436	-	-	-	-
Accretion of investment gain	38,125	35,289	-	-	-	-
Interest on saving account	550	135	-	-	-	-
Interest income on interest rate swap	66	587	-	-	-	-
Dividend income	2,081,637	216,119	-	-	-	-
Rental income	4,037	4,016	-	-	-	-
Expenditure incurred						
Interest expense on interest rate swap	(50)	(256)	-	-	-	-

46 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

	Subsidiaries		Associates		Key management personnel	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Related party balances						
The Group						
Amount due from						
Loans, advances and financing	-	-	-	-	2,537	513
Amount due to						
Deposits from customers	-	-	-	-	119,439	51,646
Others	-	-	-	-	1,260	-
The Company						
Amount due from						
Demand deposits, savings and fixed deposits	374,428	951,593	-	-	-	-
Commerce International Group RCULS	34,345	24,428	-	-	-	-
ICULS 2001/2011	512,669	474,544	-	-	-	-
Advance to Commerce Asset Realty	350	850	-	-	-	-
Advance to Commerce MGI	510	510	-	-	-	-
CIMB Bank ICULS Detachable coupons	84,158	84,175	-	-	-	-
Redeemable preference shares	1,300,000	1,300,000	-	-	-	-
Others	3,065,862	2,623,863	-	-	-	-
Amount due to						
Derivative financial instruments						
- Interest rate swap	-	(86)	-	-	-	-
Amount due to Commerce Capital Labuan	(25,536)	(4,226,828)	-	-	-	-

Other intercompany balances are unsecured, non-interest bearing and has no fixed repayment terms.

46 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Key management personnel

Key management compensation

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Salaries and other short term employee benefits	81,469	49,953	643	1,019
Termination benefits	-	-	-	-
Post-employment benefits	-	-	-	-
Other long term benefits	2,142	2,142	-	-
	83,611	52,095	643	1,019
Share options of the Company (units)	21,860,000	23,772,000	8,250,000	8,550,000

Included in the above table is the Executive Directors' compensation which is disclosed in Note 42. The share options granted are on the same terms and conditions as those offered to other employees of the Group and the Company as disclosed in Note 32 and 47 to the Financial Statements.

There were no granting of loans, advances and financing to the Directors of the Company. Loans made to other key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group. No specific allowance has been required in 2007 and 2006 for the loans, advances and financing made to the key management personnel.

47 EMPLOYEE BENEFITS

(A) Modified CIMBB Executive Employee Share Option Scheme ("Modified EESOS")

The share options granted to Directors and employees of the Group are that of the Company. The Employee Share Option Scheme was granted on 11 March 2006 and is governed by the by-laws approved by the Company's shareholders on 8 September 2006.

Prior to the CIMBB Restructuring and consistent with the fair treatment to all Executive Employees and continuance of the CIMBB EESOS, a trust was set up to subscribe for all the remaining CIMBB shares through an accelerated vesting of the unexercisable tranches under the CIMBB EESOS in 2006. The EESOS Trustee opted for new shares in the Company at the ratio approximately 1.146 of the Company's shares for one CIMBB share held pursuant to the CIMBB scheme.

The main features of the Modified EESOS are as follows:

(a) An entitlement is personal to the Eligible Executive and is non-assignable and non-transferable by the Eligible Executive except with prior written consent of the Employee Share Scheme ("ESS") Committee.

(b) The reference strike price of the entitlement is determined by reference to the amount of the ESS Loan utilised by the Trustee to procure the ESS shares and shall be calculated on a step-up basis from the first anniversary of the effective date of ESS.

47 EMPLOYEE BENEFITS (CONTINUED)

(A) Modified CIMBB Executive Employee Share Option Scheme ("Modified EESOS") (Continued)

(c) The Eligible Executive shall be entitled to the voting rights of the ESS shares which are in his Employee CDS Account and over which he has entitlements until the termination or lapse of the entitlements in accordance with the terms and conditions.

(d) The Eligible Executive shall be entitled to the distribution rights of the ESS shares upon acceptance of the entitlements and until the lapse or earlier termination of the entitlements in accordance with the terms and conditions.

(e) A total of 41,014,009 share options with adjusted option price were offered to the Eligible Executives. The total share options are categorised as follows:

(i) Modified EESOS 1
4,675,000 share options were offered at an initial option price of RM1.27 per share option with expiry date on 29 December 2007;

(ii) Modified EESOS 2
16,021,459 share options were offered at an initial option price of RM3.49 per share option with expiry date on 29 December 2008;

(iii) Modified EESOS 3
1,051,875 share options were offered at an initial option price of RM3.80 per share option with expiry date on 29 December 2008; and

(iv) Modified EESOS 4
19,265,675 share options were offered at an initial option price of RM4.18 per share option with expiry date on 29 December 2009.

Movements in the number of share options outstanding and their related weighted average exercise prices for share options captured under FRS 2, are as follows:

	2007		2006	
	Weighted average exercise price RM/share	Options (units '000)	Weighted average exercise price RM/share	Options (units '000)
At start of financial year	4.39	14,200	4.18	14,514
Granted	4.27	777	-	-
Forfeited	3.75	(996)	4.18	(314)
Exercised	4.39	(341)	-	-
At end of financial year	4.23	13,640	4.39	14,200

Out of the outstanding options, 9,137,699 units (2006: 4,733,333 units) of options were exercisable. The weighted average share price during the period, should the options have been exercised on a regular basis throughout the period was RM10.72 (2006: RM6.37) per share.

47 EMPLOYEE BENEFITS (CONTINUED)

(A) Modified CIMBB Executive Employee Share Option Scheme ("Modified EESOS") (Continued)

The options outstanding at year end had exercise prices ranging from RM3.86 to RM4.84 (2006: RM4.39 to RM4.84), and a weighted average remaining contractual life of 2 years (2006: 3 years).

The weighted average fair value of options granted under Modified EESOS, which is deemed as an equity-settled payment under FRS 2, determined using the Trinomial valuation model range from RM3.77 to RM5.46 (2006: RM1.50) per option. The significant inputs into the model were as follows:

Valuation assumptions:	
- expected volatility	21.76% - 29.96%
- expected option life	1.2 - 3.2 years
Weighted average share price at grant date	RM6.75 - RM11.20
Weighted average risk-free interest rate	3.45% - 3.89%

The volatility measured at the standard deviation on daily share price returns is based on statistical analysis of daily prices over the last 1 year from grant date.

Movements in the number of share options outstanding and their related weighted average exercise prices for share options not captured under FRS 2 are as follows:

	2007		**2006**	
	Average exercise price RM/share	**Options (units '000)**	**Average exercise price RM/share**	**Options (units '000)**
At start of financial year	3.33	20,072	3.24	26,500
Forfeited	4.39	(1,115)	3.33	(264)
Exercised	3.30	(10,814)	3.02	(6,164)
At end of financial year	4.22	8,143	3.33	20,072

The weighted average share price during the period, should the options have been exercised on a regular basis throughout the period was RM10.72 (2006: RM6.37) per share.

The options outstanding at year end had exercise prices ranging from RM3.86 to RM4.61 (2006: RM1.27 to RM4.39), and a weighted average remaining contractual life of 2 years (2006: 3 years).

47 EMPLOYEE BENEFITS (CONTINUED)

(B) Modified CIMBB CEO Option

The Board granted share options to the then Chief Executive of CIMBB to purchase 42,000,000 of CIMBB's shares held by the Company, representing 4.94% of the issued and paid up capital of the then CIMBB as at the date of the listing of CIMBB on the Main Board of Bursa Malaysia Securities Berhad.

Prior to the CIMBB Restructuring and consistent with the fair treatment to the CEO and continuance of the CIMBB CEO option, a trust was set up to subscribe for all the remaining CIMBB shares through an accelerated vesting of the unexercisable tranches under the CIMBB CEO option in 2005. The Trustee shall opt for new shares in the Company at the ratio approximately 1.146 of the Company's shares for one CIMBB share held pursuant to the CIMBB scheme.

The main features of the Modified CEO option are as follows:

(a) The exercisable period commenced on 8 January 2003 (prior to this modified scheme) and ends on the earlier of the day prior to the 5th anniversary thereof; and the date on which the Chief Executive Officer ceases to hold any executive post in any company within the Company and its subsidiaries only by reason of his voluntary resignation becoming effective or the lawful termination of his employment with just cause and excuse.

(b) The reference strike price shall be the prevailing reference strike price at the date of the exercise of the entitlement.

(c) The option shares may be exercised at any time during the CEO Share Scheme ("CSS") period in respect of the aggregate of

   (i) 50% of the CSS shares in any CSS year and
   (ii) any CSS shares from any prior CSS year in respect of which entitlements were not exercised.

(d) The CEO shall be entitled to the voting and distribution rights of the CSS shares upon acceptance of the entitlements and until the lapse or earlier termination of the entitlements in accordance with the terms and conditions.

(e) For the purpose of the Modified CEO option, a total of 19,644,389 share options with adjusted option price were offered by the Company.

   The total share options are categorised as follows:

   (i) Modified CEO Share Scheme 1
   9,822,195 share options were offered at option price of RM1.39 per share option with expiry date on 7 January 2008;

   (ii) Modified CEO Share Scheme 2
   9,822,194 share options were offered at option price of RM1.46 per share option with expiry date on 7 January 2008.

47 EMPLOYEE BENEFITS (CONTINUED)

(B) Modified CIMBB CEO Option (Continued)

Movements in the number of the Modified CEO options outstanding and their related weighted average exercise prices, are as follows:

	The Group			
	2007		2006	
	Average exercise price RM/share	Options (units '000)	Average exercise price RM/share	Options (units '000)
At start of the financial year	1.42	19,644	1.42	19,644
Exercised	1.42	(19,644)	-	-
At end of the financial year	-	-	1.42	19,644

(C) Management Equity Scheme ("MES")

This scheme was initiated as part of a performance linked compensation scheme by a substantial shareholder of the Company. The scheme was initially launched on 1 March 2004 and the scheme will continue to be in force until 28 February 2009.

The eligibility for participation in the scheme shall be at the discretion of the Nomination and Remuneration Committee of Company. Entitlements of eligible members of senior management are non-assignable and non-transferrable whereby the Nomination and Remuneration Committee of the Company administers the scheme on behalf of the substantial shareholder. The entitlements granted vest in proportions across each exercised period on 1 January 2007, 1 January 2008 and 1 January 2009.

The number of entitlements granted during the financial year is 15,405,000 units (2006: 5,900,000 units) and number of entitlements outstanding as at year end is 26,286,000 units (2006: 21,576,000 units).

All entitlements have the same reference price of RM3.48 each. The weighted average remaining contractual life is 1.2 years (2006: 2.2 years).

47 EMPLOYEE BENEFITS (CONTINUED)

(D) Management Option Programme ("MOP")

A similar scheme to the MES above was implemented for the Executive Directors of a subsidiary, Bank Niaga. An allocation of shares was purchased by the Company from the Indonesian Banking Restructuring Agency, which was tendered for sale and used for the sole purpose of the implementation of the MOP as an incentive scheme for the Executive Directors of Bank Niaga to increase productivity.

The implementation of the MOP was made in 2006 and the period for the MOP is effective from the date of acceptance of the grant until 31 December 2008.

The eligible persons are Executive Directors who had been appointed to the Board of Executive Directors of Bank Niaga as at 1 November 2003 and when an offer is made in writing to the Executive Directors to participate in the scheme. The eligibility for participation in the scheme shall be at the discretion of the Nomination and Remuneration Committee of Bank Niaga. An entitlement is personal to the eligible person and is non-assignable and non-transferable by the eligible person. The Nomination and Remuneration Committee at Bank Niaga administers the scheme on behalf of the Company as the major shareholder.

The voting rights of the unexercised balance remain with the shareholder.

The Company had set aside Bank Niaga's shares to be offered to Bank Niaga's Executive Directors under the Management Option Programme ("MOP") which came into effect on 30 June 2006 for a period of 2 ½ years. The Company, via its letter dated 22 June 2006, offered to Executive Directors an entitlement to participate in the programme.

Movements in the number of share options outstanding and their related weighted average exercise prices for share options captured under FRS 2, are as follows:

	2007		2006	
	Average exercise price RM/share	**Options (units '000)**	**Average exercise price RM/share**	**Options (units '000)**
At start of financial year	0.13	58,133	-	-
Granted	-	-	0.13	162,180
Exercised	0.13	(27,163)	0.13	(104,047)
At end of financial year	0.13	30,970	0.13	58,133

47 EMPLOYEE BENEFITS (CONTINUED)

(D) Management Option Programme ("MOP") (Continued)

Out of the outstanding options, 13,734,089 units (2006: 32,790,891 units) of options were unconditionally exercisable. The remaining 17,236,067 (2006:25,342,143) units will be exercisable upon achieving certain key performance indicators (KPI) set by the Company to the Executive Directors of Bank Niaga. Options exercised during the period have no impact on number of shares outstanding. The weighted average share price at the time of exercise was RM0.36 (2006: RM0.37) per share. There is no transaction costs deducted against share premium account.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price RM/share	Unit of shares 2007 '000	Unit of shares 2006 '000
31 December 2006	0.13	-	7,449
31 December 2007	0.14	13,734	25,342
31 December 2008	0.15	17,236	25,342
		30,970	58,133

The weighted average fair value of options granted which is deemed as an equity-settled payment under FRS 2: Share-based Payment, determined using the Binomial valuation model was RM0.24 per option (2006: RM0.24). The significant inputs into the model were as follows:

Valuation assumptions:	
- expected volatility	40.63%
- expected dividend yield	1.55%
- expected option life	1½ years
Share prices at grant date	Range from RM0.22 to RM0.37
Risk-free interest rate (per annum)	12.40%

The volatility measured at the standard deviation on daily share price returns is based on statistical analysis of daily prices over the last 1 year.

No additional units of share options were granted subsequent to year end.

47 EMPLOYEE BENEFITS (CONTINUED)

(E) Employee Stock Option Programme ("ESOP")

On 1 September 2004, a subsidiary, Bank Niaga, implemented an Employee Stock Option Programme ("ESOP"). The ESOP is governed by the by-laws which were approved by the shareholders on 17 December 2003.

The main features of the ESOP are:

(a) A total share options of 391,230,320 new Series B shares of Bank Niaga was granted to Bank Niaga's employees. This amount represents 5% of Series B ordinary shares which amounts to 7,752,752,784 shares. The exercise price set was RM0.13. The grant was approved by the shareholders on 17 December 2003.

(b) Subsequently, as a result of the increase of share capital and additional paid in capital arising from Rights Issue IV, 25 August 2005 the terms and conditions on ESOP was amended and the exercise price was reduced from RM0.13 to RM0.12 and the number of options was increased by 29,383,795 shares.

(c) Employees who meet certain criteria are eligible to options under the plan and include:

  (i) Employees who have worked for 3 years at Bank Niaga;
  (ii) Employees who are non clerk or above; and
  (iii) New "special hire" employees who have passed the probation period and are not required to pass the 3-year working period.

(d) Options which are not exercised in a particular period can be carried forward to the next exercise period.

(e) Under the plan, new shares are granted from the authorised capital, and not from issued or repurchased capital stock.

(f) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Average exercise price RM/share	Options (units '000)	Average exercise price RM/share	Options (units '000)
At start of financial year	0.12	53,176	0.12	208,651
Granted	0.12	23,292	0.12	24,601
Exercised	0.12	(41,606)	0.12	(180,076)
At end of financial year	0.12	34,862	0.12	53,176

47 EMPLOYEE BENEFITS (CONTINUED)

(E) Employee Stock Option Programme ("ESOP") (Continued)

All options outstanding are exercisable immediately. Options exercised during the period resulted in 41,605,500 units of shares (2006: 180,076,500) being issued at RM0.11 each (2006: RM0.12). The weighted average share price at the time of exercise was RM0.32 (2006: RM0.37) per share.

The options outstanding at year end had exercise prices of RM0.11 (2006: RM0.12), and remaining contractual life of ¼ years (2006: 1¼ years).

The weighted average fair value of options granted which is deemed as an equity-settled payment under FRS 2, determined using the Binomial valuation model was RM0.13 per option. The significant inputs into the model were as follows:

Valuation assumptions:	
- expected volatility	43.55%
- expected dividend yield	2.38%
- expected option life	¼ years
Share prices at grant date	Range from RM0.16 to RM0.37
Risk-free interest rate (per annum)	7.70%

The volatility measured at the standard deviation on daily share price returns is based on statistical analysis of daily prices over the last 1 year.

48 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Company enter into various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and Company's assets.

48 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The commitments and contingencies constitute the following:

	2007 Principal RM'000	2007 Credit equivalent * RM'000	2007 Risk weighted amount RM'000	2006 Principal RM'000	2006 Credit equivalent * RM'000	2006 Risk weighted amount RM'000
The Group						
Direct credit substitutes	3,615,378	3,615,378	1,907,552	3,065,948	3,065,948	1,665,827
Certain transaction-related contingent items	4,944,127	2,669,273	2,019,119	5,007,175	2,633,697	1,766,595
Short-term self-liquidating trade-related contingencies	3,217,282	643,455	383,464	3,765,729	753,144	297,619
Islamic financial sold directly and indirectly to Cagamas with recourse	575,918	575,918	575,918	815,589	780,799	780,391
Obligations under underwriting agreement	199,798	99,899	58,260	2,028,193	996,597	996,310
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	38,526,957	-	-	32,692,158	-	-
- Maturity exceeding one year	10,058,716	5,029,268	4,396,959	4,589,898	2,293,371	2,012,061
Forward assets purchases	5,000	24	12	-	-	-
Miscellaneous commitments and contingencies	3,378,135	6,925	2,189	4,655,749	3,982	3
	64,521,311	12,640,140	9,343,473	56,620,439	10,527,538	7,518,806
Foreign exchange related contracts:						
- less than one year	22,243,611	623,464	150,696	23,329,374	648,319	149,304
- one year to less than five years	6,350,160	695,291	179,014	1,646,703	425,683	95,139
- five years and above	3,209,939	562,478	242,587	107,373	30,174	15,086
	31,803,710	1,881,233	572,297	25,083,450	1,104,176	259,529
Interest rate related contracts:						
- less than one year	94,113,253	136,220	27,227	95,943,134	118,617	23,481
- one year to less than five years	63,527,170	2,355,955	479,986	58,763,837	2,232,810	441,143
- five years and above	7,742,413	1,208,505	260,744	3,997,732	735,425	149,002
	165,382,836	3,700,680	767,957	158,704,703	3,086,852	613,626

48 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	2007			2006		
	Principal RM'000	Credit equivalent * RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent * RM'000	Risk weighted amount RM'000
The Group (continued)						
Equity related contracts:						
- less than one year	5,416,844	-	-	313,468	-	-
- one year to less than five years	44,032	-	-	-	-	-
	5,460,876	-	-	313,468	-	-
	267,168,733	18,222,053	10,683,727	240,722,060	14,718,566	8,391,961
The Company						
Foreign exchange related contracts:						
- less than one year	350,000	31,500	15,750	4,000,000	10,000	5,000
Interest rate related contracts:						
- less than one year	-	-	-	160,000	400	200
- one year to less than five years	-	-	-	-	-	-
	-	-	-	160,000	400	200
	350,000	31,500	15,750	4,160,000	10,400	5,200

* Included in the credit equivalent is RM648,029,000 (2006: RM484,424,000) arising from a subsidiary, PT Bank Niaga Tbk which is computed based on Bank Indonesia requirements.

