



Blending the ingredients for the

# Future.

Annual Report 2006

Bumiputra-Commerce Holdings Berhad (50841-W)

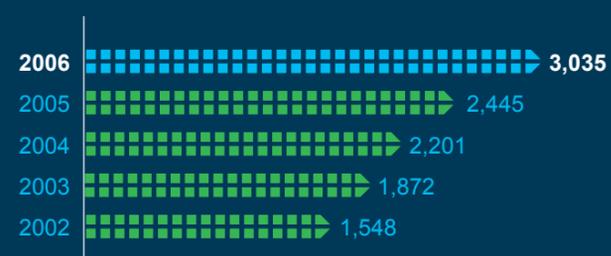
## COVER RATIONALE

The transformation of the Bumiputra-Commerce Holdings Berhad Group into a regional universal bank has provided the basis for a strong foundation for our future. We depict children on the cover of our annual report in this year of transformation to reflect on our relative youth as a combined organisation. It also reminds us that the decisions that we make, the lessons we learn and the changes we make will have an impact on our future. It is a lot like parents bringing up their children. Our corporate ambitions are linked to those of the budding artist, musician, doctor and scientist by a common thread - what lies ahead for us depends on how successfully we blend the ingredients for the future.

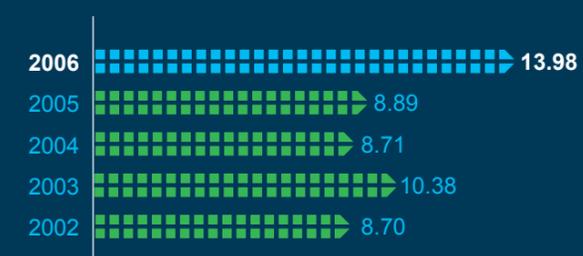
# Five Year Group Financial Highlights

	2006	2005	2004	2003	2002
<b>1. INCOME (RM'000)</b>					
(i) Profit before allowances	3,034,600	2,444,881	2,201,415	1,872,388	1,548,366
(ii) Profit before taxation	2,002,042	1,309,967	1,052,647	1,240,867	747,575
(iii) Net profit for the financial year	1,504,427	826,825	734,540	782,300	565,444
<b>2. BALANCE SHEET (RM'000)</b>					
Assets					
(i) Total assets excluding contra	159,607,244	113,525,964	112,382,591	97,933,977	91,466,723
(ii) Total assets including contra	174,325,810	124,197,350	121,076,245	105,658,371	98,591,949
(iii) Loans, advances and financing	90,334,759	69,095,880	62,603,030	54,496,898	48,771,610
Liabilities and Shareholders' Funds					
(i) Total deposits	111,590,494	81,740,235	81,623,044	71,505,038	69,068,298
(ii) Paid-up capital	3,184,429	2,756,398	2,691,740	2,628,960	2,586,290
(iii) Total shareholders' funds	11,883,530	9,637,453	8,959,476	7,899,587	7,169,199
<b>3. PER SHARE</b>					
(i) Gross earnings (sen)	64.86	48.25	39.57	48.47	29.33
(ii) Net earnings (sen)	48.74	30.45	27.61	30.56	22.19
(iii) Net tangible asset (RM)	2.14	3.26	3.19	2.92	2.26
(iv) Gross dividend (sen)	15.0	15.0	15.0	10.0	5.0
<b>4. FINANCIAL RATIO (%)</b>					
(i) Return on average equity	13.98	8.89	8.71	10.38	8.70

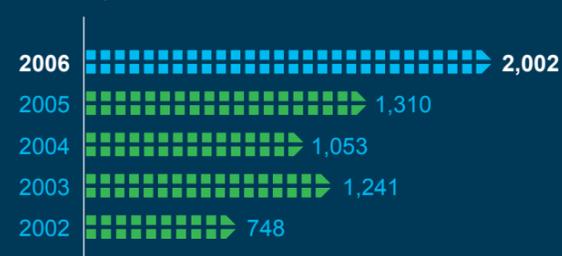
**Profit Before Allowances**  
RM million



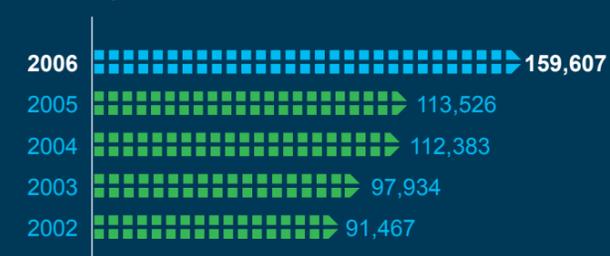
**Return On Average Equity**  
%



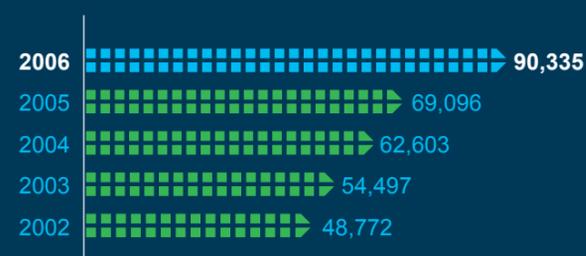
**Profit Before Taxation**  
RM million



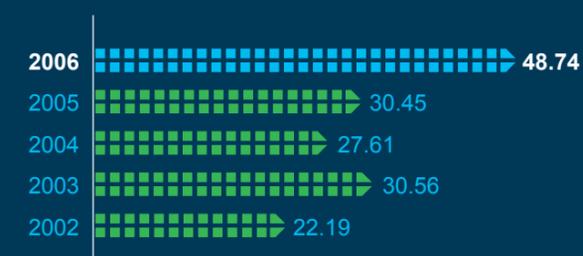
**Total Assets**  
RM million



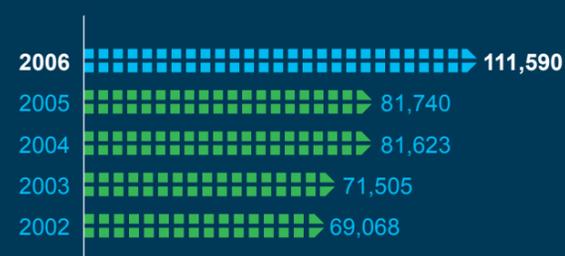
**Loans, Advances and Financing**  
RM million



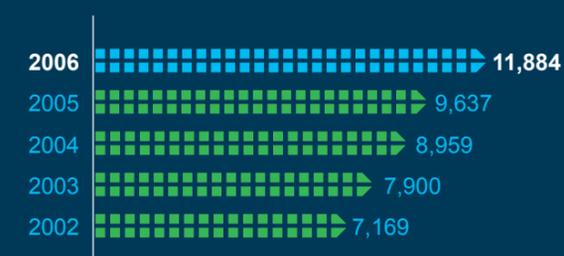
**Net Earnings Per Share**  
Sen



**Total Deposits**  
RM million



**Shareholders' Funds**  
RM million



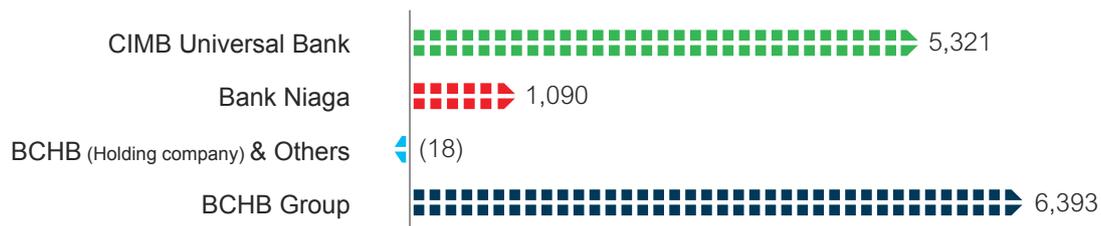
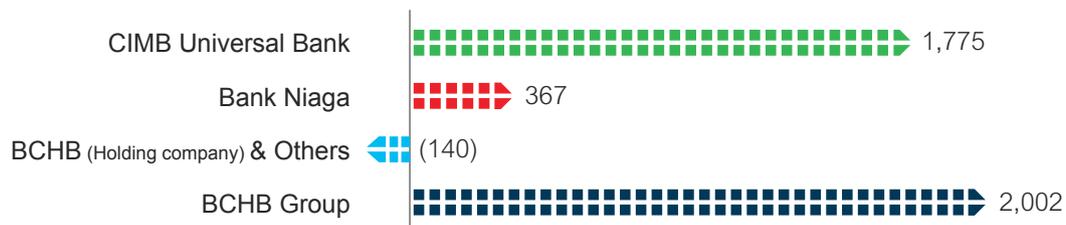
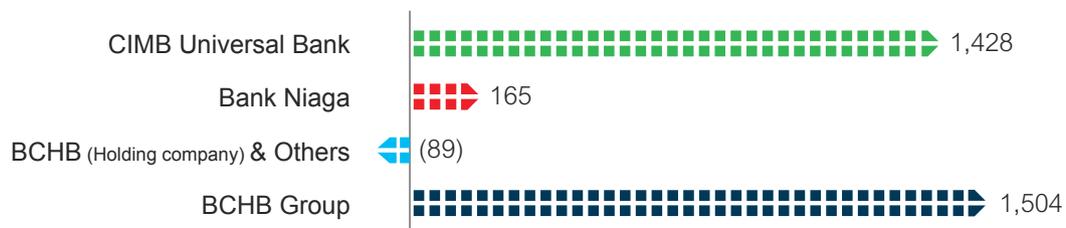
Based on the weighted average number of 3,086,649,739 (2005: 2,715,014,907) ordinary share of RM1.00 each in issue during the financial year ended 31 December 2006.

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# Group Financial Highlights

	Changes			
	2006	2005	2006	2005
	RM'000	RM'000	%	%
<b>INCOME STATEMENT AND BALANCE SHEET</b>				
Net interest income	<b>3,658,441</b>	2,986,247	<b>22.51</b>	10.99
Non-interest income	<b>2,734,129</b>	1,736,733	<b>57.43</b>	18.60
Overhead expenses	<b>3,357,970</b>	2,278,099	<b>47.40</b>	16.62
Profit before allowances	<b>3,034,600</b>	2,444,881	<b>24.12</b>	11.06
Allowance for losses on loans, advances and financing	<b>1,016,595</b>	1,021,863	<b>(0.52)</b>	(8.96)
Profit before taxation	<b>2,002,042</b>	1,309,967	<b>52.83</b>	24.44
Net profit for the financial year	<b>1,504,427</b>	826,825	<b>81.95</b>	12.56
Gross dividends	<b>477,664</b>	472,717	<b>1.05</b>	16.29
Loans, advances and financing	<b>90,334,759</b>	69,095,880	<b>30.74</b>	10.37
Total assets	<b>159,607,244</b>	113,525,964	<b>40.59</b>	1.02
Deposits from customers	<b>104,568,715</b>	74,323,587	<b>40.69</b>	0.29
Total liabilities	<b>146,917,924</b>	102,419,486	<b>43.45</b>	0.04
Shareholders' funds	<b>11,883,530</b>	9,637,453	<b>23.31</b>	7.57
Commitments and contingencies	<b>244,870,248</b>	149,479,744	<b>63.81</b>	(28.34)
<b>RATIOS</b>				
	%	%	%	%
Core capital ratio	<b>9.59</b>	11.20	<b>(14.38)</b>	12.45
Risk-weighted capital ratio	<b>13.62</b>	15.23	<b>(10.57)</b>	10.28
Return on average equity	<b>13.98</b>	8.89	<b>57.26</b>	2.66
Return on total assets	<b>0.94</b>	0.73	<b>28.77</b>	12.31
Cost to income ratio	<b>52.53</b>	48.23	<b>8.92</b>	2.57
Cost to total assets	<b>2.10</b>	2.01	<b>4.48</b>	15.52
Gross NPL to gross loans	<b>8.91</b>	8.69	<b>2.53</b>	(9.20)
Net NPL to net loans	<b>5.54</b>	5.69	<b>(2.64)</b>	(18.25)
Coverage ratio	<b>57.51</b>	55.18	<b>4.22</b>	16.05
Loan deposit ratio	<b>86.39</b>	92.97	<b>(7.08)</b>	10.05
Equity to assets	<b>7.45</b>	8.49	<b>(12.25)</b>	6.52
Equity to loans	<b>13.15</b>	13.95	<b>(5.73)</b>	(2.52)
<b>OTHER INFORMATION</b>				
Earnings per share (Sen)				
– Basic	<b>48.74</b>	30.45	<b>60.06</b>	10.29
– Fully diluted	<b>48.04</b>	30.07	<b>59.76</b>	13.99
Net tangible assets per share (RM)	<b>2.14</b>	3.26	<b>(34.36)</b>	2.19
Gross dividend per share (Sen)	<b>15.00</b>	15.00	<b>0.00</b>	0.00
Number of shares in issue ('000)	<b>3,184,429</b>	2,756,398	<b>15.53</b>	2.40
Weighted average number of shares in issue ('000)	<b>3,086,650</b>	2,715,015	<b>13.69</b>	2.06
Share price at year-end (RM)	<b>7.75</b>	5.70	<b>35.96</b>	21.28
Number of employees	<b>24,267</b>	18,335	<b>32.35</b>	12.90

**REVENUE****(RM mil)****PROFIT/ (LOSS) BEFORE TAX****(RM mil)****NET PROFIT/ (LOSS)****(RM mil)**

# Our Vision



To be South East Asia's  
Most **Valued** Universal Bank

# Core Philosophies of the Group

## We are in the business of creating value for our customers

We exist to create value for our customers. Creating value rests on understanding our customers' needs and creating solutions to answer these needs - the more value we can create, the more our customers will turn to us.

## We believe the best way to create the most value is by enabling our people

Enabling our people involves effectively placing, motivating and supporting them and ultimately, unleashing their true potential. The better we enable our people, the more value we can create for our customers.

## In order to protect our reputation and business, we speak and act with integrity

Integrity means speaking and acting honestly and sincerely, and treating our customers' needs and interests as our primary focus. Our unwavering belief in integrity is what allows our customers to entrust their business to us.

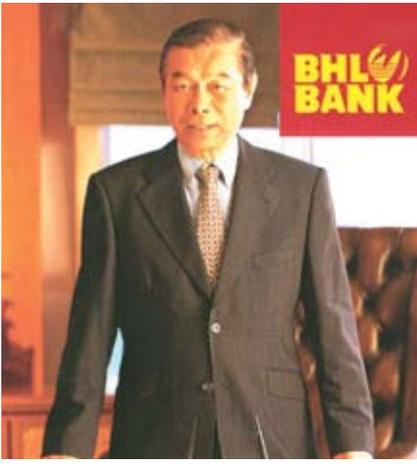
# Our Legacy

Our legacy is the combined heritage of the 12 financial institutions intertwined with the journey of our progress: Bank Bumiputra, Bank of Commerce, Southern Bank, Ban Hin Lee Bank, United Asian Bank, and several others dating as far back as 1924 with the founding of Bian Chiang Bank. Our legacy is the product of the contribution of thousands of people who were involved with these financial institutions - the founders, employees, shareholders, regulators and policy makers. It is a rich legacy upon which we had built the foundations for us to mature into Malaysia's second largest financial services group, and upon which we have built our ambitions to be South East Asia's most valued universal bank.





# Corporate History

Year	Historical Event	
1924	<p><b>Bian Chiang Bank established in 1924 in Kuching.</b></p> <p>Bian Chiang Bank was established in Kuching by Wee Kheng Chiang in 1924. In its early days, the bank's activities were mainly related to business financing and the issuance of bills of exchange.</p> <p>The prominent Wee family soon became famous as founding members of the United Overseas Bank (UOB) in Singapore in 1971.</p>	
1935	<p><b>Ban Hin Lee Bank (BHLB) established in 1935 in Penang.</b></p> <p>BHLB, founded by "Towkay" Yeap Chor Ee, was formally incorporated as a private limited company on 17th September, 1935.</p> <p>The Bank's original business focus was serving local businessmen in their trading and merchanting activities. In the 1960's, it also branched into real estate and house financing.</p> <p>By the 1990s, the bank had become a modern and thriving financial institution, reaching throughout Malaysia and Singapore from its headquarters in Penang.</p> <p>Reflecting the confidence of investors, BHLB became a public-listed company on the Kuala Lumpur Stock Exchange (KLSE) on 7<sup>th</sup> January, 1991.</p>	
1965	<p><b>Southern Bank Berhad (SBB) founded as Southern Banking Ltd. in 1965.</b></p> <p>From humble roots in Penang, Southern Banking Limited quickly expanded to other parts of the country. In 1978, the bank set up operations in Kuala Lumpur.</p> <p>SBB was to become recognised as an important player in wealth management products, credit cards and SME lending. The bank was the first in the country to set up the MEPS / ATM system used throughout Malaysia today.</p>	
1965	<p><b>Bank Bumiputra Malaysia Berhad (BBMB) incorporated In 1965.</b></p> <p>BBMB was established in 1965 in line with government initiatives to increase the Bumiputra participation in the national economy.</p> <p>The bank grew to become the most prominent bank for all Malaysians with branches throughout the country. Its banking infrastructure provided access to banking facilities where there was none before, contributing to the growth of small-scale enterprises and assisting the flow of investment into rural areas.</p> <p>By the 1980s, it had become the largest bank in the country in terms of assets and was the first domestic bank to have operations in New York, London, Tokyo, Bahrain and Hong Kong. In 1982, it was listed as the largest bank in South East Asia by Asian Finance magazine.</p>	

## Corporate History

	Year	Historical Event
	<p><b>1972</b></p>	<p><b>United Asian Bank Berhad (UAB) established in Kuala Lumpur as a result of the merger of three Indian-owned banks; Indian Overseas Bank Ltd, Indian Bank Ltd and United Commercial Bank Ltd.</b></p> <p>UAB started as a joint-venture in banking between Malaysia and India, taking over the operations of the Malaysian branches of Indian banks in 1972.</p> <p>The bank's business was mainly directed at small businesses and individuals. In its time, UAB established a reputation for encouraging enterprise amongst less prosperous sections of the community.</p>
	<p><b>1974</b></p>	<p><b>Pertanian Baring Sanwa Multinational Berhad (PBS) incorporated April in 1974.</b></p> <p>PBS was incorporated in 1974 by founding shareholders Bank Pertanian, Baring Brothers of United Kingdom, Sanwa Bank of Japan and Multinational Bank of the United Kingdom.</p> <p>In early days, managed by Baring Brothers, its core business was to provide corporate advisory and funding services to multinationals. It also undertook corporate restructuring and merger and acquisition activities for Malaysian companies.</p> <p>The small merchant bank practised a conservative and prudent approach towards business, with a strict credit culture that limited its trading activities and it remained relatively small compared to other merchant banks.</p>
	<p><b>1979</b></p>	<p><b>Bian Chiang Bank renamed Bank of Commerce Berhad in November 1979.</b></p> <p>The purchase of Bian Chiang Bank by the UMNO-owned Fleet Group in 1979 led to the formation of Bank of Commerce Berhad. The new bank had a strong focus on systems and transparency from the very beginning, reflecting the management style of co-shareholder JP Morgan.</p> <p>An aggressive, performance-driven work culture pushed the bank forward, contributing to its emergence as one of the most progressive banks in the industry.</p> <p>In 1982, just three years since incorporation, what started out as a one-branch bank worth RM8 million had become an institution with the total assets of RM367 million and total shareholders' funds of RM12.8 million.</p>

Year	Historical Event
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**1986 PBS renamed Commerce International Merchant Bankers Berhad.**

In 1986, Bank of Commerce Berhad replaced Bank Pertanian as the controlling shareholder of PBS, following which its name was changed to Commerce International Merchant Bankers Berhad (CIMB). The new shareholders retained its focus on corporate finance and IPOs and in 1989 it emerged as Malaysia's top adviser for new listings.

CIMB soon added stockbroking to complement its advisory and listings expertise, establishing an award-winning reputation as an equities broker and IPO house. This positioned the firm to enjoy high profits during the early 1990s equities "bull run".

At the height of the buoyant era in equities, CIMB took a major strategic decision to build its capabilities in fixed income in anticipation of future market opportunities. This placed CIMB in an excellent position to reap rewards from the exponential bond market growth in the late 1990s.



**1991 Bank of Commerce Berhad merges with UAB In November 1991 and the new entity named Bank of Commerce (M) Berhad (BOC). Bank of Commerce Berhad, the listed holding company, is renamed Commerce-Asset Holding Berhad (CAHB).**

The acquisition of UAB by Bank of Commerce was the starting point for the significant expansion of this nascent force in banking. With the acquisition, the BOC branch network increased almost fourfold, complementing its established reputation in the corporate lending market.



**1999 BBMB and BOC merge to form Bumiputra-Commerce Bank (BCB) under CAHB.**

In 1999, BBMB emerged out of the Asian Financial Crisis and other financial problems to merge with the BOC, resulting in the biggest merger in Malaysia's banking history. Together as BCB, it became the bank of choice to many multinational and local corporations, government organisations and individual Malaysians.

Over the years, BCB became part of the fabric of Malaysian society - a bank for the people.



## Corporate History

	Year	Historical Event
	<p><b>2000</b></p>	<p><b>SBB acquired BHLB on 1 July 2000 along with United Merchant Finance Berhad (now Southern Finance Berhad), Perdana Finance Berhad and Cempaka Finance Berhad.</b></p> <p>As part of the government initiated banking consolidation plan, SBB and BHLB merged and also took over two small finance companies, Perdana Finance Berhad and Cempaka Finance Berhad.</p>
	<p><b>2003</b></p>	<p><b>CIMB Berhad listed on the Main Board of the KLSE in January 2003.</b></p> <p>The listing of CIMB on the KLSE exceeded the expectations of investors and employees alike. The listed CIMB surpassed the IPO Prospectus forecast within six months.</p> <p>As it turned out, CIMB's listing lasted only three years due to upcoming developments, but not before delivering returns of 340% to its shareholders.</p>
	<p><b>2003</b></p>	<p><b>CIMB Islamic launched in 2003.</b></p> <p>Officially launched by Bank Negara Malaysia Governor, Tan Sri Dato' Dr. Zeti Akhtar Aziz, in June 2003. Since that time, CIMB Islamic has won numerous accolades for its innovative Shariah compliant solutions.</p> <p>Later in April 2005, Commerce-Tijari Bank Berhad was launched as the Islamic banking subsidiary of BCB.</p>
	<p><b>2004</b></p>	<p><b>CIMB Berhad acquired 70% of Commerce Trust Berhad (CTB) and Commerce Asset Fund Managers Sdn Bhd (CAFM) from BCHB. CTB and CAFM were subsequently merged to become CIMB-Principal Asset Management Berhad (CIMB-Principal)</b></p> <p>The formation of CIMB-Principal marked the entry of a new player to Malaysia's burgeoning asset management sector. The acquisition of CTB and CAFM led to the formation of CIMB-Principal, a joint venture with the Principal Group of USA.</p>

## Corporate History

Year	Historical Event	
2005	<p><b>CIMB acquired G. K. Goh Securities Pte Ltd's stockbroking businesses in June 2005.</b></p> <p>The acquisition of Singapore based G. K. Goh led to the formation of CIMB-GK, CIMB's international investment banking operations. G. K. Goh was founded in Singapore in 1979, evolving into a reputable pan-Asian stockbroking franchise with operations in Singapore, Jakarta, Hong Kong, London and the United States.</p>	
2005	<p><b>CIMB announced acquisition of BCB Group from CAHB.</b></p> <p>The acquisition of the BCB Group by CIMB was announced following the strategic decision by CAHB to create a universal bank by combining its commercial and investment banks. As part of the exercise, CAHB was renamed Bumiputra-Commerce Holdings Berhad (BCHB).</p>	
2006	<p><b>CIMB Group becomes a universal bank.</b></p> <p>The beginning of 2006 marked the birth of the new CIMB Group, a universal bank. Complemented by the resources and reach of BCB, one of Malaysia's foremost retail providers, CIMB Group made the transition to a full-service banking provider, serving a range of customers, from corporates to individuals.</p>	
2006	<p><b>SBB acquired by BCHB in March 2006.</b></p> <p>After months of negotiations, the acquisition of SBB marked the addition of a valued niche player in commercial banking to the CIMB Group. The merger combined the extensive resources and reach of BCB with the expertise and agility of SBB.</p>	

# CIMB, South East Asia's most awarded investment bank, is now a universal bank.

The CIMB Group is now a comprehensive full-service bank. We offer our expertise through a full range of conventional and Islamic financial solutions, simple or complex.

From Investment Banking to Consumer Banking, Islamic Banking and Asset Management, with presence in Malaysia, Singapore, Thailand, Indonesia, Brunei, Hong Kong, London and Bahrain, the Group is your gateway to South East Asia.

With our breadth of experience and an unwavering commitment to your financial needs, the CIMB Group stands ready to serve you. Bank on us to see beyond.



FORWARD BANKING





# Re-branding

## THE NEED TO REBRAND

The year 2006 was one of transformation and consolidation for CIMB Group, the commercial and investment banking group of Bumiputra-Commerce Holdings Berhad. Having evolved into a regional investment bank and universal bank the year before, 2006 marked the integration of BCB and SBB into a strengthened consumer franchise for the newly-restructured CIMB Group.

The rebranding exercise of CIMB Group was a concerted effort to re-define the organisation and align our market positioning to the needs and expectations of our new market segments, steering us towards our vision of becoming South East Asia's most valued universal bank.

The new positioning and brand values of the Group were derived from an in-depth research exercise of interviews and focus groups, involving both internal and external parties.

## BRAND VALUES

The main entities that integrated to form the new CIMB Group brought with them a shared legacy of continuous improvement, vision, insight and an emphasis on the customer. With that, CIMB Group derived its new cornerstone principles of "value creation", "enabling people" and "integrity" from this combined heritage.

The philosophy of value creation through forward thinking is CIMB Group's brand promise to its customers. Forward thinking means continuously anticipating the future needs of all our customers and identifying emerging opportunities to address those needs.

## Re-branding

The organisation lives and breathes as a result of its people. To best serve the needs of customers, the Group believes in empowering and enabling its people in order for them to perform to the best of their abilities.

Underlying everything is a culture of honesty and transparency; of always putting the customers' interests first. Unwavering integrity is what enables customers to entrust their affairs to CIMB Group with confidence.

Together, these values are the foundation of the CIMB Group brand.

## VISUAL IDENTITY

The new CIMB Group corporate identity represents the renewed focus on value creation through forward thinking.

The logomark of an abstract arrow within a square symbolises our philosophy of forward thinking : dynamic and never stationary, yet rooted in stability, dependability and commitment. The custom font represents clarity and solidity.

Within CIMB Group there are three main brand entities : CIMB, CIMB Bank and CIMB Islamic. The new visual identity system is unique in its use of colour to differentiate. While the Group is united in its commitment to creating value, it does so in different ways and for a different spectrum of customers. The colour system enables CIMB Group to convey this approach.

Blue is the corporate colour of the brand, representing CIMB Group as well as the Investment Bank.

Red is the colour of CIMB Bank, the consumer bank.

Green is the colour of CIMB Islamic, representing the Shariah-compliant dimension of all divisions throughout the CIMB Group. The group-wide policy of parallel banking is reflected in the ultimate aim of providing Islamic versions of all products and services to our customers.

The new tagline "Forward Banking" is the core message of all CIMB Group communications. Forward thinking spearheads all advertising content and is encapsulated in the slogan: Bank on us to see beyond. The approach represents the Group's commitment to looking for value where others do not, beyond the present, the obvious and the norm, in order to capture opportunities for its customers.

As part of the drive to create consistency with BCHB Group as a whole, BCHB also unveiled its new identity in late 2006, incorporating the logomark of CIMB Group. The new identity creates a strong visual synergy between BCHB and its subsidiaries, presenting a strong foundation for the organisation to best assert itself in the region and beyond. In line with this, BCHB plans to rebrand the Indonesian banking operations of Bank Niaga in 2007 to best leverage off the brands of BCHB and its subsidiaries. With this, BCHB will proudly portray itself as a truly synergised regional competitor.

# CIMB Group Launch



## CIMB GROUP LAUNCH – 7<sup>th</sup> SEPTEMBER 2006

CIMB Group was launched by YAB Dato' Seri Abdullah Haji Ahmad Badawi, Prime Minister of Malaysia on 7<sup>th</sup> September 2006. At the event, the Prime Minister also unveiled the 3 brand entities of CIMB Group – CIMB, CIMB Bank and CIMB Islamic – as well as the new logo of the Group.

The launch was attended by more than 2,000 distinguished guests including government officials, regulators and corporate leaders. Among them were personalities who had played a key role in the 12 financial institutions which form the rich heritage of CIMB Group — Tengku Razaleigh Hamzah, whose name was ubiquitous in the annals of BBMB, BOC and the UAB; Tan Sri Dato' Md Nor Md Yusof the present Chairman of BCHB who had led the BOC through two mergers; Tan Sri Desa Pachi, who had served as the Commerce Group Chairman for 23 years; previous Chief Executives within the Commerce Group - Dr Rozali Mohd Ali, Dato' Dr Munir Majid, Dato' Robert Cheim, Dato' Azmi Abdullah and Dato' Shukri Hussin; Tan Sri Tan Teong Hean, CEO of SBB for more than 23 years; and Dato' Stephen Yeap whose family founded BHLB.

Speaking at the launch, the Prime Minister said, "... saya ingin mengambil kesempatan ini untuk mengucapkan syabas kepada semua anggota Kumpulan CIMB yang telah berusaha gigih untuk menjadikannya sebuah jenama Malaysia, yang juga terkenal sebagai salah sebuah institusi kewangan yang unggul dalam sector perbankan serantau." ("...I would like to take this opportunity to congratulate everyone at CIMB Group who has put in a great deal of effort to make it a Malaysian brand which is also known as a premier financial institution in the regional banking sector.")



In his keynote address, CIMB Group Chief Executive Officer, Dato' Nazir Razak, paid tribute to the contribution of thousands of people who had been involved in the creation of rich heritage of the Group. Linking the past to the Group's future, he explained that the new tagline "Forward Banking" and the call to action "Bank on us to see beyond" represent not only a new beginning, but also what the Group had brought along from the past - namely the paradigm of continual self-improvement, always with an eye to the future, always with the intent of value creation. That corporate culture has been ingrained in CIMB's DNA and has long been the cornerstone of the Group's achievements todate.

The Prime Minister also declared open the first CIMB Bank branch at the Starhill Gallery in Kuala Lumpur on the same day, and signed up as the first customer of the branch as well as of CIMB Club, the Bank's new highly personalised banking service.



# Corporate Information

## BOARD OF DIRECTORS

**Tan Sri Dato' Mohd Desa Pachi**  
*Chairman*  
(Retired on 31<sup>st</sup> July 2006)

**Tan Sri Dato' Md Nor Md Yusof**  
*Chairman* w.e.f 31<sup>st</sup> July 2006  
(Appointed on 27<sup>th</sup> June 2006)

**Dr. Roslan A. Ghaffar**

**Dato' Anwar Aji**  
(Resigned on 7<sup>th</sup> November 2006)

**Tan Sri Datuk Asmat Kamaludin**  
(Resigned on 7<sup>th</sup> November 2006)

**Dato' Mohd Salleh Mahmud**  
(Resigned on 7<sup>th</sup> November 2006)

**Izlan Izhab**  
(Resigned on 7<sup>th</sup> November 2006)

**Dato' Nazir Razak**  
*Group Managing Director/Chief Executive Officer* w.e.f 7<sup>th</sup> November 2006  
(Appointed on 27<sup>th</sup> January 2006)

**Dato' Mohd Shukri Hussin**  
*Executive Director/Group Advisor* w.e.f 7<sup>th</sup> November 2006  
(Appointed on 3<sup>rd</sup> January 2006)

**Dato' Hamzah Bakar**  
(Appointed on 7<sup>th</sup> November 2006)

**Tan Sri Dato' Seri Haidar Mohamed Nor**  
(Appointed on 7<sup>th</sup> November 2006)

**Dato' Zainal Abidin Putih**  
(Appointed on 7<sup>th</sup> November 2006)

**Datuk Dr.Syed Muhamad Syed Abdul Kadir**  
(Appointed on 7<sup>th</sup> November 2006)

**Dato' Robert Cheim Dau Meng**  
(Appointed on 7<sup>th</sup> November 2006)

**Cezar Peralta Consing**  
(Appointed on 7<sup>th</sup> November 2006)

## JOINT COMPANY SECRETARIES

**Jamil Hajar Abdul Muttalib**  
(LS 000656)

**Idrus Ismail**  
(LS 0008400)

## AUDITORS

**PricewaterhouseCoopers**  
11th Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur

## REGISTRARS

**Tenaga Koperat Sdn Bhd**  
Tingkat 20, Plaza Permata  
Jalan Kampar Off Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: 03 – 40416522  
Fax: 03 – 40426352

## STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad**  
(Listed on Main Board of Bursa Securities on 3<sup>rd</sup> November 1987)

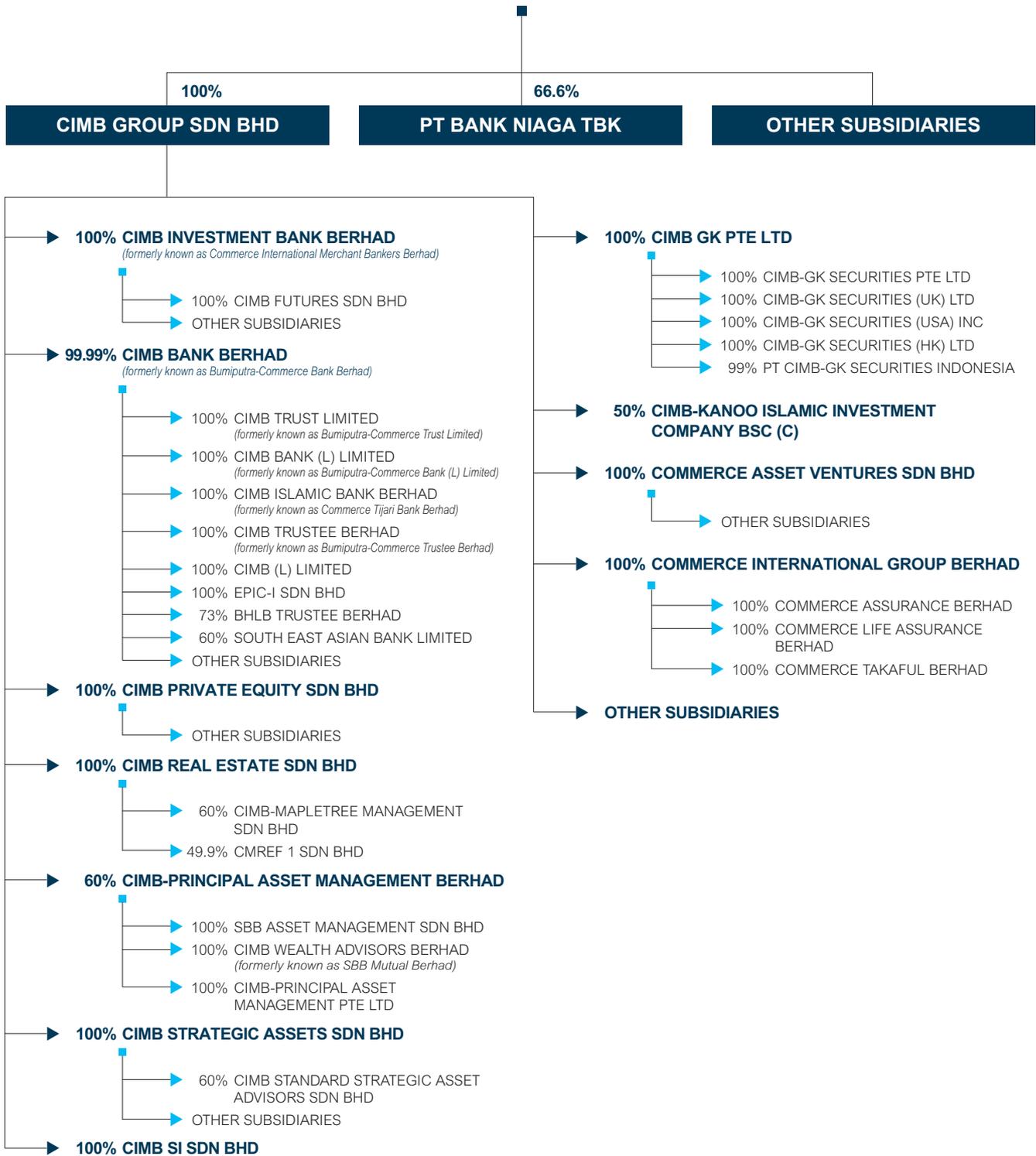
## REGISTERED OFFICE

12th Floor, Commerce Square  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur

Tel: 03 – 20935333  
Fax: 03 – 20933335

[www.commerz.com.my](http://www.commerz.com.my)

# Corporate Structure



# Corporate Profile



## BUMIPUTRA-COMMERCE HOLDINGS BERHAD

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Bumiputra-Commerce Holdings Berhad (BCHB) is the listed holding company for Malaysia's second largest financial services provider, CIMB Group. As at the end of 2006, BCHB was the seventh largest company on Bursa Malaysia with a market capitalisation of RM24.7 billion.



## CIMB GROUP SDN BHD

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CIMB Group is the operating entity of BCHB and is Malaysia's 2<sup>nd</sup> largest financial services group. Anchored by CIMB Investment Bank, CIMB Group undertook mergers and acquisitions worth RM12.8 billion to transform itself into a universal bank and was officially launched on 7<sup>th</sup> September 2006. Following an internal restructuring exercise to transfer all of BCHB's operating entities to CIMB Group, the universal bank now comprises 5 major business divisions - consumer banking, investment banking, treasury, asset management and insurance. The Banker named CIMB Group as bank of the year for Malaysia in 2006.



## CIMB BANK BERHAD

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CIMB Bank (formerly known as Bumiputra-Commerce Bank Berhad) is the Group's commercial bank. In 2005, CIMB Bank was integrated with CIMB Investment Bank in the quest to operate as a universal bank. In 2006, the bank merged with Southern Bank Berhad and further strengthened its consumer banking franchise. The merger resulted in a combined customer base of 4.5 million customers, 383 branches nationwide and significant market leadership positions in credit cards, sub-prime leading and auto finance. CIMB Bank has a full banking licence in Singapore and branches in Hong Kong, Tokyo and London.

## Corporate Profile



### **CIMB INVESTMENT BANK BERHAD**

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CIMB Investment Bank (formerly known as Commerce International Merchant Bankers Berhad) is South East Asia's largest investment bank. It offers the full range of services in advisory, corporate and international banking, debt markets, equity markets and derivatives. It is a market leader in the Malaysian capital markets most notably in mergers and acquisition, debt capital and equity markets. The investment bank is also involved in asset management, private equity, private banking, research, investors and transaction services. The acquisition of stockbroking businesses of GK Goh Securities Pte. Ltd. in 2005 has been the catalyst for its regional expansion. As at the end of 2006, CIMB-GK Securities Pte. Ltd. was the largest IPO and bond house in Indonesia, number one in Singapore for advisory deals and number 4 in Singapore for stockbroking. CIMB Investment Bank commenced operations as an investment bank on 1<sup>st</sup> January 2007 pursuant to the Guidelines on Investment Bank jointly issued by the Securities Commission and Bank Negara Malaysia on 1<sup>st</sup> July 2005.



### **CIMB ISLAMIC BANK BERHAD**

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CIMB Islamic was established as the Islamic financial boutique of CIMB during its inception but is today an Islamic universal bank providing both Islamic consumer and investment banking services following the merger with Commerce Tijari Bank on 6<sup>th</sup> June 2005. CIMB Islamic was recognised as Islamic Investment Banking House of the year 2006.



### **PT BANK NIAGA tbk**

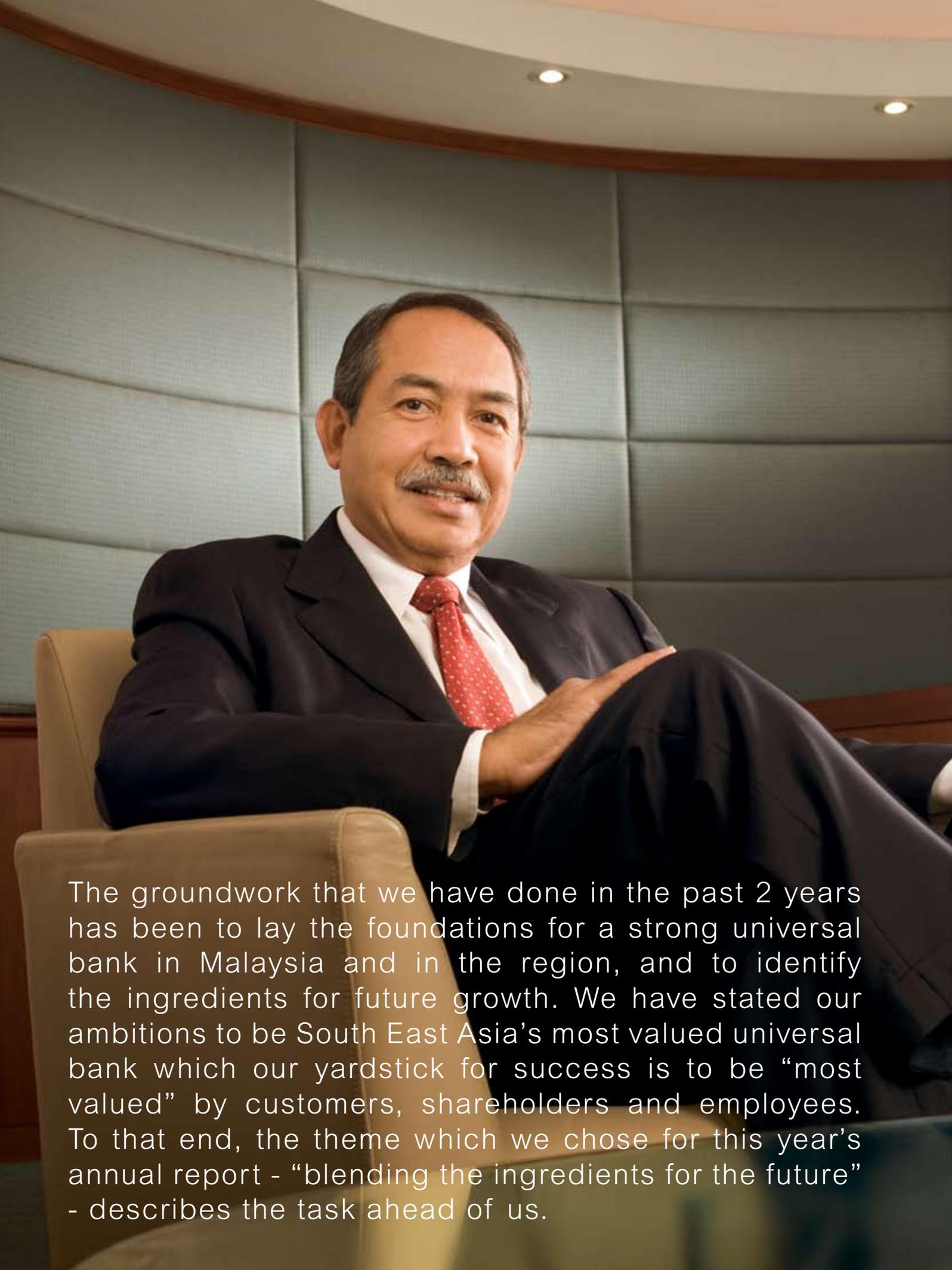
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Bank Niaga was established in 1955. It is currently the 7th largest bank in Indonesia by assets. It has an established track record in customer services excellence and management development. BCHB became the majority shareholder in November 2002 after it acquired a strategic stake from the Indonesian Government via the Indonesian Bank Restructuring Agency (IBRA). In tandem with its vision to become a premier retail bank, Bank Niaga is currently the second largest mortgage provider in Indonesia with a 10.2% market share.

### **COMMERCE INTERNATIONAL GROUP BERHAD**

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Commerce International Group is the holding company for the insurance arm of the universal bank. It comprises 3 companies - Commerce Life Assurance Berhad, Commerce Takaful Berhad and Commerce Assurance Berhad. In January 2007, the BCHB Group announced the proposed sale of a 49% stake in Commerce Life Berhad and Commerce Takaful Berhad to Aviva Pte Ltd, as well as its entire stake in Commerce Assurance Berhad to Allianz General Insurance Malaysia Berhad (Allianz) coupled with a strategic alliance with Allianz to distribute general insurance products through CIMB Bank. This is in line with BCHB's decision to focus on life insurance and takaful businesses which are synergistic with its universal banking model.



The groundwork that we have done in the past 2 years has been to lay the foundations for a strong universal bank in Malaysia and in the region, and to identify the ingredients for future growth. We have stated our ambitions to be South East Asia's most valued universal bank which our yardstick for success is to be "most valued" by customers, shareholders and employees. To that end, the theme which we chose for this year's annual report - "blending the ingredients for the future" - describes the task ahead of us.

# Chairman's Message

## Dear Shareholders,

It's good to be back at the BCHB Group after a 6-year sojourn. When I arrived, I was struck by two things - the changes to the Group brought about by the transformation agenda which we have pursued, as well as the pace at which the changes had taken place.

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As recently as mid-2005, we were a financial services group which operated largely as separate entities, each with its own corporate identity, business focus, clients and operations. Today, we are a universal bank which has a new corporate identity and common logo, a collective approach across entities in the Group and a shared vision to create value for our clients, and closely integrated operations. BCHB itself was re-branded to align its identity with that of its core operations, CIMB.

We began our transformation agenda in October 2004, when CIMB assumed ownership of CAFM and CTB. In the subsequent 18 months, CIMB undertook RM12.8 billion worth of mergers and acquisitions to morph into a universal bank. In November 2006, we announced plans to transfer all our operating entities to CIMB Group.

The universal banking model has been successfully adopted by financial institutions globally. Fueled by the belief that financial institutions must cater to all customers, from the large corporations to the smallest retail customer, universal banks offer solutions which serve all their financial needs. As such, the transformation agenda is the cornerstone of the BCHB Group's future as we look ahead to a business environment which will be dominated by increased liberalisation and deregulation. This state of play inevitably leads to more intense competition, not only among local banking groups, but also with the large global players.

The groundwork that we have done in the past 2 years has been to lay the foundations for a strong universal bank in Malaysia and in the region, and to identify the ingredients for future growth. We have stated our ambitions to be South East Asia's most valued universal bank which our yardstick for success is to be "most valued" by customers, shareholders and employees.

To that end, the theme which we chose for this year's annual report - "blending the ingredients for the future" - describes the task ahead of us. The rich heritage of our legacy which spans more than 82 years and 12 financial institutions coupled with our alliances, our customers, our people and our values are the building blocks which we use as the foundation of our new universal banking model.

## Chairman's Message

We have already demonstrated the potential of our universal banking model as the synergies gain momentum Group-wide. As you will read in the performance review for 2006 by the Group Chief Executive in the following pages, the financial performance of the Group has significantly improved and we were even able to announce our medium term net ROE target of 18% for 2007 onwards. We are also pleased with our post merger management so far, having exceeded targets such as branch conversions and IT integration.

In line with the business transformation of the Group, it was timely for the Board of Directors to redefine BCHB's organisational and management hierarchy. Dato' Nazir Razak was redesignated as Group Managing Director/Chief Executive Officer of BCHB from 7<sup>th</sup> November 2006 onwards. Dato' Nazir has been instrumental in orchestrating and leading the restructuring and transformation of the Group. It is a great pleasure for me to welcome him to the helm of the Group. As some of you may be aware, Dato' Nazir's first job was as a corporate finance executive in our investment bank in 1989, and since then he has served the Group in various capacities including as Executive Director of CIMB Securities and as Chief Executive Officer of CIMB.

Dato' Shukri Hussin remains as a key executive within the Group following the redesignation. I would like to thank Dato' Shukri for his leadership in his capacity as Group Chief Executive of BCHB and as Chief Operating Officer prior to that. We are very fortunate that we continue to have the benefit of his wise counsel and vast experience in his position as Executive Director and Group Advisor of BCHB as well as a member of the Group Management Committee.

As we reflect on the contributions of the many people who make up the BCHB Group, I would like to extend our thanks to an outstanding personality who has been so much a part of the fabric of the Group - my predecessor, Tan Sri Dato' Mohd Desa Pachi, who retired on 31<sup>st</sup> July 2006. Tan Sri Desa has been a pillar of strength in leading the Group as Chairman for almost 24 years, since September 1982. The Group has been very fortunate to have been able to tap on his wealth of experience which spans a wide range of industries including media, funds management, oil and gas and finance, since we acquired Bian Chiang Bank, the forerunner of CIMB Bank, in 1979. I would like to wish Tan Sri Desa all the very best in his future endeavours.

As to my colleagues who make up the BCHB Board of Directors, I would also like to thank my colleagues who retired in 2006 - Dato' Anwar Aji, Tan Sri Datuk Asmat Kamaludin, Dato' Salleh Mahmud, and Encik Izlan Izhab, for their contribution, services and guidance to the Group. In this regard, I also welcome my new colleagues to the Board of Directors - Dato' Hamzah Bakar, Tan Sri Dato' Seri Haidar Mohamed Nor, Dato' Zainal Abidin Putih, Datuk Dr. Syed Muhamad Syed Abdul Kadir, Dato' Robert Cheim Dau Meng and Mr. Cezar Peralta Consing. I look forward to working closely with them to further the Group's ambitions.

## Chairman's Message

The changes that we had undertaken Group-wide were made possible by the collective efforts of all my colleagues. I am very heartened by the hard work, commitment and team spirit which they have demonstrated in the light of the challenges put before them. However, despite the demands that work places on them, I would like to highlight their humanity as demonstrated by their support for the Group's corporate social responsibility programmes.

For example, when the floods hit Johor at the end of 2006, we were one of the first corporations to step forward in support of the Government's "Adopt a Village" campaign. The Group pledged an initial sum of RM500,000 for more than 1,500 families consisting of over 8,000 people in villages in and around Batu Pahat to assist them in rebuilding their lives, but our philanthropy was not merely telescopic in nature. More than 400 of my colleagues were on the ground in Batu Pahat. They worked round the clock to help the affected villagers to clean up and rebuild their houses.

Similarly, when the earthquake devastated Yogyakarta in May 2006, BCHB, together with CIMB Group, Bank Niaga, Commerce International Group and customers of CIMB Bank, SBB and Bank Niaga, pooled their efforts to raise a total of almost Rp3 billion (RM1.18 million) as aid for the victims. Out of that, Rp2 billion was channeled to reconstruct SDN Glagah, one of the area's leading public elementary schools. The school will accommodate 483 students, and will be equipped with modern learning facilities. Funds were also channeled towards reconstruction of homes of Bank Niaga employees and the set up of an emergency hospital. In addition to that, just a day after the earthquake, Bank Niaga formed a team of volunteers who carried out humanitarian relief works in several villages affected by the earthquake and provided direct assistance to the victims. I am very encouraged by the compassion displayed by the Group's employees in response to these humanitarian crises.

Finally, and not least, I would like to take this opportunity to thank you, our shareholders, as well as other stakeholders including regulators and policy makers for your unstinting support of the Group through the major changes which we undertook.



**Md Nor Yusof**  
*Chairman*



2006 was a remarkable year for us. Despite being involved in a protracted take-over battle and confronting a 3-bank integration challenge, we achieved record profits and surpassed our primary financial target of 13% net return on equity (ROE). Our full year ROE was 13.98%, a significant lift from 8.9% in 2005 and our highest since the Asian financial crisis. Our target of beating the KLCI on total shareholder return was also exceeded comfortably — 39.3% vs the KLCI return of 21.9%.

# Performance Review by Group Chief Executive

## Dear Shareholders

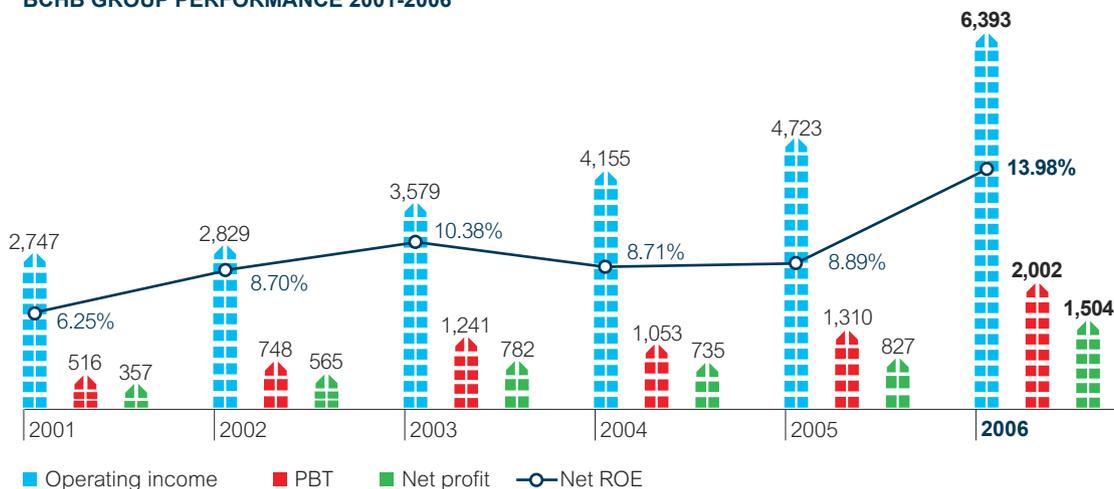
In our annual report for 2005, we spoke about the strategic transformation of the banking businesses of the BCHB Group. Our ambition was to create a strong and dynamic banking group, not just in Malaysia, but in the region. The process had begun with the creation of a universal banking platform through the merger of CIMB and BCB, the Group's investment and consumer banking businesses. To strengthen our domestic consumer banking franchise, we were poised to merge with SBB.

We are pleased to report to you that 2006 was a remarkable year for us. Despite being involved in a protracted take-over battle and confronting a 3-bank integration challenge, we achieved record profits and surpassed our primary financial target of 13% net return on equity (ROE). Our full year ROE was 13.98%, a significant lift from 8.9% in 2005 and our highest since the Asian financial crisis. Our target of beating the KLCI on total shareholder return (TSR) was also exceeded comfortably - 39.3% vs the KLCI return of 21.9%. We also met our dividend target of 15 sen per share.

In this early stage of transformation, our priority was capacity building for future growth. We made changes almost everywhere, and most extensively in consumer banking, where we launched a completely new organisation structure and business model at the beginning of the year and then added SBB to it in mid-year. There is still so much to do but the results so far are beyond my own best expectations. That's why I use "remarkable" to describe 2006 at BCHB Group.

To top it all, we were honoured when The Banker, the flagship publication of the Financial Times of the UK, named us "Bank of the Year for Malaysia" citing our transformation agenda and financial performance as the key deciding factors. This first major accolade for us in commercial banking, joined a long list of accolades we won for treasury and investment banking for 2006.

### BCHB GROUP PERFORMANCE 2001-2006



## Performance Review by Group Chief Executive

**BCHB SHARE PRICE SEPT 2004 - DEC 2006**



Source : Bloomberg

### SHAREHOLDER VALUE CREATION

Since we embarked on this journey to be South East Asia’s most valued universal bank with the announcement of the CIMB-BCB merger in June 2005, our share price has appreciated by 68% and some RM10 billion in value in terms of market capitalisation has been created for shareholders from then to end 2006. In 2006 alone our share price increased by 36% and market capitalisation grew by RM6.6 billion.

For shareholders who participated in the CIMB Berhad IPO via Restricted Offer for Sale in December 2002, the investment would have returned over 400% over 4 years; RM1,000 capital invested then would return profits of RM4,090 today, or an average of 102.5% p.a.

### TRANSFORMING EVENTS - A SNAPSHOT

There were 3 major corporate moves during the year which, when added to the CIMB-BCB merger and CIMB-GK acquisition in 2005, meant that the Group has undergone a complete “make-over”.

First was the merger with SBB, a deal which we inked in July after more than 8 months in the hot glare of the media spotlight. The merger was extremely complementary for the Group. SBB’s strengths in certain consumer banking segments - credit cards, direct banking, sub-prime, hire-purchase - and its wide base of mass-affluent customers, have significantly strengthened our consumer franchise. Post merger, the combined consumer bank has a network



of 383 branches nationwide. The merger also enabled us to be licensed as a full-fledged bank in Singapore and emerge as the largest asset manager in the country with more than RM20.8 billion\* of assets under management (AUM) as at 31 December 2006.

\*Note : AUM includes private banking and wholesale funds.



Secondly, we united all the entities of the merged group with a common brand and identity. CIMB Group was officially relaunched by the Prime Minister on 7th September. The Prime Minister also launched the 1<sup>st</sup> CIMB Bank branch at Starhill Gallery in Kuala Lumpur.



## Performance Review by Group Chief Executive

The third move was the proposed internal restructuring of the BCHB Group with the consolidation of all of the other BCHB Group's operating companies, notably Bank Niaga, Commerce International Group (the insurance arm) and Commerce Asset Ventures, under CIMB Group (the Bank Niaga transfer is still pending regulatory approvals). BCHB remains as the listed vehicle for the CIMB Group, and has adopted the same logo and corporate identity of the CIMB Group.

Underscoring the events in the public eye was a more subtle but equally important transformation, namely the move from operating as distinct entities to operating as a universal bank. We had previously stated that the key to our future lies in exploiting synergies between investment and consumer banking and between our various businesses in general. I am therefore pleased that in 2006 we began to see early results-

- We created more capital market products for retail banking customers, in particular, taking the lead in capital guaranteed structured products which we named "All Stars", "Star Select" and "Best Select". In February 2007, we distributed the Shariah-compliant version called "Islamic All Stars Global".



- We leveraged on the combined branch network of both BCB/CIMB Bank and SBB through the cross-selling of joint products such as Xpress Cash, motor insurance, Dream Home loan, and Money Multiplier.



- We also tapped our corporate relationships to enhance our consumer offerings. Examples of these include the opening of the CIMB Bank branch at Genting Highlands, and the launch of "CIMB Enrich MasterCard" with Malaysia Airlines.
- We made significant advances in regional investment banking transactions by combining the strengths of CIMB Investment Bank and CIMB-GK and leveraging on the balance sheet of CIMB Bank. We were highly placed in league tables in Indonesia where we led the largest bond and IPO deals and in Singapore where we advised some major M&A's including the creation of the new mega plantation group, Wilmar International.

In addition to the SBB merger, the Group made other significant expansionary moves this year -

- Thailand - In May, the Group acquired a stockbroking company in Thailand. CIMB-GK Securities (Thailand) Ltd further enhances our South East Asian stockbroking platform and serves as the foundation for us to develop other investment banking products and services in Thailand. We have had a research presence in Bangkok since July 2005 and are confident that we will do well here.
- Middle East - In December, the Group's first partnership in the Middle East, CIMB-Kanoo was officially launched. Based in Bahrain, CIMB-Kanoo is a partnership with Yusuf Bin Ahmed Kanoo (Holdings)

## Performance Review by Group Chief Executive



Group of companies (Kanoo Group). It is licenced as an Islamic Investment Company by the Central Bank of Bahrain. Through CIMB-Kanoo, the Group will extend its investment banking footprint into the Middle East building on an already impressive record of deals we have won in the region.



- SEASAF - In March, the Group in partnership with Standard Bank Plc of South Africa officially launched "SEASAF" - the South East Asian Strategic Assets Fund. Co-sponsored by the Employees Provident Fund of Malaysia (EPF), SEASAF is a USD250 million private equity fund investing in the infrastructure, energy and natural resource sectors and associated industries in South East Asia.

### FINANCIAL PERFORMANCE

The BCHB Group posted a record net profit of RM1.504 billion for the financial year ended 31<sup>st</sup> December 2006, an 82% increase compared to RM827 million earned in 2005. This translates to an annualised net ROE of 13.98%, significantly above its KPI target of 13% and the

### FINANCIAL PERFORMANCE SNAPSHOT

(RM mil )	FY06	FY05	Y-o-Y
Net interest income	3,658	2,986	23%
Non interest income	2,735	1,737	57%
<b>Operating income</b>	<b>6,393</b>	<b>4,723</b>	<b>35%</b>
Loan provisions	(1,017)	(1,022)	(0.5%)
Overhead expenses	(3,358)	(2,278)	47%
<b>PBT</b>	<b>2,002</b>	<b>1,310</b>	<b>53%</b>
<b>Net profit</b>	<b>1,504</b>	<b>827</b>	<b>82%</b>
<b>Earning Per share (sen)</b>	<b>48.7</b>	<b>30.5</b>	<b>60%</b>
<b>ROAE</b>	<b>13.98%</b>	<b>8.89%</b>	<b>57%</b>

Source : CIMB

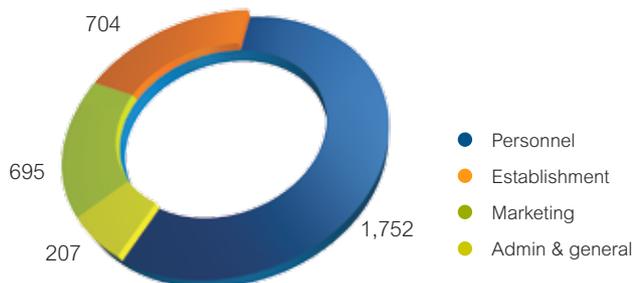
8.89% achieved in 2005. Total shareholder return over the year of 39.3% outperformed the KLCI TSR of 21.9%, and we declared a gross dividend per share of 15 sen, in line with our dividend policy. Net earnings per share of 48.7 sen was 60% over 30.5 sen recorded in 2005 and compares favourably with average consensus estimates of 43.5 sen.

The Group's total operating income for the financial year rose 35% to RM6.393 billion. The Group's profit before tax rose 53% to RM2.002 billion from RM1.310 billion recorded in 2005 despite a 47% increase in overhead expenses while loan loss provisions was flat at RM1.017 billion. The higher year on year revenues and costs reflect a first full year consolidation of CIMB-GK, six months consolidation and merger related expenses for SBB as well as Mutual Separation Scheme payments at CIMB Bank. Cost to income ratio stood at 52.5% compared to 48.2% in the previous year although excluding the MSS and integration costs the ratio would be lower at 49.7%. The Group's loan loss coverage ratio was higher at 57.5% as at end December 2006 compared to 55.2% at the end of 2005. Net NPL ratio was down to 5.5% compared to 5.7% previously following higher provisions and large old NPL write-offs by CIMB Bank. Loan loss cover has increased to 57.5% from 55.2% a year ago.

In terms of contribution to the Group's full year profit before tax, CIMB Universal Bank, consisting of the former BCB and CIMB Investment Bank operations, CIMB-GK's first full year earnings and SBB's earnings since 1<sup>st</sup> July, contributed 89% at RM1.775 billion. Bank Niaga achieved a profit before tax of RM367 million, representing 18% of Group's profit before tax while

## Performance Review by Group Chief Executive

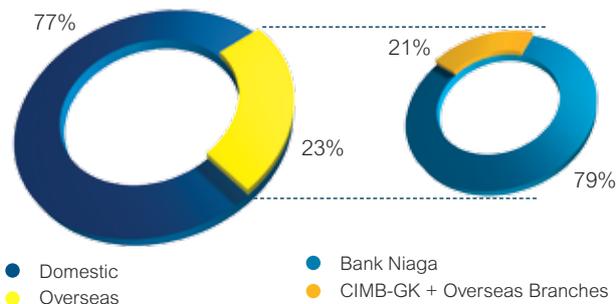
## OPERATING EXPENSES (RM million)



Source : CIMB

BCHB, the holding company, made a loss of RM140 million arising from interest expense relating to the SBB acquisition. Approximately 23% of BCHB's full year profit before tax is derived from the Group's foreign operations with Bank Niaga contributing 79% and CIMB-GK 9%. The remaining 12% contribution comes from the Group's overseas branches.

## OVERSEAS CONTRIBUTION



Source : CIMB

Full year non-interest income surged 57% on year to RM2.735 billion. 42% or RM1.141 billion was earned in the 4th quarter. This was driven by CIMB Group's strong performance in the capital markets. 2006 was a record year for announced M&A transactions with domestic industry M&A deal value of RM106.9 billion in 2006 (2005: RM32.6 billion). CIMB-GK also did well in the regional markets. In the primary domestic bond markets, 2006 was also a record year with RM56.9 billion primary corporate bonds issued.

The Group's total net interest income increased by 23% on year to RM3.658 billion. Total gross loans of the Group stands at RM95.214 billion as at 31<sup>st</sup> December 2006. There was modest gross loans growth at Bank Niaga of 13% whilst CIMB Group's loans were relatively unchanged as CIMB Bank spent most of the year improving its credit processes and lending operations as a whole.

As at 31<sup>st</sup> December 2006, the BCHB Group's total shareholders funds stood at RM11.884 billion. Its subsidiaries, CIMB Investment Bank Berhad and CIMB Bank Berhad had a Risk-Weighted Capital Ratio of 20.1% and 12.9% respectively whilst Bank Niaga's RWCR was 16.8% as at 31<sup>st</sup> December 2006.

## BCHB GROUP KEY RATIOS

%	FY06	FY05
Return On Average Equity	<b>13.98</b>	8.89
Net interest margin*	<b>2.68</b>	2.64
Fee income/ total income	<b>19.0</b>	18.0
Non-interest income/ total income	<b>42.8</b>	36.8
Cost/ income	<b>52.5</b>	48.2
Loan loss coverage	<b>57.5</b>	55.2
Gross NPL ratio	<b>8.9</b>	8.7
Net NPL ratio	<b>5.5</b>	5.7
Average shareholders' funds	<b>10,760</b>	9,298
Double leverage (Company)	<b>150%</b>	92%

\*Excluding interest in suspense.

## BCHB GROUP CREDIT RATINGS

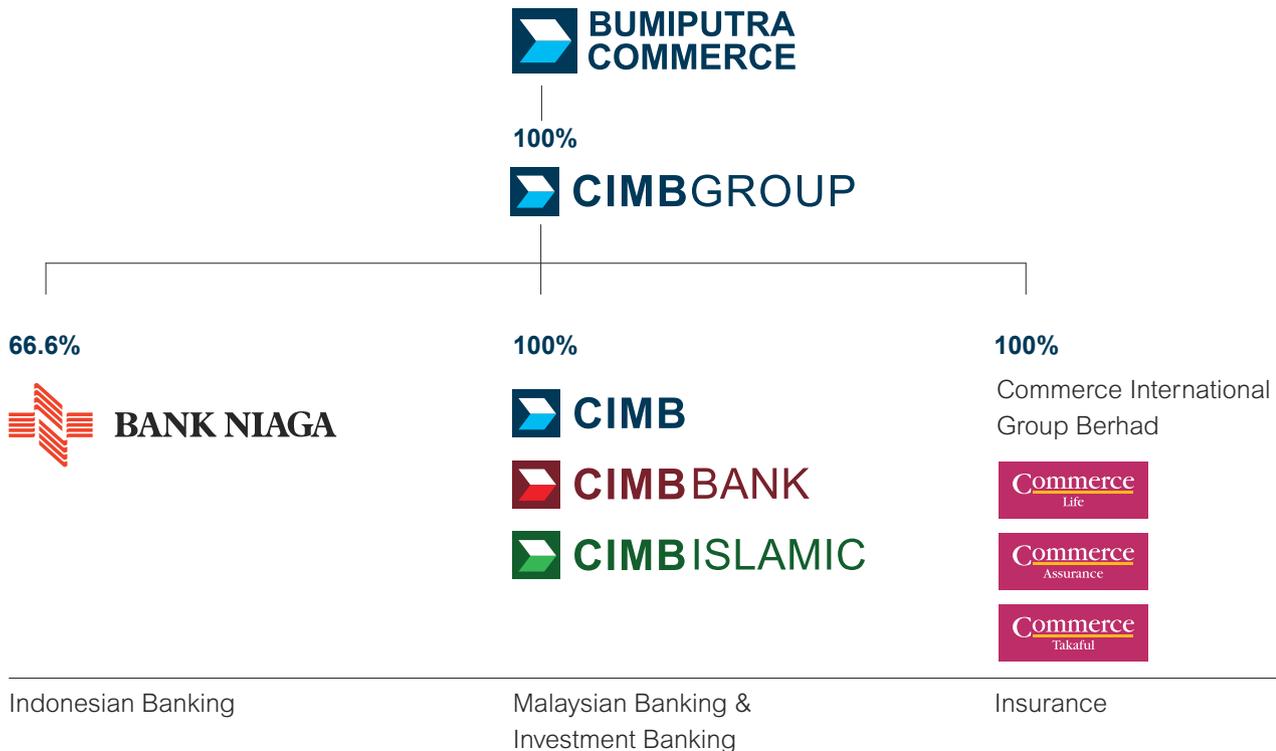
Rating Agency	Issuer	Rating	Subordinated Debt
Moody's	CIMB IB	A3	Baa1
	CIMB Bank	A3	Baa1
Standard & Poor's	BCHB	BBB-	n/a
	CIMB IB	BBB	BBB-
Fitch Ratings	CIMB Bank	BBB+	n/a
	CIMB IB	BBB	BBB-
RAM	BCHB	A1	n/a
	CIMB IB	AA2	n/a
MARC	CIMB Bank	AA	n/a
	BCHB	AA-	n/a

Source : CIMB

In our quest to maximise equity value, we decided to debt-finance the RM6.7 billion SBB acquisition. Although we hit a high gearing ratio of 108% and BCHB (holding company) double leverage ratio of 193.4% upon completion of the deal, we managed to retain all our credit ratings. This was because we clearly articulated our de-gearing strategy to

## Performance Review by Group Chief Executive

## PROPOSED NEW BCHB GROUP



the rating agencies and methodically followed up with its execution. These included rationalisation of assets post SBB merger and sale of our insurance businesses.

In February 2007, we announced a new issue of 117 million shares to Bank of Tokyo-Mitsubishi UFJ (BTMU) raising RM1.335 billion in capital. On a proforma basis, the various asset sales and the BTMU placement would reduce our double leverage ratio to 110% as at 31st December 2006.

Over a period of 12 months, we have changed the complexion of our capital structure from being highly leveraged to possibly over-capitalised. In mid-2007, we will review our present dividend policy.

## CHANGES TO CORPORATE ORGANISATION AND STRUCTURE

### Internal restructuring

In 2005, we had set in motion the internal restructuring necessary to create a universal banking platform under CIMB Group Sdn Bhd. By April 2006, we completed the exercise which resulted in the delisting of CIMB Berhad, the transfer of the assets of CIMB Berhad to CIMB Group

and the transfer of BCHB's shareholding in BCB to CIMB Group. Shareholders of CIMB Berhad received either capital repayment of RM5.50 per CIMB Berhad share or 1.146 BCHB shares for every CIMB Berhad share held. The end result was the merger of the investment banking and consumer banking arms of the Group under CIMB Group.

### SBB Acquisition and Integration

Our unsolicited bid for SBB hogged the corporate headlines for the first 4 months of 2006. We first announced our negotiations with a group of shareholders of SBB in October 2005. However, the SBB Board rejected our overtures outright, and we felt compelled to launch a conditional general offer. The offer valued SBB at RM 6.3 billion. Although this firm offer was also rejected by the SBB Board, we demanded that it be taken to all shareholders for a decision. After several rounds of negotiations, on 15<sup>th</sup> March 2006, the SBB Board finally agreed to endorse our revised offer which valued SBB at RM6.7 billion. This was a landmark in banking mergers in Malaysia and won many accolades including:

- Best Domestic Deal in Asia - The Asset
- Best Malaysia Deal - Finance Asia
- Best M&A Deal - The Edge Malaysia

## Performance Review by Group Chief Executive

The merger continues to set new benchmarks with the publication of an interim merger report, “Southern Bank Merger Progress and Achievement Report” which was made available to the public on 19<sup>th</sup> October. The level of disclosure in the report is unprecedented in Malaysia, and outlines among others, the costs and expected benefits of the merger, including a 3-year potential synergy target of RM200 million per annum.

In the final analysis, post due diligence and asset rationalisation, our investment in SBB was at 2.15x price to book. While already justifiable on a “comparables” basis, this deal is unique in that the two banks were an extremely good match. We are confident that this merger will prove hugely value creating for BCHB.

The assets of SBB were legally vested in CIMB Bank on 1<sup>st</sup> November 2006 pursuant to a vesting order of the High Court. The business integration programme is currently well on-track, with the single IT and operations platform implemented on 18th March 2006, a month ahead of the original schedule.

### KEY PERSONNEL CHANGES

We bade farewell to Tan Sri Dato’ Mohd Desa Pachi following his retirement as Chairman of BCHB on 31<sup>st</sup> July 2006. He had served as Chairman of the Group for 24 years since his appointment to the post on 3<sup>rd</sup> September 1982. Tan Sri Desa has been a Board member from the initial acquisition of Bian Chiang Bank by the Fleet Group in 1979. We thank Tan Sri Desa for his leadership of the Board throughout the Group’s evolution from a one branch bank to its present status as a full-fledged integrated financial services group with a regional presence.

We extended a warm welcome back to Tan Sri Dato’ Md Nor Yusof who was appointed Chairman of BCHB following Tan Sri Desa’s retirement. Tan Sri Md Nor has a distinguished career with the Group spanning more than two decades most of which was as President and Chief Executive Officer of Bank of Commerce Berhad, the predecessor of BCB. We also welcomed all new directors - Dato’ Hamzah Bakar, Tan Sri Dato’ Seri Haidar Mohamed Nor, Dato’ Zainal Abidin Putih, Datuk Dr Syed Muhamad Syed Abdul Kadir, Dato’ Robert Cheim Dau Meng and Mr Cezar Peralta Consing. We would also like to record our heartfelt thanks to the retiring directors, Dato’ Anwar Aji, Tan Sri Datuk Asmat Kamaludin, Dato’ Salleh Mahmud, and Encik Izlan Izhab, for their services to the Group.

Following the SBB merger, the Group Management Committee was reorganised. We welcomed new members of the Group Management Committee who joined us from SBB in July, namely, Tengku Zaitun Tengku Mahdi, Ms Jean Yap, Mr Tan Leng Hock, Mr Peter Miller and Encik Abdul Karim Md Lassim. The Group also appointed Mr Lim Tiang Siew as Chief Financial Officer in October. Mr Lim was previously head of Corporate Finance of CIMB Group. Following the BCHB Group internal reorganisation, Dato’ Shukri was redesignated as Advisor and Executive Director of BCHB and sits on the Group Management Committee. We also bade farewell to Encik Abu Bakar Buyong, Executive Vice President of the Business Banking Division, who retired after 32 years of service with the Group.

At Bank Niaga, we bade farewell to Mr Peter Stok, who retired from his post as President Director effective 1<sup>st</sup> January 2007 after serving in that capacity since June 2000, and as Vice President Director from 1994 - 1997. The Group would like to record a heartfelt thanks to Mr Stok who has contributed greatly to making Bank Niaga the success that it is today. Mr Hashemi Albakri who has taken over the post of President Director has served as Vice President Director for since 2002. A lawyer by training, Mr Hashemi has also served the Group in various capacities including Head of Corporate and Institutional Banking at BCB.

### REBRANDING EXERCISE AND NEW BRANDS

#### CIMB Group

Our universal banking platform was rebranded and relaunched as CIMB Group. The exercise also saw the introduction of “CIMB Group” as a new brand and 3 brand entities which emphasise the different ways we connect with our customers – CIMB Bank (the consumer bank), CIMB (the capital markets franchise) and CIMB Islamic which operates as a comprehensive Shariah-compliant parallel bank. We also launched a new logo which appears in red for CIMB Bank, blue for CIMB Group and CIMB and green for CIMB Islamic to reflect customer segmentation and product design priorities. We also introduced a new tagline “Forward Banking” and our call to action “Bank On Us To See Beyond” representing not only a new beginning, but also what we have brought along with us from the past - namely our paradigm of continual self-improvement, always with an eye to the future, always with the intent of value creation. This

## Performance Review by Group Chief Executive

corporate culture which has been ingrained in our DNA has long been the cornerstone of our achievements.

### CIMB Express



CIMB Express is a new microfinance division launched in October 2006, dedicated to serving the financial needs of lower-income individuals and small businesses, including those who are shunned by the traditional bank. The core product of the new division is “Xpress Cash” an SBB product first unveiled in January 2005. Xpress Cash is structured as a term loan for personal or business use. It is available for amounts as little as RM3,000 to a maximum of RM50,000 for tenures from 6 months to 5 years.

### CIMB Wealth Advisors



Following the acquisition of SBB Mutual jointly with The Principal Financial Group, we rebranded SBB Mutual as “CIMB Wealth Advisors”. It is a fresh identity for our 4,400-strong agency force and reflects a customer-centric approach focused on helping them create, preserve and protect their wealth. CIMB Wealth Advisors will distinguish itself by the high level of training which we will provide our agency force through a new training and development centre.

### Direct Access

Direct Access is a monoline which the Group acquired through the SBB merger. Catering to the mass affluent market, Direct Access provides customers with direct banking services on a 24x7 365-days a year basis. The brand serves a specific consumer segment who prefers the convenience and ease of performing their banking needs “anywhere, anytime” as customers can access the bank through various channels including telephone, fax, the internet, ATMs, and even mail. In addition to issuing “Free for Life” credit cards targeted at professionals and graduates, Direct Access also offers consumer loans and deposit products.

### INTERNATIONAL ADVISORY PANEL



The International Advisory Panel was formed in 2006 to act as an advisory body to the senior management of CIMB Group in the formulation and implementation of its international expansion policies. Tun Musa Hitam, the founding Chairman of International Advisory Panel, together with the other members, comprise various nationalities whose combined experience spans a



## Performance Review by Group Chief Executive

broad spectrum including the financial markets, industry, policy formulation and academia, both domestically and internationally. The inaugural meeting of the Panel was held in November 2006.

### PERFORMANCE BY BUSINESS DIVISIONS

Following the transformation, we have changed the way we analyse the financial performance of the Group's entities. The 3 key entities are now BCHB, the holding company, CIMB Universal Bank and Bank Niaga.

BCHB is principally the listed financing vehicle for the Group and its RM140 million loss in 2006 arose from the cost of funding the SBB acquisition.

Bank Niaga is the Group's consumer banking arm in Indonesia.

### CIMB UNIVERSAL BANK

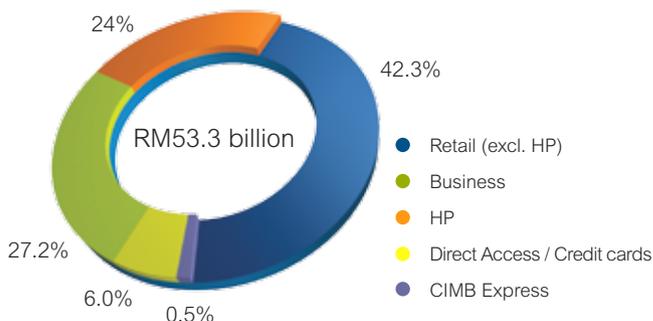
#### Consumer Banking

Consumer Banking is divided into 4 main parts. Retail Banking caters to all our individual retail customers including our Hire Purchase monoline, while Business Banking serves our base of small and medium enterprise (SME) customers. Direct Banking and Cards is a division which houses the SBB "Direct Access" monoline, the credit cards business and CIMB Express. Consumer Sales and Distribution oversees all the consumer distribution channels of the bank including the branch network.

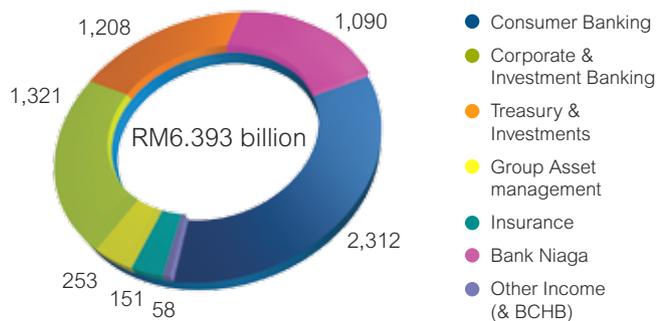
#### BCHB GROUP : FY06 CONTRIBUTION BY ENTITY

(RM mil )	CIMB Universal Bank	Bank Niaga	BCHB (Holding company) & Others	BCHB Group
Revenue	5,321	1,090	(18)	6,393
Profit/ (loss) before tax	1,775	367	(140)	2,002
Net profit/ (loss)	1,428	165	(89)	1,504

#### TOTAL CONSUMER LOANS



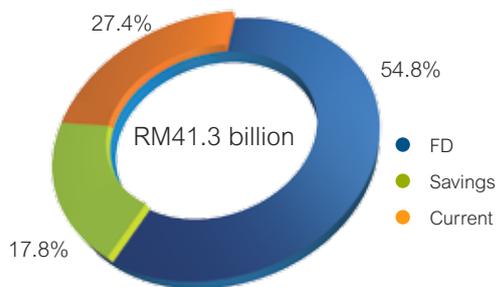
#### TOTAL INCOME (RM million)



Source : CIMB

CIMB Universal Bank comprises 5 core divisions — consumer banking, corporate and investment banking, treasury and investments, asset management and insurance. These divisions operate out of many different entities including CIMB Bank, CIMB Investment Bank, CIMB Islamic and CIMB-GK.

