

# Bank Islam Malaysia Berhad

(Company No. 98127-X)

(Incorporated in Malaysia)

## and its subsidiaries

### Directors' report for the financial year ended 30 June 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2007.

#### Principal activities

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

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

#### Results

	<b>Group RM'000</b>	<b>Bank RM'000</b>
Profit for the year	226,445 =====	251,288 =====

#### Reserves and provisions

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

#### Dividends

There was no dividend paid in respect of the year ended 30 June 2006.

There was no interim dividend paid during the year and the Directors do not recommend a final dividend for the year ended 30 June 2007.

#### Business plan, strategy and future outlook

For the third year in a row, the Malaysian economy is expected to grow below or at the 6% pace for most of 2007, reflecting largely the sluggish external demand for made-in-Malaysia goods as the global expansion decelerates, dragged by the US slowdown. However, a more robust global growth, which is anticipated to make a comeback in the second half of 2007, together with resilient private sector-driven domestic demand and a supportive public sector, should provide a strong platform for the Malaysian gross domestic product (GDP) to expand by more than 6% in 2008.

## **Business plan, strategy and future outlook (continued)**

Against this backdrop, the financial sector as a whole or in particular, the Islamic banking industry stands to benefit from expectations of increased intensity in economic activities thanks to the US-led global recovery, accelerated implementation of the Ninth Malaysia Plan (9MP) projects, burgeoning consumer spending and a considerable pick-up in property or real estate transaction. Incentives offered and focus areas identified under the Malaysia International Islamic Financial Centre (MIFC) should complement and add value to the existing incentives and efforts undertaken to develop Malaysia into an international centre for Islamic finance.

Consequently, the Bank has managed to position itself on a firmer footing following a successful implementation of its turnaround plan introduced in the earlier part of the previous financial year. Having successfully transformed itself from a crisis mode into a position of stability at present, the Bank has lined up a slew of business and operational strategies to further strengthen its foundation to better propel the Bank for a stable growth in years to come. Operating in a regime of tighter risks control and monitoring, the Bank is gradually improving its assets portfolio by booking in better quality financing assets.

In line with its transformation agenda, the Bank has also embarked on an evolution of the mind and spirit towards performance-based and service-oriented culture vide its Re-branding and Branch Remodelling Exercise. While efforts are also being intensified on improving the Bank's IT infrastructure and developing its human capital to become a world class labour force, the Bank continues to grow organically with greater focus given on growing its fee-based revenues. With all the blocks falling into place, the Bank expects to achieve better results in the coming financial year.

## **Bad and doubtful financing**

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

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

## **Current assets**

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

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## **Current assets (continued)**

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

## **Valuation methods**

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

## **Contingent and other liabilities**

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

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

No contingent or other liability of 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 Group and of the Bank to meet its obligations as and when they fall due.

## **Change of circumstances**

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

## **Items of an unusual nature**

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

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

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## **Directors**

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

Tan Sri Dato' Dr. Abdullah Mohd Tahir  
Datuk Ismee Ismail  
Dato' Zukri Samat  
Dato' Mohd Bakke Salleh  
Dato' Noorazman A. Aziz  
Zahari @ Mohd Zin Idris  
Zaiton Mohd Hassan  
Salaam Said Salim Al-Shaksy (appointed on 28.2.2007)  
Hashim Abdulla Ahmad Al-Dabal (appointed on 28.2.2007)  
Fadhel Abdulbaqi Abu Al-Hassan Al-Qaed (appointed on 28.2.2007)  
Marwan Hassan Ali El-Khatib (appointed on 28.2.2007)  
(alternate director to Hashim Abdulla Ahmad Al-Dabal)  
Ahmad Saeed Sultan Braik (appointed on 8.6.2007)  
Datuk Burhanuddin Ahmad Tajudin (resigned on 28.2.2007)  
Salih Amaran Jamiaan (resigned on 28.2.2007)

None of the Directors holding office at 30 June 2007 had any interest in ordinary shares of the Bank and of its related corporations during the financial year.

## **Directors' benefits**

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

There was no arrangement during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of share in or debentures of the Bank or any other body corporate.

## **Issue of shares and debentures**

During the financial year, the Bank issued 845,490,000 new ordinary shares of RM1 each for cash consideration (net of expenses) amounting to RM1,014.1 million for working capital purposes.

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

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## Options granted over unissued shares

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

## Auditors

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

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

.....  
**Dato' Mohd Bakke Salleh**

.....  
**Dato' Zukri Samat**

Kuala Lumpur,

Date:

# **Bank Islam Malaysia Berhad**

(Company No. 98127-X)  
(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out on pages 11 to 89 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 30 June 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....  
**Dato' Mohd Bakke Salleh**

.....  
**Dato' Zukri Samat**

Kuala Lumpur,

Date:

# **Bank Islam Malaysia Berhad**

(Company No. 98127-X)  
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## **Report of the Shariah Supervisory Council**

We, **Dr. Yusof Ramli** and **Mohd. Bakir Mansor**, being two of the members of Shariah Supervisory Council of Bank Islam Malaysia Berhad, do hereby confirm on behalf of the Council, that in our opinion, the operations of the Group and of the Bank for the year ended 30 June 2007 have been conducted in conformity with the Shariah principles.

On behalf of the Council:

.....  
**Dr. Yusof Ramli**

.....  
**Mohd. Bakir Mansor**

Kuala Lumpur,

Date:

**Bank Islam Malaysia Berhad**

(Company No. 98127-X)  
(Incorporated in Malaysia)

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

I, **Adissadikin Ali**, the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 89 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on

.....

.....  
**Adissadikin Ali**

Before me:

## **Report of the auditors to the members of Bank Islam Malaysia Berhad**

We have audited the financial statements set out on pages 11 to 89. The preparation of the financial statements is the responsibility of the Bank's Directors.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. 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 statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Bank at 30 June 2007 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Bank; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Bank and subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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

The audit 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.

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

**Adrian Lee Lye Wang**  
Partner  
Approval Number: 2679/11/07(J)

Kuala Lumpur,

Date:

# Bank Islam Malaysia Berhad

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(Incorporated in Malaysia)

## and its subsidiaries

### Balance sheets as at 30 June 2007

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Assets</b>					
Cash and short term funds	3	6,005,290	2,621,386	5,994,692	2,609,900
Deposits and placements with banks and other financial institutions	4	149,479	256,588	149,479	256,588
Securities held-for-trading	5	322,160	250,163	321,563	249,618
Securities available-for-sale	6	3,427,540	2,085,470	3,426,915	2,084,475
Securities held-to-maturity	7	132,061	136,194	132,061	132,064
Financing, advances and others	8	8,452,016	8,628,537	8,502,016	8,653,537
Other assets	10	84,225	61,527	73,580	60,606
Statutory deposits with Bank Negara Malaysia	11	396,639	459,856	396,639	459,856
Current tax asset		33,595	13,304	33,178	10,958
Investments in subsidiary companies	12	-	-	5,947	5,947
Investment in an associated company	13	-	-	-	-
Property, plant and equipment	14	85,298	85,542	85,107	85,335
<b>Total assets</b>		<u>19,088,303</u>	<u>14,598,567</u>	<u>19,121,177</u>	<u>14,608,884</u>
<b>Liabilities and equity</b>					
Deposits from customers	15	17,577,661	14,340,378	17,616,899	14,442,774
Deposits and placements of banks and other financial institutions	16	33,991	63,028	33,991	63,028
Bills and acceptance payable		109,189	100,919	109,189	100,919
Other liabilities	17	215,449	238,700	213,991	176,435
Zakat		2,902	3,584	2,893	3,568
Subordinated financing	19	100,000	100,000	100,000	100,000
<b>Total liabilities</b>		<u>18,039,192</u>	<u>14,846,609</u>	<u>18,076,963</u>	<u>14,886,724</u>

## Balance sheets as at 30 June 2007 (continued)

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Equity</b>					
Share capital	20	1,725,490	880,000	1,725,490	880,000
Reserves		(676,379)	(1,128,042)	(681,276)	(1,157,840)
<b>Total equity</b>		<u>1,049,111</u>	<u>(248,042)</u>	<u>1,044,214</u>	<u>(277,840)</u>
<b>Total equity and liabilities</b>		<u>19,088,303</u>	<u>14,598,567</u>	<u>19,121,177</u>	<u>14,608,884</u>
<b>Commitments and contingencies</b>	34	<u>4,937,223</u>	<u>4,026,381</u>	<u>4,937,223</u>	<u>4,026,381</u>
<b>Capital adequacy</b>	40				
Core capital ratio		10.42%	-2.47%	10.39%	-2.78%
Risk-weighted capital ratio		12.77%	-2.47%	12.69%	-2.84%
Core capital ratio net of proposed dividends		10.42%	-2.47%	10.39%	-2.78%
Risk weighted capital ratio net of proposed dividends		<u>12.77%</u>	<u>-2.47%</u>	<u>12.69%</u>	<u>-2.84%</u>

The notes on pages 21 to 89 are an integral part of these financial statements.

# Bank Islam Malaysia Berhad

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### Income statements for the year ended 30 June 2007

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds	22	861,821	798,266	865,042	798,787
Income derived from investment of shareholders' funds	23	175,954	157,621	168,834	150,088
Allowance for losses on financing	24	(24,739)	(1,288,720)	261	(1,313,720)
Reversal/(Impairment) loss	25	75,002	(148,112)	72,552	(156,473)
Profit equalisation reserve		(47,921)	(9,308)	(47,921)	(9,308)
Direct expenses		(3,810)	(13,660)	(3,810)	(13,660)
<b>Total distributable income</b>		<b>1,036,307</b>	<b>(503,913)</b>	<b>1,054,958</b>	<b>(544,286)</b>
Income attributable to the depositors	26	(406,797)	(370,701)	(407,527)	(371,011)
<b>Total net income/(loss)</b>		<b>629,510</b>	<b>(874,614)</b>	<b>647,431</b>	<b>(915,297)</b>
Personnel expenses	27	(185,270)	(161,724)	(182,590)	(159,894)
Other overhead expenses	28	(184,392)	(193,974)	(180,304)	(191,812)
Impairment loss from property, plant & equipment		(11,424)	-	(11,424)	-
Finance cost	30	(17,625)	(10,157)	(17,625)	(10,157)
<b>Profit/(Loss) before zakat and tax</b>		<b>230,799</b>	<b>(1,240,469)</b>	<b>255,488</b>	<b>(1,277,160)</b>
Zakat		(4,209)	(4,046)	(4,200)	(4,000)
Tax expense	31	(145)	(15,855)	-	(15,629)
<b>Profit/(Loss) for the year</b>		<b>226,445</b>	<b>(1,260,370)</b>	<b>251,288</b>	<b>(1,296,789)</b>
<b>Attributable to:</b>					
Equity holders of the Bank		226,445	(1,260,253)	251,288	(1,296,789)
Minority interest		-	(117)	-	-
<b>Profit/(Loss) for the year</b>		<b>226,445</b>	<b>(1,260,370)</b>	<b>251,288</b>	<b>(1,296,789)</b>
<b>Earning/(Loss) per share (sen)</b>	32	<b>15.68</b>	<b>(170.32)</b>	<b>17.41</b>	<b>(175.24)</b>

The notes on pages 21 to 89 are an integral part of these financial statements.