The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines. The credit equivalent amounts are a measure of the potential loss to the Group in the event of possible non-performance by a counterparty.

Included in the Group's commitments and contingencies is RM9,502,000 (2006: RM12,632,000) of irrevocable commitment to extend credit with maturity less than one year relating to a joint venture company, PCSB.

Not included in the above is a performance guarantee given by CIMB Group to Hang Seng Index/Hang Seng Data Services in respect of breach of licensing agreement by a subsidiary, CIMB Aviva. The Directors are of the view that the likelihood of the performance guarantee to be called on is remote.

49 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the Financial Statements are as follows:

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Capital expenditure:				
Authorised and contracted for	342,162	206,291	115,875	300,000
Authorised but not contracted for	1,056,201	663,275	-	-
	1,398,363	869,566	115,875	300,000

Analysed as follows:

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment	1,002,393	642,119	115,875	300,000
Subscription for investments	62,750	165,965	-	-
Acquisition of subsidiary	-	60,482	-	-
Bank guarantee	89,755	1,000	-	-
Software development	15,081	-	-	-
Computer software	228,384	-	-	-
	1,398,363	869,566	115,875	300,000

50 LEASE COMMITMENTS

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

	The Group	
	2007 RM'000	2006 RM'000
Within one year	107,640	9,686
One year to less than five years	111,856	32,824
Five years and more	11,595	32,982

51 SEGMENT REPORTING

(a) Primary reporting format – business segments

Definition of segments
For management purposes, the Group is organised into seven major operating divisions. The divisions form the basis on which the Group reports its primary segment information.

Consumer Banking
Consumer Banking comprises of Retail Banking, Business Banking, Direct Banking & Cards and CIMB Express.

Retail Banking focuses on introducing innovative products and services to individual customers. It offers products such as credit facilities (residential mortgages, personal loans, shares financing and hire purchase financing), private client services, remittance services and deposit acceptance.

Business Banking is responsible for the development of products and services for customer segments comprising micro-enterprises, small and medium-scale enterprises (SMEs) and mid-sized corporation, as well as the management of business loan portfolios of these customer segments.

Direct Banking and Cards focuses on mass affluent customers and credit card business while CIMB Express caters to lower income customers offering product such as microcredit loan.

Corporate and Investment Banking
Corporate and Investment Banking comprise investment banking, corporate finance, corporate banking, international banking and transactional services, equity capital markets, retail and institutional equities, equity derivatives, and equity investment and trading.

Investment Banking and Corporate Finance offers financial advisory services to corporations, advising issuance of equity and equity-linked products, debt restructuring, mergers and acquisitions, initial public offerings, secondary offerings and general corporate advisory. Corporate Banking provides a broad spectrum of financial and Ringgit lending services for domestic and multinational corporations as well as institutional and public sector clients. International Banking and Transactional Services oversees the activities of the Group's overseas branches in London, Singapore and Hong Kong and provides conventional and customised financial packages in order to meet customers' needs, with products including non-Ringgit corporate lending, nominee services and cash management services.

Equity Capital Markets provides services including acting as underwriter, global co-ordinator, book runner or lead manager for equity and equity-linked transactions, originating, structuring, pricing and executing equity and equity-linked issues and executing programme trades, block trades and market making. Equity Derivatives Group develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues. Equity Investment and Trading is the Group's Proprietary Equity Trading Unit. Retail and institutional equities provide stock broking services to retail and corporate clients.

Treasury and Investment
Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It also invests the Group's proprietary capital.

Asset Management
Asset Management comprises wholesale fund management, unit trust, private equity and venture capital activities.

51 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting format – business segments (Continued)

Insurance

Insurance comprises the general, life and takaful activities. The entire general insurance business was disposed on 28 August 2007, while 49% of the life and takaful business was disposed on 2 July 2007.

Foreign Banking Operation

Foreign Banking Operation comprises of Bank Niaga, which is involved in the provision in the commercial banking and related services.

Support and others

Support services comprise all middle and back-office processes, cost centres and non-profit generating divisions of companies in the Group. Other business segments in the Group include investment holding, property management and other related services, whose results are not material to the Group.

	2007							
	Consumer Banking RM'000	Corporate & Investment Banking RM'000	Treasury and Investment RM'000	Asset Management RM'000	Insurance RM'000	Foreign Banking Operation RM'000	Support & others RM'000	Total RM'000
Group								
Net interest income								
- external income	2,592,617	1,058,649	69,151	7,737	19,741	816,304	(129,040)	4,435,159
- inter-segment income	(150,378)	(426,495)	576,873	-	-	-	-	-
	2,442,239	632,154	646,024	7,737	19,741	816,304	(129,040)	4,435,159
Non-interest income	601,703	1,451,653	1,395,140	254,406	103,158	372,870	81,564	4,260,494
Income from Islamic banking operations	120,945	72,652	119,278	-	-	-	2,981	315,856
	3,164,887	2,156,459	2,160,442	262,143	122,899	1,189,174	(44,495)	9,011,509
Overheads	(1,137,228)	(461,076)	(91,383)	(154,717)	(84,909)	(586,140)	(1,712,223)	(4,227,676)
Profit/(loss) before allowances	2,027,659	1,695,383	2,069,059	107,426	37,990	603,034	(1,756,718)	4,783,833
Allowance written back/ (made for) losses on loans, advances and financing	(815,544)	(101,585)	-	-	(287)	(212,719)	2,704	(1,127,431)
Allowance written back/ (made for) other receivables	(35)	(21,334)	(124)	(13,087)	-	(4,180)	1,385	(37,375)
Provision written back/ (made for) commitments and contingencies	-	-	-	-	-	(1,439)	-	(1,439)
Allowance for impairment losses	-	86,672	(10,182)	(6,440)	(6,701)	236	(6,178)	57,407
Segment results	1,212,080	1,659,136	2,058,753	87,899	31,002	384,932	(1,758,807)	3,674,995
Share of results of jointly controlled entity	3,410	-	-	-	-	-	-	3,410
Share of results of associates	-	-	(1,083)	858	-	5,792	1,831	7,398
Profit/(loss) before taxation	1,215,490	1,659,136	2,057,670	88,757	31,002	390,724	(1,756,976)	3,685,803
Taxation								(771,484)
Zakat								(144)
Profit after taxation								2,914,175

51 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting format – business segments (Continued)

	2007							
	Consumer Banking RM'000	Corporate & Investment Banking RM'000	Treasury and Investment RM'000	Asset Management RM'000	Insurance RM'000	Foreign Banking Operation RM'000	Support & others RM'000	Total RM'000
Group								
Segment assets	54,762,821	32,695,020	68,335,235	1,337,415	2,619,745	19,220,804	386,595	179,357,635
Investment in associates & jointly controlled entities	124,448	-	57,370	56,883	-	14,299	21,576	274,576
	54,887,269	32,695,020	68,392,605	1,394,298	2,619,745	19,235,103	408,171	179,632,211
Unallocated assets	-	-	-	-	-	-	3,199,431	3,199,431
Total assets	54,887,269	32,695,020	68,392,605	1,394,298	2,619,745	19,235,103	3,607,602	182,831,642
Segment liabilities	45,258,255	16,713,758	77,625,670	235,494	2,214,212	17,460,954	3,973,038	163,481,381
Unallocated liabilities	-	-	-	-	-	-	2,495,651	2,495,651
Total liabilities	45,258,255	16,713,758	77,625,670	235,494	2,214,212	17,460,954	6,468,689	165,977,032
Other segment items								
Incurred capital expenditure	166,969	51,311	19,900	28,183	8,751	26,365	287,404	588,883
Depreciation of property, plant and equipment	(69,092)	(26,300)	(7,150)	(9,427)	(3,105)	(20,549)	(57,640)	(193,263)
Amortisation of prepaid lease payments	-	-	-	-	-	-	(2,242)	(2,242)
Amortisation of intangible assets	(49,549)	(1,012)	(2,048)	(1,059)	(541)	-	(43,267)	(97,476)
Accretion of discounts less amortisation of premium	221	(319)	183,235	-	1,992	-	3,113	188,242
Investment in jointly controlled entity	124,448	-	-	-	-	-	-	124,448
Investment in associates	-	-	57,370	56,883	-	14,299	21,576	150,128

Basis of pricing for inter-segment transfers:

Intersegmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

51 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting format – business segments (Continued)

	2006							
	Consumer Banking RM'000	Corporate & Investment Banking RM'000	Treasury and Investment RM'000	Asset Management RM'000	Insurance RM'000	Foreign Banking Operation RM'000	Support & others RM'000	Total RM'000
Group								
Net interest income								
- external income	2,196,263	747,446	49,902	(1,648)	24,162	786,921	(146,599)	3,656,447
- inter-segment	(331,835)	(101,983)	433,818	-	-	-	-	-
	1,864,428	645,463	483,720	(1,648)	24,162	786,921	(146,599)	3,656,447
Non-interest income	382,071	670,160	694,624	255,034	126,477	302,926	204,051	2,635,343
Income from Islamic banking operations	65,197	5,823	29,760	-	-	-	-	100,780
	2,311,696	1,321,446	1,208,104	253,386	150,639	1,089,847	57,452	6,392,570
Overheads	(865,532)	(375,995)	(53,021)	(154,507)	(84,755)	(559,547)	(1,264,613)	(3,357,970)
Profit/(loss) before allowances	1,446,164	945,451	1,155,083	98,879	65,884	530,300	(1,207,161)	3,034,600
Allowance written back/ (made for) losses on loans, advances and financing	(816,449)	(65,317)	-	-	-	(141,270)	6,441	(1,016,595)
Allowance written back/ (made for) other receivables	-	(2,382)	1,055	(3,828)	-	(22,846)	-	(28,001)
Provision written back/ (made for) commitments and contingencies	(4)	-	-	-	-	(600)	258	(346)
Allowance for impairment losses	22	(1,034)	(1,942)	-	-	1,111	(22,205)	(24,048)
Segment result	629,733	876,718	1,154,196	95,051	65,884	366,695	(1,222,667)	1,965,610
Share of results of jointly controlled entity	2,316	-	-	-	-	-	-	2,316
Share of results of associates	-	-	1,387	21,935	-	-	10,794	34,116
Profit/(loss) before taxation	632,049	876,718	1,155,583	116,986	65,884	366,695	(1,211,873)	2,002,042
Taxation								(393,037)
Zakat								(131)
Profit after taxation								1,608,874

51 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting format – business segments (Continued)

	2006							
	Consumer Banking RM'000	Corporate & Investment Banking RM'000	Treasury and Investment RM'000	Asset Management RM'000	Insurance RM'000	Foreign Banking Operation RM'000	Support & others RM'000	Total RM'000
Group								
Segment assets	47,727,473	30,451,857	49,075,790	567,021	3,003,143	18,204,752	(354,134)	148,675,902
Investment in associates & jointly controlled entities	121,037	-	24,600	76,158	-	9,929	55,214	286,938
	47,848,510	30,451,857	49,100,390	643,179	3,003,143	18,214,681	(298,920)	148,962,840
Unallocated assets	-	-	-	-	-	-	7,989,369	7,989,369
Total assets	47,848,510	30,451,857	49,100,390	643,179	3,003,143	18,214,681	7,690,449	156,952,209
Segment liabilities	40,836,837	22,119,802	52,814,996	263,736	2,119,650	16,375,656	2,077,676	136,608,353
Unallocated liabilities	-	-	-	-	-	-	7,754,536	7,754,536
Total liabilities	40,836,837	22,119,802	52,814,996	263,736	2,119,650	16,375,656	9,832,212	144,362,889
Other segment items								
Incurred capital expenditure	38,715	35,420	80,691	10,019	40,131	57,547	47,474	309,997
Depreciation of property, plant and equipment	(46,734)	(46,349)	(54,244)	(4,227)	(10,036)	-	(17,234)	(178,824)
Amortisation of prepaid lease payments	-	-	-	-	-	-	(1,085)	(1,085)
Amortisation of intangible assets	(26,071)	(2,584)	(568)	-	-	-	(30,229)	(59,452)
Accretion of discounts less amortisation of premium	-	-	94,168	-	2,469	5,070	-	101,707
Investment in jointly controlled entity	157,731	-	-	-	-	-	-	157,731
Investment in associates	-	242	16,279	47,543	-	9,929	55,214	129,207

Basis of pricing for inter-segment transfers:

Intersegmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

(b) Secondary reporting format – geographical segments

The Group's business segments are managed on a worldwide basis and they operate mainly in three main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.

- Indonesia, the areas of operation in this country include all the primary business segments of its subsidiary bank, PT Bank Niaga Tbk.

51 SEGMENT REPORTING (CONTINUED)

(b) Secondary reporting format – geographical segments (Continued)

- Other countries include branch and subsidiary operations in Singapore, United Kingdom, Hong Kong and Republic of Mauritius. The overseas operations are involved mainly in corporate lending and borrowing, and stockbroking activities. With the exception of Malaysia and Indonesia, no other individual country contributed more than 10% of the consolidated net interest income or assets.

	Net interest income RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
The Group				
2007				
Malaysia	3,593,745	160,892,307	146,461,782	539,910
Indonesia	816,304	19,303,799	17,487,088	26,365
Other countries	25,110	2,635,536	2,028,162	22,608
	4,435,159	182,831,642	165,977,032	588,883
2006				
Malaysia	2,846,591	137,138,785	126,566,305	237,607
Indonesia	786,921	18,214,681	16,377,218	57,547
Other countries	22,935	1,598,743	1,419,366	14,843
	3,656,447	156,952,209	144,362,889	309,997

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Disposals by BHL Ventures Berhad, a wholly owned subsidiary of CIMB Bank, of its 100% equity interest in CIMB Wealth Advisors ("CWA") and SBB Asset Management Berhad ("SBB AM") to CIMB Principal Asset Management Berhad ("CPAM"), a 60% indirect subsidiary of CIMB Group Sdn Bhd

The disposals by BHL Ventures Berhad of its 100% equity interests in CWA and SBB AM to CPAM were completed on 7 February 2007 for a total cash consideration of RM481 million.

(b) Placement of 117 million of the Company's shares with The Bank of Tokyo-Mitsubishi UFJ, Limited (BTMU)

On 22 February 2007, the Company entered into a conditional subscription agreement with BTMU for a placement of 117 million new ordinary shares of RM1 each, at an issue price of RM11.41 per share. The total gross proceeds raised from the placement was RM1.335 billion.

The placement was completed on 9 April 2007 with the listing of the 117 million new ordinary BCHB shares on the Main Board of Bursa Malaysia Securities Berhad.

(c) Vesting of CIMB Bank's entire Islamic banking business to CIMB Islamic Bank Berhad (CIMB Islamic)

On 1 March 2007, pursuant to the order of the High Court of Malaya, CIMB Bank's entire Islamic banking business was vested to CIMB Islamic in accordance with the terms and conditions of the business transfer agreement entered into between CIMB Bank and CIMB Islamic on 6 February 2007.

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(d) Transfer by SBB Asset Management Berhad ("SBB AM"), of its entire business and undertaking to CIMB Principal Asset Management Berhad ("CPAM")

The Securities Commission ("SC") had on 11 April 2007 approved the transfer of SBB AM's entire business to CPAM.

Pursuant to the order of High Court of Malaya and the SC's approval, SBB AM's business and assets and liabilities were vested to CPAM effective from 30 April 2007.

(e) Proposed disposal by PT Bank Niaga Tbk ("Bank Niaga"), a 63.86% subsidiary of BCHB, and PT Niaga Manajemen Citra ("NMC") of their entire equity interest in PT Niaga Aset Manajemen ("NAM") to CIMB-Principal Asset Management Berhad ("CPAM"), a 60% indirect subsidiary of BCHB and PT Commerce Kapital ("Commerce Kapital"), a 99% subsidiary of BCHB respectively ("Proposed Niaga Disposal")

On 4 May 2007, CPAM and Commerce Kapital entered into share purchase agreements ("SPA") with Bank Niaga respectively for the Proposed Niaga Disposal.

Pursuant to the terms of the SPAs, 99.00% of Bank Niaga's equity interest in NAM will be disposed to CPAM and the balance of its 0.96% equity interest will be disposed to Commerce Kapital for a total consideration of IDR41.48 billion (approximately RM16.0 million), subject to the approvals of the Indonesian authorities and independent shareholders of Bank Niaga.

Commerce Kapital had on the same day entered into a separate share purchase agreement with NMC to acquire NMC's 0.04% equity interest in NAM for IDR20 million (approximately RM8,000).

On 12 December 2007, the proposed disposals of NAM by Bank Niaga and NMC to CPAM and Commerce Kapital respectively, were completed.

(f) Disposals by the Company of its equity interests in CIMB Aviva Assurance Berhad ("CAAB") (formerly known as Commerce Life Assurance Berhad), CIMB Aviva Takaful Berhad ("CATB") (formerly known as Commerce Takaful Berhad) and Commerce Assurance Berhad ("CAB")

(i) Disposals of 49% equity interests in CAAB and CATB

On 2 July 2007, the disposals of 49% equity interests in both CAAB and CATB to Aviva International Holdings Limited were completed for a total cash consideration of RM500 million.

(ii) Disposal of entire equity interest in CAB

On 28 August 2007, the disposal of 100% equity interest in CAB was completed for a total cash consideration of RM487 million.

(g) Internal reorganisation involving the transfer of certain of the Company's direct operating subsidiaries to its wholly-owned subsidiary, CIMB Group

On 16 August 2007, pursuant to the internal reorganisation, the transfer by BCHB to CIMB Group of all Class B common shares of Indonesian Rupiah (IDR) 50 each held in Bank Niaga and all the common shares of United States Dollars (USD) 10 each held in PT Commerce Kapital was completed.

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(h) Proposed acquisition of equity interest in Affin Insurance Brokers Sdn Bhd ("AIB")

On 5 October 2007, CIMB Group Sdn Bhd received approval from BNM to enter into discussions with AFFIN Holdings Berhad ("AHB") for the proposed acquisition of the entire equity interest in AIB, a wholly-owned subsidiary of AHB.

As at year end, the Proposed AIB Acquisition is still under negotiation.

(i) Proposed disposal by CIMB Bank of certain assets, liabilities and the asset/fund management business of Southern Investment Bank Berhad ("SIBB") to HLG Credit Sdn Bhd ("HLGC"), a 75% indirect subsidiary of Hong Leong Financial Group Berhad ("Proposed SIBB Disposal")

Pursuant to the Proposed SIBB Disposal by CIMB Bank of its 80% equity interest in SIBB to HLGC, a proposal to dispose certain assets, liabilities and the asset/fund management business of SIBB was announced on 19 October 2007. The total cash consideration for the proposed disposal is to be determined at a later date.

As at year end, the Proposed SIBB Disposal is pending approval from BNM. See Note 57 (i).

(j) Proposed disposal by SBB Capital Markets Sdn Bhd ("SCMSB"), a wholly owned subsidiary of CIMB Bank, of its 100% equity interest in SBB Securities Sdn Bhd ("SSSB") to HLG Credit Sdn Bhd ("HLGC") ("Proposed SSSB Disposal")

SCMSB and CIMB Bank had on 19 October 2007 entered into a conditional share sale agreement with HLGC and HLG Capital Berhad for the proposed disposal by SCMSB of its 100% equity interest in SSSB to HLGC for a total consideration to be determined at a later date.

As at year end, the Proposed SSSB Disposal is pending approval from the Securities Commission. See Note 57 (ii).