#### TOTAL CONSUMER DEPOSITS



Source : CIMB

2006 was a year of massive changes for the consumer bank. With the SBB merger, our distribution network increased to 383 branches and more than 1,900 self-service terminals to serve over 4.5 million customers. SMEs and mid-sized corporations are serviced through our branches as well as a wide network of 27 Business Centres and 33 Retail Banking Centres nationwide.

## Performance Review by Group Chief Executive

We spent most of the year repairing the consumer bank after seeing 2 consecutive years of high NPLs and loan losses. Key change initiatives include the new credit framework and processes, new fund transfer pricing (FTP) framework and a new incentive framework for staff. As we regarded our credit engine as weak, we allowed our loan assets to shrink and focused instead on deposits and wealth management products.

On 7<sup>th</sup> September, the consumer bank was rebranded and launched as “CIMB Bank” by the Prime Minister who also declared open the first CIMB Bank branch at Starhill Gallery in Kuala Lumpur. Subsequently, 4 more new CIMB Bank branches were opened by end of 2006 - at The Curve Shopping Centre in Petaling Jaya, Bukit Tinggi in Klang, Serdang Perdana and at Genting Highlands Resort. Existing BCB and SBB branches will be rebranded as “CIMB Bank” in stages until August 2007. As at 31<sup>st</sup> December, we had 76 CIMB Bank branches, and we are ahead of schedule in our branch conversion exercise.

We are focusing our efforts on reconnecting with our existing customers to become their primary banker by delivering better product and services. The branches are being subjected to a revamp not only of the physical aspects and cosmetic features but down to the very heart of our service offering by each and every member of the branch staff.

As the whole bank mobilised itself to achieve the new service standards, the results were impressive. For example, average queue times in branches dropped from 11.84 minutes in January 2006 to as low as 3.23 minutes in December, with over 90% of branches achieving the target of keeping queue times under 5 minutes. The continuous internal 5-star certification became a coveted badge when the results were published bank-wide each month and branches could keep track of one another's progress. The mystery shopping process also kept branch staff on their toes.

Our Retail Banking division introduced innovative campaigns and marketing initiatives such as Dream Deposits and Dream Home Loan. New products such as “Money Multiplier” Current Account, Global All-Stars structured deposit, the single premium Best Select product, the new preferred banking offering - CIMB Club

- as well as preferential end-financing packages were all met with enthusiastic response from our customers. We also renamed our internet banking portal as “CIMB Clicks” with additional offerings for our customers' convenience.

For our Business Banking division, it was a year of consolidation and our emphasis was on asset quality. With the aim to be the “Bank of the Entrepreneur”, the division concentrated its efforts on cross-selling the Group's products, servicing customers using a needs-based approach. Our bankers also took on the less pleasant task of repricing loan facilities as the results of a comprehensive review of risk/return profile of our portfolio showed that a large portion of our mid-cap and SME portfolio had been mispriced.

Direct Banking and Cards is a division which has shown remarkable growth within SBB. Direct Access has a strong niche in the mass affluent customer segment. The merged credit card unit is now ranked 4<sup>th</sup> in credit card receivables and 2<sup>nd</sup> in merchant acquiring business among the domestic banks in Malaysia. In 2006, we registered double digit growth in both areas, with cardholder billings growing at 17% and merchant billings at 12%. The growth of 12% in the loan receivables was achieved while maintaining the asset quality with an NPL ratio which is below industry levels. We also formed a strategic alliance with Malaysia Airlines in November 2006 to issue the CIMB Enrich MasterCard, Malaysia Airline's first co-branded credit card.

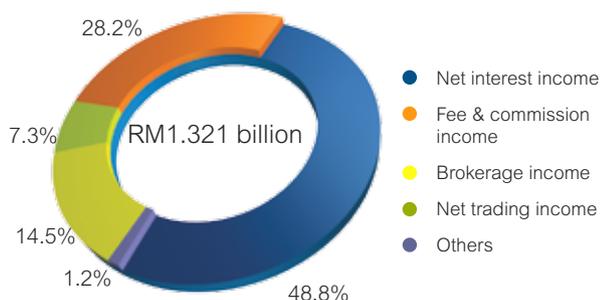
CIMB Express represents a new growth area for the group and supports its philosophy of a universal bank, providing financial services to customers who were previously “unbanked” ie. customers who typically have had little or no access to financial institutions. These customers have been either denied financial services or do not seek them as mainstream financial products as it does not match their needs nor their means. Many have to resort to the informal sector for financing. In 2006, we grew our loan base from RM57.6 million to RM269.3 million and we expect that this unit will continue to be our fastest growing segment in 2007.

### Corporate and Investment Banking

Corporate and Investment Banking is anchored by CIMB Investment Bank in Malaysia and CIMB-GK overseas. In 2006, the division sought to retain its leading market

## Performance Review by Group Chief Executive

### CORPORATE & INVESTMENT BANKING INCOME



Source : CIMB

At a glance	RM bil
• Loans	28.7
• Deposits	22.5
• Assets under management (PB)	3.7

position in the Malaysian domestic market while seeking to expand its regional franchise. By leveraging on the balance sheet of CIMB Bank, the division widened its universe of deals, especially outside Malaysia.

We had a spectacular year in mergers and acquisitions. We even broke the record for Malaysia's largest M&A 4 times during the year! We emerged 7<sup>th</sup> in the Asia (ex-Japan) league table for mergers and acquisitions ranked by deal value. We were the only Malaysian and South East Asian bank to be ranked in the top 10.

Organisational changes resulting from the merger with SBB saw SBB's corporate banking department being one of the first to be merged with CIMB.

### ASIA (ex-JAPAN) M&A ANNOUNCED FOR FULL YEAR 2006

Rank	Advisor	USD mil	Deals
1	JP Morgan	48,372	42
2	Goldman Sachs	38,143	33
3	UBS	32,013	35
4	Citigroup	29,739	43
5	Morgan Stanley	26,175	48
6	China International Capital Corp	25,722	27
<b>7</b>	<b>CIMB</b>	<b>25,458</b>	<b>81</b>
8	Credit Suisse	22,982	25
9	ABN AMRO	22,145	26
10	Deutsche Bank	18,411	17

Source : Dealogic

Mr Ong Liang Heng was appointed Head of Corporate Finance, replacing Mr Lim Tiang Siew who was appointed as Group Chief Financial Officer. Mr Kok Kong Chin and Ms Kong Sooi Lin were appointed co-heads of Investment Banking. Mr William Toh was appointed Deputy Chief Executive Officer of CIMB-GK, and Encik Mohammed Rafidz Rasiddi was appointed Country Head for CIMB-GK Thailand.

PT CIMB-GK Securities Indonesia was officially launched in January in Jakarta. CIMB-GK also opened CIMB-GK Securities (Thailand) in Bangkok and CIMB Investment Bank opened a new branch in Kota Kinabalu in November.

### CIMB'S KEY M&A & EQUITY DEALS - DOMESTIC

- Synergy Drive Sdn Bhd's RM31 billion takeover of Sime Darby, Kumpulan Guthrie and Golden Hope and their subsidiaries.
- MMC Corporation Berhad's RM9.3 billion acquisition of Malakoff Berhad.
- Daikin Industries' RM7.6 billion takeover of OYL Industries.
- Bumiputra-Commerce Holdings Berhad's RM6.7 billion acquisition of SBB.
- Malaysian Mosaics Berhad's RM686 million divestment of shares in Hap Seng Berhad.
- Samling Global Ltd's RM660 million acquisition and conditional takeover of Lingui Development Berhad.
- TH Plantations Berhad's RM93 million IPO.
- Tower REIT's RM216 million IPO.
- Genting Berhad's RM1.0395 billion placement.
- Magnum Corporation Berhad's RM1.339 billion underwriting.



## Performance Review by Group Chief Executive

### CIMB'S KEY M&A & EQUITY DEALS - OVERSEAS

- Wilmar International's US\$2.7 billion takeover of Kuok Group companies including PPB Oil Palms, Kuok Oils & Grains Pte Ltd (KOG) and PGEI Group Sdn Bhd (Malaysia/Singapore).
- Wilmar International Ltd's SGD1.3 billion reverse takeover of Ezyhealth Asia Pacific Ltd (Singapore).
- Salemi International Ltd's US\$540 million mandatory conditional cash offer for First Pacific Company Ltd (Hong Kong).
- Gems TV's SGD308.63 million IPO (Singapore).
- PT Berlian Laju Tankers US\$120 million IPO (Indonesia).
- PT Mobile-8's USD96 million IPO (Indonesia).
- China Kangda Food Company Limited's SGD46 million IPO (Singapore).
- Pan Hong Property Group Ltd's SGD44 million IPO (Singapore).
- Future Park Property Fund's THB4.7 billion IPO (Thailand).
- Wilmar International's SGD345 million placement of shares (Singapore).

### INVESTMENT BANKING

The Investment Banking department continued to play a pivotal role in identifying and capturing capital market deal opportunities for the CIMB Group. The competitive landscape in the capital markets industry proved to be even more intense in 2006, requiring greater level of creativity and responsiveness to clients. We were also challenged by significant changes in personnel in this unit as many senior relationship managers were tapped to run other units in the enlarged firm. With this backdrop, our success in sustaining our large market shares across the capital market was very commendable.

### CORPORATE FINANCE

2006 was a year of M&A in Malaysia with the industry M&A deal value reaching RM106.9 billion, 3 times larger than the 2005 figure of RM32.6 billion. CIMB continued to top the domestic M&A league table with 31 deals announced (exceeding RM50 million) for a total deal value of RM 77 billion or a 42% market share by value.

In 2006, the industry also saw a substantial increase in the value of equity/equity-linked issues from RM4.7 billion in 2005 to RM7.9 billion in 2006. Out of the RM7.9 billion issued, CIMB was no.1 with RM5.3 billion worth of issues.

There were a significantly less number of IPOs in 2006 - 40 IPOs with a total issue size of RM1.9 billion, compared to 2005 of 79 IPOs with a total issue size of RM5.4 billion. CIMB was the adviser for 5 IPOs with total amount raised of RM421 million.

### CORPORATE BANKING

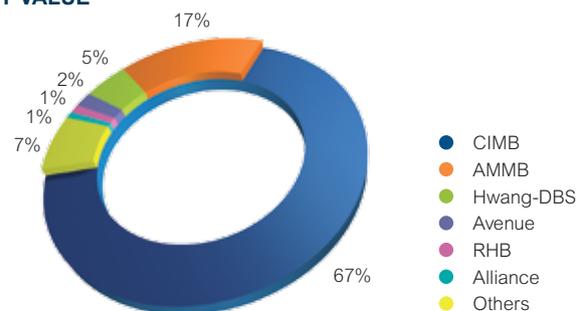
Following the SBB merger, Corporate Banking department has a combined portfolio of about 1,700 corporate banking customers with facilities of over RM51 billion. We believe that the integration of corporate banking within our whole investment banking set-up has worked well, increasing customer reach and improving customer service levels. The loans portfolio grew to RM21.4 billion while the deposit base grew to RM17.6 billion. In terms of asset quality, corporate banking net NPL is low at 5.2% and in 2006 had net loan loss writebacks.

### EQUITIES

2006 was a slower year compared with 2005, attributable to weaker mid-year market conditions and deferment of transactions. Nevertheless, CIMB did well in the Malaysian equity capital markets with several landmark transactions

We played a key role in developing the structured warrants market in Malaysia. Out of the 25 structured warrants issued in Malaysia in 2006, 23 were issued by CIMB, earning us the position as market leaders in structured warrants. In line with our commitment to raise market awareness and understanding of equity derivatives products, we also conducted numerous product briefings and press conferences for investors throughout Malaysia in 2006. In February 2007, we launched the CIMB Warrants Portal, a public website which is a one-stop education, information

### MARKET SHARE OF EQUITY/EQUITY-LINKED ISSUES IN 2006 BY VALUE

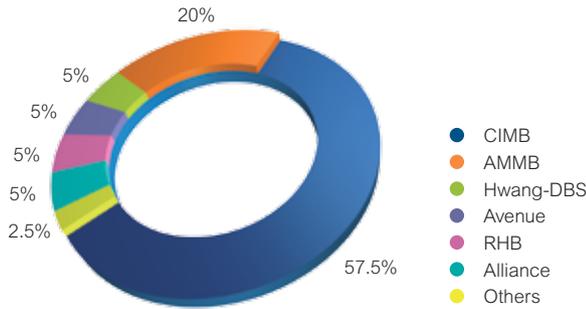


Note: Excludes private placements and special issues

Source : CIMB, Bursa Malaysia announcements

## Performance Review by Group Chief Executive

### MARKET SHARE OF EQUITY/EQUITY-LINKED ISSUES IN 2006 BY NUMBER



Note: Excludes private placements and special issues  
 Source : CIMB, Bursa Malaysia announcements

and investment tool on call warrants, further entrenching our position as a market leader in the development of the warrants market in Malaysia.

Our proprietary equities trading portfolios performed well on the back of strong global equity markets. The KLCI hit new highs and several regional markets (China, Hong Kong, India, Indonesia and Singapore) reached all time highs. We will continue to refine investing strategies, grow assets under management and adopt new trading strategies into 2007 in order to further enhance return on capital.

### PRIVATE CLIENT SERVICES

Private Client Services comprises 2 sub-units, namely, Retail Equities (which provides equity trading for retail clients) and Private Banking which caters to the wealth management needs of high net worth investors.

Although Bursa Malaysia's turnover expanded 42% in 2006, retail interest was not as strong resulting in Retail Equities recording an income growth of only 21% from 2005.



In respect of Private Banking, we were able to further consolidate our position, developing offshore products, widening the range of structured products including 3rd party products, offering forex remittance and other services as well as growing our network to 3 locations with Kota Kinabalu being this year's addition. This was to offset a weaker retail interest in equities as well as a weaker bond market in 2006 which recorded a decline of 32% in turnover. Hence, despite the weak contributions from domestic equities and bonds, Private Banking's turnover grew by 19%. As at end December 2006, Private Banking's AUM totalled RM3.48 billion, which represented an increase of 22% over the year.

### SECURITIES FINANCING

The Securities Financing department provides financing secured by investment deposits, structured products and securities. Growth in loans of 25.3% was commendable but slower than expected. In 2007, this unit will be integrated with Retail Banking to widen its reach.

### INTERNATIONAL BANKING & TRANSACTIONS SERVICES (IBTS)

In 2006, IBTS was reorganised into 3 business units, namely, International Banking (which encompasses International Credit, Loans Syndication & Trade Finance and Global Financial Institutions), Cash Management and Securities Services.

The screenshot displays the CIMB website interface with the following sections:

- Navigation:** Home, About Us, Analysts, News, Information.
- Market Data:**
  - CONSUMER 202.12 1.76
  - IND-PRD 106.75 5.15
  - CONSTRUCT 227.82 6.92
  - TRAD/NOV 164.81 5.02
  - TECH
- News & Picks:**
  - Warrants: 80 F
  - WARRANTS: 28.1
  - WARRANTS: 29.1
  - WARRANTS: 27.7
  - WARRANTS: 27.4
- Charts:**
  - Line chart for CONSUM (CHOICE) showing price movement from 30 Jan to 23 Mar.
  - Bar chart for 2006Y KTRANK showing monthly performance.
- Market Summary:**
  - KLSE 1206.38 (+0.06)
  - MI: 1210.85
  - Lat: 1206.89
- Stock Table:**

Symbol	Low	High
BURSA:CC	0.310	0.375
ASB:WA	0.230	0.260
MAU:CB	0.220	0.260
MAY:BAH:CB	0.220	0.260
TAMB	0.250	0.300
INDA:DN	0.240	0.300
EVERGREEN	0.240	0.300
WINDLEWA	0.120	0.150
MALP:WA	0.470	0.500
SIN:Y:CB	0.240	0.300
- Top 5 Most Attractive / Top 5 Least Attractive:**

Date	Name	Last Price	Volume	Share Price	Price/Share	Share Price	Market Cap	Dividend Yield
4/10/06	TRU:CA	0.990	38,304	7.01	1.04	7.23	0.91	0
4/10/06	TRU:CC	0.290	4,490	7.70	4.26	8.02	0.30	0
4/10/06	CONCOR:CC	0.370	1,404	0.86	13.76	0.87	10.76	0
4/10/06	RECOR:CB	0.300	3,241	0.75	33.46	0.47	0.40	0
4/10/06	MA:4:CC	0.380	0.390	0.55	0.36	0.36	49.46	0

## Performance Review by Group Chief Executive

International Credit remains the core contributor to IBTS' results. Total gross loans increased by 8% to RM7.4 billion as at end 2006. The Loans Syndication and Trade Finance unit has made good progress in Singapore. Since its relocation in August 2006, the unit has successfully committed RM1.03 billion in funds at top arranger level. Cash Management continued to build its business model, recording growth in its CIMB Biz-Channel income. Moving forward, income from the Cash Management unit is expected to grow significantly. Security Services comprises credit agency, credit operations, fund accounting, trustee and custodian services. In 2006, efforts were focused on integrating the security services units under CIMB Investment Bank, CIMB Bank and SBB into a single operating unit.



### CIMB-GK PTE. LTD. (CIMB-GK)

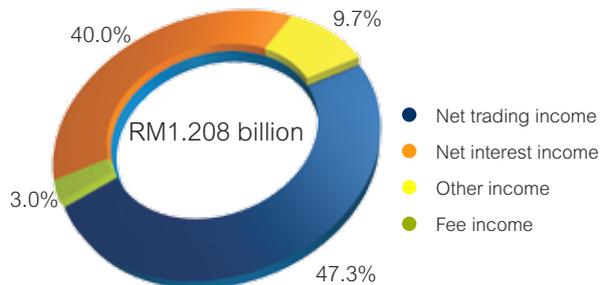
CIMB-GK made its first full year contribution to CIMB Group in 2006, following its acquisition in June 2005. Its revenue of RM406 million (SDG178 million) was 24% higher than in 2005, with growth coming from all its business divisions on the back of buoyant market sentiment.

Institutional Equities, which has been consolidated Group-wide under CIMB-GK to cover all markets in South East Asia (including Malaysia) and Hong Kong, recorded strong earnings growth of 20% to SGD37.3 million in 2006. Corporate Finance which completed several major transactions during the year recorded revenue growth of 55%. This was partially offset by slightly lower earnings in Retail Broking and Wealth Management due to rising operating costs. Commission revenue from GohDirect online continues to be a significant channel for Retail Equities with monthly online average commission increasing by 30% from 2005.

### Treasury and Investments

The Group Treasury Division is the merged markets and treasury operations of CIMB, BCB and SBB which provides the BCHB Group with strong capabilities to intermediate in interest rate, credit spread and FX term structures across every market segment including the consumer, SME, corporate, institutional investor and inter-bank markets. Group Treasury is also responsible for the balance sheet and capital management as well as funding for BCHB Group and its banking subsidiaries including investment management of the Group's capital and managing the Group's capital and debt gearing structure.

### TREASURY & INVESTMENT INCOME



Source : CIMB

In July 2006, we implemented the Option Adjusted Matched Duration Funds Transfer Pricing ("FTP") framework for CIMB Bank. The key objective of the FTP system is to measure cost and credit for funds for each loan and deposit reflecting the interest rate, optionality and liquidity risk return profile of each asset/liability item in the loan and deposit balance sheet accurately. Adoption of the FTP framework has been, and will continue to be, crucial for-

- preservation and optimization of the economic value of the commercial bank's loan and deposit balance sheet.
- periodic net interest income management.
- transforming the commercial bank into a spread intermediation franchise and reducing its Net Interest Income volatility from interest rate movements.
- expansion of loan and deposit banking products out the interest rate and optionality term structure.
- management of the bank's balance sheet in terms of hedging, net interest income profiling and product pricing guidance.

## Performance Review by Group Chief Executive

In recognition of the initiatives put in place, CIMB was awarded The House of the Year, Malaysia by AsiaRisk, for improvement in Asset Liability Management of the bank's loan and deposit balance sheet.

### STRUCTURED PRODUCTS



We significantly expanded our Structured Product/Deposit offerings in 2006 and successfully utilized the enlarged sales and distribution channels of the universal bank to cover a much larger market segment. In July 2006, we launched Malaysia's first structured deposit, the All Stars Global Guaranteed Deposit, which is a principal protected structure where the payout is based on a basket of highly identifiable global equity counters. This was well received by the Malaysian markets and was followed swiftly with several other successful product launches including the Star Select and Best Select. AsiaMoney's Structured Products Poll voted CIMB Bank the Best Domestic Provider of Local Currency Products in 2006.

### FIXED INCOME SECURITIES - ORIENTATION, SYNDICATION AND MARKET MAKING

In 2006, we retained our No. 1 position in the Malaysian (Ringgit Private Debt Securities) League Table, with a market share of 47.1% where we significantly widened our market leadership position as compared with a 20.1% market share in 2005. In the USD-denominated bond segment issued by Malaysian issuers, CIMB increased its market share from 8% in 2005 to 25% in 2006.

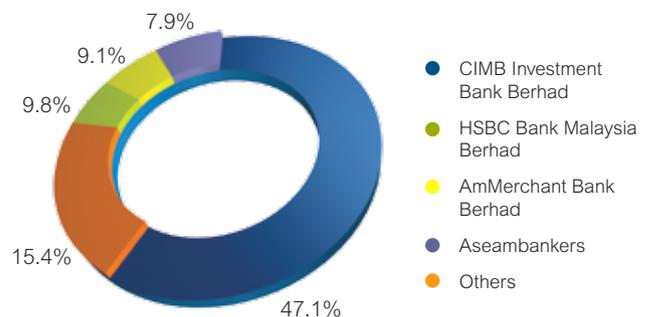
A significant growth driver for 2006 and the future continues to be Islamic corporate debt issuances. In

recognising and tapping this growing sector of the market, CIMB managed to rank No.1 domestically and globally for Islamic corporate debt issues.

### CIMB'S KEY DEBT TRANSACTIONS - DOMESTIC

- Khazanah Nasional Berhad's US\$750 million Islamic Exchangeable bond via a special purpose vehicle, Rafflesia Capital Berhad.
- Public Bank's RM1.2 billion tier 1 capital instrument.
- Penerbangan Malaysia Berhad's US\$1 billion global bonds.
- Resorts World Berhad's RM1.1 billion convertible bond issue.
- Project Lebuhraya Utara-Selatan Bhd's MTN Programme - RM2.26 billion Sukuk Series 1, RM2.41 billion Sukuk Series 2 and RM4.5 billion Sukuk.
- Bank Pembangunan & Infrastruktur Malaysia Bhd's RM7.0 billion Islamic and Conventional MTN Programme.
- MISC Berhad's RM1 billion CP/MTN Program.
- Rantau Abang Capital Berhad's RM3 billion Islamic CP/MTN and RM7 billion Islamic MTN Programme.
- Sabah Development Bank Berhad's RM500 million bond issue.

### RAM & MARC LEAGUE TABLES FOR DOMESTIC BOND ISSUES - 2006



Source : RAM & MARC

## Performance Review by Group Chief Executive

### CIMB'S KEY DEBT TRANSACTIONS - OVERSEAS

- US\$250 million Notes issued by a unit of P.T. Excelcomindo Pratama of Indonesia.
- US\$200 million Sukuk Istisna & Ijara Trust Certificates issued by Tabreed 06 Financing Corporation, guaranteed by the National Central Cooling Company PJSC of the United Arab Emirates.
- IDR1 trillion 5-year Bonds issued by PT Bank Jabar of Indonesia.

We made progress into the regional and Middle Eastern debt capital markets as we lead managed several USD-denominated global bond issues by non-Malaysian issuers.

CIMB also made inroads into the regional domestic currency bond markets with our inaugural Rupiah-denominated IDR1 trillion 5-year bond issued by P.T. Bank Jabar which was jointly lead managed and underwritten by P.T. CIMB-GK Securities Indonesia.

### PRIMARY AND SECONDARY MARKET TRADING

CIMB takes principal positions through market making and proprietary trading activities in fixed income, foreign exchange, commodities, equity and their derivatives. We achieved strong levels of profitability on the back of volatility in the currency, interest rate and credit markets. We continue to command a sizeable 11% and 25% market share of secondary trading volume in the Ringgit sovereign and corporate bond markets respectively. We were awarded the Best Secondary Trading House in Sovereign and Corporate Ringgit Bonds by The Asset and Best Domestic Provider of FX Services by AsiaMoney. We also expanded our trading activities to cover commodities.

We expanded our sales trading coverage especially for foreign exchange and the regional fixed income markets. With domestic banking licenses in Malaysia, Singapore and Indonesia, we have been building up our sales

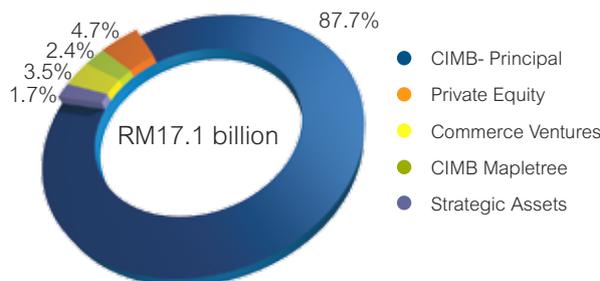
trading coverage to enable us to take advantage of the growing trade and investment flows between these three economies and to meet the foreign exchange and investment needs of our government, institutional, corporate and retail clients. Our Institutional Sales team now covers accounts in Singapore, Brunei, Hong Kong, London, Indonesia and the Middle East, in addition to our coverage in Malaysia. We have reorganised our Foreign Exchange Sales teams to significantly expand our market making in foreign exchange spot, forwards and swaps and longer-term foreign exchange products.

In 2006, we expanded our trading presence in the Asian Dollar bond markets as well as commenced Singapore Dollar-denominated and Hong Kong Dollar-denominated fixed income trading. As a natural progression of our trading activities, we initiated market-making activities in FX Options and started trading in commodities. We won the Best Secondary Trading House in Sovereign and Corporate MYR bond market for 2006 award by The Asset and the Best Domestic Provider of FX Services for 2006 by Asiamoney.

### Asset Management

Group Asset Management is a new division within the universal bank which combines all the Group's funds management activities. CIMB-Principal houses the Group's conventional funds management business while retail agency business is conducted through CIMB Wealth Advisors, our agency force. In respect of wholesale funds, private equity and venture capital funds are managed by Commerce-Ventures and CIMB Private Equity. The real estate fund is managed by CIMB Mapletree while a newly

### ASSET MANAGEMENT AUM



(excludes private banking and CIMB-GK)

Source : CIMB

## Performance Review by Group Chief Executive



### Group Asset Management

*From left to right:*

Vijay Sethu  
 Darawati Hussain  
 Raja Noorma Othman  
 Raja Shamsul Kamal  
 Noripah Kamso  
 Adrian Ong  
 Tan Beng Wah  
 Suryono Darnor

formed fund for investment in strategic assets is managed by the South East Asian Strategic Assets Fund.

With over RM20 billion of AUM, we are the largest fund management company in Malaysia.

2006 was a challenging year for CIMB-Principal, with a high redemption rate of unit trusts, resulting in AUM falling 13% year on year. The AUM for wholesale funds however, rose 36%. We launched 5 funds, leading the market in

innovation. Among the new funds were Malaysia's 1<sup>st</sup> Islamic Asia Pacific Equity Fund (Asia Pacific Adil fund), Malaysia's 1<sup>st</sup> closed-ended Bond Fund with foreign FIS exposure (Multi-maturity Income Fund), Malaysia 1<sup>st</sup> global balanced fund (SBB Global Balanced Fund) and the 1<sup>st</sup> Asia (including Japan) equity fund (SBB Asian Equity Fund). Our regional business continued to gain traction. We listed the 1<sup>st</sup> ASEAN Exchange Traded Fund (ETF), the FTSE/ASEAN 40 ETF, on the Singapore Stock Exchange in September. In the same month, we also launched the Kausar Balance Growth Fund in Indonesia, which is Indonesia's 1<sup>st</sup> Shariah compliant unit trust fund with offshore exposure. We were also the 1<sup>st</sup> asset management company to distribute RM-denominated mutual funds in Singapore and Indonesia through CIMB-GK and Bank Niaga.

In respect of our wholesale funds, our private equity arm, Commerce-Ventures, exited 2 investments in Big Tree Outdoor (a media company) and the International Medical University. As a result, Commerce-Ventures recorded a



## Performance Review by Group Chief Executive

record profit before tax of RM103 million for 2006. CIMB Mapletree, our real estate fund, is now fully invested. We also launched the South East Asian Strategic Assets Fund (SEASAF) in partnership with the Standard Bank of South Africa, with USD100 million in commitments from CIMB Group, Standard Bank and the Employee Provident Fund (EPF).

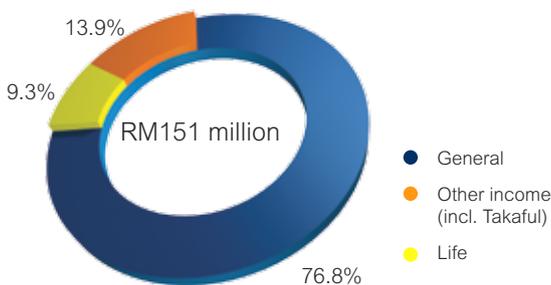
We won 5 Asia Asset Management Awards for 2006. In the Best of Best Malaysia category, we won all the 4 awards offered including the inaugural award for Best Offshore Fund for our Global Asset Spectra Fund and Best Islamic Fund House. For the second year in a row, CIMB-Principal won Most Improved Fund House as well as Most Innovative Product, and this year it was for the groundbreaking FTSE/ASEAN 40 ETF. CIMB-Principal's Chief Executive, Noripah Kamso, was named Marketing Personality of the Year, a pan-Asian Best of Best Regional category. Noripah has won this award for the second year in a row.

### Insurance

This division comprises general insurance, life insurance and takaful.

In September 2006 we began a process to rationalise our insurance business and trim our portfolio to optimise management resources. We undertook an extensive RFP process to select suitable partners for its insurance businesses. The response to our RFP was very encouraging with attractive bids from various global bancassurance players, demonstrating the potential of our new universal banking franchise and the Malaysian insurance market as a whole.

### INSURANCE INCOME



Source : CIMB

In line with our decision to strengthen our customer value proposition in insurance products and services and focus on core competencies, we announced our decision to sell a 49% stake in Commerce Life Assurance Berhad and Commerce Takaful Berhad for a cash consideration of RM500 million to Aviva Pte Ltd. We also announced our decision to sell 100% of Commerce Assurance Berhad to Allianz General Insurance Malaysia Berhad for a cash consideration of RM490 million, retaining with Allianz a strategic alliance to distribute general insurance products through CIMB Bank. The deals are scheduled for completion in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters respectively.

### Islamic Banking



2006 saw the merger of CIMB Investment Bank's Islamic division with Commerce Tijari Bank Berhad, a subsidiary of Bumiputra-Commerce Bank. CIMB Islamic is the product of this merger and combines the investment banking expertise of the CIMB Group with the reach of the consumer bank's wide distribution network. CIMB Islamic appointed Encik Badlisyah Abdul Ghani as Chief Executive Officer. Encik Badlisyah was formerly head of CIMB Investment Bank's Islamic division. Encik Muzaffar Hisham was appointed Deputy Chief Executive Officer of CIMB Islamic.

As a step towards ensuring that our customers have a choice of either conventional or Islamic banking options, we took the strategic move of operating CIMB Islamic on a dual banking or parallel basis for the entire range of services of CIMB Group. By focusing on providing comprehensive and innovative Shariah-

## Performance Review by Group Chief Executive

compliant products and services, all customers - whether individuals or corporations - will have a Shariah-compliant option for any financial transaction or instrument - whether it is in respect of consumer banking, investment banking, treasury or asset management. CIMB Islamic also manages and oversees the overall development, marketing, execution and distribution of CIMB Group's Islamic banking and finance products and services.

As part of CIMB's growth strategy and to further extend its reach to clients, we launched CIMB-Kanoo Islamic Investment Company BSC (C) ("CIMB-Kanoo") in Bahrain. CIMB-Kanoo, which is a joint venture with Yusuf Bin Ahmed Kanoo WLL, started operations in January 2007. It is also CIMB's first venture outside of South East Asia.

The joint venture will allow us to participate in the Islamic capital markets in the Middle East, which has gone through an unprecedented period of growth. It also signifies our deep commitment to the Middle East market to better serve our customers there as well as provide a financial services bridge between the two regions.

For 2006, CIMB Islamic advised a total of 31 issues worth USD7.1 billion and capturing 32.5% of the global sukuk market. This placed us as the top sukuk issuer globally. In the domestic market, our market share was 55%.

CIMB has led the market again this year by pioneering several groundbreaking deals including the world's first exchangeable sukuk. CIMB acted as Joint Bookrunner, Joint Lead Manager and Joint Shariah Advisor for Rafflesia Capital Limited's (Rafflesia) USD750 million Exchangeable Sukuk in the world's first Shariah-compliant exchangeable bond. Rafflesia is a subsidiary

of Khazanah Nasional Berhad, the investment arm of the Malaysian Government. The Exchangeable Sukuk was also the largest ever exchangeable bond out of Malaysia and the largest exchangeable instrument issued out of Asia ex-Japan to date. The Rafflesia issue won several awards from various publications during the year.

## OTHER KEY SHARIAH FINANCING DEALS

- Projek Lebuhraya Utara-Selatan Berhad's RM9.8 billion Sukuk.
- Rantau Abang Capital Berhad's RM3.0 billion Islamic Commercial Papers/Medium Term Notes Programme and RM7.0 billion Islamic Medium Term Notes Programme.
- Bank Pembangunan Malaysia Berhad's Islamic MTN Programme of up to RM7 billion and Conventional MTN Programme of up to RM7 billion.
- United Arab Emirates National Central Cooling Company's (TABREED) USD200 million Sukuk.
- Penang Bridge Sdn Bhd's RM695 Million Zero Coupon Serial Sukuk Istisna.
- Putrajaya Holdings Sdn Bhd's RM2.2 billion Murabaha facility.

## BANK NIAGA

Bank Niaga reported net income for the financial year ended 31<sup>st</sup> December 2006 of Rp 648 billion, up 18% from a year ago which translates to a net ROE of 16.6%. Net interest income grew by 28% over the year to a record figure of Rp 2.21 trillion with net interest margins

## BANK NIAGA - FINANCIAL PERFORMANCE SNAPSHOT

(Rp billion )	FY06	FY05	Y-o-Y
Net interest income	2,212	1,726	28%
Non interest income	692	411	68%
Other operating expense	(1,467)	(1,209)	21%
<b>Operating income before provision</b>	<b>1,437</b>	<b>928</b>	<b>55%</b>
Loan provisions	(351)	(169)	108%
Other provisions	(58)	(32)	81%
Non operating/ (loss) income	(96)	19	(605%)
<b>PBT</b>	<b>932</b>	<b>746</b>	<b>25%</b>
<b>Net profit</b>	<b>648</b>	<b>547</b>	<b>18%</b>
<b>Net profit (RM mil)</b>	<b>259</b>	<b>212</b>	<b>22%</b>

## Performance Review by Group Chief Executive



### **PT Bank Niaga tbk**

*From left to right:*

James Rompas

Tay Un Soo

Catherine Hadiman

C. Heru Budiargo

Hashemi Albakri

improving 34 basis points on year to 5.94%, due to the decreasing trend of the benchmark interest rates during the year.

Bank Niaga's gross and net NPL ratios have improved significantly to 3.47% (31st December 2005: 5.23%) and 2.72% (31st December 2005: 4.29%) respectively with the disposal of its largest corporate NPL in September 2006. Loan loss coverage ratio stood at 60% from 41.6% a year ago. Cost to income ratio also improved to 47.6% from 54.4% at the end of 2005 with higher total income generated.

The Bank opened 11 new branches, with a total of 240 branches at the end of 2006. We also increased the ATMs by 62 units to a total of 397 machines. We are also happy to have served 34,000 new customers in 2006.

Bank Niaga again received many domestic and regional accolades, recognizing its achievements on various fronts. Among others, the Bank was named as "The Most Consistent Bank in Service Excellence by the InfoBank

magazine, "The Best Commercial Bank for Real Estate 2006" by Euromoney and "The Best Managed Company in Mid Cap Category" by AsiaMoney. Bank Niaga was also selected as one of the 'Highly Trusted Companies' in the 2005 Corporate Governance Perception Index (CGPI) Award presented by the Indonesian Institute for Corporate Governance (IICG) and SWA Magazine.

### **KEY SUPPORT SERVICES**

#### **Group Finance**

During the year, Group Finance continued to play a key role in the various mergers and acquisitions undertaken by the CIMB Group, having been actively involved in the implementation of the integration between CIMB Investment Bank and CIMB Bank, the merger between CIMB Discount House and CIMB Investment Bank, CIMB Securities and CIMB Investment Bank, and between SBB and CIMB Bank. This included the successful alignment of finance functions, accounting policies and chart of accounts mapping of CIMB Investment Bank, CIMB Bank and SBB.

## Performance Review by Group Chief Executive


**Group  
Information &  
Operations  
Division**

*From left to right:*

Norazah Mohd Noor

Kong Kim Yihe

Iswaraan Suppiah

Francis Collin  
Lazaroo

Chin Seow Si

Significant efforts were also made to further improve finance work flows and processes to better serve the Group, with commendable progress. This included the successful implementation of the new FTP framework for the CIMB Group, the implementation of a new and enhanced treasury system, the generation of profit & loss statements for products by foreign exchange currencies as well as the significant time reduction in the generation of daily profit & loss statements for all our trading units.

**Group Information and Operations Division**

GIOD, the operations and technology hub of CIMB, has seamlessly integrated its varied service offerings under one umbrella. Adopting a one-stop service concept, GIOD has reaped operational benefits in many frontiers across the Group. One of its greatest achievements for the year was the development of an IT and Operations Strategic Blueprint, which is currently in the implementation stage. IT continues to play a pivotal role in CIMB as an enabler in creating a customer

centric, robust and scalable universal banking platform at optimal cost. Among the notable projects completed in the year include the Private Banking and Treasury system implementations.

We also launched a bank-wide initiative to correct errors in our customer information. This will pave the way for us to communicate more effectively with our customers and to support our CRM marketing initiative.

To facilitate our growth in mortgages, we initiated a “loan processing transformation” project to improve turnaround time for disbursement of mortgage loans. As part of this project we became the first financial services company in Malaysia to deploy document management and imaging technology called “EMC Documentum”. This initiative won the “Best Change Management” award at MIS Asia’s IT Excellence awards to 2006.

We were the first bank in Malaysia to sign on to Telekom Malaysia’s managed network solution, TM IP VPN

## Performance Review by Group Chief Executive

(Internet Protocol Virtual Private Network) Premier. This solution prioritises network traffic using advanced Multi Protocol Label Switching technology, and offers a cost-effective, secure, flexible, IP VPN service. This ensures that all mission-critical information is delivered in a timely and reliable manner to multiple users throughout the head office and branches.

After about 9 months of negotiations, we signed a new 10-year IT outsourcing agreement with EDS, a move which will enable us to achieve rapid and sustainable cost reduction in IT, and improved service quality and operational flexibility. This includes a 22% overall cost savings from our 2005 baseline after an initial period of 18 months following transformation and cost savings initiatives to be introduced by EDS. We estimate that, under the new agreement, our cost savings over the 10-year period will amount to RM250 million.

### Group Strategy

During the year, Group Strategy played a pivotal role in the merger with SBB. The transaction garnered awards from several business publications - a further testament to its innovative deal structure and synergistic fit. Post merger, Group Strategy anchored the integration process - key in merging the businesses of the merged entity to become more efficient and competitive and realise the potential synergy values.

Group Strategy anchored a number of other strategic projects, including the sale of CIMB Wealth Advisors and SBB Asset Management; on-going proposed sale of Southern Investment Bank; internal reorganisation of BCHB; rationalisation of the Group's insurance business; and spearheaded the synergy realisation plans between CIMB Universal Bank and Bank Niaga.

### GROUP RISK MANAGEMENT

The Group Risk Management Framework continues to emphasise the establishment of a risk culture that places risk considerations (credit, market, liquidity and operational risks) as key focal points in evaluating and pricing potential business transactions. By this measure, the officers who are responsible for generating revenue are regarded as the true risk managers, and they take primary responsibility to establish the "first line of defence" against downside consequences.

This was coupled with the introduction of a revised credit framework in line with domestic and international best practices for credit risk management. A credit-scoring model for all products which aim to price risks correctly in all business transactions was also implemented.

Recent asset quality measurements have indicated that there have been improvements in the asset quality as the rate of fresh NPLs and loan delinquencies has started to decline, particularly in the 2nd half of the year. Additionally, as risks are more correctly priced into deals and credit facilities, this has led to better profitability despite loan asset shrinkage and high credit charge on legacy assets.

### Group CEO's Office

The Group CEO's Office comprises four main departments - Government Relationship Management, Customer Care, Group Recovery and Group Internal Audit (which reports primarily to the Audit Committee).

## Performance Review by Group Chief Executive

An important aspect of customer relationship management is the role of the Government Relationship Department as the contact point with government bodies and agencies and Government-linked companies (GLCs) with about 600 relationship accounts. During the year, it actively participated in ICT projects undertaken by government agencies (particularly the Accountant General Office, EPF, IRB and Royal Customs) and in promoting the Group's products and services especially the CIMB Biz-Channel, Autopay, Direct Debit Services and CIMB Clicks to both the government agencies and GLCs.

The Customer Care Department set the industry standard in handling of customers complaints. During the year, it had consistently upheld the BNM industry wide benchmarking complaints handling standard. The department had been consistently rated above the industry average standard in every quarter.

Group Internal Audit had a very busy year transforming itself in line with the needs of the enlarged business.

Group Recovery is key to creating a strong banking franchise. It covers the non-performing portfolios of Retail Consumer, Corporate, Business and Retail Business, with a legally claimable NPL book of RM14.2 billion.

Group Recovery recovered and re-classified a total of RM2.8 billion worth of NPL during the year. We also decentralised Retail Business Recovery and Retail Consumer Recovery into 5 centres and 11 centres respectively to enable us to better reach our customers. This, coupled with the new credit framework and credit scoring models has seen the monthly fresh transfer of loans into NPL and total delinquents trending down from May 2006 onwards.

We continued to be innovative in our recovery methods. For instance, we took the industry lead in "mega auctions" for properties and introduced "clinical days" at weekends throughout the country to help customers restructure their facilities.

### Investor Relations

2006 was a very eventful year for Investor Relations. With the increase in market capitalisation, high free float and frequent news flow, investors and analysts intensely followed our corporate moves. In addition to the analyst briefings, conference calls organised for BCHB's financial results, we held over 100 Investor Relations meetings, domestically and overseas, throughout the year to uphold our high standards of transparency and accountability towards investors.

### Group Corporate Resources

Group Corporate Resources covers Human Resources, Corporate Communications, Administration and the Sports and Recreation Departments.

For Human Resources, in 2006, we focused on inculcating a high performance culture in the consumer bank, while ensuring a successful transition for SBB staff post-merger. We introduced a new compensation paradigm with performance-driven rewards and recognition. We were also quite successful in obtaining support from employee unions for this new paradigm.

For staff who felt they could not accept the paradigm, we made available exit options via a Voluntary Separation Scheme (VSS) and a Mutual Separation Scheme (MSS). About 12.5% of BCB staff took up the VSS and MSS offer with a total cost of RM119.5 million to the Group in 2006.

## Performance Review by Group Chief Executive

In respect of the SBB merger integration, more than 4,000 SBB staff joined us post-merger, with 99.5% of staff accepting our offer of employment. Grading and compensation structures were harmonised throughout the merged bank, while training and re-skilling activities were conducted to ensure a smooth transition towards becoming “one bank”.

As part of talent management, the Commerce Leadership Institute continued to work with senior management to groom the Group's future leaders. A total of 134 candidates were identified for the talent management and succession planning pool and will undergo a continuous development programme.

For Corporate Communications, much of our focus was spent this year on the launch of the Group's new brand, and managing the communications strategy in line with the rebranding exercise. In addition, the department managed more than 100 events

The Group Administration Department was focused on the relocation of staff and various departments following the merger with SBB. It also provided the physical support for the rebranding exercise in ensuring that all the Group's buildings, signage, stationery, calling cards and a myriad of other matters were all updated promptly with the new logos. It also initiated a centralised procurement system to better manage risks.

The Sports and Recreation Department represents the fun part of working in CIMB. However, competitive as we are, we encouraged staff participation in sporting activities, in particular the MIBA Games and the Interbank Games, emerging 2nd and 3rd respectively. The Department also organised a Treasure Hunt in which more than 800 staff participated (in a total of more than 200 cars).

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

We believe in giving back directly to each community that we serve and in which we thrive. Total CSR spend in 2006 was in excess of RM7.3 million in the form



of donations and sponsorships for a long list of charities and causes.

Responding to the earthquake in Jogjakarta, Bank Niaga and CIMB Group collaborated to set up the CIMB-Niaga Jogja Relief Fund. Proceeds from the fund were used to help rebuild a school which was completely destroyed by the earthquake. The new building will have 12 classrooms and other amenities to accommodate 480 students.

At CIMB Bank, we unveiled the CIMB Community Link Fund, a CSR programme in which bank branches and customers will contribute to the surrounding community on an on-going basis. Customers do not come up with any cash, but instead CIMB Bank will donate a portion of its earnings or cost-savings to fund community projects. Customers contribute to the fund by utilising branch features which generate cost-savings such as using the ATM instead of teller services, opting for statement based accounts instead of passbook-based ones and actively using internet banking facilities. This means that when customers bank with us, they are banking for their community. Customers also help select the community project or charity to which we contribute each month or quarter by casting votes at a special voting console at the branches.

At the beginning of 2006, we announced our partnership with Majlis Sukan Negara and The Squash Rackets Association of Malaysia as “Rakan Sukan Squash” for a period of two years. We agreed to sponsor a sum of

## Performance Review by Group Chief Executive



RM3 million (RM1.5 million per year) to support Majlis Sukan Negara and The Squash Rackets Association of Malaysia in their effort to develop and promote squash in the country. With this sponsorship, we hosted the CIMB Kuala Lumpur Open Squash, CIMB Malaysian Women's Open and CIMB Malaysian Men's Open.

CIMB also signed an agreement with World Squash Champion, Nicol David, as her main sponsor. We have been deeply inspired by Nicol's ability to continuously improve her game; and apparent complete lack of complacency. At CIMB, our corporate culture is one of high performance and continuous improvement. Nicol is an inspiration to all of us at CIMB, and I'm sure, to all Malaysians as well.

The BCHB COBRA Rugby Development Programme which is to run from 2005 to 2007 continued to flourish. The programme aims to train teachers as rugby coaches and to increase yearly, the availability of rugby as a sport to schoolboys under the age of 15. This programme has the sanction and support of the Ministry of Education, the Olympic Council of Malaysia and the Malayan Rugby Union.

The BCHB Group adopted two schools in Penang, Sekolah Kebangsaan Pulau Betong, Balik Pulau and Sekolah Kebangsaan Jelutong, under PINTAR, a project launched by Khazanah Nasional in 2006. The main goal of PINTAR is to implement a customized programme

at each adopted school to help improve academic performance and character building. The priority thrust of the programme is to raise the children's motivation to excel while the supplementary thrust is to ensure that there is a conducive learning environment.

### KEY AWARDS

In addition to being named Bank of the Year in Malaysia by The Banker, CIMB Group's investment banking and Islamic banking franchises won an unprecedented haul of awards and accolades in 2006.

CIMB Investment Bank continued to be the region's most awarded investment bank. It was named Malaysia's Best Investment Bank by The Asset and Finance Asia. The equity franchise swept the equity awards by The Asset, Euromoney and Asia Money while we were also named the Best Bond House by Finance Asia. Our expertise and leadership in structured products and other derivatives as well as risk management was also acknowledged in the "House of the Year, Malaysia 2006" award by AsiaRisk.

CIMB Islamic was awarded global recognition when it won The Banker's global award for "Islamic Investment Bank of the Year", beating the Islamic banking franchises of bulge bracket global investment banks along the way. CIMB Islamic was also named "Best Islamic Finance House", a pan-Asian award by FinanceAsia as well as "Best Islamic Bank in Asia" by Euromoney.

The Group also won several deal awards, most notably for 2 transactions in which we played leading roles-

- Khazanah Nasional's USD750 Exchangeable Sukuk
  - Best Equity Linked Deal in Asia - Finance Asia, The Asset
  - Best Islamic Finance Deal in Asia - Finance Asia
- BCHB's acquisition of SBB
  - Best Domestic Deal in Asia - The Asset
  - Best Malaysia Deal - Finance Asia
  - Best M&A Deal - The Edge Malaysia

## Performance Review by Group Chief Executive

### 2007 - PROSPECTS, STRATEGIC PRIORITIES AND GOALS

#### Prospects

For 2007, we forecast the Malaysian economy to grow at a moderate rate of 5.6%, weighed down by concerns over the US economy and global growth. Consumer sentiment is expected to be weaker with the lagged effect of higher borrowing costs and fuel prices. With the inflation outlook easing, we expect the OPR to remain unchanged throughout the year. Malaysia's GDP growth will be fueled largely by the manufacturing and services sectors. From the 2007 Budget, we expect pump-priming to drive the private sector as the real engine of growth, while the 2-stage corporate tax reduction will enhance cost effectiveness and attract new investment flows. We expect to see acceleration in the implementation of 9th Malaysia Plan projects. In our main overseas markets, we expect Singapore's GDP growth to ease to 5.7% fuel mainly by both goods and services-producing industries and construction related spending. In Indonesia, we expect GDP growth to increase to 6% as domestic spending recovers coupled with continued government spending.

The operating environment should be quite conducive for us to focus on business growth and our strategic priorities. We should in particular see our corporate and investment bankers and treasury teams able to take advantage of good capital markets and corporate lending opportunities in Malaysia and elsewhere in the region and achieve another set of good numbers in 2007.

We believe that by the end of Q1 2007, most of the operational transformation for the consumer bank will have been completed, including the establishment of a single IT platform for the whole bank. This will then enable us to prioritise business growth again. On a full cost allocated basis, the consumer bank is not profitable yet and we remain dependent on our wholesale franchise. Furthermore, we remain challenged by our legacy portfolio of consumer loans which have yet to peak in terms of NPL formation. It is critical that we start seeing top line growth, synergy extraction and strong

recoveries for consumer banking to be profitable again. We are encouraged though by the early response to our re-branding and new branches although I suspect that it will only be in 2008 that we will see our consumer engine at full throttle.

For Bank Niaga we think that there is momentum in its existing businesses to carry it through to a good 2007 although longer term we will need to develop synergies with Malaysian operations to offset stiffer competition, especially in mortgages where we have done so well in recent years.

#### Strategic Priorities

For 2007 we have adopted the twin pillars of "Optimisation and Regionalisation" to guide us in prioritising our activities. Our key priorities are-

##### Optimisation

- SBB integration
- Synergy realisation throughout the Group
- Re-energising insurance businesses
- Preserving and leveraging capital market leadership
- Fully exploiting our branch distribution capabilities
- Maximise NPL recovery
- Better cost management
- Leveraging on our partners
- Strengthening our brand

##### Regionalisation

- Strengthen core markets - Singapore, Indonesia and explore other high growth markets in South East Asia
- Unlocking synergy value from CIMB Group and Bank Niaga
- Rationalising international offices

#### Goals

We have adopted an annual net ROE target of 18% effective from 2007. For 2007, this represents a significant increase from our earlier announced ROE target of 15.5%.

## Performance Review by Group Chief Executive

The increase in ROE target is based on an expectation that we will be able to defend our strong position in the capital markets as a whole and begin to see improvements in the consumer bank following the major transformation initiatives implemented in 2006. We also expect to recognise a gain of approximately RM650 million from the earlier announced sale of 100% of our General Insurance business and 49% of our Life Insurance and Takaful businesses.

The Group will maintain its dividend policy of at least 15 sen per share and its annual KPI target of TSR outperforming the KLCI. However, after the expected completion of the sale of its insurance businesses and private placement of shares to Bank of Tokyo-Mitsubishi UFJ to raise RM1.335 billion in new capital in mid 2007, we intend to review our dividend policy.

While we are very pleased to have significantly exceeded our financial targets in 2006 despite our ambitious transformation agenda, we acknowledge that our ROE is still lower than leading banks in the region. We are optimistic though that our consumer bank transformation, including the merger with SBB, will yield positive results from 2007 onwards to mitigate our current dependence on investment banking and treasury.

In next year's edition of this letter, I hope to be able to tell you that in addition to maintaining our dominant position the local capital markets, we became a truly regional franchise and are starting to reap the rewards from our consumer banking transformation exercise. Of course, I expect to be able to report that we met our 18% ROE target too.

**ACKNOWLEDGEMENTS**

On behalf of the Management, I would like to express our gratitude for the encouragement and support of so many stakeholders - the Malaysian Government, our shareholders, regulators, customers, partners and friends. I would also like to thank our board of directors for their unwavering support and guidance.

My colleagues now number 24,267 and are located in 12 countries. They make up a very large team of talented and driven individuals who have worked very hard throughout this year to make our ambitions become a reality. I thank each and every one of them for their support and look forward to their continued commitment in the future.



**Nazir Razak**

# Our People

We have 24,267 people in 12 countries within the Group. Despite the diversity of the cultures and geographical dispersion, everyday, each of them goes about their daily tasks with one single aim of creating value for our customers. We embrace a high performance culture which demands that our people perform to the best of their abilities at all times. In return, we enable our people, train them, nurture their careers and reward them accordingly.





# Corporate Organisation Chart



# Board of Directors



*From left to right:*  
Dr. Roslan A. Ghaffar  
Datuk Dr. Syed Muhamad Syed Abdul Kadir  
Dato' Hamzah Bakar  
Tan Sri Dato' Seri Haidar Mohamed Nor  
Tan Sri Dato' Md Nor Md Yusof



*From left to right:*  
Dato' Nazir Razak  
Dato' Mohd. Shukri Hussin  
Dato' Robert Cheim Dau Meng  
Dato' Zainal Abidin Putih  
Cezar P. Consing

# Board of Directors' Profile

## TAN SRI DATO' MD NOR MD YUSOF

Tan Sri Dato' Md Nor Md Yusof, a Malaysian, aged 59, was appointed to the Board of BCHB as Director on 27 June 2006 and assumed the post of Chairman on 31 July 2006. He is a member of the Group Risk Management Committee and Chairman of CIMB Group Sdn. Bhd.

He is also Director and Chairman of the Executive Committee of Khazanah Nasional Berhad. He sits on the Boards of several companies and institutions including Malaysian Agrifood Corporation Bhd, Pelaburan Hartanah Bumiputera Berhad and Synergy Drive Sdn Bhd.

Tan Sri had completed his term as Chairman of the Securities Commission on 31 March 2006. Prior to that appointment he was the Managing Director of Malaysian Airlines System Berhad after serving a period as advisor to the Ministry of Finance.

Tan Sri Dato' Md Nor had spent 18 years of his working career with the Commerce group as a director of BCHB and more notably as President and Chief Executive Officer of Bank of Commerce Berhad (BOC).

Tan Sri Dato' Md Nor graduated with a Bachelor's Degree in Commerce from the University of Otago, New Zealand and qualified as a Chartered Accountant.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company, except by virtue of being a representative of Khazanah Nasional Berhad. He has not been convicted of any offence within the past ten years.

Tan Sri Dato' Md Nor attended 4 Board Meetings held in 2006 since his appointment.

## TAN SRI DATO' SERI HAIDAR MOHAMED NOR

Tan Sri Dato' Seri Haidar Mohamed Nor, a Malaysian, aged 67, was appointed as Independent Non-Executive Director on 7 November 2006. He is also the Chairman of the Nomination and Remuneration Committee and a member of the Group Risk Management Committee.

Tan Sri Dato' Seri Haidar is also Chairman of CIMB Bank Berhad and its subsidiary companies CIMB Trustee Berhad, CIMB Trust Limited, and South East Asian Bank Ltd (Mauritius) and a director of CIMB Group Sdn. Bhd. He is also a Trustee of the Perdana Leadership Foundation and a board member of a number of private companies.

Tan Sri Dato' Seri Haidar was the Chief Judge of Malaya from December 2002 until November 2004, and has a long and distinguished record of service with the Malaysian judiciary. He qualified as a Barrister-at-Law from Lincoln's Inn, United Kingdom in 1966 and began his service with the Magistrate Court in Kuala Lumpur in February 1967. He then became Senior Federal Counsel with the Attorney General's Chambers in Kuala Lumpur and this was followed with appointments as Senior President at the Sessions Court in Pulau Pinang, Alor Setar and Kuala Lumpur between 1974 and 1980. Tan Sri Dato' Seri Haidar had also held the position as State Legal Adviser in Pulau Pinang and Perak.

After becoming Chief Registrar at the Supreme Court in Kuala Lumpur in 1983, he served as Judge at the High Courts in Kuching, Johor Bahru and Kuala Lumpur until January 1998. He was Judge at the Court of Appeal and the Federal Court of Malaysia in Kuala Lumpur before being appointed Chief Judge of Malaya from 2002 until his retirement in November 2004.

## Board of Directors' Profile

**DATUK DR. SYED MUHAMAD SYED ABDUL KADIR**

Prior to his appointment as Chairman of CIMB Bank, Tan Sri Dato' Seri Haidar was the Chairman of the Financial Mediation Bureau, an independent body with members from the financial institutions and financial services providers. The Bureau helps to settle certain financial disputes as an alternative to the courts.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Tan Sri Dato' Seri Haidar attended the one Board Meeting held in 2006 since his appointment.

Datuk Dr. Syed Muhamad Syed Abdul Kadir, a Malaysian, aged 60, was appointed as an Independent Non-Executive Director on 7 November 2006. Datuk Dr. Syed is a member of the Audit Committee, Group Risk Management Committee as well as the Nomination and Remuneration Committee.

Datuk Dr. Syed graduated with a Bachelor of Arts (Hons) from the University of Malaya in 1971. He obtained a Masters of Business Administration from the University of Massachusetts, USA in 1977 and proceeded to obtain a Ph.D (Business Management) from Virginia Polytechnic Institute and State University, USA in 1986. In 2005, he obtained a Bachelor of Jurisprudence (Hons.) from the University of Malaya.

He started his career in 1973 as Senior Project Officer, School of Financial Management at the National Institute of Public Administration (INTAN) and held various positions before his final appointment as Deputy Director (Academic). In November 1988 he joined the Ministry of Education as Secretary of Higher Education and thereafter assumed the post of Deputy Secretary (Foreign and Domestic Borrowing, Debt Management) Finance Division, Federal Treasury. From 1993 to 1997, he joined the Board of Directors of Asian Development Bank, Manila, Philippines, first as Alternate Executive Director and later as Executive Director. Datuk Dr. Syed then joined the Ministry of Finance as Secretary, Tax Analysis Division and later became Deputy Secretary General (Operations). Prior to his retirement, Datuk Dr. Syed was Secretary General, Ministry of Human Resource.

During his career, he wrote and presented many papers relating to Human Resources Development. His special achievement was that his dissertation "A Study on Board of Directors and Organisational Effectiveness" was published by Garland Publisher, Inc. of New York in 1991.

## Board of Directors' Profile

Datuk Dr. Syed is Chairman of CIMB Islamic Bank Berhad and a director of CIMB Bank (L) Ltd. In addition, he is a director of CIMB Group Sdn. Bhd. and Deputy Chairman of CIMB-Kanoo Islamic Investment Company BSC (C), Bahrain. He is also a director of Euro Holdings Berhad and Solutions Engineering Holdings Berhad, both public companies. In addition he holds directorship in a number of private companies.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Datuk Dr. Syed attended the one Board Meeting held in 2006 since his appointment.

### **DATO' NAZIR RAZAK**

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Dato' Nazir Razak, aged 40, a Malaysian, was appointed a Non-Independent Non-Executive Director on 27 January 2006 and is also a Director and Deputy Chairman of CIMB Investment Bank Berhad, CIMB Bank Berhad and CIMB Islamic Bank Berhad.

Dato' Nazir graduated from University of Bristol with a BSc (Hons) and obtained an MPhil from the University of Cambridge. He joined CIMB's corporate advisory department in 1989 and managed various fund raising, privatisation, listing and corporate restructuring exercises. In 1993 he transferred to CIMB's wholly-owned subsidiary CIMB Securities where he rose to Executive Director with responsibility for its institutional business comprising equities research, sales and dealing. He moved back to CIMB as Deputy Chief Executive on 1 June 1996 and became Chief Executive on 1 June 1999. He assumed the position of BCHB Group Managing Director/Chief Executive Officer on 7 November 2006.

Dato' Nazir is a member of the Investment Panel of the Employees Provident Fund, the Securities Commission's Capital Market Advisory Council and the Asia Business Council. He is also a director of the Multimedia Development Corporation and the Kuala Lumpur Business Club. He was Chairman of the Industry Action Committee to set up MESDAQ, the stock exchange for high growth companies and a member of the Advisory Panel for Bank Negara's Financial Services Master Plan. He is President of University of Bristol Alumni Association and a trustee of the Rahah Foundation.

## Board of Directors' Profile

**DATO' MOHD SHUKRI HUSSIN**

Dato' Nazir was the winner of the Malaysia's CEO of the Year Award 2004 organised by Business Times and American Express Global Corporate Services. In 2005 he was named one of the "25 Stars of Asia" by BusinessWeek magazine and one of the World Economic Forum's Young Global Leaders. In 2006 Asiamoney listed him 29th in their inaugural list of top 100 most powerful and influential people in business and finance throughout the Asia-Pacific region. In 2006, Dato' Nazir was named one of Asia's 50 most influential figures of the last decade (1996-2006) by FinanceAsia magazine. In Asiamoney's 2006 poll amongst analysts and fund managers, Dato' Nazir was named Malaysia's best executive.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Dato' Nazir attended 7 out of the 9 Board Meetings held in 2006 since his appointment.

Dato' Mohd Shukri Hussin, a Malaysian, aged 52, is currently the Executive Director/Group Advisor of BCHB.

Dato' Shukri was previously the Chief Operating Officer of BCHB. He has held various senior positions within the BCHB Group including as Chief Executive Officer of Bank Muamalat Malaysia Berhad from 1999 to 2003 and Chief Executive Officer of CIMB Securities Sdn Bhd from 1992 to 1999. He was appointed as a Director of BCHB on 3 January 2006. On 8 May 2006 he was appointed as Commissioner of PT Bank Niaga tbk. He holds a Bachelor of Economics (Hons) Degree from the University of Malaya and qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

He is also a director of CIMB Group Sdn Bhd, CIMB Bank Berhad, CIMB Islamic Bank Berhad, Commerce Capital (Labuan) Limited and CIMB-Kanoo Islamic Investment Company BSC (C), Bahrain.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Dato' Shukri attended all the 10 Board Meetings held in 2006.

## Board of Directors' Profile

### DATO' ZAINAL ABIDIN PUTIH

Dato' Zainal Abidin Putih, a Malaysian, aged 61, was appointed as an Independent Non-Executive Director on 7 November 2006. In addition, he is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee and the Group Risk Management Committee. Dato' Zainal has extensive experience in audit, management consulting and taxation, having been involved as a practising accountant throughout his career. He was the Chairman of Pengurusan Danaharta Nasional Berhad up to 31 December 2005. He was an Adviser with Ernst & Young Malaysia until his retirement on 31 December 2004 and was formerly the Country Managing Partner of Hanafiah Raslan & Mohamad which merged with Arthur Andersen in 1990. He is also a Past President of the Malaysian Institute of Certified Public Accountants and previously served as a member of the Malaysian Communication & Multimedia Commission. He qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He is currently the Chairman of the Malaysian Accounting Standards Board.

Dato' Zainal also sits on the Boards of CIMB Group Sdn Bhd, CIMB Bank Berhad and CIMB Investment Bank Berhad. Dato' is also a director of ESSO Malaysia Berhad and Tenaga Nasional Berhad, both public listed companies, Synergy Drive Sdn. Bhd. and a Trustee of the National Heart Institute Foundation and was a member of the Investment Panel of the Employees Provident Fund. Dato' is also the Chairman of Mobile Money International Sdn Bhd and also holds directorship in a number of private companies.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Dato' Zainal did not attend the one Board Meeting held in 2006 since his appointment.

### DATO' HAMZAH BAKAR

Dato' Hamzah Bakar, a Malaysian, aged 63, was appointed an Independent Non-Executive Director on 7 November 2006 and is the Chairman of Group Risk Management Committee, a member of the Audit Committee and the Nomination and Remuneration Committee. He also sits on the Board of CIMB Group Sdn Bhd and is the Chairman of CIMB Investment Bank Berhad.

Presently, he is the Chairman of SapuraCrest Petroleum Berhad and its subsidiary, Sapura Energy Sdn Bhd, a Director of Scomi Group Berhad and its subsidiaries, Kota Minerals & Chemicals Sdn Bhd and KMC Oiltools Bermuda Ltd. He is also a member of the Board of Commissioners of PT Bank Niaga Tbk and the Board of UEM World Berhad. He served for 20 years in various senior management and Board positions in Petroliaam Nasional Berhad ("Petronas"), including Senior Vice President for Refining and Marketing, Senior Vice President for Corporate Planning & Development and Main Board Director. Prior to Petronas, he was a Director of the Economic Planning Unit in the Prime Minister's Department. He holds a BSc (Hons) in Economics from the Queen's University of Belfast and an MA in Public Policy and Administration, with Development Economics, from the University of Wisconsin.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Dato' Hamzah did not attend the one Board Meeting held in 2006 since his appointment.

## Board of Directors' Profile

**DATO' ROBERT CHEIM DAU MENG**

Dato' Robert Cheim Dau Meng, a Malaysian, aged 55, was appointed a Non-Independent Non-Executive Director on 7 November 2006 and is a member of the Nomination & Remuneration Committee as well as the Group Risk Management Committee. He is presently CIMB's Advisor for Investment Banking, a Director of CIMB Group Sdn Bhd, CIMB-GK Pte Ltd and Chairman of CIMB Futures Sdn Bhd. He is also currently the Chairman and Independent Non-Executive Director of Tanjong Plc.

Dato' Robert Cheim joined CIMB in 1984 and held the position of Head of Corporate Finance, General Manager and Executive Director, before assuming the position of Chief Executive Officer from 1993 to 1999. From 1999 to 2006, he was an Executive Director of CIMB. Prior to joining CIMB, he served in various capacities with the former United Asian Bank Berhad (now known as CIMB Bank Berhad) between 1977 to 1984, holding the positions of Operations Manager, Audit Manager, Branch Manager and Senior Manager of the Planning and Accounts division. He has also worked in various accounting firms in London. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

He attended the one Board meeting held in 2006 since his appointment.

**CEZAR PERALTA CONSING**

Cezar P. Consing, a Philippine national, aged 47, was appointed an Independent Non-Executive Director on 7 November 2006 and is a member of the Group Risk Management Committee. He is one of the most experienced Asian international investment bankers. He was previously with J.P. Morgan for 19 years and headed its Investment Banking Division in Asia Pacific until May 2004. He is currently a partner of The Rohatyn Group, a New York-based investment management company specialising in the emerging markets, where he co-heads its Asian operations from Hong Kong. He is also a Director of TRG Management Hong Kong Ltd. and the Hong Kong-based Asian Youth Orchestra, and Premiere Development Bank and First Gen Corporation in the Philippines. He was previously an independent non-executive Director of Bank of the Philippine Islands.

Mr. Consing is a graduate in Economics (Magna Cum Laude) of De La Salle University, Manila, and holds an M.A. in Economics from the University of Michigan, U.S.A.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Mr. Consing did not attend the one Board Meeting in 2006 since his appointment.

## Board of Directors' Profile

### **DR. ROSLAN A. GHAFAR**

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Dr. Roslan A. Ghaffar, aged 54, was appointed as a Non-Independent Non-Executive Director on 3 November 2003 and is a member of the Group Risk Management Committee. Dr. Roslan is currently the Deputy Chief Executive Officer of the Employees Provident Fund Board (EPF), a post he has held since July 2002.

Dr. Roslan holds a Ph.D from University of Kentucky, Lexington. He began his career as a lecturer in University Putra Malaysia before his secondment to the EPF in 1994 as a Senior Director. Commencing from 1999, he was transferred permanently to the EPF.

Dr. Roslan sits on the Board of Directors of several private companies in the EPF Group and Malaysian Resources Corporation Berhad. Dr. Roslan also sits on the Board of Commissioners of PT Bank Niaga Tbk.

He does not have any family relationship with other directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company, except by virtue of being a representative of EPF. He has not been convicted of any offence within the past ten years.

Dr. Roslan has attended 8 out of the 10 Board Meetings held in 2006.

# Company Secretaries' Profile



**JAMIL HAJAR ABDUL MUTTALIB**  
Executive Vice President / Company Secretary

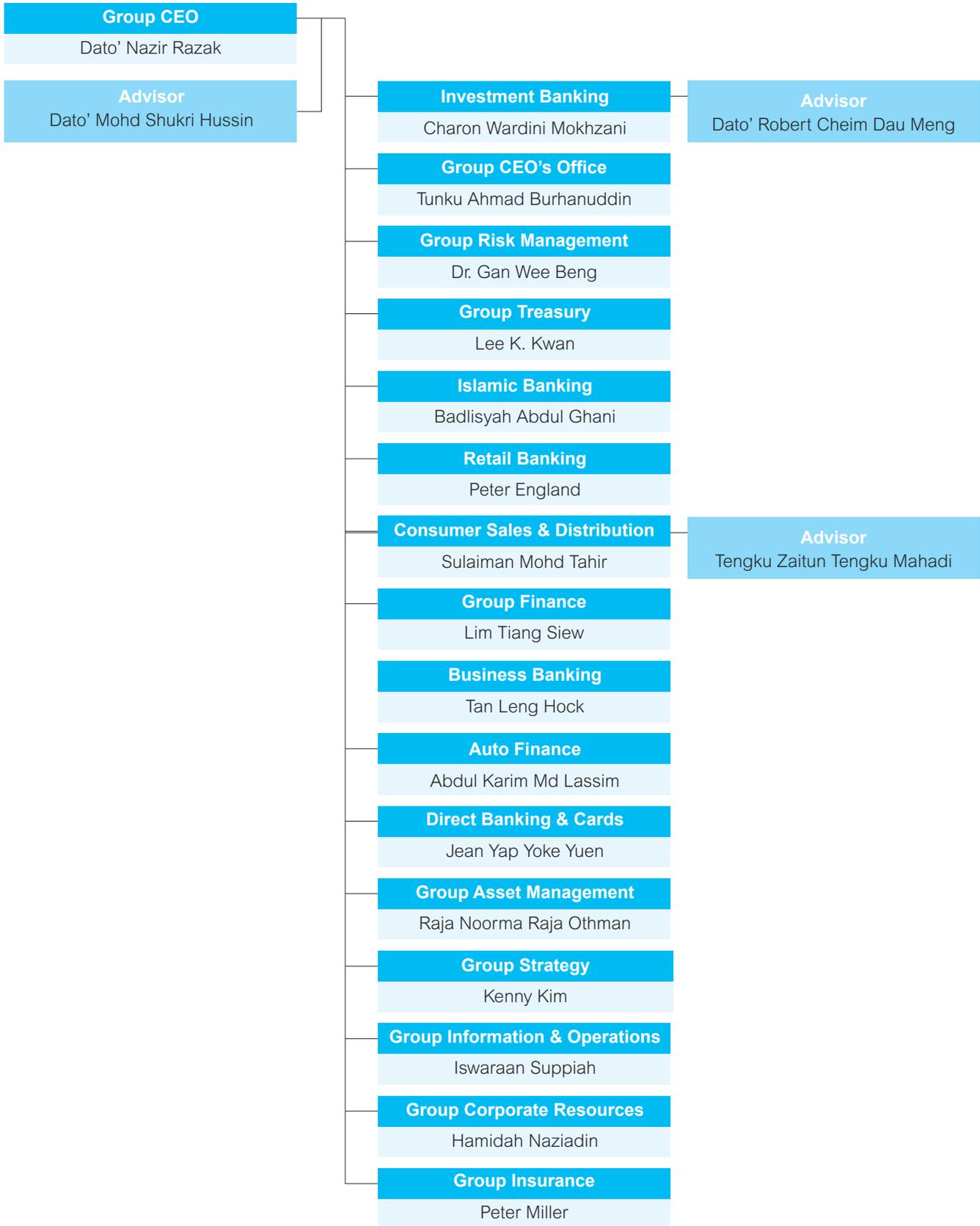
Jamil Hajar Abdul Muttalib, aged 57, holds a Bachelor of Laws Degree (University of London) and is a Barrister-at-Law (Lincoln's Inn, London). He had been with the BCHB Group since 1992. He is currently the Executive Vice President/Company Secretary of BCHB. He served in the Malaysian Government's judicial and legal service for nine years as a magistrate, sessions judge, deputy public prosecutor and senior federal counsel before joining Fleet Group Sdn Bhd in 1985 as its Legal Advisor and Company Secretary. He was also the Legal Advisor and Company Secretary of Renong Berhad from 1990 to 1992. He is presently Chairman of Commerce Asset Ventures Sdn Bhd, a Director of Commerce Assurance Berhad, Chairman of Commerce Life Assurance Berhad, a Director of Commerce Takaful Berhad, a Director of Commerce International Group Berhad and a Director of Commerce Capital (Labuan) Limited.



**IDRUS ISMAIL**  
Senior Vice President / Joint Company Secretary

Idrus Ismail, aged 53, graduated in Economics and Law from Universiti Malaya and National University of Singapore respectively. He was called to the Malaysian Bar in 1988 and had served in the banking industry for 17 years as company secretary/in house counsel to three financial institutions, including an Islamic bank. He joined BCHB in 2005.

# Group Management Committee



## Group Management Committee



**CHARON WARDINI MOKHZANI**  
Investment Banking

Charon Wardini Mokhzani, aged 43, was appointed CIMB's Deputy Chief Executive on 1<sup>st</sup> August 2004 and assumed the position of Executive Director of CIMB on 2<sup>nd</sup> May 2006. He is the Chairman of CIMB-Principal Asset Management Berhad, CIMB (L) Limited and CIMB-Mapletree Management Sdn Bhd, and a Director of CIMB-GK Pte. Ltd., and CMREF 1 Sdn Bhd.

He is a member of the Company Law Reform Committee, established by the Companies Commission of Malaysia, and chairs one of the 4 working groups. He is also a council member of the Malaysia Investment Banking Association and the Institute of Bankers, Malaysia.

Prior to joining CIMB, he was the Managing Partner of Zaid Ibrahim & Co, Malaysia's largest law firm as well as an Independent Director of CIMB Berhad when it was first listed until his retirement from CIMB Berhad's Board in July 2003. Before that, he worked in corporate finance at Rashid Hussain Securities Sdn Bhd and as an advocate and solicitor with Shearn Delamore & Co. International legal publications have recognised him as having been one of the leading corporate and finance lawyers in Malaysia.

He was educated at the Malay College Kuala Kangsar and Bloxham School, England and read Philosophy, Politics and Economics at Balliol College, University of Oxford (BA Hons) and Law at the School of Oriental and African Studies, University of London (LLB Hons). He is a barrister of the Middle Temple and an advocate and solicitor of the High Court of Malaya.



**TUNKU AHMAD BURHANUDDIN**  
Group CEO's Office

Tunku Ahmad Burhanuddin, aged 45, joined the Commerce Group in November 1984. On 2<sup>nd</sup> May 2006, he was appointed as the Executive Director of CIMB Bank in addition to his responsibilities of managing the CIMB Group CEO's Office since June 2005.

He has 22 years of extensive working experience in senior financial and managerial positions which includes, the post of Financial Controller of Commerce Asset-Holding Berhad (now known as BCHB), Executive Director of Commerce Asset Fund Managers Sdn Bhd and most recently as the Chief Internal Auditor of the CAHB and BCB Group.

He has also served at various divisions of CIMB Bank (previously known as BCB) which includes, inter-alia, Finance, Strategic Planning, Retail and Corporate Banking. A qualified accountant, he is a fellow of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

## Group Management Committee



**DR. GAN WEE BENG**  
Group Risk Management

Dr. Gan Wee Beng, aged 54, was appointed Executive Director of CIMB Bank on 2<sup>nd</sup> May 2006 and currently heads the Group Risk Management. He has been a consultant to various local and international agencies, which included Bank Negara Malaysia, the Economic Planning Unit of the Prime Minister's Department, Ministry of Finance, World Bank, International Labour Organisation, Asian Development Bank, and United Nations Conference on Trade and Development. He was a member of Bank Negara Malaysia Working Group on Market Risk Capital Adequacy Framework. Currently he is a member of National Economic Advisory Committee Steering Committee on Price Control & Subsidies. He received the Tun Abdul Razak Foundation Award for Best Published Article in an academic journal.

Prior to joining CIMB Bank, Dr. Gan was the Senior Adviser (Economics) for the Monetary Authority of Singapore besides having held positions as Executive Director of CIMB Investment Bank, General Manager, Executive Director of CIMB Securities Sdn Bhd, Senior Vice President and Head of Corporate Banking for CIMB Bank and as an Associate Professor at University of Malaya. He holds a Bachelor's and Masters' Degree in Economics from the University of Malaya and obtained his PhD from the University of Pennsylvania, USA.



**LEE K. KWAN**  
Group Treasury

Lee K. Kwan, aged 41, joined CIMB Investment Bank in November 1996 as an Assistant General Manager where he set up the Risk Management Department and developed a rudimentary risk measurement infrastructure necessary to commence trading activities. In 1997, he was appointed Treasurer / Head of Debt Markets & Derivatives with the mandate to build and develop the bank's trading and market-making businesses in interest rates, credit, foreign exchange and derivatives as well as the debt capital markets origination franchise. In 2002, he was appointed to the Group CEO's Office responsible for strategy and structuring the firm's larger transactions.

In 2005, after the acquisition of GK Goh's stockbroking businesses and merger with BCB, Kwan moved to his current position as Group Treasurer where his responsibilities include Asset Liability Management of the commercial bank's loan and deposit balance sheet, banking product development, capital management and debt gearing structure of the BCHB Group and its banking subsidiaries, in addition to the bank's markets businesses in interest rates, credit, foreign exchange, derivatives and debt origination.

Prior to joining CIMB, Kwan had more than 7 years of treasury experience in the Canadian banking industry, where in his last posting prior to moving back to Malaysia, he was the Treasury Portfolio Manager responsible for interest rate and optionality risk and return management for a leading Canadian bank. He holds a BBA Joint Honours (1st Class) degree in Business Administration and Economics and a Master of Business Administration degree from Simon Fraser University, Canada.

## Group Management Committee



**BADLISYAH ABDUL GHANI**  
Islamic Banking

Badlisyah Abdul Ghani, aged 34, was appointed Executive Director and Chief Executive Officer of CIMB Islamic Bank Berhad on 28<sup>th</sup> February 2006.

He joined CIMB Investment Bank in 2002 and was attached to the Corporate Finance Division, prior to his appointment as the Group Head of CIMB Islamic. He is responsible for all Islamic banking and finance business of the CIMB Group. He sits on various group management committees of the CIMB Group.

Under his leadership, CIMB Islamic has since its launch in June 2003 received numerous accolades awarded by local and international financial fraternities. “The Best Islamic Bank in Asia 2006” awarded by Euromoney and the “Global Islamic Investment Bank of The Year 2006” from the Banker is the latest testimony to CIMB Islamic’s expertise and excellence in Islamic finance and underlines its dominance in this field.

Prior to CIMB Group, he was attached with an offshore banking subsidiary of a premier Malaysian Islamic financial group in Structured Finance, Capital Market and Syndications.

As a thoroughbred Islamic Banker, he has been involved in more than US\$10 billion Islamic financial deals locally and globally. Amongst his notable accomplishments is the creation and introduction of the world’s first sukuk al ijarah, the world’s first istisna’ sukuk, and the world’s first musyarakah asset-backed securities and residential mortgage-backed securities. Badlisyah was named by Euromoney as one of the “Global Top 20 Pioneer in Islamic Finance” for his prominent contribution to the development of the Islamic financial sector in Malaysia and globally.