# Bank Islam Malaysia Berhad

(Company No. 98127-X)

(Incorporated in Malaysia)

## and its subsidiaries

### Consolidated statement of changes in equity for the year ended 30 June 2007

Group	<-----Attributable to shareholders of the Bank ----->							Minority interest	Total equity
	<-----Non-distributable----->								
	Share capital	Share premium	Statutory reserve	Fair value reserve	Translation reserve	Accumulated losses	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 July 2005</b>	600,000	331,375	200,533	56,499	5,152	(408,437)	785,122	117	785,239
Foreign exchange translation differences	-	-	-	-	10,238	-	10,238	-	10,238
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(63,149)	-	-	(63,149)	-	(63,149)
Net (loss)/gain recognised directly in equity	-	-	-	(63,149)	10,238	-	(52,911)	-	(52,911)
Loss for the year	-	-	-	-	-	(1,260,253)	(1,260,253)	(117)	(1,260,370)
Total recognised income and expense for the year	-	-	-	(63,149)	10,238	(1,260,253)	(1,313,164)	(117)	(1,313,281)
Shares issued	280,000	-	-	-	-	-	280,000	-	280,000
<b>At 30 June 2006</b>	880,000	331,375	200,533	(6,650)	15,390	(1,668,690)	(248,042)	-	(248,042)
	Note 20		Note 21						

The notes on pages 21 to 89 are an integral part of these financial statements.

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## Consolidated statement of changes in equity for the year ended 30 June 2007 (continued)

Group	<-----Attributable to shareholders of the Bank ----->						Total	Minority interest	Total equity
	Share capital	Share premium	Statutory reserve	Fair value reserve	Translation reserve	Accumulated losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 July 2006</b>	880,000	331,375	200,533	(6,650)	15,390	(1,668,690)	(248,042)	-	(248,042)
Foreign exchange translation differences	-	-	-	-	45,068	-	45,068	-	45,068
Net loss on hedge of net investment in foreign operation	-	-	-	-	(21,990)	-	(21,990)	-	(21,990)
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	33,495	-	-	33,495	-	33,495
Net gains recognised directly in equity	-	-	-	33,495	23,078	-	56,573	-	56,573
Profit for the year	-	-	-	-	-	226,445	226,445	-	226,445
Total recognised income and expense for the year	-	-	-	33,495	23,078	226,445	283,018	-	283,018
Transfer to statutory reserve	-	-	125,644	-	-	(125,644)	-	-	-
Shares issued	845,490	168,645	-	-	-	-	1,014,135	-	1,014,135
<b>At 30 June 2007</b>	1,725,490	500,020	326,177	26,845	38,468	(1,567,889)	1,049,111	-	1,049,111
	Note 20		Note 21						

The notes on pages 21 to 89 are an integral part of these financial statements.

# Bank Islam Malaysia Berhad

(Company No. 98127-X)

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## Statement of changes in equity for the year ended 30 June 2007

Bank	<-----Non-distributable----->						Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Accumulated losses RM'000	
<b>At 1 July 2005</b>	600,000	331,375	200,533	56,499	-	(401,727)	786,680
Foreign exchange translation differences	-	-	-	-	15,418	-	15,418
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(63,149)	-	-	(63,149)
Net (loss)/gain recognised directly in equity	-	-	-	(63,149)	15,418	-	(47,731)
Loss for the year	-	-	-	-	-	(1,296,789)	(1,296,789)
Total recognised income and expense for the year	-	-	-	(63,149)	15,418	(1,296,789)	(1,344,520)
Shares issued	280,000	-	-	-	-	-	280,000
<b>At 30 June 2006</b>	880,000	331,375	200,533	(6,650)	15,418	(1,698,516)	(277,840)
	Note 20		Note 21				

The notes on pages 21 to 89 are an integral part of these financial statements.

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## Statement of changes in equity for the year ended 30 June 2007 (continued)

Bank	<-----Non-distributable----->						Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Accumulated losses RM'000	
<b>At 1 July 2006</b>	880,000	331,375	200,533	(6,650)	15,418	(1,698,516)	(277,840)
Foreign exchange translation difference	-	-	-	-	45,126	-	45,126
Net loss on hedge of net investment in foreign operation	-	-	-	-	(21,990)	-	(21,990)
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	33,495	-	-	33,495
Net gains recognised directly in equity	-	-	-	33,495	23,136	-	56,631
Profit for the year	-	-	-	-	-	251,288	251,288
Total recognised income and expense for the year	-	-	-	33,495	23,136	251,288	307,919
Transfer to statutory reserve	-	-	125,644	-	-	(125,644)	-
Shares issued	845,490	168,645	-	-	-	-	1,014,135
<b>At 30 June 2007</b>	1,725,490	500,020	326,177	26,845	38,554	(1,572,872)	1,044,214
	Note 20		Note 21				

The notes on pages 21 to 89 are an integral part of these financial statements.

# Bank Islam Malaysia Berhad

(Company No. 98127-X)

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## and its subsidiaries

### Cash flow statements for the year ended 30 June 2007

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Cash flow from operating activities</b>				
Profit/(Loss) before zakat and tax	230,799	(1,240,469)	255,488	(1,277,160)
Adjustments for:				
Depreciation of property, plant and equipment	20,727	17,794	20,638	17,713
Impairment of property, plant and equipment	11,424	-	11,424	-
(Reversal) /Impairment loss on securities available-for-sale	(75,002)	90,156	(75,002)	90,156
Impairment loss on securities held-to-maturity	-	55,887	-	55,887
Impairment loss on investment in subsidiary	-	-	2,450	7,550
Impairment loss on investment in associate	-	1,089	-	1,900
Allowance for losses on financing	24,739	1,288,720	(261)	1,313,720
Allowance for doubtful debts	129	7,313	129	7,313
Dividends	-	-	(40)	(758)
Loss/(Gain) on disposal of property, plant and equipment	6	(81)	6	(81)
Net gain on sale of securities held-for-trading	(3,478)	(17,663)	(3,478)	(17,663)
Net gain on sale of securities available-for-sale	(1,821)	(48,109)	(1,818)	(48,109)
Fair value gain on securities held-for-trading	(7,805)	(334)	(7,805)	(334)
Fair value gain on securities available-for-sale	33,495	(6,650)	33,495	(6,650)
Amortisation of premium less accretion of discount	(71,882)	(21,893)	(71,882)	(21,893)
Dividend from securities	(2,373)	(2,835)	(2,352)	(2,834)
Property, plant and equipment written off	7,644	-	7,644	-
Gain on disposal of an associate company	(950)	-	(950)	-
Goodwill written off	2,450	-	-	-
Operating profit before working capital changes	168,102	122,925	167,686	118,757

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## Cash flow statements for the year ended 30 June 2007 (continued)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Changes in working capital:				
Deposits and placements with banks and other financial institutions	(29,037)	(1,294,498)	(29,037)	(1,294,498)
Financing, advances and others	151,782	(682,556)	151,782	(798,661)
Statutory deposits with Bank Negara Malaysia	63,217	(31,386)	63,217	(31,389)
Bills receivables	1,933	3,532	1,933	3,532
Other receivables	(24,958)	59,451	(15,236)	120,911
Deposits from customers	3,237,283	862,553	3,174,125	959,603
Bills and acceptance payable	8,270	14,448	8,270	14,448
Other payables	(23,520)	145,330	37,287	91,038
	<hr/>	<hr/>	<hr/>	<hr/>
Cash generated from/(used in) operations	3,553,072	(800,201)	3,560,027	(816,259)
Zakat paid	(4,879)	(3,364)	(4,875)	(3,364)
Tax paid	(21,954)	(30,239)	(21,751)	(30,008)
Tax refund	1,973	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>	<b>3,528,212</b>	<b>(833,804)</b>	<b>3,533,401</b>	<b>(849,631)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash flow from investing activities</b>				
Additional investment in subsidiary	-	-	(2,450)	(422)
Acquisition of minority interest	(2,450)	-	-	-
Purchase of property, plant and equipment	(39,749)	(20,637)	(39,676)	(20,604)
Proceeds from disposal of property, plant and equipment	178	120	178	120
Dividend received	-	-	40	758
Dividend from securities	2,373	2,835	2,352	2,834
Net (purchase)/disposal of securities	(1,249,946)	712,346	(1,254,397)	714,935
Proceeds from disposal of an associate company	950	-	950	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,288,644)</b>	<b>694,664</b>	<b>(1,293,003)</b>	<b>697,621</b>
	<hr/>	<hr/>	<hr/>	<hr/>

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## Cash flow statements for the year ended 30 June 2007 (continued)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Cash flow from financing activities</b>				
Proceeds from issuance of shares	1,014,135	280,000	1,014,135	280,000
<b>Net cash generated from financing activities</b>	1,014,135	280,000	1,014,135	280,000
<b>Net increase in cash and cash equivalents</b>	3,253,703	140,860	3,254,533	127,990
<b>Cash and cash equivalents at beginning of year</b>	2,877,974	2,726,895	2,866,488	2,723,061
<b>Exchange difference on translation</b>	23,092	10,219	23,150	15,437
<b>Cash and cash equivalents at end of year</b>	6,154,769	2,877,974	6,144,171	2,866,488
<b>Cash and cash equivalents comprise:</b>				
Cash and short-term funds	6,005,290	2,621,386	5,994,692	2,609,900
Deposits and placements with banks and other financial institutions	149,479	256,588	149,479	256,588
	6,154,769	2,877,974	6,144,171	2,866,488

The notes on pages 21 to 89 are an integral part of these financial statements.

# Bank Islam Malaysia Berhad

(Company No. 98127-X)

(Incorporated in Malaysia)

## and its subsidiaries

### Notes to the financial statements

Bank Islam Malaysia Berhad is a limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

#### Registered office and principal place of business

Level 14, Darul Takaful,

Jalan Sultan Ismail,

50250 Kuala Lumpur.

The consolidated financial statements as at and for the year ended 30 June 2007 comprise the Bank and its subsidiaries (together referred to as the Group). The financial statements of the Bank as at and for the year ended 30 June 2007 do not include other entities.

The Bank is principally engaged in Islamic banking business and the provision of related services while the other Group entities are primarily involved in the management of unit trust funds, provision of trust services and related services, nominee services and foreign currency clearing house.

The holding company of the Bank during the financial year is BIMB Holdings Berhad, a public limited liability company incorporated in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB) as modified by Bank Negara Malaysia Guidelines, accounting principles generally accepted in Malaysia, the provisions of the Companies Act, 1965 and Shariah requirements.

The MASB has issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

Standard / Interpretation	Effective date
FRS 117, <i>Leases</i>	1 October 2006
FRS 124, <i>Related Party Disclosures</i>	1 October 2006

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

Standard / Interpretation	Effective date
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
Amendment to FRS 119 <sub>2004</sub> , <i>Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures</i>	1 January 2007
FRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2007
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation</i>	1 July 2007
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members’ Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1 July 2007
FRS 107, <i>Cash Flow Statements</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

Standard / Interpretation	Effective date
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007

The Group and the Bank plan to apply the above-mentioned FRSs (except for FRS 139 which its effective date has yet to be announced) initially for the annual period beginning 1 July 2007.

The impact of applying FRS 117, FRS 124 and FRS 139 on the financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective standards.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

There were no significant financial impact of adopting the new/revised FRSs in 2007.

The financial statements were approved by the Board of Directors on \_\_\_\_\_.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets as explained in their respective accounting policy notes:

- Securities held-for-trading
- Securities available-for-sale
- Derivatives financial instruments

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Bank's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

## 1. Basis of preparation (continued)

### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note:

- Note 31 – unrecognised deferred tax assets

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Bank's balance sheet at cost less impairment losses.

## **2. Significant accounting policies (continued)**

### **(a) Basis of consolidation (continued)**

#### **(ii) Associate**

Associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies.

Associate is accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investment in an associate is stated in the Bank's balance sheet at cost less impairment losses.