(k) Proposed acquisition of equity interest in Protac Insurance Brokers Sdn Bhd ("PIB")

On 26 October 2007, CIMB Group Sdn Bhd received approval from BNM to enter into discussions with Rubber Industry Smallholders' Development Authority ("RISDA") for the proposed acquisition of the entire equity interest in PIB, a wholly-owned subsidiary of RISDA.

As at year end, the Proposed PIB Acquisition is still under negotiation.

(l) Proposed sale and leaseback of Menara Bumiputra-Commerce

On 3 December 2007, the Company and its subsidiary company, CIMB Bank Berhad, entered into a Sale and Purchase Agreement ("SPA") and Lease Agreement ("LA") respectively with Pelaburan Hartanah Bumiputra Berhad ("PHBB") for the proposed sale and leaseback of Menara Bumiputra-Commerce.

Pursuant to the SPA and LA, BCHB shall dispose Menara Bumiputra-Commerce to PHBB for a total cash consideration of RM460 million. CIMB Bank will then lease Menara Bumiputra-Commerce for an initial lease tenure of ten years with renewal options for two additional periods of five years each.

(m) Proposed disposal of South East Asian Bank ("SEA Bank")

On 4 December 2007, CIMB Bank Berhad agreed to dispose its 60% equity interest in SEA Bank to British American Investment Co (Mauritius) Ltd.

As at year end, the Proposed SEA Bank Disposal is pending finalisation of terms and conditions and a definitive agreement to be signed. See Notes 53(e) and 57 (iii).

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(n) Signing of collaboration agreement ("CA") with Vietnam Shipbuilding Finance Company ("VFC")

On 21 December 2007, CIMB Investment Bank Berhad entered into a CA with VFC to jointly set up a securities company in Vietnam. Pursuant to the CA, CIMB Investment Bank Berhad will provide the guidance and assistance on the set up of the securities company. Upon obtaining the Vietnam State Securities Commission's license and the execution of a shareholders agreement, CIMB Investment Bank Berhad will take up 40% equity interest in the security company. The security company is expected to commence operation in mid 2008.

As at year end, this transaction is pending completion.

(o) Proposal to pursue option to merge Bank Niaga and Bank Lippo by Khazanah Nasional Berhad ("Khazanah") pursuant to the single presence in Indonesian Banking policy by the Central Bank, Indonesia

On 27 December 2007, Khazanah, a substantial shareholder of the Company, submitted a letter to the Board of Directors of the Company and CIMB Group Sdn Bhd to inform of its decision to pursue an option to merge Bank Niaga and Bank Lippo. The merger plan proposed by Khazanah was submitted by Bank Niaga to Central Bank, Indonesia to comply with its single presence policy.

As at year end, the merger proposal is still being evaluated.

53 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

(a) CIMB Bank Berhad alliance with International Currency Exchange ("ICE")

On 18 January 2008, CIMB Bank Berhad signed a Participation Agreement with ICE Commercial Services Sdn Bhd and Lenlyn UK Limited to manage CIMB Bank Berhad's retail business foreign exchange.

(b) Proposed acquisitions of equity interest in Affin Insurance Brokers Sdn Bhd ("AIB")

On 3 March 2008, the applications on behalf of Commerce International Group Berhad were submitted to Bank Negara Malaysia and Foreign Investment Committee for their approvals in respect of the above proposed acquisition.

(c) CIMB Group's proposed acquisition of 19.99% equity stake in Bank of Yingkou, China

On 17 March 2008, CIMB Group entered into a Share Subscription Agreement with Bank of Yingkou for the subscription of 141.2 million new ordinary shares of RMB1.00 each, representing approximately 19.99% of the enlarged issued and paid up capital of Bank of Yingkou for a total cash subscription amount of RMB348.8 million (equivalent to approximately RM156.2 million). As an integral part of the Proposed Acquisition, on the same day, CIMB Group also entered into a Investor's Rights Agreement and a Cooperation and Technical Assistance Agreement with Bank of Yingkou.

(d) Proposed issuance of up to RM1.5 billion subordinated bonds by CIMB Bank Berhad

On 17 March 2008, CIMB Bank Berhad obtained approval from the Securities Commission for the proposed issuance of up to RM1.5 billion subordinated bonds. The proceeds from the issue will be used for its working capital purposes which include refinancing some of its debts obligations. The bonds were issued on 28 March 2008.

(e) Proposed disposal of CIMB Bank Berhad's equity interest in South East Asian Bank Ltd ("SEA Bank")

On 1 April 2008, CIMB Bank Berhad entered into a Sale and Purchase Agreement with British American Investment Co. (Mauritius) Ltd to dispose of its 60% equity interest in SEA Bank for a total cash consideration of approximately 339 million Mauritius Rupees (or approximately RM40 milion).

54 CAPITAL ADEQUACY

(a) The capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited and CIMB (L) Limited), CIMB Investment Bank, CIMB Islamic Bank and Bank Niaga for the financial year ended 31 December 2007 are as follows:

31 December 2007	CIMB Bank RM'000	CIMB Investment Bank RM'000	CIMB Islamic Bank RM'000	Bank Niaga RM'000
Tier I capital	9,356,966	748,040	520,952	1,552,760
Eligible Tier II capital	3,977,779	6,019	44,987	552,641
	13,334,745	754,059	565,939	2,105,401
Less:				
Investment in subsidiaries and holding of other banking institutions' capital	(861,187)	(19,420)	-	(42,814)
Capital base	12,473,558	734,639	565,939	2,062,587
Before deducting proposed dividends				
Core capital ratio	9.34%	30.09%	15.11%	11.23%
Risk-weighted capital ratio	12.45%	30.09%	16.41%	14.92%
After deducting proposed dividends				
Core capital ratio	9.04%	23.95%	15.11%	11.23%
Risk-weighted capital ratio	12.15%	23.95%	16.41%	14.92%

54 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2007 are as follows:

31 December 2007	CIMB Bank RM'000	CIMB Investment Bank RM'000	CIMB Islamic Bank RM'000	Bank Niaga RM'000
Tier I capital				
Paid-up capital	2,974,009	219,242	550,000	400,067
Non-cumulative guaranteed preference shares	1,500,000	-	-	-
Innovative Tier I Capital	661,400	-	-	-
Share premium	4,157,074	33,489	-	735,009
Other reserves	4,342,222	494,971	123,803	417,684
	13,634,705	747,702	673,803	1,552,760
Less:				
Deferred tax (assets)/liabilities	(370,523)	338	(16,851)	-
Intangible assets	(348,141)	-	-	-
Goodwill	(3,559,075)	-	(136,000)	-
Total Tier I capital	9,356,966	748,040	520,952	1,552,760
Tier II capital				
ICULS issued	667,000	-	-	-
Subordinated notes issued	1,984,200	-	-	-
Subordinated loans	-	-	-	337,160
General allowance for bad and doubtful debts and financing	1,326,579	6,019	44,987	163,659
Others	-	-	-	51,822
Total eligible Tier II capital	3,977,779	6,019	44,987	552,641
Less:				
Investment in subsidiaries and holding of other banking institutions' capital	(809,623)	(19,420)	-	(42,814)
Investment in joint venture ^	(51,564)	-		
Total Capital Base	12,473,558	734,639	565,939	2,062,587

^ In accordance with a circular by Bank Negara Malaysia dated 25 April 2006, CIMB Bank is required to deduct 50% of its investment in joint venture company, PCSB from the capital base for the purposes of computing capital adequacy ratio.

54 CAPITAL ADEQUACY (CONTINUED)

(c) Breakdown of risk-weighted assets in the various categories of risk-weights as at 31 December 2007 are as follows:

	CIMB Bank		CIMB Investment Bank		CIMB Islamic Bank		Bank Niaga	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:								
0%	25,076,564	-	80,732	-	5,007,908	-	4,797,113	-
10%	187,815	18,781	-	-	-	-	40,637	4,064
20%	25,856,246	5,171,249	1,811,600	362,320	772,512	154,502	504,095	100,819
50%	18,869,263	9,434,632	42,518	21,259	313,297	156,649	4,672,353	2,336,176
100%	74,035,079	74,035,079	1,725,236	1,725,236	3,010,881	3,010,881	10,960,186	10,960,186
	144,024,967	88,659,741	3,660,086	2,108,815	9,104,598	3,322,032	20,974,384	13,401,245
Counterparty risk requirement		-		5,404		-		-
Total risk-weighted assets equivalent for credit risk		88,659,741		2,114,219		3,322,032		13,401,245
Total risk-weighted assets equivalent for market risk		11,505,792		327,066		126,357		422,501
		100,165,533		2,441,285		3,448,389		13,823,746

The above capital adequacy ratio calculations of CIMB Bank, CIMB Investment Bank and CIMB Islamic are based on the guidelines issued by Bank Negara Malaysia to the banking institutions. The capital adequacy ratio calculation of Bank Niaga is based on the guidelines issued by Bank Indonesia. Although the Company is not subject to the above guidelines, disclosure of the capital adequacy ratios are made on a voluntary basis.

54 CAPITAL ADEQUACY (CONTINUED)

(d) The capital adequacy ratios of CIMB Bank (including the operations of CIMB Bank (L) Limited and CIMB (L) Limited), CIMB Investment Bank, CIMB Islamic Bank and Bank Niaga for the financial year ended 31 December 2006 are as follows:

31 December 2006	CIMB Bank RM'000	CIMB Investment Bank RM'000	CIMB Islamic Bank* RM'000	Bank Niaga RM'000
Tier I capital	7,908,662	818,396	203,532	1,682,561
Eligible Tier II capital	4,434,168	9,331	7,685	571,519
	12,342,830	827,727	211,217	2,254,080
Less:				
Investment in subsidiaries and holding of other banking institutions' capital	(573,638)	(19,420)	-	(52,420)
Capital base	11,769,192	808,307	211,217	2,201,660
Before deducting proposed dividends				
Core capital ratio	8.65%	20.06%	32.07%	12.94%
Risk-weighted capital ratio	12.87%	20.06%	33.28%	16.93%
After deducting proposed dividends				
Core capital ratio	8.44%	15.09%	32.07%	12.94%
Risk-weighted capital ratio	12.66%	15.09%	33.28%	16.93%

54 CAPITAL ADEQUACY (CONTINUED)

(e) Components of Tier I and Tier II capital for the financial year ended 31 December 2006 are as follows:

31 December 2006	CIMB Bank RM'000	CIMB Investment Bank RM'000	CIMB Islamic Bank* RM'000	Bank Niaga RM'000
Tier I capital				
Paid-up capital	2,974,009	219,242	150,000	397,748
Non-cumulative guaranteed preference shares	1,500,000	-	-	-
Innovative Tier I Capital	698,728	-	-	-
Share premium	4,157,074	33,489	-	716,292
Other reserves	3,338,857	566,321	55,515	568,521
	12,668,668	819,052	205,515	1,682,561
Less:				
Deferred tax assets	(402,186)	(656)	(1,983)	-
Intangible assets	(392,745)	-	-	-
Goodwill	(3,965,075)	-	-	-
Total Tier I capital	7,908,662	818,396	203,532	1,682,561
Tier II capital				
ICULS issued	667,000	-	-	-
Subordinated notes issued	2,418,994	-	-	-
Subordinated loans	-	-	-	371,004
General allowance for bad and doubtful debts and financing	1,348,174	9,331	7,685	142,762
Others	-	-	-	57,753
Total eligible Tier II capital	4,434,168	9,331	7,685	571,519
Less:				
Investment in subsidiaries and holding of other banking institutions' capital	(513,119)	(19,420)	-	(52,420)
Investment in joint venture ^	(60,519)	-	-	-
Total Capital Base	11,769,192	808,307	211,217	2,201,660

^ In accordance with a circular by Bank Negara Malaysia dated 25 April 2006, CIMB Bank is required to deduct 50% of its investment in joint venture company, PCSB from the capital base for the purposes of computing capital adequacy ratio.

* The 2006 balances and ratio of CIMB Islamic Bank have not been restated to include the effects of pooling-of-interests/merger accounting.

54 CAPITAL ADEQUACY (CONTINUED)

(e) Components of Tier I and Tier II capital for the financial year ended 31 December 2006 are as follows: (Continued)

	CIMB Bank		CIMB Investment Bank		CIMB Islamic Bank		Bank Niaga	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:								
0%	19,871,008	-	292,718	-	1,679,177	-	4,697,793	-
10%	588,284	58,828	-	-	-	-	18,608	1,861
20%	23,417,945	4,683,589	774,445	154,889	204,254	40,850	686,221	137,244
50%	15,399,654	7,699,827	39,486	19,743	22,333	11,167	4,312,480	2,156,240
100%	69,791,976	69,791,976	1,686,042	1,686,042	565,949	565,949	10,121,425	10,121,425
	129,068,867	82,234,220	2,792,691	1,860,674	2,471,713	617,966	19,836,527	12,416,770
Counterparty risk requirement		-		497		-		-
Total risk-weighted assets equivalent for credit risk		82,234,220		1,861,171		617,966		12,416,770
Total risk-weighted assets equivalent for market risk		9,230,164		2,169,028		16,672		590,042
		91,464,384		4,030,199		634,638		13,006,812

The above capital adequacy ratio calculations of CIMB Bank, CIMB Investment Bank and CIMB Islamic are based on the guidelines issued by Bank Negara Malaysia to the banking institutions. The capital adequacy ratio calculation of Bank Niaga is based on the guidelines issued by Bank Indonesia. Although the Company is not subject to the above guidelines, disclosure of the capital adequacy ratios are made on a voluntary basis.

55 ACQUISITION/DISPOSAL OF SUBSIDIARIES

(a) Acquisitions that took place during the financial year are as follows:

(i) Acquisitions of Kibaru Manufacturing Sdn Bhd

On 3 January 2007, a subsidiary company of Commerce Asset Ventures Sdn Bhd acquired 39.2% of the issued share capital of Kibaru Manufacturing Sdn Bhd for a purchase consideration of RM17,640,000 satisfied by cash.

The assets and liabilities arising from the acquisition of Kibaru Manufacturing Sdn Bhd are as follows:

	At fair value RM'000
Cash and short-term funds	710
Deposits and placements with banks and other financial institutions	3,687
Inventories	1,951
Other assets	4,623
Property, plant and equipment	3,059
	14,030
Creditors	(2,188)
Deferred tax liabilities	(24)
Minority interest	(7,185)
	4,633
Goodwill	13,007
Purchase consideration	17,640
Purchase consideration discharged by cash	17,640
Less: cash and cash equivalents acquired	(710)
Cash outflow on acquisition	16,930

The effects of acquisition of the Group's financial results during the year are as follows:

	RM'000
Revenue	12,299
Expenses	(4,290)
Profit before taxation	8,009
Taxation	(720)
Profit after taxation	7,289
Minority interest	(4,432)
Net profit	2,857

55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Acquisitions that took place during the financial year are as follows: (Continued)

(i) Acquisitions of Kibaru Manufacturing Sdn Bhd (Continued)

The goodwill is attributable to rubber precision technology and customer base which is expected to benefit the Group after the acquisition of Kibaru Manufacturing Sdn Bhd.

(ii) Acquisition of Vital Remarks Sdn Bhd

On 26 February 2007, a subsidiary company of Commerce Asset Ventures Sdn Bhd acquired 51% of the issued share capital of Vital Remarks Sdn Bhd for a purchase consideration of RM12,386,000 satisfied by cash.

The assets and liabilities arising from the acquisition of Vital Remarks Sdn Bhd are as follows:

	At fair value RM'000
Cash and short-term funds	19
Deposits and placements with banks and other financial institutions	125
Inventories	3,331
Other assets	28,773
Property, plant and equipment	26,036
	58,284
Creditors	(38,692)
Deferred tax liabilities	(344)
Minority interest	(9,432)
	9,816
Goodwill	2,570
Purchase consideration	12,386
Purchase consideration discharged by cash	12,386
Less: cash and cash equivalents acquired	(19)
Cash outflow on acquisition	12,367

55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Acquisitions that took place during the financial year are as follows: (Continued)

(ii) Acquisition of Vital Remarks Sdn Bhd (Continued)

The effects of acquisition of the Group's financial results during the year are as follows:

	RM'000
Revenue	6,817
Expenses	(6,344)
Profit before taxation	473
Taxation	-
Profit after taxation	473
Minority interest	(232)
Net profit	241

If the acquisition had occurred on 1 January 2007, the acquired business would have contributed revenue of RM6,703,040 and net profit of RM929,071. These amounts have been calculated using the Group's accounting policies.

The goodwill is attributable to the branding, recipe and customer base which is expected to benefit the Group after the acquisition of Vital Remarks Sdn Bhd.

55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Acquisition that took place during the prior year is as follows:

(i) Acquisition of Southern Bank Berhad ("SBB") Group

On 28 June 2006, the Company acquired 100% of the issued share capital of SBB for a purchase consideration of RM6,686,014,000 satisfied by RM6,671,327,000 cash and RM14,687,000 RCULS.

The assets and liabilities arising from the acquisition of SBB Group on 28 June 2006 are as follows:

	Acquiree's carrying amount at date of acquisition RM'000	Fair value adjustment RM'000	At fair value RM'000
Cash and short-term funds	3,541,181	-	3,541,181
Deposits and placements with banks and other financial institutions	320,484	-	320,484
Securities held for trading	74,190	-	74,190
Available-for-sale securities	2,821,783	-	2,821,783
Held-to-maturity securities	440,845	-	440,845
Loans, advances and financing	22,156,020	-	22,156,020
Other assets	673,642	-	673,642
Statutory deposits with central banks	790,826	-	790,826
Property, plant and equipment	308,191	-	308,191
Intangible assets			
- Core deposits	-	263,612	263,612
- Credit card relationships	-	153,091	153,091
- Computer software	21,726	-	21,726
Deferred tax assets	321,033	(144,531)	176,502
Tax recoverable	-	62,987	62,987
	31,469,921	335,159	31,805,080

55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Acquisition that took place during the prior year is as follows: (Continued)

(i) Acquisition of Southern Bank Berhad ("SBB") Group (Continued)

The assets and liabilities arising from the acquisition of SBB Group on 28 June 2006 are as follows: (Continued)

	Acquiree's carrying amount at date of acquisition RM'000	Fair value adjustment RM'000	At fair value RM'000
Deposit from customers	18,690,239	-	18,690,239
Deposit and placements of banks and other financial institutions	3,578,154	-	3,578,154
Obligations on securities sold under repurchase agreements	1,182,182	-	1,182,182
Derivative financial instruments	187,302	-	187,302
Bills and acceptances payable	790,654	-	790,654
Amount due to Cagamas Berhad	2,392,605	-	2,392,605
Other liabilities	503,255	-	503,255
Provision for taxation and zakat	5,511	-	5,511
Subordinated obligations	1,055,511	-	1,055,511
Redeemable preference shares	698,728	-	698,728
	29,084,141	-	29,084,141
Net tangible assets acquired			2,720,939
Goodwill on acquisition			3,965,075
Purchase consideration			6,686,014
Less: Settled by issuance by RCULS			(14,687)
Purchase consideration settled in cash			6,671,327
Cash and cash equivalents in SBB Group acquired			(3,541,181)
Cash outflow on acquisition			3,130,146

The acquired business contributed profit after tax of RM198 million to the Group for the period from 1 July 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, the acquired business would have contributed revenue (comprises net interest income, non-interest income and Islamic banking income) of RM1,300 million and loss after tax of RM393 million to the Group. These amounts have been calculated using the Group's accounting policies.