He sits on various industry committees. Amongst them are -

- The Treasury & Debt Markets Committee, Malaysian Investment Banking Association

- The Consultative Committee on Islamic Securities Guideline, Securities Commission Malaysia
- The Board of Directors, the International Islamic Financial Market, Bahrain
- The Islamic Accounting Standard Committee, Malaysian Accounting Standard Board
- The Listing Committee, Labuan International Financial Exchange
- The Exchange Committee, Labuan International Financial Exchange
- The Islamic Capital Market Consultative Panel, Bursa Malaysia

He has a Bachelor of Laws Degree from the University of Leeds, United Kingdom.

He is also a director of CIMB-Kanoo Islamic Investment Company BSC (C), Bahrain.



**PETER ENGLAND**  
Retail Banking

Peter England, aged 46, joined the CIMB Group in January 2006 and is responsible for CIMB Bank’s Retail Banking business. He has over 25 years extensive working experience in senior managerial positions and has been based in Asia for most of the last 10 years. During this time he has been the Head of Retail Banking for two large Malaysian banking institutions as well as HSBC in Singapore, and headed HSBC’s credit card business in Malaysia up until 1998. Prior to coming to Asia, Peter worked for the State Bank of NSW in Australia in a variety of management positions for many years. He has extensive experience in all aspects of retail banking and wealth management. Peter holds a Masters of Business Administration (specialising in Personal Financial Planning) from the University of Southern Queensland, Australia.

## Group Management Committee



**SULAIMAN MOHD TAHIR**  
Consumer Sales and Distribution

Sulaiman Mohd Tahir, aged 44, graduated from RMIT University, Australia with a Degree in Accounting and was employed with Price Waterhouse before joining Bank of Commerce Berhad, where he served in various departments. Sulaiman was Group Head of the Japanese Business Unit, Branch Manager at Shah Alam and later rose from Area Business Manager managing Business Credit relationships in the Shah Alam and Petaling Jaya areas to Regional Manager, managing 2000 Business Credit relationships in Selangor and Wilayah Persekutuan regions.

After Heading the Credit Card Centre in 2002, Sulaiman was appointed as Head of Retail Sales, managing Regional Managers, Area Sales Managers, Consumer Loan Officers and Personal Financial Advisers. From January 2005, Sulaiman headed the Retail Sales & Distribution Division, managing the sales channel, this being, branches and sales force of the Bank, responsible for loans growth, deposit growth and interest income and fee based income.

In July 2005, Sulaiman was appointed the Head of Consumer Sales & Distribution. His portfolio expanded and now has the primary responsibility of developing, implementing and managing sales and distribution for Retail and Business Banking products and services besides providing leadership for new business opportunities and developing strategies to achieve desired targets for the Group's Consumer Banking Division.



**LIM TIANG SIEW**  
Group Finance

Lim Tiang Siew, aged 50, joined CIMB in January 1991 and is currently the Chief Financial Officer of the CIMB Group. Prior to his appointment as Chief Financial Officer, Tiang Siew was the Head of the Corporate Finance Department at CIMB.

He started his career in 1976 with a major accounting firm, where he spent some 10 years, including 18 months overseas. He moved into the corporate finance industry in 1987.

During his tenure in corporate finance, he was involved in all areas of corporate finance work, both in respect of domestic transactions as well as cross border acquisitions and fund raising. He had advised some of the largest companies listed on Bursa Malaysia and on many major transactions by listed companies.

Tiang Siew had also been actively involved in the formulation and amendments to guidelines, regulations and law reforms in relation to capital market matters.

He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

## Group Management Committee



**TAN LENG HOCK**  
Business Banking

Tan Leng Hock, aged 48, graduated from the University of Birmingham, United Kingdom with a Bachelor's degree in Commerce. He has been in commercial banking since 1980 and has had 26 years of extensive experience in business banking management, starting at the Head Office of the former Ban Hin Lee Bank Berhad.

Following the amalgamation of the commercial banking portfolios of the former Ban Hin Lee Bank Berhad with SBB in July 2001, he was appointed a Senior Vice President and Head of Commercial Banking Division of SBB. His role in Commercial Banking Division included managing a team at the headquarters, leading the salesforce at the Commercial Banking Centres and the team at the Trade Finance Centres.

In 2001, he was appointed a director of BHLB Trustee Berhad, a position he held until March 2007. BHLB Trustee Berhad is a trust company which provides complimentary financial services to help individuals and corporations alike, offering professional solutions to holding management on the protection of assets and investments. He was also the Chairman of Audit & Risk Management Committee from 2003 to 2005 until the audit functions were consolidated back to SBB's Internal Audit Group in 2006.

Leng Hock currently serves as the Chairman of Kooperasi Serbaguna Bekas Kakitangan BHL Bank, a position that he has held for more than 10 years.

Leng Hock assumed the position of the Executive Vice President and Head of Business Banking Division in CIMB Bank Berhad following the merger of SBB with BCB.



**ABDUL KARIM MD LASSIM**  
Auto Finance

Abdul Karim Md Lassim, aged 47, graduated with an honours degree in Economics Analysis and Public Policy in 1982 from Universiti Kebangsaan Malaysia, and later, in 2002, he obtained his Masters of Business Administration from Keele University, United Kingdom.

Abdul Karim was attached to various organisations such as Malaysian Airline System, Royal Malaysian Police Force and Inland Revenue Board before committing his career to the banking fraternity. In September 1987, he joined Mayban Finance Berhad, and worked his way up from a Sub Accountant to the post of Assistant General Manager, Branch Operations and Credit Control while at the same time seconded to KBB Finance as Acting Chief Executive Officer.

In 2000, Abdul Karim joined Credit Guarantee Corporation as Assistant General Manager, Organisation and Methods. Then in March 2001, he joined United Merchant Finance (UMF) as General Manager, Business and Operations. With the name changed to Southern Finance Berhad he was appointed as Deputy CEO and eventually the post of Chief Executive Officer/Director in December 2003. With the merger to SBB in January 2006, he was redesignated as the Executive Vice President/Head of Auto Finance/ Islamic Banking Group for SBB.

## Group Management Committee



**JEAN YAP YOKE YUEN**  
Direct Banking & Cards

Jean Yap, aged 46, joined SBB in August 1997 and is currently responsible for the credit cards, direct banking and micro credit loan financing for the enlarged CIMB Group. Prior to joining SBB, Jean was the Head of Credit Card for United Overseas Bank for about 7 years. She also had a short stint at Citibank Card Centre for a year as Card Operations Head and as the Assistant Accountant at Diners Club for 3 years.

Jean and team have grown SBB credit cards business to become the second largest card and acquirer amongst the local banks in Malaysia.

Jean is a member of The Malaysian Institute of Accountants and The Chartered Institute of Management Accountants.



**RAJA NOORMA RAJA OTHMAN**  
Group Asset Management

Raja Noorma Raja Othman, aged 48, is a director of the Group Asset Management arm of CIMB Investment Bank Berhad, where she oversees the entire Asset Management businesses of the CIMB Group. She is also the Chief Executive Officer of CIMB-Mapletree Management Sdn Bhd since March 2005, an advisor to a privately held real estate fund.

Prior to joining CIMB Group, she was previously the Vice-President of Investment Banking for JP Morgan, a position held for over 5 years. She was attached to JP Morgan's offices in Hong Kong, Singapore and Malaysia as both industry and client coverage banker. At JP Morgan, she originated and executed several transactions involving corporate advisory, equity and debt capital markets, private equity, cross border mergers and acquisitions as well as initial public offerings. Her other previous working experience include several years in Malaysian Industrial Development Finance Berhad, Malaysian International Merchant Bankers Berhad and 10 years in Telekom Malaysia Berhad where the last post held was as Head of Corporate Finance. She holds a Bachelor of Business Administration degree from Ohio University/Institut Teknologi Mara.



**KENNY KIM**  
Group Strategy

Kenny Kim, aged 39, is currently head of Group Strategy Division. He was formerly a unit head in CIMB's Investment Banking and Corporate Finance Department. He joined the Corporate Finance Department of CIMB in 1993 and has been involved in all aspects of corporate finance activities including mergers and acquisitions, initial public offerings, fund raising and debt restructuring before moving to Investment Banking in 2002. Prior to joining CIMB, he worked as an auditor with Moore Stephens Chartered Accountants, London. Kenny has extensive experience in the financial services sector and advised on a number of the country's major financial institution deals. He advised on 3 of the first round banking consolidation transactions in Malaysia, domestication and merger of the largest insurer in Malaysia, debt restructuring of a major financial institution group as well as entry of a major international GLC investor in a local financial institution. He was also involved in most of the BCHB Group's major corporate exercises, including CIMB's acquisitions of BCB and SBB. He is responsible for overseeing the CIMB

## Group Management Committee

Group's strategic initiatives including the integration of BCB and SBB and also CIMB Group's regionalisation strategy. Kenny is a fellow of the Association of Chartered Certified Accountants, United Kingdom, a member of the Malaysian Institute of Accountants and holds a Masters of Science in Finance from the University of Lancaster, United Kingdom.



**ISWARAAN SUPPIAH**  
Group Information and Operations

Iswaraan Suppiah, aged 43, is the Head of Group Information & Operations Division. He joined CIMB Securities Sdn Bhd in 1994 and last held the position of Executive Director of Operations and Head, Equity Risk Management Department before assuming the position of Head of Strategic Risk & Compliance with CIMB. He currently oversees CIMB Group's entire operations, information technology, legal and risk monitoring functions. He started his career with Messrs Arthur Andersen & Co., a firm of public accountants in 1984 and later joined BCB in 1990 and left as the Section Head in the Internal Audit Department.

He is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Financial Planning Association of Malaysia.



**HAMIDAH NAZIADIN**  
Group Corporate Resources

Hamidah Naziadin, aged 43, is currently the Director of CIMB's Group Corporate Resources Division. This division encompasses several departments, namely Human Resources, Administration, Sport and Recreational, Knowledge Management, Corporate Communications and Special Projects. A human resource practitioner for over 23 years in the financial industry covering the areas of commercial and investment banking, Hamidah joined CIMB Securities Sdn Bhd in 1991. Here, she set up the Human Resource and Administration departments. 10 years later, in line with the reorganisation of CIMB, Hamidah moved to the Investment Bank to head, manage and integrate the overall Group Human Resource and Administration functions. By 2004, her portfolio expanded to include Knowledge Management, Corporate Communications and Special Projects.

In all, Hamidah's responsibilities and experiences in human resource management include among others, manpower planning, compensation and benefits, talent development, industrial relations, performance management and procurement. Other notable areas in her scope covers right sizing the organization via the Voluntary Separation Scheme (VSS) and the Mutual Separation Scheme (MSS), the integration of the commercial banks and subsidiaries and the rebranding exercise of the CIMB Group. Prior to joining CIMB, Hamidah was attached to another financial institution. She holds a Bachelor of Laws degree from the University of Wolverhampton, United Kingdom.

## Group Management Committee



**TENGGU ZAITUN TENGGU MAHADI**  
**Advisor, Consumer Sales & Distribution**

Tengku Zaitun Tengku Mahadi, aged 57, joined SBB in 1973 as a credit officer after graduating from University of Malaya with a BSc (Hons.) degree in Economics. Since joining SBB she has held several management positions. She was appointed Regional Manager in 1986, Senior Manager in 1994 and the General Manager of Retail Banking Group in 1997. Through these appointments she had gathered wide experience and expertise in effective supervision of branches, smooth running of support departments of operations, conceptualisation and implementation of system and procedures for operational efficiency and productive staff management. The final appointment before executive directorship was as Executive Vice President of Branch Distribution Group in 2000 where generation of sales and marketing became her core tasks.

She was appointed to the Board of SBB as Executive Director on 25<sup>th</sup> August 2004 and served in that position until 1<sup>st</sup> November 2006 when the CIMB - SBB merger was completed.



**PETER MILLER**  
**Group Insurance**

Peter Miller, aged 42, oversees the Insurance business of CIMB Group including representing CIMB's interests in the planned Malaysian Life and Takaful joint-ventures with Aviva and strategic partnership with Allianz.

Peter joined the CIMB Group following the acquisition of SBB prior to which he worked for AIG for 5 years focusing exclusively on bank-related business and including 2 years in China and 3 years in an Asia regional capacity.

Peter's career is split equally between UK and International. He first came to Malaysia in 1995 to work on a major bancassurance project and spent the next 5 years consulting across 5 continents in financial services distribution in particular alternative distribution.

Peter has a BSc (Hons) degree in Mathematics from Leicester University, England.

# Functional Divisions

The functional divisions of the BCHB Group are primarily organised under CIMB Universal Bank, with the exception of Bank Niaga, our Indonesian banking operations.

CIMB Universal Bank comprises 5 main business divisions:

- Consumer Banking
- Investment Banking
- Treasury
- Asset Management
- Insurance

CIMB Islamic, our Islamic banking division, operates as a parallel bank to offer Shariah compliant solutions throughout the universal bank.

In addition, the business divisions are supported by group-wide divisions which perform middle and back office functions. These divisions are:

- Group Information and Operations
- Group Strategy
- Group Finance
- Group Risk Management
- Group Corporate Resources
- Group CEO's Office

## CONSUMER BANKING

Consumer Banking is anchored by CIMB Bank. Pending the full integration with SBB and the ongoing branch conversion, CIMB Bank currently is represented by 3 consumer banking brands - CIMB Bank, BCB and SBB

Internally, Consumer Banking is managed according to function and business focus, namely:

- Retail Banking - individual customers
- Business Banking - small and medium enterprise (SME) customers
- Direct Banking and Cards - direct banking, credit cards and CIMB Express
- Consumer Sales and Distribution - the distribution channels of the bank

### Retail Banking

The Retail Banking division is accountable for the overall management and financial performance of the bank's business for individual customers. To this end Retail Banking develops and sources a range of products and services to be sold to these customers. Key product lines include mortgage loans, personal loans, auto finance, deposits, and wealth management products.

Key functions within Retail Banking include product development, credit cycle management, alternate channels development (internet, phone banking, self service terminals), auto finance, customer relationship management, and retail Islamic banking.

### Business Banking

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

Business banking operates from 17 business centres and 33 retail business centres throughout the country. It also works closely with various partners to provide better access to financing for SME's, namely SME Bank and Credit Guarantee Corporation.

## Functional Divisions

### Consumer Sales & Distribution

Consumer Sales & Distribution (CSD) has the primary responsibility of developing, implementing and managing sales and distribution for Retail Banking and Business Banking products and services. CSD distributes a wide range of products and services to more than 4.5 million customers through its network of 383 branches, and more than 1,900 self service terminals and Internet channels (CIMB Clicks and CIMB BizChannel). CSD is structured into 12 teams comprising of eight Regional Centres, Mobile Sales Force, CSD Sales, CSD Projects & Support and CSD Operations. The eight Regional Centres, which are overseen by Regional Directors, are responsible for formulating sales and strategies for their respective areas.

### Direct Banking & Cards

There are 3 components to Direct Banking & Cards:-

- (i) "Direct Access" which is a brand the Group acquired through the SBB merger. Catering to the mass affluent market, Direct Access provides customers with direct banking services on a 24-hours, 7-days a week and 365-days a year basis. It serves a specific consumer segment which prefers performing their banking needs "anywhere, anytime". In addition to issuing 'Free for Life' credit cards targeted at professionals and graduates, Direct Access also provides consumer banking products, including consumer loans and deposit products.
- (ii) "CIMB Card Centre" which has two main business portfolios, credit card issuing and merchant acquiring businesses. CIMB Bank is currently the only bank in Malaysia that issues three major credit card brands, ie. MasterCard, Visa and JCB. Besides its main card service centre in Kuala Lumpur, it also has 2 full-fledged card service centres in Penang and Johor Bahru.
- (iii) "CIMB Express" which is responsible for developing product & services for sub-prime customers.

### INVESTMENT BANKING

Investment Banking is anchored by CIMB Investment Bank in Malaysia and CIMB-GK overseas.

#### Investment Banking

The Investment Banking department is responsible for client coverage and relationship management. Drawing upon the varied expertise across the CIMB Group, the department constantly seeks to create value for our corporate and institutional clients, whilst at the same time maximises the cross selling of investment banking products across the Group. The Investment Banking team comprises a pool of professional bankers with a broad range of experience from both equity and debt markets, backed by a strong independent research team.

#### Corporate Finance

Corporate Finance continues to be Malaysia's leading advisor on matters relating to mergers and acquisitions, initial public offerings, issuance of equity and equity-linked products, project financing, real investment trust funds, debt restructuring and all other equity-related transactions. The department plays an important role in managing the completion of corporate transactions undertaken by its clients. This includes co-ordinating amongst other advisers such as legal advisers and reporting accountants for the preparation of various documentations for submission to the relevant authorities and third parties as well as handling all regulatory queries relating to the transaction.

#### Corporate Banking

Corporate Banking is the investment bank's lending arm for Malaysian corporate clients, offering a broad range of funding solutions, including working capital finance, trade finance and transactional financing to support their businesses. Corporate Banking's core strength is in its ability to provide the necessary lending support for our

## Functional Divisions

corporate clients' transaction activities, which provides an important base for developing long term relationships with our clients.

Through our headquarters in Kuala Lumpur and new regional offices in Johor, Penang and Kuching, Corporate Banking now serves about 1,700 public and private sector customers with facilities of over RM51 billion. The ongoing deepening and expansion of our relationships with existing clients continue to drive consistent and sustainable long term performance for the department.

### **Securities Financing**

Securities Financing enables clients within the CIMB Group's retail franchise to obtain financing secured against investment deposits, structured products and securities (i.e. share margin). Our range of products enable clients to unlock and leverage their existing assets for higher returns. Our clients include both high net-worth individuals as well as the mass affluent. This department also serves as an integral referral conduit for other wealth management offerings such as trustee, insurance, and private banking products.

### **International Banking & Transactions Services (IBTS)**

IBTS is responsible for providing non-Ringggit financing solutions to our clients as well as providing transaction services to complement the Group's banking business. IBTS currently comprises five business units. International Credit provides a spectrum of non-ringgit financial services for our clients which include bilateral loans, trade finance and transactional lending, leveraging on the Group's overseas branches in Singapore, Hong Kong, Japan and London and our offshore banking subsidiary located at Labuan. Loans Syndication and Trade Finance, based in Singapore, is primarily involved in loan syndications and trade finance/forfeiting activities globally. Global Financial Institutions is the correspondent banking arm of the bank which maintains relationships with financial institutions worldwide. Cash Management provides advisory services which are tailored for companies to accelerate collections, control disbursements, maximize the use of excess cash and minimise cost of funding. Security Services comprises credit agency, credit operations, fund accounting, trustee and custodian services.

### **Equity Capital Markets (ECM)**

ECM serves as an intermediary between issuers and investors in the equity and equity-linked markets. It provides a valuable service to issuers by arranging and executing transactions that allow issuers to access the equity and equity-linked markets in Malaysia as well as internationally. ECM's role includes pitching, structuring, syndication, marketing, distribution, pricing and underwriting as well as after-market services.

### **Equity Derivatives Unit (EDU)**

EDU develops and issues new equity derivatives instruments such as structured warrants and over-the-counter ("OTC") equity derivatives products to provide investors with alternative investment avenues.

### **Equity Investments & Trading (EIT)**

EIT is the Group's proprietary equity trading unit. It seeks to derive gains from investing in undervalued securities as well as benefiting from market inefficiencies. The unit's investment objective is to achieve an absolute return on its investment, with the goal of enhancing shareholders' returns. EIT invests in the equity and derivatives markets in Malaysia, Singapore, Hong Kong, Indonesia, Thailand, Taiwan, South Korea and Japan.

### **CIMB-GK**

CIMB-GK represents the regional securities and corporate finance platform of CIMB. Its headquarter is in Singapore, with offices in London, Bangkok, Hong Kong and Indonesia. Its main business divisions are Institutional and Retail Broking, Wealth Management, Investment Banking and Corporate Finance which are supported by a strong research team of more than 40 personnel, covering equity markets in Singapore, Indonesia, Hong Kong and Thailand.

## Functional Divisions

CIMB-GK's product range includes stockbroking and research, corporate finance & advisory, structured financial solutions, management and underwriting of initial public offerings, secondary listings, private placements, divestments, corporate and capital restructuring, independent financial advisory, and general financial and corporate advice, and private banking.

Its distribution network covers all major Asian markets through dealers in the regional offices as well as through its online business portal, GohDirect.

### Private Client Services

Private Client Services comprises Private Banking and Retail Broking. Private Banking offers the whole array of wealth management services catering to high net worth individuals, leveraging on the services and products of the Group's investment and commercial bank as well as working with external parties via an open architecture model. Retail clients are offered retail broking services via a broad range of platforms/intermediaries including remisiers, company dealers, online broking and mobile broking.

### Structured Investments

Structured Investments was established in June 2006 as the proprietary investment arm of the CIMB Group which focuses on investing in buyouts, recapitalisations, expansions and restructuring situations. The department provides capital and employs investment and financing techniques to address market imperfections and to unlock value for the Group's clients, both existing and prospective.

### Singapore Business Banking

The Singapore Business Banking unit was formed in 1<sup>st</sup> November 2006 following the merger with SBB. Based in Singapore, the unit's core activities include trade finance and lending targeted at SMEs, share margin loans to priority individuals and directors of companies, and club loan transactions.

## TREASURY

The Group Treasury Division is the merged markets and treasury operations of CIMB, BCB and SBB which provides the BCHB Group with strong capabilities to intermediate in interest rate, credit spread and FOREX term structures across every market segment including the consumer, SME, corporate, institutional investor and inter-bank markets. The business is conducted by the following units:

### Global Sales & Group Funding

Global Sales & Group Funding comprises of two major sub-groups, Global Sales and Group Funding.

Global Sales is the client facing unit for the firm's entire suite of treasury products. Client activities are segmented into 3 main areas, namely Foreign Exchange Sales, Institutional Sales and Derivatives Sales.

Group Funding undertakes the responsibility of adequate and efficient funding requirements of the entire CIMB Group, including our foreign branches in Singapore, London, Tokyo, Hong Kong and offshore Labuan. In addition, the team offers a wide range of products to corporate and institutional investors and depositors to help generate return on their funds. These products include overnight placements to investments of up to 1 year at competitive rates. Fixed deposit rates are quoted for Ringgit as well as all major foreign currencies.

### Debt Capital Market & Syndication and Securitisation & Structured Finance units

Debt Capital Market & Syndication and Securitisation & Structured Finance specialise in providing funding, liability management and investment solutions to sovereign, corporate and institutional issuers and investors in the ASEAN

## Functional Divisions

region. Its leading position in the country and in moving forward towards becoming a leading regional capital market solutions provider is underlined by CIMB's capability in the domestic and global bond, commercial papers, medium term notes programme, Islamic capital markets, convertible bonds, asset-backed securities, credit derivatives and structured finance markets.

### Cross Markets Trading

Cross Markets Trading is primarily engaged in the trading of over-the-counter and exchange-listed fixed income, foreign exchange, equity, commodities and derivative products in the domestic, regional currency and G2 markets as well as an active market-maker in Islamic debt securities.

### Structured Products & Derivatives

Structured Products & Derivatives is responsible for market-making in interest rate derivatives and in developing derivative-linked solutions for the Group. It offers customised solutions for the entire range of clients, from corporations, government agencies, institutional investors and high net worth individuals.

### Balance Sheet Management

The Balance Sheet Management team was set up in the third quarter of 2005 to manage the interest rate risk and return of the commercial bank's loan and deposit base as well as to coordinate pricing of all loan and deposit products.

## ASSET MANAGEMENT

### CIMB-Principal Asset Management Berhad (CIMB - Principal)

CIMB-Principal provides fund management expertise in equities, fixed income, cash and Shariah compliant products and offers customised/tailored portfolio mandates and unit trust funds to both institutional and retail clients. It currently has in its product offering 16 unit trusts designed for retail investors, of which the Global Titans Fund offers exposure to multinationals while the Hidden Values Fund offers exposure to companies in India, Singapore, Malaysia, Indonesia and Thailand.

### CIMB-Mapletree Management Sdn Bhd (CIMB - Mapletree)

CIMB - Mapletree is a 60:40 joint venture between CIMB Real Estate Sdn Bhd and Mapletree Investments Pte. Ltd. of Singapore. Launched in April 2005, it is involved in real estate fund management and real estate related advisory activities leveraging on both CIMB and Mapletree's distinct expertise and knowledge of the Malaysian market, structured corporate finance and real estate. To date, CIMB - Mapletree has achieved successful closure of its first privately held closed-end real estate fund, CMREF 1, which is an acronym for CIMB-Mapletree Real Estate Fund 1, which has an approved fund size of RM2 billion. It has since acquired 2 major properties - CP Tower and Menara CSM/Jaya.

### Private Equity (PE)

PE services include providing equity and mezzanine financing for mid and late stage investment opportunities, particularly management buyouts, restructuring and re-capitalisation exercises and aims to create value by investing in companies using CIMB's expertise and established network. With funds under management exceeding half a billion ringgit, PE is aggressively seeking local and regional investment opportunities.

### Strategic Assets

Strategic Assets is a 60:40 joint venture between CIMB Group and the Standard Bank Plc and focuses on providing equity and equity-related risk capital to businesses in the energy, infrastructure and natural resource sectors. Strategic Assets' investment portfolio in these sectors includes privately managed and controlled operating companies, brown-field expansions, privatisation, restructuring, project financed entities and publicly listed companies.

## Functional Divisions

### Commerce Asset Ventures

Commerce Asset Ventures is a specialised investment fund and management company wholly owned by CIMB Group. It is a leading venture capital company in Malaysia.

### INSURANCE

The Group's insurance business are held under Commerce International Group Berhad (CIG). CIG underwent dramatic changes in early 2007 with the Group's announcement of the sale of certain segments of our insurance businesses. Following the completion of the transactions later in 2007, the Group's insurance business will comprise a 51% stake in both Commerce Life Assurance Berhad and Commerce Takaful Berhad, namely our life insurance and takaful businesses. The other 49% of the companies will be held by Aviva Pte Ltd, the world's 5th largest insurance group. The Group also disposed of its entire stake in its general insurance company, Commerce Assurance Berhad, to Allianz General Insurance Berhad.

The disposals are in line with the Group's focus on finding synergies between its banking and insurance businesses through bancassurance. As a Universal Bank, we need to be able to offer a full suite of products to our customers, by further growing the firm's bancassurance value proposition.

### BANK NIAGA

Bank Niaga, the 7<sup>th</sup> largest bank in Indonesia, is the Group's Indonesian consumer banking arm and is listed on the Jakarta Stock Exchange. The Group's shareholding in Bank Niaga is 66.6%.

Bank Niaga's extensive network and channels in Indonesia provide the bank's customers service with unlimited access, anytime and anywhere. The bank has 228 branches, 366 ATMs, 154 Self Service Terminal (SST), Phone Banking (Niaga Access 14041), Internet Banking (Niaga Global@ccess) and mobile banking (Niaga Ponsel Access).

Bank Niaga is ranked 2<sup>nd</sup> in the Indonesian mortgages market with a 10.2% market share. Bank Niaga's other services consist of international banking (correspondence bank activities, export-import and remittances), Treasury and Custodian & Trustee investment services.

Since its inception over four decades ago, Bank Niaga has built a strong foundation to ensure continuous growth through the creation of a corporate culture which values integrity, quality service, and prudential banking management. Its many accolades including "Indonesia's Best Managed Mid-Cap Company 2006" (Asia Money) and "The Best Commercial Bank for Real Estate 2006" (Euromoney) are testament to the Bank Niaga's strengths.

Going forward Bank Niaga will focus on being a market leader in the affluent and mass affluent consumer, mortgage and middle commercial business, while continuing the development of existing business such as auto loans, credit cards, custody and corporate trust, trade finance and shariah banking.

The Group has launched the "Niaga Synergy Programme" to enable the capture of more synergies between Bank Niaga and the other operating entities in the Group.

### ISLAMIC BANKING

CIMB Islamic focuses on providing comprehensive and innovative Shariah compliant financial products and services in the areas of Investment Banking, Consumer Banking, Asset Management and Takaful. In ensuring effective and efficient business delivery the division operates on full leverage model in that the division works closely with all other divisions and entities within the CIMB Group.

## Functional Divisions

As the Group's Islamic banking franchise, CIMB Islamic transcends all legal entities within the Group and the business is currently undertaken in various constituents of the Group. The core Islamic business entity is CIMB Islamic Bank Berhad, a fully licensed Islamic bank, which is the result of a merger between BCB, SBB and CIMB. The other core operating entities operating as a window includes CIMB Investment Bank, CIMB Bank (overseas branches and subsidiaries), CIMB - Principal, Commerce Takaful and CIMB-GK. On the international front, the Group has recently launched CIMB-Kanoo Islamic Investment Company BSC (C) to expand its Islamic portfolio overseas and to establish a presence in the Middle East.

CIMB Islamic operates as a parallel bank, leveraging on the Group's infrastructure and network locally and globally. To ensure strict adherence to Shariah principles, all its operations are monitored by the CIMB Islamic Shariah Committee, comprising scholars from around the globe.

### GROUP INFORMATION & OPERATIONS (GIOD)

Group Information and Operations Division (GIOD), the operations and technology hub of the Group, has seamlessly integrated its varied service offerings under one umbrella. GIOD provides the foundation for an effective legal and risk monitoring framework, efficient operations and value added and enabling Information Technology and business process platform for CIMB Group. GIOD undertakes all the back office operations for the Group under its 3 operating pillars, namely Operations, IT & Programme Management Office and Legal & Risk Monitoring.

### GROUP FINANCE

Group Finance plays a vital role in supporting management and the Board of Directors in their strategic planning and decision making process with 6 core units namely Financial Accounting/Management Reporting, Regulatory Reporting, Payments & Fixed Assets, Corporate Strategies & Implementation, Tax and Secretarial Services. The division is responsible for preparing various financial reports (both internal and external) as well as providing advice and opinions on all financial and tax matters as required by management from time to time. In addition, the division is also overall responsible for all corporate secretarial matters pertaining to the Group.

### GROUP STRATEGY

Group Strategy is responsible for identifying, developing, executing and managing the implementation of key strategic initiatives and processes for the Group. By overseeing strategy from inception to completion, new markets, new products or new processes can be identified and evaluated accurately and synergy benefits can be realised with focused execution. This will enable the Group to deliver value to all its stakeholders as quickly as possible and meet the expectations embedded in the Group's vision of being the "Most Valued Universal Bank" in South East Asia.

Group Strategy consists of Group Corporate Finance, Strategy & Innovation, Strategy Management & Integration and Special Projects.

### GROUP CORPORATE RESOURCES

Group Corporate Resources forms the integral part of CIMB Group's commitment towards developing and optimising its resources to support the Group's vision. It comprises Group Human Resources, Group Corporate Communications, Group Administration and the Sports and Recreation Department.

Group Human Resources is primarily responsible for the full spectrum of human capital management processes within the Bank, as well as ensuring the inclusion and escalation of human capital issues to the strategic level of decision

## Functional Divisions

making within the Group. In line with CIMB Group's integration, Group Human Resources underwent a transformation programme focusing on restructuring of its delivery system to better support the business through five pillars - HR Strategy, HR Services, Relationship Management, Learning and Talent Development; and Knowledge Management.

Group Corporate Communications leads the re-branding exercise and communication within and outside CIMB Group. Through various activities such as advertising and promotions; public and media relations; event management and corporate social responsibilities programme, Group Corporate Communications continues to communicate CIMB Group's brand promise of creating value through "Forward Banking".

Group Administration provides a one-stop centre administrative support to fulfill the needs of the business units. The roles cover building and maintenance, transportation and other physical infrastructure needs within CIMB Group.

The Sports and Recreational Departments offers employees a work-life balance through a host of activities organised throughout the year. These range from competitive industry-wide games and sports events; fun group activities such as treasure hunt and annual dinner; as well as charity event for the less fortunate during their difficult times.

### **GROUP RISK MANAGEMENT**

Following the transformation of the Group into a universal bank, the role of Group Risk Management has been also to continuously anticipate the changing risk profile of the Group, and to take the necessary measures to manage risks group-wide. Among the main areas of focus for Group Risk Management has been the formulation of the Group Risk Management Framework. The framework contains the principles that determine how the Board of Directors and Management perceive the role of risk management and how the Group intends to manage risk.

### **GROUP CEO'S OFFICE**

Group CEO's Office comprises four main divisions, Government Relationship Management, Customer Care, Group Recovery and Group Internal Audit (which reports directly to the Audit Committee and indirectly to Group CEO's Office). Also reporting to the Group CEO's Office is the CIMB Bank's subsidiary in Mauritius, the South East Asian Bank Ltd.

The Investor Relations Department which is responsible for all communications with shareholders and investors also comes under the ambit of the Group CEO's Office.

# Boards of Major Subsidiaries

## CIMB GROUP SDN. BHD.

### Chairman

Tan Sri Dato' Md Nor Md Yusof

### Members

Tan Sri Dato' Seri Haidar Mohamed Nor  
 Dato' Hamzah Bakar  
 Dato' Zainal Abidin Putih  
 Datuk Dr. Syed Muhamad Syed Abdul Kadir  
 Cezar P. Consing  
 Dato' Mohd Shukri Hussin  
 Dato' Robert Cheim Dau Meng  
 Dato' Nazir Razak - Group Chief Executive

### Secretary

Rossaya Mohd Nashir

## CIMB BANK BERHAD

### Chairman

Tan Sri Dato' Seri Haidar Mohamed Nor

### Members

Dato' Nazir Razak – Deputy Chairman  
 Tan Sri G.K. Rama Iyer  
 Dato' Dr. Mohamad Zawawi Ismail  
 Datuk Dr. Syed Muhamad Syed Abdul Kadir  
 Dato' Mohd Shukri Hussin  
 Dato' Zainal Abidin Putih  
 Dato' Yeap Leong Huat  
 Tunku Ahmad Burhanuddin – Executive Director  
 Dr. Gan Wee Beng – Executive Director, Risk Management

### Joint Secretaries

Jamil Hajar Abdul Muttalib  
 Rossaya Mohd Nashir

## CIMB INVESTMENT BANK BERHAD

### Chairman

Dato' Hamzah Bakar

### Members

Dato' Nazir Razak – Deputy Chairman  
 Nicholas R.H. Bloy  
 Zahardin Omardin  
 Dato' Zainal Abidin Putih  
 Charon Wardini Mokhzani - Executive Director

### Joint Secretaries

Jamil Hajar Abdul Muttalib  
 Carol Tan Ae Luh

## CIMB ISLAMIC BANK BERHAD

### Chairman

Datuk Dr. Syed Muhamad Syed Abdul Kadir

### Members

Dato' Nazir Razak – Deputy Chairman  
 Dato' Mohd Shukri Hussin  
 Dato' Anwar Aji  
 Dr. Nungsari Ahmad Radhi  
 Raja Shaharul Niza Raja Abdul Aziz  
 Badlisyah Abdul Ghani – Executive Director/Chief Executive Officer

### Joint Secretaries

Rossaya Mohd Nashir  
 Idrus Ismail

## PT BANK NIAGA tbk

### President Commissioner

Dato' Halim Muhamat

### Commissioners

Gunarni Soeworo - Vice President Commissioner  
 Sigid Moerkardjono  
 Dato' Hamzah Bakar  
 Dr. Roslan A. Ghaffar  
 Dato' Mohd Shukri Hussin  
 Ananda Barata  
 Prof. Dr. Roy Hendra Michael Sembel

### Secretary

Rizki P. Hasan

# Our Values

Our corporate values unite the entire group in providing the group with three guiding principles:

1. Value creation - We are in the business of creating value for our customers. Creating value rests on understanding our customers' needs and creating solutions to answer these needs – the more value we can create, the more our customers will turn to us.
2. People enablement - We believe the best way to create the most value is by enabling our people. Enabling our people involves effectively placing, motivating and supporting them and ultimately, unleashing their true potential.
3. Integrity - In order to protect our reputation and our business, we speak and act with integrity - speaking and acting honestly and sincerely, and treating our customers' needs and interests as our primary focus. Our unwavering belief in integrity is what allows our customers to entrust their business to us.





# Statement on Corporate Governance

(Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad)

## 1. INTRODUCTION

The Board of Directors of BCHB upholds the adoption of principles and best practices as enshrined in the Malaysian Code on Corporate Governance throughout the Group. It is recognised that the adoption of the highest standards of governance is imperative for the enhancement of stakeholders' value.

The Board is pleased to present the following report on the application of principles and compliance with best practices as set out in the Malaysian Code on Corporate Governance.

## 2. DIRECTORS

### The Board

The Board is the ultimate decision making entity. It leads and controls the Group. The Board is primarily responsible for among other things, the review and adoption of a strategic plan for the Group, oversight of business performance, ensuring the adoption of appropriate risk management systems and ensuring establishment of proper internal control systems.

During the year, the Board of Directors met on a scheduled basis at least once every quarter. When the need arose, Special Board Meetings and Joint Special Board Meetings/Briefings with subsidiaries were also convened. The quarterly Board Meetings were scheduled prior to the commencement of the financial year.

Among the topics for deliberation were the financial statements and results of the Group and its subsidiaries, operational activities, strategic and corporate initiatives as well as matters specifically reserved for the Board's decision. Reports by Board Committees were also presented and discussed.

In 2006, there were five ordinary Board Meetings and five Special Board Meetings. In addition, there was one Joint Board briefing in 2006 with the Boards of CIMB Bank and CIMB Investment Bank on talent management review. The dates, venues and time of the Board Meetings can be found in the Statement Accompanying Notice of Annual General Meeting on page 355 of this Annual Report. The following are the details of attendance of each individual director in respect of Meetings held in 2006.

Directors	No. of Meetings Attended in 2006
Tan Sri Dato' Md Nor Md Yusof (Appointed as Director and Chairman on 27 <sup>th</sup> June 2006 and 31 <sup>st</sup> July 2006 respectively)	4/4
Dato' Mohd Shukri Hussin	10/10
Dato' Mohamed Nazir Abdul Razak (Appointed on 27 <sup>th</sup> January 2006)	7/9
Tan Sri Dato' Mohd Desa Pachi (Chairman) (Resigned on 31 <sup>st</sup> July 2006)	7/7
Dato'Anwar Aji (Resigned on 7 <sup>th</sup> November 2006)	7/9
Tan Sri Datuk Asmat Kamaludin (Resigned on 7 <sup>th</sup> November 2006)	9/9
Dato' Mohd Salleh Mahmud (Resigned on 7 <sup>th</sup> November 2006)	7/9
Dr. Roslan A. Ghaffar	8/10
Izlan Izhah (Resigned on 7 <sup>th</sup> November 2006)	9/9
Dato' Hamzah Bakar (Appointed on 7 <sup>th</sup> November 2006)	0/1
Tan Sri Dato' Seri Haidar Mohamed Nor (Appointed on 7 <sup>th</sup> November 2006)	1/1
Dato' Zainal Abidin Putih (Appointed on 7 <sup>th</sup> November 2006)	0/1
Datuk Dr Syed Muhamad Syed Abdul Kadir (Appointed on 7 <sup>th</sup> November 2006)	1/1
Mr Cezar Peralta Consing (Appointed on 7 <sup>th</sup> November 2006)	0/1
Dato' Robert Cheim Dau Meng (Appointed on 7 <sup>th</sup> November 2006)	1/1

## Statement on Corporate Governance

(Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad)

### Composition Of Board Of Directors/Board Balance

The Board of BCHB as at the date of this statement consists of ten (10) members. Five (5) Directors are independent as defined under the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities). Two (2) Directors represent the major shareholders, namely Khazanah Nasional Berhad and Employees Provident Fund Board (EPF). One is the Group Managing Director/CEO, one is an Executive Director/Group Advisor and one is a Non-Independent Non-Executive Director holding an executive post in the banking group.

There is optimum board balance and there is compliance with the independent directors' criteria of the Bursa Securities' Listing Requirements. The current set of Directors with their wide experiences in both the public and private sector and academic background provides a collective range of skills, expertise and experience. The independent directors fulfill their role by providing objective judgement and participation in the decision-making process.

Tan Sri Dato' Md Nor who is the Chairman, is a Non-Independent Non-Executive Director and the representative of Khazanah Nasional Berhad. Dato' Nazir Razak was appointed Group Managing Director/CEO on 7<sup>th</sup> November 2006. Dato' Mohd Shukri Hussin was redesignated as Executive Director/Group Advisor on the same date.

The roles of the Chairman of the Board and Group Managing Director/CEO are separate which will help to ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

The Chairman of the Board is a Non-Independent Non-Executive Director and his main responsibility is to lead and manage the work of the Board in order to ensure that it functions efficiently and effectively and fully discharges its responsibilities.

The responsibility for the day-to-day management of the Company rests with the Group Managing Director/CEO. He is ultimately accountable for implementing the policies/decisions approved by the Board, leading the corporate team and instilling an appropriate corporate culture.

At the beginning of each financial year, the Board deliberates and approves a set of measures and expectations for the Group Managing Director/CEO via the Corporate Balanced Scorecard. This acts as a yardstick against which his performance will be measured, evaluated and rewarded.

### Supply Of Information

Prior to the Board Meetings, all Directors will receive the agenda and a set of Board papers containing information relevant to the matters to be deliberated at the Meetings. Under Best Practice, seven (7) days prior to Board Meetings was set as a target for Management to deliver the respective papers to the members of the Board. Any deviation from the set timelines will require explanation from Management. The Board will receive information that is not only historical or quantitative but also those that look at qualitative performance factors.

Management is responsible to provide the Board with all information of which it is aware. The Chairman of the Board shall undertake the primary responsibility of organising information for the agenda during the Board Meeting.

Directors have access to all the information within the Company and the Group, whether as a full board member or in their individual capacity, in the furtherance of their duties. Directors whether acting as full board members or in their individual capacity can take independent professional advice at the Company's expense.

All the Directors have direct access to the advice and services of the Company Secretary. The Company Secretary is capable of carrying out the duties to which the post entails. The Directors are regularly updated on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors.

## Statement on Corporate Governance

(Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad)

### Appointments To The Board

There is in place a formal and transparent procedure for the appointment of new directors to the Board. The proposed appointment of new member (s) of the Board as well as the proposed re-appointment/re-election of Directors seeking reappointment or re-election at the Annual General Meeting, are recommended by the Nomination and Remuneration Committee to the Board for its approval. The Board makes the final decision on the appointment and the approval from Bank Negara Malaysia is then sought.

### Board Committees

To assist the Board in the discharge of its duties, various Board Committees were established. The functions and terms of references of the Board Committees are clearly defined as further described below:

#### (a) Nomination and Remuneration Committee

This Committee was formed on 31<sup>st</sup> October 2001 and is made up entirely of non-executive directors with the majority being independent. In 2006, there were six Meetings held by the Committee. The members of the Nomination and Remuneration Committee and details of attendance at the meeting are as follows:-

	Attendance
Tan Sri Dato' Mohd Desa Pachi ( <i>Chairman</i> ) (Resigned on 31 <sup>st</sup> July 2006) <i>Independent Non-Executive Director</i>	4/4
Dato' Anwar Aji (Resigned on 7 <sup>th</sup> November 2006) <i>Non-Independent Non-Executive Director</i>	5/5
Tan Sri Datuk Asmat Kamaludin (Resigned on 7 <sup>th</sup> July 2006) <i>Independent Non-Executive Director</i>	5/5
Tan Sri Dato' Seri Haidar Mohamed Nor ( <i>Chairman</i> ) (Appointed on 7 <sup>th</sup> November 2006) <i>Independent Non-Executive Director</i>	1/1
Dato' Hamzah Bakar (Appointed on 7 <sup>th</sup> November 2006) <i>Independent Non-Executive Director</i>	1/1
Dato' Zainal Abidin Putih (Appointed on 7 <sup>th</sup> November 2006) <i>Independent Non-Executive Director</i>	1/1
Datuk Dr Syed Muhamad Syed Abdul Kadir (Appointed on 7 <sup>th</sup> November 2006) <i>Independent Non-Executive Director</i>	1/1
Dato' Robert Cheim Dau Meng (Appointed on 7 <sup>th</sup> November 2006) <i>Non-Independent Non-Executive Director</i>	1/1

The terms of reference of the Committee with regards to the nomination role are as follows:-

- To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary within the Group and to recommend Directors to the Committees of the Board.
- To be responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies within the Group as and when they arise as well as to put in place plans of succession in particular of the Chairman and the Managing Director/Executive Director/Chief Executive. The responsibility of the Committee shall be extended to all subsidiaries of BCHB. All subsidiaries shall submit the names of new directors proposed for the respective Boards to the Committee for recommendation.
- To review the required mix of skills and experience and other qualities and competencies, which Non-Executive Directors shall bring to the Board, and to assess the effectiveness of the Board, Board Committees and contributions of Directors of the Board within the Group.

## Statement on Corporate Governance

(Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad)

- To recommend to the Board for the appointment and continued tenure of service of Managing Director/Executive Director/Chief Executive for the Company and its subsidiaries.
- To recommend to the Board for the appointment and continuation (or otherwise) in service of any Director who has reached the age of 70.
- To recommend Directors who are retiring by rotation for re-election.
- To seek the services of such advisors or consultants as it deems necessary to fulfill its responsibilities.

The terms of reference with regards to the remuneration role are as follows:-

- To determine and recommend to the Board on the Company's or the Group's director fees, allowances and other remuneration.
- To determine and recommend to the Board on the framework or broad policy for the remuneration of the Company's or Group's Managing Director (MD), Executive Director (ED), Chief Executive Officer (CEO) and Key Senior Management executives.
- To determine and recommend to the Board of any performance related scheme for the Company or the Group.
- To determine the policy for the scope of services and terms and conditions of service agreements for the Executive and Non-Executive Directors.
- To recommend to the Board the services of such advisors or consultants as it deems necessary to fulfill its responsibilities.

The Board through this Committee periodically reviews the relevant mix of skills and experiences inherent in the Board. With regards to assessing the effectiveness of the Board as a whole, the committees of the Board as a whole, and for assessing the contribution of each individual director, an appropriate framework has been adopted by the Board during the financial year.

The Company Secretary will ensure that all appointments are properly made, that all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Rules or other regulatory requirements. The Board will periodically examine the effectiveness of its present size in discharging its duties.

All Directors have attended the Mandatory Accreditation Programme and various courses linked to the Continuing Education Programme. The Company has on an ongoing basis identified conferences and seminars both locally and regionally with particular emphasis on the financial services sector which will be beneficial to the Directors. Bursa Securities has informed via its circular dated 28<sup>th</sup> September 2004, that effective 1<sup>st</sup> January 2005 the Board of public listed companies will assume the onus of determining or overseeing the training needs of the directors. Relevant conferences will be identified throughout the financial year. A Commerce Group Directors' retreat was held in September 2005 where the issues deliberated upon were the talent management initiative, group strategy and group operations.

At least once every three years, all directors are required to submit themselves for re-election at regular intervals subject to approval being obtained from Bank Negara Malaysia.

### Audit Committee

In 2006, the members of the Audit Committee were as follows:-

Tan Sri Datuk Asmat Kamaludin (*Chairman*) (Resigned on 7<sup>th</sup> November 2006)

*Independent Non-Executive Director*

Dato' Mohd Salleh Mahmud (Resigned on 7<sup>th</sup> November 2006)

*Non-Independent Non-Executive Director*

## Statement on Corporate Governance

(Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad)

Izlan Izhab (Resigned on 7<sup>th</sup> November 2006)

*Independent Non-Executive Director*

Dato' Zainal Abidin Putih (Appointed on 7<sup>th</sup> November 2006)

*Independent Non-Executive Director*

Dato' Hamzah Bakar (Appointed on 7<sup>th</sup> November 2006)

*Independent Non-Executive Director*

Datuk Dr Syed Muhamad Syed Abdul Kadir (Appointed on 7<sup>th</sup> November 2006)

*Independent Non-Executive Director*

Tan Sri G.K. Rama Iyer (Appointed on 23<sup>rd</sup> February 2007)

*Independent Non-Executive Director of CIMB Bank*

The Audit Committee met seven (7) times during the financial year. The Audit Committee Report is presented on pages 93 to 95 of the Annual Report. Its principal function is to assist the Board in maintaining a sound system of internal control.

### Group Risk Management Committee

The Committee was established on 30 July 2003 with the primary responsibility of ensuring the effective functioning of the integrated risk management function within the organisation. In 2006, there were four meetings held by this Committee.

The terms of reference of the Committee are as follows:-

- Formulating and reviewing the risk strategy of the organisation.
- Approving and periodically reviewing the organisation's risk management policies in line with risk strategy.
- Defining the risk management objectives across risk categories and business lines.
- Setting the risk appetite (namely the confidence level to be used for quantifiable risks, maximum size and frequency of losses for risks, etc) of the organisation along specific business lines.
- Reviewing the risk-based economic capital of the organisation.
- Reviewing the overall risk profile of the organisation and specific market risk and credit risk portfolio profile on a periodic basis.
- Approving the methodology to be followed for risk based economic capital computation.
- Approving the contingency plan for dealing with various extreme internal/external events and disasters.
- Ensuring a risk aware culture in the organisation.
- Any other related issues.

Members of Group Risk Management Committee with effect from 14 March 2007 are as follows:-

1. Dato' Hamzah Bakar - Chairman
2. Tan Sri Dato' Md Nor Md Yusof
3. Dr Roslan A. Ghaffar
4. Tan Sri Dato' Seri Haidar Mohamed Nor
5. Dato' Zainal Abidin Putih
6. Datuk Dr Syed Muhamad Syed Abdul Kadir
7. Mr Cezar Peralta Consing
8. Dato' Robert Cheim Dau Meng

## Statement on Corporate Governance

(Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad)

### Employees Share Option Scheme (ESOS) Committee

The BCHB Group ESOS Committee was established to administer BCHB's Employees Share Option Scheme. The Committee's principal function is to ensure that the Scheme is administered in accordance with the by-laws approved by the shareholders of the Company. The present ESOS Scheme (ESOS 2002/2007) was implemented on 20 November 2002 and is governed by the by-laws that were approved by the shareholders on 26 April 2002.

### 3. DIRECTORS' REMUNERATION

The level of remuneration of the Directors is sufficient to attract and retain the Directors needed to run the Group successfully. The Nomination and Remuneration Committee will review the remuneration framework of Directors and Senior Management of the Group. This will include fee and allowance structure as well as performance linked rewards or compensation. External advisers or consultants may be engaged by the Nomination and Remuneration Committee to advise on specific areas where necessary.

The determination of remuneration packages of non-executive directors is a matter for the Board as a whole. The annual fees for Non-Executive Directors of the Company are RM90,000 per director. Meeting allowances have been fixed at RM1,000 per Meeting per director for a Board/Special Board Meeting and RM500 per Meeting per Director for Board Committee Meetings. For Executive Directors and those who head the operating subsidiaries, the remuneration will be based on level of responsibilities, skills, experience and job performance. The remuneration package is also governed by the relevant human resource policy of the entity. For Non-Executive Directors, the level of remuneration will reflect the level of responsibilities and experience involved.

The aggregate remuneration of the Directors of the Company for the financial year ended 31 December 2006 categorised into the appropriate components are as follows:-

	The Group 2006 RM'000	The Company 2006 RM'000
<b>Executive Directors #</b>		
- Salary and other remuneration	881*	751
- Benefits-in-kind	237	231
<b>Non-Executive Directors #</b>		
- Fees	1,738^	920^
- Other remuneration	5,826+	92
- Benefits-in-kind	61	-
	<b>8,743</b>	<b>1,994</b>

# During the financial year ended 31 December 2006, the functions and responsibilities of the Chief Executive Officer (CEO) were carried on a Group basis. The salary, other remuneration (including bonus in respect of 2005 paid in 2006) and benefits-in-kind totaling RM 5,341,000 for the CEO was paid by a subsidiary, CIMB Investment Bank. RM 142,000 of the salary, other remuneration and benefits-in-kinds of the CEO is disclosed under remuneration of Executive Directors, while the balance of RM 5,199,000 is disclosed under remuneration of Non-Executive Directors as Dato' Mohamed Nazir Abdul Razak was appointed as Group CEO on 7 November 2006.

\* In addition to the CEO's remuneration is an amount paid to an Executive Director of the Company which also includes bonus in respect of 2005 paid in 2006.

## Statement on Corporate Governance

(Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad)

- ^ These salary and other remuneration, and fees exclude RM 345,000 paid by the Company and certain subsidiaries in relation to the directorships of Dato' Mohamed Nazir Abdul Razak, Dato' Mohd Shukri Hussin and Dato' Robert Cheim Dau Meng which were paid to the respective company in which they were employed.
- + In addition to the CEO's remuneration is an amount paid to a Non-Executive Director in his capacity as an executive of CIMB Investment Bank.

The aggregate remuneration of Directors of BCHB paid and payable for the financial year ended 31 December, 2006, in respective bands of RM50,000 are as follows:-

	The Group Number of Directors 2006
<b>RANGE OF REMUNERATION:</b>	
<b>Non-Executive Directors</b>	
RM50,000 and below	3
RM50,001 - RM100,000	2
RM100,001 - RM150,000	3
RM150,001 - RM200,000	1
RM200,001 - RM250,000	1
RM300,001 - RM350,000	1
RM400,001 - RM450,000	1
RM650,001 - RM700,000	1
<b>Executive Directors</b>	
RM950,001 - RM1,000,000	1
RM5,300,001 - RM5,350,000	1

#### 4. SHAREHOLDERS

Since the announcement of the CIMB-BCB integration in June 2005, the investor relations activities are conducted jointly between BCHB and CIMB. This is described in a separate section of this Annual Report on page 116.

The Annual Report of BCHB is also an important channel of communication to reach shareholders and investors. There is a determined effort to enhance the contents of the Annual Report in line with best corporate governance practices.

The Annual General Meeting of the Company is still the principal avenue for shareholders to communicate and engage in dialogue with the Board and Senior Management. There has always been a reasonable turnout at the Company's Annual General Meeting with around 500 shareholders attending the Meeting held in 2006. Notices and agenda of the Meeting are sent in accordance with the rules. There is always a healthy dialogue and interaction with shareholders, which is greatly encouraged.

Another aspect of effective communications is through early and timely dissemination of material information, financial results, corporate proposals and other announcement to Bursa Securities. Our website [www.commerz.com.my](http://www.commerz.com.my) can also be accessed for the relevant announcement and corporate information. With regards to the release of quarterly results we will strive to consistently meet the financial results deadline as specified in the Bursa Securities' Rules and Regulations.

## Statement on Corporate Governance

(Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad)

### 5. ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board is committed to presenting a balanced, clear and comprehensible assessment of the Group's financial position and its future prospects in its reports to shareholders, investment community and regulators. This is done through the release of quarterly results accompanying press releases and statement of responsibility for preparing the financial statements which can be found on page 129 of this Annual Report. The Audit Committee assists the Board in overseeing the financial reporting process.

#### Audit Committee

A report on the Audit Committee and its terms of reference is included on pages 93 to 95 of this Annual Report. The minutes of the Audit Committee Meetings are tabled to the Board. The Board and the Audit Committee maintain a formal and appropriate relationship with the external auditors.

#### Internal Controls

The Board of Directors has overall responsibility for maintaining sound internal control systems that cover financial controls, effective and efficient operations, compliance with law and regulations as well as risk management. The size and complexity of the BCHB Group necessitate the managing of a wide and diverse spectrum of risks. The nature of these risks means that events may occur which would give rise to unanticipated or unavoidable losses. The inherent system of internal control is designed to provide a reasonable though not absolute assurance against the risk of material errors, fraud or losses occurring. The Statement on Internal Control which provides an overview of the state of internal control is set out on pages 96 to 98. The internal audit function of the Group which rests with the Group Internal Audit Division is described in the Audit Committee report on page 94 of this Annual Report.

### 6. CONCLUSION

The Board is pleased to inform that BCHB has been in compliance with the Malaysian Code on Corporate Governance during the financial year under review.

This statement is made in accordance with a resolution of the Board of Directors dated 16 March 2007.

# Audit Committee Report

## MEMBERSHIP AND MEETINGS

The Audit Committee members comprised wholly of non-executive directors with the majority of the members being independent. The members during the financial year ended 31 December 2006 are as follows :-

<b>Tan Sri Datuk Asmat Kamaludin</b> Independent Non-Executive Director	<b>Chairman</b> (resigned on 7 November 2006)
<b>Dato' Mohd Salleh Mahmud</b> Non-Independent Non-Executive Director	(resigned on 7 November 2006)
<b>Izlan Izhab</b> Independent Non-Executive Director	(resigned on 7 November 2006)
<b>Dato' Zainal Abidin Putih</b> Independent Non-Executive Director	(appointed on 7 November 2006 as Chairman)
<b>Dato' Hamzah Bakar</b> Independent Non-Executive Director	(appointed on 7 November 2006)
<b>Datuk Dr Syed Muhamad Syed Abdul Kadir</b>	(appointed on 7 November 2006)

Note : Tan Sri G.K. Rama Iyer who is an Independent Non-Executive Director of CIMB Bank was appointed as a member effective 23 February 2007.

Dato' Mohd Salleh Mahmud was the member of the Audit Committee who met the requirements of Section 15.10 (1) of the Listing Rules which requires at least one qualified accountant as member of the committee. Upon his resignation, Dato' Zainal Abidin Putih is the current member who meets that requirement.

The Audit Committee met on a scheduled basis at least once every quarter. Minutes of each meeting are distributed to each member of the Board. The Chairman of the Audit Committee reports on each meeting to the Board.

In 2006, there were seven (7) Audit Committee meetings held, where all the Audit Committee members have met the minimum 75% attendance as per BNM guidelines.

## AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other professional advice as necessary.

## Audit Committee Report

### TERMS OF REFERENCE OF AUDIT COMMITTEE

- Ensure that the financial statements are prepared in timely and accurate manner with frequent review of the adequacy of provisions, commitments and contingencies, and bad and doubtful debts. Review the Balance Sheet and Income Statement for submission to the Board of Directors and ensure the prompt publication of financial statements.
- To review the quarterly announcements made to Bursa Malaysia Securities Berhad and year end financial statements before submission to the Board.
- To review the effectiveness of internal controls and risk management process, including the effectiveness of management in discharging its duties.
- To approve the Group Internal Audit annual plan and review the effectiveness of the Internal Audit function.
- To review the external auditors' audit plan, evaluate their performance and make recommendation to the Board of Directors on their appointment and remuneration. Approve the provision of non-audit services by the external auditor.
- To review the audit findings and internal control issues identified by the internal auditors, external auditors and regulatory examiners, and to ensure that appropriate and prompt remedial actions are taken by management.
- To review and approve related party transactions involving the Company or the Group presented to it.
- To consider any conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises question of management integrity.

### INTERNAL AUDIT FUNCTION

- The responsibility of the Audit Committee is supported by the Group Internal Audit Division (GIAD) of CIMB Bank, which conducts audit for the whole BCHB Group except for Bank Niaga and South East Asian Bank Limited (SEA Bank) which have their own internal audit function. In ensuring proper group audit oversight, Bank Niaga and SEA Bank internal audit submit quarterly reports to GIAD, highlighting key audit issues/concerns.
- GIAD provides independent assurance on the efficiency and effectiveness of the internal control systems implemented by Management. Annual audit plan is developed based on assessment of risk priorities, exposures and strategies/goals of the Group.
- GIAD assists the Board, Audit Committee and management in the effective discharge of their responsibilities in establishing cost-effective controls, risk management and recommending measures to mitigate identified risks and to ensure proper governance.
- GIAD provides quarterly reports to the Audit Committee, reporting on the outcome of the audits conducted which highlight the effectiveness of the system of internal control and significant risks. The Audit Committee reviews/evaluates the key concerns/issues raised by GIAD and ensure that appropriate and prompt remedial action is taken by management.

## Audit Committee Report

### SUMMARY OF ACTIVITIES

During the year under review, the Audit Committee carried out its duties as set out in the terms of reference. Key activities include :-

- Reviewed and approved the annual audit plan, scope of work and resource requirement of the Group Internal Audit Division.
- Reviewed the external auditors' audit plan, scope of work and results of the annual audit for the Group.
- Reviewed the internal control issues identified by the group internal auditors, external auditors and regulatory examiners, and management's response to the recommendations and the implementation of agreed action plans.
- Reviewed the financial statements of the Group on a quarterly basis and the draft announcement to Bursa Securities before recommending them for the approval of the Board of Directors.
- Reviewed the annual audited financial statements of the Company and the Group with external auditors prior to submission to the Board of Directors for their approval.
- As part of good corporate governance, the Audit Committee held one private meeting (ie without management's presence) with the external auditors to discuss key concerns and obtain feedback.
- Considered and recommended to the Board the reappointment of the external auditors and their audit fees.

# Statement on Internal Control

for the financial year ended 31 December 2006

## INTRODUCTION

The Bursa Malaysia Securities Berhad's Listing Requirements paragraph 15.27(b) requires the Board to make a statement in the Company's Annual Report about the state of its internal controls. The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets.

Accordingly, the Board is pleased to set out below the Statement on Internal Control (Statement) that was prepared in accordance with Statement on Internal Control – Guidance for Directors of Public Listed Companies. The Board recognises that the practice of good corporate governance is an important continuous process and not just a matter to be published for compliance purposes in the Annual Report.

## RESPONSIBILITY

The Board acknowledges its responsibility for maintaining sound internal control systems to safeguard shareholders' interest and the Group's assets; and for reviewing the adequacy and integrity of these systems. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable rather than absolute assurance against material misstatement or loss. The process to identify, evaluate and manage the significant risks is a concerted and continuing effort throughout the financial year under review. This process is regularly reviewed by the Board.

The role of the management is to assist the Board in the implementation of the Board's policies and procedures on risk management and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and manage these risks.

In addition, as part of the overall assessment of major subsidiaries' state of internal control, these subsidiaries are required to assess the state of internal control of their respective companies and accordingly report and provide due assurance to the holding company. The banking and insurance subsidiaries' Statements were approved by their respective Audit Committees.

## KEY INTERNAL CONTROL PROCESSES

### A. Risk Management

The Company's Strategic Risk Management Framework (Framework) was adopted by the Board in 2004. The prime objective of the Framework is to put in place integrated risk management capabilities that enable the holding company to achieve a single view of risks across its various subsidiaries and business operations and to gain strategic competitive advantage from its risk management capabilities. The Group Risk Management Committee oversees the implementation of this Framework.

The major subsidiaries, namely CIMB Group, Bank Niaga, Commerce CIG, and CAV risk management practices continue to evolve further. A separate section in the Annual Report will describe in depth the Company and its major subsidiaries' risk management framework and initiatives.

At the major banking subsidiaries, the Board Risk Management Committees and their sub-committees have been entrusted by the respective boards of directors to manage different types of risks common to financial institutions which include credit risk, market risk, operational risk and liquidity risk. These risk sub-committees meet regularly to review and manage the risks and recommend suitable follow-up actions.

## Statement on Internal Control

### B. Audit Committee

The Company's Audit Committee which is chaired by an independent non-executive director reviews the internal controls system and findings of the internal auditors, external auditors and regulatory authorities and accordingly endorses appropriate remedial action.

CIMB Group, Bank Niaga and CIG have their own separate Audit Committees. The significant summary reports of these committees are forwarded to the BCHB's Audit Committee.

When there are specific issues, the Chairmen of the major subsidiaries' Audit Committees are invited to the discussion.

Further details on the Audit Committee are set out in the Audit Committee Report.

### C. Internal Audit Function

The internal audit function is carried out by the Internal Audit Division of CIMB Group which also functions as BCHB Group's Internal Audit Division.

For Bank Niaga Group, the internal audit function is carried out by its own department called Group Internal Auditor. Its reports are forwarded to BCHB Group Internal Audit Division.

The Internal Auditors regularly audit the internal control practices and report significant findings to the various Audit Committees with proposed recommendations. The core function of the internal auditors is to perform an independent appraisal of the BCHB Group's activity, to provide assurance on compliance to internal controls and risk management processes, and compliance with laws, regulations, policies and practices and to help management maintain and improve an adequate internal control system. The management is responsible to ensure that corrective actions on reported weaknesses are undertaken within an appropriate time frame.

### D. Other Key Elements Of Internal Control

- BCHB and its subsidiaries have designed the organisation structure with the objective of ensuring an adequate system of checks and balances, and by delineating appropriate authorisation levels and proper segregation of duties.
- An internal control culture is promoted through an emphasis on avoidance of conflict of interest, preservation of confidentiality of information, a professional code of ethics and an awareness of the provisions of the Anti-Money Laundering Act, 2001.
- The roles, responsibilities and expectations between the holding company and the subsidiaries are clearly defined.
- Various executive, management and operational committees are established by the major subsidiaries to assist their respective Boards in ensuring the effectiveness of the operations.
- Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are documented, updated from time to time and duly approved by the respective Boards.

## Statement on Internal Control

- The Group annual budget is prepared based on the annual business plans from the business units and subsequently tabled for the Board approval. Actual performance is compared against budget and reviewed by the Board with explanation of major variances.
- Starting from 2006, the headline Key Performance Indicators (KPI) of the Group were announced through Bursa Malaysia. The KPIs would drive the Group to focus to meet its key performance targets while maintaining high standards of internal controls.
- The Human Resource policies and procedures of the Group are designed for the following key purposes: to promote a high performance culture by rewarding the high performers and counseling poor performers; to organise ongoing training and retraining of employees; to identify leaders for succession planning; to attend to the welfare of employees with the aim of making the Group an Employer of Choice.

### **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

As required by paragraph 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group. RPG 5 does not require the external auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

This statement is made in accordance with a resolution of the Board of Directors dated 16 March 2007.

# Risk Management

## 1. BCHB

Risk management is an inherent part of our business activities. An effective risk management system is critical for the Group to achieve continued profitability and sustainable growth in shareholders' value, more so when we are operating in today's challenging and dynamic economic environment.

### Strategic Risk Management Framework

BCHB adopts the Strategic Risk Management Framework (Framework) as a guiding principle in managing its risks. The approach taken in this Framework reflects the Group's risk aspiration, profile, philosophy and strategy.

The prime objectives of the Framework are to put in place integrated risk management capabilities that enable the holding company to achieve a single view of risks across BCHB and its various subsidiaries and business operations; and to gain strategic competitive advantage from its risk management capabilities.

The Group Risk Dashboard (Risk Dashboard), which is integrated within the Framework, acts as a tool to monitor the Group's risk exposure and risk-adjusted return performance. This contributes to the creation of shareholder value by facilitating the deployment of resources to those subsidiaries or businesses whose value or earnings significantly exceed their risk profile.

The Risk Dashboard is structured to capture the key indicators of BCHB and its subsidiaries' risk profile and performance. In combination, the key indicators aim to provide a 'helicopter' view of the 'health' of the Group and its subsidiaries. Economic Profit (EP), a key indicator used to facilitate economic capital management, also forms part of the Risk Dashboard.

### Group Risk Management Committee (GRMC)

The GRMC is primarily responsible for the effective functioning of the integrated risk management function within the Group which includes formulating and reviewing the risk strategy, approving and periodically reviewing the Group's risk management policies in line with the risk strategy, defining the risk management objectives across risk categories and business lines, setting appropriate risk appetite, reviewing the risk based economic capital, reviewing the overall risk profile, approving the contingency plan for dealing with various extreme internal/external events and disasters, and ensuring a risk aware culture within the Group.

The Risk Management Department (RMD) has been entrusted by GRMC to complement the functions of GRMC in implementing several risk related initiatives.

## 2. MAJOR SUBSIDIARIES IN THE GROUP

### (a) CIMB Group

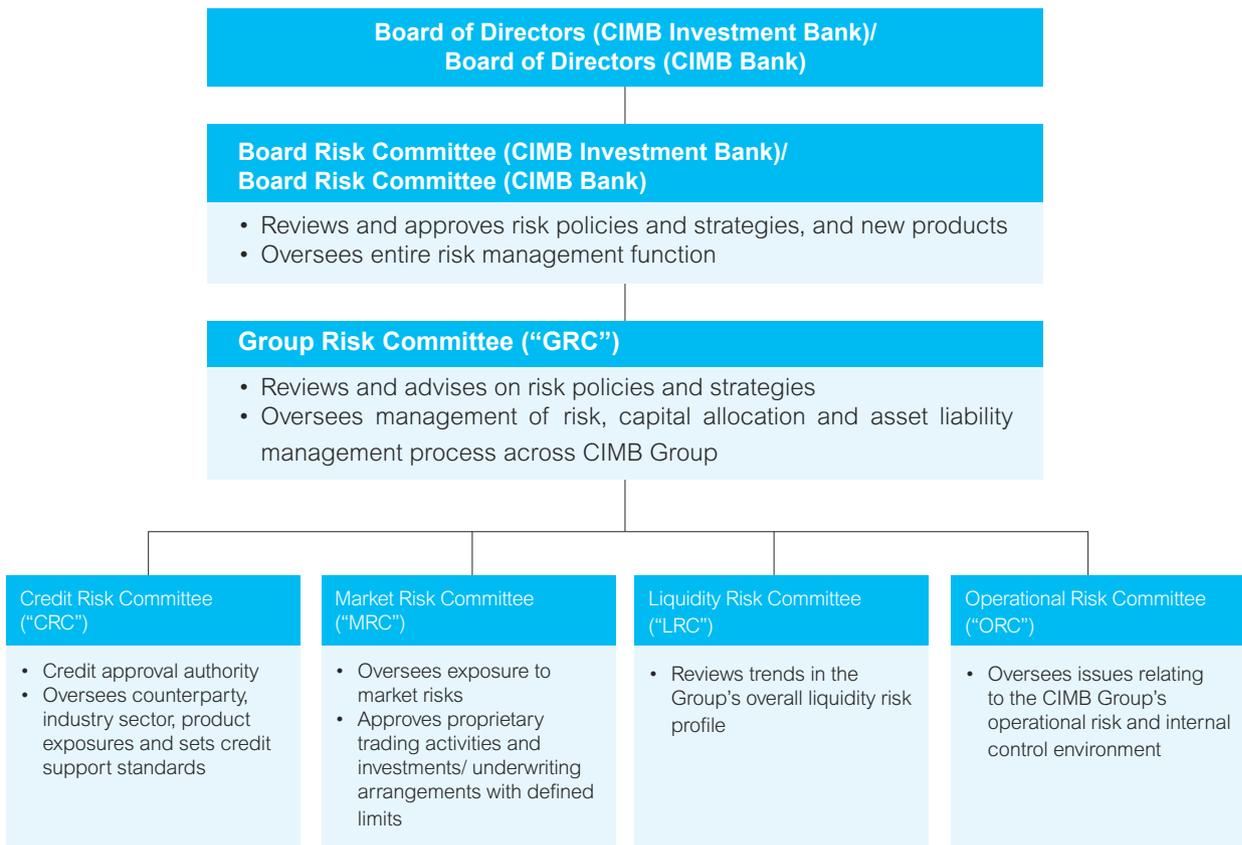
CIMB Group adopts the enterprise-wide risk management framework (EWRM) to manage its risks. The EWRM framework, which is implemented by a number of committees, involves the ongoing process of identifying, assessing, managing and reporting significant risks that may affect the achievement of its business objectives. This robust methodology equips the Board of CIMB and the Management with a comprehensive tool-kit to anticipate and manage both the existing and potential risks, taking into consideration changes in the risk profile experienced in the industry and within the Group.

## Risk Management

CIMB employs a Capital-at-Risk (“CaR”) framework as a common measure of risk within CIMB Group. The CaR framework focuses on economic capital needed in CIMB Group to cushion against unexpected losses. CaR can be aggregated, thus allowing measurement of CIMB Group’s total risk, and it provides a basis for risk-return consideration, hence limits for risk-taking can be computed and put in place. Risk capital is allocated to business units that utilise CIMB Group’s balance sheet. The CaR framework also forms the basis of return on risk-adjusted-capital, which is used by CIMB Group to compare profitability across differing businesses and for performance measurement.

The risk management structure at CIMB Group begins with the Board Risk Committee. In line with best practices in corporate governance, the Board Risk Committee determines the risk policy objectives for CIMB Group, and assumes ultimate responsibility for risk management. The Board Risk Committee also establishes yearly allocation of risk capital to support all risks undertaken by the Group. The day-to-day responsibility for risk management and control however, is delegated to the Group Risk Committee, which reports directly to the Board Risk Committee. Sub-committees delegated from the Group Risk Committee are also in place to manage and control specific risk areas. These sub-committees have been delegated specific responsibilities which are clearly defined in each of their terms of references. These committees have their specific scope of coverage and report to the Board of CIMB with their recommendations. The Board Risk Committee, reports directly to the Board of CIMB, and oversees the entire EWRM as well as provides strategic guidance and review decisions made by the various risk committees. The Group Risk Committee, comprising senior management of CIMB Group, undertakes the oversight function for capital allocation and overall risk limits, guided by the risk appetite defined by the Board of CIMB. The Group Risk Committee is further supported by four (4) specialised sub-committees, namely, Market Risk Committee, Credit Risk Committee, Liquidity Risk Committee and Operational Risk Committee.

The roles and responsibilities of the committees and sub-committees are as follow:



## Risk Management

The primary oversight body is the Group Risk Management (GRM), which comprises the Risk Management and Analytics (RMA), Risk Middle Office (RMO), Credit Rating and Analytics (CRA), Credit Risk Management (CRM) and Business Credit Management (BCM), which are independent of the Group's business units. Group Risk Management assists senior management and the various risk committees in monitoring, reporting and controlling the Group's risk exposures and is the secretariat of the various committees.

CIMB Group has, during the year, further enhanced the key risk management initiatives that have been put in place to be in line with the current development in the market and to achieve compliance with BNM guidelines, Basel II and other regulatory authorities.

### • Basel II

The Bank Negara Malaysia (BNM) has announced that the Basel II implementation date for Internal Rating Based (IRB) will be 1 January 2010. The parallel run will be a year prior to implementation.

The Group is currently working towards meeting the IRB requirement for all risk categories. The approaches taken for credit risk will be Advance IRB for retail exposure and Foundation IRB for corporate exposure. Operational risk will be based on Basic Indicator and working towards Standardised Approach in 2010.

Progress has been significant in calibrating Basel II compliance rating and scoring models. A department was created to specialize in modeling and implementing these rating or scoring models. During the year, three new retail scoring models namely mortgage, auto loan and business premises were calibrated using the latest and larger sample size. The models were subsequently implemented successfully to the enlarged Group.

Major effort has also seen in implementation capital allocation framework that bring the Group to meet the Pillar II - Internal Capital Adequacy Assessment Process (ICAAP) requirement. All the major risk categories have been measured and capital has been allocated to each business unit.

Post merger, the Group operational loss database from three banks has been merged and being used in reporting operational risk. It is being supplemented with the control self-assessment and Key Risk Indicator (KRI).

### • Business Continuity Management

The Business Continuity Management Department was established in July 2005. The primary role of the Business Continuity Management ("BCM") Department is to identify all activities and operations that are critical to sustaining the CIMB Group's business operations with the intent of ensuring that all associated operational risks are eliminated or minimised. The department manages the BCM activities for the local operations, foreign subsidiaries and overseas branches.

Business Continuity Plan ("BCP") that ensures 'business as usual' has been developed for the 'mission critical' functions; namely, Treasury Operations, Cheque Clearing Operations, Administration (including Auto-mailing Operations), Capital Market Operations, Futures and Equity Operations, Asset Management, I-Commerce, Auto Loans Operations, CIMB Nominees, CIMB FactorLease Operations, Direct Banking/Cards Division (Credit Card), CIMB Islamic, CSA Operations, Cheque Referral Centre Operations and Outsourced Services. The foreign subsidiaries and the overseas branches have developed business continuity plans based on their respective jurisdictions. These efforts have been consolidated under the BCM Department.

Disaster Recovery Plans (DRP) has been established between GIOD-IT and the IT service provider. The Bank has subscribed to a dedicated DR warm site with an independent service provider, which serves as the IT-DR Back-up site. This is an on-going project, which requires regular testing and rehearsals to be conducted. As for Treasury Operations, a dedicated Treasury Recovery Centre has been set up at Bangi.

## Risk Management

During the year, the Business Continuity Management Department coordinated the testing and rehearsal exercise of the Business Continuity Plans and Disaster Recovery Plans amongst the process owners, Outsourced Service Provider, GIOD-IT and IT Service Provider.

Futher details on risk management initiatives/activities carried out by CIMB Group are included in the notes to the financial statements (Note 58).

### (b) Bank Niaga Group

Bank Niaga Group adopts a comprehensive and integrated risk management & policy. The assessment and monitoring of risk are conducted through several executive committees which comprised Audit Committee and Risk Monitoring Committee at the level of Board of Commissioners and the following executive committees at the level of Board of Directors.

- Risk Management Committee
- Credit Risk and Policy Committee
- Market Risk Committee (MARCO)
- Operational and Information Technology Risk Committee
- Asset/Liability Committee (ALCO)

Members of these committees are primarily from the Board of Directors and Senior Executives of Bank Niaga Group. The Risk Management Committee is chaired by the President Director and meets at least once every three months to review the risk profile and risk adjusted performance of Bank Niaga Group. Decisions of the Risk Management Committee are incorporated into operational policy and working guidelines at all organisational level of Bank Niaga Group.

The roles and responsibilities of the executive committees are as follows:



## Risk Management

In addition to the executive committees' role, independent supervision and control over the operations of Bank Niaga Group is conducted by the Group Internal Auditor, a working unit led by the Comptroller.

Continuous review and enhancement of the implemented risk management initiatives are carried out by Bank Niaga Group to be inline with the current development in the market and to ensure compliance with the local regulatory authorities and requirements of Basel II.

Details on other risk management initiatives/activities carried out by Bank Niaga Group are included in the notes to the financial statements (Note 58).

### 3. OTHER SUBSIDIARIES IN THE GROUP

#### (a) CIG Group

At CIG Group, risk management policy has been implemented and significant risks affecting the Group have been identified. Both the internal and external factors were taken into consideration to identify and assess the risks.

A Risk Management Committee comprising representatives from the respective operating sections are involved in constant monitoring of the risk. The Risk Management Committee meets on a regular basis to review the risk management and the impact on the business. The risks and the measures taken are deliberated and the Risk Management Committee recommends suitable follow-up actions to be taken.

The Risk Management & Compliance Department constantly reviews the compliance requirements of the regulatory authorities and ensures that the respective operating units are in compliance with the regulatory requirements. Any deviations are brought to the attention of the Chief Executive Officer for immediate actions and the Board is kept informed of the cause and the measure taken.

#### (b) CAV

CAV has in place an ongoing process for identifying, evaluating, monitoring and managing principal risks that may impact the achievement of business objectives and evaluating the adequacy and effectiveness of controls in place to mitigate these risks.

The Risk Oversight Committee is responsible for monitoring the effectiveness of the processes in the organisation, and reporting to the Board on actions taken in managing current and emerging risks. The Risk Oversight Committee facilitates the implementation of a consistent methodology and approach organization-wide, and assists the Board and Management in the development and recommendation of suitable policies and strategies to manage risks.

# Our Customers

We serve more than 6 million customers in Malaysia and throughout the region. Our universal banking model is anchored by the belief that our customers want service that is comprehensive, seamless and able to meet the entire spectrum of their financial needs, from cradle to retirement. We now have a full range of financial products and services, both conventional and Islamic, enabling us to serve everyone – from the smallest retail client to the largest companies and institutions.