#### **(iii) Changes in Group composition**

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

## **2. Significant accounting policies (continued)**

### **(a) Basis of consolidation (continued)**

#### **(iv) *Minority interest***

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Bank. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Bank.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

#### **(v) *Transactions eliminated on consolidation***

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **(b) Foreign currency**

#### **(i) *Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was

determined. Foreign currency differences arising on retranslation are recognised in the income statement.

## 2. Significant accounting policies (continued)

### (b) Foreign currency (continued)

#### (ii) *Operations denominated in functional currencies other than Ringgit Malaysia*

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

#### (iii) *Net investment in foreign operations*

Exchange differences arising from monetary items that in substance form part of the Bank's net investment in foreign operations, are recognised in equity in the Bank and Group's financial statements only when the financing is denominated in either the functional currency of the Bank or the foreign operation. Deferred exchange differences are released to the income statement upon disposal of the investment.

### (c) Intangible assets

#### (i) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and associates.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost and tested for impairment at least annually or more frequently when there is objective evidence of impairment.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

## 2. Significant accounting policies (continued)

### (c) Intangible assets (continued)

#### (i) *Goodwill*

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

#### (ii) *Acquisition of minority interest*

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

### (d) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposure.

Foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at balance sheet date and the resultant gains and losses for the financial year are recognised in the income statement.

### (e) Financing

Financing is stated after deducting the allowance for losses on financing.

#### *Allowance for bad and doubtful financing*

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

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

An uncollectible financing or portion of a financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

## 2. Significant accounting policies (continued)

### (e) Financing (continued)

An uncollectible financing or portion of a financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

During the financial year, specific allowance for bad and doubtful financing has been made in full compliance with the revised BNM GP3 (September 1998). Allowances of 20% on shortfall of carrying value against the collateral value is made where repayment is in arrears for six to less than nine months from the first date of default; allowances of 50% for repayment in arrears for nine to twelve months; whilst full allowance is made for arrears exceeding twelve months. Any allowance during the year is charged to the income statement.

In the previous year, the Group had adopted a more stringent basis for specific allowance on those doubtful financing where repayment is in arrears for more than three (3) months by providing full allowance on the shortfall of carrying value against the collateral value. The Directors were of the view that such treatment reflected a more prudent provision policy and was necessary to address the deteriorating financing portfolio.

### (f) Securities

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

#### (i) *Securities held-for-trading*

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

#### (ii) *Securities available-for-sale*

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

## 2. Significant accounting policies (continued)

### (f) Securities (continued)

#### (iii) *Securities held-to-maturity*

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

### (g) Property, plant and equipment

#### (i) *Recognition and measurement*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## 2. Significant accounting policies (continued)

### (g) Property, plant and equipment (continued)

#### (ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

#### (iii) *Depreciation*

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold land is amortised in equal instalments over the period of the lease. Management Information System development costs and work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- |   |             |
|---|-------------|
| • Building improvement and renovations        | 6 years     |
| • Furniture, fixtures, fittings and equipment | 2 – 6 years |
| • Motor vehicles                              | 4 years     |

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### (i) **Impairment**

The carrying amounts of assets except for financial assets (other than securities held-to-maturity and available-for-sale) are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives or that is not yet available for use, recoverable amount is estimated at each reporting date.

## **2. Significant accounting policies (continued)**

### **(i) Impairment (continued)**

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

### **(j) Bills and other receivables**

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

### **(k) Cash and cash equivalents**

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

### **(l) Bills and acceptances payable**

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

## 2. Significant accounting policies (continued)

### (m) Liabilities

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

Other payables are measured initially and subsequently at cost. Other payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### (n) Profit equalisation reserve (“PER”)

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

### (o) Share capital

Ordinary shares are classified as equity in the balance sheet. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

### (p) Income recognition

#### *Finance income*

Finance income is recognised on an accrual basis.

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

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

## 2. Significant accounting policies (continued)

### (p) Income recognition (continued)

#### *Fee and other income recognition*

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

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

### (q) Income tax

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### (r) Zakat

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

## 2. Significant accounting policies (continued)

### (s) Employee benefits

#### *Short term employee benefits*

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employees Provident Fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

## 3. Cash and short term funds

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and balances with banks and other financial institutions	416,150	401,748	405,552	390,260
Money at call and interbank placements with remaining maturity not exceeding one month	5,589,140	2,219,638	5,589,140	2,219,640
	<u>6,005,290</u>	<u>2,621,386</u>	<u>5,994,692</u>	<u>2,609,900</u>
	=====	=====	=====	=====

## 4. Deposits and placements with bank and other financial institutions

	Group and Bank	
	2007 RM'000	2006 RM'000
Licensed Islamic banks	-	165,245
Licensed banks	49,479	41,143
Licensed merchant banks	-	50,200
Licensed finance companies	100,000	-
	<u>149,479</u>	<u>256,588</u>
	=====	=====

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## 5. Securities held-for-trading

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>At fair value:</b>				
<b>Quoted securities in Malaysia</b>				
Shares	24,000	21,248	23,403	20,703
<b>Unquoted securities in Malaysia</b>				
Malaysian Government Investment Issues	15,231	4,971	15,231	4,971
Bank Negara Negotiable Notes	99,744	-	99,744	-
Negotiable Islamic Debt Certificates	-	49,950	-	49,950
Islamic Commercial Papers	-	4,356	-	4,356
Islamic Debt Securities	16,909	-	16,909	-
Accepted Bills	166,276	169,638	166,276	169,638
	298,160	228,915	298,160	228,915
	322,160	250,163	321,563	249,618

## 6. Securities available-for-sale

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>At fair value:</b>				
<b>Quoted securities in Malaysia</b>				
Unit trust	3,346	3,626	2,721	2,721
Shares	-	120,236	-	120,236
	3,346	123,862	2,721	122,957
<b>At fair value:</b>				
<b>Quoted securities outside Malaysia</b>				
Bond	17,263	18,363	17,263	18,363

## 6. Securities available-for-sale (continued)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>At fair value:</b>				
<b>Unquoted securities in Malaysia</b>				
Malaysian Government Investment				
Issues	791,304	250,131	791,304	250,131
Bank Negara Negotiable Notes	-	41,950	-	41,950
Negotiable Islamic Debts Certificates	1,385,542	333,763	1,385,542	333,763
Islamic Commercial Papers	113,715	173,301	113,715	173,301
Islamic Debt Securities	792,580	589,960	792,580	589,960
Accepted Bills	233,166	534,007	233,166	534,007
Promissory notes	6,022	6,022	6,022	6,022
	<u>3,322,329</u>	<u>1,929,134</u>	<u>3,322,329</u>	<u>1,929,134</u>
	-----	-----	-----	-----
<b>At fair value:</b>				
<b>Unquoted securities outside Malaysia</b>				
Islamic Development Bank				
Unit Trust	1,928	2,039	1,928	2,039
Islamic Debt Securities	69,199	-	69,199	-
	<u>71,127</u>	<u>2,039</u>	<u>71,127</u>	<u>2,039</u>
	-----	-----	-----	-----
<b>At cost:</b>				
<b>Unquoted securities in Malaysia</b>				
Unquoted shares	26,016	27,096	26,016	27,006
<b>Less:</b>				
Impairment loss	(15,536)	(16,526)	(15,536)	(16,526)
	<u>10,480</u>	<u>10,570</u>	<u>10,480</u>	<u>10,480</u>
	-----	-----	-----	-----
<b>At cost:</b>				
<b>Unquoted securities outside Malaysia</b>				
Unquoted shares	27,163	27,209	27,163	27,209
<b>Less:</b>				
Impairment loss	(24,168)	(25,707)	(24,168)	(25,707)
	<u>2,995</u>	<u>1,502</u>	<u>2,995</u>	<u>1,502</u>
	-----	-----	-----	-----
	<u>3,427,540</u>	<u>2,085,470</u>	<u>3,426,915</u>	<u>2,084,475</u>
	=====	=====	=====	=====

## 7. Securities held-to-maturity

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>At amortised cost:</b>				
Islamic Debt Securities	162,709	166,841	162,709	162,711
<b>Less:</b>				
Accumulated impairment loss	(30,648)	(30,647)	(30,648)	(30,647)
	<u>132,061</u>	<u>136,194</u>	<u>132,061</u>	<u>132,064</u>
	=====	=====	=====	=====

## 8. Financing, advances and others

### (i) By type

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash line	135,221	16,686	135,221	16,686
Term financing				
House financing	5,694,890	5,727,134	5,694,890	5,727,134
Syndicated financing	180,182	227,750	180,182	227,750
Leasing receivables	398,807	364,067	398,807	364,067
Bridging financing	658,083	483,275	658,083	483,275
Personal financing	1,960,359	1,794,872	1,960,359	1,794,872
Other term financing	4,151,390	4,937,920	4,201,390	4,987,920
Staff financing	293,624	266,208	293,624	266,208
Credit cards	253,498	177,052	253,498	177,052
Revolving credit	1,018,506	1,270,854	1,018,506	1,270,854
	<u>14,744,560</u>	<u>15,265,818</u>	<u>14,794,560</u>	<u>15,315,818</u>
Less: Unearned income	(4,906,263)	(5,004,225)	(4,906,263)	(5,004,225)
	<u>9,838,297</u>	<u>10,261,593</u>	<u>9,888,297</u>	<u>10,311,593</u>
Allowance for bad and doubtful financing				
- General	(170,461)	(168,462)	(170,461)	(168,462)
- Specific	(1,215,820)	(1,464,594)	(1,215,820)	(1,489,594)
<b>Total net financing, advances and others</b>	<u>8,452,016</u>	<u>8,628,537</u>	<u>8,502,016</u>	<u>8,653,537</u>
	=====	=====	=====	=====

## 8. Financing, advances and others (continued)

### (ii) By contract

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bai' Bithaman Ajil	5,871,862	6,569,669	5,871,862	6,569,669
Ijarah	157,855	104,372	157,855	104,372
Ijarah Muntahia Bittamlik	184,379	216,602	184,379	216,602
Mudharabah	18,150	21,316	18,150	21,316
Murabahah	1,248,975	1,422,832	1,248,975	1,422,832
Musyarakah	-	-	50,000	50,000
Bai Al-Inah Cash Note	1,267,727	1,069,766	1,267,727	1,069,766
Bai Al-Inah	415,328	184,532	415,328	184,532
Istisna'	638,984	642,964	638,984	642,964
Others	35,037	29,540	35,037	29,540
	<u>9,838,297</u>	<u>10,261,593</u>	<u>9,888,297</u>	<u>10,311,593</u>
	=====	=====	=====	=====

### (iii) By type of customer

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Domestic non-bank financial institutions	27,376	99,494	77,376	149,494
Domestic business enterprise	1,464,434	1,572,367	1,464,434	1,572,367
Small medium industries	1,051,169	1,189,561	1,051,169	1,189,561
Government	68,214	74,786	68,214	74,786
Individuals	6,471,960	6,507,234	6,471,960	6,507,234
Other domestic entities	29,572	25,022	29,572	25,022
Foreign entities	725,572	793,129	725,572	793,129
	<u>9,838,297</u>	<u>10,261,593</u>	<u>9,888,297</u>	<u>10,311,593</u>
	=====	=====	=====	=====

## 8. Financing, advances and others (continued)

### (iv) By profit rate sensitivity

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed rate				
House financing	2,464,941	2,600,168	2,464,941	2,600,168
Others	7,373,356	7,661,425	7,423,356	7,711,425
	<u>9,838,297</u>	<u>10,261,593</u>	<u>9,888,297</u>	<u>10,311,593</u>
	=====	=====	=====	=====