The goodwill is attributable to workforce of the acquired business and significant synergies expected to arise after the acquisition of SBB Group.

55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) Disposals that took place during the year are as follows:

(i) Disposal of CIMB Wealth Advisors Berhad ("CIMB WA") and SBB Assets Management Sdn Bhd ("SBBAM")

On 7 February 2007, the Group, through its wholly-owned subsidiaries, BHL Venture Berhad and BHLB Assets Management Sdn Bhd, disposed of its 100% equity interest in CIMB WA and SBBAM respectively, to CIMB-Principal Assets Management Berhad, for a total cash consideration of RM481 million. The purchase consideration was based on willing buyer-willing seller basis, after taking into consideration the assets under management of CIMB WA and SBBAM as well as the agency distribution network of CIMB WA.

The gain on disposal amounted to RM86,725,000.

The additional goodwill resulting from the disposal to CIMB-Principal Assets Management Berhad at the new consideration amounted to RM86,772,000.

(ii) Disposals of 49% equity interests in CIMB Aviva Assurance Berhad ("CAAB") (formerly known as Commerce Life Assurance Berhad) and CIMB Aviva Takaful Berhad ("CATB") (formerly known as Commerce Takaful Berhad)

On 2 July 2007, the disposals of 49% equity interest in both CAAB and CATB to Aviva International Holdings Limited were completed for a total cash consideration of RM500 million.

The effects of the disposals on the financial position of the Group as at 31 December 2007 are as follows:

	2007 RM'000
Cash and short-term funds	(385,141)
Deposits and placements with banks and other financial institutions	(2,652)
Available-for-sale securities	(1,362,856)
Held-to-maturity securities	(37,797)
Loans, advances and financing	(8,351)
Other assets	(96,313)
Deferred tax assets	(116)
Property, plant and equipment	(4,810)
Investment property	(49,362)
Intangible assets	(2,771)
Other liabilities	1,675,219
Redeemable convertible unsecured loan stocks	38,389
Identifiable net assets disposed	(236,561)
Less : Goodwill	(58,163)
	(294,724)
Identifiable net assets less goodwill to be disposed at 49% equity interest	(144,415)
Net disposal proceeds	500,000
Gain on disposal before and after tax	355,585

55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) Disposals that took place during the year are as follows: (Continued)

(ii) Disposals of 49% equity interests in CIMB Aviva Assurance Berhad ("CAAB") (formerly known as Commerce Life Assurance Berhad) and CIMB Aviva Takaful Berhad ("CATB") (formerly known as Commerce Takaful Berhad) (Continued)

	2007 RM'000
The net cash flow on disposal was determined as follows:	
Total proceeds from disposal - cash consideration	500,000
Expenses directly attributable to the disposal, paid in cash	-
Net disposal proceeds	500,000
Cash and cash equivalents of subsidiaries disposed of	(188,719)
Net cash inflow on disposal	311,281

(iii) Disposal of 100% equity interests in Commerce Assurance Berhad ("CAB")

On 28 August 2007, the disposal of 100% equity interest in CAB was completed for a total cash consideration of RM486 million.

The effects of the disposal on the financial position of the Group as at 31 December 2007 are as follows:

	2007 RM'000
Cash and short-term funds	1,421
Investments	(531,657)
Other assets	(130,499)
Property, plant and equipment	(34,888)
Investment properties	(999)
Insurance funds	109,963
Other liabilities	391,545
Identifiable net assets disposed	(195,114)
Less : Goodwill	(22,134)
	(217,248)
Net disposal proceeds	486,274
Gain on disposal before and after tax	269,026
The net cash flow on disposal was determined as follows:	
Total proceeds from disposal - cash consideration	486,274
Expenses directly attributable to the disposal, paid in cash	-
Net disposal proceeds	486,274
Cash and cash equivalents of subsidiaries disposed of	1,421
Net cash inflow on disposal	487,695

55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

(d) Disposal that took place during the prior year is as follows:

Disposal of IMU Education Sdn Bhd ("IMU")

On 19 December 2006, the Group, through its wholly-owned subsidiaries, Commerce Asset Ventures Sdn Bhd, CIMB Private Equity Sdn Bhd and Commerce Technology Ventures Sdn Bhd, disposed of its 84.71% equity interest in IMU for a total consideration of RM202.84 million comprising the following:

(i) RM84.71 million cash;
(ii) RM0.07 million Class A Redeemable Preference Shares ("RPS") with a par value of RM0.01 each in the acquirer; and
(iii) RM118.06 million Class B RPS with a par value of RM0.01 each in the acquirer.

The effects of the disposal on the financial position of the Group as at 31 December 2006 are as follows:

	2006 RM'000
Cash and short-term funds	(23,654)
Other assets	(1,744)
Property, plant and equipment	(111,522)
Other liabilities	48,880
Current tax liabilities	868
Other borrowings	8,532
Identifiable net assets	(78,640)
Less: Minority interest	14,790
Identifiable net assets disposed	(63,850)
Less: Goodwill	(45,833)
	(109,683)
Net disposal proceeds	202,838
Gain on disposal before and after tax	93,155

The net cash flow on disposal was determined as follows:

	2006 RM'000
Total proceeds from disposal – cash consideration	202,838
Expenses directly attributable to the disposal, paid in cash	-
Net disposal proceeds	202,838
Cash and cash equivalents of subsidiary disposed of	(23,654)
Net cash inflow on disposal	179,184

56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) *Impairment of available-for-sale securities and held-to-maturity securities*

The Group and the Company follow the guidance of revised BNM/GP8 on determining when an investment is other than temporarily impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of the investment is less than cost; and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(b) *Allowance on loans, advances and financing*

The Group and the Company make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines, management makes judgement on the future and other key factors in respect of the recovery of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

(c) *Goodwill impairment*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note J of the Summary of Significant Group Accounting Policies.

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various business segments. The goodwill is then allocated to these various business segments. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the business segment, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the Group's cost of capital, which requires exercise of judgment.

Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(d) *Intangible assets*

The Group's intangible assets that derive their value from contractual customer relationships and core deposits or that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

Determining the estimated useful life of these intangible assets requires an analysis of circumstances and judgment by the Group's management. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount: the higher of the assets' selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed in a binding agreement in an arms length transaction evidenced by an active market or recent transactions for similar assets.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets' continued use, including those resulting from its ultimate disposal, at a market-based discount rate on pre-tax basis.

57 NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE

		The Group	
	Note	2007 RM'000	2006 RM'000
Non-current assets held for sale:			
- disposal of certain assets of Southern Investment Bank Berhad	(i)	55,328	-
- assets relating to disposal of 100% equity interest in SBB Securities Sdn Bhd	(ii)	114,159	-
- assets relating to disposal of 60% equity interest in South East Asian Bank Ltd	(iii)	491,234	-
- goodwill	(iv)	73,574	-
- property, plant and equipment	(v)	2,520	-
- prepaid lease payments	(v)	209	-
- foreclosed properties	(v)	25,070	-
Total non-current assets held for sale		762,094	-
Liabilities directly associated with non-current assets classified as held for sale:			
- disposal of certain liabilities of Southern Investment Bank Berhad	(i)	54,267	-
- liabilities relating to disposal of 100% equity interest in SBB Securities Sdn Bhd	(ii)	41,414	-
- liabilities relating to disposal of 60% equity interest in South East Asian Bank Ltd	(iii)	460,409	-
Total liabilities directly associated with non-current assets classified as held for sale		556,090	-

57 NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE (CONTINUED)

(i) Disposal of certain assets, liabilities and asset/fund management business of Southern Investment Bank Berhad ("SIBB")

Certain assets and liabilities of SIBB have been presented as held for sale following the proposed sale to HLG Credit Sdn Bhd ("HLGC"). The disposal is expected to be completed in 2008.

The assets and liabilities which have been identified for disposal as at 31 December 2007 are as follows:

	The Group 2007 RM'000
Assets	
Loans, advances and financing	55,076
Intangible assets	182
Property, plant and equipment	70
Non-current assets held for sale	55,328
Liabilities	
Deposits from customers	12,448
Deposits and placements of banks and other financial institutions	41,614
Other liabilities	205
Liabilities directly associated with non-current assets classified as held for sale	54,267

(ii) Disposal of 100% equity interest in SBB Securities Sdn Bhd ("SBB Securities")

The assets and liabilities of SBB Securities have been presented as held for sale following the conditional share sale agreement entered with HLGC on 19 October 2007. The disposal is expected to be completed in 2008.

The assets and liabilities identified for disposal as at 31 December 2007 are as follows:

	The Group 2007 RM'000
Assets	
Cash and bank balances	56,751
Loans, advances and financing	28,447
Other receivables, deposits and prepayments	26,748
Property, plant and equipment	1,425
Prepaid lease payments	788
Non-current assets held for sale	114,159
Liabilities	
Other liabilities	41,414
Liabilities directly associated with non-current assets classified as held for sale	41,414

57 NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE (CONTINUED)

(iii) Disposal of 60% equity interest in South East Asian Bank Ltd ("SEA Bank")

On 4 December 2007, CIMB Bank Berhad has agreed to dispose its 60% equity interest in SEA Bank to British American Investment Co (Mauritius) Ltd. As at year end, the disposal is pending finalisation of the terms and conditions and definitive agreement to be signed. The disposal is expected to be completed in 2008.

	The Group 2007 RM'000
Assets	
Cash and short term funds	21,590
Deposits and placements with banks and other financial institutions	175,709
Securities held for trading	201
Available-for-sale securities	98,767
Loans, advances and financing	167,847
Other assets	14,283
Property, plant and equipment	12,837
Non-current assets held for sale	491,234
Liabilities	
Deposits from customers	444,492
Bills and acceptances payables	1,385
Other liabilities	13,918
Deferred tax liabilities	614
Liabilities directly associated with non-current assets classified as held for sale	460,409

(iv) Goodwill

Arising from items (i), (ii) and (iii) above, the goodwill arising from the acquisition of SIBB, SBB Securities and SEA Bank are classified as non-current assets held for sale as at 31 December 2007.

	The Group 2007 RM'000
SIBB	35,000
SBB Securities	40,000
SEA Bank	1,574
	76,574
Less: Impairment in goodwill classified as non-current assets held for sale	(3,000)
	73,574

(v) Foreclosed properties, property, plant and equipment and prepaid lease payments

Foreclosed properties, property, plant and equipment and prepaid lease payments of the Group whereby deposits have been received from buyers of the properties, and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2008.

58 CHANGE IN ACCOUNTING POLICIES

The list of new accounting standards, amendments to published standards and interpretations to existing standards that are effective for the Group and the Company for the financial year ended 31 December 2007 is set out in Note A of the Summary of Significant Group Accounting Policies.

The following describes the impact of new standards, amendments and interpretations on the Financial Statements of the Group and the Company.

(a) Immaterial effect on the Financial Statements

The adoption of Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures, TR-*i-1 Accounting for Zakat on Business* and TR-*i-2 Ijarah* did not have a material impact on the Financial Statements of the Group and Company.

The adoption of FRS 124 - Related Party Disclosure resulted in new disclosures requirements in the Financial Statements of the Group and Company, which have been disclosed in Note 43.

(b) Reclassification in current year balances and effect on prior year comparatives

Set out below are changes in accounting policies that resulted in reclassification of prior year comparatives but did not affect the recognition and measurement of the Group and the Company's net assets:

- Adoption of FRS 117 has resulted in the retrospective reclassification of long term and short term leasehold land from property, plant and equipment to prepaid lease payments. The unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117.

(c) Effect of changes in accounting policies for the financial year ended 31 December 2007 and 31 December 2006:

(i) The following discloses the adjustments that have been made in accordance with the transition and new provisions of the respective FRSs to each of the line item in the Group and the Company's balance sheets as at 31 December 2007.

	The Group RM'000	The Company RM'000
Income statement		
Depreciation of property, plant and equipment	(2,242)	(158)
Amortisation of prepaid lease payments	2,242	158
Balance sheet		
Assets		
Property, plant and equipment	(53,740)	(4,674)
Prepaid lease payments	53,740	4,674

58 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) Effect of changes in accounting policies for the financial year ended 31 December 2007 and 31 December 2006: (Continued)

(ii) The following discloses the adjustments that have been made in accordance with the transition and new provisions of the respective FRSs to each of the line item in the Group and the Company's balance sheets as at 31 December 2006.

	As previously reported RM'000	Reclassification Note 58(b) RM'000	As restated RM'000
Group			
Assets			
Property, plant and equipment	1,081,505	(60,743)	1,020,762
Prepaid lease payments	-	60,743	60,743
Income statement			
Depreciation of property, plant and equipment	179,909	(1,085)	178,824
Amortisation of prepaid lease payments	-	1,085	1,085
Company			
Assets			
Property, plant and equipment	113,626	(4,832)	108,794
Prepaid lease payments	-	4,832	4,832
Income statement			
Depreciation of property, plant and equipment	2,158	(159)	1,999
Amortisation of prepaid lease payments	-	159	159

59 COMPARATIVES

Certain comparatives were also restated to conform with the current year presentation, other than those stated in Note 58. There was no impact to the financial performance and ratios in relation to the financial year ended 31 December 2006. The restatements are as follows:

	Note	As previously reported/restated after note 58 RM'000	Reclassification RM'000	As restated RM'000
Group				
Assets				
Cash and short term funds	(i)	21,534,684	(1,612,743)	19,921,941
Securities held for trading	(ii)	13,978,740	(396,816)	13,581,924
Available-for-sale securities	(ii), (v)	9,223,723	(205,264)	9,018,459
Derivative financial instruments	(ii)	1,673,925	(440,212)	1,233,713

59 COMPARATIVES (CONTINUED)

	Note	As previously reported/restated after note 58 RM'000	Reclassification RM'000	As restated RM'000
Liabilities				
Deposit from customer	(v)	104,568,715	(349,075)	104,219,640
Derivative financial instruments	(ii)	2,156,350	(693,217)	1,463,133
Other liabilities	(i)	7,568,918	(1,612,743)	5,956,175
Redeemable preference shares	(iii)	698,728	100,000	798,728
Equity				
Redeemable preference shares	(iii)	201,000	(1,000)	200,000
Share premium on preference shares	(iii)	99,000	(99,000)	-
Income Statement				
Interest income	(iv)	8,079,162	(1,994)	8,077,168
Income from Islamic banking operations	(iv)	98,786	1,994	100,780

(i) An amount of RM1,612,743,000, being a subsidiary's settlement account was classified as Other Liabilities in 2006. The amount represents an obligation that will eventually be paid out from cash and short term funds. This amount has been reclassified to cash and short term funds in order to better reflect the nature of the balance.

(ii) Certain mark-to-market on call warrants were re-classified to securities held for trading and available-for-sale securities respectively to reflect the nature of the transaction, which is non-derivative in substance.

(iii) Redeemable preference shares issued by a subsidiary were re-classified from equity to liabilities as the terms and conditions of the instrument were found to be a liability in substance.

(iv) In the previous financial year, the Islamic banking operations of CIMB Bank (L) Limited were not classified as Islamic banking operations as the amounts were immaterial. The results have been re-stated for comparability.

(v) Deposits from customers and securities available-for-sale had previously included structured products sold by CIMB Bank and held by CIMB Aviva on behalf of its investment linked life insurance policy holders. The balances have been eliminated and had no significant impact on the financial performance of the Group.

60 FINANCIAL INSTRUMENTS

A Financial risk management objectives and policies

The Group's financial risk management policy is adopted from the Company and the main operating subsidiaries risk management policies. Various initiatives and developments have been formed at the Company and operating subsidiaries in order to identify, measure, control and monitor all identifiable risks.

The Group operates within a clearly defined set of principles and guidelines that are approved by the Board. Various working committees were formed at the operating subsidiaries in carrying out the process to ensure that all identifiable risks are addressed and managed adequately.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

The main areas of financial risks faced by the Group and the policies to address these financial risks in respect of the Company and the major areas of banking activities represented by the commercial banks, namely CIMB Group and PT Bank Niaga Tbk are set out as follows:

The Company

Market risk

The Company's market risk exposures arise mainly from placement of cash at banking subsidiaries such as CIMB Bank and PT Bank Niaga. For these placements, market risk is mitigated by risk management framework and regulated investment policies and procedures that exist at the respective subsidiaries. The performance of respective placements is monitored via the monthly statements and acknowledged by the management.

Credit risk

Credit risk is the risk of loss due to the failure of a counter party to meet its financial obligations due to the Company.

Except for intercompany balances, the Company is not exposed to any other significant credit risk.

Liquidity risk

Liquidity risk is the risk where the Company is unable to meet its obligations when they fall due.

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Company and any potential strategic investments.

Operational risk

Operational risk arises from inadequacies or failure in internal processes and controls due to fraud, errors, inefficiencies, systems failures or external events.

In order to reduce or mitigate these risks, the Company established and maintained an internal control environment, which incorporates various control mechanisms at different levels throughout the organisation. These control mechanisms ensure that operational policies and procedures are being adhered to. The responsibilities to oversee compliance with internal control has been delegated to Group Internal Audit Division.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

CIMB Group

Risk management is integral to CIMB Group's activities and is an important feature in all its business, operations, delivery channels and decision-making processes. The extent to which the Group is able to identify, assess, monitor, and manage each of the various types of risk is critical to its safety, soundness, and profitability. CIMB Group has been involved in a series of mergers and integration, transforming itself from an investment banking entity to a well diversified universal banking group. In this regard, CIMB Group has reviewed its entire risk management process and rationalised the overlaps between risk management roles assumed by individual business units and the centralised risk oversight function. The Group's risk management is independent of the Group's operating units and reports to the Board on a regular basis. The Group does not embark on new businesses, introduce new products, engage in new activities or enter into new markets, unless approved by the Group Risk Committee.

Generally, the objectives of the Group's integrated risk management framework are to:

- identify the various exposures and operational requirements;
- establish the policies and procedures to measure, monitor, manage and report these exposures, and to ensure that they are within the Group's risk profile as approved by the Board of the Bank; and
- set out the appropriate responsibilities, internal controls, as well as supporting structures required in the risk management process.

An integrated risk management and control framework

CIMB Group employs an Enterprise-Wide Risk Management Framework ("EWRM"). The integrated and holistic risk framework is a structured approach towards assessing, measuring and managing risks on an enterprise-wide basis in a consistent manner across the Group. The on-going process of identifying, managing and reporting significant risks provides the Board and Management with a comprehensive process to anticipate and manage both existing and potential risks, taking into consideration changes in the risk profile experienced in the industry and within the Group.

Capital-at-Risk ("CaR") framework is used as a universal measure of risk, which focuses on economic capital needed to cushion against unexpected losses. CaR is a common yard-stick for aggregating risk and forms the basis of return on risk-adjusted-capital, used to measure and compare performances across different businesses.

Risk Management Organisation

In line with best practice standards in corporate governance, the Board Risk Committee ("BRC") oversees and assumes ultimate responsibility for the risk management function within the CIMB Group, reporting directly to the Board.

Board delegated authority is vested in the Group Risk Committee ("GRC") for managing risk on a group wide basis. The GRC, comprising CIMB senior management staff, undertakes the oversight function for capital allocation and overall risk limits as defined by the Board. GRC reviews, deliberates, and discusses all risk positions in the Group in order to exercise control over all risk taking and risk activities undertaken.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

CIMB Group (Continued)

Risk Management Organisation (Continued)

The GRC is assisted by four (4) sub-committees on specific risk areas: Market Risk Committee, Credit Risk Committee, Liquidity Risk Committee and Operational Risk Committee. Membership composition of the GRC and sub-committees reflect a proper mix of members from management, independent and business divisions.