# Major Transactions

<p>RM31.5 billion</p> <p><b>SYNERGY DRIVE</b></p> <p><b>MALAYSIA</b></p> <p>Proposed merger Sime Darby Berhad, Golden Hope Plantations Berhad &amp; Kumpulan Guthrie Berhad</p> <p>2006</p>	<p>RM9.3 billion</p> <p> <b>MMC</b></p> <p><b>MMC Corporation Berhad</b></p> <p><b>MALAYSIA</b></p> <p>Proposed Acquisition of Malakoff Behad by MMC</p> <p>2006</p>	<p>RM7.6 billion</p> <p></p> <p><b>Daikin Industries Ltd</b></p> <p><b>MALAYSIA</b></p> <p>Acquisition and Mandatory Take-over Offer on 100% Equity Interest in OYL Industries Berhad</p> <p>2006</p>
<p>RM6.7 billion</p> <p> </p> <p><b>Bumiputra-Commerce Holdings Berhad</b></p> <p><b>MALAYSIA</b></p> <p>Acquisition of Southern Bank Berhad</p> <p>2006</p>	<p>RM216 million</p> <p></p> <p><b>Tower Real Estate Investment Trust</b></p> <p><b>MALAYSIA</b></p> <p><b>IPO</b></p> <p>Adviser, Underwriter, Lead Manager &amp; Joint Placement Agent</p> <p>2006</p>	<p>S\$46.0 million</p> <p></p> <p><b>China Kangda Food Company Limited</b></p> <p><b>SINGAPORE</b></p> <p><b>IPO</b></p> <p>Manager, Underwriter &amp; Placement Agent</p> <p>2006</p>
<p>S\$43.8 million</p> <p></p> <p><b>Pan Hong Property Group Ltd</b></p> <p><b>SINGAPORE</b></p> <p><b>IPO</b></p> <p>Manager, Underwriter &amp; Placement Agent</p> <p>2006</p>	<p>RM93 million</p> <p></p> <p><b>TH Plantations Berhad</b></p> <p><b>MALAYSIA</b></p> <p><b>IPO</b></p> <p>Adviser, Placement Agent, Managing Underwriter &amp; Underwriter</p> <p>2006</p>	<p>S\$184.3 million</p> <p></p> <p><b>PT Berlian Laju Tanker TBK</b></p> <p><b>SINGAPORE</b></p> <p><b>IPO</b></p> <p>Public Offer Coordinator</p> <p>2006</p>
<p>US\$96 million</p> <p></p> <p><b>PT Mobile-8 Telecom TBK</b></p> <p><b>INDONESIA</b></p> <p>IPO Joint Global Coordinator, Joint Bookrunner, Joint Lead Underwriter &amp; International Selling Agent</p> <p>2006</p>	<p>RM686 million</p> <p></p> <p><b>Malaysian Mosaics Berhad</b></p> <p><b>MALAYSIA</b></p> <p>Divestment of its equity interest in Hap Seng Consolidated Berhad</p> <p>2006</p>	<p>RM660 million</p> <p></p> <p><b>Samling Global Limited</b></p> <p><b>MALAYSIA</b></p> <p>Acquisition and conditional take-over of remaining shares in Lingui Developments Berhad</p> <p>2006</p>

## Major Transactions

RM1.1 billion



**Resorts World Bhd**

**MALAYSIA**

Convertible notes  
Joint Bookrunner & Joint Lead Manager

2006

US\$750 million



**Khazanah Nasional Berhad**

**MALAYSIA**

Periodic Payment Exchangeable  
Trust Certificates Due 2011  
Joint Bookrunner  
Joint Lead Manager

2006

RM9,170 million



**Projek Lebuhraya-Utara Selatan Bhd**

**MALAYSIA**

Zero Coupon Sukuk Musyarakah  
Sole Lead Arranger & Manager

2006

RM7,000 million



**Bank Pembangunan Malaysia Berhad**

**MALAYSIA**

Islamic & Conventional Medium Term Notes  
Programme  
Joint Lead Arranger & Joint Lead Manager

2006

US\$1,000 million



**Penerbangan Malaysia Bhd  
(Guaranteed by GOM)**

**MALAYSIA**

5.625% Guaranteed Notes Due 2016  
Joint Bookrunner  
Joint Lead Manager

2006

RM1.0 billion



**Genting Berhad**

**MALAYSIA**

Placement of shares  
Joint Lead Underwriter & Joint Bookrunner

2006

RM1.9 billion



**Multi-Purpose Holdings Berhad**

**MALAYSIA**

Conditional Mandatory Offer for the  
remaining shares in  
Magnum Corporation Berhad

2006

RM1,200 million



**Public Bank Berhad**

**MALAYSIA**

Innovative Tier-1 Capital Securities  
Joint Principal Adviser, Joint Lead Arranger &  
Joint Lead Manager

2006

RM3,000 million



**Khazanah Nasional Berhad**

**MALAYSIA**

Islamic Commercial Papers & Islamic Medium  
Term Notes  
Principal Adviser, Sole Lead Arranger &  
Joint Bookrunner

2006

RM7,000 million



**Khazanah Nasional Berhad**

**MALAYSIA**

Islamic Medium Term Notes  
Adviser, Sole Lead Arranger &  
Joint Bookrunner

2006

S\$345 million



**Wilmar International Limited**

**SINGAPORE**

Placement of Shares  
Sole Global Coordinator & Joint  
Bookrunner

2006

S\$422.5 million



**Indofood Agri Resources Ltd**

**SINGAPORE**

Placement of Shares  
Sole Global Coordinator

2006

## Major Transactions

SS\$1,300 million



**Wilmar International Limited**

**SINGAPORE**

Financial Adviser  
Reverse takeover of Ezyhealth Asia Pacific Ltd

2006

SS\$417.7 million



**Pearl Energy Ltd**

**SINGAPORE**

Independent Financial Adviser  
Voluntary cash offer for Pearl Energy Limited by  
Aabar Petroleum Investments Company PJSC

2006

SS\$321.9 million



**MCL Land Limited**

**SINGAPORE**

Independent Financial Adviser  
Take-over of MCL Land Limited by  
Hong Kong Land Ltd

2006

SS\$233.0 million

**Pacific Century Regional  
Developments Limited**

**Pacific Century Regional  
Developments Ltd**

**SINGAPORE**

Independent Financial Adviser  
Proposed scheme of arrangement

2006

SS\$392.7 million



**Indofood Agri Resources Ltd**

**SINGAPORE**

Financial Adviser  
Reverse takeover of City Axis Holdings Ltd

2006

RM1 billion



**MISC Berhad**

**MALAYSIA**

Islamic Commercial Papers & Medium Term  
Notes program  
Joint Lead Arrangers, Joint Lead Managers &  
Joint Bookrunners

2006

US\$200 million



**National Central Cooling Co PJSC**

**UNITED ARAB EMIRATES**

Trust Certificates  
Joint Lead Managers & Joint Bookrunners

2006

US\$250 million



**PT Excelcomindo Pratama Tbk**

**INDONESIA**

Guaranteed Notes  
Joint Global Coordinators, Joint Lead Managers  
& Joint Bookrunners

2006

RM2.2 billion



**Putrajaya Holdings Sdn Bhd**

**MALAYSIA**

Murabahah Medium Term Notes program  
Joint Lead Arrangers & Joint Lead Managers

2006

RM1.16 billion

**TANJONG**  
public limited company

**MALAYSIA**

Acquisition of EDF Suez Gulf Power SAE,  
EDF Port Said East Power SAE and  
EDF Egyptian Operating Company SAE

2006

RM1.36 billion



**MALAYSIA**

Acquisition and Mandatory Take-over Offer on  
100% Equity Interest in Pantai Holdings Berhad  
by Pantai Irama Ventures Sdn Bhd  
a jointly-owned entity of  
Khazanah Nasional Berhad  
and Parkway Holdings Ltd

2006

RM881 million

**Clear Goal Sdn Bhd**

**MALAYSIA**

Conditional Voluntary Take-over Offer on  
remaining shares in AmcorpGroup Berhad

2006

# 2006 Corporate Achievements



## CIMB INVESTMENT BANK AWARDS 2006

Award	Awarded by	Description
<b>ISLAMIC INVESTMENT BANKING HOUSE OF THE YEAR</b>	<b>The Banker</b>	In recognition of CIMB Islamic's achievements in the Islamic bond sector, Islamic equity markets as well as Islamic asset management throughout the year. In these fields, CIMB Islamic demonstrated its strength in its structuring.
<b>BEST EQUITY-LINKED DEAL</b>	<b>Finance Asia</b>	In recognition of CIMB's role as Lead Manager for Khazanah's \$750 million Sukuk exchangeable into Telekom Malaysia Berhad shares.
<b>BEST INVESTMENT BANK IN MALAYSIA</b>	<b>Finance Asia</b>	In recognition of CIMB's steady commitment to developing the Malaysian capital markets.
<b>BEST BROKER IN MALAYSIA</b>	<b>Finance Asia</b>	In recognition of CIMB's top position as the preferred local broker.
<b>BEST EQUITY HOUSE IN MALAYSIA</b>	<b>Finance Asia</b>	In recognition of CIMB's strong commitment in the domestic equity markets.



### CIMB INVESTMENT BANK AWARDS 2006

Award	Awarded by	Description
<b>BEST DEBT HOUSE IN MALAYSIA</b>	<b>Euromoney</b>	In recognition of CIMB's strong commitment in the domestic debt capital markets.
<b>BEST EQUITY HOUSE IN MALAYSIA</b>	<b>Euromoney</b>	In recognition of CIMB's strong commitment in the domestic equity markets.
<b>BEST DEBT HOUSE IN MALAYSIA</b>	<b>Asiamoney</b>	In recognition of CIMB's strong commitment in the domestic bond markets.
<b>BEST EQUITY HOUSE IN MALAYSIA</b>	<b>Asiamoney</b>	In recognition of CIMB's strong commitment in the domestic equity markets.
<b>BEST BROKER IN MALAYSIA</b>	<b>Asiamoney</b>	In recognition of CIMB's excellent performance as a brokerage firm.
<b>HOUSE OF THE YEAR</b>	<b>Asia Risk</b>	In recognition of CIMB's outstanding achievement in risk management of structured products in Malaysia.

## 2006 Corporate Achievements

CIMB BANK AWARDS 2006		
Award	Awarded by	Description
<b>BANK OF THE YEAR IN MALAYSIA 2006</b>	<b>The Banker</b>	In recognition of CIMB Bank's good financial performance, ratios, technology, acquisitions and strategic developments.
<b>EURO PAYMENTS FOR FY2005</b>	<b>Dresdner Bank</b>	In recognition of CIMB Bank's consistent achievement of a highly commendable Straight-Through Processing rate averaging 93.8%.
<b>EXCELLENT INTERNATIONAL PAYMENT &amp; TRADE PRACTICE</b>	<b>Wachovia Bank</b>	In recognition of CIMB Bank's Straight-Through Processing rate of 92%.
<b>QUALITY RECOGNITION</b>	<b>JPMorgan Chase</b>	In recognition of CIMB Bank's 98.68% Straight-Through Processing rate for MT202 and 90.20% for MT103.  In recognition of CIMB Bank joining the elite top 3% out of 4,000 global clients of JPMorgan Chase.
<b>BEST IMPROVED STRAIGHT-THROUGH PROCESSING RATE IN USD PAYMENT</b>	<b>Bank of America</b>	In recognition of CIMB Bank's achievement of a score of 93.31% Straight-Through Processing rate from 86.73%.
<b>STRAIGHT-THROUGH PROCESSING RATE</b>	<b>Bank of New York</b>	In recognition of CIMB Bank's outstanding improvement of Straight-Through Processing rate from 60% to 80%.
<b>CITRA WANGSA</b>	<b>Dewan Bahasa &amp; Pustaka</b>	In recognition of CIMB Bank's accurate application of the Bahasa Malaysia vocabulary and consistently good execution of the language in our internal, customer and financial communications.

## 2006 Corporate Achievements

<b>BANK NIAGA AWARDS 2006</b>		
<b>Award</b>	<b>Awarded by</b>	<b>Description</b>
<b>BEST MANAGED COMPANY</b>	<b>Asiamoney</b>	In recognition of Bank Niaga's achievement in the Best Managed Company mid cap category
<b>THE BEST LISTED COMPANY FOR BANKING CATEGORY</b>	<b>Investor Magazine</b>	In recognition of Bank Niaga as the best listed bank of the year.
<b>INDONESIA'S BEST RETAIL BANKS IN 2005</b>	<b>The Asian Banker</b>	In recognition of Bank Niaga as Indonesia's 4 <sup>th</sup> best retail bank.
<b>10 BEST BANKS IN QUALITY SERVICES IN 2005</b>	<b>Institute of Service Management Studies (ISMS)</b>	In recognition of Bank Niaga's quality services.
<b>THE MOST CONSISTENT BANK IN SERVICE EXCELLENCE</b>	<b>Marketing Research Indonesia</b>	In recognition of Bank Niaga's service excellence in banking.
<b>THE BEST BANK 2006</b>	<b>Investor Magazine</b>	In recognition of Bank Niaga as best bank in the recap bank with assets of Rp 10 trillion to Rp 50 trillion category.
<b>2006 INFOBANK AWARDS</b>	<b>InfoBank Magazine</b>	In recognition of Bank Niaga's Excellent 2005 Financial Performance.
<b>THE CHAMPION OF GOOD CORPORATE GOVERNANCE AWARDS</b>	<b>Association of Indonesian Audit Committees</b>	In recognition of Bank Niaga as one of the 16 companies with good corporate governance.
<b>2005 ANNUAL REPORT AWARD</b>	<b>Ministry of State-Owned Enterprises, the Directorate General of Tax, Bapepam, JSX, IAI and NCCG</b>	In recognition of Bank Niaga as the best in the Private Listed Financial companies category.
<b>CONSUMER BANKING EXCELLENCE AWARD (CBE)</b>	<b>Perbanas, SWA Magazine, Synovate and iLead</b>	In recognition of Bank Niaga's achievements in 'The Best Installment Product' and 'The Best Service' categories.

# Our Alliances

We believe in the power of synergy. And to better arm ourselves against the competition, we create synergies through strategic alliances with complementary and like-minded companies. By joining forces, we can leverage on each other's strengths and capabilities, enlarge our customer catchment area, offer better products and services, and create more value for our customers. Some of our strategic partners are:

- Yusuf Bin Ahmed Kanoo Group, one of the largest independent, family owned groups of companies in the Gulf region
- Bank of Tokyo-Mitsubishi UFJ, which is part of Mitsubishi UFJ Financial Group, Inc the world's largest banking group
- The Principal Financial Group, a Fortune 500 company global financial services group
- Mapletree Capital Management Pte Ltd, the real-estate management company wholly owned by Temasek Holdings
- Standard Bank Plc of South Africa, one of the world's leading emerging markets banks
- Malaysia Airlines, the national carrier
- Aviva Pte Ltd and Allianz General Insurance Malaysia Berhad, two of the world's leading insurers.





# Major Alliances

## MAPLETREE CAPITAL MANAGEMENT PTE LTD

Mapletree Capital Management Pte Ltd (Mapletree Capital Management) is a leading real estate company in Singapore. It is wholly owned by Temasek Holdings.

CIMB-Mapletree Management Sdn Bhd (CIMB-Mapletree) was formed in February 2005 as a 60:40 joint venture between CIMB Real Estate Sdn Bhd and Mapletree Capital Management. CIMB-Mapletree's CMREF1 was set up in August 2005 as the first institutional property fund in Malaysia. CMREF1 has over RM400 million in committed capital.

## STANDARD BANK PLC

Standard Bank PLC is one of the world's leading emerging markets banks. It's headquarters is in Johannesburg, South Africa, and is listed on the Johannesburg Securities Exchange. It has offices in 38 countries throughout Africa, Asia, the Americas and the Europe, Middle East & Africa (EMEA) region. It is the largest financial services organizations in South Africa and Africa.

In March 2006, CIMB Group and Standard Bank officially launched "SEASAF" - the South East Asian Strategic Assets Fund. Co-sponsored by the Employees Provident Fund (EPF) of Malaysia, SEASAF is a US\$250 million private equity fund investing in the infrastructure, energy and natural resource sectors and associated industries in South East Asia (primarily Malaysia and Indonesia, with secondary focus on other countries in South East Asia). At its launch, SEASAF had total capital commitments of US\$100 million.

## YUSUF BIN AHMED KANOO (HOLDINGS) WLL

Yusuf Bin Ahmed Kanoo (Holdings) WLL (Kanoo Group) is one of the largest independent, family owned groups of companies in the Gulf region. Established in Bahrain in 1890 by Haji Yusuf Bin Ahmed Kanoo, the Kanoo Group grew from its early trading and shipping business to become one of the most diversified and highly regarded business houses in the Middle East region and beyond. With over a century invested in the building of its brand name, the Kanoo Group is today a diversified conglomerate with extensive business activities covering major industries such as shipping, oil and gas, finance, power and retail amongst others.

CIMB Group and the Kanoo Group established a joint venture entity in the Kingdom of Bahrain named "CIMB-Kanoo Islamic Investment Company BSC(C)" (CIMB-Kanoo), in which CIMB Group and the Kanoo Group have a 50% equity interest each. CIMB-Kanoo is licensed as an Islamic investment company by the Central Bank of Bahrain allowing it to conduct merchant or investment banking services in accordance with Shariah principles. This includes the provision of corporate and investment advisory services as well as capital and fund raising activities.

CIMB-Kanoo which commenced operations in January 2007 will be instrumental in enlarging the Group's Middle East footprint, marketing and distributing specialised Islamic investment banking products and services to the Middle East region and also act as a bridge for Middle Eastern companies seeking to do business in South East Asia and also for South East Asian companies seeking to tap business opportunities in the Middle East.

## Major Alliances

### THE PRINCIPAL FINANCIAL GROUP

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The Principal Financial Group is a leading Fortune 500 global financial services group established over 125 years ago. The Principal Financial Group offers a wide range of financial products and services including retirement and investment services, life and health insurance and mortgage banking through its diverse family of financial services companies. With headquarters in Des Moines, Iowa, The Principal Financial Group serves more than 15 million customers worldwide.

In 2002 the Principal Financial Group purchased a 40% stake in CTB, which was subsequently renamed. CIMB-Principal Asset Management Berhad In 2006, The Principal Financial Group increased its investment by agreeing to the 40:60 joint purchase together with CIMB Group of SBB Asset Management Sdn Bhd and SBB Mutual Berhad (now known as CIMB Wealth Advisors Berhad) for a total consideration of RM481 million.

### BANK OF TOKYO-MITSUBISHI UFJ LTD

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The Bank of Tokyo-Mitsubishi UFJ Ltd (BTMU) is the commercial banking arm of Mitsubishi UFJ Financial Group, Inc. (MUFG), the world's largest banking group. MUFG is listed on Tokyo Stock Exchange as well as the New York Stock Exchange.

CIMB Group and BTMU have a shared history of more than 30 years dating back to 1974 when CIMB was established as "Pertanian Baring Sanwa Multinational Berhad". Today, although the Sanwa Bank has since been merged into MUFG, those early ties still remain strong.

In October 2006, CIMB Group entered into a strategic alliance with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad, the Malaysian subsidiary of BTMU. Through the strategic alliance, the CIMB Group will offer integrated financial services to assist BTMU's customers, particularly, Japanese companies operating in Malaysia. This includes investment banking and commercial banking services. The alliance will leverage on the strengths of both parties - CIMB's expertise in investment banking, its large branch network and its wealth of innovative products as well as BTMU's strong business relationship with Japanese companies, its large balance sheet and product expertise.

In February 2007, BCHB Group announced a private placement of 117 million shares to BTMU. This will raise RM1.335 billion which will be applied to reduce the Group's borrowings. The placement shares were priced at RM11.41 per share a 17% premium over the closing price prior to the announcement.

### AVIVA PTE LTD

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Aviva Pte Ltd (Aviva) is the largest insurer in the United Kingdom with over 300 years of experience. It is also the world's 5th largest insurance group, with a presence in more than 25 countries with 58,000 employees serving 35 million customers. It is a leading bancassurer with over 30 significant partnerships worldwide, including some of the world's largest banks. Aviva will be the Group's partner in life insurance and takaful upon completion of the purchase of a 49% stake in Commerce Life Assurance and Commerce Takaful.

### ALLIANZ GENERAL INSURANCE MALAYSIA BERHAD

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Allianz General Insurance Malaysia Berhad is among the top 3 largest insurers in Malaysia. It is supported by a strong network of 35 branches and more than 5,000 agents located throughout Malaysia. It is majority owned by Allianz Group, one of the world's leading insurers and financial services providers. Founded in 1890 in Berlin, Allianz Group is now present in more than 70 countries with over 177,000 employees. Allianz Group has more than 60 million customers worldwide with a comprehensive range of services in the areas of property and casualty insurance, life and health insurance, as well as asset management and banking. Allianz General Insurance Malaysia Berhad is proposing to acquire 100% of Commerce Assurance and will retain a strategic partnership with CIMB Bank for the distribution of general insurance products through the branch network.

# International Advisory Panel



CIMB Group formed an International Advisory Panel in July 2006 to act as an advisory body to the Group's senior management in the formulation and implementation of its international expansion policies. This is in furtherance of achieving its corporate goal of becoming South East Asia's most valued universal bank.

Tun Musa Hitam had graciously agreed to be the founding Chairman of International Advisory Panel. The other members of the Panel comprise various nationalities whose combined experience spans a broad spectrum including the financial markets, industry, policy formulation and academia, both domestically and internationally. They are -

- Mr Abdul Aziz Q Kanoo (Saudi Arabia)
- Datuk Seri Panglima Andrew Sheng (Malaysia)
- Mr Beau Kuok (Hong Kong)
- Bapak Glenn Yusuf (Indonesia)
- Mr Goh Geok Khim (Singapore)
- Mr Jaime Augusto Zobel de Ayala II (the Philippines)
- Khun Tira Wannamethee (Thailand)
- Mr Tong Kooi Ong (Malaysia)

The inaugural meeting of the Panel was held on 25<sup>th</sup> November 2006. In addition to the Panel members, the directors of the main entities under CIMB Group as well as Group Management Committee members were present, together with representatives from the Group's overseas offices. At the all-day meeting, members of the Group's senior management, including the Group Chief Executive, made presentations to the Panel members on the Group's history, its current operations and its future plans for regional expansion. Following that, a closed door meeting was held among the Panel members and senior management to discuss the matters further and for the Panel members to make their recommendations. The recommendations of the Panel members were incorporated into the Group's business plan for 2007 which focuses on 2 main themes - Optimisation and Regionalisation.

The Panel will meet annually to review the Group's international expansion plans.

# Investor Relations



Following from the strategic changes throughout the year involving the integration of CIMB-GK, remodeling of BCB and more recently, the merger with SBB, 2006 has been an eventful year for Investor Relations. In maintaining the high standards of transparency and accountability, these major developments were consistently communicated to shareholders and investors in a timely and accurate manner by the Investor Relations Unit.

Working actively to foster relationships with BCHB's institutional shareholders, the Group participated in roadshows both domestically and in Singapore and attended CLSA's Investors' Conference 2006 in Hong Kong. The firm had also attended JP Morgan's Asia Pacific Equity Conference in New York with over 50 fund managers met over two days through one-on-one meetings and group presentations. In addition to the analyst briefings and conference calls organised for BCHB's financial results, over 100 Investor Relations meetings were held domestically in 2006 with the Group Chief Executive present at most meetings.

In communicating directly with its retail shareholders, the Group holds its Annual General Meeting in April wherein shareholders are encouraged to raise questions. A dedicated Investor Relations section is also maintained on the Group's website for shareholders seeking corporate information with the option to request for corporate documents online.

BCHB was highly nominated in the category of "Best Investor Relations in the Singapore Market by a Malaysian Company" in the 2006 IR Magazine awards (South East Asia Investor Relations Awards).

# Snapshot of Corporate Events

## January



- Signing Ceremony between CIMB-SRAM & CIMB-Nicol David

## March



- CIMB Investment Bank co-sponsored the Invest Malaysia 2006

## February



- CIMB KL Open Squash Championship – Finals

## April



- BCHB's Annual and Extraordinary General Meeting held at Kuala Lumpur Convention Centre



- CIMB Investment Bank's Launch of Base Prospectus relating to the offering of Structured Warrants

Snapshot of Corporate Events



May

- World Halal Forum Dinner with YAB Prime Minister



June

- CIMB Investment Bank's Investors Presentation - Sabah Development Bank Bhd on the Proposed issuance of Nominal Value Bonds



- Signing ceremony for TM IPVPN Premier Service between CIMB Group & Telekom Malaysia



- Launch of Asia-Pacific Adil Fund by CIMB-Principal



- CIMB Investment Bank's Tabreed Luncheon Presentation on USD Global Islamic Bonds

## Snapshot of Corporate Events

### July



- CIMB Investment Bank's Malaysia Corporate Day at Mandarin Oriental Hotel

### September



- Commerce Asset Ventures' Launch of RM350 million Agro Funds by YB Tan Sri Muhyiddin Yassin

### August



- CIMB-Niaga Jogja Relief Fund Mock Cheque Presentation



- CIMB Bank's Dream Deposit Prize Giving Ceremony



- CIMB Group's Wincor Proview Star Launch



- CIMB Retail Investment Workshop at Bursa Malaysia

## Snapshot of Corporate Events

### October



- Commerce Asset Ventures' Listing of Investee Company on Bursa Malaysia: SCAN Associates Bhd debuted on Mesdaq



- CIMB Investment Bank's media briefing to announce the consolidation of Golden Hope, Guthrie and Sime Darby

### November



- BCHB's Extraordinary General Meeting

### December



- The fifth CIMB Bank branch in Genting Highlands was launched by Resorts World Chairman, President & Chief Executive, Tan Sri Lim Kok Thay

# Corporate Social Responsibility

In 2006, BCHB Group went beyond just contributing to society in kind and via voluntary efforts to the community, but the group also preserved and made its stand in conserving the environment, as well as played an active role in educating children. Here are some of the initiatives for 2006 within the Group.

## BCHB-Cobra Rugby Development Programme For Malaysian Schools

BCHB continues to sponsor the Cobra Rugby Development Programme for Malaysian Schools 2005-2007. This programme has the sanction and support of the Ministry of Education, Olympic Council of Malaysia (OCM) and the Malaysian Rugby Union (MRU).

## School Adoption Programme

BCHB adopted two schools which are Sekolah Kebangsaan Pulau Betong, Balik Pulau and Sekolah Kebangsaan Jelutong in a project, known as PINTAR, launched and driven by Khazanah Nasional Berhad in December 2006. The main goal is to implement a customised programme at each adopted school to help improve academic performance and character building.

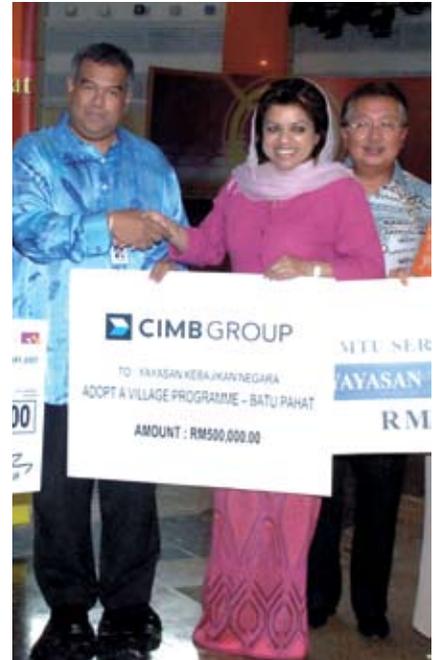
## CIMB Group pledges RM500,000 towards the “Adopt a Village Programme”

CIMB Group was quick to respond to the “Adopt a Village Programme” launched by the Women, Family and Community Development Ministry on 12 January 2007, in the wake of the flood tragedy that hit Johor in late 2006 and early 2007. The Group pledged an initial sum of RM500,000 for more than 1,500 families consisting of over 8,000 people in villages in and around Batu Pahat to assist them in rebuilding their lives.

Assistance took various forms - supply, packing & distribution of food and essential items, supply of basic building materials, cleaning and repairing of damaged houses and roads inclusive of fogging pest-infected areas, among others.

Led by CIMB Bank Executive Director, Tunku Ahmad Burhanuddin, more than 400 staff volunteers took turns to assist in the “rebuilding” mission. A quick assessment of the damage was initially conducted prior to determining the form of assistance required. Working hand-in-hand with the villagers, the volunteers had to work round-the-clock to help clear up the aftermath of the flood which was the worst in the history of Johor. The Group also undertook to bear the full costs of rebuilding eleven houses which were badly destroyed.

When the flood first hit the southern region in December 2006, apart from giving assistance and comfort to its own affected staff members, the Group also took the proactive step of providing another form of humanitarian assistance to affected and deserving customers - it waived penalties for late payments, it allowed deferment of retail and business loans monthly instalments for up to six months, and it also provided free replacement of damaged and lost ATM and credit cards.



## Corporate Social Responsibility

### Go-Kart at Sunway Extreme Park



CIMB Group treated 50 children from Persatuan Anak-Anak Yatim Kg Medan, Compassion Home Petaling Jaya and Trinity House, Subang Jaya to a fun filled day of Go-Karting at the Sunway Extreme Park. The go-karting activity was planned to offer the children the opportunity to have fun while providing them with proper facilities to experience driving a go-kart. Among the activities lined up for the children were a safety briefing session, introduction to go-karting as well as test laps and a go-kart race. Approximately 50 staff from CIMB Group participated in this activity to entertain the children.

### Contribution to CIMB-Niaga Jogja Relief Fund

CIMB Group initiated the The CIMB-Niaga Jogja Relief Fund for the construction of Glagah Public Elementary School. CIMB Group pledged RM100,000 and matched one for one every ringgit donated by Malaysians. BCHB and the CIMB Investment Bank contributed a further RM100,000. In total, the Group handed over RM550,000 for the construction of the new SDN Glagah which will benefit 483 students.

### Environmental awareness programme with Global Environment Centre (GEC)



CIMB Group jointly organised an environmental awareness project with the Global Environmental Centre (GEC) as part of the Group's Corporate Social Responsibility (CSR) programme. The half day programme was held at Taman Rimba Kiara at Taman Tun Dr Ismail. The purpose of this programme was to educate and to raise awareness among staff and children on the importance of environmental conservation. Approximately 70 staff and 50 children from Asrama Baitul Ummah together with their guardians gathered at Taman Rimba Kiara in the morning to help rehabilitate and clean Sungai Penchala.

## Corporate Social Responsibility

**Labelling of rainforest plant species**

CIMB Group collaborated with the Malaysian Nature Society to sponsor interpretive tags for 150 trees as well as information tablets worth RM25,000 for the purpose of labelling trees in the tropical botanical garden of Rimba Ilmu in University Malaya. Rimba Ilmu has 3 main attractions which are the Rainforest and Our Environment Exhibition, Conservatory of Rare Plants and Orchids and the Outdoor Garden. Rimba Ilmu is one of the remaining green areas in Petaling Jaya and is home for approximately 90 species of birds and small mammals.

**Car donations project**

CIMB Group spent approximately RM1.35 million by purchasing 47 second hand cars from the Auto Finance division of CIMB Bank. The cars were refurbished and will be donated to selected charitable homes nationwide.

**CIMB Community Link Fund**

CIMB Bank unveiled the CIMB Community Link Fund where the branch and its customers will contribute to the surrounding community on an on-going basis. Customers do not come up with any cash, but instead CIMB Bank will donate a portion of its earnings or cost-savings to fund community projects. Customers contribute to the fund by utilising branch features which generate cost-savings such as using the ATM instead of teller services, opting for statement based accounts instead of passbook-based ones and actively using internet banking facilities. CIMB Bank believes in giving back directly to each community that the Bank serves and in which it thrives. With the CIMB Community Link Fund, when customers bank with the CIMB Bank, they are banking for their community. This is a partnership between CIMB Bank and its customers as they will be playing active roles to help select the community project or charity to which the Bank contributes each month or quarter.

## Corporate Social Responsibility



### CIMB All Asians Debating Championship 2006

CIMB Bank sponsored RM50,000 for the CIMB All Asians Debating Championship 2006 which was held in Langkawi from 6th to 14th of May 2006. Eighty teams from 40 top Asian universities displayed their debating skills in eight preliminary rounds to compete for the coveted championship title. Malaysia's Multimedia University (MMU) emerged as the winner of the debating championship which won the team RM10,000 cash prize and a trophy, and India's Rashriya Vidyalaya College of Engineering (RVCE) was the runner-up, winning a cash prize of RM4,000.



### Language and Mathematics Camp

For the second consecutive year, CIMB Bank hosted the Language and Mathematics Camp which was held at Sekolah Menengah Kebangsaan Sri Istana, Klang in an effort to provide intensive coaching on English, Bahasa Melayu and Mathematic to the fifth formers to prepare for their Sijil Pelajaran Menengah (SPM) examinations.



### Self Discovery for Young Adults Workshop

CIMB Bank hosted a Self Discovery for Young Adults Workshop which was held in collaboration with the Raja Muda of Selangor Foundation at Pusatputra. The workshop was aimed at assisting academically and economically disadvantaged fifth formers to develop critical interpersonal and motivational skills.

### Young Enterprise Programme

CIMB Bank was the official bank for the Young Enterprise Programme (YEP). The programme was initiated to equip school fourth formers with entrepreneurial knowledge and skills. The programme was co-ordinated by the American-Malaysian Chamber of Commerce (AMCHAM).



### CIMB Rakan Sukan Squash

CIMB Investment Bank contributed RM1.50 million as Rakan Sukan Squash Partner with Squash Rackets Association of Malaysia to develop and promote squash in the country and to develop programmes for squash. These include the sponsorship of 2 major international squash tournaments namely the CIMB KL Open Squash Championships 2006 and CIMB Malaysian Men's and Women's Open Squash Championships 2006. CIMB Investment Bank continues to be the main sponsor for Nicol David, the World Squash Champion.

## Corporate Social Responsibility

### Other donations and sponsorships from CIMB Group

- CIMB Group supported the programme initiated by the Government where the Group sponsored 100 units of water filters worth RM195,000 to all mosques nationwide in conjunction with “Islam Hadhari”, a programme initiated by the Prime Minister’s Department.
- The Group contributed RM100,000 to the Association for Wives of Ministers, Deputy Ministers and Parliamentary Secretaries (BAKTI) for a special project call “Semai Bakti” for the development programme for handicapped individuals.
- CIMB Group was the main sponsor and the Presenting Partner for the ASEAN Leadership Forum. The event was attended by the Deputy Prime Minister Dato’ Seri Najib Tun Razak and the Vice President of Indonesia, H.E Jusuf Kalla.
- The CIMB Group contributed RM90,000 as the Main Sponsor for the “Evening with the Prime Minister” organised by the Kuala Lumpur Business Club.
- As part of CIMB’s commitment to Kuala Lumpur Performing Arts Centre (KLPA), the Group contributed RM100,000 for the second year for its role as the Founding Sponsor.

### Tour de Bank



Bank Niaga organised a visit to the bank for school children to enable the children to develop and expand their knowledge on basic banking products. The bank tour was organised for children survivors of the Ambon riots under the care of PNIEL Foundation. The tour took place on March 24, 2006. The management also presented a total of Rp25 million of educational funds to the foundation to pay for the children’s tuition fees.

### Niaga Cares about Yogya

As part of the Bank’s relief programme for Yogyakarta, Bank Niaga distributed Rp30 million worth of medicines on May 30, 2006 to victims of the Yogyakarta earthquake through Yayasan Dana Sosial Al Falah. The bank also supplied 3 large tents and 15 camp beds with a value of Rp28.5 million to the Emergency Hospital.

Bank Niaga also presented the funds totaling Rp2 billion raised from Niaga Cares accounts and contributions by BCHB Group and CIMB Group for the reconstruction of Sekolah Dasar Negeri (SDN) Glagah which was completely destroyed in the Yogyakarta earthquake. The raised money was presented by the bank’s Vice President Commissioner. Apart from SDN Glagah, Bank Niaga also played an active role in the reconstruction of the State Islamic Elementary School of Kuala Umo.

## Corporate Social Responsibility

### Mobile Library

Bank Niaga in collaboration with the Indonesian Child Welfare Foundation (ICWF) and the Ministry of Women Empowerment organised a Mobile Library Programme in Jakarta, Indramayu and Medan. The programme was aimed at providing quality reading materials for children whose schools had limited educational facilities.

### Scholarship Programme

Bank Niaga presented scholarship to 585 students of Elementary School in Jakarta, West Java, Central Java and East Java. The scholarship is jointly organised with the Indonesian Child Welfare Foundation (ICWF).

### Community project for Pejabat Kebajikan Daerah Manjung, Perak



Commerce International Group (CIG) carried out a community project at Pejabat Kebajikan Daerah Manjung (PKDM) during its company trip to Damai Laut in Manjung. The centre is home to disabled residents who are blind, deaf, afflicted with down-syndrome and also for those who require physiotherapy treatments. CIG presented a donation of RM12,000 to PKDM which will be used to renovate and repair the District's Community Hall and to purchase new uniforms for at least 25 inmates.

### Donations for the flood victims



CIG donated RM52,000 to the Malaysian Red Crescent Society (MRCS) to purchase a fibre glass boat to assist in the relief and rescue activities in the Johor floods. The group also organised a donation drive for the flood victims in Paitan, situated in northern Sabah where 10 villages were badly affected by floods. Among the other essential good donated to the flood victims were 100 bags of rice and 20 cartons of sardines.

# Recreational



## SPORTS AND RECREATIONAL DEPARTMENT (SRD)

SRD was established in May 2006 to help imbue the CIMB vision, objectives and corporate behaviors through sports and recreational activities within the Group. SRD also played the main role as the coordinator for sports and recreational activities for CIMB Group

In 2006, we competed in the National Bank Sports Council (NBSC) Tournament and Malaysia Investment Banking Association (MIBA) with some remarkable achievements. We were the champions in Hockey, Soccer (Governor's Cup) and Badminton for the NBSC Games. We were also the champions in Soccer, Squash, Golf and Badminton in the MIBA Tournament. Overall, we bagged 9 championships out of 24 games in the MIBA and NBSC tournaments.

Besides sports, SRD also organised social & charity events and recreational activities, for the Group in 2006 such as Fishing Competition, Treasure Hunt, Golf, Majlis Berbuka Puasa, Ma'al Hijrah, Maulidur Rasul, Labour Day, National Day and the Rat Race.

In conjunction with the Perhimpunan Hari Pekerja, the Group sent a contingent of 200 staff to the event and was the 2nd prize winner in the slogan writing competition.

# Additional Compliance Information

as at 31 December 2006

## 1. SHARE BUY-BACK

There were no shares buy-back transactions and resale of treasury shares during the financial year.

## 2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued during the financial year by the Company.

## 3. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR)

The Company did not sponsor any ADR or GDR programme during the financial year under review.

## 4. IMPOSITION OF SANCTION AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any regulatory body during the financial year under review.

## 5. NON-AUDIT FEES

Non-audit fees payable to the external auditors, Messrs. PricewaterhouseCoopers and its affiliates amounted to RM3.897 million for various audit-related work relating to financial due diligence, reporting accountants work on proforma consolidated balance sheets and debt and rights issuance, quarterly and half year review and other professional services including tax compliance and advisory.

## 6. VARIATION IN RESULTS

There were no variation in results for the fourth quarter and year ended 31 December 2006 as the results announced were the audited results.

## 7. PROFIT GUARANTEE

The Company did not give any profit guarantee during the financial year ended 31 December 2006.

## 8. REVALUATION POLICY ON LANDED PROPERTIES

Please refer to accounting policy on fixed assets on page 161 of the Annual Report.

## 9. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interest which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year except as disclosed in Note 52 and Note 53 to the financial statements.

# Statement of Directors' Responsibility

(in respect of the Audited Financial Statements)

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

In preparing the financial statements, the Directors have:-

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

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

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

# Financial Calendar 2006

## TUESDAY, 28 FEBRUARY 2006

Announcement of audited consolidated results for the fourth quarter and financial year ended 31 December 2005. and Press/Analyst briefing on the financial year 2005 results.

## MONDAY, 29 MAY 2006

Date of payment of the first and final dividend of 10.0 sen less income tax and special dividend of 5.0 sen less income tax for the financial year ended 31 December 2005.

## WEDNESDAY, 22 MARCH 2006

Announcement of BCHB's Headline KPI for 2006.

## TUESDAY, 16 MAY 2006

Announcement of the unaudited consolidated results for the first quarter ended 31 March 2006.

## WEDNESDAY, 5 APRIL 2006

Issue of Notice of 49th Annual General Meeting, Notice of Books Closure and Annual Report for the financial year ended 31 December 2005.

## TUESDAY, 29 AUGUST 2006

Announcement of the unaudited consolidated results for the second quarter and half year ended 30 June 2006 and Press/Analyst briefing on the half year results.

## WEDNESDAY, 12 APRIL 2006

Issue of Notice of Extraordinary General Meeting.

## TUESDAY, 7 NOVEMBER 2006

Issue of Notice of Extraordinary General Meeting.

## THURSDAY, 27 APRIL 2006

49th Annual General Meeting and Extraordinary General Meeting in relation to the proposed offer for the acquisition of Southern Bank Berhad.

## FRIDAY, 17 NOVEMBER 2006

Announcement of the unaudited consolidated results for the third quarter ended 30 September 2006.

## MONDAY, 8 MAY 2006

Date of entitlement to the first and final dividend of 10.0 sen less income tax and special dividend of 5.0 sen less income tax for the financial year ended 31 December 2005.

## THURSDAY, 23 NOVEMBER 2006

Extraordinary General Meeting in relation to the proposed ex-gratia payment of RM1.588 million to ex-Chairman, Tan Sri Dato' Mohd Desa Pachi.

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# Directors' Report

for the financial year ended 31 December 2006

The Directors have pleasure in submitting their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2006.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding, management company, property management, provision of consultancy services and dealing in securities. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There was no significant change in the nature of these activities during the financial year.

During the financial year, two main operating subsidiaries have changed their names with new corporate identities in line with the Group's transformation into a universal banking group. On 30 August 2006, Commerce International Merchant Bankers Berhad was renamed as CIMB Investment Bank Berhad ("CIMB Investment Bank") and on 7 September 2006, Bumiputra-Commerce Bank Berhad ("BCB") was renamed as CIMB Bank Berhad ("CIMB Bank").

## FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Profit for the year after taxation and zakat attributable to:		
Equity holders of the Company	1,504,427	322,236
Minority interest	104,447	-
Profit for the financial year	1,608,874	322,236

## DIVIDENDS

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

	RM'000
(a) In respect of the financial year ended 31 December 2005	
• A first and final dividend of 10 sen gross per ordinary share, less income tax of 28%, paid on 29 May 2006	
- as shown in Directors' report of that year, dividend on 2,756,398,260 shares	198,461
- dividend on additional 395,046,444 shares due to exercise of employee share option scheme (ESOS), restructuring exercise of CIMB Berhad ("CIMBB"), Modified CIMBB Executive Employee Share Option Scheme (EESOS) and CEO option	28,443
• A special dividend of 5 sen gross per ordinary share, less income tax of 28%, paid on 29 May 2006	
- as shown in Directors' report of that year, dividend on 2,756,398,260 shares	99,230
- dividend on additional 395,046,444 shares due to exercise of ESOS, restructuring exercise of CIMBB, Modified CIMBB EESOS and CEO option	14,222
	340,356
(b) In respect of the financial year ended 31 December 2006*	
• A first and final dividend of 15 sen gross per ordinary share, less income tax of 27%	348,695

\* The dividend payable amount is based on the Company's issued and paid-up share capital as at 31 December 2006. The actual dividend payment amount will be based on the Company's issued and paid-up share capital at book closure date and may vary from the amount shown above.

## Directors' Report

for the financial year ended 31 December 2006

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

**ISSUANCE OF SHARES**

During the financial year, the issued and fully paid ordinary share capital was increased from 2,756,398,260 to 3,184,429,229 ordinary shares of RM1.00 each by the issuance of:

<b>Number of shares ('000)</b>	<b>Purpose of issue</b>	<b>Class of issue</b>	<b>Term of issue</b>
18,449	Exercise of Employee Share Option Scheme ("ESOS")	Ordinary	At premium of RM2.13 per share
1,699	ESOS	Ordinary	At premium of RM2.62 per share
34	ESOS	Ordinary	At premium of RM2.69 per share
11,109	ESOS	Ordinary	At premium of RM3.05 per share
319,085	Pursuant to restructuring exercise of CIMBB	Ordinary	At premium of RM3.80 per share
60,658	Pursuant to the Modified EESOS and CEO option of CIMBB	Ordinary	At premium of RM3.80 per share
16,997	Pursuant to the part conversion of USD125 million bonds into ordinary shares	Ordinary	At premium of RM4.88 per share

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

**SHARE-BASED EMPLOYEE BENEFIT PLANS**

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

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

The above employee benefit schemes have been disclosed accordingly in Note 31 and Note 46 to the financial statements.

## Directors' Report

for the financial year ended 31 December 2006

### DIRECTORS

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

Dr. Roslan A. Ghaffar	
Dato' Mohd Shukri Hussin	(appointed on 3 January 2006)
Dato' Mohamed Nazir Abdul Razak	(appointed on 27 January 2006)
Tan Sri Dato' Md Nor Md Yusof	(appointed on 27 June 2006)
Dato' Hamzah Bakar	(appointed on 7 November 2006)
Tan Sri Dato' Seri Haidar Mohamed Nor	(appointed on 7 November 2006)
Dato' Zainal Abidin Putih	(appointed on 7 November 2006)
Datuk Dr Syed Muhamad Syed Abdul Kadir	(appointed on 7 November 2006)
Dato' Robert Cheim Dau Meng	(appointed on 7 November 2006)
Cezar Peralta Consing	(appointed on 7 November 2006)
Tan Sri Dato' Mohd Desa Pachi	(resigned on 31 July 2006)
Dato' Anwar Aji	(resigned on 7 November 2006)
Tan Sri Datuk Asmat Kamaludin	(resigned on 7 November 2006)
Dato' Mohd Salleh Mahmud	(resigned on 7 November 2006)
Izlan Izhah	(resigned on 7 November 2006)

In accordance with Article 76 of the Articles of Association, Dr. Roslan A. Ghaffar retires from the Board at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Article 83 of the Articles of Association, the following Directors retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for election:

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

### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's ESOS, Modified CIMBB EESOS and CIMBB CEO option and Management Equity Scheme (see Note 31 and 46 to the financial statements) as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than directors' remuneration disclosed in Note 41 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Directors' Report

for the financial year ended 31 December 2006

**DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS**

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

	No. of ordinary shares of RM1 each			
	As at 1 January/ date of appointment	Bought	Sold	As at 31 December
<b>Bumiputra-Commerce Holdings Berhad</b>				
Dato' Mohd Shukri Hussin	112	-	-	112
Dato' Mohamed Nazir Abdul Razak	100,000	12,858,872*	-	12,958,872
Tan Sri Dato' Md Nor Md Yusof	600,000	-	-	600,000

	No. of share options over ordinary shares of RM1 each granted under Company's ESOS			
	As at 1 January	Granted	Exercised	As at 31 December
<b>Bumiputra-Commerce Holdings Berhad</b>				
Dato' Mohd Shukri Hussin	300,000	-	-	300,000

	No. of share options over ordinary shares of RM1 each granted under Modified CIMBB EESOS			
	As at date of appointment	Granted	Exercised/ Sold	As at 31 December
<b>Bumiputra-Commerce Holdings Berhad</b>				
Dato' Robert Cheim Dau Meng	935,000*	-	(100,000)	835,000

	No. of share options over ordinary shares of RM1 each granted under Modified CIMBB CEO option			
	As at date of appointment	Granted	Exercised/ Sold	As at 31 December
<b>Bumiputra-Commerce Holdings Berhad</b>				
Dato' Mohamed Nazir Abdul Razak	19,644,389*	-	-	19,644,389

\* Pursuant to the restructuring exercise undertaken by CIMBB in 2005, all CIMBB shares and share options have been respectively converted to the Company's shares and share options on the ratio of 1:1.146. The Company's share options have been classified as balances at the date of appointment as the option holders retain the right to exercise the options during the conversion period.

## Directors' Report

for the financial year ended 31 December 2006

### DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (CONTINUED)

	No. of share options over ordinary shares of RM1 each granted under Management Equity Scheme ("MES")			
	As at 1 January/ date of appointment	Granted	Exercised/ Sold	As at 31 December
<b>Bumiputra-Commerce Holdings Berhad</b>				
Dato' Mohd Shukri Hussin	5,000,000	4,500,000	(1,250,000)	8,250,000

None of the other Directors in office at the end of the financial year held any interest in shares and share options of the Company and its subsidiaries during the financial year.

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability 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 Company to meet their obligations when they fall due.

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

- (a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or Company which has arisen since the end of the financial year other than in the ordinary course of business.

## Directors' Report

for the financial year ended 31 December 2006

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Notes 52, 55 and 57 to the financial statements; and
- (b) except as disclosed in Note 53 to the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

### SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

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

### 2006 BUSINESS PLAN AND STRATEGY

In 2006, our aim was to focus on the transformation of the Group into a universal bank and improve its financial performance.

A major corporate move that the Group undertook was the merger with Southern Bank Berhad (SBB). The merger was extremely complementary for the Group and fortified the foundations in consumer banking, adding significantly to its capabilities in credit cards, business banking, funds management and hire purchase in particular, and its base of mass affluent customers.

The new CIMB Group was rebranded with a common brand and identity on 7 September 2006. The universal banking platform was reinforced further with the proposed internal restructuring of the BCHB Group with the consolidation of all of the other Group's operating companies, notably PT Bank Niaga, Commerce International Group (the insurance arm) and Commerce Asset Ventures, under CIMB Group. At present, the PT Bank Niaga transfer is still pending regulatory approvals.

The Group's consumer banking divisions focused simultaneously on transforming the "old" BCB franchise while integrating with SBB. As the credit processes were being enhanced, the Group de-emphasised lending and focused instead on raising deposits and other liability products and on NPL recoveries. In respect of investment banking, the Group retained its leading market position in the Malaysian domestic market while seeking to expand its regional franchise. For treasury and investments, the Group capitalised on good market conditions and originated structured products for the consumer bank while defending its leading share of the debt capital markets. The Group also emerged as the largest asset manager in the country with more than RM17.5 billion of assets under management as at 31 December 2006.

The Group's Indonesian banking operations, PT Bank Niaga, continued to defend its strong market share in mortgages. It also made tentative steps to diversify sources of growth to treasury and other areas.

The Group continued to lag key competitors in bancassurance but took a major strategic decision to bring in partners to help the Group reach true potential. The Company has proposed to sell a 49% stake each in Commerce Life Assurance ("CLA") and Commerce Takaful ("CT") to Aviva Asia Pte Ltd for RM500 million. The Group will also divest its 100% interest in Commerce Assurance ("CA") to Allianz Group for RM490 million while retaining a strategic alliance to distribute general insurance products through CIMB Bank. The Group expects the transactions to be completed by the third quarter 2007. The transactions would contribute an exceptional gain of approximately RM650 million to the Group in 2007.

## Directors' Report

for the financial year ended 31 December 2006

### OUTLOOK FOR 2007

The creation of a single universal banking group by the CIMB Group is aimed at creating economies of scale and harnessing synergies between the commercial and investment banking operations, most obviously in treasury and corporate and investment banking, but most importantly between capital markets and consumer banking. In 2007, we will focus on maximising synergies in all areas as we continue to integrate various parts of the Group. The Group has also initiated the Niaga Synergy Programme to enable synergies to be tapped between Bank Niaga and CIMB Group.

The Group has set a net ROE target of 18% for 2007 compared to 14% achieved in 2006. This will be driven by the “one-off” profit from sale of its insurance businesses, strong earnings momentum in treasury and investments and corporate and investment banking, and synergies from the consumer bank’s transformation.

### RATING BY EXTERNAL RATING AGENCY

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

Rating Agency	Date Accorded	Rating Classification
Rating Agency Malaysia Berhad	June 2006	Long Term Rating: A1

Rating classification description:

Rating Agency Malaysia (“RAM”) has assigned an A1 rating to BCHB’s proposed Redeemable Convertible Unsecured Loan Stocks (“RCULS”) of up to RM1.68 billion, with a stable outlook. This indicates adequate safety for timely payment of interest and principal and it is more susceptible to changes in circumstances and economic conditions than debts in higher rated categories.

Rating Agency	Date Accorded	Rating Classification
Standard & Poor’s	December 2006	Counterparty Credit Rating: BBB-/Stable/A-3

Rating classification description:

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

Rating Agency	Date Accorded	Rating Classification
Malaysian Rating Corporation Berhad	March 2007	Long Term Rating: AA-

Rating classification description:

Malaysian Rating Corporation Berhad (“MARC”) has upgraded the long-term rating of the Company to AA-. This rating upgrade on the Company follows the successful vesting of Southern Bank Berhad (“SBB”) into CIMB Bank on 1 November 2006. The Company acquired SBB in June 2006 and results reported for the quarter ended 30 September 2006 indicate that merger integration efforts are progressing as scheduled.

## Directors' Report

for the financial year ended 31 December 2006

### SHARIAH COMMITTEE

Effective 1 January 2007, with the integration of CIMB Investment Bank's Shariah Committee and CIMB Islamic Bank Berhad's Shariah Committee ("CIMB Islamic") (formerly known as Commerce Tjari Bank Berhad), all the Islamic banking businesses of the CIMB Group came under the purview of the CIMB Islamic Shariah Committee, which resides at CIMB Islamic.

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

### ZAKAT OBLIGATIONS

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

### AUDITORS

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

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

**Tan Sri Dato' Md Nor Md Yusof**

Chairman

**Dato' Mohamed Nazir Abdul Razak**

Managing Director

Kuala Lumpur

16 March 2007

## Statement by Directors

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

We, Tan Sri Dato' Md Nor Md Yusof and Dato' Mohamed Nazir Abdul Razak, being two of the Directors of Bumiputra-Commerce Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 142 to 334 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

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

**Tan Sri Dato' Md Nor Md Yusof**

Chairman

**Dato' Mohamed Nazir Abdul Razak**

Managing Director

Kuala Lumpur  
16 March 2007

## Statutory Declaration

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

I, Lim Tiang Siew, the officer primarily responsible for the financial management of Bumiputra-Commerce Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 142 to 334 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**Lim Tiang Siew**

Subscribed and solemnly declared by the abovenamed Lim Tiang Siew at Kuala Lumpur before me, on 16 March 2007.

Commissioner for Oaths

# Report of the Auditors

to the members of Bumiputra-Commerce Holdings Berhad

We have audited the financial statements set out on pages 142 to 334. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

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

- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (ii) the state of affairs of the Group and Company as at 31 December 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

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

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

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any adverse comment made under subsection 3 of Section 174 of the Act.

**PricewaterhouseCoopers**

(AF: 1146)

Chartered Accountants

**Dato' Ahmad Johan Bin Mohammad Raslan**

(1867/09/08 (J))

Partner

Kuala Lumpur  
16 March 2007

# Consolidated Balance Sheet

as at 31 December 2006

	Note	2006 RM'000	2005 RM'000
<b>Assets</b>			
Cash and short-term funds	2	21,534,684	12,078,145
Securities purchased under resale agreements		2,482,653	4,473,563
Deposits and placements with banks and other financial institutions	3	4,857,118	1,354,952
Securities held for trading	4	13,978,740	9,556,127
Available-for-sale securities	5	9,223,723	7,759,349
Held-to-maturity securities	6	2,040,062	2,420,509
Derivative financial instruments	7	1,673,925	385,740
Loans, advances and financing	8	90,334,759	69,095,880
Other assets	9	3,964,449	2,411,745
Deferred tax assets	10	433,063	359,478
Tax recoverable		372,322	281,355
Statutory deposits with central banks	11	2,249,347	1,659,940
Investment in associates	13	129,207	95,583
Jointly controlled entities	14	157,731	118,722
Property, plant and equipment	15	1,081,505	760,028
Investment properties	16	62,982	63,262
Goodwill	17	4,503,692	534,618
Intangible assets	18	527,282	116,968
<b>Total assets</b>		<b>159,607,244</b>	<b>113,525,964</b>
<b>Liabilities</b>			
Deposits from customers	19	104,568,715	74,323,587
Deposits and placements of banks and other financial institutions	20	7,021,779	7,416,648
Derivative financial instruments	7	2,156,350	514,185
Obligations on securities sold under repurchase agreements		5,662,529	5,316,721
Bills and acceptances payable		4,495,562	3,295,456
Floating rate certificates of deposits	21	211,800	226,770
Other liabilities	22	7,568,918	4,374,428
Deferred tax liabilities	10	2,086	13,690
Current tax liabilities		209,800	104,610
Amount due to Cagamas Berhad		3,665,824	2,375,329
Loan stocks	24	41,610	782,763
Bonds	26	784,527	928,708
Irredeemable convertible unsecured loan stocks - detachable coupons	27	32,982	44,682
Redeemable convertible unsecured loan stocks	28	14,199	-
Other borrowings	29	7,015,261	829,893
Non-cumulative guaranteed preference shares	32(a)	698,728	-
Subordinated Notes	30	2,767,254	1,872,016
<b>Total liabilities</b>		<b>146,917,924</b>	<b>102,419,486</b>
<b>Equity</b>			
Perpetual and redeemable preference shares	32(b)	201,000	200,000
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary share capital	31	3,184,429	2,756,398
Reserves	33	8,960,675	6,881,055
Less: Shares held under trust	34	(261,574)	-
		11,883,530	9,637,453
Minority interest		604,790	1,269,025
<b>Total equity</b>		<b>12,689,320</b>	<b>11,106,478</b>
<b>Total equity and liabilities</b>		<b>159,607,244</b>	<b>113,525,964</b>
<b>Commitments and contingencies</b>	47	<b>244,870,248</b>	<b>149,479,744</b>

# Consolidated Income Statement

for the financial year ended 31 December 2006

	Note	2006 RM'000	2005 RM'000
Interest income	35	8,079,162	6,025,130
Interest expense	36	(4,420,721)	(3,038,883)
Net interest income		3,658,441	2,986,247
Income from Islamic banking operations	60	98,786	24,101
Non-interest income	37	2,635,343	1,712,632
Overhead expenses	38	(3,357,970)	(2,278,099)
Profit before allowances		3,034,600	2,444,881
Allowance for losses on loans, advances and financing	39	(1,016,595)	(1,021,863)
Allowance for other receivables		(28,001)	(16,612)
Provision for commitments and contingencies	22	(346)	(684)
Allowance for impairment of securities	40	(24,048)	(100,636)
Share of results of jointly controlled entities	14	1,965,610	1,305,086
Share of results of associates	13	2,316	(2,694)
Profit before taxation and zakat		34,116	7,575
Taxation		2,002,042	1,309,967
- Company and subsidiaries	42	(393,037)	(280,718)
Zakat		(131)	(22)
Profit for the financial year		1,608,874	1,029,227
Attributable to:			
Equity holders of the Company		1,504,427	826,825
Minority interest		104,447	202,402
		1,608,874	1,029,227
<b>Earnings per share attributable to ordinary equity holders of the Company (sen)</b>			
- Basic	43	48.7	30.5
- Fully diluted	43	48.0	30.1
<b>Dividends per ordinary share (sen)</b>			
- <b>First and final dividend of 15 sen less taxation of 27% (2005: 10 sen less taxation of 28%)</b>	44	11.0	7.2
- <b>Special dividend : Nil (2005: 5 sen less taxation of 28%)</b>	44	-	3.6

# Company Balance Sheet

as at 31 December 2006

	Note	2006 RM'000	2005 RM'000
<b>Assets</b>			
Cash and short-term funds	2	951,593	450,581
Securities held for trading	4	-	320,244
Available-for-sale securities	5	1,715	-
Held-to-maturity securities	6	1,459,474	183,064
Derivative financial instruments	7	-	202
Loans, advances and financing	8	2,643	3,219
Other assets	9	176,503	152,943
Tax recoverable		58,357	12,962
Deferred tax assets	10	12,250	-
Investment in subsidiaries	12	10,206,100	5,042,309
Amount owing by subsidiaries net of allowance for doubtful debts of RM852,820 (2005: RM852,820)		3,489,084	452,550
Investment in associate	13	3,834	3,834
Property, plant and equipment	15	113,626	77,173
Investment properties	16	4,840	4,964
<b>Total assets</b>		<b>16,480,019</b>	<b>6,704,045</b>
<b>Liabilities</b>			
Derivative financial instruments	7	165,145	-
Other liabilities	22	32,082	13,607
Amount owing to subsidiaries		7,526,149	703,980
Deferred tax liabilities	10	-	8,069
Bonds	26	250,000	500,000
Redeemable convertible unsecured loan stocks	28	14,199	-
Other borrowings	29	1,000,000	-
<b>Total liabilities</b>		<b>8,987,575</b>	<b>1,225,656</b>
<b>Equity</b>			
Ordinary share capital	31	3,184,429	2,756,398
Reserves	33	4,308,015	2,721,991
<b>Total equity</b>		<b>7,492,444</b>	<b>5,478,389</b>
<b>Total equity and liabilities</b>		<b>16,480,019</b>	<b>6,704,045</b>
<b>Commitments and contingencies</b>	47	4,160,000	250,000

# Company Income Statement

for the financial year ended 31 December 2006

	Note	2006 RM'000	2005 RM'000
Interest income	35	89,017	41,598
Interest expense	36	(265,446)	(64,158)
Net interest expense		(176,429)	(22,560)
Non-interest income	37	544,747	341,388
Net income		368,318	318,828
Overhead expenses	38	(49,992)	(39,463)
Profit before taxation		318,326	279,365
Taxation	42	3,910	(52,201)
Profit for the financial year		322,236	227,164
<b>Dividends per ordinary share (sen)</b>			
- First and final dividend of 15 sen less taxation of 27% (2005: 10 sen less taxation of 28%)	44	11.0	7.2
- Special dividend : Nil (2005: 5 sen less taxation of 28%)	44	-	3.6

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2006

		Attributable to equity holders of the Company					
The Group	Note	Share capital RM'000	Share premium- ordinary shares RM'000	Share premium- preference shares RM'000	Statutory reserves RM'000	Merger reserve RM'000	Capital reserve RM'000
At 1 January 2006:							
- as previously reported		2,756,398	2,038,353	-	1,749,931	65,746	77,818
- change in accounting policies	57	-	-	-	-	(65,746)	-
- as restated		2,756,398	2,038,353	-	1,749,931	-	77,818
Currency translation difference		-	-	-	-	-	-
Revaluation reserve-							
available-for-sale securities		-	-	-	-	-	-
Transfer from deferred tax assets	10	-	-	-	-	-	-
Hedging reserve-cash flow hedge		-	-	-	-	-	-
Income and expense recognised							
directly in equity		-	-	-	-	-	-
Profit for the financial year	33	-	-	-	-	-	-
Total recognised income and expense							
for the financial year		-	-	-	-	-	-
Dividend for the financial year ended							
31 December 2005	44	-	-	-	-	-	-
Transfer to statutory reserve	33	-	-	-	251,536	-	-
Issue of share capital arising from	31						
- exercise of Employee							
Share Option Scheme		31,291	77,724	-	-	-	-
- conversion of USD Zero Coupon							
guaranteed convertible bonds							
2004/2009		16,997	82,943	-	-	-	-
- restructuring exercise of CIMBB		319,085	1,212,523	-	-	-	-
- Modified EESOS and CEO option							
of CIMBB		60,658	230,500	-	-	-	-
Option reserves arising from share							
option schemes of subsidiaries	33	-	-	-	-	-	-
Net creation of shares held under trust	34	-	-	-	-	-	-
Arising from accretion/dilution of							
equity interests in subsidiary		-	-	-	(92,423)	-	36,037
Preference shares created during the year	32	-	-	99,000	-	-	-
Issue of redeemable convertible unsecured							
loan stocks							
- equity component, net of tax	28	-	-	-	-	-	-
Reclassification of equity component of							
a compound financial instrument to liability	26	-	-	-	-	-	-
At 31 December 2006		3,184,429	3,642,043	99,000	1,909,044	-	113,855

## Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2006

Exchange fluctuation reserves RM'000	Shares held under trust consolidation RM'000	Reserve arising on consolidation RM'000	Revaluation reserve-available-for-sale securities RM'000	Other reserves RM'000	Retained profit RM'000	Total RM'000	Perpetual and redeemable preference shares RM'000	Minority interest RM'000	Total RM'000
(103,017)	-	119,747	6,169	63,834	2,862,474	9,637,453	200,000	1,269,025	11,106,478
-	-	(119,747)	-	-	185,493	-	-	-	-
(103,017)	-	-	6,169	63,834	3,047,967	9,637,453	200,000	1,269,025	11,106,478
(71,879)	-	-	-	-	-	(71,879)	-	-	(71,879)
-	-	-	239,357	-	-	239,357	-	-	239,357
-	-	-	(42,268)	-	-	(42,268)	-	-	(42,268)
-	-	-	-	(188)	-	(188)	-	-	(188)
(71,879)	-	-	197,089	(188)	-	125,022	-	-	125,022
-	-	-	-	-	1,504,427	1,504,427	-	104,447	1,608,874
(71,879)	-	-	197,089	(188)	1,504,427	1,629,449	-	104,447	1,733,896
-	-	-	-	-	(340,356)	(340,356)	-	-	(340,356)
-	-	-	-	-	(251,536)	-	-	-	-
-	-	-	-	-	-	109,015	-	-	109,015
-	-	-	-	-	-	99,940	-	-	99,940
-	-	-	-	-	-	1,531,608	-	-	1,531,608
-	-	-	-	-	-	291,158	-	-	291,158
-	-	-	-	8,820	-	8,820	-	-	8,820
-	(261,574)	-	-	-	-	(261,574)	-	-	(261,574)
25,549	-	-	(57,665)	-	(764,762)	(853,264)	-	(768,682)	(1,621,946)
-	-	-	-	-	-	99,000	1,000	-	100,000
-	-	-	-	454	-	454	-	-	454
-	-	-	-	(68,173)	-	(68,173)	-	-	(68,173)
(149,347)	(261,574)	-	145,593	4,747	3,195,740	11,883,530	201,000	604,790	12,689,320

## Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2006

The Group	Note	Attributable to equity holders of the Company										Total RM'000			
		Share capital RM'000	Share premium- ordinary shares RM'000	Statutory reserves RM'000	Merger reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserves RM'000	Reserve arising on consolidation RM'000	Revaluation		Perpetual and redeemable preference shares RM'000		Minority interest RM'000		
									Reserve available- for-sale securities RM'000	Other reserves RM'000				Retained profit RM'000	Total RM'000
At 1 January 2005		2,691,740	1,881,079	1,477,329	65,746	27,367	(59,123)	-	198,053	68,173	2,609,112	8,959,476	200,000	840,840	10,000,316
Currency translation difference		-	-	-	-	-	(43,894)	-	-	-	-	(43,894)	-	-	(43,894)
Revaluation reserve - available- for-sale securities		-	-	-	-	-	-	-	(191,884)	-	-	(191,884)	-	-	(191,884)
Hedging reserve - cash flow hedge		-	-	-	-	-	-	-	-	(4,339)	-	(4,339)	-	-	(4,339)
Negative goodwill	33	-	-	-	-	-	-	119,747	-	-	-	119,747	-	-	119,747
Income and expense recognised directly in equity		-	-	-	-	-	(43,894)	119,747	(191,884)	(4,339)	-	(120,370)	-	-	(120,370)
Profit for the financial year	33	-	-	-	-	-	-	-	-	-	826,825	826,825	-	202,402	1,029,227
Total recognised income and expense for the financial year		-	-	-	-	-	(43,894)	119,747	(191,884)	(4,339)	826,825	706,455	-	202,402	908,857
Dividend for the financial year ended 31 December 2004		-	-	-	-	-	-	-	-	-	(292,683)	(292,683)	-	-	(292,683)
Transfer to statutory reserve	33	-	-	272,602	-	-	-	-	-	-	(272,602)	-	-	-	-
Issue of share capital arising from exercise of Employee Share Option Scheme	31	64,658	157,274	-	-	-	-	-	-	-	-	221,932	-	-	221,932
Arising from accretion of equity interests in subsidiary		-	-	-	-	50,451	-	-	-	-	(8,178)	42,273	-	225,783	268,056
At 31 December 2005		2,756,398	2,038,353	1,749,931	65,746	77,818	(103,017)	119,747	6,169	63,834	2,862,474	9,637,453	200,000	1,269,025	11,106,478

# Company Statement of Changes in Equity

for the financial year ended 31 December 2006

The Company	Note	Share capital RM'000	Share premium RM'000	Non-distributable		Distributable		Total RM'000
				Compound financial instrument (equity component) RM'000	Revaluation reserve- available-for-sale securities RM'000	Retained profit RM'000		
At 1 January 2006		2,756,398	2,038,353	-	-	683,638	5,478,389	
Profit for the financial year	33	-	-	-	-	322,236	322,236	
Total recognised income and expense for the financial year		-	-	-	-	322,236	322,236	
Dividend for the financial year ended 31 December 2005	44	-	-	-	-	(340,356)	(340,356)	
Issue of share capital arising from								
- exercise of ESOS	31	31,291	77,724	-	-	-	109,015	
- conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009		16,997	82,943	-	-	-	99,940	
- restructuring exercise of CIMBB		319,085	1,212,523	-	-	-	1,531,608	
- Modified EESOS and CEO option of CIMBB		60,658	230,500	-	-	-	291,158	
Issue of redeemable convertible unsecured loan stock								
- equity component, net of tax	28	-	-	454	-	-	454	
At 31 December 2006		3,184,429	3,642,043	454	-	665,518	7,492,444	
At 1 January 2005		2,691,740	1,881,079	-	18,355	749,157	5,340,331	
Net loss not recognised in the income statement:								
- revaluation reserve- available-for-sale securities	33	-	-	-	(18,355)	-	(18,355)	
Income and expense recognised directly in equity								
Profit for the financial year	33	-	-	-	(18,355)	-	(18,355)	
Total recognised income and expense for the financial year		-	-	-	(18,355)	227,164	208,809	
Dividend for the financial year ended 31 December 2004		-	-	-	-	(292,683)	(292,683)	
Issue of share capital arising from exercise of ESOS	31	64,658	157,274	-	-	-	221,932	
At 31 December 2005		2,756,398	2,038,353	-	-	683,638	5,478,389	

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2006

	2006 RM'000	2005 RM'000
<b>Operating Activities</b>		
Profit before taxation and zakat	2,002,042	1,309,967
Adjustments for:		
Depreciation of property, plant and equipment	179,909	135,354
Depreciation of investment properties	280	280
Gain on disposal of property, plant and equipment	(12,432)	(2,761)
Gain on disposal of leased assets	(284)	(241)
Property, plant and equipment written off	731	1,231
Unrealised foreign exchange gain	(247,805)	(23,882)
Dividends from securities held for trading	(13,874)	(20,484)
Dividends from available-for-sale securities	(43,420)	(8,782)
Dividends from held-to-maturity securities	(387)	-
Dividends from associates	(456)	-
Allowance for losses on loans, advances and financing	1,079,008	1,115,136
Net interest suspended	118,923	131,180
Gain on sale of available-for-sale securities	(214,649)	(266,562)
Gain on sale of securities held for trading and derivative financial instruments	(319,831)	(80,289)
Allowance for impairment of securities	24,048	100,636
Accretion of discounts less amortisation of premiums	(101,707)	(73,412)
Amortisation of intangible assets	59,452	13,549
Amortisation of goodwill	-	24,361
Amortisation of premium of associates	-	43
Impairment of intangible assets	12,000	-
(Gain)/loss on disposal of interest in subsidiary	(98,671)	4,267
Share of results of associates	(34,116)	(7,575)
Unrealised (gain)/loss on revaluation of securities held for trading	(428,864)	103,706
Unrealised loss/(gain) on revaluation of derivative financial instruments	411,979	(101,341)
Allowance for other receivables	28,001	16,612
Provision for commitments and contingencies	346	684
Share of results of jointly controlled entities	(2,316)	2,694
	395,865	1,064,404
	2,397,907	2,374,371
<b>(Increase)/decrease in operating assets</b>		
Securities purchased under resale agreements	1,990,910	25,345
Deposits and placements with banks and other financial institutions	(3,181,682)	100,995
Securities held for trading	(3,599,728)	(2,886,842)
Loans, advances and financing	(297,675)	(7,535,177)
Other assets	(364,215)	426,410
Statutory deposits with central banks	201,419	274,950
	(5,250,971)	(9,594,319)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits from customers	11,554,889	218,412
Deposits and placements of banks and other financial institutions	(3,973,023)	(101,221)
Obligations on securities sold under repurchase agreements	(836,374)	(289,543)
Amount due to Cagamas Berhad	(1,102,110)	91,451
Bills and acceptances payable	409,452	265,519
Other liabilities	2,717,646	(603,179)
	8,770,480	(418,561)
Cash flows generated from/(used in) operations	5,917,416	(7,638,509)

## Consolidated Cash Flow Statement

for the financial year ended 31 December 2006

	Note	2006 RM'000	2005 RM'000
Taxation paid		(383,588)	(77,624)
Net cash flow generated from/(used in) operating activities		5,533,828	(7,716,133)
<b>Investing Activities</b>			
Proceeds from disposal of property, plant and equipment		107,475	30,627
Proceeds from disposal of intangible assets		2,074	1,248
Dividends received from securities held for trading		13,874	20,484
Dividends received from available-for-sale securities		43,420	8,782
Dividends received from held-to-maturity securities		387	-
Proceeds from disposal of subsidiary shares	55(c)	179,184	322,105
Proceeds from disposal of available-for-sale securities		1,350,459	3,908,906
Proceeds from disposal of held-to-maturity securities		922,999	344,653
Net cash outflow from acquisition of subsidiary	55(a)	(3,130,146)	(472,845)
Purchase of property, plant and equipment		(264,586)	(210,063)
Purchase of intangible assets		(16,429)	(24,760)
Net cash flow (used in)/generated from investing activities		(791,289)	3,929,137
<b>Financing Activities</b>			
Dividends paid to shareholders		(340,356)	(292,683)
Redemption of ICULS		(11,700)	(534)
Proceeds from issuance of ordinary shares of the Company		109,015	221,932
Proceeds from issuance of preference shares of a subsidiary		100,000	-
Proceeds from issuance of non-cumulative guaranteed preference shares of a subsidiary		698,728	-
(Repayment of)/proceeds from other borrowings		(1,448,946)	72,445
Proceeds from Subordinated Notes		895,238	355,802
Net proceeds from syndicated term loan		3,864,537	-
(Redemption of)/proceeds from loan stocks		(741,153)	4,417
Repayment of syndicated term loans		(34,930)	(975,670)
Proceeds from bridging loan		4,700,000	-
Repayment of bridging loan		(3,700,000)	-
Proceeds from term loan facility		1,059,000	-
Repayment of floating rate certificates of deposits		(14,970)	(115,230)
Purchase of shares held under trust		(261,574)	-
Repayment of redeemable unsecured RM bonds 2001/2006		(250,000)	-
Proceeds from redeemable asset-backed bonds		144,475	-
Net cash flow generated from/(used in) financing activities		4,767,364	(729,521)
<b>Net increase/(decrease) in cash and cash equivalents during the financial year</b>		9,509,903	(4,516,517)
Effect of exchange rate changes		(53,364)	(40,272)
<b>Cash and cash equivalents at beginning of the financial year</b>		12,078,145	16,634,934
<b>Cash and cash equivalents at end of the financial year</b>	51	21,534,684	12,078,145

# Company Cash Flow Statement

for the financial year ended 31 December 2006

	2006 RM'000	2005 RM'000
<b>Operating Activities</b>		
Profit before taxation	318,326	279,365
Adjustments for:		
Depreciation of property, plant and equipment	2,158	2,157
Depreciation of investment properties	124	124
Loss/(gain) on disposal of property, plant and equipment	66	(2,246)
Gain on disposal of interest in subsidiary	(235,700)	(18,842)
Unrealised foreign exchange (gain)/loss	(184,701)	3,691
Unrealised loss on revaluation of securities held for trading	-	27,120
Unrealised loss on revaluation of derivative financial instruments	164,781	859
Dividends from subsidiaries	(216,119)	(284,394)
Dividends from securities held for trading	(6,254)	(10,708)
Dividends from available-for-sale securities	(1,521)	-
Gain from disposal of securities held for trading	(1,542)	(7,371)
Interest expense on bonds	51,433	64,158
Accretion of investment gain	(35,289)	(32,665)
Accretion of discounts less amortisation of premiums	(11,436)	(12,894)
	(474,000)	(271,011)
	(155,674)	8,354
<b>Decrease in operating assets</b>		
Loans, advances and financing	576	(161)
Securities held for trading	321,786	14,943
Other assets	276,495	(716)
	598,857	14,066
<b>Decrease in operating liabilities</b>		
Other liabilities	203,630	(15,115)
	203,630	(15,115)
Cash flows generated from operations	646,813	7,305
Net taxation paid	(9,509)	(16,311)
Net cash flow generated from/(used in) operating activities	637,304	(9,006)

## Company Cash Flow Statement

for the financial year ended 31 December 2006

	Note	2006 RM'000	2005 RM'000
<b>Investing Activities</b>			
Proceeds from disposal of property, plant and equipment		28	19,623
Purchase of available-for-sale securities		(9,744)	-
Capital distribution of available-for-sale securities		8,029	14,173
Proceeds from disposal of held-to-maturity securities		35,026	45,024
Purchase of property, plant and equipment		(38,705)	(1,281)
Advances to subsidiaries		(9,518)	(164,420)
Disposal of interest in subsidiary		-	43,781
Dividends from subsidiaries		164,407	91,217
Dividends from available-for-sale securities		1,150	-
Dividends from securities held for trading		6,043	9,788
Acquisition of additional interest in subsidiary		(62,436)	(798,951)
Acquisition of subsidiary		(6,671,327)	-
Proceeds arising from Group internal reorganisation		2,086,015	-
Incorporation of new subsidiary		-	(16,527)
Net cash flow used in investing activities		(4,491,032)	(757,573)
<b>Financing Activities</b>			
Dividends paid to shareholders		(340,356)	(292,683)
Interest paid to bondholders		(28,456)	(40,500)
Proceeds from issuance of shares of the Company		109,015	221,932
Proceeds from bridging loan		4,700,000	-
Repayment of bridging loan		(3,700,000)	-
Net proceeds from syndicated term loan		3,864,537	-
Redemption of redeemable unsecured RM 2001/2006 bonds		(250,000)	-
Net cash flow generated from/(used in) financing activities		4,354,740	(111,251)
<b>Net increase/(decrease) in cash and cash equivalents during the financial year</b>		501,012	(877,830)
<b>Cash and cash equivalents at beginning of the financial year</b>		450,581	1,328,411
<b>Cash and cash equivalents at end of the financial year</b>	51	951,593	450,581

# Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements and are also consistent with those applied in the previous financial year unless otherwise stated.

## A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company are prepared under the historical cost convention and modified by the revaluation of available-for-sale securities, securities held for trading and all derivative contracts.

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

The financial statements incorporate activities relating to Skim Perbankan Islam ("SPI") which have been undertaken by the Group. SPI refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under Shariah principles.

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

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965, Financial Reporting Standards and Bank Negara Malaysia Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and assumptions are based on the management and Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

### (a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments to published standards and IC Interpretations to existing standards effective for the Group and the Company's financial periods beginning on or after 1 January 2006 are as follows:

- FRS 1 First-time adoption of Financial Reporting Standards
- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Presentation of Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events After the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effect of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

#### (a) Standards, amendments to published standards and interpretations that are effective (continued)

- FRS 128 Investments in Associates
- FRS 131 Interests in Joint Ventures
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property
- Amendment to FRS 119<sub>2004</sub> Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the “asset ceiling” test
- IC 107 Introduction of the Euro
- IC 110 Government Assistance – No specific Relation to Operating Activities
- IC 112 Consolidation – Special Purpose Entities
- IC 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers
- IC 115 Operating Leases – Incentives
- IC 121 Income Taxes – Recovery of Revalued Non-Depreciable Assets
- IC 125 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
- IC 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IC 129 Disclosure – Service Concession Arrangements
- IC 131 Revenue – Barter Transactions Involving Advertising Services
- IC 132 Intangible Assets – Web Site Costs

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

- FRS 2 – retrospective application for all equity instruments granted after 31 December 2004 and not vested at 1 January 2006;
- FRS 3 – prospectively for business combinations for which the agreement date is on or after 1 January 2006;
- FRS 5 – prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and to operations that meet the criteria to be classified as discontinued on/after 1 January 2006;
- FRS 116 – the exchange of property, plant and equipment is accounted at fair value prospectively;
- FRS 121 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- FRS 136 – applies to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 1 January 2006.

A summary of the impact of the new accounting standards, amendments to published standards and interpretations to existing standards on the financial statements of the Group and the Company is set out in Note 57.

#### (b) Standards, amendments to published standards and interpretations to existing standards that are not yet effective

The new standards, amendments to published standards and interpretations that are mandatory for the Group and the Company’s financial year beginning on 1 January 2007, but which the Group and the Company has not early adopted, are as follows:

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payments. The Group and the Company will apply this standard from financial year beginning on 1 January 2007.

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

#### (b) Standards, amendments to published standards and interpretations to existing standards that are not yet effective (continued)

- FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group and the Company will apply this standard from financial year beginning on 1 January 2007.
- Amendment to FRS 119<sub>2004</sub> Employee Benefits – *Actuarial Gains and Losses, Group Plans and Disclosures* (effective for accounting periods beginning on or after 1 January 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition measurements requirements for multi-employer plans where sufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group and the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and do not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group and the Company will apply this amendment from financial year beginning on 1 January 2007.
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company will apply this standard when effective.