### (v) By sector

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Agriculture, hunting, forestry and fishing	226,185	140,751	226,185	140,751
Mining and quarrying	3,633	5,464	3,633	5,464
Manufacturing	1,125,203	1,206,281	1,125,203	1,206,281
Electricity, gas and water	87,387	93,604	87,387	93,604
Construction	700,883	781,612	700,883	781,612
Real estate	109,903	125,324	109,903	125,324
Purchase of landed property:				
-Residential	2,891,457	2,743,033	2,891,457	2,743,033
-Non-residential	480,508	538,259	480,508	538,259
Wholesale and retail trade and restaurants and hotel	268,740	470,866	268,740	470,866
Transport, storage and communication	77,162	84,711	77,162	84,711
Finance, insurance and business services	46,038	66,035	96,038	116,035
Purchase of securities	221,905	487,421	221,905	487,421
Purchase of transport vehicles	1,772,269	1,965,984	1,772,269	1,965,984
Consumption credit	1,451,771	1,241,543	1,451,771	1,241,543
Community, social and personal	59,135	49,907	59,135	49,907
Others	316,118	260,798	316,118	260,798
	<u>9,838,297</u>	<u>10,261,593</u>	<u>9,888,297</u>	<u>10,311,593</u>
	=====	=====	=====	=====

## 9. Non-performing financing, advances and others

### (i) Movement in the non-performing financing, advances and others

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 July	2,269,107	1,967,185	2,269,107	1,967,185
Classified as non-performing during the year	712,278	1,147,756	712,278	1,147,756
Reclassified as performing during the year	(81,375)	(189,763)	(81,375)	(189,763)
Amount recovered	(392,880)	(127,873)	(392,880)	(127,873)
Amount written off	(307,245)	(502,861)	(307,245)	(502,861)
Exchange differences	(40,845)	(25,337)	(40,845)	(25,337)
At 30 June	2,159,040	2,269,107	2,159,040	2,269,107
Less: Specific allowance ("SA")	(1,215,820)	(1,464,594)	(1,215,820)	(1,489,594)
Net non-performing financing advances and others	943,220	804,513	943,220	779,513
Ratio of net non-performing financing to total net financing, advances and others	10.94%	9.15%	10.88%	8.84%

### (ii) Movement in allowance for bad and doubtful financing

	Group and Bank	
	2007 RM'000	2006 RM'000
<b>General allowance</b>		
At 1 July	168,462	160,533
Allowance made during the year	3,074	29,437
Amount transferred to specific allowance	-	(11,342)
Amount transferred to PER	-	(3,150)
Write-back made during the year	-	(6,298)
Exchange differences	(1,075)	(718)
At 30 June	170,461	168,462
(as % of total loans less SA)	1.97%	1.91%

## 9. Non-performing financing (continued)

### (ii) Movement in allowance for bad and doubtful financing (continued)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Specific allowance</b>				
At 1 July	1,464,594	833,645	1,489,594	833,645
Allowance made during the year	275,389	1,189,196	275,389	1,214,196
Transferred from general allowance	-	11,342	-	11,342
Transferred from allowance for doubtful debts	-	11,089	-	11,089
Amount written back	(228,208)	(83,273)	(253,208)	(83,273)
Amount written off	(264,230)	(484,404)	(264,230)	(484,404)
Exchange differences	(31,725)	(13,001)	(31,725)	(13,001)
At 30 June	1,215,820	1,464,594	1,215,820	1,489,594

### (iii) Non-performing financing by sector

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Agriculture, hunting, forestry and fishing	84,758	71,833	84,758	71,833
Mining and quarrying	3,135	4,926	3,135	4,926
Manufacturing	412,419	393,907	412,419	393,907
Electricity, gas and water	83,510	88,200	83,510	88,200
Construction	461,369	445,769	461,369	445,769
Real estate	4,431	4,487	4,431	4,487
Purchase of landed property:				
-Residential	360,829	317,471	360,829	317,471
-Non-residential	158,501	150,453	158,501	150,453
Wholesale and retail trade and restaurants and hotel	144,260	243,613	144,260	243,613
Transport, storage and communication	19,200	19,468	19,200	19,468
Finance, insurance and business services	636	5,007	636	5,007
Purchase of securities	184,581	297,506	184,581	297,506
Purchase of transport vehicles	60,608	40,067	60,608	40,067
Consumption credit	140,793	110,173	140,793	110,173
Community, social and personal	23,591	17,054	23,591	17,054
Others	16,419	59,173	16,419	59,173
	2,159,040	2,269,107	2,159,040	2,269,107

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## 10. Other assets

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bills receivable	10,668	12,601	10,668	12,601
Other receivables	109,266	102,867	99,708	102,044
Deposit and prepayments	14,624	10,041	14,112	10,027
Related companies*	29,386	15,974	29,473	15,987
Sundry debtors	4,214	4,262	3,652	4,262
Statutory deposits with LOFSA	100	97	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	168,258	145,842	157,613	144,921
Allowance for doubtful debts	(84,033)	(84,315)	(84,033)	(84,315)
	<hr/>	<hr/>	<hr/>	<hr/>
	84,225	61,527	73,580	60,606
	=====	=====	=====	=====

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

## 11. Statutory deposits with Bank Negara Malaysia

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

## 12. Investments in subsidiary companies

	Bank	
	2007 RM'000	2006 RM'000
<b>At cost</b>		
Unquoted shares in Malaysia	67,795	65,345
Less: Accumulated impairment loss	(61,848)	(59,398)
	<hr/>	<hr/>
	5,947	5,947
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## 12. Investments in subsidiary companies (continued)

Details of the subsidiaries are as follows:

Name of Bank	Principal Activities	Effective ownership interest		Paid up capital 30 June 2007 RM'000
		2007 %	2006 %	
Al-Wakalah Nominees (Tempatan) Sendirian Berhad	Provide nominee services	100	100	25
BIMB Unit Trust Management Berhad	Manager of BIMB Unit Trust Funds	100	100	5,000
BIMB International Islamic Trust (Labuan) Sendirian Berhad and its subsidiary:	Provide services as a Labuan registered trust company	100	100	250
BIMB Offshore Bank Management Services Sdn. Bhd.	Dormant	100	100	*
Bank Islam (L) Ltd.	Ceased operations	100	100	57,000
BIMB Trust Ltd	Provide services as a Labuan registered trust company	100	100	250
BIMB Foreign Currency Clearing Agency Sendirian Berhad	Foreign currency clearing house	100	75.5	10,000

\* Represents RM2.00

## 13. Investment in an associated company

	Group and Bank	
	2007 RM'000	2006 RM'000
<b>Unquoted shares in Malaysia</b>		
At cost	-	1,900
Less: Accumulated impairment loss	-	(1,900)
	<hr/>	<hr/>
	-	-
	=====	=====

On 14 March 2007, the investment in an associated company, Myspeed.com. has been fully disposed for a purchase consideration of RM950,000.

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## 14. Property, plant and equipment

Group	Long term leasehold land	Building -in-progress	Improvements and renovations	Furniture, fixtures, and fittings	Office equipment	Motor vehicles	Renovation work-in-progress	Management information system development cost	Total
<i>Cost</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2005	14,147	12,330	11,767	21,893	105,377	1,037	21,118	7,266	194,935
Additions	-	-	223	1,141	7,384	403	6,189	5,297	20,637
Reclassifications	-	-	4,199	4,574	10,576	-	(19,349)	-	-
Disposals	-	-	-	-	(149)	(294)	-	-	(443)
Exchange difference	-	-	(53)	-	(135)	(9)	-	-	(197)
At 30 June 2006/1 July 2006	14,147	12,330	16,136	27,608	123,053	1,137	7,958	12,563	214,932
Additions	637	-	839	1,274	19,823	74	6,795	10,307	39,749
Reclassifications	-	12	12,806	8,916	(1,350)	-	(14,706)	(5,678)	-
Disposals	-	-	-	-	(59)	(501)	-	-	(560)
Written off	-	-	-	-	-	-	-	(7,644)	(7,644)
Exchange difference	-	-	(1,395)	-	1,076	(11)	-	-	(330)
At 30 June 2007	14,784	12,342	28,386	37,798	142,543	699	47	9,548	246,147

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**14. Property, plant and equipment (continued)**

<b>Group</b>	<b>Long term leasehold land RM'000</b>	<b>Building -in-progress RM'000</b>	<b>Improvements and renovations RM'000</b>	<b>Furniture, fixtures, and fittings RM'000</b>	<b>Office equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Renovation work-in-progress RM'000</b>	<b>Management information system development cost RM'000</b>	<b>Total RM'000</b>
<b>At 1 July 2005</b>									
Accumulated depreciation	-	-	9,886	16,237	84,186	604	43	616	111,572
Accumulated impairment loss	-	918	-	-	-	-	-	-	918
	-	918	9,886	16,237	84,186	604	43	616	112,490
Depreciation of the year	-	-	1,102	2,730	13,804	148	1	9	17,794
Disposals	-	-	-	-	(128)	(276)	-	-	(404)
Reclassification	-	-	(46)	(215)	(51)	-	-	-	(312)
Exchange difference	-	-	(43)	-	(128)	(7)	-	-	(178)
<b>At 30 June 2006/1 July 2006</b>									
Accumulated depreciation	-	-	10,899	18,752	97,683	469	44	625	128,472
Accumulated impairment loss	-	918	-	-	-	-	-	-	918
	-	918	10,899	18,752	97,683	469	44	625	129,390
Depreciation of the year	-	-	4,151	4,933	11,432	203	1	7	20,727
Impairment loss	-	11,424	-	-	-	-	-	-	11,424
Disposals	-	-	-	-	(44)	(332)	-	-	(376)
Exchange difference	-	-	(1,229)	(1)	922	(8)	-	-	(316)
<b>At 30 June 2007</b>									
Accumulated depreciation	-	-	13,821	23,684	109,993	332	45	632	148,507
Accumulated impairment loss	-	12,342	-	-	-	-	-	-	12,342
	-	12,342	13,821	23,684	109,993	332	45	632	160,849

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#### 14. Property, plant and equipment (continued)

<b>Group</b>	<b>Long term leasehold land</b>	<b>Building -in-progress</b>	<b>Improvements and renovations</b>	<b>Furniture, fixtures, and fittings</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Renovation work-in-progress</b>	<b>Management information system development cost</b>	<b>Total</b>
<i>Carrying amounts</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2005	14,147	11,412	1,881	5,656	21,191	433	21,075	6,650	82,445
At 30 June 2006/1 July 2006	14,147	11,412	5,237	8,856	25,370	668	7,914	11,938	85,542
At 30 June 2007	14,784	-	14,565	14,114	32,550	367	2	8,916	85,298

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**14. Property, plant and equipment (continued)**

<b>Bank</b>	<b>Long term leasehold land</b>	<b>Building -in-progress</b>	<b>Improvements and renovations</b>	<b>Furniture, fixtures, and fittings</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Renovation work-in-progress</b>	<b>Management information system development cost</b>	<b>Total</b>
<i>Cost</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2005	14,147	12,330	11,767	21,828	105,000	1,037	21,072	6,641	193,822
Additions	-	-	223	1,141	7,365	403	6,188	5,284	20,604
Reclassifications	-	-	4,199	4,574	10,576	-	(19,349)	-	-
Disposals	-	-	-	-	(146)	(294)	-	-	(440)
Exchange difference	-	-	(53)	-	(135)	(9)	-	-	(197)
At 30 June 2006/1 July 2006	14,147	12,330	16,136	27,543	122,660	1,137	7,911	11,925	213,789
Additions	637	-	839	1,274	19,751	74	6,795	10,306	39,676
Reclassifications	-	12	12,806	8,916	(1,350)	-	(14,706)	(5,678)	-
Disposals	-	-	-	-	(59)	(501)	-	-	(560)
Written off	-	-	-	-	-	-	-	(7,644)	(7,644)
Exchange difference	-	-	(1,395)	-	1,076	(11)	-	-	(330)
At 30 June 2007	14,784	12,342	28,386	37,733	142,078	699	-	8,909	244,931