The roles and responsibilities of the committees and sub-committees are as follows:

Board Risk Committee ("BRC")

- Reviews and approves risk policies and strategies, and new products
- Oversees entire EWRM

Group Risk Committee ("GRC")

- Reviews and advises on risk policies and strategies
- Oversees management of risk, capital allocation and asset liability management process across CIMB Group

Credit Risk Committee ("CRC")

- Credit approval authority
- Oversees counterparty, industry sector, product exposures and sets credit support standards

Market Risk Committee ("MRC")

- Oversees exposure to market risks
- Approves proprietary trading activities and investments/underwriting arrangements with defined limits

Liquidity Risk Committee ("LRC")

- Oversees the Group's overall liquidity management

Operational Risk Committee ("ORC")

- Oversees issues relating to the CIMB Group's operational risk and internal control environment

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

CIMB Group (Continued)

Key activities

Four (4) senior management sub-committees maintain an effective control environment that reflects the established risk appetite and business objectives. The primary charter of each sub-committee is to identify, analyse, monitor and review the principal risks on the specific risk areas to which the Group is exposed:

- market risk – arising from changes in market prices such as interest rates, exchange rates and share prices;
- credit risk – relates to the creditworthiness of counterparties and the potential for defaults;
- liquidity risk – relates to the funding of activities; and
- operational risk – relates to the risk of loss arising from inadequate or failed internal processes, people and systems or external events, including legal risk and regulatory issues.

Group Risk Management ("GRM") provides the oversight role, comprising Risk Management and Analytics ("RMA"), Risk Middle Office ("RMO"), Credit Rating and Analytics ("CRA"), Credit Risk Management ("CRM") and Business Credit Management ("BCM"). Group Risk Management assists senior management and risk committees in monitoring, reporting and controlling the Group's risk exposures, functioning as the secretariat to the risk committees. Group Risk Management functions independently of the Group's operating and business units.

The roles of GRM

GRM's responsibility is to identify, analyse, monitor, review and report the principal risks to which the Group is exposed. GRM ensures proper risk assessment and identification through independent credit evaluation, using rigorous and forward-looking risk methodologies and risk models in order to exercise control over all exposures. To ensure business strategies conducted are consistent with Board approved tolerance, GRM employs Group wide comprehensive limit framework to control credit, market, and liquidity risk taking activities.

GRM assists in the creation of shareholder value through proper allocation of risk capital, development of a risk-based pricing framework and the expansion of new businesses and introduction of new products.

RMA monitors risk profile of risk-taking activities, and initiates and proposes risk policies, risk measurement methodologies, risk limits and risk capital allocation to the Board for approval. Risk capital allocation is by risk exposure and business units, whereby the aggregated risk taking activities i.e. credit, market and operational risks are aggregated and actively managed and controlled across the enterprise. It also performs independent review of loan asset quality and loan recovery plan and develops the risk-based product pricing framework for loan portfolios.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

CIMB Group (Continued)

The roles of GRM (continued)

In addition, RMA monitors and manages liquidity risk of the Group and adheres to and complies with regulatory requirements, including the Bank Negara Malaysia-New Liquidity Framework (BNM-NLF). RMA also runs the Group Risk Committee (GRC), Market Risk Committee (MRC), Liquidity Risk Committee (LRC) and the Operational Risk Committee (ORC) secretariats respectively.

RMO undertakes monitoring and oversight processes at Group Treasury and Equity Market & Derivative trading floors to foster a trading environment under control as enshrined in the Market Risk framework. RMO responsibilities include reviewing and analysing treasury trading strategy, positions and activities vis-à-vis changes in the financial market and coordinating new products, monitoring limits usage, assessing limits adequacy, performing mark-to-market as part of financial valuation and verifying transaction prices; while maintaining partnership with Group Treasury and Equity Markets.

CRA focuses on the development of internal rating models and implements the rating systems, which forms an integral part in the credit decision making process. CRA continuously validates all internal rating models and closely monitors the usage of the rating systems. Relevancy of internal rating models to current market conditions and integrity of ratings is established through continuous evaluation.

CRM performs independent credit evaluation of all credit risk related proposals originating from the business units prior to submission to CRC, EXCO or Board for approval. CRM also reviews the Group's holdings of all fixed income assets and recommends the internal ratings for CRC's approval. These functions ensure proper activation of approved limits and provide CRC with an objective and balanced judgment. CRM is the secretariat for CRC.

Risk Management

BCM approves credit up to a limit of RM10 million per application (subject to total group exposure not exceeding RM25 million) and is responsible for tracking and analysing non-performing loans.

Market Risk

Market risk is defined as any fluctuation in the value of the portfolio resulting from changes in market prices, such as interest rates, exchange rates and share prices.

Market risk results from trading activities that can arise from customer-related businesses or from proprietary positions. The Group hedges the exposure to market risk by employing varied strategies, including the use of derivative instruments.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

CIMB Group (Continued)

Market Risk (Continued)

The Group adopts a value-at-risk ("VAR") approach in the measurement of market risks. VAR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. Policies and procedures governing risk-taking translate into limits and management triggers to complement global CaR limit are in place. Limits constitute the key mechanism to control allowable risk taking, and are regularly reviewed in the face of changing business needs, market conditions, and regulatory changes.

Credit Risk

Credit and counterparty risk is defined as the possibility of losses due to an unexpected default or a deterioration of creditworthiness of a business partner.

Credit risk arises primarily from lending activities through loans as well as commitments to support clients' obligations to third parties, i.e. guarantees. In sales and trading activities, credit risk arises from the possibility that the counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivatives activities, credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfil their obligation to pay us the positive fair value or receivable resulting from the execution of contract terms.

All credit exposures are subjected to an internal rating, based on a combination of quantitative and qualitative criteria. Adherence to set credit limits is monitored daily by RMA, which combines all exposures for each counterparty, including off balance sheet items and potential exposure. Compliance to the Group-wide credit policy limits the exposure to any one counterparty or group, industry sector and rating classification.

CRC ensures that the risk exposures undertaken by the Group matches the risk appetite against corresponding rewards to ensure rewards commensurate with risk taken. CRC sets and enforces proper credit standards where approval of all credits is granted in accordance with proper authorisation as set out in the credit policies and guidelines.

Potential problematic exposures identified by the business units and the Management are closely monitored and proactive measures taken to pre-empt any further deterioration in the credit quality, to minimise any financial loss to the Group.

The Group's Exceptional Management Procedures governs the management of exceptions and escalation procedures covering breach of regulatory and internal limits and defines the roles and responsibilities of each party to exception process and procedures. Hence, violation of limits can be handled speedily and decisively where appropriate remedial actions can be undertaken quickly to prevent or minimise any potential losses.

Potential credit exposures are evaluated by CRC and are monitored against approved limits on a regular basis. Adherence to and compliance with single customer limit as well as assessing the quality of collateral are approaches adopted to address concentration risks to any large sector/industry, or to a particular counterparty group or individual.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

CIMB Group (Continued)

Credit Risk (Continued)

The Group enters into master agreements that provide for closeout and settlement netting with counterparties, whenever possible. A master agreement that governs all transactions between two (2) parties, creates the greatest legal certainty that credit exposure will be netted. This effectively enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

The extent to which the Group's overall exposure to credit risk is reduced through a master netting arrangement, may change substantially within a short period following the balance sheet date as the exposure is affected by each transaction subject to the agreement.

Liquidity Risk

Liquidity risk is defined as the risk of being unable to fulfil the current or future payment contractual obligations when due. LRC's role is to oversee the overall liquidity management of the Group and compliance with Bank Negara Malaysia prescribed liquidity framework at all times.

The Group's liquidity risk management moves away from over dependence on volatile sources of funding through diversification of sources of funds, and ensures adequacy of liquid assets. Management action triggers are in place providing early warning signals on emerging liquidity pressures. Contingency funding plan is in place to deal with extreme liquidity crisis under adverse market conditions.

Operational Risk

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

Operational Risk Management Framework has been developed to ensure that operational risks within the CIMB Group are properly identified, captured, monitored, managed and reported in a systematic and consistent manner. Key elements of the framework include control self-assessment, risk event management and key risk indicator monitoring. The ORC has oversight responsibility for all operational matters that affect the day-to-day activities of the Group. Each new product or service introduced is subject to a rigorous risk review and sign off process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product.

Basel II

Bank Negara Malaysia ("BNM") scheduled the implementation of Basel II Internal Rating Based ("IRB") on 1 January 2010 with a parallel run, a year ahead of implementation.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

CIMB Group (Continued)

Basel II (Continued)

The Group is currently working towards meeting the Basel II requirements across various risk categories. The approaches taken for credit risk will be Advance IRB for retail exposure and Foundation IRB for corporate exposure. Operational risk will be based on Basic Indicator and working towards Standardised Approach in 2010. A Basel II Steering Committee chaired by the Group CEO has been set up to oversee the implementation initiatives across the Group with assistant of various sub-committees. Basel II Implementation Team house under GRM takes the lead roles in ensuring the project is on track to meet the timeline in 2010.

Progress has been significant in various work streams with rating models calibration and risk datamart seen the greatest progress. Application to BNM for direct migration to IRB has been obtained. Meetings have been held regularly with BNM to ensure implementation initiatives are in line with BNM's expectation.

The Group has implemented the Economic Capital allocation framework which enables the Group to meet standards set out in Pillar II - Internal Capital Adequacy Assessment Process (ICAAP) requirement. All major risk categories have been measured and capital allocated to all business units.

The Group's operational risk loss event reporting and data collection for the enlarged Group have been streamlined and consolidated. Implementation of a formal operational risk framework is complemented by the Key Risk Indicator (KRI) reporting and deployment of Control and Risk Self-Assessment (CRSA). These methodologies form part of the foundation towards developing an advanced approach for operational risk capital measurement in the future.

Business Continuity Plan

The Group has developed and established a Business Continuity Management process incorporating business continuity strategies, responses, continuity, and disaster recovery to better equip the Group to respond in a planned and controlled manner in times of crisis. This total management process, provides a framework for building resilience and capabilities for an effective response to safeguard the interest of the key stakeholders, reputation, brand and value creating activities under an adverse operating environment.

Business Continuity Plans have been documented for the mission critical functions and processes within the organisation. The Group is able to provide business continuity and business resumption should any unforeseen crisis affect the business. A dedicated Business Continuity Management Department has been created with the primary responsibility of ensuring that an integrated and standardised Business Continuity Management approach is introduced and implemented throughout the organisation.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

PT Bank Niaga Tbk ("Bank Niaga")

Market risk

Market risk involves the possibility of losses incurred from changes in interest rate and foreign exchange rate due to market volatility. Bank Niaga monitors these changes and their impact on its portfolios as well as net open positions as part of its market risk management, through the Market Risk Committee ("Marco").

Marco defines acceptable limits on trading exposures, including daily net open position limits and potential losses on current positions. Factors considered in setting these position limits include risk and return levels acceptable by management. Position limits are reviewed at least once a year, although in periods of extreme volatility they are scrutinised more often or suspended altogether momentarily.

Trading limits are monitored daily on a mark-to-market basis and by applying the VaR concept. Thus, by keeping track of its daily VaR, Bank Niaga is in a position to liquidate its gap, which indicates a potential loss greater than the allowable limits.

Bank Niaga is recently implementing Treasury & Risk Management System Automation. The system which covers front, middle and back office enables Bank Niaga to have more efficient and effective treasury and market risk management.

Credit risk

Bank Niaga's credit policy is used as the main guidance in granting loan. All personnel concerned with credit, including Board of Commissioners and Directors are required to understand these policies and have the discipline to implement these policies in their daily activities. Credit risk is managed based on the review of:

(1) The diversification of credit risk and portfolio (business segment/industry sector/largest borrowers composition).
(2) Credit policy and procedure (including target market and risk acceptance criteria).
(3) Adequacy of provisions for loan losses.
(4) Other major risk indicators and methods of credit risk measurement.

The credit strategy and goal setting are planned and established by the Credit Risk and Policy Committee who is also responsible for managing credit portfolio and credit risk. The Credit Risk and Policy Committee meets at least 6 times a year and is chaired by Director of Compliance and Risk Management and attended by the President Director and the other Board of Senior Executive members.

The main factor that can control and reduce credit risk is the ability and maturity level of the credit units to analyse the credit, which will eventually result in a balance between credit risk and business development considerations.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

PT Bank Niaga Tbk ("Bank Niaga") (Continued)

Liquidity risk

The Asset and Liability Committee ("ALCO") is responsible for directing liquidity and asset-liability management position. The committee meets with business, treasury, credit and other relevant units on a monthly basis to ensure that Bank Niaga's liquidity objectives are met.

Bank Niaga sets the interest rate through interest sensitivity gap simulation and adjustment between the interest rate of asset and liability and source of fund composition.

Bank Niaga manages its liquidity by focusing on cash inflow and cash outflow. The gap in cash flow is anticipated through its first tier assets such as reserve requirements and highly liquid short-term marketable securities. Second-tier assets are managed through short-term placements with other banks and available-for-sale long term marketable securites. Liquidity is also achieved through prudent structuring of Bank Niaga's funding. This includes maintaining proper check and balances in the concentration of the depositors, as well as the amount and maturity of deposits. In addition, Bank Niaga assures liquidity by maintaining its ability to access the financial market, which in large is dependent upon its credibility and market standing.

Operational Risk

Bank Niaga's Operational and Information Risk Committee ("OIRC") which meets at least four times a year and is chaired by the Director of IT and System with participation by the Board of Senior Executives and selected Group Heads. OIRC's function includes, amongst others, defining the roles and responsibilities for managing and reporting operational risks. In keeping with governance structure, the Risk Taking Units ("RTU") are responsible for all the operational risks within the business. Such risks are managed through bank-wide or business segment specific policies and procedures, operational risk limits, controls and monitoring tools. To manage operational risks, Bank Niaga maintains a specialised Control Unit to assist the RTUs to monitor all operational risk exposures from transactions on daily basis, and to ensure that the execution of transactions complies with the policies, procedures and limits established by senior management and adhere to Accounting Principle and Standards applied. Operational Risk Management unit, working in conjunction with senior business segment executives developing key tools to help manage, monitor and summarise operational risks. Internal Audit unit attests internal control systems effectiveness, including those of operational risks.

60 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

PT Bank Niaga Tbk ("Bank Niaga") (Continued)

Operational Risk (Continued)

Bank Niaga has implemented Key Risk Indicators as well as Control Risk Self Assessment ("CRSA") as a tool to identify a specific operational risk profile (high risk potential) for business lines. Bank Niaga's CRSA is also used for identifying emerging operational risk issues and determining how they should be managed. Focus is on business efficiency and improvement of control. Bank Niaga continuously reviews Risk Library and if necessary, revises its policies, procedures and risk limits to mitigate operational risks arising from data reconciliation process, money-laundering activities, transaction processing, systems interruptions, fraud management and new product introduction processes. Bank Niaga continues its efforts to minimise operational risk associated with communication, security, data and processing systems through the development of back-up systems, emergency plans and enhanced information techonology ("IT") capability. To strengthen its operational risk management capability, Bank Niaga always places great importance in its personnel management practices and employee development specially on the implementation and enforcing good ethics and integrity as stated in Bank Niaga's code of conduct. Bank Niaga engages in regular employee training to help limit the operational defects or mistakes. Where appropriate, Bank Niaga purchases insurance against operational risks.

Going forward, Bank Niaga is in the process of enhancing operational risk management practices through development of additional operational risk management tools, including Loss Event Database and Risk Dashboard.

B Interest rate risk

The tables below summarise the Group's and the Company's exposure to interest rate risks. Included in the tables are the Group's and the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time, the Group and the Company may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheets. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Group 2007							
	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	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	27,185,106	-	-	-	-	3,340,354	-	30,525,460
Securities purchased under resale agreements	2,325,188	2,046,125	-	-	-	-	-	4,371,313
Deposits and placements with banks and other financial institutions	2,030,692	3,503,500	911,118	40,254	-	-	-	6,485,564
Securities held for trading	-	-	-	-	-	5,745	14,646,567	14,652,312
Available-for-sale securities	60,373	318,328	944,908	3,306,056	2,411,954	3,217,941	-	10,259,560
Held-to-maturity securities	484	59,834	107,268	669,920	2,498,833	193,105	-	3,529,444
Derivative financial instruments	385,599	-	-	-	-	88,368	1,309,046	1,783,013
Loans, advances and financing								
- performing	45,928,779	13,944,433	5,576,878	11,325,653	16,723,755	8,274	-	93,507,772
- non-performing	-	-	-	-	-	2,396,286^	-	2,396,286

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Group 2007							
	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	Trading book RM'000	Total RM'000
Assets								
Other assets	698,107	-	289,424	-	-	3,215,263	-	4,202,794
Deferred tax assets	-	-	-	-	-	482,835	-	482,835
Tax recoverable	-	-	-	-	-	122,487	-	122,487
Statutory deposits with central banks	-	-	-	-	-	3,048,612	-	3,048,612
Investment in associates	-	-	-	-	-	150,128	-	150,128
Jointly controlled entities	-	-	-	-	-	124,448	-	124,448
Property, plant and equipment	-	-	-	-	-	1,298,580	-	1,298,580
Investment properties	-	-	-	-	-	97,421	-	97,421
Prepaid land lease payments	-	-	-	-	-	53,740	-	53,740
Goodwill	-	-	-	-	-	4,474,119	-	4,474,119
Intangible assets	-	-	-	-	-	503,660	-	503,660
Non-current assets held for sale	-	-	-	-	-	762,094	-	762,094
Total assets	78,614,328	19,872,220	7,829,596	15,341,883	21,634,542	23,583,460	15,955,613	182,831,642

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Group 2007							
	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	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	65,650,368	18,938,497	19,080,862	3,223,644	2,298,499	17,674,921	-	126,866,791
Deposits and placements of banks and other financial institutions	6,595,054	4,380,009	1,528,499	5,000	268,994	106,911	-	12,884,467
Derivative financial instruments	311,113	-	-	-	-	27,510	1,320,152	1,658,775
Obligations on securities sold under repurchase agreements	605,780	-	-	-	-	-	-	605,780
Bills and acceptances payable	1,372,665	1,661,621	685,505	-	-	948,242	-	4,668,033
Other liabilities	-	-	-	-	-	8,273,525	-	8,273,525
Deferred tax liabilities	-	-	-	-	-	23,523	-	23,523
Current tax liabilities	-	-	-	-	-	217,887	-	217,887
Amount due to Cagamas Berhad	94,830	43,554	524,935	1,341,388	-	-	-	2,004,707
Bonds	-	-	250,000	22,921	-	31,772	-	304,693
ICULS - detachable coupons	-	-	-	9,282	-	-	-	9,282
RCULS	-	-	-	1,803	-	-	-	1,803
Other borrowings	703,114	331,157	1,970,760	1,747,075	-	61	-	4,752,167
Redeemable preference shares	-	-	-	135,000	681,033	-	-	816,033
Subordinated Notes	-	-	-	1,309,211	1,024,265	-	-	2,333,476
Liabilities directly associated with non-current assets classified as held for sale	-	-	-	-	-	556,090	-	556,090
Total liabilities	75,332,924	25,354,838	24,040,561	7,795,324	4,272,791	27,860,442	1,320,152	165,977,032
Total interest rate sensitivity gap	3,281,404	(5,482,618)	(16,210,965)	7,546,559	17,361,751		14,635,461	