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

- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate. The Group will apply this IC Interpretation from financial periods beginning on 1 January 2008.
- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007). This interpretation clarifies that FRS 2 Share-based Payment applies even in the absence of specifically identifiable goods and services. The Group and the Company will apply this IC Interpretation from financial periods beginning on 1 January 2008.

#### (c) Standards that are not yet effective and not relevant for the Group and the Company's operations

- FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007). FRS 6 is not relevant to the Group and the Company's operations as the Group and the Company do not carry out exploration for and evaluation of mineral resources.

### B BASIS OF CONSOLIDATION

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

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### B BASIS OF CONSOLIDATION (CONTINUED)

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

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

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

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

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

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

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

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

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### C INVESTMENT IN SUBSIDIARIES

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

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

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

### D JOINTLY CONTROLLED ENTITIES

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

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

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

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

### E ASSOCIATES

The Group treats as an associate, a company in which the Company has a long term equity interest of between 20% and 50% and where the Company can exercise significant influence through management participation.

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

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

The Group's share of profits and losses of associates is included in the consolidated income statement and the Group's share of post-acquisition retained profits and reserves are added to the cost of investments in the consolidated balance sheet.

### F RECOGNITION OF INTEREST INCOME

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### F RECOGNITION OF INTEREST INCOME (CONTINUED)

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

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

The Group's policy on recognition of interest income on loans, advances and financing is in conformity with Bank Negara Malaysia's "Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" ("GP3") and Revised BNM/GP8.

### G RECOGNITION OF FEES AND OTHER INCOME

Loans, advances and financing arrangement fees, management and participation fees, commissions and guarantee fees, acceptance and underwriting commissions are recognised as income when all conditions precedent are fulfilled.

Accretion of investment gain on debt securities held for investment is recognised on a time proportion basis based on the effective yield method.

Portfolio management fees, commitment fees and guarantee fees are recognised as income based on time apportionment.

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

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

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

### H LIFE ASSURANCE REVENUE SURPLUS

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

### I ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING

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

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

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

The policy on allowances for non-performing debts of Malaysian subsidiary banks is in conformity with the minimum requirements of Bank Negara Malaysia's "Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" ("GP3").

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### J SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet. Securities purchased are not recognised in the financial statements.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the balance sheet. Securities sold are not recognised in the financial statements.

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

### K SECURITIES

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

#### (a) Securities held for trading

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

#### (b) Available-for-sale securities

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

#### (c) Held-to-maturity securities

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

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

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

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

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### K SECURITIES (CONTINUED)

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

### L PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are not stated at revalued amount. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land and leasehold land with lease period of 800 years and above and capital work-in-progress are not depreciated. Depreciation of other property, plant and equipment is calculated to write-off the cost of the assets to their residual values on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates of depreciation are as follows:

Long-term leasehold land - 50 to 800 years	Over the lease period
Short-term leasehold land - less than 50 years	Over the lease period
Buildings on freehold land	2% - 2.5%
Buildings on leasehold land	2% or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fixtures	10% - 33 1/3%
Computer equipment and software	20% - 33 1/3%
Computer equipment and software under lease	33 1/3%
Motor vehicles	20%
Renovations to rented premises	20% or over the period of the tenancy, whichever is shorter
General plant and machinery	12.5%

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

Depreciation on assets under construction commences when the assets are ready for their intended use.

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

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

### M INTANGIBLE ASSETS

#### (a) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries and jointly controlled entities and associates over the fair value of the Group's share of the identifiable assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group allocates goodwill to each business segment (See Note 17 to the financial statements).

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### M INTANGIBLE ASSETS (CONTINUED)

#### (a) Goodwill (Continued)

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

#### (b) Other intangible assets

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

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

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

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

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

### N ASSETS PURCHASED UNDER LEASE

#### Finance lease

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the estimated present value of the underlying lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charges is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset. If there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

#### Operating lease

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

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### O ASSETS SOLD UNDER LEASE

#### Finance lease

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

#### Operating lease

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

### P INVESTMENT PROPERTIES

Investment properties are properties which the Group holds for the intention to earn rentals or for capital appreciation or both. Such properties are initially recognised at cost including any directly attributable expenditure. Subsequently, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. The depreciation rates follow that applied for assets classified as property, plant and equipment.

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

### Q BILLS AND ACCEPTANCES PAYABLE

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

### R DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### R DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

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

#### (a) Fair value hedge

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

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

#### (b) Cash flow hedge

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

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

#### (c) Net investment hedge

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

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

#### (d) Derivatives that do not qualify for hedge accounting

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

### S BONDS

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

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

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### T INCOME AND DEFERRED TAXES

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The principal temporary differences are disclosed in notes to the financial statements. Tax rates enacted or substantively enacted by the balance sheet are used to determine deferred income tax.

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

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

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

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

### U SHARE CAPITAL

#### (a) Classification

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

#### (b) Share issue costs

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

#### (c) Dividends

Dividends on ordinary shares are recognised as liabilities when the shareholders' right to receive the dividends is established.

### V EMPLOYEE BENEFITS

#### (a) Short term employee benefits

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

#### (b) Post employment benefits

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### V EMPLOYEE BENEFITS (CONTINUED)

#### (b) Post employment benefits (Continued)

##### Defined contribution plan

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

The Group's and the Company's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

##### Defined benefit plans

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

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

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

Plan assets in excess of the defined obligation are subject to the asset limitation specified in FRS 119<sub>2004</sub> - Employee Benefits.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with FRS 119<sub>2004</sub> and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

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

#### (c) Other long term employee benefits

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

#### (d) Termination benefits

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### V EMPLOYEE BENEFITS (CONTINUED)

#### (e) Share-based compensation benefits

The share options granted to directors and employees of the Group are disclosed in the notes to the financial statements. The Group makes a charge to the income statement in connection with expenses relating to share-based payments from grant date to vesting date. For those share-based compensation which were granted before 31 December 2004 and had not yet vested at 1 January 2006, the Group has elected not to apply FRS 2 ("Share-Based Payment") as allowed in the transitional provision of FRS 2. Share-based payments under ESOS, Modified CIMBB EESOS, Modified CIMBB CEO Option and ESOP are treated as equity settled, while those under MES and MOP scheme are cash settled. Reserves are made for equity settled share-based compensation and liabilities are created for cash settled scheme in the financial statements for the financial year end according to the requirement of FRS 2.

### W IMPAIRMENT OF ASSETS

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

### X IMPAIRMENT OF SECURITIES PORTFOLIO

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

#### (a) Securities carried at amortised cost

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

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

#### (b) Securities carried at fair value

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### Y CURRENCY TRANSLATIONS

#### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

#### Foreign currency transactions and balances

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

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

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

#### Group companies

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

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

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

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

### Z FORECLOSED PROPERTIES

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### AA PROVISIONS

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

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

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

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

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

### AB BORROWINGS

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

### AC HIRE PURCHASE RECEIVABLES SECURITISATION PROGRAMME

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

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

### AD CASH AND CASH EQUIVALENTS

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

### AE COMPOUND FINANCIAL INSTRUMENTS

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

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

## Summary of Significant Accounting Policies

for the financial year ended 31 December 2006

### AF SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of operating income earned from providing products or services to external clients and whose operating income, results or assets are 10 per cent or more of all the segments are reported separately.

### AG ZAKAT

This represents business zakat. It is an obligating amount payable by the Group to comply with the principles of Shariah. Zakat provision is calculated based on the 'Adjusted Growth' method.

### AH PROFIT EQUALISATION RESERVE

Profit Equalisation Reserve ("PER") is a mechanism to reduce the fluctuation in the profit rates payable to depositors. It is provided based on the Framework of the Rate of Return 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 Group.

### AI GENERAL INSURANCE

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

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

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

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

### AJ DEALERS' HANDLING CHARGES

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

# Notes to the Financial Statements

for the financial year ended 31 December 2006

## 1 GENERAL INFORMATION

The principal activities of the Company are those of investment holding, management company, property management, provision of consultancy services and dealing in securities. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There was no significant change in the nature of these activities during the financial year.

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

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

## 2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and balances with banks and other financial institutions	4,326,430	2,321,022	1,308	2,596
Money at call and deposit placements maturing within one month	17,208,254	9,757,123	950,285	447,985
	21,534,684	12,078,145	951,593	450,581

Included in the Group's cash and short-term funds are RM883,000 (2005: RM28,405,000) of money at call and deposit placements relating to a jointly controlled entity, Proton Commerce Sdn Bhd ("PCSB").

## 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2006 RM'000	2005 RM'000
Licensed banks	1,675,161	1,149,588
Licensed finance companies	-	2,038
Licensed merchant banks	1,521,682	57,630
Bank Negara Malaysia	1,582,600	79,900
Other financial institutions	77,675	65,796
	4,857,118	1,354,952

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 4 SECURITIES HELD FOR TRADING

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Money market instruments:</b>				
<b>Quoted</b>				
Malaysian Government securities	379,011	519,617	-	-
Cagamas bonds	599,665	74,177	-	-
Khazanah bonds	93,554	4,350	-	-
Government investment issues	5,030	-	-	-
<b>Unquoted</b>				
Malaysian Government treasury bills	169,176	29,596	-	-
Malaysian Government investment certificates	-	4,998	-	-
Bank Negara Malaysia bills	245,084	218,451	-	-
Bank Negara negotiable notes	79,259	-	-	-
Negotiable instruments of deposit	1,796,352	1,082,933	-	-
Bankers' acceptances	475,205	23,071	-	-
Private debt securities	148,597	171,655	-	-
Credit-linked notes	356,189	375,208	-	-
Other Government's securities	211,720	19,102	-	-
Commercial papers	383,461	-	-	-
Government investment issue	35,060	-	-	-
	4,977,363	2,523,158	-	-
<b>Quoted securities:</b>				
<u>In Malaysia</u>				
Warrants	260,119	2,376	-	-
Shares	1,134,722	275,543	-	79,292
Loan stocks	15,432	125	-	-
Unit trusts	1,386	287,426	-	240,952
Private debt securities	17,767	-	-	-
<u>Outside Malaysia</u>				
Shares	22,657	101,572	-	-
Private debt securities	-	603,006	-	-
Other Government Bonds	148,894	-	-	-
	6,578,340	3,793,206	-	320,244
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Private and Islamic debt securities	5,398,194	4,322,609	-	-
Shares	-	5,000	-	-
Bonds	-	704,935	-	-
Unit trusts	10,713	-	-	-
<u>Outside Malaysia</u>				
Private and Islamic debt securities	1,973,843	730,377	-	-
Floating rate notes	17,650	-	-	-
	13,978,740	9,556,127	-	320,244

## Notes to the Financial Statements

for the financial year ended 31 December 2006

#### 4 SECURITIES HELD FOR TRADING (CONTINUED)

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

- (a) Shares quoted in Malaysia which include the Company's portfolio and unit trusts managed by CIMB – Principal Asset Management Berhad amounting to RM Nil (2005: RM79,292,000) and RM Nil (2005: RM240,952,000).
- (b) Securities amounting to RM20,226,000 (2005: RM36,080,000) invested by asset management companies on behalf of the Group.
- (c) Malaysian Government securities, unquoted private and Islamic debt securities in Malaysia amounting to principal value of RM Nil (2005: RM41,500,000) have been pledged by the Group as credit support assets for certain over-the-counter derivative contracts.
- (d) Securities held for trading of RM2,618,488,000 (2005: RM Nil) have been pledged by the Group to third parties in relation to securities sold under repurchase agreements.

#### 5 AVAILABLE-FOR-SALE SECURITIES

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Debt securities</b>				
<b>Money market instruments:</b>				
<b><u>Quoted</u></b>				
Malaysian Government securities	530,567	713,068	-	-
Cagamas bonds	436,673	580,296	-	-
Khazanah bonds	154,691	164,674	-	-
Government investment issues	923,763	-	-	-
Commercial papers	19,830	-	-	-
Bonds	24,795	-	-	-
Bank Negara negotiable notes	29,952	-	-	-
<b><u>Unquoted</u></b>				
Malaysian Government treasury bills	56,994	9,943	-	-
Other Government treasury bills	-	10,784	-	-
Danaharta Urus Sdn Bhd ("DUSB") bonds	-	2,329	-	-
Bank Negara Malaysia bills	15,000	92,477	-	-
Bankers' acceptance, Islamic accepted bills and Islamic debt securities	101,049	-	-	-
Private debt securities	5,772,483	3,378,962	-	-
Floating rate notes	5,192	20,440	-	-
Cagamas Notes	4,997	-	-	-
Negotiable instruments of deposit	353,881	-	-	-
Government investment issues	19,680	-	-	-
	8,449,547	4,972,973	-	-

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 5 AVAILABLE-FOR-SALE SECURITIES (CONTINUED)

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Equity securities</b>				
<b>Quoted securities:</b>				
<u>In Malaysia</u>				
Shares	54,522	204,184	-	-
Warrants	-	690	-	-
Unit trusts	12,975	13,260	-	-
Loan stocks	42,374	-	-	-
<u>Outside Malaysia</u>				
Shares	11,314	-	-	-
Bonds	-	1,542,359	-	-
Mutual funds	1,701	-	-	-
<b>Unquoted securities:</b>				
<u>In Malaysia</u>				
Private and Islamic debt securities	502,603	955,805	-	-
Shares	518,714	417,880	1,715	-
Bonds	-	6,291	-	-
Loan stocks	46,006	36,204	-	-
Property trusts	-	16,051	-	-
Property funds	84	-	-	-
Investment-linked funds	5,823	-	-	-
<u>Outside Malaysia</u>				
Shares	26,928	18,460	-	-
Mutual funds	11,340	11,294	-	-
Private equity funds	-	41,512	-	-
	1,234,384	3,263,990	1,715	-
	9,683,931	8,236,963	1,715	-
<b>Allowance for impairment loss:</b>				
Private debt securities	(440,927)	(443,790)	-	-
Quoted shares	(6,604)	(6,402)	-	-
Quoted bonds	(248)	-	-	-
Unquoted shares	(17,621)	(27,422)	-	-
Accretion of discount net of amortisation of premium	5,248	-	-	-
Mutual funds	(56)	-	-	-
	(460,208)	(477,614)	-	-
	9,223,723	7,759,349	1,715	-

Included in the available-for-sale securities by the Group are:

- Debt securities available-for-sale at fair value of RM Nil (2005: RM275,121,000) have been pledged by the Group to third parties in relation to securities sold under repurchase agreement.
- Private and Islamic debt securities in Malaysia are investment in unit trusts managed by CIMB - Principal Asset Management Berhad amounting to RM502,603,000 (2005: RM493,937,000).

Notes to the Financial Statements  
for the financial year ended 31 December 2006

**6 HELD-TO-MATURITY SECURITIES**

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Money market instruments:</b>				
<b>Quoted</b>				
Malaysian Government Securities	77,036	-	-	-
<b>Unquoted</b>				
Other government treasury bills	92,427	122,335	-	-
Danaharta Urus Sdn Bhd ("DUSB") Bonds	1,151,973	1,718,596	-	-
Private debt securities	554,167	391,827	-	-
Other Government's securities	18,702	21,748	-	-
<b>Quoted securities</b>				
<u>Outside Malaysia</u>				
Bonds	27,756	29,146	-	-
Islamic bonds	10,480	-	-	-
Medium term notes - Islamic	9,704	-	-	-
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Shares	270	-	-	-
Private debt securities	36,893	-	-	-
Detachable coupons	-	-	84,175	134,422
Redeemable Preference Shares	-	-	1,300,000	-
Redeemable Convertible Unsecured Loan Stock	-	-	24,428	-
<u>Outside Malaysia</u>				
Bonds	-	19,993	-	-
	1,979,408	2,303,645	1,408,603	134,422
Accretion of discount net of amortisation of premium	82,198	116,864	50,871	48,642
Less: Allowance for impairment losses	(21,544)	-	-	-
	2,040,062	2,420,509	1,459,474	183,064

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 7 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group Fair values			The Company Fair values		
	Notional amount RM'000	Assets RM'000	Liabilities RM'000	Notional Amount RM'000	Assets RM'000	Liabilities RM'000
<b>At 31 December 2006</b>						
<u>Foreign exchange derivatives</u>						
Currency forwards	2,897,455	11,956	(26,686)	-	-	-
Currency swaps	6,173,976	60,620	(65,885)	-	-	-
Currency spots	829,944	865	(221)	-	-	-
Currency options	166,384	558	(641)	-	-	-
Cross currency swaps	10,269,191	236,494	(183,731)	-	-	-
Cross currency interest rate swaps	4,000,000	-	(165,059)	4,000,000	-	(165,059)
		310,493	(442,223)		-	(165,059)
<u>Interest rate derivatives</u>						
Interest rate swaps	121,787,006	838,300	(870,108)	160,000	-	(86)
Interest rate futures	33,031,697	44,158	(10,132)	-	-	-
Interest rate options	3,180,000	5,115	(11,732)	-	-	-
		887,573	(891,972)		-	(86)
<u>Equity derivatives</u>						
Equity futures	91,310	176	(5,141)	-	-	-
Equity options	2,296,252	35,394	(259,608)	-	-	-
Call warrants	2,074,094	440,289	(440,212)	-	-	-
		475,859	(704,961)		-	-
<u>Held for hedging purpose</u>						
<u>Interest rate derivatives</u>						
Interest rate swaps	706,000	-	(34,659)	-	-	-
Cross currency swap	746,500	-	(82,535)	-	-	-
		-	(117,194)		-	-
Total derivative assets/(liabilities)		1,673,925	(2,156,350)		-	(165,145)
<b>At 31 December 2005</b>						
<u>Foreign exchange derivatives</u>						
Currency forwards	3,097,972	45,814	(72,930)	-	-	-
Currency swaps	1,128,805	3,265	(6,401)	-	-	-
Currency spots	996,717	993	(1,415)	-	-	-
Cross currency swaps	7,808,310	25,273	(6,389)	-	-	-
Cross currency interest rate swaps	793,696	-	(42,357)	-	-	-
		75,345	(129,492)		-	-
<u>Interest rate derivatives</u>						
Interest rate swaps	58,124,231	239,887	(312,046)	250,000	202	-
Interest rate futures	31,944,242	14,747	(38,515)	-	-	-
Interest rate options	3,031,400	19,836	(19,299)	-	-	-
		274,470	(369,860)		202	-
<u>Equity derivatives</u>						
Equity futures	39,094	228	(188)	-	-	-
Equity options	170,627	20,754	-	-	-	-
		20,982	(188)		-	-
<u>Held for hedging purpose</u>						
Interest rate swaps	788,138	14,943	(14,645)	-	-	-
Total derivative assets/(liabilities)		385,740	(514,185)		202	-

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 8 LOANS, ADVANCES AND FINANCING

(i) By type

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Overdrafts	7,163,910	3,935,242	-	-
Term loans				
- Housing loans/financing	18,477,108	12,445,596	-	-
- Syndicated term loans	7,563,627	4,659,768	-	-
- Hire purchase receivables	16,564,963	10,542,325	-	-
- Lease receivables	196,690	272,505	-	-
- Factoring receivables	63,832	190,007	-	-
- Other term loans/financing	25,178,142	21,920,406	-	-
Bills receivable	472,618	373,568	-	-
Trust receipts	1,030,948	1,048,353	-	-
Claims on customers under acceptance credits	6,247,221	6,553,531	-	-
Subordinated debt	-	127,277	-	-
Staff loans [of which RM436,000 (2005: RM485,000) are to Directors]	649,751	604,870	2,643	3,219
Credit card receivables	2,108,731	531,364	-	-
Revolving credits	12,786,176	10,839,659	-	-
Share margin financing	813,616	339,332	-	-
Other loans	139,858	291,305	-	-
	99,457,191	74,675,108	2,643	3,219
Less: Unearned interest	(3,463,030)	(2,099,564)	-	-
Less: Islamic financing sold to Cagamas	(780,289)	-	-	-
Gross loans, advances and financing	95,213,872	72,575,544	2,643	3,219
Allowance for bad and doubtful debts				
- Specific	(3,399,836)	(2,305,753)	-	-
- General	(1,479,277)	(1,173,911)	-	-
Total net loans, advances and financing	90,334,759	69,095,880	2,643	3,219

Included in the Group's loans, advances and financing balances are RM1,738,292,000 (2005: RM1,568,092,000) of net loans relating to that of a jointly controlled entity, Proton Commerce Sdn Bhd ("PCSB"). The balances are held in the books of CIMB Bank. The revenue and risks of these loan accounts are shared equally between, CIMB Bank and the joint venture partner, Proton Edar Sdn Bhd, pursuant to the terms of a Joint Venture Agreement.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**8 LOANS, ADVANCES AND FINANCING (CONTINUED)**

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

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Within one year	31,799,951	24,065,684	41	59
One year to three years	14,213,590	11,745,782	128	110
Three years to five years	12,573,020	6,570,293	153	165
Over five years	37,407,600	30,193,785	2,321	2,885
	95,994,161	72,575,544	2,643	3,219
Less: Islamic financing sold to Cagamas	(780,289)	-	-	-
	95,213,872	72,575,544	2,643	3,219

(ii) By type of customer

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Domestic banking institutions	216,828	294,997	-	-
Domestic non-bank financial institutions			-	-
- stockbroking companies	330,868	41,057	-	-
- others	2,050,252	3,400,377	-	-
Domestic business enterprises				
- small medium enterprises	17,589,242	13,201,946	-	-
- others	24,368,173	20,308,750	-	-
Government and statutory bodies	136,951	49,516	-	-
Individuals	43,717,076	28,047,147	2,643	3,219
Other domestic entities	2,271,507	2,138,733	-	-
Foreign entities	5,313,264	5,093,021	-	-
	95,994,161	72,575,544	2,643	3,219
Less: Islamic financing sold to Cagamas	(780,289)	-	-	-
	95,213,872	72,575,544	2,643	3,219

**Notes to the Financial Statements**  
for the financial year ended 31 December 2006

**8 LOANS, ADVANCES AND FINANCING (CONTINUED)**

(iii) By interest/profit rate sensitivity

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed rate				
- Housing loans	3,744,142	2,001,692	-	-
- Hire-purchase receivables	13,571,469	8,738,993	-	-
- Other fixed rate loan	16,229,968	14,272,961	2,643	3,219
Variable rate				
- BLR plus	47,415,965	34,294,484	-	-
- Cost plus	5,235,510	3,037,880	-	-
- Other variable rates	9,797,107	10,229,534	-	-
	95,994,161	72,575,544	2,643	3,219
Less: Islamic financing sold to Cagamas	(780,289)	-	-	-
	95,213,872	72,575,544	2,643	3,219

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personal use	2,349,454	1,472,364	140	160
Credit card	2,128,152	536,699	-	-
Purchase of consumer durables	29,060	81,802	-	-
Construction	3,636,984	5,122,385	-	-
Residential property (Housing)	19,337,305	13,056,661	2,203	2,694
Non-residential property	4,422,393	2,512,564	-	-
Purchase of fixed asset				
- other than land and building	2,547,168	2,018,066	-	-
Merger and acquisition	355,213	326,087	-	-
Purchase of securities	5,318,708	4,583,218	-	-
Purchase of transport vehicles	15,009,253	9,640,106	300	365
Working capital	37,114,632	31,395,582	-	-
Other purpose	3,745,839	1,830,010	-	-
	95,994,161	72,575,544	2,643	3,219
Less: Islamic financing sold to Cagamas	(780,289)	-	-	-
	95,213,872	72,575,544	2,643	3,219

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**8 LOANS, ADVANCES AND FINANCING (CONTINUED)**

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

	<b>The Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	6,306,398	6,278,029
Classified as non-performing during the financial year	4,264,672	4,249,222
Reclassified as performing during the financial year	(1,444,399)	(2,409,192)
Amount written back in respect of recoveries	(1,998,193)	(1,143,362)
Non-performing loans arising from acquisition of subsidiaries	2,802,844	-
Amount written off	(1,460,579)	(650,196)
Exchange fluctuation	12,471	(18,103)
At 31 December	8,483,214	6,306,398
Specific allowance	(3,399,836)	(2,305,753)
Net non-performing loans, advances and financing	5,083,378	4,000,645
Ratio of net non-performing loans, advances and financing to gross loans, advances and financing less specific allowance	5.54%	5.69%

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

	<b>The Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>General allowance</b>		
At 1 January	1,173,911	1,065,735
Net allowance made during the financial year	3,824	131,872
Amount transferred to specific allowance	(122,367)	(10,627)
Allowance for loans in relation to loans in jointly controlled entities	2,592	17,677
Allowance for loans arising from acquisition of subsidiaries	397,233	-
Exchange fluctuation	24,084	(30,746)
At 31 December	1,479,277	1,173,911
As % of gross loans, advances and financing less specific allowance	1.61%	1.67%

Notes to the Financial Statements  
for the financial year ended 31 December 2006

**8 LOANS, ADVANCES AND FINANCING (CONTINUED)**

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

	The Group	
	2006 RM'000	2005 RM'000
<b>Specific allowance</b>		
At 1 January	2,305,753	1,919,403
Allowance made during the financial year	1,787,564	1,507,535
Amount transferred from general allowance	122,367	10,627
Amount written back in respect of recoveries	(712,693)	(525,326)
Amount written off	(1,292,170)	(651,770)
Amount charged to deferred assets	3,101	-
Allowance for loans in relation to loans in jointly controlled entities	18,889	7,294
Allowance for loans arising from acquisition of subsidiaries	1,143,081	-
Exchange fluctuation	23,944	37,990
At 31 December	3,399,836	2,305,753

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

	The Group	
	2006 RM'000	2005 RM'000
Personal use	275,066	183,595
Credit card	100,871	56,595
Purchase of consumer durables	1,110	2,565
Construction	423,204	504,210
Loans for refinancing	10,608	11,358
Residential property (Housing)	2,180,003	1,977,711
Non-residential property	584,618	346,023
Purchase of fixed assets other than land and building	114,179	360,846
Purchase of securities	442,710	294,844
Purchase of transport vehicles	948,448	716,271
Working capital	3,315,575	1,825,723
Other purpose	86,822	26,657
	8,483,214	6,306,398

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 9 OTHER ASSETS

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest receivable	424,535	414,866	15,747	-
Due from brokers and clients net of allowance for doubtful debts of RM4,029,000 (2005: RM13,060,000)	1,391,767	622,464	-	-
Other debtors, deposits and prepayments net of allowance for doubtful debts of RM2,767,000 (2005: RM31,319,000)	1,689,846	1,215,720	160,756	152,943
Due from insurers, brokers and reinsurers net of allowance for doubtful debts of RM2,817,000 (2005: RM13,867,000)	137,914	111,242	-	-
Deferred assets (a)	247,474	-	-	-
Foreclosed properties net of allowance for impairment in value	64,225	47,453	-	-
Amount due from Bank Muamalat Malaysia Berhad	1,668	-	-	-
Proceeds from sale of property	7,020	-	-	-
	3,964,449	2,411,745	176,503	152,943

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

	The Group	
	2006 RM'000	2005 RM'000
At 1 January	-	-
Arising from acquisition of banking business and related assets and liabilities of SBB	260,373	-
Amortisation for the financial year	(12,899)	-
At 31 December	247,474	-

## 10 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts are shown in the balance sheet, after offsetting:

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets	433,063	359,478	12,250	-
Deferred tax liabilities	(2,086)	(13,690)	-	(8,069)
	430,977	345,788	12,250	(8,069)

Notes to the Financial Statements  
for the financial year ended 31 December 2006

## 10 DEFERRED TAXATION (CONTINUED)

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

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 1 January	345,788	285,761	(8,069)	(18,418)
Credited/(charged) to income statement (Note 42)				
- loans, advances and financing	26,029	16,461	-	-
- unutilised tax losses	(76,873)	1,259	-	-
- excess of capital allowance over depreciation	1,254	(3,791)	98	111
- intangible assets	2,155	-	-	-
- available-for-sale securities	(1,247)	571	-	-
- other temporary differences	8,480	(7,515)	20,398	10,238
	(40,202)	6,985	20,496	10,349
Acquisition of subsidiaries	167,836	(3,636)	-	-
Transferred to equity				
- revaluation reserve – available-for-sale securities	(42,268)	56,678	-	-
RCULS	(177)	-	(177)	-
At 31 December	430,977	345,788	12,250	(8,069)
<b>Deferred tax assets (before offsetting)</b>				
Loans, advances and financing	409,343	289,442	230	239
Available-for-sale securities	3,944	(626)	-	-
Property, plant and equipment	-	(9,041)	-	-
Unutilised tax losses	110,706	50,862	-	-
Revaluation reserve – available-for-sale securities	-	1,170	-	-
Other temporary differences	112,752	57,428	27,039	6,790
	636,745	389,235	27,269	7,029
Offsetting	(203,682)	(29,757)	(15,019)	(7,029)
<b>Deferred tax assets (after offsetting)</b>	433,063	359,478	12,250	-
<b>Deferred tax liabilities (before offsetting)</b>				
Available-for-sale securities	(3,096)	(10,200)	-	-
Property, plant and equipment	(36,045)	(15,723)	(529)	(676)
Revaluation reserve – available-for-sale securities	(25,472)	(221)	-	-
RCULS	(177)	-	(177)	-
Intangible assets	(114,022)	-	-	-
Other temporary differences	(26,956)	(17,303)	(14,313)	(14,422)
	(205,768)	(43,447)	(15,019)	(15,098)
Offsetting	203,682	29,757	15,019	7,029
<b>Deferred tax liabilities (after offsetting)</b>	(2,086)	(13,690)	-	(8,069)

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 11 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by certain subsidiaries with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined at set percentages of total eligible liabilities. The non-interest bearing statutory deposits of a foreign subsidiary and foreign branches of the bank subsidiary are maintained with respective central banks in compliance with the applicable legislation.

### 12 INVESTMENT IN SUBSIDIARIES

	The Company	
	2006 RM'000	2005 RM'000
Shares at cost:		
Quoted	1,034,383	1,610,014
Unquoted	9,172,992	3,433,570
Allowance for impairment loss of a subsidiary	(1,275)	(1,275)
	10,206,100	5,042,309

Pursuant to the restructuring exercise undertaken during the year, CIMBB assets and liabilities were transferred to CIMB Group Sdn Bhd ("CIMB Group"). Subsequently, CIMBB has carried out a Section 176 capital repayment to its shareholders, delisted its listing status from Bursa Securities and became a dormant company. CIMB Group has also acquired the entire ordinary shares of the then BCB from the Company. Save for new investments during the year, the equity interest held by CIMBB previously is now held by CIMB Group.

On 29 December 2006, pursuant to the internal reorganisation "exercise", the Company's entire equity interest in Commerce International Group Berhad (CIG) and Commerce Asset Ventures Sdn Bhd (CAV) was transferred to CIMB Group. Accordingly, the equity interests held by the Company previously are now held by CIMB Group.

The direct subsidiaries of the Company are:

Name of Subsidiary	Principal activities	Percentage of equity held		Paid-up capital as at 31.12.2006
		2006 %	2005 %	
CIMB Berhad	Dormant	100	71.10	RM2
CIMB Group Sdn Bhd	Investment holding of banking group	100	-	RM8,365,650,116
PT Bank Niaga Tbk + (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	64.06	64.25	IDR12,143,995,774
Commerce International Group Berhad	Insurance holding company	-	100	RM332,000,000
Commerce Assurance Berhad	General insurance business	-	100	RM110,000,000
Commerce Life Assurance Berhad	Life assurance business	-	100	RM122,000,000
Commerce Takaful Berhad	Takaful business	-	100	RM100,000,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The direct subsidiaries of the Company are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held		Paid-up capital as at 31.12.2006
		2006 %	2005 %	
Commerce Asset Ventures Sdn Bhd	Provision of management services	-	100	RM500,000 (ordinary shares) RM6,700,000 (****preference shares)
Commerce MGI Sdn Bhd	Dormant	51	51	RM2,500,000
Commerce Asset Realty Sdn Bhd	Holding of properties for letting to a related company	100	100	RM240,000
Commerce Asset Nominees Sdn Bhd	Nominee services	100	100	RM10,000
Commerce Volantia Sdn Bhd	Dormant	100	100	RM3
Commerce Capital (Labuan) Ltd (Incorporated in the Federal Territory of Labuan)	Special purpose vehicle	100	100	USD1
PT Commerce Kapital # (Incorporated in the Republic of Indonesia)	Investment holding	99	99	USD4,421,000
Southern Bank Berhad	Dormant	100	-	RM1,610,896,556
Modified CIMBB Options Trust (unincorporated)	Holding of accelerated CIMBB's Modified EESOS and CEO options	-	-	-

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

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMBG		Through CIMBG's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad) ("CIMB Bank")	Commercial banking and related financial services	99.99	-	-	-	RM2,974,009,486
CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) ("CIMB Investment Bank")	Investment banking and the provision of related financial services	100	100	-	-	RM219,242,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

The subsidiaries, held through the CIMBG are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMBG		Through CIMBG's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
CIMB SI Sdn Bhd (formerly known as CIMB ShareTech Sdn Bhd)	Trading in securities	100	100	-	-	RM40,003,120 (ordinary shares) * RM300 (preference shares)
ShareTech Nominees (Tempatan) Sdn Bhd	Nominee services	-	-	100	100	RM10,002
ShareTech Nominees (Asing) Sdn Bhd	Nominee services	-	-	100	100	RM10,002
CIMB Private Equity Sdn Bhd	Dormant	100	100	-	-	RM2
CIMB Private Equity 1 Sdn Bhd	Investment banking	-	-	100	100	RM2
CIMB Mezzanine 1 Sdn Bhd	Investment banking	-	-	100	100	RM2
Maju-Uni Concept Sdn Bhd	Investment banking	-	-	100	-	RM2
Mutiara Makmur Ventures Sdn Bhd	Investment holding	-	-	100	-	RM2
CIMB-GK Pte Ltd (Incorporated in Singapore)+	Investment holding	100	100	-	-	SGD10,000,000 (ordinary shares) SGD 4,814 (^ preference shares)
CIMB-GK Securities Pte Ltd+	Stock and sharebroking	-	-	100	100	SGD70,000,000
CIMB-GK Research Pte Ltd+	Investment research	-	-	100	100	SGD150,000
CIMB-GK Securities (UK) Ltd (Incorporated in United Kingdom)+	Securities related business	-	-	100	100	GBP500,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

The subsidiaries, held through the CIMBG are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMBG		Through CIMBG's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
CIMB-GK Securities (USA), Inc (Incorporated in USA)+	Dormant	-	-	100	100	USD100,000
CIMB-GK Securities (HK) Ltd (Incorporated in Hong Kong)+	Securities broking, dealing and trading	-	-	100	100	HKD65,000,000
CIMB-GK Securities (HK) Nominees Ltd (Incorporated in Hong Kong)+	Nominee services	-	-	100	100	HKD2
PT CIMB-GK Securities Indonesia (Incorporated in the Republic of Indonesia)+	Stockbroking	-	-	100	100	IDR48,500,000,000
P.T. CIMB Niaga Securities (Incorporated in the Republic of Indonesia)+	Dormant	-	-	100	99	IDR50,400,000,000
GK Goh Research (M) Sdn Bhd	Dormant	-	-	100	100	RM500,000
CIMB-GK Securities (Thailand) Ltd	Dormant	-	-	100	-	Baht 300,000,000
CIMB Real Estate Sdn Bhd	Real estate investment	100	100	-	-	RM100,000 (ordinary shares) RM120,000 (@ redeemable preference shares)
CIMB-Mapletree Management Sdn Bhd	Real estate fund management	-	-	60	60	RM2,000,000
CMREF 1 Sdn Bhd	Real estate fund management operation and services	-	-	49.9	49.9	RM100,000 (ordinary shares) RM402,000 (preference shares)

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

The subsidiaries, held through the CIMBG are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMBG		Through CIMBG's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
Era One Ventures Sdn Bhd	Real estate fund management operations and services	-	-	100	-	RM10,000 (ordinary shares) RM31,990 (preference shares)
Jaya Section Fourteen Sdn Bhd (formerly known as First Twin Ventures Sdn Bhd)	Real estate fund management operations and services	-	-	100	-	RM10,000 (ordinary shares) RM27,952 (preference shares)
Dynamic Concept One Sdn Bhd	Real estate fund management operations and services	-	-	100	-	RM10,000 (ordinary shares) RM3,180 (redeemable preference shares)
Forward Wealth Advisors Berhad (formerly known as Era Unity Ventures Sdn Bhd)	Fund management	-	-	100	-	RM2
Project Asia City Sdn Bhd	Real estate fund management operations and services	-	-	100	-	RM2 (ordinary shares) RM6,800 (preference shares)
KL Park City Sdn Bhd	Investment in real estate and real estate securities	-	-	100	-	RM250,000
CIMB – Principal Asset Management Berhad	Unit trust manager	60	60	-	-	RM7,000,000
Commerce Asset Fund Managers Sdn Bhd	Fund management	60	60	-	-	RM100
CIMB Strategic Assets Sdn Bhd	Investment holding	100	-	-	-	RM2
CIMB Standard Strategic Asset Advisors Sdn Bhd	Investment advisory services	-	-	60	-	RM10

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries, held through the CIMBG are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMBG		Through CIMBG's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
CIMB Standard Strategic Asset Advisors Pte Ltd	Investment advisory services	-	-	100	-	SGD2
South East Asian Strategic Asset (General Partner) Ltd	Investment advisory services	-	-	60	-	USD10
CIMB Strategic Assets (Cayman) Limited	Investment holding	100	-	-	-	USD1
CIMB Private Equity Advisors Sdn Bhd	Investment advisory and venture capital management	100	-	-	-	RM2
Forward Wealth Advisors Berhad (formerly known as Era Unity Ventures Sdn Bhd)	Fund management	100	-	-	-	RM2
Commerce International Group Berhad	Insurance holding company	100	-	-	-	RM332,000,000
Commerce Assurance Berhad £	General insurance business	-	-	100	-	RM110,000,000
Commerce Life Assurance Berhad £	Life assurance business	-	-	100	-	RM122,000,000
Commerce Takaful Berhad £	Takaful business	-	-	100	-	RM100,000,000
Commerce Asset Ventures Sdn Bhd ("CAV")	Provision of management services	100	-	-	-	RM500,000 (ordinary shares) RM6,700,000 (****preference shares)
CAV Private Equity Management Sdn Bhd £	Providing management and advisory services	-	-	100	-	RM100,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

The subsidiaries, held through the CIMBG are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMBG		Through CIMBG's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
Commerce Technology Ventures Sdn Bhd £	Investment holding company	-	-	100	-	RM2,000 (ordinary shares) RM150,000 (*preference shares)
Ekspedisi Yakin Sdn Bhd # £	Dormant	-	-	100	-	RM1,000,000 (ordinary shares) RM365,850 (** redeemable preference shares)
Fortlab Holdings Sdn Bhd # £	Investment holding company	-	-	65	-	RM4,767,079 (ordinary shares) RM100,000 (*** redeemable preference shares)
Titan Setup Sdn Bhd # £	Investment holding company	-	-	100	-	RM4,660,008
Commerce-KPF Ventures Sdn Bhd (formerly known as Escalate Capital Sdn Bhd)	Investment holding company	-	-	51	-	RM2,000 (ordinary shares) RM500,000 (preference shares)
Qualitas Healthcare Corporation Sdn Bhd	Investment holding with subsidiaries providing primarily care services	-	-	41.2 &	-	RM29,730,559
Radiant Direction Sdn Bhd# £	Dormant	-	-	100	-	RM50,000
Quantum Epic Sdn Bhd# £	Dormant	-	-	100	-	RM50,000
Goodmaid Chemical Corporation Sdn Bhd# £	Manufacturing of household care products	-	-	99.60	-	RM4,610,006
Goodmaid Marketing Sdn Bhd# £	Trading and marketing of household care products	-	-	100	-	RM2

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries, held through the CIMBG are: (Continued)

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMBG		Through CIMBG's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
EQ Industry Supplies Sdn Bhd# £	Trading and marketing of industrial chemicals	-	-	100	-	RM70,000
Fortune Laboratories Sdn Bhd# £	Manufacturing of toileteries, pharmaceutical, cosmetic and health supplement products	-	-	65	-	RM500,000
Polyscience Manufacturing Sdn Bhd# £	Manufacturing of household care products	-	-	65	-	RM200,000
Itopia Sdn Bhd	Provision of telephony infrastructure, products and service	-	-	53.2	-	RM500,000

\* Preference shares of RM1.00 each

\*\* Redeemable preference shares of RM1.00 each

\*\*\* Redeemable preference shares of RM0.10 each

\*\*\*\* Preference shares of RM0.10 each

^ Preference shares of SGD0.10 each

@ Redeemable preference shares of RM0.01 each

& Deemed a subsidiary by virtue of board control of the company's operation and management

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

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

£ Entities previously held through Commerce International Group Berhad and Commerce Asset Ventures Sdn Bhd with no change in shareholdings since 2005

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMB		Through CIMB's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
CIMB Holdings Sdn Bhd	Investment holding	100	100	-	-	RM10,370,000
CIMB Securities (Hong Kong) Ltd (Incorporated in Hong Kong)	Dormant	-	-	100	100	HKD5,000,000
CIMBS Sdn Bhd (formerly known as CIMB Securities Sdn Bhd)	Dormant	-	-	100	100	RM40,000,000
CIMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-	RM10,000
CIMSEC Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-	RM10,000
CIMSEC Nominees Sdn Bhd	Nominee services	100	100	-	-	RM10,000
CIMB Futures Sdn Bhd	Futures broking	100	100	-	-	RM9,000,000
CIMB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-	RM10,000
CIMB Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-	RM10,000
iCIMB Sdn Bhd	Dormant	100	100	-	-	RM2

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
Bumiputra-Commerce Factoring Berhad	Dormant	100	100	-	-	RM2
CIMB FactorLease Berhad (formerly known as Bumiputra-Commerce FactorsLease Berhad)	Leasing, factoring and loan management	100	100	-	-	RM50,000,000
CIMB Trustee Berhad (formerly known as Bumiputra-Commerce Trustee Berhad)	Trustee services	20	20	80	80	RM500,000
BBMB Unit Trust Management Berhad	Dormant	100	100	-	-	RM5,000,000
CIMB Bank (L) Limited (formerly known as Bumiputra-Commerce Bank (L) Limited) (Incorporated in the Federal Territory of Labuan)	Offshore banking	100	100	-	-	USD50,000,000
Bumiputra-Commerce International Trust (Labuan) Berhad	Offshore trust (under voluntary liquidation)	100	100	-	-	RM150,000
Bumiputra-Commerce Finance Berhad	Dormant	100	100	-	-	RM 2
EPIC – I Sdn Bhd	Provision of outsourcing services	100	100	-	-	RM25,000,000
Bumiputra-Commerce Properties Sdn Bhd	Dormant	100	100	-	-	RM5,000,000
Bumiputra-Commerce Nominees Sdn Bhd	Nominee services	100	100	-	-	RM3,000
Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-	RM10,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
Bumiputra-Commerce Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-	RM10,000
BBMB Securities (Holdings) Sdn Bhd	Investment holding company	100	100	-	-	RM175,000,000
BBMB Futures Sdn Bhd	Dormant	-	-	100	100	RM10,000,000
Semerak Services Sdn Bhd	Service company	100	100	-	-	RM250,000
BOC Nominees Sdn Bhd	Dormant	100	100	-	-	RM25,000
BOC Nominees (Tempatan) Sdn Bhd	Dormant	100	100	-	-	RM10,000
BOC Nominees (Asing) Sdn Bhd	Dormant	100	100	-	-	RM10,000
BBMB Finance (Hong Kong) Limited # (Incorporated in Hong Kong)	Dormant	100	100	-	-	HKD15
BBMB Finance Nominee (Hong Kong) Limited # (Incorporated in Hong Kong)	Dormant	-	-	100	100	HKD10,000
Bumiputra Nominee Ltd # (Incorporated in the United Kingdom)	Dormant	100	100	-	-	GBP2
South East Asian Bank Ltd # (Incorporated in Republic of Mauritius)	Commercial banking and related financial services	60	60	-	-	MUR200,000,000
CIMB Islamic Bank Berhad (formerly known as Commerce Tijari Bank Berhad)	Islamic banking and related financial services	100	100	-	-	RM150,000,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
CIMB Trust Limited (formerly known as Bumiputra-Commerce Trust Limited) (Incorporated in the Federal Territory of Labuan)	Offshore trust company	100	100	-	-	USD40,000
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100	USD1
BC Management Services Sdn Bhd (Incorporated in the Federal Territory of Labuan)	Nominee services	-	-	100	100	USD1
CIMB (L) Limited \$ (Incorporated in the Federal Territory of Labuan)	Offshore banking	100	-	-	-	USD25,000,000 (ordinary shares) USD6,250,000 (@ redeemable non-cumulative preference shares)
Halyconia Asia Fund Limited \$ (Incorporated in British Virgin Islands)	Open-ended investment fund	-	-	100	-	USD100 (ordinary shares) USD8 (preference shares)
CIMB Private Equity General Partner Limited \$ (Incorporated in the Federal Territory of Labuan)	Fund management	-	-	100	-	USD2
CIMB Mezzanine General Partner Limited \$ (Incorporated in Federal Territory of Labuan)	Fund management	-	-	100	-	USD2

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
I-Prestige Sdn Bhd	Special purpose vehicle	100	-	-	100	RM12,750,002
Southern Nominees (Tempatan) Sdn Bhd	Providing nominee services	100	-	-	-	RM10,000
Southern Nominees (Asing) Sdn Bhd	Providing nominee services	100	-	-	-	RM10,000
S.B. Venture Capital Corporation Sdn Bhd	Investment holding and provision of management services	100	-	-	-	RM11,000,000
SBB Futures Sdn Bhd	Dormant	100	-	-	-	RM6,000
BHLB Properties Sdn Bhd	Property ownership and management	100	-	-	-	RM1,500,000
SBB Nominees (Tempatan) Sdn Bhd	Providing nominee services	100	-	-	-	RM10,000
SBB Nominees (Asing) Sdn Bhd	Providing nominee services	100	-	-	-	RM5,000
Southern Nominees (Singapore) Sdn Bhd	Providing nominee services	100	-	-	-	SGD10,002
SBB Capital Corporation	Investment holding	100	-	-	-	USD1 (ordinary shares) USD2,000 (non-cumulative guaranteed preference shares)
SFB Auto Berhad (formerly known as Southern Finance Berhad)	Dormant	100	-	-	-	RM2
Common Forge Berhad	Dormant	100	-	-	-	RM46,519,877
Premier Fidelity Berhad	Dormant	100	-	-	-	RM30,000,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
Southern Finance Company Berhad (via voluntary liquidation)	In liquidation	100	-	-	-	RM184,000,000
Cempaka Nominees (Tempatan) Sdn Bhd	Dormant	100	-	-	-	RM6,002
Perdana Visi Hartanah Sdn Bhd	Property investment	100	-	-	-	RM600,000
SFB Nominees (Tempatan) Sdn Bhd	Providing nominee services	100	-	-	-	RM10,000
SFB Nominees (Asing) Sdn Bhd	Providing nominee services	100	-	-	-	RM10,000
SBB Capital Markets Sdn Bhd	Investment holding	100	-	-	-	RM66,000,000
SBB Securities Sdn Bhd	Stock and share broking	-	-	100	-	RM90,000,000
Mohaiyani Sdn Bhd	Investment holding	-	-	100	-	RM20,000,000
Mohaiyani Nominees Sdn Bhd	Dormant	-	-	100	-	RM3
Mohaiyani Nominees (Tempatan) Sdn Bhd	Dormant	-	-	100	-	RM2
Mohaiyani Nominees (Asing) Sdn Bhd	Dormant	-	-	100	-	RM2
BHLB Trustee Berhad	Trustee services	73	-	-	-	RM1,750,000
RC Nominees (Tempatan) Sdn Bhd	Providing nominee services	-	-	100	-	RM2
RC Nominees (Asing) Sdn Bhd	Providing nominee services	-	-	100	-	RM2

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**12 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
SBB Sec Research Sdn Bhd	Providing research and management services	-	-	100	-	RM100,000
BHL Venture Berhad	Investment holding	100	-	-	-	RM174,545,000
BHLB Asset Management Sdn Bhd	Investment holding	-	-	100	-	RM3,200,000
CIMB Wealth Advisors Berhad (formerly known as SBB Mutual Berhad)	Establishment, management and distribution of unit trust funds	-	-	100	-	RM10,000,000
SBB Unit Trust Management Bhd	Dormant	-	-	100	-	RM3,000,000
BAM Nominees (Tempatan) Sdn Bhd	Dormant	-	-	100	-	RM2
BAM Nominees (Asing) Sdn Bhd	Dormant	-	-	100	-	RM2
SBB Asset Management Sdn Bhd	Providing portfolio management and investment advisory services	-	-	100	-	RM2,000,000
SBBAM Nominees (Tempatan) Sdn Bhd	Dormant	-	-	100	-	RM10,000
SBBAM Nominees (Asing) Sdn Bhd	Dormant	-	-	100	-	RM10,000
S.B. Properties Sdn Bhd	Property ownership and management	100	-	-	-	RM62,000,000
Elite Constant Development Sdn Bhd	Construction of building	-	-	100	-	RM760,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of Subsidiary	Principal activities	Percentage of equity held				Paid up capital as at 31.12.2006
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company		
		2006 %	2005 %	2006 %	2005 %	
SFB Development Sdn Bhd	Property investment	100	-	-	-	RM3,000,000
Seal Line Trading Sdn Bhd	Property investment	-	-	100	-	RM2
Southern Investment Bank Berhad ("SIBB")	Merchant banking business	80	-	-	-	RM77,900,000
Perdana Nominees (Tempatan) Sdn Bhd	Providing nominee services	-	-	100	-	RM10,000
Perdana Nominees (Asing) Sdn Bhd	Providing nominee services	-	-	100	-	RM4
Perdana Mutual Fund Berhad	Dormant	-	-	100	-	RM2
Auto ABS One Berhad ∞	Special purpose vehicle	-	-	-	-	-

The subsidiaries, held through PT Bank Niaga Tbk are:

Name of Subsidiary	Principal activities	Percentage of equity held		Paid-up capital as at 31.12.2006
		2006 %	2005 %	
PT Niaga Aset Manajemen #	Investment management	99.96	99.2	IDR105,000,000,000
PT Saseka Gelora Finance #	Financing services	93.68	85.78	IDR90,000,000,000

@ Redeemable cumulative preference shares of USD0.05 each

# Not audited by any member firm of PricewaterhouseCoopers International

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

\$ Entities previously held by Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad)

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 13 INVESTMENT IN ASSOCIATES

	<b>The Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	3,834	3,834

	<b>The Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Share of net assets other than premium of associates	103,348	85,072
Premium on acquisition	25,859	10,511
	129,207	95,583

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

	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Income	161,030	29,978
Expenses	(111,798)	(19,755)
Profit before taxation	49,232	10,223
Taxation	(15,116)	(2,648)
Profit for the financial year	34,116	7,575

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

	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	113,036	66,604
Current assets	140,714	84,142
Current liabilities	(84,672)	(49,900)
Non-current liabilities	(65,730)	(15,774)
Net assets	103,348	85,072

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 13 INVESTMENT IN ASSOCIATES (CONTINUED)

The direct associate is:

Name of Associate	Principal activities	Percentage of equity held	
		2006 %	2005 %
Rangkaian Segar Sdn Bhd	Establishment, operation and management of an electronic collection system for toll and transport operators	20	20

The associates, held through CAV are:

Name of Associate	Principal activities	Percentage of equity held	
		2006 %	2005 %
IHS Innovations Sdn Bhd	Provider and consultant specialising in reliability testing systems, vision and imaging systems	36.31	36.31
Meru Utama Sdn Bhd	General traders and rental of media space on airport baggage trolleys	20	20
Evermal Resources Sdn Bhd	Investment holding company	38.23	41.12
In-fusion Solutions Sdn Bhd	Provision of educational and training related solutions and services to various government bodies and private institutions	20.28	-
Hick-woode Corporate Services Sdn Bhd	Corporate and secretarial services	-	30

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

Name of Associate	Principal activities	Percentage of equity held	
		2006 %	2005 %
Opera Café Sdn Bhd	Leisure and entertainment services	49	49

The associate, held through CAV's indirect subsidiary, Fortune Laboratories Sdn Bhd is:

Name of Associate	Principal activities	Percentage of equity held	
		2006 %	2005 %
Fortune Organics (FE) Sdn Bhd	Property company	35.75	35.75

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**13 INVESTMENT IN ASSOCIATES (CONTINUED)**

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

Name of Associate	Principal activities	Percentage of equity held	
		2006 %	2005 %
Dbix Systems Sdn Bhd	Provision of IT and internet solutions for enterprises	34.99	34.99
Sesama Equilab Sdn Bhd	Dormant	29	29
Consolidated Liquid Eggs Sdn Bhd	Dormant	30	30
Explorium (M) Sdn Bhd	Provider for customer and marketing management services, e-learning, brand experience	30	30
In-fusion Solutions Sdn Bhd	Provision of educational and training related solutions and services to various government bodies and private institutions	20.28	-

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

Name of Associate	Principal activities	Percentage of equity held	
		2006 %	2005 %
Navis-CIMB General Partner Ltd (Incorporated in the Federal Territory of Labuan)	Fund management	25	25

The associate, held through Bank Niaga is:

Name of Associate	Principal activities	Percentage of equity held	
		2006 %	2005 %
PT Asuransi Cigna	Life insurance activities	20	20

Notes to the Financial Statements  
for the financial year ended 31 December 2006

#### 14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2006 RM'000	2005 RM'000
Share of net assets of joint ventures	157,731	118,722

	The Group	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	161,693	125,000
Less: Allowance for impairment loss	(3,962)	(6,278)
	157,731	118,722

The joint ventures held under CIMB Group are as follows:

Name	Principal activities	Percentage of equity held through subsidiary company	
		2006 %	2005 %
Proton Commerce Sdn Bhd	Financing of vehicles	50	50
CIMB – Kanoo Islamic	Islamic investment	50	50

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

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

All income and expenses arising from PCSB’s activities are recorded in the books of PCSB. At CIMB Bank and the Group, the 50% share of profit and loss from the operations of PCSB is shown as a line item in the income statement. For the 12 months period ended 2006, PCSB recorded a profit after taxation of RM4,632,000 (2005: loss after taxation of RM5,388,000) and CIMB Bank and the Group’s share of this profit is RM2,316,000 (2005: loss of RM2,694,000).

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)**

The assets and liabilities in the SPA as at 31 December 2006 are as follows:

	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
<b>Assets</b>		
Cash and short-term funds	883	1,327
Deposits and placements with banks and other financial institutions	-	28,405
Loans and advances	2,165,378	1,568,092
Other assets	2,396	4,920
Statutory deposit with Bank Negara Malaysia	-	44,175
<b>Total assets</b>	<b>2,168,657</b>	<b>1,646,919</b>
<b>Liabilities and shareholders' funds</b>		
Deposits from customers	-	618,834
Deposits and placements of banks and other financial institutions	1,146,187	410,000
Amount due to Cagamas Berhad	340,165	384,387
Other liabilities	482,305	33,698
<b>Total liabilities</b>	<b>1,968,657</b>	<b>1,446,919</b>
Perpetual preference shares	200,000	200,000
<b>Shareholders' funds</b>	<b>200,000</b>	<b>200,000</b>
<b>Total liabilities and shareholders' funds</b>	<b>2,168,657</b>	<b>1,646,919</b>
<b>Commitments and contingencies</b>	<b>12,632</b>	<b>10,224</b>

The Group's share of income and expenses of the joint ventures are as follows:

	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
Income	27,919	24,803
Expenses	(26,086)	(26,627)
Profit/(loss) before taxation	1,833	(1,824)
Taxation	483	(870)
Profit/(loss) for the financial year	2,316	(2,694)

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

	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
Non-current assets	146,865	100,244
Current assets	14,442	18,917
Current liabilities	(3,576)	(439)
Net assets	157,731	118,722

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 15 PROPERTY, PLANT AND EQUIPMENT

The Group 2006	Buildings										Buildings Renovations, on office equipment and software			Motor vehicles		Capital work in progress		Total RM'000
	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	on office equipment and software RM'000	Computer equipment and software under lease RM'000	Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000						
<b>Cost</b>																		
At 1 January 2006	98,375	42,263	1,992	134,440	178,860	67,762	503,504	301,710	27,784	55,297	15,125	38,648	1,465,760					
Additions	-	-	-	-	58	2,753	168,250	24,882	12,911	16,197	467	39,068	264,586					
Arising from acquisition of subsidiary	109,401	31,638	915	76,680	16,575	2,176	191,038	167,334	-	23,702	-	315	619,774					
Disposals/written off	(1,389)	-	-	(17,906)	(117)	(737)	(105,843)	(47,688)	(1,439)	(11,170)	(6)	(376)	(186,671)					
Transfer/reclassification	-	(1,639)	1,639	-	(6,923)	6,923	(1,010)	802	8,505	-	-	(8,297)	-					
Exchange adjustments	349	(27)	(1,827)	997	268	12	255	3,191	-	925	-	-	4,143					
<b>At 31 December 2006</b>	206,736	72,235	2,719	194,211	188,721	78,889	756,194	450,231	47,761	84,951	15,586	69,358	2,167,592					
<b>Accumulated depreciation</b>																		
At 1 January 2006	-	8,516	124	59,368	61,481	18,177	258,371	246,836	15,019	30,574	7,266	-	705,732					
Arising from acquisition of subsidiary	-	5,104	385	23,864	1,934	1,089	130,295	111,991	-	15,196	-	-	289,858					
Charge for the financial year	-	1,085	-	1,719	4,553	2,174	116,089	35,630	8,381	9,588	690	-	179,909					
Disposals/written off	-	-	-	(5,779)	-	-	(55,492)	(18,995)	(2,874)	(8,448)	(40)	-	(91,628)					
Transfer/reclassification	-	(783)	783	-	(3,791)	3,791	(843)	(2)	840	5	-	-	-					
Exchange adjustments	-	(119)	-	220	219	2,524	(4,130)	2,986	-	516	-	-	2,216					
<b>At 31 December 2006</b>	-	13,803	1,292	79,392	64,396	27,755	444,290	378,446	21,366	47,431	7,916	-	1,086,087					
<b>Net book value at 31 December 2006</b>	206,736	58,432	1,427	114,819	124,325	51,134	311,904	71,785	26,395	37,520	7,670	69,358	1,081,505					

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2005	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings Renovations, on office				Motor vehicles RM'000	General plant and machinery RM'000	Capital work in progress RM'000	Total RM'000		
							equipment, furniture and fixtures RM'000	Computer equipment and software under lease RM'000	Computer equipment and software RM'000	Computer equipment and software RM'000						
<b>Cost</b>																
At 1 January 2005																
- as previously reported	101,135	23,656	1,992	131,418	197,689	41,071	346,908	420,498	19,553	48,240	139	41,677	1,373,976			
- change in accounting policy:																
- reclassification to investment properties	(16,044)	-	-	(50,624)	-	-	-	-	-	-	-	-	(66,668)			
- reclassification to intangible assets	-	-	-	-	-	-	(125,387)	-	-	-	-	-	(125,387)			
As restated	85,091	23,656	1,992	80,794	197,689	41,071	346,908	295,111	19,553	48,240	139	41,677	1,181,921			
Additions	-	-	-	7,584	817	11,764	150,920	15,982	7,440	13,384	1,024	1,148	210,063			
Arising from acquisition																
of subsidiary	31,366	-	-	62,793	-	9,358	30,195	13,080	1,033	4,005	14,320	-	166,150			
Disposals/written off	(18,235)	-	-	(14,357)	-	(3,043)	(14,239)	(16,976)	(188)	(10,756)	(219)	-	(78,013)			
Transfer/reclassification	4,117	18,609	-	580	(18,612)	10,724	(5,888)	(5,982)	(54)	822	(139)	(4,177)	-			
Exchange adjustments	(3,984)	(2)	-	(2,954)	(1,034)	(2,112)	(4,392)	495	-	(398)	-	-	(14,361)			
<b>At 31 December 2005</b>	<b>98,375</b>	<b>42,263</b>	<b>1,992</b>	<b>134,440</b>	<b>178,860</b>	<b>67,762</b>	<b>503,504</b>	<b>301,710</b>	<b>27,784</b>	<b>55,297</b>	<b>15,125</b>	<b>38,648</b>	<b>1,465,760</b>			
<b>Accumulated depreciation</b>																
At 1 January 2005																
- as previously reported	-	7,063	120	60,280	54,934	8,968	153,140	275,645	8,777	25,419	138	-	594,484			
- change in accounting policy:																
- reclassification to investment properties	-	-	-	(3,126)	-	-	-	-	-	-	-	-	(3,126)			
- reclassification to intangible assets	-	-	-	-	-	-	(43,141)	-	-	-	-	-	(43,141)			
As restated	-	7,063	120	57,154	54,934	8,968	153,140	232,504	8,777	25,419	138	-	548,217			
Arising from acquisition																
of subsidiary	-	-	-	6,653	-	1,584	24,086	33,286	945	2,561	6,681	-	75,796			
Charge for the financial year	-	953	4	2,838	5,480	9,765	63,763	35,943	5,927	9,911	770	-	135,354			
Disposals/written off	-	-	-	(6,585)	-	(2,688)	(15,016)	(17,975)	(140)	(7,558)	(185)	-	(50,147)			
Transfer/reclassification	-	500	-	(194)	1,249	1,182	34,426	(37,026)	(490)	491	(138)	-	-			
Exchange adjustments	-	-	-	(498)	(182)	(634)	(2,028)	104	-	(250)	-	-	(3,488)			
<b>At 31 December 2005</b>	<b>-</b>	<b>8,516</b>	<b>124</b>	<b>59,368</b>	<b>61,481</b>	<b>18,177</b>	<b>258,371</b>	<b>246,836</b>	<b>15,019</b>	<b>30,574</b>	<b>7,266</b>	<b>-</b>	<b>705,732</b>			
<b>Net book value</b>																
<b>at 31 December 2005</b>	<b>98,375</b>	<b>33,747</b>	<b>1,868</b>	<b>75,072</b>	<b>117,379</b>	<b>49,585</b>	<b>245,133</b>	<b>54,874</b>	<b>12,765</b>	<b>24,723</b>	<b>7,859</b>	<b>38,648</b>	<b>760,028</b>			

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2006	Renovations, office										Total RM'000	
	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Buildings equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work in progress RM'000				
<b>Cost</b>												
At 1 January 2006	5	6,787	31	45,629	2,174	1,039	2,362	37,500				95,527
Additions	-	-	-	58	922	71	154	37,500				38,705
Disposals	-	-	-	-	-	-	(176)	-				(176)
<b>At 31 December 2006</b>	<b>5</b>	<b>6,787</b>	<b>31</b>	<b>45,687</b>	<b>3,096</b>	<b>1,110</b>	<b>2,340</b>	<b>75,000</b>				<b>134,056</b>
<b>Accumulated depreciation</b>												
At 1 January 2006	-	1,801	31	13,971	817	494	1,240	-				18,354
Charge for the financial year	-	159	-	1,369	126	83	421	-				2,158
Disposals	-	-	-	-	-	-	(82)	-				(82)
<b>At 31 December 2006</b>	<b>-</b>	<b>1,960</b>	<b>31</b>	<b>15,340</b>	<b>943</b>	<b>577</b>	<b>1,579</b>	<b>-</b>				<b>20,430</b>
<b>Net book value at 31 December 2006</b>	<b>5</b>	<b>4,827</b>	<b>-</b>	<b>30,347</b>	<b>2,153</b>	<b>533</b>	<b>761</b>	<b>75,000</b>				<b>113,626</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2005	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations, office furniture and fixtures RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
<b>Cost</b>									
<b>At 1 January 2005</b>									
- as previously reported	18,895	6,787	4,435	44,812	1,812	937	2,362	37,500	117,540
- change in accounting policy:									
- reclassification to investment properties	(1,708)	-	(4,149)	-	-	-	-	-	(5,857)
As restated	17,187	6,787	286	44,812	1,812	937	2,362	37,500	111,683
Additions	-	-	-	817	362	102	-	-	1,281
Disposals	(17,182)	-	(255)	-	-	-	-	-	(17,437)
<b>At 31 December 2005</b>	5	6,787	31	45,629	2,174	1,039	2,362	37,500	95,527
<b>Accumulated depreciation</b>									
<b>At 1 January 2005</b>									
- as previously reported	-	1,642	854	12,619	721	422	768	-	17,026
- change in accounting policy:									
- reclassification to investment properties	-	-	(769)	-	-	-	-	-	(769)
As restated	-	1,642	85	12,619	721	422	768	-	16,257
Charge for the financial year	-	159	6	1,352	96	72	472	-	2,157
Disposals	-	-	(60)	-	-	-	-	-	(60)
<b>At 31 December 2005</b>	-	1,801	31	13,971	817	494	1,240	-	18,354
<b>Net book value at 31 December 2005</b>	5	4,986	-	31,658	1,357	545	1,122	37,500	77,173

Notes to the Financial Statements  
for the financial year ended 31 December 2006

## 16 INVESTMENT PROPERTIES

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
<b>The Group</b>			
<b>2006</b>			
<b>Cost</b>			
<b>At 1 January 2006 / 31 December 2006</b>	16,044	50,624	66,668
<b>Accumulated depreciation</b>			
At 1 January 2006	-	3,406	3,406
Charge for the financial year	-	280	280
<b>At 31 December 2006</b>	-	3,686	3,686
<b>Net book value at 31 December 2006</b>	16,044	46,938	62,982
<b>The Group</b>			
<b>2005</b>			
<b>Cost</b>			
At 1 January 2005	-	-	-
Change in accounting policy:			
- Reclassification from property, plant and equipment	16,044	50,624	66,668
<b>As restated / At 31 December 2005</b>	16,044	50,624	66,668
<b>Accumulated depreciation</b>			
At 1 January 2005	-	-	-
Change in accounting policy:			
- Reclassification from property, plant and equipment	-	3,126	3,126
As restated	-	3,126	3,126
Charge for the financial year	-	280	280
<b>At 31 December 2005</b>	-	3,406	3,406
<b>Net book value at 31 December 2005</b>	16,044	47,218	63,262
<b>The Company</b>			
<b>2006</b>			
<b>Cost</b>			
<b>At 1 January 2006 / 31 December 2006</b>	1,708	4,149	5,857
<b>Accumulated depreciation</b>			
At 1 January 2006	-	893	893
Charge for the financial year	-	124	124
<b>At 31 December 2006</b>	-	1,017	1,017
<b>Net book value at 31 December 2006</b>	1,708	3,132	4,840

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 16 INVESTMENT PROPERTIES (CONTINUED)

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
<b>The Company</b>			
<b>2005</b>			
<b>Cost</b>			
At 1 January 2005	-	-	-
Change in accounting policy:			
- Reclassification from property, plant and equipment	1,708	4,149	5,857
<b>As restated / At 31 December 2005</b>	<b>1,708</b>	<b>4,149</b>	<b>5,857</b>
<b>Accumulated depreciation</b>			
At 1 January 2005	-	-	-
Change in accounting policy:			
- reclassification from property, plant and equipment	-	769	769
As restated	-	769	769
Charge for the financial year	-	124	124
<b>At 31 December 2005</b>	<b>-</b>	<b>893</b>	<b>893</b>
<b>Net book value at 31 December 2005</b>	<b>1,708</b>	<b>3,256</b>	<b>4,964</b>

## 17 GOODWILL

	The Group	
	2006 RM'000	2005 RM'000
At 1 January	534,618	351,503
Goodwill arising from acquisition of subsidiary	3,965,075	212,464
Goodwill arising from acquisition of additional interest in subsidiary	70,936	2,561
Disposal of interest in subsidiary	(66,937)	(7,549)
Less: Amortisation in the financial year	-	(24,361)
At 31 December	4,503,692	534,618
Goodwill arising from acquisition of subsidiaries	4,503,692	610,032
Accumulated amortisation	-	(75,414)
	4,503,692	534,618

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 17 GOODWILL (CONTINUED)

In accordance with the provision of FRS 3:

- the Group ceased amortisation of goodwill from 1 January 2006;
- the accumulated amortisation as at 31 December 2006 has been eliminated with a corresponding decrease in the cost of goodwill;
- from 1 January 2006 onwards, goodwill is stated at cost less accumulated impairment, and is tested annually for impairment, as well as when there are indications of impairment.

As this standard is applied prospectively, this change has no impact on the prior year's consolidated financial statements.

#### Allocation of goodwill to cash-generating units

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

Acquisition	CGU	RM'000
CIMB Investment Bank	Corporate and Investment Banking	21,547
CIMB-Gk Pte Ltd	Corporate and Investment Banking	153,081
CIMB Sharetech	Corporate and Investment Banking	19,246
CAV	Asset Management	32,590
Insurance	Insurance	83,922
Bank Niaga	Foreign Banking Operation	226,657
SBB Berhad	Consumer Banking	2,696,251
	Corporate and Investment Banking	436,158
	Treasury and Investment	555,111
	Others	
	- arising from acquisition of SBB Group in 2006	277,555
Others	Others	
	- arising from business combinations prior to 2006	1,574
		4,503,692

#### Impairment test for goodwill

During 2006, impairment testing was performed on goodwill arising from business combinations prior to 2006. For goodwill arising from acquisitions after 1 January 2006, testing will be performed before the end of the annual period from which goodwill is allocated to CGUs.

The recoverable amount of CGUs (for goodwill arising from business combinations prior to 2006) is determined based on the higher of value-in-use and fair value less cost to sell calculations. These calculations use pre-tax cash flow projections based on the 2007 financial budgets approved by management with any projected cash flow for 5 years based on country and industry specific growth rates covering five years period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates and discounted using discount rates which reflect the specific risks relating to the CGUs.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 18 INTANGIBLE ASSETS

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

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

	Computer software RM'000
<b>The Group</b>	
<b>2005</b>	
<b>Cost or valuation</b>	
At 1 January	
- Previously reported	-
- Change in accounting policy:	
- Reclassification from property, plant and equipment	125,387
- As restated	125,387
Additions during the financial year	24,760
Arising from acquisition of subsidiary	24,759
Disposals during the financial year	(1,248)
At 31 December	173,658

Notes to the Financial Statements  
for the financial year ended 31 December 2006

## 18 INTANGIBLE ASSETS (CONTINUED)

	<b>Computer software RM'000</b>
<b>Amortisation and impairment</b>	
At 1 January	
- Previously reported	-
- Change in accounting policy:	
- Reclassification from property, plant and equipment	43,141
- As restated	43,141
Amortisation during the financial year	13,549
At 31 December	56,690
<b>Net book value at 31 December 2005</b>	<b>116,968</b>

The Group recognised RM438,429,000 of intangible assets in relation to the SBB acquisition. The intangible assets were in the form of credit card customer relationships, core deposits and computer software.

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

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

The remaining amortisation period of credit card customer relationship and core deposits range from 7 to 11 years, respectively.

## 19 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	<b>The Group</b>	
	<b>2006 RM'000</b>	<b>2005 RM'000</b>
Demand deposits	21,306,269	17,491,203
Savings deposits	9,406,659	6,932,108
Fixed deposits	64,452,603	46,912,868
Negotiable instruments of deposit	7,004,506	2,360,893
Others	2,398,678	626,515
<b>Total</b>	<b>104,568,715</b>	<b>74,323,587</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**19 DEPOSITS FROM CUSTOMERS (CONTINUED)**

(i) By type of deposit (Continued)

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

	The Group	
	2006 RM'000	2005 RM'000
Due within six months	50,690,415	42,652,818
Six months to one year	16,074,117	5,910,346
One year to three years	3,176,748	637,345
Three years to five years	1,515,630	73,252
More than five years	199	-
	71,457,109	49,273,761

(ii) By type of customer

	The Group	
	2006 RM'000	2005 RM'000
Government and statutory bodies	9,892,743	6,079,260
Business enterprises	49,145,811	37,759,417
Individuals	32,683,060	19,221,935
Others	12,847,101	11,262,975
	104,568,715	74,323,587

**20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	The Group	
	2006 RM'000	2005 RM'000
Licensed banks	5,623,841	6,277,272
Licensed finance companies	58,706	75
Licensed merchant banks	650,164	302,420
Bank Negara Malaysia	-	74,139
Other financial institutions	689,068	762,742
	7,021,779	7,416,648

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 21 FLOATING RATE CERTIFICATES OF DEPOSIT

	The Group	
	2006 RM'000	2005 RM'000
(a) Floating rate certificates of deposit - USD60 million	211,800	226,770

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

## 22 OTHER LIABILITIES

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest payable	698,107	492,359	24,967	4,438
Due to brokers and clients	1,279,753	563,351	-	-
Short-term borrowings (Note 25)	63,129	81,042	-	-
Insurance fund – life insurance business	1,419,059	971,631	-	-
Insurance fund – general insurance business (a)	414,375	335,265	-	-
Provision for commitments and contingencies (b)	3,184	3,776	-	-
Post employment benefit obligations (Note 23)	81,022	92,023	30	96
Zakat	-	5	-	-
Own current account	1,612,743	27,153	-	-
Expenditure payable	369,186	158,421	-	-
Sundry creditors	168,819	196,647	-	-
Others	1,459,541	1,452,755	7,085	9,073
	7,568,918	4,374,428	32,082	13,607

## (a) General insurance business

	The Group	
	2006 RM'000	2005 RM'000
Provision for outstanding claims	249,371	205,939
Unearned premium reserve	165,004	129,326
	414,375	335,265

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

	The Group	
	2006 RM'000	2005 RM'000
At 1 January	3,776	2,293
Provision made during the financial year	346	684
Provision arising from acquisition of subsidiary	-	799
Amount written back in respect of recoveries	(938)	-
At 31 December	3,184	3,776

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**23 POST EMPLOYMENT BENEFIT OBLIGATIONS**

		The Group		The Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Defined contribution plan – EPF	(a)	4,801	11,990	30	96
Defined benefit plans	(b)	76,221	80,033	-	-
		81,022	92,023	30	96

**(a) Defined contribution plan**

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

**(b) Defined benefit plans**

The Group operates final salary defined benefit plans for its employees in Malaysia and Indonesia, the assets of which are held in separate trustee - administered funds. The latest actuarial valuations of the plans in Malaysia and Indonesia were carried out as at 31 January 2007 and 12 December 2006 respectively.

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

	The Group	
	2006 RM'000	2005 RM'000
Present value of funded obligations	299,399	307,568
Fair value of plan assets	(244,865)	(240,563)
Status of funded plan	54,534	67,005
Present value of unfunded obligations	291	-
Unrecognised actuarial gains	2,188	13,028
Unrecognised part service cost	291	-
Unrecognised transition liability	18,917	-
Liability	76,221	80,033

Notes to the Financial Statements  
for the financial year ended 31 December 2006

## 23 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

### (b) Defined benefit plans (Continued)

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

	The Group	
	2006 RM'000	2005 RM'000
Current service cost	17,508	16,566
Interest cost	27,191	24,088
Expected return on plan assets	(22,470)	(15,517)
Net actuarial losses recognised during the year	(10,698)	8,080
Past service cost	50	48
Amortisation of transition liability	19,308	(2,512)
<b>Total included in personnel costs (Note 38)</b>	<b>30,889</b>	<b>30,753</b>

The actual return on plan assets of the Group was RM2,125,917 (2005: RM1,948,538).

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

	The Group	
	2006 %	2005 %
Discount rates	8.13	7.00
Expected return on plan assets	8.38	1.25
Future salary increases	6.50	5.08

## 24 LOAN STOCKS

	The Group	
	2006 RM'000	2005 RM'000
Negotiable certificates of deposits	41,610	782,763

	The Group	
	2006 RM'000	2005 RM'000
<b>Maturity structure of loan stocks is as follows:</b>		
- One year to two years	41,610	4,000
- Two years to five years	-	165,362
- Five years to ten years	-	613,401
	<b>41,610</b>	<b>782,763</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**24 LOAN STOCKS (CONTINUED)**

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

Principal segregated by maturity year	Range of fixed interest rate per annum (%)	The Group	
		2006 RM'000	2005 RM'000
Year 2007	3.35	-	4,000
Year 2008	3.60	41,610	134,628
Year 2009	-	-	16,546
Year 2010	-	-	14,188
Year 2011	6.50	-	613,401
		41,610	782,763

**25 SHORT-TERM BORROWINGS**

	The Group	
	2006 RM'000	2005 RM'000
Revolving credit facilities	63,129	81,042

The revolving credit facilities from financial institutions are unsecured and carry interest rates of between 7.5% to 16.75% (2005: 2.87% to 18.25%) per annum for the Group during the financial year.

**26 BONDS**

		The Group		The Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
7.85% Redeemable unsecured RM bonds 2001/2006	(a)	-	250,000	-	250,000
8.35% Redeemable unsecured RM bonds 2001/2008	(a)	250,000	250,000	250,000	250,000
USD zero coupon guaranteed convertible bonds 2004/2009	(b)	390,052	428,708	-	-
Redeemable asset-backed bonds	(c)	144,475	-	-	-
		784,527	928,708	250,000	500,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 26 BONDS (CONTINUED)

#### (a) 7.85% Redeemable unsecured RM bonds 2001/2006 and 8.35% Redeemable unsecured RM bonds 2001/2008

The redeemable unsecured RM bonds were issued in 2 tranches:

##### Tranche 1

7.85% RM250 million nominal value redeemable unsecured bonds, 5 years, matured and fully redeemed on 22 May 2006; and

##### Tranche 2

8.35% RM250 million nominal value redeemable unsecured bonds, 7 years, maturing on 22 May 2008.

The main features of the RM bonds are as follows:

- (i) Nominal values of each tranche of the RM bonds are RM250 million.
- (ii) Each tranche of the RM bonds is represented by a Global Certificate to be deposited with BNM and is exchangeable for definitive bearer only in certain limited circumstances.
- (iii) The RM bonds are in denominations or multiples of RM1,000.
- (iv) The RM bonds are constituted by a Trust Deed dated 4 May 2001 made between the Company and the Trustees, to act for the benefit of the bondholders.
- (v) The RM bonds bear interest at 7.85% per annum (tranche 1) and 8.35% per annum (tranche 2) on the nominal value of the outstanding bonds, payable semi annually.
- (vi) The RM bonds will be redeemed by the Company at their nominal value together with interest accrued to the date of redemption.
- (vii) The bonds shall constitute direct, unconditional, subordinated and unsecured obligations of the Company.

#### (b) USD zero coupon guaranteed convertible bonds 2004/2009 (“USD Convertible Bonds”)

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

- (i) The USD convertible bonds are issued by a special purpose vehicle, a subsidiary, Commerce Capital (Labuan) Ltd and are guaranteed by the Company.
- (ii) The nominal values of the USD convertible bonds are USD125 million.
- (iii) The USD convertible bonds will mature on 22 September 2009.
- (iv) The USD convertible bonds are convertible by holders into ordinary shares, par value RM1.00 per share, of the Company at any time on or after 22 October 2004 but prior to 8 September 2009. The conversion price was initially RM6.03 per share upon issuance. Effective from 29 May 2006, the conversion price was revised to RM5.88 per share due to capital distribution.
- (v) The USD convertible bonds are listed on Labuan International Financial Exchange Inc. and Singapore Exchange Securities Trading Limited.
- (vi) Unless the USD convertible bonds have been previously redeemed, repurchased and cancelled or converted, the issuer will redeem the USD convertible bonds on the maturity date at 107.758% of the principal amount.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**26 BONDS (CONTINUED)****(b) USD zero coupon guaranteed convertible bonds 2004/2009 (“USD Convertible Bonds”) (Continued)**

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

	The Group	
	2006 RM'000	2005 RM'000
Face value	475,000	475,000
Equity conversion component (Note 33)	(68,173)	(68,173)
Liability component on initial recognition	406,827	406,827
Reclassification of equity component to liability component	68,173	-
Conversion of bond to ordinary shares of the Company	(99,940)	-
	375,060	406,827
Interest expense	14,992	21,881
Liability component at 31 December	390,052	428,708
Current	34,069	24,450
Non-current	355,983	404,258
	390,052	428,708

**(c) Redeemable asset-backed bonds**

	The Group	
	2006 RM'000	2005 RM'000
Nominal value of bonds		
- 4.50% Redeemable asset-backed bonds 2003/2007	83,742	-
- 5.00% Redeemable asset-backed bonds 2003/2009	62,464	-
	146,206	-
Less: Unaccreted discounts	(1,731)	-
	144,475	-
Discount upon issuance	7,104	-
Less: Accumulated accretion	(5,373)	-
Unaccreted discounts at 31 December	1,731	-

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

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## 27 IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (“ICULS”) - DETACHABLE COUPONS

	The Group	
	2006 RM'000	2005 RM'000
Detachable coupons from 7.5% ICULS 2001/2011	32,982	44,682

### 7.5% ICULS with detachable coupons 2001/2011

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

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

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

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

- (i) Nominal value of the Coupons are RM500,250,000 and are issued in bearer form in multiples of RM1,000 and constituted by the Trust Deed.
- (ii) The Coupons mature over ten tranches with tenures ranging from one to ten years from the date of issue of the ICULS.
- (iii) The Coupons represent the interest of the ICULS and as such, bear no further interest.
- (iv) Each Coupon entitles the Coupon holder to redeem the Coupon at their respective nominal values.
- (v) The Coupons shall constitute direct, unconditional, subordinated and unsecured obligations of CIMB Bank.