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**14. Property, plant and equipment (continued)**

<b>Bank</b>	<b>Long term leasehold land RM'000</b>	<b>Building -in-progress RM'000</b>	<b>Improvements and renovations RM'000</b>	<b>Furniture, fixtures, and fittings RM'000</b>	<b>Office equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Renovation work-in-progress RM'000</b>	<b>Management information system development cost RM'000</b>	<b>Total RM'000</b>
<b>At 1 July 2005</b>									
Accumulated depreciation	-	-	9,886	16,179	84,045	604	-	-	110,714
Accumulated impairment loss	-	918	-	-	-	-	-	-	918
	-	918	9,886	16,179	84,045	604	-	-	111,632
Depreciation of the year	-	-	1,102	2,727	13,736	148	-	-	17,713
Reclassifications	-	-	(46)	(215)	(51)	-	-	-	(312)
Disposals	-	-	-	-	(125)	(276)	-	-	(401)
Exchange difference	-	-	(43)	-	(128)	(7)	-	-	(178)
<b>At 30 June 2006/1 July 2006</b>									
Accumulated depreciation	-	-	10,899	18,691	97,477	469	-	-	127,536
Accumulated impairment loss	-	918	-	-	-	-	-	-	918
	-	918	10,899	18,691	97,477	469	-	-	128,454
Depreciation of the year	-	-	4,151	4,930	11,354	203	-	-	20,638
Impairment loss	-	11,424	-	-	-	-	-	-	11,424
Disposals	-	-	-	-	(44)	(332)	-	-	(376)
Exchange difference	-	-	(1,229)	(1)	922	(8)	-	-	(316)
<b>At 30 June 2007</b>									
Accumulated depreciation	-	-	13,821	23,620	109,709	332	-	-	147,482
Accumulated impairment loss	-	12,342	-	-	-	-	-	-	12,342
	-	12,342	13,821	23,620	109,709	332	-	-	159,824

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#### 14. Property, plant and equipment (continued)

<b>Bank</b>	<b>Long term leasehold land</b>	<b>Building -in-progress</b>	<b>Improvements and renovations</b>	<b>Furniture, fixtures, and fittings</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Renovation work-in-progress</b>	<b>Management information system development cost</b>	<b>Total</b>
<i>Carrying amounts</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2005	14,147	11,412	1,881	5,649	20,955	433	21,072	6,641	82,190
At 30 June 2006/1 July 2006	14,147	11,412	5,237	8,852	25,183	668	7,911	11,925	85,335
At 30 June 2007	14,784	-	14,565	14,113	32,369	367	-	8,909	85,107

## 15. Deposits from customers

### (i) By type of deposit

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Non-Mudharabah fund</b>				
Demand deposits	4,617,985	3,610,637	4,619,142	3,650,270
Savings deposits	1,589,308	1,422,174	1,589,308	1,422,174
Negotiable Islamic Debt Certificates ("NIDC")	4,596,717	2,480,933	4,601,266	2,537,191
Others	35,222	24,897	35,222	24,897
	<hr/>	<hr/>	<hr/>	<hr/>
	10,839,232	7,538,641	10,844,938	7,634,532
<b>Mudharabah fund</b>				
Savings deposits	467,390	454,387	467,390	454,387
General investment deposits	2,015,116	2,417,239	2,015,116	2,417,239
Special investment deposits	4,255,300	3,921,011	4,288,832	3,927,516
Others	623	9,100	623	9,100
	<hr/>	<hr/>	<hr/>	<hr/>
	6,738,429	6,801,737	6,771,961	6,808,242
	<hr/>	<hr/>	<hr/>	<hr/>
	17,577,661	14,340,378	17,616,899	14,442,774
	<hr/>	<hr/>	<hr/>	<hr/>

### (ii) By type of customer

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Government and statutory bodies	3,309,885	2,876,855	3,309,885	2,876,855
Business enterprises	6,097,683	5,433,895	6,097,683	5,433,895
Individuals	2,549,629	2,292,431	2,549,629	2,292,431
Others	5,620,464	3,737,197	5,659,702	3,839,593
	<hr/>	<hr/>	<hr/>	<hr/>
	17,577,661	14,340,378	17,616,899	14,442,774
	<hr/>	<hr/>	<hr/>	<hr/>

## 16. Deposits and placements of banks and other financial institutions

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Mudharabah fund</b>		
Licensed banks	33,991	63,028
	=====	=====

## 17. Other liabilities

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-trade</b>				
Sundry creditors	158,047	229,210	156,295	166,633
Profit equalisation reserve (Note 18)	57,402	9,490	57,402	9,490
Amount due to subsidiaries*	-	-	294	312
	-----	-----	-----	-----
	215,449	238,700	213,991	176,435
	=====	=====	=====	=====

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

## 18. Profit equalisation reserve

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 July	9,490	-
Recognised in the income statement	47,921	9,308
Transferred from general allowance	-	3,150
Transferred to profit payable to depositors	-	(2,968)
Exchange difference	(9)	-
	-----	-----
As at 30 June	57,402	9,490
	=====	=====

## 19. Subordinated financing

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

## 20. Share capital

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised:</b>		
Ordinary shares of RM1 each	2,000,000	2,000,000
One Special Rights Redeemable Preference Share of RM1	*	*
	<u>2,000,000</u>	<u>2,000,000</u>
	=====	=====
<b>Issued and fully paid:</b>		
Ordinary shares of RM1 each		
On issue at 1 July	880,000	600,000
Issued for cash	845,490	280,000
	<u>1,725,490</u>	<u>880,000</u>
	=====	=====
On issue at 30 June	1,725,490	880,000
	<u>1,725,490</u>	<u>880,000</u>
	=====	=====
* Represents RM1		

## 21. Statutory reserve

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

## 22. Income derived from investment of depositors' funds

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:				
(i) General investment deposits	144,812	181,358	144,812	181,358
(ii) Other deposits	717,009	616,908	720,230	617,429
	<u>861,821</u>	<u>798,266</u>	<u>865,042</u>	<u>798,787</u>
	=====	=====	=====	=====

## 22. Income derived from investment of depositors' funds (continued)

### (i) Income derived from investment of general investment deposits

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Finance income and hibah</b>				
Financing, advances and others	111,014	135,898	111,014	135,898
Securities:				
-Held-for-trading	46	3,726	46	3,726
-Available-for-sale	8,874	18,055	8,874	18,055
-Held-to-maturity	138	-	138	-
Money at call and deposits with financial institutions	15,951	13,255	15,951	13,255
	<u>136,023</u>	<u>170,934</u>	<u>136,023</u>	<u>170,934</u>
Amortisation of premium less accretion of discount	8,995	2,371	8,995	2,371
	<u>145,018</u>	<u>173,305</u>	<u>145,018</u>	<u>173,305</u>
	-----	-----	-----	-----
<b>Other dealing income</b>				
Net gain from foreign exchange transactions	-	3,116	-	3,116
Net (loss)/gain from sale of securities held-for-trading	(404)	3,507	(404)	3,507
Net gain on revaluation of securities held-for-trading	50	82	50	82
	<u>(354)</u>	<u>6,705</u>	<u>(354)</u>	<u>6,705</u>
	-----	-----	-----	-----
<b>Other operating income</b>				
Net gain from sale of securities available-for-sale	74	1,348	74	1,348
Gross dividend income from quoted securities in Malaysia	74	-	74	-
	<u>148</u>	<u>1,348</u>	<u>148</u>	<u>1,348</u>
	-----	-----	-----	-----
	<u>144,812</u>	<u>181,358</u>	<u>144,812</u>	<u>181,358</u>
	=====	=====	=====	=====

## 22. Income derived from investment of depositors' funds (continued)

### (ii) Income derived from investment of other deposits

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Finance income and hibah</b>				
Financing, advances and others	545,151	491,209	548,372	491,730
Securities:				
-Held-for-trading	306	15,592	306	15,592
-Available-for-sale	14,313	16,368	14,313	16,368
-Held-to-maturity	854	-	854	-
Money at call and deposits with financial institutions	97,929	53,890	97,929	53,890
	<u>658,553</u>	<u>577,059</u>	<u>661,774</u>	<u>577,580</u>
Amortisation of premium less accretion of discount	57,880	11,917	57,880	11,917
	<u>716,433</u>	<u>588,976</u>	<u>719,654</u>	<u>589,497</u>
	-----	-----	-----	-----
<b>Other dealing income</b>				
Net gain from foreign exchange transactions	-	7,598	-	7,598
Net (loss)/gain from sale of securities held-for-trading	(268)	14,359	(268)	14,359
Net gain on revaluation of securities held-for-trading	348	252	348	252
	<u>80</u>	<u>22,209</u>	<u>80</u>	<u>22,209</u>
	-----	-----	-----	-----
<b>Other operating income</b>				
Net gain from sale of securities available-for-sale	496	5,723	496	5,723
	<u>717,009</u>	<u>616,908</u>	<u>720,230</u>	<u>617,429</u>
	=====	=====	=====	=====

### 23. Income derived from investment of shareholders' funds

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Finance income and hibah</b>				
Financing, advances and others	4,497	3,116	4,497	3,116
Securities:				
-Available-for-sale	24,850	67,019	24,783	67,019
-Held-to-maturity	75	228	-	-
Money at call and deposits with financial institutions	44,401	19,292	43,529	19,193
	<u>73,823</u>	<u>89,655</u>	<u>72,809</u>	<u>89,328</u>
Amortisation of premium less accretion of discount	5,007	7,605	5,007	7,605
	<u>78,830</u>	<u>97,260</u>	<u>77,816</u>	<u>96,933</u>
<b>Other dealing income</b>				
Net gain/(loss) from foreign exchange transactions	15,572	(10,648)	15,307	(10,648)
Net gain from sale of securities held-for-trading	4,150	1,463	4,150	1,463
Net gain on revaluation of securities held-for-trading	7,407	-	7,407	-
	<u>27,129</u>	<u>(9,185)</u>	<u>26,864</u>	<u>(9,185)</u>
<b>Other operating income</b>				
Net gain from sale of securities available-for-sale	1,251	4,171	1,248	4,179
Profit on sale of foreign currencies	3,508	751	-	-
Gain on disposal of investment	-	-	-	423
Gain on disposal of an associate company	950	-	950	-
Reversal allowance for diminution in value of investment	-	23	-	-
Gross dividend income from securities:				
- quoted in Malaysia	1,313	1	1,311	-
- unit trust in Malaysia	164	189	145	189
- unit trust outside Malaysia	122	102	122	102
- unquoted in Malaysia	643	2,543	643	2,543
- unquoted outside Malaysia	57	-	57	-
Gain on disposal of unquoted shares in Malaysia	-	1,690	-	1,690
Gross dividend income from subsidiary	-	-	40	-
	<u>8,008</u>	<u>9,470</u>	<u>4,516</u>	<u>9,126</u>
Balance carried forward	113,967	97,545	109,196	96,874