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Group 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	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	16,873,599	-	-	-	-	3,048,342	-	19,921,941
Securities purchased under resale agreements	269,911	1,863,099	349,643	-	-	-	-	2,482,653
Deposits and placements with banks and other financial institutions	1,123,742	2,972,877	687,181	73,318	-	-	-	4,857,118
Securities held for trading	-	-	-	-	-	71,858	13,510,066	13,581,924
Available-for-sale securities	190,171	124,427	903,107	3,556,543	2,454,544	1,789,667	-	9,018,459
Held-to-maturity securities	11,525	61,845	244,354	203,816	1,420,063	98,459	-	2,040,062
Derivative financial instruments	-	-	-	-	-	441,814	791,899	1,233,713
Loans, advances and financing								
- performing	53,888,367	13,496,384	7,070,579	7,968,564	4,306,764	-	-	86,730,658
- non-performing	-	-	-	-	-	3,604,101^	-	3,604,101
Other assets	57,237	1,148	1,563	320	45	3,903,143	993	3,964,449
Deferred tax assets	-	-	-	-	-	433,063	-	433,063

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Group 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	Trading book RM'000	Total RM'000
Tax recoverable	-	-	-	-	-	372,322	-	372,322
Statutory deposits with central banks	-	-	-	-	-	2,249,347	-	2,249,347
Investment in associates	-	-	-	-	-	129,207	-	129,207
Jointly controlled entities	-	-	-	-	-	157,731	-	157,731
Property, plant and equipment	-	-	-	-	-	1,083,744	-	1,083,744
Prepaid lease payments	-	-	-	-	-	60,743	-	60,743
Goodwill	-	-	-	-	-	4,503,692	-	4,503,692
Intangibles assets	-	-	-	-	-	527,282	-	527,282
Total assets	72,414,552	18,519,780	9,256,427	11,802,561	8,181,416	22,474,515	14,302,958	156,952,209

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Group 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	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	49,305,989	17,884,846	17,921,453	4,418,686	64,088	14,624,578	-	104,219,640
Deposits and placements of banks and other financial institutions	1,289,658	3,192,263	1,262,031	882,500	365,000	30,327	-	7,021,779
Derivative financial instruments	182,515	-	-	-	-	448,160	832,458	1,463,133
Obligations on securities sold under repurchase agreements	5,413,570	247,578	1,381	-	-	-	-	5,662,529
Bills and acceptances payable	1,218,596	1,968,973	584,443	-	-	723,550	-	4,495,562
Floating rate certificates of deposits	211,800	-	-	-	-	-	-	211,800
Other liabilities	-	106	-	-	-	5,956,069	-	5,956,175
Deferred tax liabilities	-	-	-	-	-	2,086	-	2,086
Current tax liabilities	-	-	-	-	-	209,800	-	209,800
Amount due to Cagamas Berhad	91,050	85,587	907,777	2,581,410	-	-	-	3,665,824
Loan stocks	-	-	-	41,610	-	-	-	41,610
Bonds	-	-	82,182	702,345	-	-	-	784,527

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Group 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	Trading book RM'000	Total RM'000
ICULS - detachable coupons	-	-	-	32,982	-	-	-	32,982
RCULS	-	-	-	14,199	-	-	-	14,199
Other borrowings	172,454	1,494,200	1,329,122	3,999,216	-	20,269	-	7,015,261
Redeemable preference shares	-	-	-	-	798,728	-	-	798,728
Subordinated Notes	-	-	300,000	2,467,254	-	-	-	2,767,254
Total liabilities	57,885,632	24,873,553	22,388,389	15,140,202	1,227,816	22,014,839	832,458	144,362,889
Total interest rate sensitivity gap	14,528,920	(6,353,773)	(13,131,962)	(3,337,641)	6,953,600		13,470,500	

^ Includes specific allowances and general allowances of RM5,075,908,000 (2006: RM4,879,113,000).

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Company 2007						
	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	Total RM'000
Assets							
Cash and short-term funds	349,479	-	-	-	-	24,949	374,428
Available-for-sale securities	-	-	-	-	-	888	888
Held-to-maturity securities	-	-	28,386	90,117	1,300,000	53,041	1,471,544
Loans, advances and financing	-	-	22	221	2,367	-	2,610
Other assets	-	-	-	-	-	105,810	105,810
Tax recoverable	-	-	-	-	-	105,988	105,988
Investment in subsidiaries	-	-	-	-	-	7,325,118	7,325,118
Amount owing by subsidiaries	-	-	-	-	-	3,817,845	3,817,845
Investment in associate	-	-	-	-	-	3,834	3,834
Property, plant and equipment	-	-	-	-	-	291,058	291,058
Investment properties	-	-	-	-	-	4,715	4,715
Prepaid lease payments	-	-	-	-	-	4,674	4,674
Total assets	349,479	-	28,408	90,338	1,302,367	11,737,920	13,508,512

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Company 2007						
	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	Total RM'000
Liabilities							
Derivative financial instruments	19,052	-	-	-	-	-	19,052
Other liabilities	-	-	-	-	-	109,321	109,321
Deferred tax liabilities	-	-	-	-	-	13,293	13,293
Amount owing to subsidiaries	-	-	-	-	-	264,838	264,838
Bonds	-	-	-	250,000	-	-	250,000
RCULS	-	-	-	1,803	-	-	1,803
Other borrowings	-	-	938,211	2,060,700	-	-	2,998,911
Total liabilities	19,052	-	938,211	2,312,503	-	387,452	3,657,218
Total interest rate sensitivity gap	330,427	-	(909,803)	(2,222,165)	1,302,367		

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Company 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	Total RM'000
Assets							
Cash and short-term funds	948,066	-	-	-	-	3,527	951,593
Available-for-sale securities	-	-	-	-	-	1,715	1,715
Held-to-maturity securities	-	-	17	108,586	1,300,000	50,871	1,459,474
Loans, advances and financing	-	-	41	281	2,321	-	2,643
Other assets	-	-	-	-	-	176,503	176,503
Tax recoverable	-	-	-	-	-	58,357	58,357
Deferred tax assets	-	-	-	-	-	12,250	12,250
Investment in subsidiaries	-	-	-	-	-	10,206,100	10,206,100
Amount owing by subsidiaries	-	-	-	-	-	3,489,084	3,489,084
Investment in associate	-	-	-	-	-	3,834	3,834
Property, plant and equipment	-	-	-	-	-	108,794	108,794
Investment properties	-	-	-	-	-	4,840	4,840
Prepaid lease payments	-	-	-	-	-	4,832	4,832
Total assets	948,066	-	58	108,867	1,302,321	14,120,707	16,480,019

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	The Company 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	Total RM'000
Liabilities							
Derivative financial instruments	165,145	-	-	-	-	-	165,145
Other liabilities	-	-	-	-	-	32,082	32,082
Amount owing to subsidiaries	3,841,633	-	-	-	-	3,684,516	7,526,149
Bonds	-	-	-	250,000	-	-	250,000
RCULS	-	-	-	14,199	-	-	14,199
Other borrowings	-	1,000,000	-	-	-	-	1,000,000
Total liabilities	4,006,778	1,000,000	-	264,199	-	3,716,598	8,987,575
Total interest rate sensitivity gap	(3,058,712)	(1,000,000)	58	(155,332)	1,302,321		

60 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

The table below summarises the effective average interest rate by major currencies for each class of financial asset and financial liability:

	The Group 2007			The Group 2006		
	RM %	IDR %	USD %	RM %	IDR %	USD %
Financial assets						
Cash and short-term funds	2.74	3.99	4.95	3.10	7.36	5.00
Securities purchased under resale agreements	3.51	-	-	3.50	-	-
Deposits and placements with banks and other financial institutions	3.50	7.81	4.78	3.51	9.04	5.36
Securities held for trading	5.07	9.91	5.30	2.43	9.41	4.50
Available-for-sale securities	4.95	9.46	-	3.83	10.92	8.92
Held-to-maturity securities	4.90	9.92	5.00	1.93	13.10	5.00
Loans, advances and financing	6.58	12.09	6.22	8.53	14.15	5.50
Other assets	10.00	-	-	10.00	-	-
Financial liabilities						
Deposits from customers	2.99	6.33	4.95	2.70	7.86	4.83
Deposits and placements of banks and other financial institutions	3.20	5.65	6.12	3.52	5.29	5.61
Obligations on securities sold under repurchase agreements	3.45	-	-	2.96	-	-
Bills and acceptances payable	3.67	-	-	3.75	-	-
Floating rate certificates of deposits	-	-	-	-	5.62	-
Amount due to Cagamas Berhad	4.39	-	-	4.24	-	-
Loan stocks	-	-	-	3.60	-	-
Bonds	8.35	-	4.80	7.04	-	4.70
ICULS	7.50	-	-	7.50	-	-
RCULS	4.80	-	-	4.80	-	-
Other borrowings	4.49	-	4.94	4.62	-	5.54
Redeemable preference shares	-	-	-	-	6.62	-
Subordinated Notes	-	-	4.05	4.70	7.75	3.04

60 FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk

The following tables set out the credit risk concentrations:

	The Group 2007									
	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Securities held for trading RM'000	Available-for-sale securities RM'000	Held-to-maturity securities RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000	Treasury related commitments and contingencies RM'000
Agricultural	-	-	33,020	81,007	-	516	3,132,941	3,247,484	228,665	1,155
Mining and quarrying	-	-	2,091	25,967	-	-	535,443	563,501	175,392	-
Manufacturing	-	-	67,319	206,546	1,812	14,675	10,709,056	10,999,408	936,615	185,515
Electricity, gas and water	-	-	2,027,684	1,467,832	-	11,292	867,214	4,374,022	76,028	85,491
Construction	-	-	230,897	488,732	2,909	33	5,261,803	5,984,374	1,978,739	119
Real estate	-	-	159,935	312,275	-	-	7,945,606	8,417,816	79,202	1,863
Wholesale and retail trade, restaurants and hotels	-	-	242,009	410,036	-	52,387	3,618,777	4,323,209	939,053	13,899
Transport, storage and communication	-	-	2,878,515	1,100,897	1,086,866	29,133	3,628,510	8,723,921	1,217,028	318,639
Finance, insurance and business services	23,647,175	90,983	4,742,783	1,856,658	7,835	1,585,011	3,061,751	34,992,196	3,729,143	4,861,398
Government and government agencies	8,930,637	4,280,330	2,066,304	1,630,199	2,229,268	11,567	-	19,148,305	-	46,902
Purchase of residential, landed property, securities and transport vehicles	-	-	298,145	99,509	-	-	39,636,245	40,033,899	50,005	51,396
Consumption credit	-	-	46,242	6,995	-	-	10,293,004	10,346,241	1,857	-
Others	4,167,239	-	1,010,758	1,082,428	200,484	78,399	8,737,628	15,276,936	3,228,413	15,536
	36,745,051	4,371,313	13,805,702	8,769,081	3,529,174	1,783,013	97,427,978	166,431,312	12,640,140	5,581,913
Assets not subject to credit risk	265,973	-	846,610	1,490,479	270	-	-	2,603,332	-	-
	37,011,024	4,371,313	14,652,312	10,259,560	3,529,444	1,783,013	97,427,978^	169,034,644	12,640,140	5,581,913

^ Excludes general allowance amounting to RM1,523,920,000 for loans, advances and financing.

60 FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk (Continued)

The following tables set out the credit risk concentrations: (Continued)

	The Group 2006									
	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Securities held for trading RM'000	Available-for-sale securities RM'000	Held-to-maturity securities RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000	Treasury related commitments and contingencies RM'000
Agricultural	-	-	140,843	175,970	-	19,266	2,959,253	3,295,332	210,298	2,519
Mining and quarrying	-	-	55,556	8,629	-	-	863,787	927,972	230,906	-
Manufacturing	-	-	205,034	417,497	3,253	10,620	8,383,805	9,020,209	1,034,074	40,329
Electricity, gas and water	-	-	1,972,943	1,732,856	-	74,013	1,124,013	4,903,825	163,463	33,856
Construction	-	-	190,647	408,888	4,576	47,855	4,785,255	5,437,221	1,710,655	24
Real estate	-	-	105,419	271,070	-	119	154,022	530,630	42,395	2,100
Wholesale and retail trade, restaurants and hotels	-	-	518,488	202,840	-	209,299	6,284,552	7,215,179	1,871,186	5,532
Transport, storage and communication	-	-	1,583,931	954,440	104,028	83,031	3,821,482	6,546,912	348,032	4,186
Finance, insurance and business services	16,621,461	96,597	4,418,615	1,525,269	72,111	612,136	10,595,125	33,941,314	1,758,224	4,056,254
Government and government agencies	8,101,786	2,386,056	2,871,915	2,077,096	1,808,153	24,265	58,246	17,327,517	-	45,765
Purchase of residential, landed property, securities and transport vehicles	90	-	25,069	208,947	-	-	24,995,849	25,229,955	795,281	-
Consumption credit	-	-	-	2,184	-	-	23,281,289	23,283,473	1,434,910	-
Others	285	-	53,280	511,231	47,941	108,698	4,507,358	5,228,793	928,114	463
	24,723,622	2,482,653	12,141,740	8,496,917	2,040,062	1,189,302	91,814,036	142,888,332	10,527,538	4,191,028
Assets not subject to credit risk	55,437	-	1,440,184	521,542	-	44,411	-	2,061,574	-	-
	24,779,059	2,482,653	13,581,924	9,018,459	2,040,062	1,233,713	91,814,036^	144,949,906	10,527,538	4,191,028

^ Excludes general allowance amounting to RM1,479,277,000 for loans, advances and financing.

60 FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk (Continued)

	The Company 2007					
	Short-term funds and placements with financial institutions RM'000	Available-for-sale securities RM'000	Held-to-maturity securities RM'000	Loans, advances and financing RM'000	On-balance sheet total RM'000	Treasury related commitments and contingencies RM'000
Finance, insurance and business services	374,428	-	1,471,544	-	1,845,972	31,500
Others	-	888	-	2,610	3,498	-
	374,428	888	1,471,544	2,610	1,847,470	31,500

	The Company 2006					
	Short-term funds and placements with financial institutions RM'000	Available-for-sale securities RM'000	Held-to-maturity securities RM'000	Loans, advances and financing RM'000	On-balance sheet total RM'000	Treasury related commitments and contingencies RM'000
Finance, insurance and business services	951,593	-	1,459,474	-	2,411,067	10,400
Others	-	1,715	-	2,643	4,358	-
	951,593	1,715	1,459,474	2,643	2,415,425	10,400

61 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

In addition, fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132 - Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

A range of methodologies and assumptions have been used in deriving the fair values of the Group's and the Company's financial instruments at balance sheet date. The total fair values by each financial instrument approximates the total carrying value, except for the following:

	The Group			
	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Deposits and placements with banks and other financial institutions	6,485,564	6,485,812	4,857,118	4,857,069
Held-to-maturity securities	3,529,444	3,419,403	2,040,062	2,023,582
Loans, advances and financing	95,904,058	95,221,434	90,334,759	90,131,135
Financial liabilities				
Deposits from customers	126,866,791	126,862,849	104,219,640	104,233,868
Deposits and placements of banks and other financial institutions	12,884,467	12,926,224	7,021,779	6,846,777
Amount due to Cagamas Berhad	2,004,707	2,008,653	3,665,824	3,693,184
Loan stocks	-	-	41,610	41,610
Bonds	304,693	304,693	784,527	811,956
Subordinated Notes	2,333,476	2,312,207	2,767,254	2,771,216
Other borrowings	4,752,167	4,748,715	7,015,261	7,015,261

61 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	The Company			
	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Held-to-maturity securities	1,471,544	1,476,793	1,459,474	1,465,758
Financial liabilities				
Bonds	250,000	250,000	250,000	277,429
Other borrowings	2,998,911	2,995,459	1,000,000	1,000,000

The carrying amount of financial assets at the balance sheet date were not reduced to their estimated fair values as the Directors are of the opinion that the amounts will be recoverable in full on the maturity date.

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

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

Securities held for trading, available-for-sale and held-to-maturity securities
The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Loans, advances and financing
For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturity.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of specific allowance being the expected recoverable amount.

61 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Other assets

The estimated fair values of other assets identified as financial instruments approximate the carrying values as these assets constitute receivables due from government related agencies and based on the Directors' estimate, the realisable value of the final consideration as at balance sheet date is similar to that of the carrying value.

Amount owing by/to subsidiaries

The estimated fair values of the amount owing by/to subsidiaries approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

Deposits from customers

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

Deposits and placements of banks and other financial institutions

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

Obligations on securities sold under repurchase agreements

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of more than six months, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Floating rate certificates of deposits

For floating rate certificates of deposits, values are estimated based on discounted cash flow using prevailing market interest rates for floating rate certificates of deposits.

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptances payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptances payable with similar remaining period to maturities.

Amount due to Cagamas Berhad

The estimated fair values of the amount due to Cagamas Berhad with maturities of less than six months approximate the carrying values. For amount due to Cagamas Berhad with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing interest rates for loans sold to Cagamas Berhad with similar remaining period to maturities.

Other liabilities

The fair value of other liabilities approximates the carrying value at the balance sheet date.

61 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Bonds

For bonds with maturities of six months or more, the fair values are estimated based on discounted cash flows using indicative yields taking into consideration the credit rating of the Bonds.

ICULS

The estimated fair value of ICULS approximates the carrying value as based on the Directors' estimate, the effective interest rate of the ICULS is a fair reflection of the current rates for such similar long term borrowings.

Loan stocks

Loan stocks comprise negotiable certificates of deposits issued by a subsidiary bank. The estimated fair values are estimated based on discounted cash flows using prevailing market rates for similar negotiable certificates of deposits. Where market rates are not readily available, fair values are estimated by reference to corporate bond indicative yields taking into consideration the credit rating of the subsidiary bank.

Other borrowings

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

Subordinated Notes

The fair values for the quoted subordinated Notes are obtained from quoted market prices while the fair values for unquoted Subordinated Notes are estimated based on discounted cash flow models.

Redeemable preference shares

The estimated fair value of redeemable preference shares ("RPS") approximates the carrying value based on Directors' estimate as the effective interest rate of the RPS is a reflection of the current rate for such similar instrument.