## 28 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (“RCULS”) 2006/2008

	The Group and the Company	
	2006 RM'000	2005 RM'000
Redeemable convertible unsecured loan stocks (“RCULS”) 2006/2008	14,199	-

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

- (i) The RCULS were issued on 17 July 2006 with issue size of 14,122,185 RCULS with coupon.
- (ii) The issue price and nominal value of the RCULS is RM1.04 per RCULS.
- (iii) The coupon bears interest of 2.5% per annum in arrears on the anniversary of the Issue Date during the tenure of the RCULS.
- (iv) The RCULS will mature on 16 July 2008.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 28 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (“RCULS”) 2006/2008 (CONTINUED)

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

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

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

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

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

In accordance with FRS 132 - Financial Instruments : Disclosure and Presentation, the fair values of the liability component and the equity conversion component were determined upon the issuance of the RCULS. The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible loan stock. The residual amount, representing the value of the equity conversion component, net of deferred tax liability, is included in shareholders' equity in reserves, as detailed in Note 33 to the financial statements.

The RCULS is recognised in the balance sheet as follows:

	<b>The Group and the Company</b>	
	<b>2006 RM'000</b>	<b>2005 RM'000</b>
Face value	14,687	-
Equity conversion component (Note 33)	(454)	-
Deferred tax liability	(177)	-
Liability component on initial recognition	14,056	-
Interest expense	143	-
Liability component at 31 December	14,199	-
Current (expected coupon payable)	311	-
Non-current	13,888	-
	14,199	-

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 29 OTHER BORROWINGS

		The Group		The Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Syndicated term loan					
– USD140 million	(a)	494,200	529,130	-	-
Term loan					
– USD300 million	(b)	1,059,000	-	-	-
Syndicated term loan					
– USD1.095 billion	(c)	3,864,537	-	-	-
Bridging loan	(d)	1,000,000	-	1,000,000	-
Others		597,524	300,763	-	-
		7,015,261	829,893	1,000,000	-

- (a) In 2004, a subsidiary, CIMB Bank (L) Limited (formerly known as Bumiputra-Commerce Bank (L) Limited) secured a 3-year syndicated term loan facility amounting to USD140 million which will mature on 8 April 2007. It bears interest rates of LIBOR + 0.25% per annum.
- (b) During the financial year, a subsidiary, CIMB Bank (L) Limited (formerly known as Bumiputra-Commerce Bank (L) Limited) secured a term loan which will mature on 22 June 2011. It bears floating interest rates of LIBOR + 0.19% per annum.
- (c) During the financial year, a subsidiary, Commerce Capital (Labuan) Ltd secured a syndicated term loan amounting to USD1.095 billion. It bears floating interest rates of LIBOR + 0.17% per annum which will mature on 5 September 2007.
- (d) The Company secured a bridging loan which will mature on 4 July 2008. It bears floating interest rates of KLIBOR (6 month) + 0.3% to 0.5% per annum.

### 30 SUBORDINATED NOTES

		The Group	
		2006 RM'000	2005 RM'000
Subordinated Notes 2003/2013	(a)	1,065,186	1,133,850
Subordinated Notes 2004/2014	(b)	353,198	360,216
Subordinated Notes 2005/2015	(c)	350,735	377,950
Subordinated Notes 2002/2012	(d)	300,000	-
Subordinated Notes 2004/2014	(e)	698,135	-
		2,767,254	1,872,016

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 30 SUBORDINATED NOTES (CONTINUED)

#### (a) Subordinated Notes 2003/2013

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

	The Group	
	2006 RM'000	2005 RM'000
Subordinated notes, at par	1,140,000	1,140,000
Fair value changes arising from fair value hedges	6,186	-
Foreign exchange translations	(81,000)	(6,150)
	1,065,186	1,133,850

The fair values of outstanding cross currency interest rate swaps and interest rate swaps at 31 December 2006 were RM82,525,000 and RM17,452,000 respectively.

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

- (i) The Notes are in bearer form, serially numbered and in denominations of USD1,000, USD10,000 and USD100,000.
- (ii) The Notes bear interest at the rate of 5.125% per annum from and including 16 October 2003 to, but excluding, 16 October 2008 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 3.55%. Interest will be payable semi-annually in arrears on 16 April and 16 October, in each year, commencing 16 April 2004.
- (iii) The Notes and Coupons constitute direct and unsecured obligations of the Issuer and are subordinated in the manner described in the Conditions of the Notes and, for the avoidance of doubt, rank pari passu with the Issuer's 7.5% RM667 million ICULS with detachable coupons 2001/2011. The Notes and the Coupons rank and will rank pari passu without any preference among themselves.
- (iv) The principal of, and interest and any additional amounts payable on, the Notes will be subordinated in right of payment upon occurrence of any Winding Up Proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or subordinated to the Notes.
- (v) The Issuer may at its option, but subject to the prior written approval of BNM, redeem the Notes on 16 October 2008 at their principal amount plus accrued interest.

#### (b) Subordinated Notes 2004/2014

The USD100,000,000 Subordinated Notes due 2014 Callable with Step-up in 2009 were issued by a subsidiary bank, CIMB Investment Bank. The main features of the Subordinated Notes are as follows:

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 30 SUBORDINATED NOTES (CONTINUED)

#### (b) Subordinated Notes 2004/2014 (Continued)

- (ii) The Notes will bear interest at the rate of 5 per cent per annum from and including 15 April 2004 to, but excluding, 15 April 2009 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 3.7 per cent. Interest will be payable semi-annually in arrears on 15 April and 15 October, in each year, commencing on 15 October 2004.
- (iii) The Notes and Coupons constitute direct and unsecured obligations of the Issuer and are subordinated in the manner described in the Conditions of the Notes and rank pari passu without any preference among themselves. The instrument is listed on the Luxembourg Stock Exchange.
- (iv) The principal of, and interest and any additional amounts payable on, the Notes will be subordinate in right of payment upon occurrence of any Winding Up Proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or subordinate to the Notes.
- (v) CIMB Investment Bank may at its option, but subject to the prior written approval of BNM, redeem the Notes on 15 April 2009 at their principal amount plus accrued interest.
- (vi) The Notes were issued at a price of 99.843 per cent of the principal amount of the Notes.
- (vii) The Notes constitute liabilities of CIMB Investment Bank, and are subordinated in right of payment to the deposit liabilities of CIMB Investment Bank in accordance with the terms and conditions of the issue and qualify as Tier-2 capital for the purpose of determining the capital adequacy ratios of CIMB Investment Bank.

#### (c) Subordinated Notes 2005/2015

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

The main features of the Subordinated Notes are as follows:

- (i) The USD 100,000,000 Notes are issued in registered form and are represented by the Global Certificate and in denominations of USD 1,000.
- (ii) The Notes will bear interest at the rate of 7.75 per cent per annum from and including 14 July 2005 to, but excluding, 14 July 2010 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 6.1875 per cent. Interest will be payable semi-annually in arrears on 14 January and 14 July, in each year, commencing 14 January 2006.
- (iii) The Notes and Coupons constitute direct and unsecured obligations of the Issuer and are subordinated in the manner described in the Conditions of the Notes and will rank pari passu without any preference among themselves. The instrument is listed on the Singapore Exchange.
- (iv) The principal of, and interest and any additional amounts payable on, the Notes will be subordinated in right of payment upon occurrence of any Winding Up Proceeding (as defined in the Condition of the Notes) to the prior payment in full of all deposit liabilities and all other liabilities of the Issuer except, in each case, to those liabilities which by their terms rank equally in right of payment with or are subordinate to the Notes.
- (v) PT Bank Niaga may at its option, but subject to the prior written approval of Bank Indonesia, redeem the Notes on 14 July 2010 at their principal amount plus accrued interest.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 30 SUBORDINATED NOTES (CONTINUED)

#### (d) Subordinated Notes 2002/2012

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

After the vesting of SBB’s assets and liabilities to CIMB Bank, on each anniversary subsequent to the 5 years from the issue date, CIMB Bank may redeem the Bonds in full or in part subject to the approval of Bank Negara Malaysia.

#### (e) Subordinated Notes 2004/2014

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

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

The USD200 million Notes were listed on the Luxembourg Stock Exchange on 30 June 2004 and qualify as Tier-2 Capital for the purpose of the RWCR computation.

### 31 SHARE CAPITAL

	<b>The Group and The Company</b>	
	<b>2006 RM'000</b>	<b>2005 RM'000</b>
<b>Ordinary shares of RM1.00 each:</b>		
<b>Authorised:</b>		
At 1 January/31 December	5,000,000	5,000,000
<b>Issued and fully paid shares of RM1.00 each</b>		
At 1 January	2,756,398	2,691,740
Issued during the year:		
- exercise of Employee Share Option Scheme	31,291	64,658
- conversion of USD Zero Coupon guaranteed convertible bonds 2004/2009	16,997	-
- restructuring exercise of CIMBB	319,085	-
- exercise of modified EESOS and CEO Option of CIMBB	60,658	-
At 31 December	3,184,429	2,756,398

The issued and paid-up share capital of the Company increased upon the issuance of the new Company shares pursuant to the exercise of Employee Share Option Scheme (ESOS), modified EESOS and CEO option of CIMBB, conversion of USD Zero Coupon guaranteed convertible bonds and restructuring exercise of CIMBB.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 31 SHARE CAPITAL (CONTINUED)

The main features of the conversion of USD Zero Coupon guaranteed convertible bonds are described in Note 26 (b) of the financial statements. The restructuring exercise of CIMBB is described under Note 52 (e) of the financial statements.

#### Employee Share Option Scheme

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

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

- (a) Eligible persons are employees of the Group who have been in the employment of the Group (excluding CIMBB and the Company’s associates) when an offer is made in writing to an employee to participate in the Scheme. The eligibility for participation in the Scheme shall be at the discretion of the Board of Directors.
- (b) The total number of new ordinary shares available under the Scheme shall not exceed 10% of the total issued and paid-up share capital of the Company at any point of time during the existence of the Scheme, which shall be in force for a period of five years, expiring on 19 November 2007 or any extension thereof.
- (c) No option shall be granted for less than 1,000 shares and shall always be in multiples of 1,000 ordinary shares.
- (d) The subscription price for each RM1.00 share shall be higher of the following:
  - (i) the weighted average market price of the shares of the Company as shown in the Daily Official List of the Bursa Malaysia Securities Berhad (“Bursa Securities”) for the five market days immediately preceding the offer date with an allowance for a discount of not more than ten per centum therefrom at the Option Committee’s discretion; or
  - (ii) the par value of the shares of the Company.
- (e) The consideration is payable in full on application. The options granted do not confer any right to participate in any share issue of any other company.

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

Subsequent share options were offered to eligible employees as follows:

- (a) On 29 December 2003, 10,994,000 share options were offered at an option price of RM3.62 per share option (being the 5 days weighted average price from 19 December 2003 to 26 December 2003, net of 10% discount).
- (b) On 7 January 2004, 351,000 share options were offered at an option price of RM3.69 per share option (being the 5 days weighted average price from 26 December 2003 to 5 January 2004, net of 10% discount).
- (c) On 14 October 2004, 37,721,000 share options were offered at an option price of RM4.05 per share option (being the 5 days weighted average price from 7 October 2004 to 13 October 2004, net of 10% discount).

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**31 SHARE CAPITAL (CONTINUED)****Employee Share Option Scheme (Continued)**

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

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

Grant date	Expiry date	Exercise price RM/share	At start of year '000	Granted '000	Exercised '000	At end of year '000
<b>Year ended</b>						
<b>31.12.2006</b>						
22 November 2002	19 November 2007	3.13	33,148	-	(18,449)	14,699
29 December 2003	19 November 2007	3.62	3,120	-	(1,699)	1,421
7 January 2004	19 November 2007	3.69	50	-	(34)	16
14 October 2004	19 November 2007	4.05	18,235	-	(11,109)	7,126
			54,553	-	(31,291)	23,262

<b>Year ended</b>						
<b>31.12.2005</b>						
22 November 2002	19 November 2007	3.13	75,014	-	(41,866)	33,148
29 December 2003	19 November 2007	3.62	6,348	-	(3,228)	3,120
7 January 2004	19 November 2007	3.69	128	-	(78)	50
14 October 2004	19 November 2007	4.05	37,721	-	(19,486)	18,235
			119,211	-	(64,658)	54,553

	The Company	
	2006 RM'000	2005 RM'000
Number of share options vested at balance sheet date	23,262	54,553

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**31 SHARE CAPITAL (CONTINUED)****Employee Share Option Scheme (Continued)**

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

Exercise date	Fair value of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued	
			2006 '000	2005 '000
<b>ESOS</b>				
January 2005 – December 2005	4.46 – 5.90	3.13	-	41,866
January 2005 – December 2005	4.46 – 5.90	3.62	-	3,228
January 2005 – December 2005	4.46 – 5.90	3.69	-	78
January 2005 – December 2005	4.46 – 5.90	4.05	-	19,486
January 2006 – December 2006	5.50 – 7.95	3.13	18,449	-
January 2006 – December 2006	5.50 – 7.95	3.62	1,699	-
January 2006 – December 2006	5.50 – 7.95	3.69	34	-
January 2006 – December 2006	5.50 – 7.95	4.05	11,109	-
			31,291	64,658
			<b>2006 RM'000</b>	<b>2005 RM'000</b>
Ordinary share capital - at par			31,291	64,658
Share premium			77,724	157,274
Proceeds received on exercise of share options			109,015	221,932
Fair value at exercise date of shares issued			203,467	336,638

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**32 PREFERENCE SHARES****(a) Non-cumulative guaranteed preference shares**

	The Group	
	2006 RM'000	2005 RM'000
<b>Authorised</b>		
<b>Non-cumulative guaranteed preference shares of RM0.10 each</b>		
At 1 January	-	-
Created during the financial year	20	-
At 31 December	20	-
<b>Issued and fully paid</b>		
<b>Non-cumulative guaranteed preference shares of RM0.10 each</b>		
At 1 January	-	-
Issued during the year	698,728	-
At 31 December	698,728	-

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

- (i) The SCC Preference Shares are entitled to dividends which are payable in arrears on 2 May and 2 November up to and including 2 November 2015 at a fixed rate of 6.62% per annum.
- (ii) On 2 November 2015 (First Optional Redemption Date) and on each dividend date thereafter, SCC may at its option, subject to the prior approval of Bank Negara Malaysia, redeem the SCC Preference Shares in whole but not in part, at their principal amount plus accrued but unpaid dividends. If the SCC Preference Shares are not called on 2 November 2015, dividends will be reset at a floating rate per annum equal to three-month LIBOR plus 2.53%, payable quarterly on 2 February, 2 May, 2 August and 2 November.
- (iii) The SCC Preference Shares will not be convertible into ordinary shares.
- (iv) The SCC Preference Shares are guaranteed by CIMB Bank on a subordinated basis. If the SCC Preference Shares have not been redeemed in full on or prior to 2 November 2015, CIMB Bank shall cause the substitution of the SCC Preference Shares with Preference Shares issued by CIMB Bank (Substitute Preference Shares) and the SCC Preference Shares shall be mandatory exchanged for such Substitute Preference Shares having economic terms which are in all material aspects equivalent to those of the SCC Preference Share.

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

Notes to the Financial Statements  
for the financial year ended 31 December 2006

### 32 PREFERENCE SHARES (CONTINUED)

#### (b) Perpetual and redeemable preference shares

	Note	The Group	
		2006 RM'000	2005 RM'000
Authorised Perpetual preference shares of RM1.00 each			
At 1 January		500,000	200,000
Created during the year		-	300,000
At 31 December		500,000	500,000
Redeemable preference shares of RM1.00 each			
At 1 January		-	-
Created during the year		1,000	-
At 31 December		1,000	-
Issued and fully paid Perpetual preference shares of RM1.00 each			
At 1 January/31 December	(i)	200,000	200,000
Redeemable preference shares of RM1.00 each			
At 1 January		-	-
Created during the year	(ii)	1,000	-
At 31 December		1,000	-

#### **Perpetual Preference Shares**

- (i) On 1 September 2004, a subsidiary, BCF allotted and issued perpetual preference shares ("PPS") amounting to RM200,000,000 to the jointly controlled entity, PCSB.

During the year, pursuant to the vesting of the finance business and related assets and liabilities of BCF to CIMB Bank and subsequent capital reduction exercise undertaken by BCF, the BCF PPS were cancelled, and CIMB Bank has issued RM200 million PPS to PCSB.

The main features of the new PPS are as follows:

- (a) The PPS has no right to dividends.
- (b) In the event of liquidation, dissolution or winding-up of BCF, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of BCF.
- (c) The PPS rank pari passu in all aspects among themselves.
- (d) CIMB Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act, 1965 and as approved by BNM.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 32 PREFERENCE SHARES (CONTINUED)

#### Redeemable Preference Shares

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

The main features of the RPS are as follows:

- (a) The RPS do not carry any fixed dividends.
- (b) In the event winding-up of CAgV or other repayment of capital, the RPS carry the right to have the surplus assets applied first in paying off the RPS holders.
- (c) The RPS rank pari passu in all aspects among themselves.

### 33 RESERVES

	Note	The Group		The Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Share premium		3,642,043	2,038,353	3,642,043	2,038,353
Share premium-preference shares (Note 32(b)(ii))		99,000	-	-	-
Statutory reserves	(a)	1,909,044	1,749,931	-	-
Merger reserve		-	65,746	-	-
Capital reserve		113,855	77,818	-	-
Exchange fluctuation reserves	(b)	(149,347)	(103,017)	-	-
Reserve arising on consolidation		-	119,747	-	-
Revaluation reserve – available-for-sale securities		145,593	6,169	-	-
Retained profit	(c)	3,195,740	2,862,474	665,518	683,638
Other reserves					
- compound financial instruments (equity component) (Note 26(b) & Note 28)		454	68,173	454	-
- hedging reserve – cash flow hedge		(4,527)	(4,339)	-	-
- options reserve	(d)	8,820	-	-	-
		8,960,675	6,881,055	4,308,015	2,721,991

- (a) The statutory reserves of the Group are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and include a reserve maintained by a subsidiary in compliance with the Bursa Malaysia Securities Berhad Rules and Regulations. These reserves are not distributable by way of cash dividends.
- (b) Exchange translation differences have arisen from translation of net assets of Labuan Offshore subsidiaries, foreign subsidiary banks and foreign branches.
- (c) Subject to agreement by Inland Revenue Board, the Company’s tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 are insufficient to frank dividends out of its retained profit amounting to RM28,687,545 as at 31 December 2006 (2005: RM313,365,171). The extent of the retained profit not covered at that date amounted to RM636,830,455 (2005: RM370,272,684).

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**33 RESERVES (CONTINUED)**

## (d) Options reserve

## (i) Modified CIMBB EESOS 2005/2009

These share options granted to Directors and employees of the Group are that of the Company. The terms of the share options granted are disclosed in Note 46.

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

	2006		2005	
	Average exercise price RM/share	Options (units '000)	Average exercise price RM/share	Options (units '000)
At start of financial year *	4.61	14,514	-	-
Granted	-	-	4.61	13,073
Forfeited	4.61	(314)	4.61	(406)
Exercised by ESOS Trustee	-	-	4.61	(12,667)
At end of financial year	4.61	14,200	-	-

Out of the outstanding options, 4,733,333 units (2005: Nil units) of options were exercisable. The weighted average share price during the period, should the options have been exercised on a regular basis throughout the period was RM6.37 (2005: RM5.73) per share.

The options outstanding at year end had exercise prices ranging from RM4.39 to RM4.84 (2005: RM4.39 to RM4.84), and a weighted average remaining contractual life of 3 years (2005: 4 years).

The weighted average fair value of options granted under Tranche 4 of the EESOS 2005/2009 programme, which is deemed as an equity-settled payment under FRS 2, determined using the Trinomial valuation model was RM1.50 per option. The significant inputs into the model were as follows:

**Valuation assumptions:**

- expected volatility	28.45%
- expected dividend yield	2.04%
- expected option life	5 years
Weighted average share price at grant date	RM4.40
Weighted average risk-free interest rate	3.49%

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

\* Pursuant to the CIMBB Restructuring, all CIMBB share options have been converted to the Company's share options on the ratio of 1:1.146. The Company's share options have been classified as balances at the start of the financial year as the option holders retain the right to exercise the options during the conversion period.

## (ii) Employee Stock Option Program ("ESOP")

The Group through its subsidiary, Bank Niaga, implemented an Employee Stock Option Program ("ESOP") which came into effect on 1 September 2004 for a period of 2 ½ years. The ESOP is governed by the by-laws which were approved by the shareholders on 17 December 2003.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 33 RESERVES (CONTINUED)

(d) Options reserve (Continued)

(ii) Employee Stock Option Program ("ESOP") (Continued)

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

	2006		2005	
	Average exercise price RM/share	Options (unit '000)	Average exercise price RM/share	Options
At start of financial year	0.12	208,651	0.12	222,621
Granted	0.12	24,601	0.12	62,605
Exercised	0.12	(180,076)	0.12	(76,575)
At end of financial year	0.12	53,176	0.12	208,651

All (2005: all) units options outstanding were exercisable. Options exercised during the period resulted in 180,076,500 units of shares (2005: 76,574,500) being issued at RM0.12 each (2005: RM0.12). The weighted average share price at the time of exercise was RM0.37 (2005: RM0.16) per share.

The options outstanding at year end had exercise prices of RM0.12 (2005: RM0.12), and remaining contractual life of 1 ¼ years (2005: 2 ¼ years).

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

	2006	2005
<b>Valuation assumptions:</b>		
- expected volatility	35.22%	39.98%
- expected dividend yield	2.61%	3.15%
- expected option life	1 ¼ years	2 ¼ years
Share prices at grant date	Range from RM0.16 to RM0.37	Range from RM0.13 to RM0.19
Risk-free interest rate (per annum)	11.66%	3.49%

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

On 31 January 2007, 1,220,000 additional units of share options expiring in March 2008 were granted to employees with an exercise price of RM0.12 per share (share price: RM0.35).

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 34 SHARES HELD UNDER TRUST

	The Group			
	2006		2005	
	Units '000	RM'000	Units '000	RM'000
At 1 January	-	-	-	-
Created during the financial year	60,658	291,158	-	-
Utilised during the financial year	(6,164)	(29,584)	-	-
At 31 December	54,494	261,574	-	-

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

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

- (i) The setting up of a trust to subscribe for all the remaining CIMBB shares under the unexercisable tranches under the CIMBB ESOS (ESOS Trust) and CEO option (CEO Trust) respectively prior to the implementation of the CIMBB restructuring. The subscription was facilitated through an accelerated vesting of the unexercisable options. The funding for the subscription for the CIMBB shares by the trustee for both Trusts was provided by the Company by way of a loan.
- (ii) Under the CIMBB restructuring exercise, both trustees have opted for new shares of the Company at the ratio of approximately 1.146 of the Company's shares for one CIMBB shares. The Executive Employees or the CEO are entitled to instruct the trustee as to the sale, subject to a minimum market price that is higher than a price to be determined by dividing the existing adjusted exercise price by the ratio of approximately 1.146, plus transaction costs and any income tax liability, if applicable, of such shares of the Company in the manner as previously provided under the CIMBB ESOS and CEO option.
- (iii) The number of the Company's shares subject to such instruction per annum will be in the same proportion as per the adjusted total outstanding number under the previous CIMBB ESOS multiplied by the ratio approximately 1.146.
- (iv) If the Executive Employee or CEO opt to instruct the trustee to transfer or sell in the market, upon such instruction under the Modified EESOS and Modified CEO Option, a proportion of the proceeds received by the Trustee, plus any income tax, if applicable, will be retained by the Trustee and used to offset the Loan and the excess (net of transaction costs) will be payable to the Executive Employee or CEO.

Set out below are details of options over the ordinary shares of the Company granted under the Modified EESOS and Modified CEO option as described in Note 46(a) and 46(b). The Company's shares were issued and placed under Trust:

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 34 SHARES HELD UNDER TRUST (CONTINUED)

Grant date	Expiry date	Exercise price RM/share	At start of year '000	Granted '000	Exercised '000	Forfeited '000	At end of year '000
<b>Year ended 31.12.2006</b>							
<b>Modified EESOS</b>							
30 December 2003	29 December 2007	1.27	4,675	-	(1,721)	-	2,954
30 December 2004	29 December 2008	3.49	16,021	-	(3,095)	(54)	12,872
30 December 2004	29 December 2008	3.80	1,052	-	-	-	1,052
30 December 2005	29 December 2009	4.18	19,266	-	(1,348)	(524)	17,394
			41,014	-	(6,164)	(578)	34,272
<b>Modified CEO option</b>							
8 January 2003	7 January 2008	1.39	9,822	-	-	-	9,822
8 January 2003	7 January 2008	1.46	9,822	-	-	-	9,822
			19,644	-	-	-	19,644

	The Company	
	2006 RM'000	2005 RM'000
Number of share options vested at balance sheet date	53,916	-

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

**Modified EESOS**

March 2006 – December 2006	5.80 – 7.95	1.27	1,721	-
March 2006 – December 2006	5.80 – 7.95	3.49	3,095	-
March 2006 – December 2006	5.80 – 7.95	4.18	1,348	-
			<b>2006 RM'000</b>	<b>2005 RM'000</b>
Ordinary share capital - at par			54,494	-
Share premium			207,080	-
Total share capital and share premium			261,574	-
Proceeds received on exercise of share options to offset against loans			19,097	-
Fair value at exercise date of shares			41,845	-

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 35 INTEREST INCOME

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans, advances and financing				
- interest income other than recoveries	5,900,642	4,159,981	81	1,073
- recoveries from non-performing loans	346,002	245,578	-	-
Money at call and deposits with financial institutions	639,901	579,270	5,898	25,895
Securities purchased under resale agreement	132,479	-	-	-
Securities held for trading	439,780	357,047	-	-
Available-for-sale securities	417,260	514,960	-	-
Held-to-maturity securities	121,115	15,952	-	-
Others	99,199	210,110	71,602	1,736
	8,096,378	6,082,898	77,581	28,704
Accretion of discounts less amortisation of premiums	101,707	73,412	11,436	12,894
Net interest suspended	(118,923)	(131,180)	-	-
	8,079,162	6,025,130	89,017	41,598

## 36 INTEREST EXPENSE

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits and placements of banks and other financial institutions	525,190	518,811	-	-
Deposits from other customers	2,858,626	2,010,051	-	-
Obligation on securities sold under repurchase agreements	185,841	65,756	-	-
Bonds	60,656	97,165	51,433	64,158
Loan stocks/ICULS	27,602	72,998	-	-
Subordinated Notes	153,391	76,137	-	-
Loans sold to Cagamas	117,753	-	-	-
Negotiable certificates of deposits	206,103	-	-	-
Other borrowings	157,083	-	160,079	-
Others	128,476	197,965	53,934	-
	4,420,721	3,038,883	265,446	64,158

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 37 NON-INTEREST INCOME

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Fee income:</b>				
Commissions	193,283	170,809	-	-
Fee on loans, advances and financing	214,941	173,334	-	-
Portfolio management fees	61,362	16,325	-	-
Service charges and fees	186,389	169,172	-	-
Corporate advisory fees	62,172	58,171	-	-
Guarantee fees	69,111	59,700	-	-
Other fee income	312,814	201,993	935	1,436
Placement fees	7,558	-	-	-
Underwriting commission	100,525	-	-	-
Arrangement fees	6,109	-	-	-
Incentive fees	294	-	-	-
Trustee fees income	683	-	-	-
	1,215,241	849,504	935	1,436
<b>Investment income:</b>				
Accretion of investment gain	-	-	35,289	32,665
Gain from sale of available-for-sale securities	214,649	266,562	-	-
Gain from sale of securities held for trading and derivative financial instruments	319,831	80,289	1,542	7,371
Unrealised gain/(loss) on revaluation of:				
- Securities held for trading	428,864	(103,706)	-	(27,120)
- Derivative financial instruments	(411,979)	101,341	(164,781)	(859)
Gross dividends from:				
<u>In Malaysia</u>				
- Subsidiaries	-	-	185,375	249,127
- Securities held for trading	10,847	20,484	6,254	10,708
- Available-for-sale securities	43,420	8,782	1,521	-
- Held to maturity investment	387	-	-	-
- Associate	456	-	-	-
<u>Outside Malaysia</u>				
- Subsidiaries	-	-	30,744	35,267
- Securities held for trading	3,027	-	-	-
Gain/(loss) on disposal of interest in subsidiary	98,671	(4,267)	235,700	18,842
Premium received on option	15,139	-	-	-
Provision for diminution in value on investment	(828)	-	-	-
	722,484	369,485	331,644	326,001

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 37 NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Other income:</b>				
Foreign exchange gain/(loss):				
- Realised	(22,417)	99,174	(2,561)	(782)
- Unrealised	247,805	23,882	184,701	(3,691)
Rental income	8,767	5,520	4,016	4,112
Gain/(loss) on disposal of property, plant and equipment	12,432	2,761	(66)	2,246
Gain on disposal of leased assets	284	241	-	-
Net gain from insurance business	12,915	-	-	-
Underwriting surplus before management expenses (Note (a))	77,580	76,442	-	-
Net brokerage fee	195,203	119,002	-	-
Other non-operating income	134,471	166,621	26,078	12,066
Asset management and securities services	29,824	-	-	-
Gain on disposal of foreclosed properties	754	-	-	-
	697,618	493,643	212,168	13,951
	2,635,343	1,712,632	544,747	341,388

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

	The Group	
	2006 RM'000	2005 RM'000
Insurance premium earned	292,902	288,222
Net claims incurred	(184,508)	(186,663)
Net commissions	(30,814)	(25,117)
	77,580	76,442

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 38 OVERHEAD EXPENSES

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Personnel costs</b>				
- Salaries, allowances and bonus	1,261,102	818,132	4,516	4,259
- Pension costs (defined contribution plan)	99,663	76,361	676	690
- Pension costs (defined benefit plan) (Note 23(b))	30,889	30,753	-	-
- Others	360,246	177,543	1,291	991
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	179,909	135,354	2,158	2,157
- Depreciation of investment properties	280	280	124	124
- Rental	139,649	104,319	366	420
- Insurance	559	13,623	275	378
- Others	383,575	243,653	1,241	2,876
<b>Marketing expenses</b>				
- Sales commission	28,215	38,285	-	-
- Advertisement	136,916	64,444	82	128
- Others	41,564	27,038	-	-
<b>Administration and general expenses</b>				
- Amortisation of goodwill	-	24,361	-	-
- Impairment of intangible assets	12,000	-	-	-
- Amortisation of intangible assets	59,452	13,549	-	-
- Legal and professional fees	179,715	92,117	25,956	20,451
- Communication	72,600	57,407	-	-
- Others	371,636	360,880	13,307	6,989
	3,357,970	2,278,099	49,992	39,463
The above expenditure includes the following statutory disclosures:				
Directors' remuneration (Note 41)	8,743	2,813	1,994	1,635
Rental of premises	127,172	94,963	-	-
Hire of equipment	10,162	9,568	-	-
Lease rental	59,452	42,765	-	-
Auditors' remuneration				
- Statutory audit (Malaysian firm)	3,064	2,076	80	80
- Statutory audit (Overseas firms)	1,740	1,784	-	-
- Others (Malaysian firm)	3,746	4,095	315	432
- Others (Overseas firm)	151	528	-	-
Property, plant and equipment written off	731	1,231	-	-
Amortisation of premium of associates	-	43	-	-

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 39 ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group	
	2006 RM'000	2005 RM'000
Allowance for bad and doubtful debts on loans and financing		
(a) Specific allowance		
- made during the financial year	1,787,564	1,507,535
- written back	(712,693)	(525,326)
- made in respect of loans in relation to joint venture company	-	-
- transferred to deferred asset	-	-
(b) General allowance		
- made during the financial year	3,824	131,872
Bad debts on loan and financing		
- recovered	(62,413)	(93,273)
- written off	313	1,055
	1,016,595	1,021,863

During the financial year, CIMB Bank has evaluated its portfolio of non-performing loans, advances and financing that have been in default and that remained uncollected for more than 7 years and also those non-performing loans, advances and financing in default for more than 5 but less than 7 years. For loans, advances and financing in default for more than 7 years, no value is assigned as the realisable value of collateral. For loans, advances and financing which are in default for more than 5 but less than 7 years, 50% of the realisable value of assets held has been assigned as the value of collateral. The effect of this exercise resulted in specific allowance of RM266,038,000 (2005: RM95,788,000) made during the financial year for the Group.

### 40 ALLOWANCE FOR IMPAIRMENT OF SECURITIES

	The Group	
	2006 RM'000	2005 RM'000
Securities held for trading		
- made during the financial year	-	650
- written back	-	(234)
Available-for-sale securities		
- made during the financial year	315,537	100,537
- written back	(291,489)	(133)
Held-to-maturity securities		
- written back	-	(184)
	24,048	100,636

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**41 DIRECTORS' REMUNERATION**

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

**Executive Directors**

Dr Rozali Mohamed Ali	(retired on 1 January 2006)
Dato' Mohd Shukri Hussin	(appointed on 3 January 2006)
Dato' Mohamed Nazir Abdul Razak *	(appointed on 27 January 2006)

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

**Non-Executive Directors**

Tan Sri Dato' Mohd Desa Pachi	(resigned on 31 July 2006)
Dato' Anwar Aji	(resigned on 7 November 2006)
Tan Sri Datuk Asmat Kamaludin	(resigned on 7 November 2006)
Dato' Mohd Salleh Mahmud	(resigned on 7 November 2006)
Dr. Roslan A. Ghaffar	
Izlan Izhah	(resigned on 7 November 2006)
Tan Sri Dato' Md Nor Md Yusof	(appointed on 27 June 2006)
Dato' Zainal Abidin Putih	(appointed on 7 November 2006)
Dato' Hamzah Bakar	(appointed on 7 November 2006)
Datuk Dr Syed Muhamad Syed Abdul Kadir	(appointed on 7 November 2006)
Tan Sri Dato' Seri Haidar Mohamed Nor	(appointed on 7 November 2006)
Dato' Robert Cheim Dau Meng	(appointed on 7 November 2006)
Cezar Peralta Consing	(appointed on 7 November 2006)

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Executive Directors #</u>				
- Salary and other remuneration	881 *^	1,609	751	710
- Benefits-in-kind	237	49	231	49
<u>Non-Executive Directors #</u>				
- Fees	1,738 ^	600	920 ^	600
- Other remuneration	5,826 +	555 &	92	276
- Benefits-in-kind	61	-	-	-
	8,743	2,813	1,994	1,635

# During the financial year ended 31 December 2006, the functions and responsibilities of the Chief Executive Officer (CEO) were carried on a Group basis. The salary, other remuneration (including bonus in respect of 2005 paid in 2006) and benefits-in-kind totaling RM5,341,000 for the CEO was paid by a subsidiary, CIMB Investment Bank. RM142,000 of the salary, other remuneration and benefits-in-kind of the CEO is disclosed under remuneration of Executive Directors, while the balance of RM5,199,000 is disclosed under remuneration of Non-Executive Directors as Dato' Mohamed Nazir Abdul Razak was appointed as Group CEO on 7 November 2006.

\* In addition to the CEO's remuneration is an amount paid to an Executive Director of the Company, which also includes bonus in respect of 2005 paid in 2006.

^ These salary and other remuneration, and fees exclude RM345,000 paid by the Company and certain subsidiaries in relation to the directorships of Dato' Mohamed Nazir Abdul Razak, Dato' Mohd Shukri Hussin and Dato' Robert Cheim Dau Meng which were paid to the respective company in which they were employed.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 41 DIRECTORS' REMUNERATION (CONTINUED)

- + In addition to the CEO's remuneration is an amount paid to a Non-Executive Director in his capacity as an executive of CIMB Investment Bank.
- & Included in the Group's Non-Executive Directors' remuneration in 2005 is an amount paid to a Director in his capacity as Executive Director for a subsidiary.

The number of directors whose total remuneration for the financial year falls within the following bands are as follows:

	The Group Number of Directors	
	2006	2005
<b>Range of remuneration:</b>		
<u>Non-Executive Directors</u>		
RM50,000 and below	3	-
RM50,001 - RM100,000	2	-
RM100,001 - RM150,000	3	4
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	1	-
RM300,001 - RM350,000	1	1
RM350,001 - RM400,000	-	1
RM400,001 - RM450,000	1	-
RM650,001 - RM700,000	1	-
<u>Executive Directors</u>		
RM950,001 - RM1,000,000	1	-
RM1,650,001 - RM1,700,000	-	1
RM5,300,001 - RM5,350,000	1	-

### 42 TAXATION

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Taxation based on the profit for the financial year:				
- Malaysian income tax	393,418	254,632	10,971	56,172
- Foreign tax	175,937	74,852	34	59
(Over)/under provision in prior years	(169,897)	(26,529)	5,581	6,319
Benefit from previously unrecognised tax loss	(46,623)	(15,252)	-	-
	352,835	287,703	16,586	62,550
Deferred tax (Note 10)				
Origination and reversal of temporary differences	43,294	(6,407)	(20,496)	(10,349)
Benefit from previously unrecognised tax loss	(3,092)	(578)	-	-
	40,202	(6,985)	(20,496)	(10,349)
	393,037	280,718	(3,910)	52,201

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**42 TAXATION (CONTINUED)**

Reconciliation between tax charge and the Malaysian tax rate:

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before tax	2,002,042	1,309,967	318,326	279,365
Tax calculated at a rate of 28% (2005: 28%)	560,572	366,791	89,131	78,222
Income not subject to tax	(280,913)	(107,988)	(130,533)	(35,444)
Effect of different tax rates in other countries	7,339	4,048	-	-
Effects of change in tax rates	12,681	-	461	-
Expenses not deductible for tax purposes	272,119	60,226	31,450	3,104
Utilisation of previously unrecognised tax losses	(8,864)	(15,830)	-	-
(Over)/under provision in prior years	(169,897)	(26,529)	5,581	6,319
Tax charge of current year	393,037	280,718	(3,910)	52,201

**43 EARNINGS PER SHARE****(a) Basic earnings per share**

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

	2006	2005
Net profit for the financial year (RM'000)	1,504,427	826,825
Weighted average number of ordinary shares in issue ('000)	3,086,650	2,715,015
Basic earnings per share (expressed in sen per share)	48.7	30.5

**(b) Diluted earnings per share**

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. During the financial year, the Company has three categories of dilutive potential ordinary shares: USD Zero Coupon Guaranteed Convertible Bonds, Redeemable Convertible Unsecured Loan Stock ("RCULS") and Employee Share Option Scheme. The USD Zero Coupon Guaranteed Convertible Bonds and RCULS are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the applicable interest expense. For the Employee Share Option Scheme, the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Employee Share Options is calculated to determine the 'unpurchased' shares to be added to ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the financial year in respect of Employee Share Options.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 43 EARNINGS PER SHARE (CONTINUED)

#### (b) Diluted earnings per share (Continued)

	2006 RM'000	2005 RM'000
Net profit for the financial year	1,504,427	826,825
Elimination of interest expense on USD Zero Coupon Guaranteed Convertible Bonds	14,571	19,121
Elimination of interest expense on RCULS (net of tax effect)	233	-
Net profit used to determine diluted earnings per share	1,519,231	845,946

	2006 Unit'000	2005 Unit'000
Weighted average number of ordinary shares in issue	3,086,650	2,715,015
Adjustments for		
- Conversion of USD Zero Coupon Guaranteed Convertible Bonds	63,786	80,372
- RCULS	923	-
- ESOS	10,751	17,505
Weighted average number of ordinary shares for diluted earnings per share	3,162,110	2,812,892
Diluted earnings per share (expressed in sen per share)	48.0	30.1

### 44 DIVIDENDS PER ORDINARY SHARE

Dividends declared or proposed in respect of the financial year ended 31 December 2006 are as follows:

	The Group and the Company			
	2006		2005	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
• First and final dividend of 15 sen less taxation of 27% (2005: 10 sen less taxation of 28%)	15.0	348,695	10.0	226,904
• Special dividend :Nil (2005: 5 sen less taxation of 28%)	-	-	5.0	113,452
	15.0	348,695	15.0	340,356

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

In respect of this financial year, the proposed first and final dividends for ordinary shares as detailed above will be put forth for the shareholders' approval at the forthcoming Annual General Meeting. The proposed first and final dividend will be reflected in the financial statements for the next financial year ending 31 December 2007 when approved by the shareholders.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

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

	<b>The Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income from subsidiaries:</b>		
Interest on fixed deposits and money market	5,763	25,599
Interest on loans, advances and financing	81	83
Interest on preference shares	-	990
Accretion on held-to-maturity securities	11,436	12,894
Accretion of investment gain	35,289	32,665
Dividend income	216,119	284,394
Rental income	4,016	4,112
<b>Amount due from/(to) subsidiaries:</b>		
Current accounts, deposits and placements	951,593	450,581
Loans, advances and financing	1,410	2,010
ICULS 2001/2011	474,544	439,255
Amount due to Commerce Capital (Labuan) ("CCL") Ltd	(4,176,517)	(463,710)
Detachable coupons	84,175	134,422

Amount due to CCL is unsecured, carries an interest based on 1-month LIBOR + 0.17% and has no fixed repayment terms.

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

		<b>The Company</b>	
		<b>2006</b>	<b>2005</b>
		<b>Units</b>	<b>Units</b>
<b>Directors</b>			
Share-based employee benefit schemes	(a)	29,029,000	25,879,000
<b>Key management compensation</b>			
Salaries and other short-term employee benefits		2,043	2,241
Post-employment benefits		339	426
		2,382	2,667

(a) The employee share options were granted to Directors on the same terms and conditions as those offered to other employees of the Company as disclosed in Note 31 and 46 to the financial statements.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 46 EMPLOYEE BENEFITS

#### (a) Modified CIMBB Executive Employee Share Option Scheme (“Modified EESOS”)

The share options granted to Directors and employees of the Group are that of the Company. The Employee Share Option Scheme was granted on 11 March 2005 and is governed by the by-laws approved by the Company’s shareholders on 8 September 2005.

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

The main features of the Modified EESOS are as follows:

- (a) An entitlement is personal to the Eligible Executive and is non-assignable and non-transferable by the Eligible Executive except with prior written consent of the Employee Share Scheme (“ESS”) Committee.
- (b) The reference strike price of the entitlement is determined by reference to the amount of the ESS Loan utilised by the Trustee to procure the ESS shares and shall be calculated on a step-up basis from the first anniversary of the effective date of ESS.
- (c) The Eligible Executive shall be entitled to the voting rights of the ESS shares which are in his Employee CDS Account and over which he has entitlements until the termination or lapse of the entitlements in accordance with the terms and conditions.
- (d) The Eligible Executive shall be entitled to the distribution rights of the ESS shares upon acceptance of the entitlements and until the lapse or earlier termination of the entitlements in accordance with the terms and conditions.
- (e) A total of 41,014,009 share options with adjusted option price were offered to the Eligible Executives. The total share options are categorised as follows:
  - (i) Modified EESOS 1  
4,675,000 share options were offered at an option price of RM1.27 per share option with expiry date on 29 December 2007;
  - (ii) Modified EESOS 2  
16,021,459 share options were offered at an option price of RM3.49 per share option with expiry date on 29 December 2008;
  - (iii) Modified EESOS 3  
1,051,875 share options were offered at an option price of RM3.80 per share option with expiry date on 29 December 2008; and
  - (iv) Modified EESOS 4  
19,265,675 share options were offered at an option price of RM4.18 per share option with expiry date on 29 December 2009.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 46 EMPLOYEE BENEFITS (CONTINUED)

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

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

	2006		2005	
	Average exercise price RM/share	Options (units '000)	Average exercise price RM/share	Options (units '000)
At start of financial year*	3.24	26,500	3.96	30,823
Granted	-	-	4.05	9,215
Forfeited	3.33	(264)	4.47	(1,759)
Exercised	3.02	(6,148)	3.88	(15,152)
Exercised by EESOS Trustee	-	-	3.24	(23,127)
At end of financial year	3.33	20,088	-	-

The weighted average share price during the period, should the options have been exercised on a regular basis throughout the period was RM6.37 (2005: RM5.73) per share.

The options outstanding at year end had exercise prices ranging from RM1.27 to RM4.39 (2005: RM1.27 to RM4.18), and a weighted average remaining contractual life of 2 years (2005: 3 years)

\* Pursuant to the CIMBB Restructuring, all CIMBB share options have been converted to the Company's share options on the ratio of 1:1.146. The Company's share options have been classified as balances at the start of the financial year as the option holders retain the right to exercise the options during the conversion period.

#### (b) Modified CIMBB CEO Option

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

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

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

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 46 EMPLOYEE BENEFITS (CONTINUED)

#### (b) Modified CIMBB CEO Option (Continued)

- (c) The option shares may be exercised at any time during the CEO Share Scheme (“CSS”) period in respect of the aggregate of
- (i) 50% of the CSS shares in any CSS year and
  - (ii) any CSS shares from any prior CSS year in respect of which entitlements were not exercised.
- (d) The CEO shall be entitled to the voting and distribution rights of the CSS shares upon acceptance of the entitlements and until the lapse or earlier termination of the entitlements in accordance with the terms and conditions.
- (e) For the purpose of the Modified CEO option, a total of 19,644,389 share options with adjusted option price were offered by the Company.

The total share options are categorised as follows:

- (i) Modified CEO Share Scheme 1  
9,822,195 share options were offered at option price of RM1.39 per share option with expiry date on 7 January 2008;
- (ii) Modified CEO Share Scheme 2  
9,822,194 share options were offered at option price of RM1.46 per share option with expiry date on 7 January 2008.

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

	The Group			
	2006		2005	
	Average exercise price RM/share	Options (units '000)	Average exercise price RM/share	Options (units '000)
At start of the financial year*	1.42	19,644	1.59	25,200
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	1.59	(8,400)
Exercised by ESOS Trustee	-	-	1.62	(16,800)
At end of the financial year	1.42	19,644	-	-

\* Pursuant to the CIMBB Restructuring, all CEO options on CIMBB’s equity instrument have been converted to CEO options on BCHB’s equity instruments at the ratio of 1:1.146 on 17 March 2006. The BCHB CEO options have been classified as balances at the start of the financial year as the option holders retains the right to exercise the options during the conversion period.

#### (c) Management Equity Scheme (MES)

This scheme was initiated as part of a performance linked compensation scheme by a substantial shareholder of the Company. The allocation of the MES is based on performance and seniority. The scheme is governed by its own terms and conditions. The substantial shareholder has set aside a pool of existing shares for the scheme.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 46 EMPLOYEE BENEFITS (CONTINUED)

#### (c) Management Equity Scheme (MES) (Continued)

The effective date of the MES is on 1 March 2004 and the scheme will continue to be in force for five years until 28 February 2009. The MES is governed by the by-laws which were approved by the substantial shareholder on 29 September 2003.

The MES is granted to eligible persons who are senior management of the Group who have been in the employment of the Company and its subsidiaries (excluding CIMB Group, Bank Niaga Group and the South East Asian Bank Ltd) when an offer is made in writing to the senior management to participate in the scheme. The eligibility for participation in the scheme shall be at the discretion of the Nomination and Remuneration Committee of the Company. An entitlement is personal to the eligible person and is non-assignable and non-transferable by the eligible person. The Nomination and Remuneration Committee at the Company administers the scheme on behalf of the substantial shareholder. In November 2006, both the substantial shareholder and Nomination and Remuneration Committee at the Company approved amendments to the terms which provides for the inclusion of CIMB Group senior management in the scheme.

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

The exercise price under the MES is the average of the volume weighted average market quotation of the shares of the Company as quoted in the Daily Official List issued by the Bursa Malaysia Securities Berhad. The exercise price was determined based on the five market days preceding the date of substantial shareholder's approval, with a 10 percent discount to the market price.

The MES entitlement for the eligible senior management is conditional on the completion of all or any of the key performance indicators (KPI) as determined by the Nomination and Remuneration Committee. The MES is exercisable during the duration of the Equity Scheme of five years period up to 28 February 2009.

Set out below are details of options over the ordinary shares of the Company and their related weighted average exercise prices granted under the MES:

Grant date	Expiry date	Exercise price RM/share	At start of year '000	Granted '000	Exercised '000	Forfeited '000	At end of year '000
<b>Year ended 31.12.2006</b>							
1 March 2004	28 February 2009	3.48	32,109	-	(6,547)	(9,626)	15,936
21 February 2006	28 February 2009	3.48	-	5,900	(260)	-	5,640
			32,109	5,900	(6,807)	(9,626)	21,576
<b>Year ended 31.12.2005</b>							
1 March 2004	28 February 2009	3.48	-	65,180	(14,618)	(18,453)	32,109
			-	65,180	(14,618)	(18,453)	32,109

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 46 EMPLOYEE BENEFITS (CONTINUED)

#### (c) Management Equity Scheme (MES) (Continued)

All options have the same exercise price which is at RM 3.48 each.

Out of the outstanding options, 16,800,501 units (2005: 9,311,046 units) of options were exercisable. Options exercised during the period resulted in 6,806,550 units of shares (2005: 14,618,050 units of shares) being issued at RM1 each (2005: RM1 each). The related weighted average share price at the time of exercise ranged from RM5.53 to RM7.92 (2005: RM5.10 to RM5.86) per share.

The options outstanding at year end carry exercise price of RM3.48 (2005: RM3.48), and a weighted average remaining contractual life of 2 years (2005: 3 years).

Options granted during the period will expire on 28 February 2009 (2005: 28 February 2009).

The weighted average fair value of options granted under the MES, which is deemed as a cash-settled payment under FRS 2: Share-based Payment, determined using the Trinomial valuation model was RM1.41 per option. The significant inputs into the model were as follows:

	Granted on 21 February 2006	Granted on 1 March 2004
<b>Valuation assumptions:</b>		
- expected volatility	28%	37%
- expected dividend yield	2.61%	1.90%
- expected option life	3 years	2 years
Weighted average share price at grant date	RM5.50	RM5.25
Weighted average risk-free interest rate	3.60%	4.36%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily prices over the last 2 years for options granted on 21 February 2006 and 3 years for options granted on 1 March 2004.

On 5 January 2007, 2,405,000 units of share options were granted to eligible senior management with an exercise price of RM3.48 per share (share price: RM8.45) with expiry date on 28 February 2009.

#### (d) Management Option Program (MOP)

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

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

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 46 EMPLOYEE BENEFITS (CONTINUED)

#### (d) Management Option Program (MOP) (Continued)

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

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

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

	2006		2005	
	Average exercise price RM/share	Options (units '000)	Average exercise price RM/share	Options (units '000)
At start of financial year	-	-	-	-
Granted	0.13	162,180	-	-
Forfeited	-	-	-	-
Exercised	0.13	(104,047)	-	-
Expired	-	-	-	-
At end of financial year	0.13	58,133	-	-

Out of the outstanding options, 32,790,891 units (2005: Nil) of options were unconditionally exercisable. The remaining 25,342,143 options will be exercisable upon achieving certain key performance indicators (KPI) set by the Company to the Executive Directors of Bank Niaga. Options exercised during the period have no impact on number of shares outstanding. The weighted average share price at the time of exercise was RM0.37 (2005: RM Nil) per share. There is no transaction costs deducted against share premium account.

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

Expiry date	Exercise price RM/share	Unit of shares	
		2006 '000	2005 '000
31 December 2007	0.13	7,449	-
31 December 2007	0.14	25,342	-
31 December 2008	0.15	25,342	-
		58,133	-

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 46 EMPLOYEE BENEFITS (CONTINUED)

#### (d) Management Option Program (MOP) (Continued)

The weighted average fair value of options granted which is deemed as an equity-settled payment under FRS 2: Share-based Payment, determined using the Binomial valuation model was RM0.24 per option (2005: RM Nil). The significant inputs into the model were as follows:

	2006	2005
<b>Valuation assumptions:</b>		
- expected volatility	40.63%	-
- expected dividend yield	1.55%	-
- expected option life	2 ½ years	-
Share prices at grant date	Range from RM0.22 to RM0.37	-
Risk-free interest rate (per annum)	12.40%	-

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

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

#### (e) Employee Stock Option Programme (ESOP)

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

The main features of the ESOP are:

- (a) A total share options of 391,230,320 new Series B shares of Bank Niaga was granted to Bank Niaga's employees. This amount represents 5% of Series B ordinary shares which amounts to 7,752,752,784. The exercise price set was RM0.13. The grant was approved by the shareholders on 17 December 2003.
- (b) Subsequently, as a result of the increase of share capital and additional paid in capital arising from Rights Issue IV, 25 August 2005 the terms and conditions on ESOP was amended and the exercise price was reduced from RM0.13 to RM0.12 and the number of options was increased by 29,383,795 shares.
- (c) Employees who meet certain criteria are eligible to options under the plan and include:
  - (i) Employees who have worked for 3 years at Bank Niaga;
  - (ii) Employees who are non clerk or above; and
  - (iii) New "special hire" employees who have passed the probation period and are not required to pass the 3-year working period.
- (d) Options which are not exercised in a particular period can be carried forward to the next exercise period.
- (e) Under the plan, new shares are granted from the authorised capital, and not from issued or repurchased capital stock.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**47 COMMITMENTS AND CONTINGENCIES**

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

The commitments and contingencies constitute the following:

	2006			2005		
	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000
<b>The Group</b>						
Direct credit substitutes	3,065,948	3,065,948	1,665,827	4,047,929	4,047,929	1,964,139
Certain transaction-related contingent items	5,007,175	2,633,697	1,766,595	3,331,837	1,774,632	1,135,033
Short-term self-liquidating trade-related contingencies	3,765,729	753,144	297,619	2,968,051	593,611	174,346
Asset sold with recourse and commitment with certain drawdown	815,589	780,799	780,391	-	-	-
Obligations under underwriting agreement	2,028,193	996,597	996,310	397,761	198,881	190,614
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	32,692,158	-	-	21,536,945	-	-
- Maturity exceeding one year	4,589,898	2,293,371	2,012,061	4,348,572	2,174,289	1,773,795
Miscellaneous commitments and contingencies	4,655,749	3,982	3	4,916,884	4,893	-
	56,620,439	10,527,538	7,518,806	41,547,979	8,794,235	5,237,927

Notes to the Financial Statements  
for the financial year ended 31 December 2006

47 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	2006			2005		
	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000
<b>The Group (Continued)</b>						
Foreign exchange related contracts:						
- less than one year	23,329,374	648,319	149,304	11,248,639	154,051	45,265
- one year to less than five years	1,646,703	425,683	95,139	2,250,630	229,066	73,477
- five years and above	107,373	30,174	15,086	326,231	50,635	25,318
	25,083,450	1,104,176	259,529	13,825,500	433,752	144,060
Interest rate related contracts:						
- less than one year	95,943,134	118,617	23,481	23,616,446	40,127	7,679
- one year to less than five years	58,763,837	2,232,810	441,143	64,120,840	1,047,056	297,708
- five years and above	3,997,732	735,425	149,002	6,150,725	356,216	80,475
	158,704,703	3,086,852	613,626	93,888,011	1,443,399	385,862
Equity related contracts:						
- less than one year	4,461,656	-	-	39,094	-	-
- one year to less than five years	-	-	-	170,627	-	-
	4,461,656	-	-	209,721	-	-
Commodity related contracts:						
- less than one year	-	-	-	8,533	-	-
	244,870,248	14,718,566	8,391,961	149,479,744	10,671,386	5,767,849

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 47 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	2006			2005		
	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000
<b>The Company</b>						
Foreign exchange related contracts:						
- less than one year	4,000,000	10,000	5,000	-	-	-
Interest rate related contracts:						
- less than one year	-	-	-	90,000	258	129
- one year to less than five years	160,000	400	200	160,000	1,634	817
	160,000	400	200	250,000	1,892	946
	4,160,000	10,400	5,200	250,000	1,892	946

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

Included in the Group's commitments and contingencies is RM12,632,000 (2005: RM10,224,000) of irrevocable commitment to extend credit with maturity less than one year relating to a joint venture company, PCSB.

## 48 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Capital Expenditure:</b>				
Authorised and contracted for	206,291	706,764	300,000	337,500
Authorised but not contracted for	663,275	678,539	-	200,000
	869,566	1,385,303	300,000	537,500

Analysed as follows:

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment	642,119	1,053,577	300,000	337,500
Subscription for investments	165,965	181,134	-	150,000
Acquisition of subsidiary	60,482	104,236	-	50,000
Bank guarantee	1,000	46,356	-	-
	869,566	1,385,303	300,000	537,500

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 49 LEASE COMMITMENTS

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

	The Group	
	2006 RM'000	2005 RM'000
Within one year	9,686	25,938
One year to five years	32,824	39,011
Over five years	32,982	-

### 50 SEGMENT REPORTING

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

##### Definition of segments

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

##### **Consumer Banking**

Consumer Banking comprises of Retail Banking, Business Banking, Direct Banking & Cards and Consumer Sales & Distribution.

Retail Banking focuses on introduce innovative products and services to individual customers. It offered products such as credit facilities (residential mortgages, personal loans, shares financing and hire purchase financing), remittance services and deposit collection.

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

Direct Banking & Cards focuses on mass affluent customer and credit card business. It also includes a division catering to lower income customer offering product such as microcredit loan.

Consumer Sales & Distribution (CSD) responsible of developing, implementing and managing sale and distribution for Retail and Business Banking products and services.

##### **Corporate and Investment Banking**

Corporate and Investment Banking comprise corporate finance, corporate banking, international banking & transactional services, equity capital markets, private clients services, equity derivatives and equity investment & trading including regional equity market.

Investment Banking and Corporate Finance offers financial advisory services to corporations, advising issuance of equity and equity-linked products, debt restructuring, mergers and acquisitions, initial public offerings, secondary offerings and general corporate advisory. Under Corporate Banking, we provide a broad spectrum of financial and lending services for domestic and multinational corporations as well as institutional and public sector clients to help support their business growth. Our Securities Financing Unit offers financing secured against investment deposits, structured products and securities i.e. share margins. International Banking oversees the activities of the Group's overseas branches in Tokyo, London, Singapore and Hong Kong and provides conventional and customized financial packages in order to meet our customers' needs, with products include corporate lending, transactional lending, project financing, mezzanine financing and syndication.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 50 SEGMENT REPORTING (CONTINUED)

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

##### ***Corporate and Investment Banking (Continued)***

Equity Capital Markets services includes acting as underwriter, global co-ordinator, book runner or lead manager for equity and equity-linked transactions, originating, structuring, pricing and executing equity and equity-linked issues and executing program trades, block trades and market making. Equity Derivatives Unit develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues. Equity Investment and Trading is the Group's Proprietary Equity Trading Unit and it seeks to achieve an absolute return on its investments, with the goal of enhancing shareholders' returns.

Private Client Services offers full private banking services, catering specifically to high net-worth clients by providing a comprehensive range of customized products and services. Structured Investments was established in June 2006 to focus on buyouts, recapitalisations, expansions and restructuring. The Singapore Business Banking Unit was formed in November 2006 to provide trade finance and lending targeted at SMEs, share margin loans to priority individuals and club loan transactions.

##### ***Treasury & Investment***

Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and capital market instruments trading. It also invests in proprietary capital.

##### ***Asset Management***

Asset Management mainly comprises income derived from fund management (retail and wholesale funds) and unit trust activities.

##### ***Insurance***

Insurance comprises the general, life and takaful activities. The provision of the insurance businesses is mainly on underwriting of general, life, family and general takaful insurance businesses and the gross premium income derived mainly from retail, corporate, bancassurance and reinsurance and agency.

##### ***Foreign Banking Operation***

Bank Niaga, which is involved in the provision in the commercial banking and related services is treated as a major foreign banking operation segment. The monitoring of Bank Niaga is done on a stand alone basis until this foreign banking operation unit will be fully integrated with our local commercial bank.

##### ***Support and others***

Support services comprise all back-office processes, cost centres and non-profit generating divisions of companies in the Group. Other business segments in the Group include investment holding, property management and other related services, whose results are not material to the Group and thus do not render separate disclosure in the financial statements and have been reported in aggregate.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**50 SEGMENT REPORTING (CONTINUED)**  
**(a) Primary reporting format – business segments (Continued)**

2006

Group	Consumer Banking		Corporate & Investment Banking		Treasury and Investment		Asset Management		Insurance		Foreign Banking Operation		Support & others		Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income	2,198,257	747,446			49,902	(1,648)	24,162	786,921						(146,599)	3,658,441	
- external income	(331,835)	(101,983)			433,818											
- inter-segment																
Non-interest income	1,866,422	645,463			483,720	(1,648)	24,162	786,921						(146,599)	3,658,441	
Income from Islamic banking operations	382,071	670,160			694,624	255,034	126,477	302,926						204,051	2,635,343	
	63,203	5,823			29,760										98,786	
Overhead expenses	2,311,696	1,321,446			1,208,104	253,386	150,639	1,089,847						57,452	6,392,570	
	(865,532)	(375,995)			(53,021)	(154,507)	(84,755)	(559,547)						(1,264,613)	(3,357,970)	
Profit before allowances	1,446,164	945,451			1,155,083	98,879	65,884	530,300						(1,207,161)	3,034,600	
Allowance for losses on loans, advances and financing	(816,449)	(65,317)			-	-	-	(141,270)						6,441	(1,016,595)	
Allowance for other receivables	-	(2,382)			1,055	(3,828)	-	(22,846)						-	(28,001)	
Provision for Commitments and Contingencies	(4)	-			-	-	-	(600)						258	(346)	
Allowance for impairment of securities	22	(1,034)			(1,942)	-	-	1,111						(22,205)	(24,048)	
Segment result	629,733	876,718			1,154,196	95,051	65,884	366,695						(1,222,667)	1,965,610	
Share of results of jointly controlled entities	2,316	-			-	-	-	-						-	2,316	
Share of results of associates	-	-			1,387	21,935	-	-						10,794	34,116	
Profit before taxation	632,049	876,718			1,155,583	116,986	65,884	366,695						(1,211,873)	2,002,042	
Taxation	-	-			-	(13,964)	(24,764)	(113,737)						(240,572)	(393,037)	
Zakat	-	-			-	-	(131)	-						-	(131)	
<b>Profit after taxation</b>	<b>632,049</b>	<b>876,718</b>			<b>1,155,583</b>	<b>103,022</b>	<b>40,989</b>	<b>252,958</b>						<b>(1,452,445)</b>	<b>1,608,874</b>	

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**50 SEGMENT REPORTING (CONTINUED)**  
**(a) Primary reporting format – business segments (Continued)**

2006

Group	Consumer Banking RM'000	Corporate & Investment Banking RM'000	Treasury and Investment RM'000	Asset Management RM'000	Insurance RM'000	Foreign Banking Operation RM'000	Support & others RM'000	Total RM'000
Segment assets	50,033,433	30,451,857	49,075,790	567,021	3,352,218	18,204,752	(354,134)	151,330,937
Investment in associates & jointly controlled entities	121,037	-	-	100,758	-	9,929	55,214	286,938
Unallocated assets	50,154,470	30,451,857	49,075,790	667,779	3,352,218	18,214,681	(298,920)	151,617,875
Total assets	50,154,470	30,451,857	49,075,790	667,779	3,352,218	18,214,681	7,989,369	159,607,244
Segment liabilities	43,142,797	22,119,802	53,164,071	163,736	2,119,650	16,375,656	2,077,675	139,163,387
Unallocated liabilities	-	-	-	-	-	-	7,754,536	7,754,536
Total liabilities	43,142,797	22,119,802	53,164,071	163,736	2,119,650	16,375,656	9,832,211	146,917,923
Other segment items								
Incurred capital expenditure	38,715	35,420	51,709	10,019	40,131	57,547	31,046	264,587
Depreciation	(46,734)	(46,349)	(54,244)	(4,227)	(10,036)	-	(18,599)	(180,189)
Accretion of discounts less amortisation of premium	-	-	94,168	-	2,469	5,070	-	101,707

**Basis of pricing for inter-segment transfers:**

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**50 SEGMENT REPORTING (CONTINUED)**  
**(a) Primary reporting format – business segments (Continued)**

2005

Group	Consumer Banking	Corporate & Investment Banking	Treasury and Investment	Asset Management	Insurance	Foreign Banking Operation	Support & others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- external income	1,900,425	255,334	320,911	1,736	41,608	584,933	(118,700)	2,986,247
- inter-segment	(81,672)	213,013	(145,198)	-	-	-	13,857	-
Non-interest income	1,818,753	468,347	175,713	1,736	41,608	584,933	(104,843)	2,986,247
Income from Islamic banking operations	346,113	468,278	428,221	103,184	62,679	234,639	69,518	1,712,632
	-	-	-	-	-	-	24,101	24,101
Overhead expenses	2,164,866	936,625	603,934	104,920	104,287	819,572	(11,224)	4,722,980
Profit before allowances	(722,400)	(223,855)	(32,997)	(67,537)	(84,042)	(460,671)	(686,597)	(2,278,099)
Allowance for losses on loans, advances and financing	1,442,466	712,770	570,937	37,383	20,245	358,901	(697,821)	2,444,881
Allowance for other receivables	(928,351)	(38,143)	11,044	-	-	(66,413)	-	(1,021,863)
Provision for Commitments and Contingencies	-	(8,806)	(5,631)	(311)	-	(1,863)	(1)	(16,612)
Allowance for impairment of securities	-	-	-	-	-	(61)	(623)	(684)
	-	(20,700)	(61,239)	-	-	(1,487)	(17,210)	(100,636)
Segment result	514,115	645,121	515,111	37,072	20,245	289,077	(715,655)	1,305,086
Share of results of jointly controlled entities	(1,824)	-	-	-	-	-	(870)	(2,694)
Share of results of associates	-	-	-	10,093	-	-	(2,518)	7,575
Profit before taxation	512,291	645,121	515,111	47,165	20,245	289,077	(719,043)	1,309,967
Taxation	-	-	-	(1,285)	(12,879)	(77,659)	(188,895)	(280,718)
Zakat	-	-	-	-	-	-	(22)	(22)
<b>Profit after taxation</b>	<b>512,291</b>	<b>645,121</b>	<b>515,111</b>	<b>45,880</b>	<b>7,366</b>	<b>211,418</b>	<b>(907,960)</b>	<b>1,029,227</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**50 SEGMENT REPORTING (CONTINUED)**  
**(a) Primary reporting format – business segments (Continued)**

2005

Group	Consumer Banking RM'000	Corporate & Investment Banking RM'000	Treasury and Investment RM'000	Asset Management RM'000	Insurance RM'000	Foreign Banking Operation RM'000	Support & others RM'000	Total RM'000
Segment assets	39,606,356	19,188,414	31,071,850	394,145	1,782,271	15,942,851	1,600,192	109,586,079
Investment in associates & jointly controlled entities	-	285	-	170,953	-	5,609	37,458	214,305
Unallocated assets	39,606,356	19,188,699	31,071,850	565,098	1,782,271	15,948,460	1,637,650	109,800,384
<b>Total assets</b>	<b>39,606,356</b>	<b>19,188,699</b>	<b>31,071,850</b>	<b>565,098</b>	<b>1,782,271</b>	<b>15,948,460</b>	<b>5,363,230</b>	<b>113,525,964</b>
Segment liabilities	26,659,906	23,826,179	23,969,306	221,123	1,493,877	24,947,428	910,510	102,028,329
Unallocated liabilities	-	-	-	-	-	-	391,157	391,157
<b>Total liabilities</b>	<b>26,659,906</b>	<b>23,826,179</b>	<b>23,969,306</b>	<b>221,123</b>	<b>1,493,877</b>	<b>24,947,428</b>	<b>1,301,667</b>	<b>102,419,486</b>
<b>Other segment items</b>								
Incurring capital expenditure	46,329	19,981	7,706	6,173	7,558	55,778	66,538	210,063
Depreciation	(41,848)	(8,486)	(3,316)	(4,923)	(8,443)	(35,807)	(32,531)	(135,354)
Amortisation of goodwill	-	-	-	-	(7,956)	8	(16,413)	(24,361)
Accretion of discounts less amortisation of premium	-	-	72,116	-	(378)	719	955	73,412

**Basis of pricing for inter-segment transfers:**

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**50 SEGMENT REPORTING (CONTINUED)****(b) Secondary reporting format – geographical segments**

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

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Indonesia, the areas of operation in this country include all the primary business segments of its subsidiary bank, PT Bank Niaga Tbk.
- Other countries include branch and subsidiary operations in Singapore, Japan, United Kingdom, Hong Kong and Republic of Mauritius. The overseas operations are involved mainly in corporate lending and borrowing activities. With the exception of Malaysia and Indonesia, no other individual country contributed more than 10% of the consolidated net interest income or assets.

	<b>Net interest income RM'000</b>	<b>Total assets RM'000</b>	<b>Capital expenditure RM'000</b>
<b>The Group 2006</b>			
Malaysia	2,848,585	139,791,162	192,196
Indonesia	786,921	18,214,681	57,547
Other countries	22,935	1,601,401	14,843
	<b>3,658,441</b>	<b>159,607,244</b>	<b>264,586</b>
<b>2005</b>			
Malaysia	2,388,719	96,140,651	145,512
Indonesia	584,933	15,948,460	55,778
Other countries	12,595	1,436,853	8,773
	<b>2,986,247</b>	<b>113,525,964</b>	<b>210,063</b>

**51 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the Group and the Company's cash flow statement comprise the following:

	<b>The Group</b>		<b>The Company</b>	
	<b>2006 RM'000</b>	<b>2005 RM'000</b>	<b>2006 RM'000</b>	<b>2005 RM'000</b>
Cash and balances with banks and other financial institutions	4,326,430	2,321,022	1,308	2,596
Money at call and deposit placements maturing within one month	17,208,254	9,757,123	950,285	447,985
	<b>21,534,684</b>	<b>12,078,145</b>	<b>951,593</b>	<b>450,581</b>
Less: Monies held in trust				
Client's trust balances	(91,062)	(31,959)	-	-
Dealer's representatives' balances	(11,004)	(7,954)	-	-
	<b>21,432,618</b>	<b>12,038,232</b>	<b>951,593</b>	<b>450,581</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 51 CASH AND CASH EQUIVALENTS (CONTINUED)

Included in cash and short-term funds of the Group are trust accounts maintained by CIMB Investment Bank in trust for clients' and dealer's representatives amounting to RM91,062,000 (2005: RM31,959,000) and RM11,004,000 (2005: RM7,954,000) respectively.

### 52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

#### (a) Merger between CIMB Bank (formerly known as Bumiputra-Commerce Bank Berhad) and Bumiputra-Commerce Finance (BCF)

Pursuant to the Vesting Order obtained from the High Court on 29 December 2005, the business and the related assets and liabilities of BCF Group (inclusive of BCF's subsidiary, I-Prestige Sdn Bhd and the investment in the jointly controlled company, Proton Commerce Sdn Bhd) were transferred to CIMB Bank on 1 January 2006.

#### (b) Takaful business - Registration under the Takaful Act 1984 for commencement of business

On 4 January 2006, the Company announced that BNM has informed that a wholly-owned subsidiary, Commerce Takaful Berhad, has been registered under Section 8 of the Takaful Act 1984, effective from 30 December 2005 to commence its General and Family Takaful business.

#### (c) Approval of transfer of shares to Commerce International Group (CIG)

On 18 January 2006, the Minister of Finance approved the transfer of all the shares of Commerce Assurance Berhad, Commerce Life Assurance Berhad and Commerce Takaful Berhad (collectively known as Licensees) held by the Company to CIG, a wholly owned subsidiary of the Company, pursuant to the restructuring of the insurance subsidiaries of the Group. CIG will function as the holding company of the Licensees.

#### (d) Acquisition on the entire business and undertaking of SBB, Conditional Voluntary Offer for all the ordinary shares of RM1.00 each in SBB ("SBB shares") and warrants 1996/2006 in SBB ("SBB warrants") not already held by the Company

On 13 February 2006, the Company made an offer to SBB for the acquisition of its entire business and undertaking for cash and served a conditional notice of Voluntary General Offer (VGO) to acquire all of the outstanding shares and warrants of SBB for cash and new Redeemable Convertible Unsecured Loan Stocks (RCULS) of the Company.

The VGO was conditional upon the sale of the entire business and undertaking of SBB to the Company. For the acquisition of SBB's entire business and undertaking, the Company offered a purchase consideration of RM4.08 per share.

On 15 March 2006, a revised conditional voluntary offer was made by the Company for all ordinary shares of RM1.00 each in SBB and Warrants 1996/2006 in SBB at a total cash consideration of RM6.7 billion, which was equivalent to RM4.30 per SBB share and RM2.56 per SBB warrant (Proposed SBB Acquisition). The consideration for the SBB shares was to be satisfied fully in cash or a combination of cash and RCULS at the shareholders' election. Post-acquisition of SBB, the Company will inject the entire business of SBB into CIMB Bank.

On 4 April 2006, the Company nominated CIMB Bank (then known as Bumiputra-Commerce Bank Berhad), a subsidiary of the Company, as the party to which the entire business and undertaking of SBB shall be simultaneously transferred pursuant to the Proposed SBB Acquisition (Proposed SBB Transfer).

The total consideration payable by CIMB Bank to the Company for the Proposed SBB Transfer shall be equivalent to offer consideration payable by the Company to SBB under the Proposed SBB Acquisition.

The acquisition of the entire business and undertaking of SBB was completed on 28 June 2006 while the VGO became unconditional on 14 June 2006.

On 1 November 2006, the entire business and undertaking of SBB was vested into CIMB Bank pursuant to an order of the High Court of Malaya.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)**

- (d) Acquisition on the entire business and undertaking of SBB, Conditional Voluntary Offer for all the ordinary shares of RM1.00 each in SBB (SBB shares) and warrants 1996/2006 in SBB (SBB warrants) not already held by the Company(Continued)**

The vesting order was satisfied with the issuance of RM1.3 billion redeemable preference shares by CIMB Bank, a cash payment of RM2.1 billion to the Company and the balance of RM3.3 billion owing by CIMB Group.

- (e) Acquisition by CIMB Group Sdn Bhd (“CIMB Group”) of all the assets and liabilities of CIMB Berhad (“CIMBB”) (CIMBB Acquisition);**

**Acquisition by CIMB Group of all the ordinary shares of RM1.00 each in CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad);**

**Acquisition by the Company of all ordinary shares of RM1.00 each in CIMB Group held by CIMBB after the CIMBB acquisition via a mandatory take-over offer; and**

**Section 176 Scheme of Arrangement involving CIMBB, the Company and other shareholders of CIMBB relating to capital repayment of cash or share alternative in the form of new ordinary shares of RM1.00 each to be issued by the Company (collectively referred to as the CIMBB scheme)**

On 20 March 2006, the CIMBB Scheme was completed following the listing and quotation of the 379,743,377 shares of the Company issued pursuant to the CIMBB Scheme.

CIMBB is now a dormant company with a share capital of RM2 comprising two (2) CIMBB Shares held by the Company.

The entire issued and paid-up share capital of CIMBB was removed from the Official List of Bursa Securities with effect from 6 April 2006.

- (f) Acquisition of 100% equity interest in CIMB-GK Securities (Thailand) Ltd (formerly known as BNP Paribas Peregrine Securities (Thailand) Ltd) from BNP Paribas, BNP Equities Asia Ltd and five individual shareholders of the Company**

On 27 April 2006, CIMB-GK Pte Ltd (CIMB-GK), a Singapore-incorporated wholly-owned subsidiary through CIMB Group completed the acquisition stated above.

- (g) Integration and rationalisation scheme**

(i) On 9 June 2006, CIMB Investment Bank completed the acquisition of the assets and liabilities of CIMB Discount House Berhad (CIMBDH). The business of CIMBDH is carried out by CIMB Investment Bank after the completion date of acquisition, CIMBDH has since surrendered its discount house license to BNM.

(ii) On the same date, CIMB Investment Bank completed the transfer of its corporate banking business and treasury operations and assets and certain of its liabilities to CIMB Bank.

The consideration was satisfied by CIMB Bank via the issuance of 314,385,600 new ordinary shares of RM1.00 each in CIMB Bank at the price of RM2.64 per share, being the audited consolidated NTA of CIMB Bank as at 31 December 2004.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

#### (g) Integration and rationalisation scheme (Continued)

- (iii) CIMB (L) Limited (CIMB(L)) proposes to transfer all its assets and liabilities to CIMB Bank (L) Limited (CIMB Bank (L)) (formerly known as Bumiputra-Commerce Bank (L) Limited).

The consideration for the transfer shall be at the net book value of the CIMB(L) Limited's assets less liabilities, save for investment in subsidiaries which shall be based on the respective net tangible asset values of the subsidiaries as at the completion date. The consideration will be satisfied by CIMB Bank (L) wholly in cash. The proposed transfer is pending completion.

- (iv) On 26 December 2006, Bank Negara Malaysia granted approval to CIMB Investment Bank to distribute RM500 million to its shareholder, CIMB Group Sdn Bhd, via the following:

- (a) declaration of net dividends of RM200 million out of its distributable reserves; and
- (b) a capital reduction of RM300 million involving the capitalisation of RM247.27 million of its reserve and RM33.488 million of its share premium account as fully paid bonus shares and the subsequent cancellation of those bonus shares together with part of the ordinary shares amounting to RM19.242 million.

The above exercise is pending completion.

#### (h) Proposed internal reorganisation involving the transfer of certain of the Company's direct operating subsidiaries to its wholly-owned subsidiary, CIMB Group

On 28 August 2006, the Company announced a proposed internal reorganisation whereby the Company shall transfer to CIMB Group its entire equity interests in the following companies:

- (a) all the Class B common shares of IDR 50 each in Bank Niaga representing approximately 65.03% of the equity in Bank Niaga as at 30 June 2006 (Proposed Bank Niaga Transfer).

The 123,237,856 Bank Niaga Shares representing approximately 1.03% of the equity in Bank Niaga as at 31 July 2006 (which are presently held by PT Commerce Kapital, a 99% subsidiary of the Company) shall continue to be held by PT Commerce Kapital subsequent to the completion of the Proposed Bank Niaga Transfer;

- (b) all the common shares USD10 each in Commerce Kapital representing 99% of the issued and paid-up Commerce Kapital Shares (Proposed Commerce Kapital Transfer).

The remaining 5,500 Commerce Kapital Shares representing 1% of the issued and paid-up Commerce Kapital Shares (which are presently held by CIMB Holdings Sdn Bhd, a wholly-owned subsidiary of CIMB Group), shall continue to be held by CIMB Holdings subsequent to the completion of the Proposed Commerce Kapital Transfer;

- (c) all the ordinary shares of RM1.00 each in Commerce International Group Berhad (CIGB) representing 100% of the issued and paid-up capital of CIGB; and

- (d) all the ordinary shares of RM1.00 each in Commerce Asset Ventures Sdn Bhd (CAV) representing 100% of the issued and paid-up capital of CAV.

The consideration for the above proposed transfers shall be determined based on the Company's equity interests in the respective companies multiplied by their net book value as at a cut-off date to be determined after obtaining all relevant approvals (Transfer Consideration). CIMB Group shall satisfy the Transfer Consideration by the issuance of an equivalent value of new CIMB Group ordinary shares of RM1.00 each in CIMB Group at par.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)****(h) Proposed internal reorganisation involving the transfer of certain of the Company's direct operating subsidiaries to its wholly-owned subsidiary, CIMB Group (Continued)**

The transfers of the shares of CIGB and CAV to CIMB Group were completed on 29 December 2006, while the transfer in (a) and (b) above are still pending completion.

**(i) Joint venture between CIMB Group and Yusuf Bin Ahmed Kanoo (Holdings) WLL to Establish CIMB-KANOO Islamic Investment Company BSC(C) in Bahrain**

On 28 June 2006, CIMB Group and Yusuf Bin Ahmed Kanoo (Holdings) WLL (Kanoo Group) established a joint venture entity in Bahrain, CIMB-KANOO Islamic Investment Company BSC(C) (CIMB-KANOO), in which both CIMB Group and Kanoo have a 50% equity interest each respectively.