### 23. Income derived from investment of shareholders' funds (continued)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Balance brought forward	113,967	97,545	109,196	96,874
<b>Fees and commission</b>				
ATM fees	7,870	5,907	7,755	5,907
Financing fees	10,216	11,000	10,216	11,000
Cheque issued & return, closing account and other fees	10,303	11,034	10,303	11,034
Takaful service fees and commission	3,468	801	3,468	801
Credit card fees and commission	7,479	5,495	7,479	5,495
Commitment fees	3,403	566	3,403	566
Rentas clearing fees	2,104	1,433	2,104	1,433
Commission on MEPS	2,870	2,033	2,870	2,033
Processing fees	1,913	1,151	1,913	1,151
Corporate advisory fees	341	759	341	759
Unit trust management fees	989	975	-	-
Others	9,014	11,405	7,970	10,939
	<u>59,970</u>	<u>52,559</u>	<u>57,822</u>	<u>51,118</u>
<b>Other income</b>				
Net (loss)/gain on disposal of property plant and equipment	(6)	81	(6)	81
Translation gains on liquidation of subsidiary	-	5,152	-	-
Rental income	-	281	246	281
Other income	2,023	2,003	1,576	1,734
	<u>2,017</u>	<u>7,517</u>	<u>1,816</u>	<u>2,096</u>
	<u>175,954</u>	<u>157,621</u>	<u>168,834</u>	<u>150,088</u>

## 24. Allowance for losses on financing

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Allowance for bad and doubtful financing:				
Specific allowance				
- made in financial year	275,389	1,189,196	275,389	1,214,196
- written back	(228,208)	(83,273)	(253,208)	(83,273)
General allowance				
- made in financial year	3,074	29,437	3,074	29,437
- written back	-	(6,298)	-	(6,298)
Deferred allowance for bad and doubtful financing	-	167,498	-	167,498
Bad debts and financing				
- recovered	(21,831)	(18,799)	(21,831)	(18,799)
Recoverable from Danaharta	(1,616)	-	(1,616)	-
Exchange differences	(2,069)	10,959	(2,069)	10,959
	<u>24,739</u>	<u>1,288,720</u>	<u>(261)</u>	<u>1,313,720</u>
	=====	=====	=====	=====

## 25. Impairment loss

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Securities				
Held-to-maturity	-	55,887	-	55,887
Available-for-sale	(75,002)	90,156	(75,002)	90,156
Exchange difference	-	980	-	980
	<u>(75,002)</u>	<u>147,023</u>	<u>(75,002)</u>	<u>147,023</u>
Investment in subsidiary companies	-	-	2,450	7,550
Investment in an associated company	-	1,089	-	1,900
	<u>(75,002)</u>	<u>148,112</u>	<u>(72,552)</u>	<u>156,473</u>
	=====	=====	=====	=====

## 26. Income attributable to depositors

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits from customers				
- Mudharabah Fund	237,620	209,051	237,620	209,361
- Non-Mudharabah Fund	163,557	139,022	164,287	139,022
Deposits and placement of banks and other financial institutions				
- Mudharabah Fund	5,620	22,628	5,620	22,628
	<u>406,797</u>	<u>370,701</u>	<u>407,527</u>	<u>371,011</u>
	=====	=====	=====	=====

## 27. Personnel expenses

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Salaries and wages	92,778	86,589	90,362	85,000
Allowance and bonuses	58,168	27,112	58,168	27,112
Employees' Provident Fund	18,085	15,349	17,825	15,114
Directors' remuneration	1,353	1,307	1,349	1,301
Others	14,886	31,367	14,886	31,367
	<u>185,270</u>	<u>161,724</u>	<u>182,590</u>	<u>159,894</u>
	=====	=====	=====	=====

## 28. Other overhead expenses

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Promotion</b>				
Advertisement and publicity	3,277	6,494	3,277	6,494
Credit card expenses	4,970	3,723	4,970	3,723
Commissions	5,502	3,082	5,502	3,082
<b>Establishment</b>				
Office rental	20,170	23,134	20,008	23,134
Depreciation of property, plant and equipment	20,727	17,794	20,638	17,713
EDP expenses	1,295	920	1,295	920
Rental of equipment	32,982	32,115	32,982	32,115
Office maintenance	14,579	16,448	14,579	16,448
Utilities	12,424	10,121	12,424	10,121
Security services	10,274	11,642	10,274	11,642
Takaful & insurance	3,261	2,552	3,261	2,552
Others	3,019	3,810	3,019	3,810
<b>General expenses</b>				
Auditors' remuneration				
- statutory audit fees	364	191	346	191
- others	144	4	144	4
Professional fees	7,657	3,963	7,657	3,963
Office supplies	8,871	10,324	8,871	10,324
Travelling & transportation	5,772	6,166	5,772	6,166
Subscription fees	1,825	1,022	1,825	1,022
Allowance for doubtful debts	129	7,313	129	7,313
Goodwill written off	2,450	-	-	-
Property, plant and equipment written off	7,644	-	7,644	-
Others	17,056	33,156	15,687	31,075
	<u>184,392</u>	<u>193,974</u>	<u>180,304</u>	<u>191,812</u>
	=====	=====	=====	=====

## 29. Directors and Shariah Supervisory Council Members' remuneration

- (i) (a) Aggregate remuneration of all Directors categorised into appropriate components are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Executive Directors:</b>				
Allowances	60	229	60	229
Salaries and bonuses	880	720	880	720
Employees' Provident Fund	153	153	153	153
Other remuneration - Gratuity	-	70	-	70
Benefit-in-kind	169	188	169	188
	<hr/>	<hr/>	<hr/>	<hr/>
	1,262	1,360	1,262	1,360
<b>Non-Executive Directors:</b>				
Fees and allowance	260	135	256	129
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,522	1,495	1,518	1,489
	<hr/>	<hr/>	<hr/>	<hr/>
Total (excluding benefit-in-kind)	1,353	1,307	1,349	1,301
	<hr/>	<hr/>	<hr/>	<hr/>
<b>(b) Shariah Supervisory Council</b>	142	130	142	130
	<hr/>	<hr/>	<hr/>	<hr/>

- (ii) (a) Number of Directors whose remuneration fall into the following bands:

	Group and Bank	
	2007	2006
<b>Number of Executive Directors:</b>		
Below RM50,000	-	1
RM1,250,001 to RM1,300,000	1	1*
	<hr/>	<hr/>
	1	2
<b>Number of Non-Executive Directors:</b>		
Below RM50,000	10	8
RM50,001 to RM100,000	1	-
	<hr/>	<hr/>
Total	12	10
	<hr/>	<hr/>
<b>(b) Number of Shariah Supervisory Council Members</b>	6	6
	<hr/>	<hr/>

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

### 30. Finance cost

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Subordinated financing	4,255	10,157
Hibah*	13,370	-
	<u>17,625</u>	<u>10,157</u>
	=====	=====

\* Payment made to holding company for reimbursement of Hibah charges from Lembaga Tabung Haji in relation to the RM280 million advance made to the holding company. The holding company had utilised the RM280 million advance to subscribe for additional shares issued by the Bank in 2005.

### 31. Tax expense

#### (i) Major components of tax expense

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax expense:				
Malaysia - current year	173	1,092	-	1,008
- prior years	(28)	19,804	-	19,715
	<u>145</u>	<u>20,896</u>	<u>-</u>	<u>20,723</u>
Deferred tax expense:				
Origination and reversal of temporary differences	-	(5,041)	-	(5,094)
	<u>145</u>	<u>15,855</u>	<u>-</u>	<u>15,629</u>
	=====	=====	=====	=====

### 31. Tax expense (continued)

#### (ii) Reconciliation of effective tax expense

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit/(loss) before tax expense	230,799	(1,240,469)	255,488	(1,277,160)
Income tax using Malaysia tax rate of 27% (2006: 28%)	62,316	(347,331)	68,982	(357,605)
Deferred tax assets (recognised)/ not recognised	(89,724)	208,158	(89,658)	218,315
Non-deductible expenses	27,335	135,236	20,676	135,204
Effect of different tax rate	246	(12)	-	-
	173	(3,949)	-	(4,086)
(Over)/under provision in prior years	(28)	19,804	-	19,715
Tax expense	145	15,855	-	15,629

With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2007 also announced the reduction of corporate tax rate to 26% in 2008.

#### (iii) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Allowances for losses on financing	170,461	171,936	170,461	171,936
Impairment losses	74,654	136,693	74,654	136,693
Unutilised tax losses	144,028	560,041	134,774	557,247
Unabsorbed capital allowances	49,926	63,831	49,926	63,831
Other temporary differences	7,288	7,311	-	-
	446,357	939,812	429,815	929,707

## **31. Tax expense (continued)**

### **(iv) Unrecognised deferred tax assets (continued)**

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders, unutilised tax loss carry-forwards of the Group and Bank amounting to approximately RM144.0 million and RM134.8 million respectively and unutilised capital allowance carry-forwards of the Group and Bank amounting to approximately RM49.9 million will not be available. Deferred tax assets have not been recognised in respect of these items because it is uncertain whether the Group and Bank are able to utilise the benefits in the future.

## **32. Earning per share**

Basic earning per share of the Group and Bank are calculated based on the net profit attributable to equity holders of the Group and Bank of RM226,445,000 and RM251,288,000 (2006: net loss of RM1,260,370,000 and RM1,296,789,000) and the weighted average number of ordinary shares outstanding during the year of 1,443,660,000 (2006: 740,000,000).

## **33. Related party transactions**

### **(i) Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see note 12), associate company (see note 13) and substantial shareholders of the holding company.

### 33. Related party transactions (continued)

#### (ii) Related party transactions

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<i> Holding company </i>				
<i> Income </i>				
Management fees	141	142	141	142
<i> Expenditure </i>				
Income attributable on deposits placed	446	297	446	297
Finance cost	4,255	10,157	4,255	10,157
Hibah	13,370	-	13,370	-
<i> Amounts due from </i>				
Others	511	363	511	363
<i> Amounts due to </i>				
Current account and investment deposits	24,146	3,561	25,146	3,561
Subordinated financing	100,000	100,000	100,000	100,000
Others	19	-	19	-
	=====	=====	=====	=====
			<b>Group and Bank</b>	
			<b>2007</b>	<b>2006</b>
			<b>RM'000</b>	<b>RM'000</b>
<i> Substantial shareholders of the holding company </i>				
<i> Expenditure </i>				
Rental of premises			2,560	3,064
			=====	=====

### 33. Related party transactions (continued)

#### (ii) Related party transactions (continued)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<i>Other related companies</i>				
<i>Income</i>				
Income from financing, advances and others	3,905	4,633	6,396	4,491
Management fees	107	106	178	248
Office rental	-	-	246	-
Lease rental	6	36	6	36
Others	-	-	15	-
<i>Expenditure</i>				
Income attributable on deposits placed	7,774	5,858	8,533	5,858
Income from financing, advances and others	-	9,462	-	-
Office rental	7,638	5,756	7,638	5,756
Rental of equipment	28,343	29,109	28,343	29,109
Others	79	-	79	169
<i>Amounts due from</i>				
Financing, advances and others	27,566	40,009	77,566	37,622
Others	2,503	172	3,491	2,560
<i>Amounts due to</i>				
Current account and investment deposits	203,531	191,465	238,219	191,465
Others	3,409	-	4,082	8,763
	=====	=====	=====	=====

All related party transactions are conducted at arm's length basis and on normal commercial terms which are not more favourable than those generally available to the public.