Derivative financial instruments

The fair values of derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and option pricing models, as appropriate.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

62 THE OPERATIONS OF ISLAMIC BANKING

Balance sheets as at 31 December 2007

	Note	2007 RM'000	2006 RM'000
Assets			
Cash and short-term funds	(a)	4,894,350	1,329,114
Deposits and placements with banks and other financial institutions	(b)	1,149,900	401,000
Securities held for trading	(c)	668,874	219,830
Available-for-sale securities	(d)	654,874	263,267
Held-to-maturity securities	(e)	95,148	179,279
Derivative financial instruments	(f)	156,048	-
Financing, advances and other loans	(g)	2,254,224	1,702,898
Deferred tax assets	(h)	16,851	13,642
Amount due from related companies		6,883	80,174
Amount due from holding company		607	-
Statutory deposits with Bank Negara Malaysia	(i)	101,144	74,392
Property, plant and equipment	(j)	5,758	7,603
Other assets	(k)	86,814	310,877
Tax recoverable		-	894
Goodwill	(l)	136,000	-
Intangible assets	(m)	9,556	4,335
Total assets		10,237,031	4,587,305
Liabilities			
Deposits from customers	(n)	8,205,905	2,428,262
Deposits and placements of banks and other financial institutions	(o)	697,073	1,331,000
Derivative financial instruments	(f)	4,906	-
Bills and acceptances payable		968	-
Amount due to holding company		201,869	139,563
Amount due to related companies		141,354	34,233
Provision for taxation and zakat	(p)	31,024	12,094
Long-term borrowings	(q)	-	41,830
Other liabilities	(r)	75,604	57,955
Total liabilities		9,358,703	4,044,937

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Balance sheets as at 31 December 2007 (Continued)

	Note	2007 RM'000	2006 RM'000
Equity			
Islamic banking funds		91,693	305,000
Ordinary share capital	(s)	550,000	150,000
Perpetual preference shares	(s)	70,000	70,000
Reserves	(t)	134,639	17,368
Total equity		846,332	542,368
Minority interests		31,996	-
		878,328	542,368
Total equity and liabilities		10,237,031	4,587,305
Commitments and contingencies	(u)	6,483,000	1,232,060

Income statements for the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds and others	(w)	372,614	127,396
Income derived from investment of shareholders' funds	(x)	178,972	36,877
Allowances for losses on financing, advances and other loans	(y)	(65,833)	(35,412)
Transfer to profit equalisation reserve		561	4,298
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(4)	(11)
Total attributable income		486,310	133,148
Income attributable to depositors	(z)	(236,287)	(67,780)
Total net income		250,023	65,368
Personnel expenses	(aa)	(30,243)	(11,918)
Other overheads and expenditures	(ab)	(50,054)	(36,102)
Profit before taxation and zakat		169,726	17,348
Taxation	(ac)	(42,905)	(6,239)
Zakat		(70)	(20)
Profit after taxation and zakat		126,751	11,089
Attributable to:			
Equity holders of the Bank		127,863	11,089
Minority interests		(1,112)	-
		126,751	11,089

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of changes in equity for the financial year ended 31 December 2007

	Share capital RM'000	Perpetual preference shares RM'000	Islamic banking funds RM'000	Statutory reserve RM'000	Revaluation reserve-available-for-sale securities RM'000	Exchange fluctuation reserves RM'000	Retained profits RM'000	Total RM'000	Minority interests RM'000	Total RM'000
2007										
At 1 January 2007	150,000	70,000	305,000	4,307	2,541	(17)	10,537	542,368	-	542,368
Issue of share capital	400,000	-	36,693	-	-	-	-	436,693	36,692	473,385
Net gain from change in fair value of available-for-sale securities net of deferred tax	-	-	-	-	(2,238)	-	-	(2,238)	-	(2,238)
Currency translation difference	-	-	-	-	-	(4,560)	-	(4,560)	(3,584)	(8,144)
Income and expenses recognised directly in equity	-	-	-	-	(2,238)	(4,560)	-	(6,798)	(3,584)	(10,382)
Net profit for the financial year	-	-	-	-	-	-	127,863	127,863	(1,112)	126,751
Total recognised income and expenses for the financial year	-	-	-	-	(2,238)	(4,560)	127,863	121,065	(4,696)	116,369
Transaction with shareholders	-	-	(250,000)	(2,001)	-	-	(1,793)	(253,794)	-	(253,794)
Transfer to statutory reserve	-	-	-	34,179	-	-	(34,179)	-	-	-
At 31 December 2007	550,000	70,000	91,693	36,485	303	(4,577)	102,428	846,332	31,996	878,328

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Statement of changes in equity for the financial year ended 31 December 2007 (Continued)

	Share capital RM'000	Perpetual preference shares RM'000	Islamic banking funds RM'000	Statutory reserve RM'000	Revaluation reserve-available-for-sale securities RM'000	Exchange fluctuation reserves RM'000	Retained profits RM'000	Total RM'000
2006								
At 1 January 2006	100,000	-	69,683	3,274	622	-	3,686	177,265
Issue of share capital	50,000	70,000	-	-	-	-	-	120,000
Arising from acquisition of subsidiary	-	-	250,000	-	(1,574)	-	3,337	251,763
Net gain from change in fair value of available-for-sale securities net of deferred tax	-	-	-	-	3,493	-	-	3,493
Currency translation difference	-	-	-	-	-	(17)	-	(17)
Income and expenses recognised directly in equity	-	-	-	-	3,493	(17)	-	3,476
Net profit for the financial year	-	-	-	-	-	-	11,089	11,089
Total recognised income and expenses for the financial year	-	-	-	-	3,493	(17)	11,089	14,565
Transaction with shareholders	-	-	(14,683)	-	-	-	-	(14,683)
Transfer to statutory reserve	-	-	-	2,971	-	-	(2,971)	-
Transfer to retained profit	-	-	-	(1,938)	-	-	1,938	-
Interim dividend paid for 2006	-	-	-	-	-	-	(6,542)	(6,542)
At 31 December 2006	150,000	70,000	305,000	4,307	2,541	(17)	10,537	542,368

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Cash flow statements for the financial year ended 31 December 2007

	2007 RM'000	2006 RM'000
Operating activities		
Profit before taxation and zakat	169,726	17,348
Add/(less) adjustments:		
Transfer from profit equalisation reserve	(561)	(4,298)
Depreciation of property, plant and equipment	1,523	647
Loss on disposal of property, plant and equipment	-	59
Property, plant and equipment written-off	143	1,070
Amortisation of intangible assets	1,808	197
Net unrealised loss/(gain) on revaluation of securities held for trading	443	(184)
Accretion of discount less amortisation of premium	(16,093)	(9,263)
Net gain from sale of available-for-sale securities	(143)	(1,931)
Net gain from sale of securities held for trading	(366)	(25,988)
Dividend from held-to-maturity securities	(6,289)	(3,116)
Dividend from available-for-sale securities	(17,674)	(4,610)
Dividend from held for trading securities	(5,090)	(2,497)
Allowance for losses on financing, advances and other loans	67,734	36,388
	195,161	3,822
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	(748,900)	(396,000)
Securities held for trading	(586,355)	(170,417)
Financing, advances and other loans	(619,060)	(1,723,393)
Statutory deposits with Bank Negara Malaysia	(26,752)	(71,272)
Other assets	255,964	(327,507)
Tax recoverable	894	(894)
Amount due from related company	73,291	(80,174)
Amount due from holding company	(607)	-
	(1,651,525)	(2,769,657)
Increase/(decrease) in operating liabilities		
Deposits from customers	5,735,813	1,872,442
Bills and acceptance payable	968	(694)
Deposits and placements of banks and other financial institutions	(633,927)	1,157,309
Other liabilities	37,141	60,716
Amount due to ultimate holding company	64,962	-
Amount due to holding company	131,330	139,398
Amount due to related companies	(26,865)	34,064
	5,309,422	3,263,235

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

Cash flow statements for the financial year ended 31 December 2007 (Continued)

		2007 RM'000	2006 RM'000
Cash flows generated from operations		3,853,058	497,400
Taxation paid		(42,973)	(895)
Net cash flows generated from operating activities		3,810,085	496,505
Investing activities			
Net purchase of available-for-sale securities		(388,797)	(150,359)
Proceed for disposal of property, plant and equipment		-	2
Purchase of property, plant and equipment		(5,808)	(3,804)
Purchase of intangible assets		(1,042)	(213)
Net proceeds from maturity of held-to-maturity securities		83,650	(179,279)
Acquisition of subsidiary, net of cash acquired		-	294,770
Dividend from held-to-maturity securities		6,289	3,116
Dividend from available-for-sale securities		17,674	4,610
Dividend from held for trading securities		5,090	2,497
Net cash flows used in investing activities		(282,944)	(28,660)
Financing activities			
Issuance of share capital		436,693	50,000
Payment to holding company		(389,794)	(14,683)
Issuance of preference shares		-	70,000
Net cash flows generated from financing activities		46,899	105,317
Net increase in cash and cash equivalents		3,574,040	573,162
Cash and cash equivalents at beginning of financial year		1,329,114	755,969
Effect of exchange rate changes		(8,804)	(17)
Cash and cash equivalents at end of financial year		4,894,350	1,329,114
Cash and cash equivalents comprise:			
Cash and short-term funds	(a)	4,894,350	1,329,114

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

		2007 RM'000	2006 RM'000
(a)	**Cash and short-term funds**		
	Cash and balances with banks and other financial institutions	248,830	44,114
	Money at call and deposit placements maturing within one month	4,645,520	1,285,000
		4,894,350	1,329,114
(b)	**Deposits and placements with banks and other financial institutions**		
	General investment funds:		
	Licensed banks	249,900	401,000
	Bank Negara Malaysia	900,000	-
		1,149,900	401,000
(c)	**Securities held for trading**		
	Money market instruments:		
	Malaysian government securities	28,942	-
	Government treasury bills	29,742	19,912
	Government Investment certificates	-	27,903
	Bank Negara Malaysia Negotiable Notes	218,165	-
	Sanadat Mudharabah Cagamas bonds	-	10,023
	Khazanah bonds	72,589	70,062
	Islamic accepted bills	205,128	31,846
	Commercial papers	24,306	-
	Negotiable instruments of deposits	19,581	44,544
		598,453	204,290
	Unquoted securities:		
	In Malaysia		
	Sukuk BNM Ijarah	50,002	-
	Islamic private debt securities	20,419	15,540
		668,874	219,830
(d)	**Available-for-sale securities**		
	Money market instruments:		
	Quoted:		
	Malaysian government securities	114,185	-
	Cagamas bonds	34,420	20,179
	Khazanah bonds	65,782	13,599
	Unquoted:		
	Malaysian Government treasury bills	-	38,996
	Malaysian Government investment issues	50,003	92,271
	Private and Islamic debt securities	389,909	97,647
	Unquoted securities:		
	Shares	575	575
		654,874	263,267

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(e) Held-to-maturity securities		
Unquoted:		
Government investment certificates	-	80,430
Private debt securities	98,644	98,074
	98,644	178,504
Accretion of discount less amortisation of premium	(3,496)	775
	95,148	179,279

	2007 Notional RM'000	2007 Asset RM'000	2007 Liability RM'000	2006 Notional RM'000	2006 Asset RM'000	2006 Liability RM'000
(f) Derivative financial instruments						
Profit rate derivatives						
Profit rate swap	3,122,410	156,048	(4,906)	-	-	-

	2007 RM'000	2006 RM'000
(g) Financing, advances and other loans		
(i) By type:		
Cash line	125,348	84,007
Term financing	3,441,991	3,216,631
- House financing	764,085	693,353
- Syndicated financing	571,723	517,626
- Hire purchase receivables	1,485,856	1,850,735
- Other term financing	620,327	154,917
Bills receivable	32	2,655
Trust receipts	5,552	2,832
Claims on customers under acceptance credits	89,803	37,315
Staff financing	44	76
Revolving credits	117,160	29,146
Other loans	-	94
	3,779,930	3,372,756
Less: Unearned income	(806,001)	(755,823)
	2,973,929	2,616,933
Less: Financing sold to Cagamas	(575,918)	(780,289)
	2,398,011	1,836,644
Less: Specific allowance	(94,904)	(90,800)
	2,303,107	1,745,844
Less: General allowance	(48,883)	(42,946)
Net financing, advances and other loans	2,254,224	1,702,898

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(g) Financing, advances and other loans (continued)		
(ii) By contract:		
Bai Bithaman Ajil	1,252,765	826,703
Murabahah	22,706	28,189
Al-Ijarah	1,633,900	1,720,283
Others	64,558	41,758
	2,973,929	2,616,933
Less: Financing sold to Cagamas	(575,918)	(780,289)
	2,398,011	1,836,644
(iii) By type of customers:		
Domestic non-bank financial institutions		
- others	1,597	9,762
Domestic business enterprises		
- small medium enterprises	253,504	169,394
- others	837,031	491,736
Government and statutory bodies	-	6,713
Individuals	1,639,624	1,851,466
Other domestic entities	8,814	-
Foreign entities	233,359	87,862
	2,973,929	2,616,933
Less: Financing sold to Cagamas	(575,918)	(780,289)
	2,398,011	1,836,644
(iv) By profit sensitivity:		
Fixed rate		
- House financing	355,183	310,122
- Hire purchase receivables	1,224,507	1,484,671
- Other fixed rate financing	837,070	277,580
Variable rate		
- Others	557,169	544,560
	2,973,929	2,616,933
Less: Financing sold to Cagamas	(575,918)	(780,289)
	2,398,011	1,836,644

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(g) Financing, advances and other loans (continued)		
(v) By economic purposes:		
Personal use	35,394	27,607
Purchase of consumer durables	163	11
Construction	5,622	-
Residential property	385,012	348,094
Non-residential property	174,444	76,105
Purchase of fixed assets other than land and building	11,241	5,014
Loans for refinancing	100,480	-
Purchase of securities	214,276	18,971
Purchase of transport vehicles	1,224,506	1,450,626
Working capital	770,238	652,069
Other purpose	52,553	38,436
	2,973,929	2,616,933
Less: Financing sold to Cagamas	(575,918)	(780,289)
	2,398,011	1,836,644
Non-performing financing:		
(vi) Movements in non-performing financing, advances and other loans		
At 1 January	255,036	-
Arising from acquisition of banking business and related assets and liabilities of SBB	-	250,582
Non-performing during the financial year	141,081	113,259
Reclassified to performing during the financial year	(70,209)	(63,486)
Recoveries	(19,307)	(21,989)
Amount written off	(55,094)	(23,330)
At 31 December	251,507	255,036
Less: Specific allowance	(94,904)	(90,800)
	156,603	164,236
Net non-performing financing, advances and other loans	156,603	164,236
Ratio of net non-performing financing, advances and other loans to total financing, advances and other loans (including Islamic financing sold to Cagamas) less specific allowance	5.4%	6.5%

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(g) Financing, advances and other loans (continued)		
(vii) Movements in allowance for bad and doubtful financing		
Specific allowance		
At 1 January	90,800	-
Allowance for financing arising from acquisition of subsidiaries	-	77,788
Allowance made during the financial year	80,712	51,790
Amount recovered	(19,106)	(15,397)
Amount written off	(57,502)	(23,381)
At 31 December	94,904	90,800
General allowance		
At 1 January	42,946	245
Allowance for financing arising from acquisition of subsidiaries	-	34,930
Amount transferred from holding company	-	7,832
Allowance made during the financial year	6,128	(5)
Exchange fluctuation	(191)	(56)
At 31 December	48,883	42,946
As % of total financing (including Islamic financing sold to Cagamas) less specific allowances	1.70%	1.70%
(viii) Non-performing financing by economic sectors:		
Personal use	11,955	9,592
Residential property	60,811	51,385
Non-residential property	38,008	42,343
Purchase of fixed assets other than land and building	-	4,554
Purchase of securities	18,667	67
Purchase of transport vehicles	67,235	88,096
Working capital	53,822	25,884
Other purpose	1,009	33,115
	251,507	255,036

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) Deferred tax assets

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 taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2007 RM'000	2006 RM'000
Unutilised tax losses	-	2,298
General allowance for bad and doubtful financing	10,061	9,231
Accelerated tax depreciation	(1,384)	(194)
Other temporary differences	8,174	2,307
	16,851	13,642

The movements in deferred tax assets and liabilities during the financial year comprise the following:

2007 Deferred tax assets/(liabilities)	Unutilised tax losses RM'000	General allowance for bad and doubtful financing RM'000	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2007	2,298	9,231	(194)	2,307	13,642
Credited/(charged) to income statement	(2,298)	830	(1,190)	-	(2,658)
Transferred to equity	-	-	-	5,867	5,867
At 31 December 2007	-	10,061	(1,384)	8,174	16,851
2006					
At 1 January 2006	4,764	27	(202)	(214)	4,375
Arising from acquisition of subsidiary	-	9,786	-	2,168	11,954
Credited/(charged) to income statement	(2,466)	(582)	8	1,569	(1,471)
Transferred to equity	-	-	-	(1,216)	(1,216)
At 31 December 2006	2,298	9,231	(194)	2,307	13,642

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(i) Statutory deposits with Bank Negara Malaysia

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

(j) Property, plant and equipment

	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Plant and machinery RM'000	Total RM'000
2007					
Cost					
At 1 January	7,766	14	302	-	8,082
Write-off	(143)	-	-	-	(143)
Reclassified to intangible assets	(5,987)	-	-	-	(5,987)
Additions	3,276	344	605	1,583	5,808
At 31 December	4,912	358	907	1,583	7,760
Depreciation					
At 1 January	412	2	65	-	479
Charge for the financial year	1,035	101	137	250	1,523
At 31 December	1,447	103	202	250	2,002
Net book value at 31 December	3,465	255	705	1,333	5,758

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(j) Property, plant and equipment (Continued)

	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and software under lease RM'000	Total RM'000
2006				
Cost				
At 1 January	5,519	-	193	5,712
Arising from acquisition of subsidiary	241	210	274	725
Additions	3,695	-	109	3,804
Disposals	(91)	(13)	-	(104)
Write-off	(1,369)	-	-	(1,369)
Transfer of assets to holding company	(215)	(197)	(274)	(686)
Reclassification	(14)	14	-	-
At 31 December	7,766	14	302	8,082
Depreciation				
At 1 January	133	-	20	153
Arising from acquisition of subsidiary	190	154	274	618
Charge for the financial year	591	11	45	647
Disposals	(32)	(12)	-	(44)
Write-off	(299)	-	-	(299)
Transfer of assets to holding company	(171)	(151)	(274)	(596)
At 31 December	412	2	65	479
Net book value at 31 December	7,354	12	237	7,603

The above property, plant and equipments include renovations and computer equipment and software under construction at cost of RM141,000 (2006: RM3,573,000).

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(k) Other assets		
Dividend receivables	27,784	7,608
Other debtors, deposits and prepayments	59,030	303,269
	86,814	310,877
(l) Goodwill		
At 1 January	-	-
Goodwill arising from acquisition of Islamic banking operations (Note 52(c))	136,000	-
At 31 December	136,000	-
(m) Intangible assets		
Computer software		
Cost		
At 1 January	4,597	4,384
Reclassified from property, plant and equipment	5,987	-
Additions	1,042	213
At 31 December	11,626	4,597
Amortisation		
At 1 January	262	65
Charge for the financial year	1,808	197
At 31 December	2,070	262
Net book value at 31 December	9,556	4,335
(n) Deposits from customers		
(i) By type of deposits		
Non-Mudharabah		
Demand deposits	312,400	205,501
Saving deposits	133,612	97,040
Fixed return investment account	1,845,360	-
Negotiable Instruments of deposit	201,826	-
Others	620	-
	2,493,818	302,541

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(n) Deposits from customers (Continued)		
(i) By type of deposits (Continued)		
Mudharabah		
Demand deposits	126,719	25,377
Savings deposits	32,007	25,292
General investment deposits (inclusive of Special General investment deposits of RM3,869,386 (2006: RM890,032,000)	4,682,656	2,075,052
Specific investment deposit	870,705	-
	5,712,087	2,125,721
	8,205,905	2,428,262
(ii) By type of customer		
Government and statutory bodies	1,657,849	486,788
Business enterprises	3,956,886	1,454,901
Individuals	1,129,078	208,494
Others	1,462,092	278,079
	8,205,905	2,428,262
(o) Deposits and placements of banks and other financial institutions		
Mudharabah		
Licensed banks	196,730	796,000
Bank Negara Malaysia	-	200,000
	196,730	996,000
Non-Mudharabah		
Licensed finance companies	500,343	335,000
	697,073	1,331,000
(p) Provision for taxation and zakat		
Taxation	30,840	11,930
Zakat	184	164
	31,024	12,094

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

		2007 RM'000	2006 RM'000
(q)	**Long-term borrowings**		
	Negotiable certificate of deposits	-	41,830
(r)	**Other liabilities**		
	Income payable	31,782	23,202
	Profit equalisation reserve (Note (v))	2,200	1,139
	Accruals and other payables	41,622	33,614
		75,604	57,955
(s)	**Ordinary share capital**		
	Authorised		
	Ordinary shares of RM1.00 each:		
	At 1 January/31 December	1,000,000	500,000
	Issued and fully paid		
	Ordinary shares of RM1.00 each:		
	At 1 January	150,000	100,000
	Issued during the financial year	400,000	50,000
	At 31 December	550,000	150,000
	Perpetual preference shares		
	Authorised		
	Perpetual preference shares of RM1.00 each		
	At 1 January	100,000	-
	Created during the financial year	-	100,000
	At 31 December	100,000	100,000
	Issued and fully paid		
	Perpetual preference shares of RM1.00 each		
	At 1 January	70,000	-
	Issued during the financial year	-	70,000
	At 31 December	70,000	70,000

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(t) Reserves

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

(b) Revaluation reserve of available-for-sale securities comprises gains and losses arising from changes in the fair value of available-for-sale securities. The depositors' portion of unrealised gains on available-for-sale securities at the end of the financial year is RM303,000 (2006: RM2,572,000).