The joint venture with the Kanoo Group in Islamic investment banking services in Bahrain strengthens CIMB Group's ability to participate in the future growth of the international Islamic financial market.

Pursuant to the establishment and incorporation of the joint venture, CIMB Group and Kanoo had on 5 June 2006 entered into a shareholders' agreement.

**(j) Proposed disposal of Southern Investment Bank Berhad (SIBB)**

On 22 November 2006, Bank Negara Malaysia approved in principle for CIMB Bank to commence negotiations with Hong Leong Financial Group Berhad and/or its subsidiaries for the proposed disposal of SIBB, a subsidiary of CIMB Bank, to Hong Leong Financial Group Berhad.

**(k) Transformation of CIMB Investment Bank from a Merchant Bank to an Investment Bank in accordance with the guidelines on investment banks issued jointly by the Securities Commission (SC) and BNM dated 1 July 2005 (Guidelines on Investment Banks)**

On 19 December 2006, CIMB Investment Bank obtained a dealer's licence from the Securities Commission.

On 21 December 2006, CIMB Investment Bank and CIMB Securities Sdn Bhd (CIMBS) obtained the sanction of the High Court of Malaya for the vesting of all the assets and liabilities (save for a liability pertaining to a legal suit) of CIMBS to CIMB Investment Bank. The assets and liabilities of CIMBS were vested to CIMB Investment Bank on 31 December 2006.

CIMB Investment Bank was registered as a Participating Organisation of Bursa Malaysia Securities Berhad and was admitted as an Authorised Depository Agent of Bursa Malaysia Depository Sdn Bhd and Trading Clearing Participant of Bursa Malaysia Securities Clearing Sdn Bhd with effect from 1 January 2007.

Accordingly, CIMB Investment Bank commenced operations as an investment bank with effect from 1 January 2007.

**(l) Disposal by subsidiary companies, Commerce Asset Ventures Sdn Bhd (CAV), Commerce Technology Ventures Sdn Bhd (CTV) and CIMB Private Equity Sdn Bhd (CIMB PE) of 84.71% equity interest in IMU Education Sdn Bhd (IMU) to Pintar Selalu Sdn Bhd (PSSB).**

On 27 December 2006, the Group completed the disposal of IMU for a cash consideration of RM84.71 million and RM1.47 million Class A Redeemable Preference shares with a par value of RM0.01 each in PSSB.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 53 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

#### (a) Proposed disposals by the Company of its equity interests in Commerce Life Assurance Berhad (CLAB), Commerce Takaful Berhad (CTB) and Commerce Assurance Berhad (CAB)

On 4 January 2007, the Company announced that it has accepted the following:

- (i) an offer from Aviva Asia Pte Ltd for the proposed disposals of the Company's 49% equity interests in both CLAB and CTB for a total cash consideration of RM500 million; and
- (ii) an offer from Allianz group for the proposed disposal of the Company's entire equity interest in CAB for a total cash consideration of RM490 million.

The above proposed disposals are still subject to regulatory approvals.

#### (b) Disposal by Southern Bank Berhad of its 100% equity interest in CIMB Wealth Advisors (formerly known as SBB Mutual Berhad) (CWA) and SBB Asset Management Berhad (SBB AM) to CIMB Principal Asset Management (CIMB-Principal), a 60% owned subsidiary

The disposals of SBB Mutual and SBB AM entail the disposal by SBB of its 100% equity interests in CWA and SBB AM to CIMB-Principal for a total cash consideration of RM481 million.

The disposal consideration was arrived on a willing buyer-willing seller basis after taking into consideration the assets under management (AUM) of SBB Mutual and SBB AM as well as the agency distribution network of CWA.

The above disposals were completed on 7 February 2007.

#### (c) Proposed transfer by SBB AM, 100% indirect owned subsidiary, of its entire business and undertaking to CIMB-Principal, 60% indirect owned subsidiary.

On 14 February 2007, CIMB-Principal entered into a conditional business transfer agreement (BTA) with SBB AM for the proposed transfer of SBB AM's entire business, including all assets and liabilities (excluding its licenses) to CIMB-Principal for a cash consideration equivalent to SBB AM's net book value at a transfer date to be fixed after obtaining all relevant approvals.

The proposed transfer is pending completion.

#### (d) Proposed placement of 117 million of the Company's shares with The Bank of Tokyo-Mitsubishi UFJ, Limited (BTMU).

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

The proposed placement is pending completion.

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

On 24 November 2006, CIMB Bank proposed to enter into a business transfer agreement with CIMB Islamic to transfer its entire Islamic banking business, which is operating under Section 124 of the Banking and Financial Institutions Act 1989 to CIMB Islamic after obtaining all relevant approvals.

On 28 February 2007, pursuant to the order of the High Court of Malaya, CIMB Bank's entire Islamic banking business was vested to CIMB Islamic in accordance with the terms and conditions of the business transfer agreement entered into between CIMB Bank and CIMB Islamic on 6 February 2007.

Notes to the Financial Statements  
for the financial year ended 31 December 2006

#### 54 CAPITAL ADEQUACY

(a) The capital adequacy ratios are as follows:

	The Group	
	2006 RM'000	2005 RM'000
Tier I capital	10,409,616	8,158,529
Eligible Tier II capital	5,015,018	3,690,372
	15,424,634	11,848,901
Less:		
Investment in subsidiaries and holding of other banking institutions' capital	(645,478)	(761,306)
Capital base	14,779,156	11,087,595
<b>Before deducting proposed dividends</b>		
Core capital ratio	9.59%	11.20%
Risk-weighted capital ratio	13.62%	15.23%
<b>After deducting proposed dividends</b>		
Core capital ratio	9.23%	11.12%
Risk-weighted capital ratio	13.26%	15.14%

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**54 CAPITAL ADEQUACY (CONTINUED)****(b) Components of Tier I and Tier II capital are as follows:**

	2006 RM'000	2005 RM'000
<b>Tier I capital</b>		
Paid-up capital	3,590,999	2,676,884
Non-cumulative guaranteed preference shares	1,500,000	-
Innovative Tier I Capital	698,728	-
Share premium	4,906,854	1,634,162
Other reserves	4,473,697	4,096,697
	15,170,278	8,407,743
Less:		
Deferred tax assets	(402,842)	(249,214)
Intangible assets	(392,745)	-
Goodwill	(3,965,075)	-
Total Tier I capital	10,409,616	8,158,529
<b>Tier II capital</b>		
ICULS issued	667,000	667,000
Subordinated notes issued	2,418,994	1,922,124
Subordinated loans	371,004	-
General allowance for bad and doubtful debts and financing	1,500,267	1,003,159
Others	57,753	98,089
Total eligible Tier II capital	5,015,018	3,690,372
Less:		
Investment in subsidiaries and holding of other banking institutions' capital	(584,959)	(761,306)
Investment in joint venture ^	(60,519)	-
Total Capital Base	14,779,156	11,087,595

^ In accordance with a circular by Bank Negara Malaysia dated 25 April 2006, CIMB Bank is required to deduct 50% of its investment in joint venture company, PCSB from the capital base for the purposes of computing capital adequacy ratio.

Notes to the Financial Statements  
for the financial year ended 31 December 2006

**54 CAPITAL ADEQUACY (CONTINUED)**

**(b) Components of Tier I and Tier II capital are as follows: (Continued)**

	The Group			
	2006		2005	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:				
0%	24,861,519	-	19,852,781	-
10%	606,892	60,689	1,008,559	100,856
20%	24,878,611	4,975,722	11,929,330	2,385,866
50%	19,751,620	9,875,810	13,604,068	6,802,034
100%	81,599,433	81,599,443	58,434,356	58,434,356
	<b>151,698,075</b>	<b>96,511,664</b>	<b>104,829,094</b>	<b>67,723,112</b>
Counterparty risk requirement		497		-
Total risk-weighted assets equivalent for credit risk		96,512,161		67,723,112
Total risk weighted assets equivalent for market risk		11,989,234		5,099,953
		<b>108,501,395</b>		<b>72,823,065</b>

The above capital adequacy ratio calculations are based on the guidelines issued by Bank Negara Malaysia to the banking institutions. Although the Company is not subject to the above guidelines, disclosure of the capital adequacy ratios are made on a voluntary basis.

The Group capital adequacy ratios above refer to those of the Company's banking subsidiaries CIMB Bank (including the operations of CIMB Bank (L) Limited (formerly known as Bumiputra-Commerce Bank (L) Limited), CIMB Investment Bank (including the operations of CIMB (L) Limited) and PT Bank Niaga Tbk.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**55 ACQUISITION/DISPOSAL OF SUBSIDIARIES****(a) Acquisition that took place during the year are as follows:****(i) Acquisition of Southern Bank Berhad Group**

On 28 June 2006, the Company acquired 100% of the issued share capital of SBB for a purchase consideration of RM6,686,014,000 satisfied by RM6,671,327,000 cash and RM14,687,000 RCULS.

The assets and liabilities arising from the acquisition of SBB Group on 28 June 2006 are as follows:

	<b>Acquiree's carrying amount at date of acquisition RM'000</b>	<b>Fair value adjustment RM'000</b>	<b>At fair value RM'000</b>
Cash and short-term funds	3,541,181	-	3,541,181
Deposits and placements with banks and other financial institutions	320,484	-	320,484
Securities held for trading	74,190	-	74,190
Available-for-sale securities	2,821,783	-	2,821,783
Held-to-maturity securities	440,845	-	440,845
Loans, advances and financing	22,156,020	-	22,156,020
Other assets	673,642	-	673,642
Statutory deposits with central banks	790,826	-	790,826
Property, plant and equipment	308,191	-	308,191
Intangible assets			
- Core deposits	-	263,612	263,612
- Credit card relationships	-	153,091	153,091
- Computer software	21,726	-	21,726
Deferred tax assets	321,033	(144,531)	176,502
Tax recoverable	-	62,987	62,987
	<b>31,469,921</b>	<b>335,159</b>	<b>31,805,080</b>
Deposit from customers	18,690,239	-	18,690,239
Deposit and placements of banks and other financial institutions	3,578,154	-	3,578,154
Obligations on securities sold under repurchase agreements	1,182,182	-	1,182,182
Derivative financial instruments	187,302	-	187,302
Bills and acceptances payable	790,654	-	790,654
Amount due to Cagamas Berhad	2,392,605	-	2,392,605
Other liabilities	503,255	-	503,255
Provision for taxation and zakat	5,511	-	5,511
Subordinated obligations	1,055,511	-	1,055,511
Redeemable preference shares	698,728	-	698,728
	<b>29,084,141</b>	<b>-</b>	<b>29,084,141</b>

Notes to the Financial Statements  
for the financial year ended 31 December 2006

## 55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

### (a) Acquisition that took place during the year are as follows: (Continued)

#### (i) Acquisition of Southern Bank Berhad Group (Continued)

The assets and liabilities arising from the acquisition of SBB Group on 28 June 2006 are as follows: (Continued)

	<b>At fair value RM'000</b>
<b>Net tangible assets acquired</b>	2,720,939
Goodwill on acquisition	3,965,075
Purchase consideration	6,686,014
Less: Settled by issuance by RCULS	(14,687)
Purchase consideration settled in cash	6,671,327
Cash and cash equivalents in SBB Group acquired	(3,541,181)
Cash outflow on acquisition	3,130,146

The acquired business contributed profit after tax of RM198 million to the Group for the period from 1 July 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, the acquired business would have contributed revenue (comprises net interest income, non-interest income and Islamic banking income) of RM1,300 million and loss after tax of RM393 million to the Group. These amounts have been calculated using the Group's accounting policies.

The goodwill is attributable to workforce of the acquired business and significant synergies expected to arise after the acquisition of SBB Group.

### (b) Acquisitions that took place in the prior year are as follows:

#### (i) Acquisition of Sesama Medical College Management Sdn Bhd ("SMCM")

On 17 October 2005, a subsidiary company of CIMB Berhad, CIMB Private Equity Sdn Bhd ("CIMB PE") has completed the acquisition of 25% equity interest in SMCM. The total purchase consideration of RM30 million has been settled via cash. As at the same date, a direct subsidiary company, Commerce Asset Ventures Sdn Bhd ("CAV") held, direct and indirect equity interest of 35.75% in SMCM. The Group's effective equity interest, jointly via the two subsidiaries was 53.62%.

The effects of the acquisition on the financial results of the Group during the financial year are as follows:

	<b>2005 RM'000</b>
Interest income	215
Interest expense	(261)
Net interest income	(46)
Non interest income	19,406
Overhead expenses	19,360
	(11,851)
Profit before taxation	7,509
Taxation	(2,703)
Increase in Group's net profit for the financial year	4,806

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)****(b) Acquisitions that took place in prior year are as follows: (Continued)****(i) Acquisition of Sesama Medical College Management Sdn Bhd (“SMCM”) (Continued)**

The effects of the acquisition on the financial results of the Group during the financial year are as follows: (Continued)

	<b>2005 RM'000</b>
Cash and short-term funds	18,255
Deposits and placements with banks and other financial institutions	7,000
Other assets	4,495
Fixed assets	96,598
Other liabilities	(36,054)
Current tax liabilities	(9,341)
Other borrowings	(13,054)
Increase in Group's net assets	67,899

Details of net assets acquired, goodwill and cash flows arising from the acquisition are as follows:

	<b>At date of acquisition RM'000</b>
Cash and short-term funds	21,727
Other assets	13,307
Fixed assets	96,197
Other liabilities	(36,607)
Deferred tax liabilities	(3,831)
Current tax liabilities	(8,188)
Other borrowings	(19,512)
Fair value of total net assets	63,093
Minority interest	(29,261)
Fair value of net assets acquired	33,832
Goodwill	33,671
Purchase consideration	67,503
Purchase consideration discharged by cash	67,503
Less: Cash and short-term funds acquired	(21,727)
Cash outflow on acquisition	45,776

Pursuant to the Malaysian Code on Take-Overs and Mergers, 1998, arising from the acquisition by CIMB PE, CIMB Berhad, on behalf of the two subsidiaries, has served a Notice of Unconditional Mandatory Offer (“the Offer”) to the remaining shareholders of SMCM. The remaining shares not held by them was offered at RM13.79 per the Offer share, eventually resulting in CIMB PE and CAV equity interest in SMCM to be 36.98% and 47.73% respectively. The Group's effective equity interest as at year end was 72.70%.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)****(b) Acquisitions that took place in prior year are as follows: (Continued)****(ii) Acquisition of the stockbroking businesses of G.K. Goh Holdings Limited (“GKGH”) by CIMB-GK Pte. Ltd (“CIMB-GK”), a wholly owned subsidiary of CIMBB**

A subsidiary company, CIMBB had on 13 January 2005 entered into a conditional Sale and Purchase Agreement (“SPA”) with GKGH for the acquisition of the stockbroking businesses from GKGH by CIMB-GK for a total cash consideration of SGD239.14 million (equivalent to approximately RM554.80 million).

The acquisition was completed in July 2005.

The effects of the acquisition on the financial results of the Group during the financial year are as follows:

	<b>2005</b> <b>RM’000</b>
Interest income	13,406
Interest expense	(8,536)
Net interest income	4,870
Non-interest income	109,413
	114,283
Overhead expenses	(87,563)
Profit before allowances	26,720
Allowance for other receivables	(367)
	26,353
Share of loss of associates	(1,504)
Profit before taxation	24,849
Taxation	(8,131)
Profit after taxation	16,718
Minority interest	(65)
Increase in Group’s net profit for the financial year	16,653

The effects of the acquisition on the financial position of the Group as at 31 December 2005 are as follows:

	<b>2005</b> <b>RM’000</b>
Cash and short-term funds	179,949
Securities held for trading	84,474
Loans, advances and financing	218,715
Other assets	411,077
Goodwill	144,813
Deferred tax assets	346
Investment in associates	9,435
Fixed assets	10,895
Other liabilities	(351,608)
Current tax liabilities	(23,666)
Other borrowings	(229,866)
Amount owing to ultimate holding company	(5,212)
Amount owing to holding company	(279,395)
Amount owing to subsidiary company	(21,948)
Increase in Group’s net assets	148,009

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)****(b) Acquisitions that took place in prior year are as follows: (Continued)****(ii) Acquisition of the stockbroking businesses of G.K. Goh Holdings Limited (“GKGH”) by CIMB-GK Pte. Ltd (“CIMB-GK”), a wholly owned subsidiary of CIMBB (Continued)**

Details of net assets acquired, goodwill and cash flows arising from the acquisition are as follows:

	<b>At date of acquisition RM'000</b>
Cash and short-term funds	128,490
Securities held for trading	105,218
Available-for-sale securities	3,171
Loans, advances and financing	213,355
Other assets	937,155
Deferred tax asset	215
Fixed assets	5,923
Amount due from related company	2,230
Amount due from holding company	7,878
Other liabilities	(934,586)
Deferred tax liabilities	(713)
Current tax liabilities	(9,784)
Other borrowings	(8,949)
Amount owing to related company	(3,670)
Amount owing to holding company	(44,584)
Fair value of net assets acquired	401,349
Goodwill	154,647
Purchase consideration	555,996
Purchase consideration discharged by cash	555,996
Less : Cash and short term funds acquired	(128,490)
Cash outflow on acquisition	427,506

**(iii) Acquisition of Commerce Technology Ventures Sdn Bhd**

On 1 March 2005, a subsidiary company, Commerce Asset Ventures Sdn Bhd has completed the acquisition of 100% equity interest in Commerce Technology Ventures Sdn Bhd.

Notes to the Financial Statements  
for the financial year ended 31 December 2006

**55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)**

**(b) Acquisitions that took place in prior year are as follows: (Continued)**

**(iii) Acquisition of Commerce Technology Ventures Sdn Bhd (Continued)**

The effects of the acquisition on the financial results of the Group during the financial year are as below:

	<b>2005 RM'000</b>
Interest income	10,393
Interest expenses	(3,913)
Profit before taxation	6,480
Taxation	(85)
Increase in Group's net profit for the financial year	6,395

The effects of the acquisition on the financial position of the Group as at 31 December 2005 are shown below:

	<b>2005 RM'000</b>
Cash and short-term funds	726
Deposit and placements with banks and other financial institutions	15,300
Securities held for trading	25,769
Available-for-sale securities	72,119
Other assets	14,142
Deferred tax assets	700
Tax recoverable	42
Other liabilities	(2,655)
Increase in Group's net assets	126,143

Details of net assets acquired, goodwill and cash flows arising from the acquisition are as follows:

	<b>At date of acquisition RM'000</b>
Cash and short-term funds	439
Deposit and placements with banks and other financial institutions	12,900
Securities held for trading	31,761
Available-for-sale securities	69,097
Other assets	5,105
Deferred tax assets	700
Tax recoverable	42
Other liabilities	(295)
Fair value of net assets acquired	119,749
Goodwill	(119,747)
Purchase consideration	2
Purchase consideration discharged by cash	2
Less: Cash and short-term funds acquired	(439)
Cash inflow on acquisition	(437)

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**55 ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)****(c) Disposal that took place during the year are as follows:****(i) Disposal of IMU Education Sdn Bhd (formerly known as Sesama Medical College Management Sdn Bhd ("IMU"))**

On 19 December 2006, the Group, through its wholly-owned subsidiaries, Commerce Asset Ventures Sdn Bhd, CIMB Private Equity Sdn Bhd and Commerce Technology Ventures Sdn Bhd, disposed of its 84.71% equity interest in IMU for a total consideration of RM202.84 million comprising the following:

- (i) RM84.71 million cash;
- (ii) RM0.07 million Class A Redeemable Preference Shares ("RPS") with a par value of RM0.01 each in the acquirer; and
- (iii) RM118.06 million Class B RPS with a par value of RM0.01 each in the acquirer.

The effects of the disposal on the financial position of the Group as at 31 December 2006 are as follows:

	<b>2006</b>
	<b>RM'000</b>
Cash and short-term funds	(23,654)
Other assets	(1,744)
Property, plant and equipment	(111,522)
Other liabilities	48,880
Current tax liabilities	868
Other borrowings	8,532
Identifiable net assets	(78,640)
Less: Minority interest	14,790
Identifiable net assets disposed	(63,850)
Less: Goodwill	(45,833)
	(109,683)
Net disposal proceeds	202,838
Gain on disposal before and after tax	93,155

The net cash flow on disposal was determined as follows:

Total proceeds from disposal – cash consideration	202,838
Expenses directly attributable to the disposal, paid in cash	-
Net disposal proceeds	202,838
Cash and cash equivalents of subsidiary disposed of	(23,654)
Net cash inflow on disposal	179,184

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

**(a) Impairment of available-for-sale securities**

The Group and the Company follow the guidance of revised BNM/GP8 on determining when an investment is other than temporarily impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of the investment is less than cost; and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

**(b) Allowance on loans, advances and financing**

The Group and the Company make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines, management makes judgement on the future and other key factors in respect of the recovery of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

**(c) Goodwill impairment**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note M of the Summary of Significant Group Accounting Policies.

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various business segments. The goodwill is then allocated to these various business segments. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the business segment, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the Group's cost of capital, which requires exercise of judgement.

Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

**(d) Intangible assets**

The Group's intangible assets that derive their value from contractual customer relationships and core deposits or that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

Determining the estimated useful life of these intangible assets requires an analysis of circumstances and judgement by the Group's management. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount: the higher of the assets' selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed in a binding agreement in an arms length transaction evidenced by an active market or recent transactions for similar assets.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

#### (d) Intangible assets (Continued)

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets' continued use, including those resulting from its ultimate disposal, at a market-based discount rate on pre-tax basis.

The value of intangible assets arising from the acquisition of SBB Group is set out in Note 18 to the financial statements.

### 57 CHANGE IN ACCOUNTING POLICIES

The list of new accounting standards, amendments to published standards and interpretations to existing standards that are effective for the Group and the Company's accounting periods beginning on or after 1 January 2006 is set out in Note A of the Summary of the Group Accounting Policies.

The following describes the impact of new standards, amendments and interpretations on the financial statements of the Group and the Company.

#### (a) Irrelevant or immaterial effect on financial statements

The adoption of FRS 1, 5, 102, 108, 110, 116, 127, 128, 131, 132, 133, the 'asset ceiling' amendment of FRS 119<sub>2004</sub> did not have a material impact on the financial statements of the Group and Company. In summary:

- FRS 1 and the amendment to FRS 119<sub>2004</sub> are not relevant to the Group and the Company operations.
- FRS 5 requires the Group and the Company to continue to depreciate its property, plant and equipment where assets identified for disposal do not meet the criteria set out by that standard; previously, depreciation ceased when the Board has plans to sell the assets.
- FRS 102, 108, 110, 116, 127, 128, 131, 132, 133 and ICs had no material effect on the Group and the Company's policies.

#### (b) Reclassification in current year balances and effect on prior year comparatives

Set out below are changes in accounting policies that resulted in reclassification of prior year comparatives but did not affect the recognition and measurement of the Group and the Company's net assets:

- FRS 101 has effected the presentation of minority interest. In the consolidated balance sheet, minority interest is now presented within equity, separately from parent shareholders' equity. Profit or loss in the consolidated income statement as well as total income and expenses for the year recognised directly in equity are now allocated between minority interest and equity holders of the parent.
- Under FRS 101, the Group's share of results of jointly controlled entity and of associates are now shown net of tax.
- FRS 138 has resulted in the reclassification of computer software (that is not an integral part of computer hardware) from property, plant and equipment to intangible assets.
- FRS 140 has resulted in the reclassification of properties held for the intention to earn rentals or for capital appreciation or both from property, plant and equipment to investment property.

#### (c) FRS 3 'Business Combinations', FRS 136 'Impairment of Assets' and FRS 138 'Intangible Assets'

##### (i) Goodwill

The adoption of FRS 3, 136 and 138 resulted in a change in the accounting policy for goodwill prospectively from 1 January 2006.

Until 31 December 2005, goodwill was amortised on a straight line basis over a period of 25 years and assessed for an indication of impairment at each balance sheet date.

In accordance with the provision of FRS 3:

- the Group ceased amortisation of goodwill from 1 January 2006;
- accumulated amortisation as at 31 December 2005 has been eliminated with a corresponding decrease in the cost of goodwill;
- from 1 January 2006 onwards, goodwill is stated at cost less accumulated impairment, and is tested annually for impairment, as well as when there are indications of impairment.

Notes to the Financial Statements  
for the financial year ended 31 December 2006

## 57 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

### (c) FRS 3 'Business Combinations', FRS 136 'Impairment of Assets' and FRS 138 'Intangible Assets' (Continued)

#### (i) Goodwill (Continued)

As this standard is applied prospectively, there is no impact on the prior year's consolidated financial statements.

#### (ii) Business combinations

##### (a) Purchased method

The adoption of FRS 3, 136 and 138 also resulted in a change in the accounting policy for business combinations with agreement dates on/after 1 January 2006 which has been applied in the acquisition of the entire equity interest in SBB Group.

Previously, where shares were issued as cost of a business combination, the measurement of the shares issued were that valued by independent advisers and agreed upon by the parties to the acquisition. Under FRS 3, fair value of the shares at the date of exchange is used instead.

Previously, intangible assets acquired in a business combination are recognised if, and only if, the probability recognition criteria was met. Under FRS 3, the probability recognition criteria for intangible assets is always considered to be satisfied. In addition, the cost of the business combinations is now allocated to contingent liabilities of the entity acquired.

#### (d) Effect of changes in accounting policies for the financial year ended 31 December 2006:

The following discloses the adjustments that have been made in accordance with the new provisions of the respective FRSs to the income statement, balance sheet and equity of the Group and the Company for the financial year ended 31 December 2006.

The adoption of FRS 3, 138 and 140 resulted in:

	The Group RM'000	The Company RM'000
<u>Income statement</u>		
Net decrease in overhead expenses	44,214	-
- decrease in amortisation of goodwill	103,663	-
- increase in amortisation of intangible assets	59,449	-
<u>Balance sheet</u>		
Net decrease in goodwill	313,041	-
Increase in intangible assets	527,282	-
Increase in investment properties	62,982	4,840
Decrease in property, plant and equipment	168,537	4,840
<u>Equity</u>		
Increase in retained profit	44,214	-

The impact to basic and fully diluted earnings per share is not significant.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**57 CHANGE IN ACCOUNTING POLICIES (CONTINUED)****(e) Restatement of income statement for the financial year ended 31 December 2005:**

The following discloses the adjustments that have been made in accordance with the transitional and new provisions of the respective FRSs to each of the line items in the Group's income statement for the financial year ended 31 December 2005.

Group	As previously reported RM'000	Reclassification Note 57(b) RM'000	As restated RM'000
Interest income	6,025,130	-	6,025,130
Interest expense	(3,038,883)	-	(3,038,883)
Net interest income	2,986,247	-	2,986,247
Income from Islamic banking operations	24,101	-	24,101
Non-interest income	1,712,632	-	1,712,632
	4,722,980	-	4,722,980
Overhead expenses	(2,278,099)	-	(2,278,099)
Profit before allowances	2,444,881	-	2,444,881
Allowances for losses on loans, advances and financing	(1,021,863)	-	(1,021,863)
Allowance for other receivables	(16,612)	-	(16,612)
Provision for commitments and contingencies	(684)	-	(684)
Impairment of available-for-sale securities	(100,636)	-	(100,636)
	1,305,086	-	1,305,086
Share of loss of jointly controlled entities	(1,824)	(870)	(2,694)
Share of profit of associates	10,223	(2,648)	7,575
Profit before taxation and zakat	1,313,485	(3,518)	1,309,967
Taxation	-	(280,718)	(280,718)
- Company and subsidiaries	(280,718)	280,718	-
- Jointly controlled entities	(870)	870	-
- Associates	(2,648)	2,648	-
- Zakat	(22)	-	(22)
Profit after taxation	1,029,227	-	1,029,227
Minority interest	(202,402)	202,402	-
Net profit for the financial year	826,825	202,402	1,029,227
Attributable to:			
Equity holders of the ultimate holding company	-	826,825	826,825
Minority interest	-	202,402	202,402
	-	1,029,227	1,029,227

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 57 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

#### (f) Restatement of balance sheets for the financial year ended 31 December 2005:

The following discloses the adjustments that have been made in accordance with the transitional and new provisions of the respective FRSs to each of the line items in the Group and the Company's balance sheets as at 31 December 2005.

	As previously reported RM'000	Reclassification Note 57(b) RM'000	As restated RM'000
<b>Group</b>			
<b>Assets</b>			
Property, plant and equipment	940,258	(180,230)	760,028
Investment property	-	63,262	63,262
Intangible assets	-	116,968	116,968
<b>Company</b>			
<b>Assets</b>			
Property, plant and equipment	82,137	(4,964)	77,173
Investment property	-	4,964	4,964

### 58 USE OF FINANCIAL INSTRUMENTS

#### A Financial risk management objectives and policies

The Group's financial risk management policy is adopted from the Company and the main operating subsidiaries risk management policies. Various initiatives and developments have been formed at the Company and operating subsidiaries in order to identify, measure, control and monitor all identifiable risks.

The Group operates within a clearly defined set of principles and guidelines that are approved by the Board. Various working committees were formed at the operating subsidiaries in carrying out the process to ensure that all identifiable risks are addressed and managed adequately.

The main areas of financial risks faced by the Group and the policies to address these financial risks in respect of the Company and the major areas of banking activities represented by the commercial banks, namely CIMB Group and PT Bank Niaga Tbk are set out as follows:

#### **The Company**

##### **Market risk**

The Company's market risk exposures arise mainly from placement of cash at banking subsidiaries such as CIMB Bank, PT Bank Niaga and placement of funds managed by CIMB-Principal Asset Management Berhad. For these placements, market risk is mitigated by risk management framework and regulated investment policies and procedures that exist at the respective subsidiaries. The performance of respective placements is monitored via the monthly statements and reports submitted and acknowledged by the management.

##### **Credit risk**

Credit risk is the risk of loss due to the failure of a counter party to meet its financial obligations due to the Company.

Except for intercompany balances, the Company is not exposed to any other significant credit risk.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 58 USE OF FINANCIAL INSTRUMENTS

#### A Financial risk management objectives and policies (Continued)

##### The Company (Continued)

##### Liquidity risk

Liquidity risk is the risk where the Company is unable to meet its obligations when they fall due.

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Company and any potential strategic investments.

##### Operational risk

Operational risk arises from inadequacies or failure in internal processes and controls due to fraud, errors, inefficiencies, systems failures or external events.

In order to reduce or mitigate these risks, the Company established and maintained an internal control environment, which incorporates various control mechanisms at different levels throughout the organisation. These control mechanisms ensure that operational policies and procedures are being adhered to. The responsibilities to oversee compliance with internal control has been delegated to Group Internal Audit Division.

##### CIMB Group

Risk management is an integral part of CIMB Group's business and activities. The extent to which the Group is able to identify, assess, monitor and manage each of the various types of risk is critical to its soundness and profitability. The Group has reviewed its risk management processes against the backdrop of its functional transformation into a full-fledged transaction-based investment bank. In the process, the Group has rationalised the overlaps between the risk management tasks assumed by individual business units with that of the centralised risk oversight function. The Group's risk management is applied on an enterprise-wide basis, ensuring a consistent approach across the Group, as well as ensuring continuous evaluation. The risk management of the Group is independent of the Group's operating units and reports to the Board of the Group on a regular basis. New businesses, products, activities and entry into new markets are not embarked upon, unless approved by the Group Risk Committee.

Generally, the objectives of the Group's integrated risk management framework are to:

- identify the various exposures and operational requirements;
- establish the policies and procedures to measure, monitor, manage and report these exposures, and to ensure that they are within the Group's risk profile as approved by the Board of the Group; and
- set out the appropriate responsibilities and structures required in the risk management process.

##### **An integrated risk management and control framework**

CIMB Group adopts the enterprise-wide risk management framework ('EWRM') to manage its risks, which is implemented by a number of committees. The EWRM framework involves the on-going process of identifying, assessing, managing and reporting significant risks that may affect the achievement of its business objectives. This robust methodology equips the Board of the Group and the Management with a comprehensive tool-kit to anticipate and manage both existing and potential risks, taking into consideration changes in the risk profile experienced in the industry and within the Group.

The Group employs a Capital-at-Risk ('CaR') framework as a common measure of risk within CIMB Group. The CaR framework focuses on economic capital needed in CIMB Group to cushion against unexpected losses. CaR can be aggregated, thus allowing measurement of CIMB Group's total risk, and it provides a basis for risk-return consideration, and hence limits for risk-taking can be computed and put in place. Risk capital is allocated to business units that utilise CIMB Group's balance sheet. The CaR framework also forms the basis of return on risk-adjusted-capital, which is used by CIMB Group to compare profitability across differing businesses and for performance measurement.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 58 USE OF FINANCIAL INSTRUMENTS

#### A Financial risk management objectives and policies (Continued)

##### CIMB Group (Continued)

##### Role of senior management

In line with best practices in corporate governance, the Board Risk Committee determines the risk policy objectives for CIMB Group, and assumes ultimate responsibility for risk management. The Board Risk Committee also establishes yearly allocation of risk capital to support all risks undertaken by the Group. The day-to-day responsibility for risk management and control however, is delegated to the Group Risk Committee, which reports directly to the Board Risk Committee. Sub-committees delegated from the Group Risk Committee are also in place to manage and control specific risk areas.

These sub-committees have been delegated specific responsibilities which are clearly defined in each of their terms of references. These committees have their specific scope of coverage and report to the Board of the Group with their recommendations. The Board Risk Committee, reports directly to the Board of CIMB Group, and oversees the entire EWRM as well as provides strategic guidance and review decisions made by the various risk committees. The Group Risk Committee, comprising senior management of CIMB Group, undertakes the oversight function for capital allocation and overall risk limits, guided by the risk appetite defined by the Board of the Group. The Group Risk Committee is further supported by four (4) specialised sub-committees, namely, Market Risk Committee, Credit Risk Committee, Liquidity Risk Committee and Operational Risk Committee.

The roles and responsibilities of the committees and sub-committees are as follows:

##### **Board Risk Committee ('BRC')**

- Reviews and approves risk policies and strategies, and new products
- Oversees entire risk management function

##### **Group Risk Committee ('GRC')**

- Reviews and advises on risk policies and strategies
- Oversees management of risk, capital allocation and asset liability management process across CIMB Group

##### **Credit Risk Committee ('CRC')**

- Credit approval authority
- Oversees counterparty, industry sector, product exposures and sets credit support standards

##### **Market Risk Committee ('MRC')**

- Oversees exposure to market risks
- Approves proprietary trading activities and investments/underwriting arrangements with defined limits

##### **Liquidity Risk Committee ('LRC')**

- Reviews trends in the Group's overall liquidity risk profile

##### **Operational Risk Committee ('ORC')**

- Oversees issues relating to the CIMB Group's operational risk and internal control environment

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 58 USE OF FINANCIAL INSTRUMENTS

#### A Financial risk management objectives and policies (Continued)

##### CIMB Group (Continued)

##### Key activities

CIMB Group's EWRM process rests with a number of management committees. The purpose of each committee is to identify, analyse, monitor and review the principal risks to which the Group is exposed. Essentially, these are:

- market risk - arising from changes in market prices such as interest rates, exchange rates and share prices;
- credit risk - relating to the quality of counterparties with whom the Group deals with, as well as their potential for defaults;
- liquidity risk - relating to the funding of the Group's activities; and
- operational risk - relating to actual and potential losses arising from a breakdown in controls, and the implementation of safeguards to ensure the proper functioning of people, systems and facilities. This includes legal and regulatory issues, and the need to ensure that all work undertaken by the Group meets the strictest standards of legislation and documentation.

The primary oversight body is the Group Risk Management ('GRM'), which comprises the Risk Management and Analytics ('RMA'), Risk Middle Office ('RMO'), Credit Rating and Analytics ('CRA'), Credit Risk Management ('CRM') and Business Credit Management ('BCM'), which are independent of the Group's business units. Group Risk Management assists senior management and the various risk committees in monitoring, reporting and controlling the Group's risk exposures and is the secretariat of the various committees.

##### The roles of GRM

The key responsibilities of GRM are to identify, analyse, monitor, review and report the principal risks to which the Group is exposed. It also helps to create shareholder value through proper allocation of risk capital, development of risk-based pricing framework and facilitate development of new business and products.

RMA monitors risk-taking activities, initiates and proposes risk policies, risk measurement methodologies, risk limits and risk capital allocation. This is in order to aggregate and control credit, market and operational risks across the enterprise. RMA also performs independent review of loan assets quality and loan recovery plan, independent valuation of the trading portfolios and develops the risk-based product pricing framework for loan portfolios. RMO aims to champion the Market Risk framework and ensures that Risk Committee's directives are carried out. Key responsibilities include reviewing and analysing treasury trading strategy, positions and activities vis-à-vis changes in the financial market. Other functions include coordinating new products, monitoring limits usage and assessing limits adequacy, performing mark-to-market as part of financial valuation and maintaining partnership with Global Treasury.

CRA focuses on the development of credit rating models and credit scorecard cards. The responsibilities include monitoring the performance of rating models and scorecard and performing model back testing. CRA is also responsible for the Project Management Office for Basel II implementation.

CRM carries out independent assessment of all credit risk related proposals originating from the various business units such as loans and advances, fixed income, derivatives, sales and trading, prior to submission to the Credit Risk Committee (CRC), EXCO or Board for approval. CRM also reviews the Group's holdings of all fixed income assets and recommends the internal ratings for CRC's approval. CRM is the secretariat for CRC.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**58 USE OF FINANCIAL INSTRUMENTS****A Financial risk management objectives and policies (Continued)****CIMB Group (Continued)****The roles of GRM (Continued)**

BCM approves all types of credit extension up to a limit of RM5 million per application (subject to total Group exposure not exceeding RM25 million). BCM also provides guidance and feedback to those involved in credit initiation, and is responsible for tracking and analysing loans which turn NPL within one (1) year of approval.

On an annual basis, RMA proposes the global CaR limit to GRC and BRC for approval. This limit is allocated by the GRC to the various businesses of CIMB Group through MRC and CRC. The appropriate market and credit allocations are given by the various business units to execute their business plans each year. GRC also ensures that CIMB Group's aggregate risk exposure does not exceed the global CaR limit approved by the BRC.

**Market risk**

Market risk is defined as any fluctuation in value of a portfolio, resulting from changes in market prices and market parameters, such as interest rates, exchange rates and share prices.

Market risk can arise either from customer-related businesses or from proprietary positions, due to the Group's trading activities. The Group makes markets in debt securities as well as in interest rate and currency derivative instruments, while equity proprietary activities are carried out by the Group itself, its broking arm and offshore subsidiary. In general, the Group hedges its trading positions by employing a variety of strategies, including the use of derivative instruments.

The Group manages market risk through risk limits set by the GRC. GRC is assisted by MRC, whose role amongst others, is to oversee the Group's exposure to market risk and to evaluate trading, investment and underwriting proposals within defined limits. The utilisation of market risk limits is reviewed on a daily basis by RMA, which employs statistical methods to measure and monitor risks associated with the Group's trading activities. RMA, together with the RMO, also provides independent valuation of portfolios and generates daily and weekly risk position reports for the information of the GRC.

The Group has adopted a Value-at-Risk ('VaR') approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur due to movements in market rates and prices over a specified time horizon within a given confidence level. Duration-weighted gap VaR and various other multi-factor models are also employed to assess market risk.

**Credit risk**

Credit and counterparty risk is defined as the possibility of losses due to an unexpected default or a deterioration of creditworthiness of a business partner.

Credit risk arises in many of the Group's business activities. In lending activities, it occurs primarily through loans as well as commitments to support clients' obligations to third parties, i.e. guarantees. In sales and trading activities, credit risk arises as a result of the possibility that the Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivatives activities, credit risk arises when counterparties to derivatives contracts, such as interest rate swaps, are obligated to pay the Group the positive fair value or receivable, resulting from the execution of contract terms.

CRC ensures that the risk exposures undertaken match the risk appetite of the Group, and that proper authorisation procedure are followed. Problematic exposures identified by the business units and Management are carefully monitored and proactive measures taken, to minimise any potential loss to the Group.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 58 USE OF FINANCIAL INSTRUMENTS

#### A Financial risk management objectives and policies (Continued)

##### CIMB Group (Continued)

##### **Credit risk (Continued)**

Potential credit exposures are evaluated by CRC and are monitored against approved limits on a regular basis. The mitigation of credit risk exposures adopted by CIMB Group includes restricting concentration of risks to any one large sector/industry, or to a particular counterparty group or individual, the application of single customer limit, as well as assessing quality of collateral.

The Group also enters into master agreements that provide for close-out and settlement netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. It enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

The extent to which the Group's overall exposure to credit risk is reduced through a master netting arrangement may change substantially within a short period following the balance sheet date because the exposure is affected by each transaction subject to the agreement.

The Group has issued a board-approved Credit Risk Policy Guide, which outlines risk limits, risk pricing, and credit risk rating and measurement, reporting and management information system. Key business unit's policies and procedures have been documented and approved by the Board for application across the Group. Regular reviews and updates are performed to ensure that the documentation is current.

The Group has established an internal rating system for corporate and business loans that enables credit officers to categorise the credit risk of individual credit, assists them in making informed decisions on approval and pricing of loans. Additionally, it assists in tracking and monitoring loans at a portfolio basis. For retail exposures, which are defined as large homogeneous portfolios of low values, where the incremental risk of any exposure is small, a credit scoring system is employed.

##### **Liquidity risk**

Liquidity risk is defined as the risk of the Group being unable to fulfil its current or future payment obligations in full and at the due date. The LRC, whose main role is to oversee the overall liquidity management of the Group, ensures compliance with the liquidity framework prescribed by BNM, and reviews periodically the assumptions of the liquidity risk management framework.

The Group's liquidity risk management focuses on avoiding over dependence on volatile sources of funding, diversification of sources of funds, and maintenance of sufficient liquid assets. To ensure the Group is able to cover all payment obligations on due dates as part of the liquidity management process, RMA prepares liquidity analyses in line with BNM's liquidity framework. In addition, management action triggers are set to provide early warning on emerging liquidity pressures. The Group has also developed a contingency funding plan to deal with extreme liquidity crisis situations.

In summary, methods employed in managing liquidity risks by the Group are aimed at providing early warning signals on liquidity pressure as well as the severity of potential exposures.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 58 USE OF FINANCIAL INSTRUMENTS

#### A Financial risk management objectives and policies (Continued)

##### CIMB Group (Continued)

###### Operational risk

Operational risk includes risks arising from internal processes of an organisation. These may result from inadequacies or failures in processes and controls or in projects, fraud, unauthorised activities, error, omission, inefficiency, systems failure or from external events. Operational risks are less direct than credit and market risks, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes and complexity. In order to mitigate these risks, the Group has established and maintained an effective internal control environment, which incorporates various control mechanisms at different levels throughout the organisation. These control mechanisms are designed to better ensure compliance of policies and procedures and that the Group's various businesses are operating within established corporate policies and limits. ORC has an oversight responsibility for all operational and other matters that affect the Group's day-to-day activities. ORC also reviews the operating policies and procedures for new products and businesses, to ensure that the supporting infrastructure is in place prior to business launching, as well as conducting investigations on any malfunctions to determine the root causes and following up with remedial measures.

##### PT Bank Niaga Tbk ("Bank Niaga")

###### Market risk

Market risk involves the possibility of losses incurred from changes in interest rate and foreign exchange rate due to market volatility. Bank Niaga monitors these changes and their impact on its portfolios as well as net open positions as part of its market risk management, through the Market Risk Committee ("Marco").

Marco defines acceptable limits on trading exposures, including daily net open position limits and potential losses on current positions. Factors considered in setting these position limits include risk and return levels acceptable by management. Position limits are reviewed at least once a year, although in periods of extreme volatility they are scrutinised more often or suspended altogether momentarily.

Trading limits are monitored daily on a mark-to-market basis and by applying the VaR concept. Thus, by keeping track of its daily VaR, Bank Niaga is in a position to liquidate its gap, which indicates a potential loss greater than the allowable limits.

Bank Niaga is recently implementing Treasury & Risk Management System Automation. The system which covers front, middle and back office enables Bank Niaga to have more efficient and effective treasury and market risk management.

###### Credit risk

Bank Niaga's credit policy is used as the main guidance in granting loan. All personnel concerned with credit, including Board of Commissioners and Directors are required to understand these policies and have the discipline to implement these policies in their daily activities. Credit risk is managed based on the review of:

- (1) The diversification of credit risk and portfolio (business segment/industry sector/largest borrowers composition).
- (2) Credit policy and procedure (including target market and risk acceptance criteria).
- (3) Adequacy of provisions for loan losses.
- (4) Other major risk indicators and methods of credit risk measurement.

The credit strategy and goal setting are planned and established by the Credit Risk and Policy Committee who is also responsible for managing credit portfolio and credit risk. The Credit Risk and Policy Committee meets at least 6 times a year and is chaired by Director of Compliance and Risk Management and attended by the President Director and the other Board of Senior Executive members.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 58 USE OF FINANCIAL INSTRUMENTS

#### A Financial risk management objectives and policies (Continued)

##### PT Bank Niaga Tbk (“Bank Niaga”) (Continued)

##### Credit risk (Continued)

The main factor that can control and reduce credit risk is the ability and maturity level of the credit units to analyse the credit, which will eventually result in a balance between credit risk and business development considerations.

##### Liquidity risk

The Asset and Liability Committee (“ALCO”) is responsible for directing liquidity and asset-liability management position. The committee meets with business, treasury, credit and other relevant units on a monthly basis to ensure that Bank Niaga’s liquidity objectives are met.

Bank Niaga sets the interest rate through interest sensitivity gap simulation and adjustment between the interest rate of asset and liability and source of fund composition.

Bank Niaga manages its liquidity by focusing on cash inflow and cash outflow. The gap in cash flow is anticipated through its first tier assets such as reserve requirements and highly liquid short-term marketable securities. Second-tier assets are managed through short-term placements with other banks and available-for-sale long term marketable securities. Liquidity is also achieved through prudent structuring of Bank Niaga’s funding. This includes maintaining proper check and balances in the concentration of the depositors, as well as the amount and maturity of deposits. In addition, Bank Niaga assures liquidity by maintaining its ability to access the financial market, which in large is dependent upon its credibility and market standing.

##### Operational Risk

Bank Niaga’s Operational and Information Risk Committee (“OIRC”) which meets at least four times a year and is chaired by the Director of IT and System with participation by the Board of Senior Executives and selected Group Heads. OIRC’s function includes, amongst others, defining the roles and responsibilities for managing and reporting operational risks. In keeping with governance structure, the Risk Taking Units (“RTU”) are responsible for all the operational risks within the business. Such risks are managed through bank-wide or business segment specific policies and procedures, operational risk limits, controls and monitoring tools. To manage operational risks, Bank Niaga maintains a specialised Control Unit to assist the RTUs to monitor all operational risk exposures from transactions on daily basis, and to ensure that the execution of transactions complies with the policies, procedures and limits established by senior management and adhere to Accounting Principle and Standards applied. Operational Risk Management unit, working in conjunction with senior business segment executives developing key tools to help manage, monitor and summarise operational risks. Internal Audit unit attests internal control systems effectiveness, including those of operational risks.

Bank Niaga has implemented Key Risk Indicators as well as Control Risk Self Assessment (“CRSA”) as a tool to identify a specific operational risk profile (high risk potential) for business lines. Bank Niaga’s CRSA is also used for identifying emerging operational risk issues and determining how they should be managed. Focus is on business efficiency and improvement of control. Bank Niaga continuously reviews Risk Library and if necessary, revises its policies, procedures and risk limits to mitigate operational risks arising from data reconciliation process, money-laundering activities, transaction processing, systems interruptions, fraud management and new product introduction processes. Bank Niaga continues its efforts to minimise operational risk associated with communication, security, data and processing systems through the development of back-up systems, emergency plans and enhanced information technology (“IT”) capability. To strengthen its operational risk management capability, Bank Niaga always places great importance in its personnel management practices and employee development specially on the implementation and enforcing good ethics and integrity as stated in Bank Niaga’s code of conduct. Bank Niaga engages in regular employee training to help limit the operational defects or mistakes. Where appropriate, Bank Niaga purchases insurance against operational risks.

Going forward, Bank Niaga is in the process of enhancing operational risk management practices through development of additional operational risk management tools, including Loss Event Database and Risk Dashboard.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 58 Use of financial instruments (CONTINUED)

## B Interest rate risk

The tables below summarise the Group's and the Company's exposure to interest rate risks. Included in the tables are the Group's and the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time, the Group and the Company may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheets. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Group  
2006

	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
<b>Assets</b>								
Cash and short-term funds	18,486,342	-	-	-	-	3,048,342	-	21,534,684
Securities purchased under resale agreements	269,911	1,863,099	349,643	-	-	-	-	2,482,653
Deposits and placements with banks and other financial institutions	1,123,742	2,972,877	687,181	73,318	-	-	-	4,857,118
Securities held for trading	-	-	-	-	-	71,858	13,906,882	13,978,740
Available-for-sale securities	190,171	124,427	903,107	3,905,618	2,454,544	1,645,856	-	9,223,723
Held-to-maturity securities	11,525	61,845	244,354	203,816	1,420,063	98,459	-	2,040,062
Derivative financial instruments	-	-	-	-	-	441,814	1,232,111	1,673,925
Loans, advances and financing - performing	53,888,367	13,496,384	7,070,579	7,968,564	4,306,764	-	-	86,730,658
- non-performing	-	-	-	-	-	3,604,101	-	3,604,101
Other assets	57,237	1,148	1,563	320	45	3,903,143	993	3,964,449
Deferred tax assets	-	-	-	-	-	433,063	-	433,063
Tax recoverable	-	-	-	-	-	372,322	-	372,322
Statutory deposits with central banks	-	-	-	-	-	2,249,347	-	2,249,347
Investment in associates	-	-	-	-	-	129,207	-	129,207
Jointly controlled entities	-	-	-	-	-	157,731	-	157,731
Property, plant and equipment	-	-	-	-	-	1,081,505	-	1,081,505
Investment properties	-	-	-	-	-	62,982	-	62,982
Goodwill	-	-	-	-	-	4,503,692	-	4,503,692
Intangibles assets	-	-	-	-	-	527,282	-	527,282
<b>Total assets</b>	74,027,295	18,519,780	9,256,427	12,151,636	8,181,416	22,330,704	15,139,986	159,607,244

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 58 Use of financial instruments (CONTINUED)

## B Interest rate risk (Continued)

	The Group 2006							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
<b>Liabilities</b>								
Deposits from customers	49,305,989	17,884,846	17,921,453	4,767,761	64,088	14,624,578	-	104,568,715
Deposits and placements of banks and other financial institutions	1,289,658	3,192,263	1,262,031	882,500	365,000	30,327	-	7,021,779
Derivative financial instruments	182,515	-	-	-	-	448,160	1,525,675	2,156,350
Obligations on securities sold under repurchase agreements	5,413,570	247,578	1,381	-	-	-	-	5,662,529
Bills and acceptances payable	1,218,596	1,968,973	584,443	-	-	723,550	-	4,495,562
Floating rate certificates	211,800	-	-	-	-	-	-	211,800
Other liabilities	-	106	-	-	-	7,568,812	-	7,568,918
Deferred tax liabilities	-	-	-	-	-	2,086	-	2,086
Current tax liabilities	-	-	-	-	-	209,800	-	209,800
Amount due to Cagamas Berhad	91,050	85,587	907,777	2,581,410	-	-	-	3,665,824
Loan stocks	-	-	-	41,610	-	-	-	41,610
Bonds	-	-	82,182	702,345	-	-	-	784,527
ICULS - detachable coupons	-	-	-	32,982	-	-	-	32,982
RCULS	-	-	-	14,199	-	-	-	14,199
Other borrowings	172,454	1,494,200	1,329,122	3,999,216	-	20,269	-	7,015,261
Redeemable preference shares	-	-	-	-	698,728	-	-	698,728
Subordinated Notes	-	-	300,000	2,467,254	-	-	-	2,767,254
<b>Total liabilities</b>	57,885,632	24,873,553	22,388,389	15,489,277	1,127,816	23,627,582	1,525,675	146,917,924
<b>Total interest rate sensitivity gap</b>	16,141,663	(6,353,773)	(13,131,962)	(3,337,641)	7,053,600	-	13,614,311	-

^ Includes specific allowances and general allowances of RM4,879,113,000 (2005: RM3,479,664,000).

## Notes to the Financial Statements

for the financial year ended 31 December 2006

58 Use of financial instruments (CONTINUED)  
 B Interest rate risk (Continued)

	The Group 2005							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds	9,987,919	-	-	-	-	2,090,226	-	12,078,145
Securities purchased under resale agreements	1,392,935	2,830,870	249,758	-	-	-	-	4,473,563
Deposits and placements with banks and other financial institutions	165,453	533,677	655,009	813	-	-	-	1,354,952
Securities held for trading	-	-	-	-	-	-	9,556,127	9,556,127
Available-for-sale securities	1,451,248	578,594	753,224	2,349,336	1,744,323	882,624	-	7,759,349
Held-to-maturity securities	52,767	542,276	181,769	370,505	1,273,192	-	-	2,420,509
Derivative financial instruments	68,063	-	202	-	-	-	317,475	385,740
Loans, advances and financing								
- performing	36,018,312	4,411,626	9,006,600	8,761,252	8,071,356	-	-	66,269,146
- non-performing	-	-	-	-	-	2,826,734	-	2,826,734
Other assets	257,650	852	484	661	59	2,044,776	107,263	2,411,745
Deferred tax assets	-	-	-	-	-	359,478	-	359,478
Tax recoverable	-	-	-	-	-	281,355	-	281,355
Statutory deposits with central banks	-	-	-	-	-	1,659,940	-	1,659,940
Investment in associates	-	-	-	-	-	95,583	-	95,583
Jointly controlled entities	-	-	-	-	-	118,722	-	118,722
Property, plant and equipment	-	-	-	-	-	760,028	-	760,028
Investment properties	-	-	-	-	-	63,262	-	63,262
Goodwill	-	-	-	-	-	534,618	-	534,618
Intangible assets	-	-	-	-	-	116,968	-	116,968
<b>Total assets</b>	49,394,347	8,897,895	10,847,046	11,482,567	11,088,930	11,834,314	9,980,865	113,525,964

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 58 Use of financial instruments (CONTINUED)

## B Interest rate risk (Continued)

	The Group 2005							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>Liabilities</b>									
Deposits from customers	39,543,964	10,116,243	11,880,879	783,156	653	11,998,692	-	74,323,587	
Deposits and placements of banks and other financial institutions	3,015,148	2,129,883	1,964,773	303,547	-	3,297	-	7,416,648	
Derivative financial instruments	154,839	-	-	287	-	-	359,059	514,185	
Obligations on securities sold under repurchase agreements	5,281,225	35,496	-	-	-	-	-	5,316,721	
Bills and acceptances payable	1,115,694	1,348,897	68,783	-	-	762,082	-	3,295,456	
Floating rate certificates of deposits	226,770	-	-	-	-	-	-	226,770	
Other liabilities	-	4	309	4,816	-	4,369,299	-	4,374,428	
Deferred tax liabilities	-	-	-	-	-	13,690	-	13,690	
Current tax liabilities	-	-	-	-	-	104,610	-	104,610	
Amount due to Cagamas Berhad	-	24,935	94,385	1,516,627	739,382	-	-	2,375,329	
Loan stocks	-	-	-	169,362	613,401	-	-	782,763	
Bonds	-	-	250,000	678,708	-	-	-	928,708	
ICULS - detachable coupons	-	-	-	-	44,682	-	-	44,682	
Other borrowings	32,716	58,554	684,851	53,772	-	-	-	829,893	
Subordinated Notes	-	-	-	1,872,016	-	-	-	1,872,016	
<b>Total liabilities</b>	49,370,356	13,714,012	14,943,980	5,382,291	1,398,118	17,251,670	359,059	102,419,486	
<b>Total interest rate sensitivity gap</b>	23,991	(4,816,117)	(4,096,934)	6,100,276	9,690,812			9,621,806	

## Notes to the Financial Statements

for the financial year ended 31 December 2006

58 Use of financial instruments (CONTINUED)  
 B Interest rate risk (Continued)

The Company  
2006

	Non-trading book						Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
<b>Assets</b>							
Cash and short-term funds	948,066	-	-	-	-	3,527	951,593
Available-for-sale securities	-	-	-	-	-	1,715	1,715
Held-to-maturity securities	-	-	17	108,586	1,300,000	50,871	1,459,474
Loans, advances and financing	-	-	41	281	2,321	-	2,643
Other assets	-	-	-	-	-	176,503	176,503
Tax recoverable	-	-	-	-	-	58,357	58,357
Deferred tax assets	-	-	-	-	-	12,250	12,250
Investment in subsidiaries	-	-	-	-	-	10,206,100	10,206,100
Amount owing by subsidiaries	-	-	-	-	-	3,489,084	3,489,084
Investment in associate	-	-	-	-	-	3,834	3,834
Property, plant and equipment	-	-	-	-	-	113,626	113,626
Investment properties	-	-	-	-	-	4,840	4,840
<b>Total assets</b>	948,066	-	58	108,867	1,302,321	14,120,707	16,480,019

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 58 Use of financial instruments (CONTINUED)

## B Interest rate risk (Continued)

The Company  
2006

	Non-trading book						Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
<b>Liabilities</b>							
Derivative financial instruments	165,145	-	-	-	-	-	165,145
Other liabilities	-	-	-	-	-	32,082	32,082
Amount owing to subsidiaries	3,841,633	-	-	-	-	3,684,516	7,526,149
Bonds	-	-	-	250,000	-	-	250,000
RCULS	-	-	-	14,199	-	-	14,199
Other borrowings	-	1,000,000	-	-	-	-	1,000,000
<b>Total liabilities</b>	<b>4,006,778</b>	<b>1,000,000</b>	<b>-</b>	<b>264,199</b>	<b>-</b>	<b>3,716,598</b>	<b>8,987,575</b>
<b>Total interest rate sensitivity gap</b>	<b>(3,058,712)</b>	<b>(1,000,000)</b>	<b>58</b>	<b>(155,332)</b>	<b>1,302,321</b>		

## Notes to the Financial Statements

for the financial year ended 31 December 2006

58 Use of financial instruments (CONTINUED)  
B Interest rate risk (Continued)The Company  
2005

	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
<b>Assets</b>								
Cash and short-term funds	446,400	-	-	-	-	4,181	-	450,581
Securities held for trading	-	-	-	-	-	-	320,244	320,244
Held-to-maturity securities	-	-	25,819	84,175	24,428	48,642	-	183,064
Derivative financial instruments	-	-	202	-	-	-	-	202
Loans, advances and financing	-	-	60	274	2,885	-	-	3,219
Other assets	-	-	-	-	-	152,943	-	152,943
Tax recoverable	-	-	-	-	-	12,962	-	12,962
Investment in subsidiaries	-	-	-	-	-	5,042,309	-	5,042,309
Amount owing by subsidiaries	-	-	-	-	-	452,550	-	452,550
Investment in associate	-	-	-	-	-	3,834	-	3,834
Property, plant and equipment	-	-	-	-	-	77,173	-	77,173
Investment properties	-	-	-	-	-	4,964	-	4,964
<b>Total assets</b>	446,400	-	26,081	84,449	27,313	5,799,558	320,244	6,704,045

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 58 Use of financial instruments (CONTINUED)

## B Interest rate risk (Continued)

The Company  
2005

	Non-trading book					Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000		
<b>Liabilities</b>							
Other liabilities	-	-	-	-	-	-	13,607
Amount owing to subsidiaries	-	-	-	-	-	-	703,980
Deferred tax liabilities	-	-	-	-	-	-	8,069
Bonds	-	-	250,000	250,000	-	-	500,000
<b>Total liabilities</b>	-	-	250,000	250,000	-	-	725,656
<b>Total interest rate sensitivity gap</b>	446,400	-	(223,919)	(165,551)	27,313	320,244	

Notes to the Financial Statements  
for the financial year ended 31 December 2006

## 58 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### B Interest rate risk (Continued)

The table below summarises the effective average interest rate by major currencies for each class of financial asset and financial liability:

	The Group 2006			The Group 2005		
	RM %	IDR %	USD %	RM %	IDR %	USD %
<b>Financial assets</b>						
Cash and short-term funds	3.10	-	5.00	2.99	-	4.27
Securities purchased under resale agreements	3.50	-	-	2.91	-	-
Deposits and placements with banks and other financial institutions	3.51	9.04	5.36	3.00	7.28	3.93
Securities held for trading	2.43	9.41	4.50	4.19	11.05	5.51
Available-for-sale securities	3.83	10.92	8.92	4.73	12.36	5.73
Held-to-maturity securities	1.93	13.10	0.92	0.15	7.60	0.15
Loans, advances and financing	8.53	14.15	5.50	6.35	13.41	5.92
Other assets	10.00	-	-	9.03	-	-
<b>Financial liabilities</b>						
Deposits from customers	2.70	7.86	4.83	2.56	6.92	3.65
Deposits and placements of banks and other financial institutions	3.52	5.29	5.61	2.97	8.84	4.23
Obligations on securities sold under repurchase agreements	2.96	-	-	2.60	-	-
Bills and acceptances payable	3.75	-	-	2.95	-	-
Floating rate certificates of deposits	-	5.62	-	-	1.35	-
Amount due to Cagamas Berhad	4.24	-	-	6.22	-	-
Loan stocks	3.60	-	-	4.09	-	5.39
Bonds	7.04	-	4.70	8.10	-	-
ICULS	7.50	-	-	7.50	-	-
RCULS	4.80	-	-	-	-	-
Other borrowings	4.62	-	5.54	-	12.30	3.68
Redeemable preference shares	-	6.62	-	-	-	-
Subordinated Notes	4.70	7.75	3.04	-	-	4.67

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 57 Use of financial instruments (CONTINUED)

## C Credit risk

The following tables set out the credit risk concentrations:

	The Group 2006										
	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Securities held for trading RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other debtors, deposits and prepayments RM'000	On- balance sheet total contingencies RM'000	Credit related commitments and contingencies RM'000	Treasury related commitments and contingencies RM'000
Agricultural	-	-	140,843	175,970	-	19,266	2,959,253	462	3,295,794	210,298	2,519
Mining and quarrying	-	-	55,556	8,629	-	-	863,787	2,054	930,026	230,906	-
Manufacturing	-	-	205,034	417,497	3,253	10,620	8,383,805	6,824	9,027,033	1,034,074	40,329
Electricity, gas and water	-	-	1,972,943	1,732,856	-	74,013	1,124,013	34,998	4,938,823	163,463	33,856
Construction	-	-	190,647	408,888	4,576	47,855	4,785,255	9,114	5,446,335	1,710,655	24
Real estate	-	-	105,419	271,070	-	119	154,022	14,668	545,298	42,395	2,100
Wholesale and retail trade, restaurants and hotels	-	-	518,488	202,840	-	209,299	6,284,552	21,907	7,237,086	1,871,186	5,532
Transport, storage and communication	-	-	1,583,931	954,440	104,028	83,031	3,821,482	19,068	6,565,980	348,032	4,186
Finance, insurance and business services	18,234,204	96,597	4,815,431	1,730,533	72,111	1,052,348	10,595,125	335,858	36,932,207	1,758,224	4,056,254
Government and government agencies	8,101,786	2,386,056	2,871,915	2,077,096	1,808,153	24,265	58,246	61,920	17,389,437	-	45,765
Purchase of residential, landed property, securities and transport vehicles	90	-	25,069	208,947	-	-	24,995,849	531,623	25,761,578	795,281	-
Consumption credit	-	-	-	2,184	-	-	23,281,289	154	23,283,627	1,434,910	-
Others	285	-	53,280	511,231	47,941	108,698	4,507,335	1,146,605	6,375,375	928,114	463
Assets not subject to credit risk	26,336,365	2,482,653	12,538,556	8,702,181	2,040,062	1,629,514	91,814,013	2,185,255	147,728,599	10,527,538	4,191,028
	55,437	-	1,440,184	521,542	-	44,411	23	1,779,989	3,841,586	-	-
	26,391,802	2,482,653	13,978,740	9,223,723	2,040,062	1,673,925	91,814,036 <sup>^</sup>	3,965,244 <sup>^</sup>	151,570,185	10,527,538	4,191,028

<sup>^</sup> Excludes general allowance amounting to RM1,479,277,000 for loans, advances and financing, and RM795,000 for other assets.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 58 Use of financial instruments (CONTINUED)

## C Credit risk (Continued)

The following tables set out the credit risk concentrations: (Continued)

	The Group 2005										
	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Securities held for trading RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other debtors, deposits and prepayments RM'000	On- balance sheet total contingencies RM'000	Credit related commitments and contingencies RM'000	Treasury related commitments and contingencies RM'000
Agricultural	-	-	28,798	38,331	-	265	2,297,617	371	2,365,382	170,963	1,685
Mining and quarrying	-	-	47,710	71,025	-	-	169,879	371	288,985	38,050	-
Manufacturing	-	-	261,959	253,566	-	25,899	11,035,697	9,781	11,586,902	1,303,812	94,314
Electricity, gas and water	-	-	1,846,649	1,077,073	-	14,811	1,297,996	18,747	4,255,276	171,719	51,167
Construction	-	-	375,584	321,837	-	-	4,734,871	3,721	5,436,013	2,156,992	418
Real estate	-	-	77,951	274,496	-	1,278	3,273,842	1,840	3,629,407	44,871	-
Wholesale and retail trade, restaurants and hotels	-	-	216,642	310,773	-	1,034	6,431,148	9,827	6,969,424	626,085	3,439
Transport, storage and communication	-	-	1,392,083	771,837	-	7	3,946,768	10,981	6,121,676	500,522	6
Finance, insurance and business services	8,151,424	1,872,213	3,155,094	1,009,079	2,323,940	323,633	7,212,206	602,340	24,649,929	2,255,835	1,722,322
Purchase of residential, landed property, securities and transport vehicles	-	-	240,766	5,020	-	-	25,220,720	555,702	26,022,208	1,028,206	3,800
Consumption credit	-	-	-	-	-	-	2,055,706	-	2,055,706	30,958	-
Others	5,281,673	2,601,350	1,616,063	3,389,460	47,927	18,813	2,593,341	890,242	16,438,869	466,222	-
Assets not subject to credit risk	13,433,097	4,473,563	9,259,299	7,522,497	2,371,867	385,740	70,269,791	2,103,923	109,819,777	8,794,235	1,877,151
	-	-	296,828	236,852	48,642	-	-	307,822	890,144	-	-
	13,433,097	4,473,563	9,556,127	7,759,349	2,420,509	385,740	70,269,791 <sup>^</sup>	2,411,745	110,709,921	8,794,235	1,877,151

<sup>^</sup> Excludes general allowance amounting to RM1,173,911,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 58 Use of financial instruments (CONTINUED)

## C Credit risk (Continued)

		The Company 2006							
	Short-term funds and placements with financial institutions RM'000	Securities held for trading RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other debtors, deposits and prepayments RM'000	On-balance sheet total RM'000	Treasury related commitments and contingencies RM'000
Finance, insurance and business services	951,593	-	-	1,459,474	-	-	175,363	2,586,430	10,400
Others	-	-	1,715	-	-	2,643	412	4,770	-
Assets not subject to credit risk	951,593	-	1,715	1,459,474	-	2,643	175,775	2,591,200	10,400
	951,593	-	1,715	1,459,474	-	2,643	176,503	2,591,928	10,400
		The Company 2005							
	Short-term funds and placements with financial institutions RM'000	Securities held for trading RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other debtors, deposits and prepayments RM'000	On-balance sheet total RM'000	Treasury related commitments and contingencies RM'000
Finance, insurance and business services	450,581	320,039	-	134,422	202	-	150,828	1,056,072	1,892
Others	-	205	-	-	-	3,219	1,452	4,876	-
Assets not subject to credit risk	450,581	320,244	-	134,422	202	3,219	152,280	1,060,948	1,892
	450,581	320,244	-	134,422	202	3,219	152,943	1,110,253	1,892

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**59 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

In addition, fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132 - Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

A range of methodologies and assumptions have been used in deriving the fair values of the Group's and the Company's financial instruments at balance sheet date. The total fair values by each financial instrument approximates the total carrying value, except for the following:

	<b>The Group</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>
<b>Financial assets</b>				
Deposits and placements with banks and other financial institutions	4,857,118	4,857,069	1,354,952	1,354,952
Held-to-maturity securities	2,040,062	2,023,582	2,420,509	2,363,790
Loans, advances and financing	90,334,759	90,131,135	69,095,880	70,122,038
<b>Financial liabilities</b>				
Deposits from customers	104,568,715	104,582,943	74,323,587	77,866,194
Deposits and placements of banks and other financial institutions	7,021,779	6,846,777	7,416,648	7,416,648
Amount due to Cagamas Berhad	3,665,824	3,693,184	2,375,329	2,426,748
Loan stocks	41,610	41,610	782,763	828,114
Bonds	784,527	811,956	928,708	966,039
Subordinated Notes	2,767,254	2,771,216	1,872,016	1,887,039

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**59 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

	The Company			
	2006		2005	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets</b>				
Held-to-maturity securities	1,459,474	1,465,758	183,064	188,102
<b>Financial liabilities</b>				
Bonds	250,000	277,429	500,000	537,331

The carrying amount of financial assets at the balance sheet date were not reduced to their estimated fair values as these assets will be held to maturity and the Directors are of the opinion that the amounts will be recoverable in full on the maturity date.

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

**Short-term funds and placements with financial institutions**

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

**Securities purchased under resale agreements**

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities six months and above, estimated fair value is based on discounted cash flows using market rates for the remaining term to maturity.

**Securities held for trading, available-for-sale and held-to-maturity securities**

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

**Loans, advances and financing**

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturity.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of specific allowance and interest-in-suspense, being the expected recoverable amount.

**Other assets**

The estimated fair values of other assets identified as financial instruments approximate the carrying values as these assets constitute receivables due from government related agencies and based on the Directors' estimate, the realisable value of the final consideration as at balance sheet date is similar to that of the carrying value.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 59 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### **Amount owing by/to subsidiaries**

The estimated fair values of the amount owing by/to subsidiaries approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

#### **Deposits from customers**

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

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

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

#### **Obligations on securities sold under repurchase agreements**

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of more than six months, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

#### **Floating rate certificates of deposits**

For floating rate certificates of deposits, values are estimated based on discounted cash flow using prevailing market interest rates for floating rate certificates of deposits.

#### **Bills and acceptances payable**

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptances payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptances payable with similar remaining period to maturity.

#### **Amount due to Cagamas Berhad**

The estimated fair values of the amount due to Cagamas Berhad with maturities of less than six months approximate the carrying values. For amount due to Cagamas Berhad with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing interest rates for loans sold to Cagamas Berhad with similar remaining period to maturity.

#### **Other liabilities**

The fair value of other liabilities approximates the carrying value at the balance sheet date.

#### **Bonds**

For bonds with maturities of six months or more, the fair values are estimated based on discounted cash flows using indicative yields taking into consideration the credit rating of the Bonds.

#### **ICULS**

The estimated fair value of ICULS approximates the carrying value as based on the Directors' estimate, the effective interest rate of the ICULS is a fair reflection of the current rates for such similar long term borrowings.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 59 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### **Loan stocks**

Loan stocks comprise negotiable certificates of deposits issued by a subsidiary bank. The estimated fair values are estimated based on discounted cash flows using prevailing market rates for similar negotiable certificates of deposits. Where market rates are not readily available, fair values are estimated by reference to corporate bond indicative yields taking into consideration the credit rating of the subsidiary bank.

#### **Other borrowings**

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

#### **Subordinated Notes**

The fair values for the quoted subordinated Notes are obtained from quoted market prices while the fair values for unquoted Subordinated Notes are estimated based on discounted cash flow models.

#### **Derivative financial instruments**

The fair values of derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and option pricing models, as appropriate.

#### **Credit related commitment and contingencies**

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 60 THE OPERATIONS OF ISLAMIC BANKING

## Consolidated balance sheet as at 31 December 2006

	Note	2006 RM'000	2005 RM'000
<b>Assets</b>			
Cash and short-term funds	(a)	1,329,114	755,969
Deposits and placements with banks and other financial institutions	(b)	401,000	5,000
Securities held for trading	(c)	219,830	13,978
Available-for-sale securities	(d)	209,406	109,403
Held-to-maturity securities	(e)	179,279	-
Financing, advances and other loans	(f)	1,618,471	15,893
Deferred tax assets	(g)	13,642	4,375
Amount due from related companies		80,174	-
Statutory deposits with Bank Negara Malaysia	(h)	74,392	3,120
Property, plant and equipment	(i)	7,603	5,559
Other assets	(j)	310,877	3,537
Tax recoverable		894	-
Intangible assets	(k)	4,335	4,319
<b>Total assets</b>		<b>4,449,017</b>	<b>921,153</b>
<b>Liabilities and Islamic banking capital funds</b>			
Deposits from customers	(l)	2,427,545	555,820
Deposits and placements of banks and other financial institutions	(m)	1,331,000	130,684
Bills and acceptances payable		-	694
Amount due to holding company		2,656	165
Amount due to related companies		34,233	169
Provision for taxation and zakat	(n)	12,094	7,141
Long-term borrowings	(o)	41,830	41,830
Other liabilities	(p)	57,955	7,385
<b>Total liabilities</b>		<b>3,907,313</b>	<b>743,888</b>
<b>Equity</b>			
Islamic banking funds		305,000	69,683
Ordinary share capital	(q)	150,000	100,000
Perpetual preference shares	(q)	70,000	-
Reserves	(r)	16,704	7,582
<b>Total equity</b>		<b>541,704</b>	<b>177,265</b>
<b>Total equity and liabilities</b>		<b>4,449,017</b>	<b>921,153</b>
<b>Commitments and contingencies</b>	(s)	<b>1,232,060</b>	<b>110,108</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)****Consolidated income statement for the financial year ended 31 December 2006**

	Note	2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds and others	(u)	125,402	20,997
Income derive from investment of shareholders' funds	(w)	36,877	15,847
Allowances for losses on financing		(33,894)	(245)
Transfer to profit equalisation reserve	(t)	4,298	2,348
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(11)	(57)
<b>Total attributable income</b>		<b>132,672</b>	<b>38,890</b>
Income attributable to depositors	(v)	(67,780)	(15,034)
<b>Total net income</b>		<b>64,892</b>	<b>23,856</b>
Personnel expenses	(x)	(11,918)	(7,956)
Other overheads and expenditures	(y)	(36,102)	(21,036)
<b>Profit/(loss) before taxation and zakat</b>		<b>16,872</b>	<b>(5,136)</b>
Taxation	(z)	(6,239)	526
Zakat	(z)	(20)	(3)
<b>Profit/(loss) after taxation and zakat</b>		<b>10,613</b>	<b>(4,613)</b>

Notes to the Financial Statements  
for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**

**Consolidated statement of changes in equity for the financial year ended 31 December 2006**

	Share capital RM'000	Perpetual preference shares RM'000	Islamic banking funds RM'000	Statutory reserve RM'000	Revaluation reserve- available- for-sale securities RM'000	Retained profits RM'000	Total RM'000
<b>2006</b>							
At 1 January 2006	100,000	-	69,683	3,274	622	3,686	177,265
Arising from acquisition of subsidiary	-	-	250,000	-	(1,574)	3,337	251,763
Profit for the financial year	-	-	-	-	-	10,613	10,613
Net gain from change in fair value of available- for-sale securities	-	-	-	-	4,504	-	4,504
Deferred tax impact	-	-	-	-	(1,216)	-	(1,216)
Net gain not recognised in income statement	-	-	-	-	3,288	-	3,288
Issue of share capital	50,000	70,000	-	-	-	-	120,000
Capital repayment	-	-	(14,683)	-	-	-	(14,683)
Transfer to statutory reserves	-	-	-	2,971	-	(2,971)	-
Transfer to retained profit	-	-	-	(1,938)	-	1,938	-
Interim dividend paid for 2006	-	-	-	-	-	(6,542)	(6,542)
<b>At 31 December 2006</b>	<b>150,000</b>	<b>70,000</b>	<b>305,000</b>	<b>4,307</b>	<b>2,336</b>	<b>10,061</b>	<b>541,704</b>
<b>2005</b>							
At 1 January 2005	-	-	69,683	2,740	-	11,399	83,822
Loss for the financial year	-	-	-	-	-	(4,613)	(4,613)
Net gain from change in fair value of available- for-sale securities	-	-	-	-	864	-	864
Deferred tax impact	-	-	-	-	(242)	-	(242)
Net gain not recognised in income statement	-	-	-	-	622	-	622
Issue of share capital	100,000	-	-	-	-	-	100,000
Transfer to statutory reserves	-	-	-	534	-	(534)	-
Interim dividend paid for 2005	-	-	-	-	-	(2,566)	(2,566)
<b>At 31 December 2005</b>	<b>100,000</b>	<b>-</b>	<b>69,683</b>	<b>3,274</b>	<b>622</b>	<b>3,686</b>	<b>177,265</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)****Consolidated cash flow statement for the financial year ended 31 December 2006**

	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Profit/(loss) before taxation and zakat	16,872	(5,136)
Add/(less) adjustments:		
Transfer from profit equalisation reserve	(4,298)	(2,348)
Depreciation of property, plant and equipment	647	153
Loss on disposal of property, plant and equipment	59	-
Property, plant and equipment written-off	1,070	-
Amortisation of intangible assets	197	65
Net unrealised gain on revaluation of securities held for trading	(184)	(177)
Accretion of discount less amortisation of premium	(9,263)	(2,168)
Net (gain)/loss from sale of available-for-sale securities	(1,931)	20
Net gain from sale of securities held for trading	(25,988)	(11,284)
Dividend from held-to-maturity securities	(3,116)	-
Dividend from available-for-sale securities	(4,039)	-
Dividend from held for trading securities	(2,497)	-
Allowance for losses on financing, advances and other loans	35,175	245
	2,704	(20,630)
<b>(Increase)/decrease in operating assets</b>		
Deposits and placements with banks and other financial institutions	(396,000)	95,000
Securities held for trading	(58,639)	50,583
Financing, advances and other loans	(507,448)	(16,138)
Statutory deposits with Bank Negara Malaysia	(7,982)	(3,120)
Other assets	(35,899)	(2,599)
Amount due from related company	(91,592)	-
	(1,097,560)	123,726
<b>Increase/(decrease) in operating liabilities</b>		
Deposits from customers	1,134,402	358,404
Bills and acceptance payable	(694)	694
Deposits and placements of banks and other financial institutions	104,922	(176,281)
Other liabilities	22,619	4,456
Amount due to holding company	2,491	165
Amount due to related companies	34,064	169
	1,297,804	187,607
Cash flow generated from operations	202,948	290,703
Taxation paid	(895)	(1,999)
Net cash flow generated from operating activities	202,053	288,704

Notes to the Financial Statements  
for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**

**Consolidated cash flow statement for the financial year ended 31 December 2006 (Continued)**

	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Investing activities</b>		
Net proceeds from (purchase)/disposal of available-for-sale securities	(89,216)	(106,265)
Proceed disposal of property, plant and equipment	2	(10,096)
Net proceeds from disposal of held-to-maturity securities	35,834	-
Acquisition of subsidiary, net of cash acquired	294,770	-
Dividend from held-to-maturity securities	3,166	-
Dividend from available-for-sale securities	4,039	-
Dividend from held for trading securities	2,497	-
Net cash generated/(used in) from investing activities	251,092	(116,361)
<b>Financing activities</b>		
Issuance of share capital	50,000	100,000
Issuance of preference shares	70,000	-
Dividend paid	-	(2,566)
Net cash flow generated from financing activities	120,000	97,434
<b>Net increase in cash and cash equivalents during the financial year</b>	<b>573,145</b>	<b>269,777</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>755,969</b>	<b>486,192</b>
<b>Cash and cash equivalents at end of the financial year</b> (a)	<b>1,329,114</b>	<b>755,969</b>
<b>(a) Cash and short-term funds</b>		
Cash and balances with banks and other financial institutions	44,114	569
Money at call and deposit placements maturing within one month	1,285,000	755,400
	1,329,114	755,969
<b>(b) Deposits and placements with banks and other financial institutions</b>		
<b>General investment funds:</b>		
Licensed banks	401,000	5,000

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2006 RM'000	2005 RM'000
<b>(c) Securities held for trading</b>		
<b>Money market instruments:</b>		
Government treasury bills	19,912	-
Government Investment certificates	27,903	-
Sanadat Mudharabah Cagamas bonds	10,023	-
Khazanah bonds	70,062	-
Islamic accepted bills	31,846	-
Negotiable instruments of deposits	44,544	4,932
	204,290	4,932
<b>Unquoted securities:</b>		
<u>In Malaysia</u>		
Islamic private debt securities	15,540	9,046
	219,830	13,978
<b>(d) Available-for-sale securities</b>		
<b>Debt securities at fair-value</b>		
<b>Money market instruments:</b>		
<b>Quoted:</b>		
Cagamas bonds	20,179	-
Khazanah bonds	13,599	13,094
<b>Unquoted:</b>		
Malaysian Government Investment issues	92,271	70,007
Private debt securities	82,782	26,302
<b>Unquoted securities:</b>		
Shares	575	-
	209,406	109,403
<b>(e) Held-to-maturity securities</b>		
<b>Unquoted:</b>		
Government Investment certificates	80,430	-
Private debt securities	98,074	-
	178,504	-
Accretion of discount less amortisation of premium	775	-
	179,279	-

Notes to the Financial Statements  
for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**

	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(f) Financing, advances and other loans</b>		
(i) By type:		
Cash	84,007	3
Term financing	3,130,743	22,399
Housing financing	693,353	12,592
Syndicated financing	431,738	9,807
Hire purchase receivables	1,850,735	-
Leasing receivables	-	-
Other term financing	154,917	-
Bills receivable	2,655	-
Trust receipts	2,832	-
Claims on customers under acceptance credits	37,315	-
Staff financing of which RM Nil (2005: RM Nil) were to Directors	76	18
Revolving credits	29,146	-
Unit trust financing	94	-
	3,286,868	22,420
Less: Unearned income	(755,823)	(6,282)
	2,531,045	16,138
Less: Financing sold to Cagamas	(780,289)	-
	1,750,756	16,138
Less: Allowance for bad and doubtful financing		
- General	(41,485)	(245)
- Specific	(90,800)	-
Net financing advances and other loans	1,618,471	15,893
(ii) By contract:		
Bai Bithaman Ajil	826,703	6,310
Mirabahah	28,189	9,807
Al-Ijarah	1,634,395	-
Others	41,758	21
	2,531,045	16,138
Less: Financing sold to Cagamas	(780,289)	-
	1,750,756	16,138

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2006 RM'000	2005 RM'000
<b>(f) Financing, advances and other loans (Continued)</b>		
(iii) By type customers:		
Domestic non-bank financial institutions		
- others	9,762	-
Domestic business enterprises		
- small medium enterprises	169,394	-
- others	491,736	9,807
Government and statutory bodies	6,713	-
Individuals	1,851,466	6,331
Foreign entities	1,974	-
	2,531,045	16,138
Less: Financing sold to Cagamas	(780,289)	-
	1,750,756	16,138
(iv) By profit sensitivity:		
Fixed rate		
- Housing loans/financing	310,122	6,310
- Hire purchase receivables	1,484,671	-
- Other fixed rate loans/financing	277,580	21
Variable rate		
- Cost-plus	458,672	-
- Other variable rates	-	9,807
	2,531,045	16,138
Less: Financing sold to Cagamas	(780,289)	-
	1,750,756	16,138

Notes to the Financial Statements  
for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**

	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
<b>(f) Financing, advances and other loans (Continued)</b>		
(vi) By economic purposes:		
Personal use	27,607	21
Purchase of consumer durables	11	-
Construction	-	9,807
Non-residential property (Housing)	348,094	6,310
Non-residential property	76,105	-
Purchased of fixed assets other than land and building	5,014	-
Purchase of securities	18,971	-
Purchase of transport vehicles	1,450,626	-
Working capital	566,181	-
Other purpose	38,436	-
	2,531,045	16,138
Less: Financing sold to Cagamas	(780,289)	-
	1,750,756	16,138
Non-performing loans:		
(i) Movements in non-performing financing, advances and other loans		
At 1 January	-	-
Arising from acquisition of banking business and related assets and liabilities of SBB	250,582	-
Non-performing during the financial year	113,259	-
Reclassified to performing during the financial year	(63,486)	-
Recoveries	(21,989)	-
Amount written off	(23,330)	-
At 31 December	255,036	-
Less: Specific allowance	(90,800)	-
	164,236	-
Net non-performing financing, advances and other loans	164,236	-
Ratio of net non-performing financing, advances and other loans to total financing, advances and other loans less specific allowance	9.9%	0%
(ii) Movements in allowance for bad and doubtful financing		
<u>General allowance</u>		
At 1 January	245	-
Allowance for financing arising from acquisition of subsidiaries	34,930	-
Amount transferred from holding company	7,832	-
Allowance made	(1,522)	245
At 31 December	41,485	245
As % of total financing less specific allowances	2.50%	1.52%

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2006 RM'000	2005 RM'000
<b>(f) Financing, advances and other loans (Continued)</b>		
Non-performing loans (Continued):		
(ii) Movements in allowance for bad and doubtful financing (Continued):		
<u>Specific allowance</u>		
At 1 January	-	-
Allowance for financing arising from acquisition of subsidiaries	77,788	
Allowance made	51,790	-
Amount recovered	(15,397)	-
Amount written off	(23,381)	-
At 31 December	90,800	-
(iii) Non-performing financing by economic sectors:		
Personal use	9,592	-
Residential property	51,385	-
Non residential property	42,343	-
Purchase of fixed assets other than land and building	4,554	-
Purchase of securities	67	-
Purchase of transport vehicles	88,096	-
Working capital	25,884	-
Other purpose	33,115	-
	255,036	-

**(g) Deferred tax assets**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2006 RM'000	2005 RM'000
Unutilised tax losses	2,298	4,764
General allowance for bad and doubtful financing	9,231	27
Accelerated tax depreciation	(194)	(202)
Other temporary differences	2,307	(214)
	13,642	4,375

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Directors are of the opinion that the Group will be able to generate future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

Notes to the Financial Statements  
for the financial year ended 31 December 2006

## 60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) Deferred tax assets (Continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

<b>2006</b>	<b>Unutilised tax losses RM'000</b>	<b>General allowance for bad and doubtful financing RM'000</b>	<b>Accelerated tax depreciation RM'000</b>	<b>Other temporary differences RM'000</b>	<b>Total RM'000</b>
At 1 January 2006	4,764	27	(202)	(214)	4,375
Arising from acquisition of subsidiary	-	9,786	-	2,168	11,954
Credited/(charged) to income statement	(2,466)	(582)	8	1,569	(1,471)
Transferred to equity	-	-	-	(1,216)	(1,216)
At 31 December 2006	2,298	9,231	(194)	2,307	13,642
<b>2005</b>					
At 1 January 2005	-	-	-	-	-
Credited/(charged) to income statement	4,764	27	(202)	28	4,617
Transferred to equity	-	-	-	(242)	(242)
At 31 December 2005	4,764	27	(202)	(214)	4,375

### (h) Statutory deposits with Bank Negara Malaysia

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)****(i) Property, plant and equipment**

<b>2006</b>	<b>Renovations, office equipment, furniture and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Computer equipment and software under lease RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January	5,519	-	193	5,712
Arising from acquisition of subsidiary	241	210	274	725
Additions	3,695	-	109	3,804
Disposals	(91)	(13)	-	(104)
Write-off	(1,369)	-	-	(1,369)
Transfer	(215)	(197)	(274)	(686)
Reclassification	(14)	14	-	-
At 31 December	7,766	14	302	8,082
<b>Depreciation</b>				
At 1 January	133	-	20	153
Arising from acquisition of subsidiary	190	154	274	618
Charge for the financial year	591	11	45	647
Disposals	(32)	(12)	-	(44)
Write-off	(299)	-	-	(299)
Transfer	(171)	(151)	(274)	(596)
At 31 December	412	2	65	479
<b>Net book value at 31 December</b>	<b>7,354</b>	<b>12</b>	<b>237</b>	<b>7,603</b>

<b>2005</b>	<b>Renovations, office equipment, furniture and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January	-	-	-
Additions	5,519	193	5,712
At 31 December	5,519	193	5,712
<b>Depreciation</b>			
At 1 January	-	-	-
Charge for the financial year	133	20	153
At 31 December	133	20	153
<b>Net book value at 31 December</b>	<b>5,386</b>	<b>173</b>	<b>5,559</b>

The above property, plant and equipments include renovations and computer equipment and software under construction at cost of RM3,573,000 (2005: RM3,783,000).