### 34. Commitment and contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Risk weighted exposures of the Group and of the Bank as at 30 June are as follows:

	<b>Principal amount RM'000</b>	<b>Credit equivalent* amount* RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>2007</b>			
Direct credit substitutes	347,830	347,830	334,526
Transaction-related contingent items	411,564	205,782	203,861
Short term self-liquidating trade related contingencies	708,495	141,699	20,648
Assets sold with recourse and commitments with certain drawdown	119	119	119
Obligation under underwriting agreement	99,000	49,500	49,500
Foreign exchange related contracts	1,965,760	39,315	7,863
Miscellaneous	1,404,455	497,218	468,775
	<hr/> 4,937,223	<hr/> 1,281,463	<hr/> 1,085,292 <hr/> <hr/>
<b>2006</b>			
Direct credit substitutes	251,029	251,029	238,060
Transaction-related contingent items	323,360	161,680	160,078
Short term self-liquidating trade related contingencies	851,528	170,306	14,389
Assets sold with recourse and commitments with certain drawdown	60,925	60,925	60,925
Obligation under underwriting agreement	89,000	44,500	44,500
Foreign exchange related contracts	1,361,105	27,222	5,444
Miscellaneous	1,089,434	468,037	-
	<hr/> 4,026,381	<hr/> 1,183,699	<hr/> 523,396 <hr/> <hr/>

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

### 34. Commitments and contingencies (continued)

The principal amounts of the foreign exchange related contracts are as follows:

	2007		2006	
	Principal amount RM'000	Credit equivalent amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000
Foreign exchange contracts				
- Forward contracts	1,522,889	30,458	1,155,980	23,120
- Others	442,871	8,857	205,125	4,102
<b>Total</b>	<u>1,965,760</u> =====	<u>39,315</u> =====	<u>1,361,105</u> =====	<u>27,222</u> =====

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

(i) **Market risk**

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

(ii) **Credit risk**

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

## 35. Financial Risk Management policies

### Operational risk

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

### Credit risk

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

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

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

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

### Market risk

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

#### *i) Foreign exchange risk*

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

## 35. Financial Risk Management policies (continued)

### *ii) Profit rate risk*

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

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

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

### *iii) Equity risk*

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

### **Liquidity risk**

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

### 36. Profit rate risk

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

Group	<-----Non trading book----->						Trading book RM'000	Total RM'000	Effective profit rate %
	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 profit sensitive RM'000			
<i>As at 30 June 2007</i>									
<b>Assets</b>									
Cash, short term funds and deposits and placements with banks and other financial institutions	5,589,141	149,479	-	-	-	367,529	48,620	6,154,769	3.12%
<b>Securities</b>									
- Held-for-trading	-	-	-	-	-	24,000	298,160	322,160	6.44%
- Available-for-sale	973,340	672,274	368,408	739,658	660,385	13,475	-	3,427,540	4.14%
- Held-to-maturity	-	11,650	-	29,709	90,702	-	-	132,061	0.78%
<b>Financing, advances and others</b>									
- Performing	1,457,513	732,026	605,685	1,525,369	3,188,203	-	-	7,508,796	8.86%
- Non performing	-	-	-	-	-	943,220	-	943,220	
Other assets	-	-	-	-	-	599,757	-	599,757	
<b>Total assets</b>	<b>8,019,994</b>	<b>1,565,429</b>	<b>974,093</b>	<b>2,294,736</b>	<b>3,939,290</b>	<b>1,947,981</b>	<b>346,780</b>	<b>19,088,303</b>	

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### 36. Profit rate risk (continued)

Group	<-----Non trading book----->						Trading book RM'000	Total RM'000	Effective profit rate %
	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 profit sensitive RM'000			
<i>As at 30 June 2007</i>									
<b>Liabilities</b>									
Deposits from customers	2,711,953	1,943,099	4,129,285	1,113,759	1,003,724	6,675,841	-	17,577,661	2.56%
Deposits and placements of banks and other financial institutions	33,991	-	-	-	-	-	-	33,991	2.70%
Bills and acceptance payable	109,189	-	-	-	-	-	-	109,189	
Subordinated financing	100,000	-	-	-	-	-	-	100,000	4.26%
Other liabilities	-	-	-	-	-	218,351	-	218,351	
<b>Total liabilities</b>	2,955,133	1,943,099	4,129,285	1,113,759	1,003,724	6,894,192	-	18,039,192	
Shareholders' equity	-	-	-	-	-	1,049,111	-	1,049,111	
<b>Total liabilities and shareholders' equity</b>	2,955,133	1,943,099	4,129,285	1,113,759	1,003,724	7,943,303	-	19,088,303	
On balance sheet profit sensitivity gap	5,064,861	(377,670)	(3,155,192)	1,180,977	2,899,099				
Off balance sheet profit sensitivity gap	-	-	-	-	-				
<b>Total profit sensitivity gap</b>	5,064,861	(377,670)	(3,155,192)	1,180,977	2,899,099				

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### 36. Profit rate risk (continued)

Group	<-----Non trading book----->						Trading book RM'000	Total RM'000	Effective profit rate %
	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 profit sensitive RM'000			
<i>As at 30 June 2006</i>									
<b>Assets</b>									
Cash, short term funds and deposits and placements with banks and other financial institutions	2,219,639	256,588	-	-	-	-	401,747	2,877,974	3.18%
Securities									
- Held-for-trading	-	-	-	-	-	-	250,163	250,163	5.64%
- Available-for-sale	559,530	491,533	318,072	367,790	348,545	-	-	2,085,470	6.80%
- Held-to-maturity	-	-	-	33,728	102,466	-	-	136,194	0.19%
Financing, advances and others									
- Performing	1,061,615	167,822	981,101	1,208,358	4,405,128	-	-	7,824,024	8.38%
- Non performing	-	-	-	-	-	804,513	-	804,513	
Other assets	-	-	-	-	-	620,229	-	620,229	
<b>Total assets</b>	<b>3,840,784</b>	<b>915,943</b>	<b>1,299,173</b>	<b>1,609,876</b>	<b>4,856,139</b>	<b>1,424,742</b>	<b>651,910</b>	<b>14,598,567</b>	

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### 36. Profit rate risk (continued)

Group	<-----Non trading book----->						Trading book RM'000	Total RM'000	Effective profit rate %
	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 profit sensitive RM'000			
<i>As at 30 June 2006</i>									
<b>Liabilities</b>									
Deposits from customers	2,961,961	1,686,939	2,275,344	1,436,829	498,612	5,480,693	-	14,340,378	2.50%
Deposits and placements of banks and other financial institutions	63,028	-	-	-	-	-	-	63,028	2.67%
Bills and acceptance payable	100,919	-	-	-	-	-	-	100,919	
Subordinated financing	100,000	-	-	-	-	-	-	100,000	10.16%
Other liabilities	-	-	-	-	-	242,284	-	242,284	
<b>Total liabilities</b>	<b>3,225,908</b>	<b>1,686,939</b>	<b>2,275,344</b>	<b>1,436,829</b>	<b>498,612</b>	<b>5,722,977</b>	<b>-</b>	<b>14,846,609</b>	
Shareholders' equity	-	-	-	-	-	(248,042)	-	(248,042)	
<b>Total liabilities and shareholders' equity</b>	<b>3,225,908</b>	<b>1,686,939</b>	<b>2,275,344</b>	<b>1,436,829</b>	<b>498,612</b>	<b>5,474,935</b>	<b>-</b>	<b>14,598,567</b>	
On balance sheet profit sensitivity gap	614,876	(770,996)	(976,171)	173,047	4,357,527				
Off balance sheet profit sensitivity gap	-	-	-	-	-				
<b>Total profit sensitivity gap</b>	<b>614,876</b>	<b>(770,996)</b>	<b>(976,171)</b>	<b>173,047</b>	<b>4,357,527</b>				

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### 36. Profit rate risk (continued)

Bank	<-----Non trading book----->						Trading book RM'000	Total RM'000	Effective profit rate %
	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 profit sensitive RM'000			
<i>As at 30 June 2007</i>									
<b>Assets</b>									
Cash, short term funds and deposits and placements with banks and other financial institutions	5,589,141	149,479	-	-	-	360,719	44,832	6,144,171	3.11%
Securities									
- Held-for-trading	-	-	-	-	-	23,403	298,160	321,563	6.45%
- Available-for-sale	972,715	672,274	368,408	739,658	660,385	13,475	-	3,426,915	4.13%
- Held-to-maturity	-	11,650	-	29,709	90,702	-	-	132,061	0.75%
Financing, advances and others									
- Performing	1,457,513	732,026	605,685	1,525,369	3,238,203	-	-	7,558,796	8.84%
- Non performing	-	-	-	-	-	943,220	-	943,220	
Other assets	-	-	-	-	-	594,451	-	594,451	
<b>Total assets</b>	<b>8,019,369</b>	<b>1,565,429</b>	<b>974,093</b>	<b>2,294,736</b>	<b>3,989,290</b>	<b>1,935,268</b>	<b>342,992</b>	<b>19,121,177</b>	

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### 36. Profit rate risk (continued)

Bank	<-----Non trading book----->						Trading book RM'000	Total RM'000	Effective profit rate %
	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 profit sensitive RM'000			
<i>As at 30 June 2007</i>									
<b>Liabilities</b>									
Deposits from customers	2,751,191	1,943,099	4,129,285	1,113,759	1,003,724	6,675,841	-	17,616,899	2.55%
Deposits and placements of banks and other financial institutions	33,991	-	-	-	-	-	-	33,991	2.70%
Bills and acceptance payable	109,189	-	-	-	-	-	-	109,189	
Subordinated financing	100,000	-	-	-	-	-	-	100,000	4.26%
Other liabilities	-	-	-	-	-	216,884	-	216,884	
<b>Total liabilities</b>	2,994,371	1,943,099	4,129,285	1,113,759	1,003,724	6,892,725	-	18,076,963	
Shareholders' equity	-	-	-	-	-	1,044,214	-	1,044,214	
<b>Total liabilities and shareholders' equity</b>	2,994,371	1,943,099	4,129,285	1,113,759	1,003,724	7,936,939	-	19,121,177	
On balance sheet profit sensitivity gap	5,024,998	(377,670)	(3,155,192)	1,180,977	2,949,099				
Off balance sheet profit sensitivity gap	-	-	-	-	-				
<b>Total profit sensitivity gap</b>	5,024,998	(377,670)	(3,155,192)	1,180,977	2,949,099				

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### 36. Profit rate risk (continued)

Bank	<-----Non trading book----->						Trading book RM'000	Total RM'000	Effective profit rate %
	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 profit sensitive RM'000			
<i>As at 30 June 2006</i>									
<b>Assets</b>									
Cash, short-term funds and deposits and placements with banks and other financial institutions	2,219,639	256,588	-	-	-	-	390,261	2,866,488	3.10%
Securities									
-Held-for-trading	-	-	-	-	-	-	249,618	249,618	5.64%
-Available-for-sale	558,535	491,533	318,072	367,790	348,545	-	-	2,084,475	6.81%
-Held-to-maturity	-	-	-	33,728	98,336	-	-	132,064	-
Financing, advances and others									
-Performing	1,061,615	167,822	981,101	1,208,358	4,455,128	-	-	7,874,024	8.33%
-Non performing	-	-	-	-	-	779,513	-	779,513	
Other assets	-	-	-	-	-	622,702	-	622,702	
<b>Total assets</b>	<b>3,839,789</b>	<b>915,943</b>	<b>1,299,173</b>	<b>1,609,876</b>	<b>4,902,009</b>	<b>1,402,215</b>	<b>639,879</b>	<b>14,608,884</b>	

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### 36. Profit rate risk (continued)

Bank	<-----Non trading book----->						Trading book RM'000	Total RM'000	Effective profit rate %
	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 profit sensitive RM'000			
<i>As at 30 June 2006</i>									
<b>Liabilities</b>									
Deposits from customers	2,961,961	1,686,939	2,275,344	1,436,829	498,612	5,583,089	-	14,442,774	2.49%
Deposits and placements of banks and other financial institutions	63,028	-	-	-	-	-	-	63,028	2.67%
Bills and acceptance payable	100,919	-	-	-	-	-	-	100,919	
Subordinated financing	100,000	-	-	-	-	-	-	100,000	10.16%
Other liabilities	-	-	-	-	-	180,003	-	180,003	
<b>Total liabilities</b>	3,225,908	1,686,939	2,275,344	1,436,829	498,612	5,763,092	-	14,886,724	
Shareholders' equity	-	-	-	-	-	(277,840)	-	(277,840)	
<b>Total liabilities and shareholders' equity</b>	3,225,908	1,686,939	2,275,344	1,436,829	498,612	5,485,252	-	14,608,884	
On balance sheet profit sensitivity gap	613,881	(770,996)	(976,171)	173,047	4,403,397				
Off balance sheet profit sensitivity gap	-	-	-	-	-				
<b>Total profit sensitivity gap</b>	613,881	(770,996)	(976,171)	173,047	4,403,397				

### 37. Fair value of financial assets and liabilities

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

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

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. These include investment in subsidiary companies, investment in associated company and property, plant and equipment.