(u) Commitments and contingencies

	2007			2006		
	Principal RM'000	Credit equivalent* RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent* RM'000	Risk weighted amount RM'000
Direct credit substitutes	38,247	38,247	38,247	95,441	44,241	44,241
Certain transaction-related contingent items	190,777	95,389	95,389	47	24	24
Short-term self-liquidating trade-related contingencies	269,577	53,915	53,915	147	29	29
Obligation under underwriting agreements	50,000	25,000	25,000	-	-	-
Islamic financing sold directly and indirectly to Cagamas with recourse	575,918	575,918	575,918	780,289	780,289	780,289
Irrevocable commitments to extend credit						
- maturity less than one year	908,605	-	-	320,489	-	-
- maturity exceeding one year	247,913	123,956	116,708	35,647	16,231	9,575
Foreign exchange related contracts:						
- less than one year	112,420	2,082	450	-	-	-
Profit rate related contracts:						
- one year to less than five years	1,751,410	37,711	7,542	-	-	-
Miscellaneous commitments and contingencies:						
-Shariah-compliant equity option	2,338,133	1,169,973	235,446	-	-	-
	6,483,000	2,122,191	1,148,615	1,232,060	840,814	834,158

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

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(v) Profit equalisation reserve		
At 1 January	1,139	389
Arising from acquisition of subsidiary	1,622	5,048
Amount provided during the financial year	28,879	10,451
Amount written back during the financial year	(29,440)	(14,749)
At 31 December	2,200	1,139
(w) Income derived from investment of depositors' funds and others		
Income derived from investment of:		
(i) General investment deposits	228,213	86,730
(ii) Specific investment deposits	70,633	3,332
(iii) Other deposits	73,768	37,334
	372,614	127,396
(i) Income derived from investment of general investment deposits		
Finance income and hibah:		
Financing, advances and other loans	113,919	48,171
Securities held for trading	1,854	1,341
Available-for-sale securities	12,829	2,735
Held-to-maturity securities	3,926	1,927
Money at call and deposit with financial institutions	76,439	18,449
	208,967	72,623
Accretion of discount less amortisation of premium	11,118	5,227
	220,085	77,850
Other operating income:		
Net gain from foreign exchange transaction	126	-
Net gain from sale of available-for-sale securities	105	1,072
Net gain from sale of securities held for trading	309	7,076
Net unrealised gain on revaluation of securities held for trading	(277)	44
	263	8,192
Fees and commission income:		
Other income	6,792	688
Sundry income	1,073	-
	228,213	86,730

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(w) Income derived from investment of depositors' funds and others (Continued)		
(ii) Income derived from investment of specific investment deposits		
Finance income and hibah:		
Securities held for trading	1,696	140
Money at call and deposit with banks and other financial institutions	23,251	3,194
	24,947	3,334
Other dealing income:		
Net loss from sale of securities held for trading	-	(2)
Other income		
- Net unrealised gain on profit rate swap	96,382	-
- Shariah-compliant option premium	(50,696)	-
	70,633	3,332
(iii) Income derived from investment of other deposits		
Finance income and hibah:		
Financing, advances and other loans	43,966	18,115
Securities held for trading	591	365
Available-for-sale securities	3,126	1,356
Held-to-maturity securities	1,397	653
Money at call and deposit with banks and other financial institutions	19,387	8,599
	68,467	29,088
Accretion of discount less amortisation of premium	3,125	2,692
	71,592	31,780
Other operating income:		
- Net gain from sale of available-for-sale securities	22	593
- Net gain from sale of securities held for trading	15	4,482
- Net unrealised (loss)/gain on revaluation of securities held for trading	(51)	25
- Net gain from foreign exchange transactions	54	-
	71,632	36,880
Fees and commission income	1,753	264
Other income	383	190
	73,768	37,334

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(x) Income derived from investment of shareholders' funds		
Finance income and hibah:		
Financing, advances and other loans	26,525	12,543
Available-for-sale securities	1,719	519
Securities held for trading	949	651
Held-to-maturity securities	966	536
Money at call and deposit with financial institutions	25,860	5,827
	56,019	20,076
Accretion of discount less amortisation of premium	1,850	1,344
	57,869	21,420
Other operating income:		
Net gain from sale of securities held for trading	42	14,432
Net unrealised (loss)/gain on revaluation of securities held for trading	(115)	115
Net gain from foreign exchange transaction	15	-
Net gain from sale of available-for-sale securities	16	266
	(42)	14,813
Fees and commission income:		
Fees on financing, advances and other loans	2,447	-
Advisory fees	489	-
Guarantee fees	760	-
Service charges and fees	60,618	-
Others	40,645	629
	104,959	629
Other income	16,186	15
	178,972	36,877

All unrestricted funds received from the Group's deposits are co-mingled into a single pool of funds under general investment deposits. Restricted funds categorised under specific investment deposits are managed separately, where the utilisation of the funds is identified and matched with specific funds. Islamic income/profit generated from the general investment and specific investment deposits' funds are allocated to various categories of depositors by using the weighted average rate of return method effective 1 October 2006 (previously, annualised rate of return).

For the placement of funds by external parties under Mudharabah Placement, the depositors shall only be entitled to the profit sharing of the Islamic income earned from Fund Based Income and Trading Income as the depositors are not investing in the Fee Based Islamic business except underwriting and guarantee fees. Under a typical Mudharabah Placement Agreement, it shall be clearly spelt out to the depositors on the above agreement.

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

The Group distributes Islamic income/profit derived from depositors' funds based on a pre-determined ratio in the case of Mudharabah, and on a ratio determined at the discretion of the Group in the case of Non-Mudharabah. The profit/income distribution rate is arrived based on the framework of the rate of return issued by BNM.

Where an account is classified as non-performing, recognition of profit income is suspended until it is realised on a cash basis. Customers accounts are classified as non-performing when payments are in arrears for 3 months or more from first day of default for financing and after 3 months from maturity date.

	2007 RM'000	2006 RM'000
(y) Allowance for losses on financing, advances and other loans		
Allowance for bad and doubtful debts and financing:		
(i) Specific allowance		
- made during the financial year	80,712	51,790
- written back during the financial year	(19,106)	(15,397)
(ii) General allowance		
- made / (written back) during the financial year	6,128	(5)
Bad debts on financing:		
- recovered	(1,901)	(976)
	65,833	35,412
(z) Income attributable to depositors		
Deposits from customers		
- Mudharabah	177,382	13,273
- Non-Mudharabah	20,048	25,699
Deposits and placements of banks and other financial institutions		
- Mudharabah	15,453	28,808
- Non-Mudharabah	23,404	-
	236,287	67,780

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2007 RM'000	2006 RM'000
(aa) Personnel expenses		
- salaries, allowances and bonuses	13,036	10,065
- EPF	-	694
- others	17,207	1,159
	30,243	11,918
(ab) Other overheads and expenditures		
Establishment costs		
- rental	1,772	2,304
- others	22,222	19,069
	23,994	21,373
Marketing expenses		
- advertisement and publicity	2,784	3,159
- others	5,544	4,052
	8,328	7,211
Administration and general expenses		
- legal and professional fees	577	670
- others	17,155	6,848
	17,732	7,518
	50,054	36,102

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM164,000 (2006: RM173,000).

(ac) Taxation

	2007 RM'000	2006 RM'000
(i) Tax expense for the financial year		
Current year tax		
- Malaysian income tax	40,247	4,768
Deferred taxation (note h)	2,658	1,471
	42,905	6,239

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ac) Taxation (Continued)

(ii) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and profit before taxation and zakat is as follows:

	2007 RM'000	2006 RM'000
Profit before taxation and zakat	169,726	17,348
Tax calculated at tax rate of 27% (2006: 28%)	45,826	4,857
Non-taxable income	(5,915)	(133)
Expenses not deductible for tax purposes	2,994	1,515
	42,905	6,239

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ad) Profit rate risk

The tables below summarise the Group's exposure to rate of return risk. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As market rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of market rates on the structure of the balance sheets. Sensitivity to market rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	Non-trading book								
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
2007									
Assets									
Cash and short-term funds	4,709,470	-	-	-	-	-	184,880	-	4,894,350
Deposits and placements of banks and other financial institutions	-	1,044,900	75,000	30,000	-	-	-	-	1,149,900
Securities held for trading	-	-	-	-	-	-	-	668,874	668,874
Available-for-sale securities	-	50,002	36,791	39,677	306,900	220,929	575	-	654,874
Held-to-maturity securities	-	-	-	-	-	95,148	-	-	95,148
Derivative financial instruments	-	-	-	-	-	-	97,747	58,301	156,048
Financing, advances and other loans									
- Performing	436,808	338,762	3,051	56,670	196,853	1,114,359	-	-	2,146,503
- Non-performing	-	-	-	-	-		107,721^	-	107,721
Deferred tax assets	-	-	-	-	-	-	16,851	-	16,851
Amount due from related companies	-	-	-	-	-	-	6,883	-	6,883
Amount due from holding company	-	-	-	-	-	-	607	-	607
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	101,144	-	101,144
Property, plant and equipment	-	-	-	-	-	-	5,758	-	5,758
Other assets	-	-	-	-	-	-	86,143	671	86,814
Goodwill	-	-	-	-	-	-	136,000	-	136,000
Intangible assets	-	-	-	-	-	-	9,556	-	9,556
Total assets	5,146,278	1,433,664	114,842	126,347	503,753	1,430,436	753,865	727,846	10,237,031

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ad) Profit rate risk (Continued)

	Non-trading book								
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
2007									
Liabilities									
Deposits from customers	3,722,074	2,021,187	581,320	107,004	1,771,591	422	2,307	-	8,205,905
Deposits and placements of banks and other financial institutions	600,343	-	-	96,730	-	-	-	-	697,073
Derivative financial instruments	-	-	-	-	-	-	-	4,906	4,906
Bills and acceptances payable	-	-	-	-	-	-	968	-	968
Amount due to holding company	-	-	-	-	-	-	201,869	-	201,869
Amount due to related companies	-	-	-	-	-	-	141,354	-	141,354
Provision for taxation and zakat	-	-	-	-	-	-	31,024	-	31,024
Other liabilities	-	-	-	-	-	-	75,604	-	75,604
Total liabilities	4,322,417	2,021,187	581,320	203,734	1,771,591	422	453,126	4,906	9,358,703
Total profit rate sensitivity gap	823,861	(587,523)	(466,478)	(77,387)	(1,267,838)	1,430,014		722,940	

^ Includes specific allowances and general allowance of RM143,787,000 (2006: RM133,746,000).

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ad) Profit rate risk (Continued)

	Non-trading book								
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
2006									
Assets									
Cash and short-term funds	1,286,609	-	-	-	-	-	42,505	-	1,329,114
Deposits and placements of banks and other financial institutions	-	401,000	-	-	-	-	-	-	401,000
Securities held for trading	-	-	-	-	-	-	-	219,830	219,830
Available-for-sale securities	38,996	24,908	59,221	20,179	71,324	48,639	-	-	263,267
Held-to-maturity securities	-	-	82,629	-	-	96,650	-	-	179,279
Financing, advances and other loans									
- Performing	524,579	46,486	46,985	43,349	39,555	879,193	-	-	1,580,147
- Non-performing	-	-	-	-	-	-	122,751^	-	122,751
Deferred tax assets	-	-	-	-	-	-	13,642	-	13,642
Amount due from related companies	-	-	-	-	-	-	80,174	-	80,174
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	74,392	-	74,392
Property, plant and equipment	-	-	-	-	-	-	7,603	-	7,603
Other assets	-	-	-	-	-	-	310,877	-	310,877
Tax recoverable	-	-	-	-	-	-	894	-	894
Intangible assets	-	-	-	-	-	-	4,335	-	4,335
Total assets	1,850,184	472,394	188,835	63,528	110,879	1,024,482	657,173	219,830	4,587,305

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ad) Profit rate risk (Continued)

	Non-trading book								
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
2006									
Liabilities									
Deposits from customers	719,092	757,222	494,908	351,716	103,847	760	717	-	2,428,262
Deposits and placements of banks and other financial institutions	545,000	636,000	150,000	-	-	-	-	-	1,331,000
Amount due to holding company	-	-	-	-	-	-	139,563	-	139,563
Amount due to related companies	-	-	-	-	-	-	34,233	-	34,233
Provision for taxation and zakat	-	-	-	-	-	-	12,094	-	12,094
Long term borrowings	-	-	-	-	41,830	-	-	-	41,830
Other liabilities	-	-	-	-	-	-	57,955	-	57,955
Total liabilities	1,264,092	1,393,222	644,908	351,716	145,677	760	244,562	-	4,044,937
Total profit rate sensitivity gap	586,092	(920,828)	(456,073)	(288,188)	(34,798)	1,023,722		219,830	

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ad) Profit rate risk (Continued)

The table below summarises the effective average profit rate for each class of financial assets and financial liabilities.

	RM		USD	
	2007	2006	2007	2006
	%	%	%	%
Financial assets				
Cash and short-term funds	3.54	3.49	-	-
Deposits and placements with banks and other financial institutions	3.54	4.03	-	-
Available-for-sale securities	4.25	5.33	5.39	-
Securities held for trading	3.61	3.75	-	-
Held-to-maturity securities	4.88	3.66	-	-
Financing, advances and other loans	6.05	5.38	5.96	-
Financial liabilities				
Deposits from customers	3.36	3.04	4.95	-
Deposits and placements of banks and other financial institutions	3.45	4.05	-	-

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ae) Credit risk

The following table sets out the credit risk concentrations by economic sectors of the Group:

The Group									
2007	Cash and short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities held for trading RM'000	Available-for-sale securities RM'000	Held-to-maturity securities RM'000	Derivative financial instruments RM'000	Financing, advances and other loans ^ RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000	Treasury related commitments and contingencies RM'000
Agriculture	-	-	10,076	-	-	-	10,076	12,390	-
Manufacturing	-	-	-	-	-	-	-	27,380	113
Electricity, gas and water	-	5,163	67,362	-	-	-	72,525	7,794	-
Construction	-	15,206	83,232	-	-	5,622	104,060	37,055	-
Real Estate	-	-	20,502	-	-	-	20,502	36,548	-
General commerce	-	-	10,000	-	-	-	10,000	17,537	-
Transport, storage and communications	-	24,356	138,292	95,148	-	130,794	388,590	115,132	-
Finance, insurance and business services	5,974,195	224,648	94,866	-	156,048	69,178	6,518,935	603,836	1,209,653
Government and government agencies	70,055	399,501	229,969	-	-	-	699,525	-	-
Purchase of residential, landed property, securities and transport vehicles	-	-	-	-	-	1,331,370	1,331,370	29,374	-
Consumption credit	-	-	-	-	-	199,047	199,047	1,719	-
Others	-	-	-	-	-	567,096	567,096	23,660	-
	6,044,250	668,874	654,299	95,148	156,048	2,303,107	9,921,726	912,425	1,209,766
Assets not subject to credit risk	-	-	575	-	-	-	575	-	-
Total	6,044,250	668,874	654,874	95,148	156,048	2,303,107	9,922,301	912,425	1,209,766

^ Before general allowance amounting to RM48,883,000

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ae) Credit risk (Continued)

The following table sets out the credit risk concentrations by economic sectors of the Group:

	The Group						
	Cash and short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities held for trading RM'000	Available-for-sale securities RM'000	Held-to-maturity securities RM'000	Financing, advances and other loans ^ RM'000	On-balance sheet total RM'000	Credit-related commitments and contingencies RM'000
2006							
Agriculture	-	-	-	-	396,467	396,467	-
Mining and quarrying	-	-	-	-	98	98	-
Manufacturing	-	-	-	-	56,930	56,930	391
Electricity, gas and water	-	-	25,556	-	256	25,812	-
Construction	-	-	26,308	-	48,705	75,013	25,906
General commerce	-	15,644	25,444	-	61,986	103,074	19,283
Transport, storage and communications	-	-	-	96,650	4,988	101,638	780,289
Finance, insurance and business services	1,441,423	76,398	59,334	-	153,414	1,730,569	-
Government and government agencies	288,691	127,788	126,050	82,629	-	625,158	-
Purchase of residential, landed property, securities and transport vehicles	-	-	-	-	20,782	20,782	-
Consumption credit	-	-	-	-	995,424	995,424	14,945
Others	-	-	-	-	6,794	6,794	-
	1,730,114	219,830	262,692	179,279	1,745,844	4,137,759	840,814
Assets not subject to credit risk	-	-	575	-	-	575	-
Total	1,730,114	219,830	263,267	179,279	1,745,844	4,138,334	840,814

^ Before general allowance amounting to RM42,946,000.

62 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(af) Restatement of prior year comparatives

In the previous financial year, the business activities of CIMB Bank Labuan Limited ("CIMBL") included Islamic banking business, which were not included in the prior year income statement and balance sheet as the amounts were immaterial. As the operations had increased in volume during the financial year, prior year comparatives have been restated to include the Islamic banking business of CIMBL for comparability.

The following discloses the adjustments that have been made to each of the line items in the Group's balance sheet and income statement for the financial year ended 31 December 2006:

	Restatement of prior year comparatives		
	As previously reported RM'000	Adjustments to include Islamic banking business of CIMBL RM'000	As restated RM'000
Assets			
Available-for-sale securities	209,406	53,861	263,267
Financing, advances and other loans	1,618,471	84,427	1,702,898
Liabilities			
Deposits from customers	2,427,545	717	2,428,262
Amount due to holding company	2,656	136,907	139,563
Equity			
Reserves	16,704	664	17,368
Income statements			
Income derived from investment of depositors' funds and others	125,402	1,994	127,396
Allowances for losses on financing	(33,894)	(1,518)	(35,412)

(ag) Shariah Committee

The Shariah Committee was established under Bank Negara Malaysia's "Guidelines on Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advice the Board of Directors on Shariah matters in its business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by the Group are in compliance with Shariah principles. The Shariah Committee also provides guidance on legal matters on Islamic banking products and services.

63 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

This page has been intentionally left blank.