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

Group	Carrying value		Fair value	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Financial assets</b>				
Cash and short-term funds	6,005,290	2,621,386	6,005,290	2,621,386
Deposits and placements with banks and other financial institutions	149,479	256,588	149,479	256,588
Securities				
- Held-for-trading	322,160	250,163	322,160	250,163
- Available-for-sale	3,427,540	2,085,470	3,427,540	2,085,470
- Held-to-maturity	132,061	136,194	123,254	136,194
Financing, advances and others	8,452,016	8,628,537	8,622,477	8,796,999
	=====	=====	=====	=====
<b>Financial liabilities</b>				
Deposits from customers	17,577,661	14,340,378	17,577,661	14,340,378
Deposits and placements of banks and other financial institutions	33,991	63,028	33,991	63,028
Bills and acceptance payable	109,189	100,919	109,189	100,919
Subordinated financing	100,000	100,000	100,000	100,000
	=====	=====	=====	=====

**37. Fair value of financial assets and liabilities (continued)**

<b>Bank</b>	<b>Carrying value</b>		<b>Fair value</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Cash and short-term funds	5,994,692	2,609,900	5,994,692	2,609,900
Deposits and placements with banks and other financial institutions	149,479	256,588	149,479	256,588
Securities				
- Held-for-trading	321,563	249,618	321,563	249,618
- Available-for-sale	3,426,915	2,084,475	3,426,915	2,084,475
- Held-to-maturity	132,061	132,064	123,254	132,064
Financing, advances and others	8,502,016	8,653,577	8,672,477	8,821,999
	=====	=====	=====	=====
<b>Financial liabilities</b>				
Deposits from customers	17,616,899	14,442,774	17,616,899	14,442,774
Deposits and placements of banks and other financial institutions	33,991	63,028	33,991	63,028
Bills and acceptance payable	109,189	100,919	109,189	100,919
Subordinated financing	100,000	100,000	100,000	100,000
	=====	=====	=====	=====

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

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

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

**Deposits and placements with banks and other financial institutions**

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

## **37. Fair value of financial assets and liabilities (continued)**

### **Held-for-trading and available-for-sale securities**

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

### **Financing, advances and others**

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

### **Deposits from customers**

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

### **Deposits and placements of banks and other financial institutions**

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

### **Bills and acceptance payable**

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

### 38. Lease commitments

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

#### As lessee

Year	Group and Bank	
	2007 RM'000	2006 RM'000
Within one year	28,245	28,232
Between one and five years	19,086	54,639
	47,331	82,871
	=====	=====

### 39. Capital commitments

	Group and Bank	
	2007 RM'000	2006 RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	9,845	10,988
	9,845	10,988
	=====	=====

### 40. Capital adequacy

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Tier I capital</b>				
Paid-up share capital	1,725,490	880,000	1,725,490	880,000
Share premium	500,020	331,375	500,020	331,375
Accumulated losses	(1,567,889)	(1,668,690)	(1,572,872)	(1,698,516)
Other reserves	364,645	215,923	364,731	215,951
	1,022,266	(241,392)	1,017,369	(271,190)
<b>Total Tier I capital</b>	=====	=====	=====	=====

#### 40. Capital adequacy (continued)

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Tier II capital</b>				
Redeemable Subordinated Mudharabah	60,000	100,000	60,000	100,000
General allowance for bad and doubtful financing	170,461	168,462	170,461	168,462
<b>Total Tier II capital</b>	<u>230,461</u>	<u>268,462</u>	<u>230,461</u>	<u>268,462</u>
	=====	=====	=====	=====
<b>Total capital</b>	1,252,727	(241,392)	1,247,830	(271,190)
Less: Investment in subsidiaries	-	-	(5,947)	(5,947)
<b>Capital base</b>	<u>1,252,727</u>	<u>(241,392)</u>	<u>1,241,883</u>	<u>(277,137)</u>
	=====	=====	=====	=====
Core capital ratio	10.42%	-2.47%	10.39%	-2.78%
Risk-weighted capital ratio	12.77%	-2.47%	12.69%	-2.84%
Core capital ratio net of proposed dividends	10.42%	-2.47%	10.39%	-2.78%
Risk weighted capital ratio net of proposed dividends	12.77%	-2.47%	12.69%	-2.84%

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

Group	2007	2007	2006	2006
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	7,622,791	-	3,556,085	-
10%	13,734	1,373	13,640	1,364
20%	555,881	111,176	773,735	154,747
50%	2,443,545	1,221,772	2,435,386	1,217,693
100%	8,291,455	8,291,455	7,918,276	7,918,277
Total risk-weighted assets for credit risk	<u>18,927,406</u>	<u>9,625,776</u>	<u>14,697,122</u>	<u>9,292,081</u>
Total risk-weighted assets for market risk	-	184,730	-	471,239
Total risk-weighted assets for credit and market risk	<u>18,927,406</u>	<u>9,810,506</u>	<u>14,697,122</u>	<u>9,763,320</u>
	=====	=====	=====	=====

#### 40. Capital adequacy (continued)

Bank	2007	2007	2006	2006
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	7,615,214	-	3,545,424	-
10%	13,734	1,373	13,640	1,364
20%	513,523	102,705	726,679	145,336
50%	2,443,545	1,221,772	2,435,386	1,217,693
100%	8,277,749	8,277,749	7,909,296	7,909,296
<hr/>				
Total risk-weighted assets for credit risk	18,863,765	9,603,599	14,630,425	9,273,689
Total risk-weighted assets for market risk	-	184,729	-	471,239
<hr/>				
Total risk-weighted assets for credit and market risk	18,863,765	9,788,328	14,630,425	9,744,928
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#### 41. Segment information

Segment information is presented in respect of the Group's main business segment. Others include business from subsidiaries.

The format is prepared based on the internal financial reporting system to reflect the Group's management reporting structure. The amount of each business segment are shown after the allocation of certain centralised costs and funding income.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise Head Office assets, payables and expenses to support the operating business segments.

Segmental business expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

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#### 41. Segment information (continued)

<i>As at 30 June 2007</i>	Corporate and Institutional Banking		Commercial Banking	Consumer Banking	Others	Elimination	Total
	Offshore RM'000	Domestic RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Total operating income*</b>	30,295	431,422	106,951	497,072	33,410	(61,375)	1,037,775
Segment results	52,764	268,317	(51,579)	180,747	(77,070)	(19,606)	353,573
Unallocated corporate expenses							(122,774)
<b>Profit from operations</b>							230,799
Zakat							(4,209)
Tax expense							(145)
<b>Profit for the year</b>							226,445
<b>Other information:</b>							=====
Segment assets	544,485	12,463,692	1,076,475	5,963,278	63,640	(1,102,252)	19,009,318
Current tax asset							33,595
Unallocated corporate assets							45,390
<b>Total assets</b>							19,088,303
							=====

\* Operating income consists of income derived from investment of depositors' fund and income derived from investment of shareholders' fund.

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#### 41. Segment information (continued)

<i>As at 30 June 2007</i>	Corporate and Institutional Banking		Commercial Banking	Consumer Banking	Others	Elimination	Total
	Offshore RM'000	Domestic RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Other information: (continued)</b>							
Segment liabilities	1,204,065	169,561	36,965	17,525,276	3,127	(1,046,644)	17,892,350
Unallocated corporate liabilities							146,842
<b>Total liabilities</b>							<u>18,039,192</u>
<b>Other segment items</b>							
Capital expenditure	7	5,466	27,090	7,113	73	-	39,749
Depreciation	139	4,564	4,914	5,441	5,669	-	20,727
Other non-cash expenditure	5,061	-	4,571	4,246	5,190	-	19,068

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#### 41. Segment information (continued)

	Corporate and Institutional Banking		Commercial Banking	Consumer Banking	Others	Total
	Offshore RM'000	Domestic RM'000				
<i>As at 30 June 2006</i>						
<b>Total operating income*</b>	60,754	316,111	123,163	448,256	7,603	955,887
<hr/>						
Segment results	(345,303)	(102,867)	(438,754)	(77,056)	21,358	(942,622)
Unallocated corporate expenses						(297,847)
<b>Profit from operations</b>						(1,240,469)
Zakat						(4,046)
Tax expense						(15,855)
<b>Profit for the year</b>						(1,260,370)
<hr/>						
<b>Other information:</b>						=====
Segment assets	721,505	6,702,830	1,699,882	5,371,440	4,403	14,500,060
Current tax asset						13,304
Unallocated corporate assets						85,203
<b>Total assets</b>						14,598,567
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\* Operating income consists of income derived from investment of depositors' fund and income derived from investment of shareholders' fund.

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#### 41. Segment information (continued)

<i>As at 30 June 2006</i>	<b>Corporate and Institutional Banking</b>		<b>Commercial Banking</b>	<b>Consumer Banking</b>	<b>Others</b>	<b>Total</b>
	<b>Offshore RM'000</b>	<b>Domestic RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Other information: (continued)</b>						
Segment liabilities	502,968	2,571,193	56,686	11,491,947	36,531	14,659,325
Unallocated corporate liabilities						187,284
<b>Total liabilities</b>						<u>14,846,609</u>
<b>Other segment items</b>						
Capital expenditure	-	4,538	3,717	6,871	5,511	20,637
Depreciation	222	3,718	3,042	5,628	5,184	17,794

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## 42. Comparative figures

The presentation and classification of items for the following comparative figures have been restated to conform with current year's presentation:

	<b>Bank</b>	
	<b>As restated RM'000</b>	<b>As previously stated RM'000</b>
<b>Balance Sheet as at 30 June 2006</b>		
Financing, advances and other loans	8,653,537	8,501,362
Other assets	60,606	212,781
Tax recoverable	10,958	7,390
Deposit from customers	14,442,774	14,386,516
Other liabilities	176,435	232,693
Zakat	3,568	-
<b>Income statement for the year ended 30 June 2006</b>		
Income derived from investment of depositors' funds	798,787	810,545
Allowance for losses on financing	(1,313,720)	(1,325,478)
	=====	=====

**Bank Islam Malaysia Berhad**  
(Company No. 98127-X)  
(Incorporated in Malaysia)  
**and its subsidiaries**

**Financial statements for the year  
ended 30 June 2007**

# **Bank Islam Malaysia Berhad**

(Bank No. 98127-X)

(Incorporated in Malaysia)

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