Notes to the Financial Statements  
for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**

**(j) Other assets**

	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
Dividend receivables	7,608	1,781
Other debtors, deposits and prepayments	303,269	1,756
	<b>310,877</b>	<b>3,537</b>

**(k) Intangible assets**

**Computer software**

**Cost**

At 1 January	4,384	-
Additions	213	4,384
At 31 December	<b>4,597</b>	<b>4,384</b>

**Amortisation**

At 1 January	65	-
Charge for the financial year	197	65
At 31 December	<b>262</b>	<b>65</b>

**Net book value at 31 December**

	<b>4,335</b>	<b>4,319</b>
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**(l) Deposits from customers**

(i) By type of deposits

Non-Mudharabah fund

Demand deposits	204,784	5,906
Saving deposits	97,040	8,639
	<b>301,824</b>	<b>14,545</b>

Mudharabah fund

Savings deposits	25,292	8,361
Demand deposits	25,377	3,249
General investment deposits (inclusive of Special General investment deposits of RM890,032,000 (2005: RM105,045,000))	2,075,052	301,390
Special investment deposits	-	123,230
Others	-	105,045

	<b>2,125,721</b>	<b>541,275</b>
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	<b>2,427,545</b>	<b>555,820</b>
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## Notes to the Financial Statements

for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**

	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
<b>(l) Deposits from customers (Continued)</b>		
(ii) By type of customer		
Government and statutory bodies	486,788	89,082
Business enterprises	1,454,184	228,374
Individuals	208,494	19,003
Others	278,079	219,361
	<b>2,427,545</b>	<b>555,820</b>
<b>(m) Deposits and placements of banks and other financial institutions</b>		
<u>Mudharabah fund</u>		
Licensed banks	796,000	-
Bank Negara Malaysia	200,000	20,154
Other financial institutions	-	110,530
	<b>996,000</b>	<b>130,684</b>
<u>Non-Mudharabah fund</u>		
Licensed finance companies	335,000	-
	<b>1,331,000</b>	<b>130,684</b>
<b>(n) Provision for taxation and zakat</b>		
Taxation	11,930	7,136
Zakat	164	5
	<b>12,094</b>	<b>7,141</b>
<b>(o) Long-term borrowings</b>		
Negotiable certificate of deposits	41,830	41,830
<b>(p) Other liabilities</b>		
Dividend payable	23,202	3,677
Profit equalisation reserve (Note (t))	1,139	389
Other liabilities	33,614	3,319
	<b>57,955</b>	<b>7,385</b>

Notes to the Financial Statements  
for the financial year ended 31 December 2006

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2006 RM'000	2005 RM'000
<b>(q) Ordinary share capital</b>		
<b>Authorised</b>		
<b>Ordinary shares of RM1.00 each:</b>		
At 1 January/31 December	500,000	500,000
<b>Issued and fully paid</b>		
<b>Ordinary shares of RM1.00 each:</b>		
At 1 January	100,000	-
Issued during the financial year	50,000	100,000
At 31 December	150,000	100,000
<b>Perpetual preference shares</b>		
<b>Authorised</b>		
<b>Perpetual preference shares of RM1.00 each</b>		
At 1 January	-	-
Created during the financial year	100,000	-
At 31 December	100,000	-
<b>Issued and fully paid</b>		
<b>Perpetual preference shares of RM1.00 each</b>		
At 1 January	-	-
Issued during the financial year	70,000	-
At 31 December	70,000	-

**(r) Reserves**

- (a) The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act, 1983 and is not distributable as cash dividends.
- (b) Revaluation reserve of available-for-sale securities comprises gains and losses arising from changes in the fair value of available-for-sale securities. The depositors' portion of unrealised gains on available-for-sale securities at the end of the financial year is RM2,572,000 (2005: RM521,000).

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)****(s) Commitments and contingencies**

	2006			2005		
	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000
Direct credit substitutes	95,441	44,241	44,241	33,535	33,535	26,643
Certain transaction-related contingent items	47	24	24	31,650	15,825	15,825
Short-term self-liquidating trade-related contingencies	147	29	29	-	-	-
Islamic financing sold directly and indirectly to Cagamas with recourse	780,289	780,289	780,289	-	-	-
Irrevocable commitments to extend credit - maturity less than one year	320,489	-	-	-	-	-
- maturity exceeding one year	35,647	16,231	9,575	44,923	22,462	22,119
	1,232,060	840,814	834,158	110,108	71,822	64,587

	2006 RM'000	2005 RM'000
<b>(t) Profit equalisation reserve</b>		
At 1 January	389	2,737
Arising from acquisition of subsidiary	5,048	-
Amount provided during the financial year	10,451	1,554
Amount written back during the financial year	(14,749)	(3,902)
31 December	1,139	389
<b>(u) Income derived from investment of depositors' funds and others</b>		
Income derived from investment of:		
(i) General investment deposits	84,736	8,091
(ii) Specific investment deposits	3,332	12,099
(iii) Others	37,334	807
	125,402	20,997

Notes to the Financial Statements  
for the financial year ended 31 December 2006

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2006 RM'000	2005 RM'000
<b>(u) Income derived from investment of depositors' funds and others (Continued)</b>		
<b>(i) Income derived from investment of general investment deposits</b>		
<b>Finance income and hibah:</b>		
Financing, advances and other loans	46,748	12
Securities held for trading	1,341	642
Available-for-sale securities	2,164	407
Held-to-maturity securities	1,927	-
Money at call and deposit with financial institutions	18,449	2,964
	70,629	4,025
Accretion of discount less amortisation of premium	5,227	1,382
	75,856	5,407
<b>Other operating income:</b>		
Net gain from foreign exchange transaction	-	32
Net gain/(loss) from sale of available-for-sale securities	1,072	(13)
Net gain from sale of securities held for trading	7,076	1,734
Net unrealised gain on revaluation of securities held for trading	44	80
	8,192	1,833
<b>Fees and commission income:</b>		
Fees on financing, advances and other loans	370	153
Advisory fees	203	194
Guarantee fees	115	426
Facility fees	-	70
	688	843
<b>Other income</b>	-	8
	84,736	8,091

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2006 RM'000	2005 RM'000
<b>(u) Income derived from investment of depositors' funds and others (Continued)</b>		
<b>(ii) Income derived from investment of specific investment deposits</b>		
<b>Finance income and hibah:</b>		
Financing, advances and other loans	-	58
Securities held for trading	140	1,557
Money at call and deposit with banks and other financial institutions	3,194	10,490
	3,334	12,105
<b>Other dealing income:</b>		
Net loss from sale of securities held for trading	(2)	(6)
	3,332	12,099
<b>(iii) Income derived from investment of other deposits</b>		
<b>Finance income and hibah:</b>		
Financing, advances and other loans	18,115	4
Securities held for trading	365	-
Available-for-sale securities	1,356	130
Held-to-maturity securities	653	-
Money at call and deposit with banks and other financial institutions	8,599	196
	29,088	330
Accretion of discount less amortisation of premium	2,692	439
	31,780	769
<b>Other operating income:</b>		
- Net gain/(loss) from sale of available-for-sale securities	593	(4)
- Net gain from sale of securities held for trading	4,482	27
- Net unrealised gain on revaluation of securities held for trading	25	-
- Net gain from foreign exchange transactions	-	10
	36,880	802
<b>Fees and commission income</b>	264	2
<b>Other income</b>	190	3
	37,334	807

Notes to the Financial Statements  
for the financial year ended 31 December 2006

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2006 RM'000	2005 RM'000
<b>(v) Income attributable to depositors</b>		
Deposits from customers		
- Mudharabah Fund	13,273	8,943
- Non-Mudharabah Fund	25,699	8
Deposits and placements of banks and other financial institutions		
- Mudharabah Fund	28,808	6,083
	67,780	15,034
<b>(w) Income derived from investment of shareholders' funds</b>		
<b>Finance income and hibah:</b>		
Financing, advances and other loans	12,543	766
Available-for-sale securities	519	106
Securities held for trading	651	851
Held-to-maturity securities	536	-
Money at call and deposit with financial institutions	5,827	1,950
Accretion of discount less amortisation of premium	1,344	347
	21,420	4,020
<b>Other dealing income:</b>		
Net gain from sale of securities held for trading	14,432	9,529
Net unrealised gain on revaluation of securities held for trading	115	97
Net gain from foreign exchange transaction	-	8
Net gain/(loss) from sale of available-for-sale securities	266	(3)
	14,813	9,631
<b>Fees and commission income:</b>		
Fees on financing, advances and other loans	-	106
Advisory fees	-	145
Arrangement fees	-	1,560
Guarantee fees	-	341
Facility fees	-	39
Others	629	3
	629	2,194
<b>Other income</b>	15	2
	36,877	15,847

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

All unrestricted funds received from the Group's deposits are co-mingled into a single pool of funds under general investment deposits. Restricted funds categorised under specific investment deposits are managed separately, where the utilisation of the funds is identified and matched with specific funds. Islamic income/profit generated from the general investment and specific investment deposits' funds are allocated to various categories of depositors by using the weighted average rate of return method effective 1 October 2006 (previously, annualised rate of return).

For the placement of funds by external parties under Mudharabah Placement, the depositors shall only be entitled to the profit sharing of the Islamic income earned from Fund Based Income and Trading Income as the depositors are not investing in the Fee Based Islamic business except underwriting and guarantee fees. Under a typical Mudharabah Placement Agreement, it shall be clearly spelt out to the depositors on the above agreement.

The Group distributes Islamic income/profit derived from depositors' funds based on a pre-determined ratio in the case of Mudharabah, and on a ratio determined at the discretion of the Group in the case of Non-Mudharabah. The profit/income distribution rate is arrived based on the framework of the rate of return issued by BNM.

Where an account is classified as non-performing, recognition of profit income is suspended until it is realised on a cash basis. Customers accounts are classified as non-performing when payments are in arrears for 3 months or more from first day of default for financing and after 3 months from maturity date.

	2006 RM'000	2005 RM'000
<b>(x) Personnel expenses</b>		
- salaries, allowances and bonuses	10,065	6,493
- EPF	694	205
- others	1,159	1,258
	11,918	7,956
<b>(y) Other overheads and expenditures</b>		
<b>Establishment costs</b>		
- rental	2,304	1,254
- others	19,069	12,533
	21,373	13,787
<b>Marketing expenses</b>		
- advertisement and publicity	3,159	1,726
- others	4,052	1,061
	7,211	2,787

Notes to the Financial Statements  
for the financial year ended 31 December 2006

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	2006 RM'000	2005 RM'000
<b>(y) Other overheads and expenditures (Continued)</b>		
<b>Administration and general expenses</b>		
- legal and professional fees	670	1,344
- others	6,848	3,118
	7,518	4,462
	36,102	21,036

Included in the personnel costs are fees paid to the Shariah Committee's members amounting to RM173,000 (2005: RM129,000).

	2006 RM'000	2005 RM'000
<b>(z) Taxation</b>		
<b>(i) Tax expense for the financial year</b>		
Current year tax		
- Malaysian income tax	4,768	4,091
Deferred taxation	1,471	(4,617)
	6,239	(526)
<b>Zakat</b>	20	3

**(ii) Numerical reconciliation of income tax expense**

The explanation on the relationship between tax expense and profit before taxation and zakat is as follows:

	2006 RM'000	2005 RM'000
Profit/(loss) before taxation and zakat	16,872	(5,136)
Tax calculated at tax rate of 28% (2005: 28%)	4,724	(1,438)
Non-taxable income	967	(179)
Expenses not deductible for tax purposes	548	1,091
	6,239	(526)

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)****(aa) Capital Adequacy Ratio**

The capital adequacy ratios of the Group's Islamic banking operation are as follows:

	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
Tier-1 capital	312,626	129,842
Eligible Tier-2 capital	41,485	245
<b>Total capital base</b>	<b>354,111</b>	<b>130,087</b>
<b>Capital ratios</b>		
Core capital ratio	12.87%	63.12%
Risk-weighted capital ratio	14.58%	63.24%

Components of Tier-1 and Tier-2 capital are as follows:

**Tier-1 capital**

Islamic banking funds	305,000	135,000
Reserves	7,626	(5,158)
<b>Total Tier-1 capital</b>	<b>312,626</b>	<b>129,842</b>

**Tier-2 capital**

General allowance for bad and doubtful debts	41,485	245
<b>Total Tier-2 capital</b>	<b>41,485</b>	<b>245</b>
<b>Total capital base</b>	<b>354,111</b>	<b>130,087</b>

Breakdown of risk-weighted assets in the various categories of risk-weights:

	<b>2006</b> <b>Principal</b> <b>RM'000</b>	<b>2005</b> <b>Principal</b> <b>RM'000</b>	<b>2006</b> <b>Risk</b> <b>weighted</b> <b>RM'000</b>	<b>2005</b> <b>Risk</b> <b>weighted</b> <b>RM'000</b>
0%	423,269	87,271	-	-
10%	-	-	-	-
20%	293,481	504,575	58,697	100,915
50%	277,098	6,996	138,549	3,498
100%	2,203,038	101,293	2,203,038	101,293
<b>Total risk-weighted equivalents for credit risk</b>	<b>3,196,886</b>	<b>700,135</b>	<b>2,400,284</b>	<b>205,706</b>
<b>Total risk-weighted equivalents for market risk</b>			<b>28,323</b>	<b>-</b>
<b>Total risk-weighted assets</b>			<b>2,428,607</b>	<b>205,706</b>

Pursuant to Bank Negara Malaysia's circular, "Recognition of Deferred Tax Asset ("DTA") and Treatment of DTA for RWCR Purposes" dated 8 August 2005, deferred tax income/(expenses) is excluded from the calculation of Tier-1 capital and DTA is excluded from the calculation of risk-weighted assets.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

## (ab) Profit rate risk

The tables below summarise the Group's exposure to rate of return risk. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As market rates and yield curves change over time, the Group may be exposed to loss in earnings due to the effects of market rates on the structure of the balance sheets. Sensitivity to market rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1-3 months RM'000	3-6 months RM'000	6-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000		
<b>2006</b>									
<b>Assets</b>									
Cash and short-term funds	1,286,609	-	-	-	-	-	42,505	-	1,329,114
Deposits and placements of banks and other financial institutions	-	401,000	-	-	-	-	-	-	401,000
Securities held for trading	-	-	-	-	-	-	-	219,830	219,830
Available-for-sale securities	-	24,908	44,356	20,179	71,324	48,639	-	-	209,406
Held-to-maturity securities	-	-	82,629	-	-	96,650	-	-	179,279
Financing, advances and other loans									
- Performing	457,685	46,486	29,453	43,349	39,555	879,193	-	-	1,495,721
- Non-performing	-	-	-	-	-	-	122,750	-	122,750
Deferred tax assets	-	-	-	-	-	-	13,642	-	13,642
Amount due from related companies	-	-	-	-	-	-	80,174	-	80,174
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	74,392	-	74,392
Property, plant and equipment	-	-	-	-	-	-	7,603	-	7,603
Other assets	-	-	-	-	-	-	310,877	-	310,877
Tax recoverable	-	-	-	-	-	-	894	-	894
Intangible assets	-	-	-	-	-	-	4,335	-	4,335
<b>Total assets</b>	<b>1,744,294</b>	<b>472,394</b>	<b>156,438</b>	<b>63,528</b>	<b>110,879</b>	<b>1,024,482</b>	<b>657,172</b>	<b>219,830</b>	<b>4,449,017</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

## (ab) Profit rate risk (Continued)

	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1-3 months RM'000	3-6 months RM'000	6-12 months RM'000	1-5 years RM'000	Over 5 years RM'000			
<b>2006</b>									
<b>Liabilities</b>									
Deposits from customers	719,092	757,222	494,908	351,716	103,847	760	-	2,427,545	
Deposits and placements of banks and other financial institutions	545,000	636,000	150,000	-	-	-	-	1,331,000	
Bills and acceptances payable	-	-	-	-	-	-	-	-	
Amount due to holding company	-	-	-	-	-	-	2,656	2,656	
Amount due to related companies	-	-	-	-	-	-	34,233	34,233	
Provision for taxation and zakat	-	-	-	-	-	-	12,094	12,094	
Long term borrowings	-	-	-	-	41,830	-	-	41,830	
Other liabilities	-	-	-	-	-	-	57,955	57,955	
<b>Total liabilities</b>	<b>1,264,092</b>	<b>1,393,222</b>	<b>644,908</b>	<b>351,716</b>	<b>145,677</b>	<b>760</b>	<b>106,938</b>	<b>3,907,313</b>	
<b>Total profit rate sensitivity gap</b>	<b>480,202</b>	<b>(920,828)</b>	<b>(488,470)</b>	<b>(288,188)</b>	<b>(34,798)</b>	<b>1,023,722</b>	<b>219,830</b>		

<sup>^</sup> Includes specific allowances and general allowance of RM132,285,000 (2005: RM95,000).

Notes to the Financial Statements  
for the financial year ended 31 December 2006

60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ab) Profit rate risk (Continued)

	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1-3 months RM'000	3-6 months RM'000	6-12 months RM'000	1-5 years RM'000	Over 5 years RM'000		
<b>2005</b>								
<b>Assets</b>								
Cash and short-term funds	755,618	-	-	-	-	-	-	755,969
Deposits and placements of banks and other financial institutions	-	5,000	-	-	-	-	-	5,000
Securities held for trading	-	-	-	-	-	-	13,978	13,978
Available-for-sale securities	-	-	-	-	92,646	16,757	-	109,403
Financing, advances and other loans (of which all are performing)	9,810	-	-	18	49	6,261	(245)	15,893
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	3,120	3,120
Other assets	-	-	-	-	-	-	3,537	3,537
Tax recoverable	-	-	-	-	-	-	-	-
Deferred taxation	-	-	-	-	-	-	4,375	4,375
Property, plant and equipment	-	-	-	-	-	-	5,559	5,559
Intangible assets	-	-	-	-	-	-	4,319	4,319
<b>Total assets</b>	765,428	5,000	-	18	92,695	23,018	21,016	921,153

## Notes to the Financial Statements

for the financial year ended 31 December 2006

## 60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

## (ab) Profit rate risk (Continued)

	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1-3 months RM'000	3-6 months RM'000	6-12 months RM'000	1-5 years RM'000			
<b>2005</b>								
<b>Liabilities</b>								
Deposits from customers	518,780	33,889	895	1,255	1,001	-	-	555,820
Deposits and placements of banks and other financial institutions	130,684	-	-	-	-	-	-	130,684
Bills and acceptances payable	-	-	-	-	-	-	694	694
Amount due to holding company	-	-	-	-	-	-	165	165
Amount due to related companies	-	-	-	-	-	-	169	169
Provision for taxation and zakat	-	-	-	-	-	-	7,141	7,141
Long-term borrowings	-	-	-	-	41,830	-	-	41,830
Other liabilities	-	-	-	-	-	-	7,385	7,385
	649,464	33,889	895	1,255	42,831	-	15,554	743,888
<b>Total profit rate sensitivity gap</b>	115,964	(28,889)	(895)	(1,237)	49,864	-	23,018	13,978

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)****(ab) Profit rate risk (Continued)**

The table below summarises the effective average profit rate for each class of financial assets and financial liabilities.

	The Group	
	2006 RM %	2005 RM %
<b>Financial assets</b>		
Cash and short-term funds	3.49	2.93
Deposits and placements with banks and other financial institutions	4.03	2.28
Available-for-sale securities	5.33	3.70
Securities held for trading	3.75	4.18
Financing, advances and other loans	5.38	2.87
<b>Financial liabilities</b>		
Deposits from customers	3.04	1.85
Deposits and placements of banks and other financial institutions	4.05	2.61
Long-term borrowings	-	3.60

**(ac) Credit risks**

The following table sets out the credit risk concentrations by economic sectors of the Group:

	The Group							
	Cash and short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities held for trading RM'000	Available-for-sale securities RM'000	Held-to-maturity securities RM'000	Financing, advances and other loans ^ RM'000	Other assets RM'000	On-balance sheet total RM'000	Credit-related commitments and contingencies RM'000
<b>2006</b>								
Agriculture	-	-	-	-	396,467	-	396,467	-
Mining and quarrying	-	-	-	-	98	-	98	-
Manufacturing	-	-	-	-	56,930	-	56,930	391
Electricity, gas and water	-	-	25,556	-	256	186	25,998	-
Construction	-	-	26,308	-	48,705	-	75,013	25,906
General commerce	-	15,644	25,444	-	61,986	-	103,074	19,283
Transport, storage and communications	-	-	-	96,650	4,988	2,611	104,249	780,289
Finance, insurance and business services	1,441,423	76,398	5,473	-	68,987	552	1,592,833	-
Government and government agencies	288,691	127,788	126,050	82,629	-	443	625,601	-
Purchase of residential, landed property, securities and transport vehicles	-	-	-	-	20,782	2	20,784	-
Consumption credit	-	-	-	-	995,424	259	995,683	14,945
Others	-	-	-	-	5,333	6,575	11,908	-
	1,730,114	219,830	208,831 *	179,279	1,659,956	10,628	4,008,638	840,814
Assets not subject to assets risks	-	-	-	-	-	300,249	300,249	-
<b>Total</b>	1,730,114	219,830	208,831	179,279	1,659,956	310,877	4,308,887	840,814

^ Exclude general allowance amounting to RM41,485,000.

\* Exclude equity instruments amounting to RM575,000.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

**60 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)****(ac) Credit risks (Continued)**

The following table sets out the credit risk concentrations by economic sectors of the Group:

	<b>The Group</b>						
	<b>Cash and short-term funds and deposits and placements with banks and other financial institutions</b>	<b>Securities held for trading</b>	<b>Available-for-sale securities</b>	<b>Financing, advances and other loans ^</b>	<b>Other assets</b>	<b>On-balance sheet total</b>	<b>Credit-related commitments and contingencies</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>2005</b>							
Electricity, gas and water	-	4,874	16,757	-	-	21,631	175
Construction	-	-	-	9,807	-	9,807	70,960
General commerce	-	-	9,545	-	-	9,545	-
Finance, insurance and business services	610,075	4,932	-	-	1,393	616,400	-
Government and government agencies	150,000	-	83,101	-	-	233,101	-
Purchase of residential, landed property, securities and transport vehicles	-	-	-	6,331	-	6,331	687
Others	894	4,172	-	-	512	5,578	-
	760,969	13,978	109,403	16,138	1,905	902,393	71,822
Assets not subject to assets risks	-	-	-	-	18,760	18,760	-
<b>Total</b>	<b>760,969</b>	<b>13,978</b>	<b>109,403</b>	<b>16,138</b>	<b>20,665</b>	<b>921,153</b>	<b>71,822</b>

^ Excludes general allowance amounting to RM245,000.

**61 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

The financial statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 March 2007.

# Shareholders' Statistics

as at 28 February 2007

## Analysis Of Shareholdings

Category	No. Of Shares	% Over Total Shares	No. Of Holders	% Over Total Shareholders
1 - 99	14,073	0.00	453	2.75
100 - 1,000	3,581,319	0.11	4,151	25.20
1,001 - 10,000	34,800,792	1.08	8,433	51.20
10,001 - 100,000	70,599,374	2.19	2,417	14.67
100,001 - 161,539,203	2,068,408,567	64.02	1,016	6.17
161,539,204 - above	1,053,379,958	32.60	2	0.01
	3,230,784,083	100.00	16,472	100.00

<b>SUBSTANTIAL SHAREHOLDERS as at 28 February 2007</b>		No. of Shares held	% of shares
1	Khazanah Nasional Berhad	692,189,072	21.42
2	Employees Provident Fund Board (EPF)	441,491,686	13.67

## SHAREHOLDERS' STATISTICS as at 28 February 2007

(as per Register of Members and Records of Depositors)

<b>LIST OF TOP 30 SHAREHOLDERS</b>		No. of Shares Held	%
1	Khazanah Nasional Berhad	640,808,872	19.83
2	Employees Provident Fund Board	412,571,086	12.77
3	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.S.A.)	103,260,419	3.20
4	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Takrif Aspirasi Sdn Bhd	69,463,000	2.15
5	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Bank Luxembourg S.A.	54,414,509	1.68
6	Citigroup Nominees (Asing) Sdn Bhd Exempt an for Mellon Bank (Mellon)	53,093,648	1.64
7	CIMSEC Nominees (Tempatan) Sdn Bhd Bank Pertanian Malaysia	47,634,838	1.47
8	HSBC Nominees (Asing) Sdn Bhd TNTC for Saudi Arabian Monetary Agency	44,325,998	1.37
9	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for GMO Emerging Markets Fund	41,709,430	1.29
10	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	37,474,800	1.16
11	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.K.)	36,092,819	1.12
12	The Bank Of Tokyo-Mitsubishi UFJ, Ltd	35,732,400	1.11
13	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.A.E.)	33,914,393	1.05

## Shareholders' Statistics

as at 28 February 2007

### SHAREHOLDERS' STATISTICS as at 28 February 2007

(as per Register of Members and Records of Depositors)

<b>LIST OF TOP 30 SHAREHOLDERS</b>		<b>No. of Shares Held</b>	<b>%</b>
14	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd For Government of Singapore ( C )	33,679,125	1.04
15	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund 1LNO for The Genesis Group Trust Employee Benefit Plans	32,326,300	1.00
16	HSBC Nominees (Asing) Sdn Bhd Exempt an for BNP Paribas Securities Services (Convert in USD)	32,046,619	0.99
17	CIMSEC Nominees (Tempatan) Sdn Bhd Security Trustee (KCW Issue 2)	31,252,200	0.97
18	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Netherlands)	30,422,718	0.94
19	Cartaban Nominees (Asing) Sdn Bhd Investors Bank and Trust Company for Ishares, Inc.	30,245,432	0.94
20	HSBC Nominees (Asing) Sdn Bhd BBH (Lux) Sca for The Genesis Emerging Markets Investment Company	22,622,300	0.70
21	HSBC Nominees (Asing) Sdn Bhd Exempt an for Morgan Stanley & Co. International Limited	20,491,572	0.63
22	CIMSEC Nominees (Tempatan) Sdn Bhd Khazanah Nasional Berhad (MES - Pool Account)	19,717,950	0.61
23	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt an for CIMB Trustee Berhad (CIMB CEO Share Scheme)	19,644,389	0.61
24	HSBC Nominees (Asing) Sdn Bhd TNTC for Government of Singapore Investment Corporation Pte Ltd	19,382,108	0.60
25	HSBC Nominees (Asing) Sdn Bhd Exempt an for JP Morgan Chase Bank, National Association (Saudi Arabia)	16,146,400	0.50
26	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund SW80 for California Public Employees Retirement System	16,058,700	0.50
27	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore (H)	15,447,900	0.48
28	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt an for CIMB Trustee Berhad (CIMB Modified ESS)	15,394,070	0.48
29	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	15,351,200	0.48
30	Citigroup Nominees (Asing) Sdn Bhd Exempt an for American International Assurance Company Limited	15,109,400	0.47
		<b>1,995,834,595</b>	<b>61.78</b>

# Analysis Of RCULS Holdings

as at 28 February 2007

Category	No. Of RCULS	% Over Total RCULS	No. Of Holders	% Over Total RCULS Holders
1 - 99	433	0.00	10	5.08
100 - 1,000	33,934	0.29	41	20.81
1,001 - 10,000	481,747	4.13	116	58.88
10,001 - 100,000	627,286	5.38	22	11.17
100,001 - 583,232	1,413,551	12.12	6	3.05
583,233 - above	9,107,700	78.08	2	1.01
	11,664,651	100.00	197	100.00

## LIST OF TOP 30 RCULS HOLDERS

	No. of Shares Held	%
1 Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd For Government of Singapore ( C )	5,961,700	51.11
2 Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore (H)	3,146,000	26.97
3 Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore (B)	535,400	4.59
4 Citigroup Nominees (Asing) Sdn Bhd Merrill Lynch International	300,000	2.57
5 Ismail Hussein	192,656	1.65
6 Public Nominees (Tempatan) Sdn Bhd Pledged Securities account for Khor San Leng (E-PPG)	150,000	1.29
7 Koperasi Majlis Agama Islam Kelantan Berhad (Koperasi Maik Bhd)	117,995	1.01
8 Cartaban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Su Ming Keat	117,500	1.01
9 Yip Mui @ Yap Gok Moi	84,343	0.72
10 Lai Kum Sim	80,502	0.69
11 Tee Chee Chong	55,000	0.47
12 HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (HK BR-TST-Asing)	45,000	0.39
13 Chong Soo Lim	40,000	0.34
14 Schooling Reginald Colin	27,843	0.24
15 Lam How Teng	26,200	0.22
16 Hoh Poh Kow	26,000	0.22
17 Tan Kar Pin Exempt an for American International Assurance Company Limited	25,000	0.21
18 Mrs Teo In Chi Nee Chan (Tan Yen Chee)	22,012	0.19
19 Amsec Nominees (Asing) Sdn Bhd Fraser Securities Pte Ltd for Pho Wan Heng Robert (3298)	21,562	0.18
20 Ong Kim Khung	21,468	0.18
21 Ong Chin Teik	20,400	0.17
22 Moo Ho Heong	17,000	0.15
23 Goh Thong Beng	16,800	0.14
24 HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Guat Poh (M09)	16,600	0.14
25 Ngan Ahy @ Ng Ah Oi	16,056	0.14
26 Tai Chai Choy	15,000	0.13
27 Tan Gek Buay	15,000	0.13
28 Wong Kok Lee	14,000	0.12
29 Lee Ching Chow @ Lee Ching Chor	11,000	0.09
30 Mook Ten Loy	10,500	0.09

11,148,537

95.58

# Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF BUMIPUTRA-COMMERCE HOLDINGS BERHAD:-</b>						
Commerce Square, Jalan Semantan Damansara Heights, 50490 Kuala Lumpur	Office Premises	Leasehold	67	14	18,218	1992
No. 22-24, Commerce House Jalan Sri Semantan 1, Damansara Heights 50490 Kuala Lumpur	Office Premises	Leasehold	66	10	11,070	1996
No. 32-33, Khoo Hun Yeang Street 93000 Kuching, Sarawak	Bank Premises for Kuching Branch	Leasehold	799	34	455	1972
Sibu Laut, 93000 Kuching, Sarawak	Vacant Land	Leasehold	916	42	5	1964
Lot 83, Jalan Sultan Abdullah Pekan, Pahang	Bank Premises for Pekan Branch	Freehold	-	12	268	1994
No. 3 & 4, Taman Mewah Guar Chempedak 08800 Gurun, Kedah	Bank Premises for Guar Chempedak Branch	Freehold	-	12	344	1994
Ground Floor, Menara Choy Fook On IB, Jalan Yong Shook Lin Section 7, Petaling Jaya, 46050 Selangor	Bank Premises for Petaling Jaya Branch	Leasehold	59	13	4,942	1993
Lot 142, Phase 3 Arab-Malaysian Industrial Land Nilai, Negeri Sembilan	Land for BCB Warehouse	Freehold	-	10	4,023	1996
Lot 904, Bandar Kuala Pilah 72000 Kuala Pilah, Negeri Sembilan	Shop/Office lot	Freehold	-	10	204	1996
No. 1, Jalan Angkasa Jaya Bukit Pilah Perdana, 72000 Kuala Pilah Negeri Sembilan	Bank Premises for Kuala Pilah Branch	Leasehold	88	8	487	1998
<b>PROPERTIES OF CIMB BANK BERHAD:-</b>						
193B & 193c, Batu 41/2 Jalan Skudai, Johor	Bank Premises	Freehold	-	24	649	1982
Bangunan BCB Jalan Maju Kota Bharu	Bank Premises	Freehold	-	35	148	1971
Lot 522 & 523 Tanah Merah, Kelantan	Bank Premises	Freehold	-	32	37	1974
No 138, 140 & 142 Jalan Burhanuddin Helmi, Kuala Lumpur	Bank Premises	Freehold	-	24	1,734	1982
Greentop, 7 1/2 Mile, Teluk Kemang (Lot 1017 Mukim SiRusa, Port Dickson) Negeri Sembilan	Holiday Bungalow	Freehold	-	30	286,8	1976
No 2, Jln SG 1/2, Tmn Sri Gombak, Selangor	Bank Premises	Freehold	-	26	644	1980
Main Branch & Head Office 6, Jalan Tun Perak, Kuala Lumpur	Bank Premises	Freehold	-	41	7,308	1965
4232, Jalan Besar, Bukit Pelanduk, Negeri Sembilan	Bank Premises	Freehold	-	22	797	1984
89, Jalan Sultan Yusof, Ipoh, Perak	Bank Premises	Freehold	-	29	739	1977

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
No 21-23, China Street Ghaut, Pulau Pinang	Vacant Building	Freehold	-	42		1964
64 & 65, Leboh Pantai, Pulau Pinang	Vacant Building	Freehold	-	42	111	1964
15, Leboh Pantai, Pulau Pinang	Bank Premises	Freehold	-	46	264	1960
No 12, Jalan Dato Hamzah, Klang, Selangor	Bank Premises	Freehold	-	48	66	1958
No 280, Jalan Besar, Batang Berjuntai, Selangor	Bank Premises	Freehold	-	28	271	1978
113 & 114 Jalan Genuang, Segamat, Johor	Bank Premises	Freehold	-	8	870	1998
39A, Jalan Rahman, Batu Pahat, Johor	Bank Premises	Freehold	-	18	734	1988
87-89 Jalan Pahlawan, Taman Ungku Tun Aminah, Johor Bahru, Johor	Bank Premises	Freehold	-	19	261	1987
Plot No 12, Lot No 1775, Pekan Kuala Nerang, Kedah	Bank Premises	Freehold	-	7	124	1999
No. 40 & 41, Pusat Bandar Kuah Pulau Langkawi, Kedah	Bank Premises	Freehold	-	16	352	1990
No. 32, Jalan Tun Perak, Oriental Building, Kuala Lumpur	Bank Premises	Freehold	-	8	3,764	1998
Lot 295, No 11, Tmn Bukit Piatu, Seksyen 3, Bukit Baru, Melaka	Bank Premises	Freehold	-	7	293	1999
No 1 & 1A, Kinta Mansion, Medan Kidd, Ipoh Perak	Bank Premises	Freehold	-	7	1,195	1999
Lot 1872, Bangunan BBMB, 4228 Jalan Bagan Luar, Butterworth, Pulau Pinang	Bank Premises	Freehold	-	8	1,697	1998
Lot 1.01, Level 1, Satok Building, Jalan Satok, Kuching, Sarawak	Bank Premises	Freehold	-	34	3,203	1972
No. 48 & 50, Jln SS 21/35, Damansara Utama, Petaling Jaya, Selangor	Bank Premises	Freehold	-	8	1,164	1998
Lot 12 & 13, Phase 4 (Metro 1) Town Centre, Taman Melawati No 227 & 228, Jalan Bandar 13 Taman Melawati, Hulu Klang, Selangor	Bank Premises	Freehold	-	8	503	1998
No. K712 & 713, Jln Sulaimani, Chukai, Kemaman, Terengganu	Bank Premises	Freehold	-	7	742	1999
Lot 3083, Jalan Sultan Ismail, Kuala Terengganu, Terengganu	Bank Premises	Freehold	-	14	2,799	1992
422, 423 & 424 Jalan Pasir Puteh, Pasir Puteh, Kelantan	Bank Premises	Leasehold	42	24	333	1982
Ground Floor, Podium Level Financial Park, Labuan	Bank Premises	Leasehold	88	11	5,535	1995

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
177, Jalan Engku Muda Mansur, Pekan Pahang	Bank Premises	Leasehold	30	30	246	1976
32, Jalan Bank (Bangunan BCB) Kuantan Pahang	Bank Premises	Leasehold	63	36	883	1970
Lot 104 & 105, Jalan Besar, Maran, Pahang	Bank Premises	Leasehold	68	31	28	1975
Lot 1411, 1422 & 1423, Jalan Gopeng, Kampar Perak	Vacant Land	Leasehold	75	24	69	1982
Lot 230 & 231, Bandar Serian, Sarawak	Bank Premises	Leasehold	33	27	452	1979
Pusat Putra, Bangi, Selangor	Training Centre	Leasehold	86	23	6,267	1983
1519B, Jalan Tunku Ibrahim, Alor Setar, Kedah	Bank Premises	Leasehold	34	26	153	1980
41, Jalan Terentang, Rembau, Negeri Sembilan	Bank Premises	Leasehold	72	27	82	1979
No 24 Jalan Utas, Section 15, Shah Alam, Selangor	CAD	Leasehold	83	16	133	1990
Lots 1931, 1932 & 1933, Gua Musang, Kelantan	Vacant Lots	Leasehold	45	21	25	1985
3690, Jalan Melewar, Kuala Pilah, Negeri Sembilan	Bank Premises	Leasehold	81	8	597	1998
No 7 & 8, Rumah Kedai Murah LKNP, Jalan Ahmad Shah, Temerloh, Pahang	Bank Premises	Leasehold	77	18	219	1988
No 6 & 7, Jln Kelichap, Parit Buntar, Perak	Bank Premises	Leasehold	79	7	239	1999
Lot 507 & 508, Block 9, Miri Concession Land District (MCLD) Jalan Permaisuri, Miri, Sarawak	Bank Premises	Leasehold	73	19	480	1987
Lot 2300 & 2301, BDA-Shahida Commercial Centre, Lebuhraya Abang Gatau, Bintulu, Sarawak	Bank Premises	Leasehold	36	16	613	1990
No 9 & 10, Jln Tun Aziz Lim Tan, Kajang, Selangor	Bank Premises	Leasehold	46	8	1,020	1998
Lot No. 23, Taman Jasa, Jalan Tun Mustapha, Labuan	Manager's Resident	Leasehold	84	23	79	1983
Lot PT 7822, Jalan Dato' Abdullah, Raub Pahang	Vacant Land	Leasehold	37	23	10	1983
Precint 3.5, Pusat Bandar Shah Alam, Section 14, Selangor	Vacant Land	Leasehold	88	11	4,246	1995
Sri Lagenda Garden Resort, Langkawi (2 Units)	Holiday Apartment	Freehold	-	11	341	1995
No 2, Jalan Kaskas, Taman Cheras, Kuala Lumpur	Bank Premises	Freehold	-	12	440	1994
G21 & 22, Pertama Kompleks Jalan Tunku Abd Rahman, Kuala Lumpur	Bank Premises	Freehold	-	27	270	1979

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
Green Hill Resort, Tanah Rata Cameron Highlands, Pahang (2 units)	Holiday Apartment	Freehold	-	11	317	1995
Sri Sayang Hotel Apartment Batu Feringhi, Pulau Pinang	Holiday Apartment	Freehold	-	11	374	1995
Tembeling Resort Apartment, Kuantan	Holiday Apartment	Freehold	-	11	540	1995
60, GF, Kompleks Teruntum, Kuantan Pahang	Bank Premises	Freehold	-	25	477	1981
Sublot No 70 & 71, Greentown Business Centre, Ipoh, Perak	Bank Premises	Freehold	-	10	1,187	1996
Lot 23 & 24, Jalan Tahan Bandar Baru Jerantut, Pahang	Bank Premises	Freehold	-	16	168	1990
GF, FF TB 290, 291 & 292 Lot 7-9, Block 30, Fajar Kompleks, Tawau, Sabah	Bank Premises	Freehold	-	9	1,650	1997
B-A1,A2,A3&A4 Pusat Perdagangan Pasir Gudang, Johor	Bank Premises	Leasehold	72	12	1,192	1994
1583, Jalan Tunku Ibrahim Alor Setar, Kedah	Bank Premises	Leasehold	7	23	797	1983
No 1787 A-H, Jalan Telok Wan Jah, Alor Setar, Kedah	Bank Premises	Leasehold	86	13	474	1993
Level 1,2 & 3, Wisma Square Point, Kota Bharu, Kelantan	Bank Premises	Leasehold	90	9	3,603	1997
No 39 & 40, Jln 9/55A Taman Setiawangsa, Kuala Lumpur	Bank Premises	Leasehold	85	14	742	1992
1A & 2B, Kompleks Bumi Negeri, Seremban, Negeri Sembilan	Bank Premises	Leasehold	89	10	3,437	1996
Lot 32 & 33, Jalan Pasar, Teluk Intan Perak	Bank Premises	Leasehold	86	13	457	1993
No. 38, 39 & 40 Medan Istana Bandar Raya Ipoh, Perak	Bank Premises	Leasehold	88	11	589	1995
Lot 44, 45, 46 & 47, Jalan Penjara, Kangar, Perlis	Bank Premises	Leasehold	43	17	1,421	1989
GF, FF & SF, Bangunan DPMM, No. 37, Leboh Pantai, Pulau Pinang	Bank Premises	Leasehold	7	23	1,888	1983
Level 1, Phase 1B, KOMTAR Pulau Pinang	Bank Premises	Leasehold	68	12	2,686	1994
Lot CL2 (GF & FF) Pusat Bandar Bayan Baru, Pulau Pinang	Bank Premises	Leasehold	75	14	1,517	1992
No 7 & 8, Taman Inderawasih, Perai, Pulau Pinang	Bank Premises	Leasehold	90	9	2,323	1997
TB 331-B & 332A Lot 14, Blok 42, GF & 1F Kompleks Fajar, Sabah	Vacant Building	Leasehold	990	9	925	1997
395, Jalan Bandar Baru Sg. Buloh, Selangor	Bank Premises	Leasehold	86	13	180	1993
2 Units Shophouses at Section 18, Shah Alam, Selangor	Bank Premises	Leasehold	85	14	284	1992

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
151, Jalan 2/3A, Off 12 km, Jalan Ipoh, Batu Caves, Kuala Lumpur	Bank Premises	Leasehold	86	13	902	1993
G86, G87, F122, F123 & F124 Holiday Plaza, Johor Bahru, Johor	Bank Premises	Leasehold	72	18	569	1988
TL 20753258, 20750388 & 20750389, District Of Labuan, Labuan	Vacant Lots	Leasehold	74	16	2,028	1990
No 114 & 115, Jalan Besar, Bandar Baru Kuala Lipis	Bank Premises	Leasehold	64	18	116	1988
GF, Lot 8 & 9, Blok C, Ranau New Town Centre , Sabah	Bank Premises	Leasehold	73	16	223	1990
No. 27,29 & 31, Jalan 52/2, Section 52 Petaling Jaya, Selangor	Bank Premises	Leasehold	83	16	1,728	1990
PTB 261 & 262 HS(D) 2/85 Bandar Machang, Kelantan	Bank Premises	Leasehold	46	10	275	1996
Vacant Development Land at Ulu Kelang Selangor	Vacant Lots	Freehold	-	15	-	1992
Lot 139A-B, Jalan Satok 93400 Kuching, Sarawak	Bank Premises	Leasehold	847	35	24	1972
No. 22, Taman Fulliwa, Labuan	Staff Residence	Leasehold	85	13	108	1993
No. 24, Taman Fulliwa, Labuan	Staff Residence	Leasehold	85	13	108	1993
No. 32, Taman Fulliwa, Labuan	Staff Residence	Leasehold	85	13	116	1993
No. 43, Taman Fulliwa, Labuan	Staff Residence	Leasehold	85	13	123	1993
No. 47, Taman Fulliwa, Labuan	Staff Residence	Leasehold	85	13	123	1993
No. 17, Taman Fulliwa (BOC), Labuan	Staff Residence	Leasehold	85	11	212	1995
No. 6, Taman Fulliwa (BOC), Labuan	Staff Residence	Leasehold	85	11	202	1995
Alpha Condominium 14-06, Labuan	Staff Residence	Leasehold	85	11	520	1995
Alpha Condominium 12-05 (BOC), Labuan	Staff Residence	Leasehold	85	10	429	1996
Kerupang II Apartment D 02-1, Labuan	Staff Residence	Leasehold	85	10	122	1996
Kerupang II Apartment D 02-6, Labuan	Staff Residence	Leasehold	85	10	122	1996
Kerupang II Apartment B 04-1 (BOC), Labuan	Staff Residence	Leasehold	85	10	122	1996
Kerupang II Apartment B 03-8 (BOC), Labuan	Staff Residence	Leasehold	85	9	120	1997
Lot 19 Taman Ranche-Ranche, Labuan	Staff Residence	Leasehold	85	13	134	1993
Lot 20, Taman Ranche-Ranche, Labuan	Staff Residence	Leasehold	85	13	132	1993
TL 207512418 (near golf course) Labuan	Vacant Land	Leasehold	85	13	199	1993
FF Menara Promet, Jalan Sultan Ismail, Kuala Lumpur	BCB Finance HQ	Freehold	-	21	5,016	1985

## Properties of the Group

as at 31 December 2006

Location	Country	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006	Year of Acquisition
<b>INTERNATIONAL PROPERTIES OF CIMB BANK BERHAD:-</b>							
2-17-3 Mita, Meguro-ku, Tokyo 153-0062	Japan	4 bedroom house	Freehold	-	28	JPY 269,553,869	1978
No. 201 Yoyogi Parkside, 1-33-6 Tomigaya, Shibuya-ku, Tokyo	Japan	Apartment	Freehold	-	26	JPY 36,934,380	1980
Flat 10A, Victoria Heights, 43A Stubbs Road	Hong Kong	Apartment	Leasehold	38	27	HKD 1,324,968	1979
Flat 9C, Block 21, Baguio Villa, 555, Victoria Road	Hong Kong	Apartment	Leasehold	853	27	HKD 345,865	1979
Flat 2B FookWai Mansion, 98 Pokfulam Road	Hong Kong	Apartment	Leasehold	66	25	HKD 788,334	1981
Room 1802 & 1803, 18th Floor, Tower One Admiralty Centre	Hong Kong	Office Premises	Leasehold	47	26	HKD 19,188,287	1980
7 Temasek Boulevard No. 37-01/02/03 Suntec Tower One Singapore 038987	Singapore	Office Premises (Branch)	Leasehold	82	11	SGD 14,403,186	1995
81 Woodsford Square, Addison Road London W14 5DS	United Kingdom	5 bedroom house	Leasehold	61	20	GBP 182,083	1986
13 Porchester Square Mews, London W2 AG	United Kingdom	Apartment	Leasehold	67	28	GBP 44,122	1978
8 Kingston House East, London SW7 ILJ	United Kingdom	Apartment	Leasehold	134	18	GBP 99,165	1988

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
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**PROPERTIES OF COMMERCE ASSET REALTY SDN. BHD.:-**

No. 170-174, Jalan Sungei Besi 57100 Kuala Lumpur	Bank Premises for Sungei Besi Branch	Freehold	-	21	3,872	1985
No. 1271-2, Jalan Baru, Taman Emas 13600 Prai, Pulau Pinang	Bank Premises for Prai Branch	Freehold	-	16	746	1990
Lot 30, Kompleks Munshi Abdullah Jalan Munshi Abdullah 75100 Melaka	Bank Premises for Jalan Munshi Abdullah Branch	Freehold	-	16	1,106	1990

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF PT BANK NIAGA TBK.:-</b>						
Jalan Gajah Mada, 18, Jakarta	Bank premises	Freehold	-	14	6,987,916	1992
Jalan Roa Malaka Selatan No. 3-5, Jakarta	Bank premises	Freehold	-	14	336,700	1992
Jalan Falatehan 1, No .7, Kebayoran	Bank premises	Leasehold	12	14	291,728	1992
Jalan Kwitang, No.17-18, Jakarta	Bank premises	Freehold	-	14	572,798	1992
Jalan Fatmawati, No. 20 Jakarta	Bank premises	Freehold	-	14	673,423	1992
Jalan Raya Darmo, No. 26 Surabaya	Bank premises	Freehold	-	14	1,071,706	1992
Jalan Pemuda, No. 21B, Semarang	Bank premises	Leasehold	19	14	1,737,149	1992
Komplek Bank Niaga Blok D. No. 10-11, Semarang	Warehouse	Leasehold	19	12	48,037	1994
Komplek Bank Niaga Blok A. No. 2-3, Semarang	Dormitory	Leasehold	19	15	117,732	1991
Jalan Kepondang, No. 2-4, Semarang	Warehouse	Leasehold	19	31	306,595	1975
Jalan Jend. Sudirman, No. 13, Yogyakarta	Bank premises	Leasehold	0	15	1,235,532	1991
Jalan Slamet Riyadi, No. 8, Solo	Bank premises	Leasehold	11	14	850,484	1992
Jalan Lembong, No. 7, Bandung	Bank premises	Leasehold	8	14	3,457,873	1992
Jalan Riung Mumpulung 2 No.136.1C, Bandung	Warehouse	Leasehold	0	10	52,749	1996
Jalan Bukit Barisan, No. 5, Medan	Bank premises	Leasehold	13	11	1,369,257	1995
Jalan Turi, Medan	Warehouse	Leasehold	10	9	146,961	1997
Jalan Buah Batu, No.143, Bandung	Bank premises	Leasehold	6	11	358,537	1995
Jalan Laks, Malahayati, No. 24-40, Lampung	Bank premises	Freehold	-	16	651,622	1990
Jalan Dharmahusada, No. 142, Surabaya	Bank premises	Freehold	-	10	219,985	1996
Jalan Basuki Rachmat, No. 26-28, Malang	Bank premises	Freehold	-	14	309,299	1992
Jalan Jend. A. Yani, No.31, Kudus	Bank premises	Leasehold	16	21	593,159	1985
Jalan Siliwangi, No.110, Cirebon	Bank premises	Leasehold	-	14	550,355	1992
Jalan Melati, No. 29, Denpasar	Bank premises	Leasehold	4	21	771,792	1985
Jalan Jend. Sudirman No. 255 CD, Pekanbaru	Bank premises	Leasehold	4	10	561,743	1996
Jalan Padjajaran (Gunung Gede) No. 33, Bogor	Bank premises	Freehold	-	13	379,716	1993
Jalan Daan Mogot, No. 58, Tangerang	Bank premises	Freehold	-	14	814,113	1992
Jalan Bulevar Raya, Blok LB3 No. 34-36, Jakarta	Bank premises	Freehold	-	8	290,068	1998
Jalan Tarum Barat Blok Q, No. 2, Jakarta Timur	Bank premises	Freehold	-	11	323,512	1995
Jalan Panglima Sudirman, No. 59-61, Surabaya	Bank premises	Freehold	-	14	2,345,920	1992
Jalan Tunjungan No. 47 - Surabaya	Bank premises	Freehold	-	14	848,976	1992

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF PT BANK NIAGA TBK:- (CONTINUED)</b>						
Jalan Tanggul Angin, Sidoarjo	Warehouse	Leasehold	0	8	95,227	1998
Jalan Kota, No. 60 AB, Surabaya	Bank premises	Freehold	-	12	404,290	1994
Roa Malaka Utara	Warehouse	Leasehold	16	50	92,637	1956
Gedung Cikarang, Jawa Barat	Warehouse	Leasehold	13	7	152,093	1999
Pembangunan Gudang Cimande	Warehouse	Leasehold	22	4	561,956	2002
Kios A. Yani, Malang	Bank premises	Leasehold	18	7	62,576	1999
Gedung Kantor, Batam	Bank premises	Leasehold	17	5	709,638	2001
Pembangunan Gardu Jaga, BUM Kemang	Bank premises	Freehold	-	3	6,487	2003
Gedung Arsip Tuntang, Semarang	Bank premises	Freehold	-	3	415,960	2003
Gedung Kiostronik ITB	Bank premises	Freehold	-	6	119,166	2000
Gedung Kiostronik Setiabudhi	Bank premises	Freehold	-	6	58,592	2000
Gedung Kantor A. Yani, Ujung Pandang	Bank premises	Freehold	-	24	795,006	1982
Bandung Dago	Bank premises	Freehold	-	2	969,120	2004
Pekanbaru	Bank premises	Freehold	-	1	354,098	2005
Gedung Siliwangi, Cirebon	Bank premises	Freehold	-	0	3,095,948	2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF CIMB Investment Bank Berhad:-</b>						
Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490, Kuala Lumpur	Office Premises	Leasehold	66	4	23,512	2002

**PROPERTIES OF COMMERCE LIFE ASSURANCE BERHAD:-**

54 Jalan Gambut, 25000 Kuantan H.S(D) 844 P.T 7481 Kuantan, Pahang	Shop house 4 storey	Freehold	-	24	329	1982
68, Jalan Tun Abdul Razak (susur 1) 80000 Johor Bahru H.S.(D) 50041 P.T PTB12645 Daerah Johor Bahru	Shop house 4 storey Branch	Freehold	-	23	987	1983
34 Jalan Sultan Iskandar Shah 30000 Ipoh, Perak C.T 1466 Lot 110 Daerah Kinta Ipoh	Shop house 3 storey Branch	Freehold	-	22	400	1984
No 163 Jalan Tun Dr Ismail 70200, Seremban H.S.(D) 4442 PT 4055/17 Seremban	Shop house 3 storey Vacant	Freehold	-	20	346	1986

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF COMMERCE LIFE ASSURANCE BHD:- (CONTINUED)</b>						
Lot 300, Section 8, No. 119, Jalan Haji Taha, 94300 Kuching Sarawak	Shop house 4 storey Branch	Freehold	-	10	900	1996
39/41 Jalan Medan Tuanku 50300 Kuala Lumpur	Shop house 5 storey Vacant	Freehold	-	8	6,650	1998
Lot 369 - 374 Jalan Tuanku Abdul Rahman 50100, Kuala Lumpur	13th Storey Building Office Premise	Freehold	-	6	41,576	2000
<b>PROPERTIES OF COMMERCE ASSURANCE BERHAD:-</b>						
Level 10, 12, 13, 13A & 15 Suite 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur	5 Floors Office Premise	Freehold	-	5	15,902	2001
152-4-2 to 5 Kompleks Maluri Jalan Jejaka, Taman Maluri 55100, Kuala Lumpur	Shop house 4 Lots (4th Floor) Branch	Leasehold	71	11	1,069	1995
No. 1, Jalan Prima 9 Pusat Niaga Metro Prima 52100, Kepong, Kuala Lumpur	Shop house 5 storey Branch	Leasehold	90	8	1,485	1998
No 7,9,11, 13, 15 & 17 Jalan Seksyen 3/5 Taman Kajang Utama 43000, Kajang, Selangor	Shop house 4 storey Branch	Freehold	-	7	1,899	1999
12C, Jalan Kampong Datu 96000, Sibu	Shop house 4 storey Branch	Leasehold	44	11	666	1995
Lot 28, Block C, Damai Plaza Jalan Damai, Luyang, 88300 Kota Kinabalu, Sabah	Shop house 4 storey Vacant	Leasehold	75	11	825	1995

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF SFB DEVELOPMENT SDN. BHD.:-</b>						
No. 2, Jalan Muthupalaniappa, 14000 Seberang Prai, Bukit Mertajam	1 unit 4 1/2 storey shophouse	Freehold		20	3,359	2003*
No. 202A, Jalan Burmah, 10350 Georgetown Penang	1 unit 4 storey shophouse	Freehold		12	3,009	2003*
No. 1, Jalan Bidor Raya, Off Jalan Persatuan, 35000 Bidor	1 unit 3 storey shophouse	Leasehold	74	25	618	2003*
No. 80 & 82, Jalan Bendahara, 75100 Melaka	2 units 4 1/2 storey shophouse	Freehold		19	2,212	2003*
No. 753, Jalan Taib, 82000 Pontian Kecil	1 unit 3 storey shophouse	Freehold		21	615	2003*
87-88, Jalan Rahmat, 83000 Batu Pahat	2 units 4 storey shophouse	Freehold		22	1,112	2003*
<b>PROPERTIES OF PERDANA VISI HARTANAH SDN. BHD.:-</b>						
No. 292, Jalan Batu Unjur 7, Bayu Perdana, 41200 Klang	1 unit 3 storey shophouse	Freehold		7	615	2002*
No. 161, Taman Melaka Raya, 75000 Melaka	1 unit 2 storey shophouse	Leasehold	69	24	515	2003*
<b>PROPERTIES OF SEAL LINE TRADING SDN. BHD.:-</b>						
Lot 23 & 24, Seksyen 87, Bandar Kuala Lumpur, Jalan Tun Razak, 53200 Kuala Lumpur	Vacant land	Freehold		Pending Devt.	15,000	2005*
<b>PROPERTIES OF S. B. PROPERTIES SDN. BHD.:-</b>						
No. 83, Medan Setia 1, Plaza Damansara Bukit Damansara, 50490 Kuala Lumpur	7 storey building	Freehold		5	48,106	1994

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF S. B. PROPERTIES SDN. BHD.- (CONTINUED)</b>						
No. 43, Jalan Barat Off Jalan Imbi, 55100 Kuala Lumpur	4 1/2 storey building	Leasehold	67	27	2,967	1993
No. 13, Jalan Barat Off Jalan Imbi, 55100 Kuala Lumpur	1 unit 2 storey shophouse	Leasehold	19	77	225	1991
Lot 636-640, Block D 20, Gerbang Tuna Seberang Jaya, 13700 Perai	5 units 2 storey shophouse	Leasehold	76	18	316	1983
No. 98 -21& 22, Jalan Fettes Park, Bandar Tanjung Tokong 11200	2 units 4 storey shophouse	Freehold		4	2,347	1997
No. 1564, Jalan Kota, 05000 Alor Setar	4 1/2 storey building	Leasehold	17	22	693	1984
No. 33, Jalan Lee Ming Hin, 31450 Menglembu	1 unit 2 1/2 storey shophouse	Freehold		18	145	1986
Lot No. 2673 & 2674, Main Road, 36700 Langkap	2 units 2 storey shophouse	Leasehold	79	15	352	1985
No. 99 & 101, Jalan Gopeng, 31900 Kampar	2 units 2 storey shophouse	Freehold		80	299	1992
No. 613 & 615, Jalan Tasik, 31400 Ipoh	2 units 2 storey shophouse	Leasehold	73	19	172	1991
No. 14, Jalan Sri Selayang, Taman Sri Selayang, 68100 Batu Caves	2 units 4 storey shophouse	Freehold		19	1,397	1985
No. 111 & 113, Jalan Yam Tuan, 70000 Seremban	5 storey building	Freehold		7	1,982	1997
No. 110, Jalan Bendahara, 75100 Melaka	2 storey building	Freehold		77	1,281	1992
Unit 5426, 5th Floor, Kayangan Apartment, Genting Highland	Apartment	Freehold		24	210	1999

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF SOUTHERN BANK BERHAD:-</b>						
No.34, Jalan Tun Perak, 50050 Kuala Lumpur	4 storey building	Freehold		23	4,191	2000
Menara BHL Jalan Sultan Ahmad Shah 10050, Georgetown	11 floors of a 30 storey office building	Freehold		10	45,673	2000
No.43, Lebuhr Pantai, 10300 Georgetown	5 storey building	Freehold		Pre 1948	9,730	2000
No. 1284, Jalan Bahru, 13700 Prai	1 unit 2 storey shophouse	Freehold		31	1,295	2000
No. 1307,1308 & 1309 Jalan Besar, Sungai Bakap, 14200 Sungai Jawi	3 units 2 storey shophouse	Freehold		28	1,084	2000
No. 21, Jalan Ayer Itam, 11400	2 storey detached building	Freehold		12	2,332	2000
No. 7086 & 7087, Jalan Kampung Gajah, 12200 Butterworth	2 units 3 storey shophouse	Leasehold	79	8	1,444	2000
No. 2, Jalan Sungai Emas, 11100 Batu Feringgi	2 units shoplots on ground floor of commercial complex	Freehold		10	518	/2000
No. 1228T, Jalan Paya Terubong, 11060	Shop unit on ground and first floor of commercial complex	Freehold		10	3,053	2000
G-08, Prangin Mall Komtar, Jalan Dr. Lim Chwee Leong, 10100, Georgetown	1 shoplot on ground floor of shopping complex	Leasehold	90	5	2,820	2000
No. 98 - 29 & 30, Jalan Fettes Park, Bandar Tanjung Tokong, 11200	2 units 4 storey shophouse	Freehold		6	2,820	2000
1 -G - 2B, Medan Batu Lanchang, 11600, Georgetown	1 shoplot on ground floor of 3 storey commercial complex	Leasehold	80	7	2,155	2000
Unit G01 Sub-centre Kompleks Medan Mayang Pasir, 11950 Bayan Baru	Shop unit on ground floor of subcentre complex	Leasehold	70	27	440	2000
No. 1571, Jalan Kota, 05000 Alor Setar	2 units 4 storey shophouse	Leasehold	23	7	1,121	2000
No. 14 Jalan Tengku Ampuan Zabedah, D9/D, Seksyen 9, 40100 Shah Alam	1 unit 4 storey shophouse	Leasehold	88	9	1,145	2000

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF SOUTHERN BANK BERHAD:- (CONTINUED)</b>						
No. 2, Jalan PJS 11/2, Subang Indah, 46000 Petaling Jaya	1 unit 2 1/2 storey shophouse	Leasehold	80	10	1,228	2000
No. 9/G, Arab Malaysian Business Centre, Jalan Tunku Munawir, 70000 Seremban	3 units ground & first floor of 6 storey office complex	Leasehold	76	11	2,848	2000
Jalan BBN 1/1F, Bandar Baru Nilai, 71800 Nilai	1 unit 3 storey shophouse	Freehold		8	1,022	2000
No. 2, Jalan Haji Manan, 86000 Kluang	2 units 3 storey shophouse	Leasehold	90	9	1,720	2000
Jalan Kampung Air 4, 88000 Kota Kinabalu 12/31/2073	1 unit 4 storey shophouse	Leasehold		29	2,291	2000
No.944 & 945, Jalan Parry, 98000 Miri	2 units 4 storey shophouse	Leasehold	51	10	2,570	2000
No.281 & 282, Jalan Rubber, 93400 Kuching	2 units 3 storey shophouse	Leasehold	806	11	1,559	2000
No. 27, Jalan Jejaka Tujuh, Taman Maluri, Jalan Cheras, 55100 Kuala Lumpur	1 unit 4 storey shophouse	Leasehold	70	20	758	2003*
No.1302, Jalan Tunku Ibrahim, 06000 Alor Setar	1 unit 3 storey shophouse	Leasehold	70	28	693	2003*
No. 1552, Jalan Kota 05000 Alor Setar	1 unit 3 1/2 storey shophouse	Leasehold	23	35	358	2003*

## Properties of the Group

as at 31 December 2006

Location	Description	Tenure	Remaining Lease Period (Years)	Age of Property (Years)	NBV as at 31 Dec 2006 (RM'000)	Year of acquisition
<b>PROPERTIES OF SOUTHERN BANK BERHAD:- (CONTINUED)</b>						
No. 665, Jalan Kota Jaya Luar, 34700 Simpang, Taiping	1 unit 2 storey shophouse	Leasehold	59	27	302	2003*
No.55, Bandar Baru Fasa 2, 33000 Kuala Kangsar	1 unit 2 storey shophouse	Leasehold	77	14	215	2003*
No.54, Jalan BRP 1/2, Bukit Rahman Putra, 47000 Sungai Buloh	1 unit 3 storey shophouse & sub-basement	Freehold		8	773	2003*
No. AG 9495, Jalan Simpang Empat, 78000 Alor Gajah	1 unit 3 storey shophouse	Freehold		21	231	2003*
No. 61-62, Jalan Ibrahim 80000 Johor Bharu	2 units 4 storey shophouse	Freehold		15	1,591	2003*
No.36, Jalan Padi Satu, Bandar Baru UDA, 81200 Johor Bahru	1 unit 2 storey shophouse	Leasehold	72	8	850	2002*
No.5, Jalan Dato Bahaman 4, Pusat Komersial Temerloh, Temerloh	1 unit 2 storey shophouse	Leasehold	90	7	403	2003*
No. 1C, Jalan Air Jernih 23000 Kuala Terengganu	1 unit 3 1/2 storey shophouse	Freehold		21	601	2003*

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fiftieth (50th) Annual General Meeting of Bumiputra-Commerce Holdings Berhad will be held at Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, on Thursday, 26 April 2007 at 9.30 a.m. to transact the following businesses:-

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## AGENDA

- Resolution 1** 1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2006 and the Reports of the Directors and Auditors thereon.
- Resolution 2** 2. To declare a first and final dividend of 15 sen less income tax of 27% for the year ended 31 December 2006 as recommended by the Directors payable on 28 May 2007 to shareholders registered in the Company's books at the close of business on 7 May 2007.
3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:
- Resolution 3** 3.1 Dr Roslan A. Ghaffar
- Resolution 4** 3.2 YBhg Tan Sri Dato' Md Nor Md Yusof
- Resolution 5** 3.3 YBhg Tan Sri Dato' Seri Haidar Mohamed Nor
- Resolution 6** 3.4 YBhg Dato' Hamzah Bakar
- Resolution 7** 3.5 YBhg Dato' Zainal Abidin Putih
- Resolution 8** 3.6 YBhg Datuk Dr Syed Muhamad Syed Abdul Kadir
- Resolution 9** 3.7 YBhg Dato' Robert Cheim Dau Meng
- Resolution 10** 3.8 Mr Cezar Peralta Consing
- Resolution 11** 4. To approve the payment of Directors' fees amounting to RM90,000 per director per annum in respect of the year ended 31 December 2006.
- Resolution 12** 5. To re-appoint PricewaterhouseCoopers as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.
6. To transact any other ordinary business for which notice has been duly received.
- As special business:
- To consider and if thought fit to pass the following Ordinary Resolutions:
- Resolution 13** 7. Proposed renewal of the authority for the issue of new ordinary shares.  
**"THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed 10 percent of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such allotment and issue."

## Notice of Annual General Meeting

- Resolution 14** 8. Proposed renewal of the authority for the purchase of own ordinary shares.
- “THAT**, subject to the Companies Act, 1965 (as may be amended, modified or re-enacted from time to time), the Company’s Articles of Association and the requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”) and approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in the Company (“Proposed Shares Buy-Back”) as may be determined by the Board of Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Board of Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company at any point in time and an amount not exceeding the total retained profits of approximately RM665.5 million and/or share premium account of approximately RM3,642.0 million of the Company based on the audited financial statements for the financial year ended 31 December 2006 be allocated by the Company for the Proposed Shares Buy-Back **AND THAT** the ordinary shares of the Company to be purchased are proposed to be cancelled and/or retained as treasury shares and subsequently be cancelled, distributed as dividends or re-sold on Bursa Securities **AND THAT** the Board of Directors of the Company be and are hereby empowered generally to do all acts and things to give effect to the Proposed Shares Buy-Back **AND THAT** such authority shall commence immediately upon passing of this ordinary resolution until:
- i. the conclusion of the next AGM of BCHB in 2008 at which time such authority shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions;
  - ii. the expiration of the period within which the next AGM after that date is required by law to be held; or
  - iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting; whichever is the earlier but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant authorities.”

FURTHER NOTICE IS HEREBY GIVEN that for the purpose of determining a member who shall be entitled to attend this 50th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 54(3) of the Company’s Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 18 April 2007. Only a depositor whose name appears on the General Meeting Record of Depositors as at 18 April 2007 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/ her behalf.

### NOTICE OF BOOKS CLOSURE

Notice is hereby given that the register of members will be closed from 8 May 2007 to 9 May 2007 (both dates inclusive) to determine shareholders entitlement to the dividend payment. The dividend, if approved will be paid on 28 May 2007 to shareholders whose names appear in the register of members and record of depositors on 7 May 2007.

Further notice is hereby given that a depositor shall qualify for entitlement only in respect of:

- a. Shares deposited into the depositor’s securities accounts before 12.30 p.m. on 3 May 2007 (in respect of shares which are exempted from mandatory deposit).

## Notice of Annual General Meeting

- b. Shares transferred into the depositor's securities accounts before 4.00 p.m. on 7 May 2007 in respect of ordinary transfer.
- c. Shares bought on Bursa Securities on a cum entitlement basis according to the rules of the Bursa Securities.

Shareholders are reminded that pursuant to the Securities Industry (Central Depositories) (Amendment) (No. 2) Act, 1998 which came into force on 1 November 1998, all shares not deposited with Malaysian Central Depository Sdn Bhd by 12.30 p.m. on 1 December 1998 and not exempted from mandatory deposit, have been transferred to the Minister of Finance ("MoF"). Accordingly, the payment for such undeposited shares will be paid to MoF.

By Order of the Board

**Jamil Hajar Abdul Muttalib** (LS 000656)

**Idrus Ismail** (LS 0008400)

Joint Company Secretaries

Kuala Lumpur

4 April 2007

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### NOTES:

1. A member of the company entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him. Each proxy shall represent a minimum of 100 shares.
2. Where a member appoints more than one (1) proxy, such appointment shall be invalid unless he specifies the proportion of the shareholding to be represented by each proxy.
3. A proxy may but need not be a member of the Company and the provisions of Section 149(1) of the Companies Act, 1965 shall not apply to the Company.
4. If the appointer is a corporation, the proxy form must be executed either under seal or under the hand of an officer or attorney duly authorised. If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction, in which it was created and is exercised, should be enclosed with.
5. For a proxy to be valid, all proxy forms should be deposited at the Registrar's Office, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur not less than forty-eight hours before the time for holding the meeting or any adjournment thereof.
6. For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.
7. Explanatory note on special business:  
Ordinary Resolution 13, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at any time in their absolute discretion without convening a General Meeting. The authorisation will, unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting.
8. The details on Resolution 14 on the proposed renewal of the authority for the purchase of own ordinary shares is contained in the Statement Accompanying Notice of Annual General Meeting in this Annual Report.
9. For the purpose of determining a member who shall be entitled to attend this 50th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 54(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 18 April 2007. Only a depositor whose name appears on the General Meeting Record of Depositors as at 18 April 2007 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/ her behalf.

# Statement Accompanying Notice of Annual General Meeting

Statement Pursuant to Paragraph 8.58(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

## 1. Directors who are standing for re-elections at the 50th Annual General Meeting of the Company.

The Directors retiring pursuant to Article 76 and Article 83 of the Company's Articles of Association and seeking re-elections are:

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

Tan Sri Dato' Md Nor Md Yusof was appointed to the Board on 27 June 2006 and assumed the post of Chairman on 31 July 2006. Tan Sri Dato' Seri Haidar Mohamed Nor, Dato' Hamzah Bakar, Dato' Zainal Abidin Putih, Datuk Dr Syed Muhamad Syed Abdul Kadir, Dato' Robert Cheim Dau Meng, Mr Cezar Peralta Consing were appointed as Directors of the Company on 11th November 2006. In accordance with Article 83 of the Company's Articles of Association, they are seeking re-election.

The details of all the Directors seeking re-elections are set out on the Directors profile which appear on pages 58 to 64 of the Annual Report.

The details of all the Directors' securities holding in the Company and its subsidiaries (if any) are stated on page 361.

## 2. Board Meetings held during the financial year ended 31 December 2006.

A total of ten (10) Board Meetings was held during the financial year ended 31st December 2006 of which five (5) were ordinary Board meetings and five (5) were Special Board meetings. In addition, there was one (1) Joint Board Briefing for the Boards of CIMB Bank and CIMB Investment Bank on talent management review.

Date	Hours	Location	Type
19 January 2006	10.00 a.m.	Boardroom, 12th Floor, Commerce Square	Special
27 January 2006	9.30 a.m.	Boardroom, 12th Floor, Commerce Square	Ordinary
10 March 2006	3.15 p.m.	Boardroom, 12th Floor, Commerce Square	Special
28 April 2006	9.30 a.m.	Boardroom, 12th Floor, Commerce Square	Ordinary
13 June 2006	1.00 p.m.	Boardroom, 12th Floor, Commerce Square	Special
27 June 2006	3.00 p.m.	Boardroom, 12th Floor, Commerce Square	Special
28 July 2006	9.30 a.m.	Boardroom, 12th Floor, Commerce Square	Ordinary
18 August 2006	10.30 a.m.	Boardroom, 12th Floor, Commerce Square	Special
1 November 2006	10.00 a.m.	Boardroom, 12th Floor, Commerce Square	Ordinary
13 December 2006	11.50 a.m.	Boardroom, 12th Floor, Commerce Square	Ordinary

## Statement Accompanying Notice of Annual General Meeting

### 3. Details of attendance at Board Meetings held in the financial year ended 31 December 2006.

Name of Directors	Number of Meetings attended
Tan Sri Dato' Md Nor Md Yusof (Appointed as Director and Chairman on 27 June 2006 and 31 July 2006 respectively)	4/4
Dato' Mohd Shukri Hussin	10/10
Dato' Mohamed Nazir Abdul Razak (Appointed on 27 January 2006)	7/9
Tan Sri Dato' Mohd Desa Pachi ( <i>Chairman</i> ) (Resigned on 31 July 2006)	7/7
Dato' Anwar Aji (Resigned on 7 November 2006)	7/9
Tan Sri Datuk Asmat Kamaludin (Resigned on 7 November 2006)	9/9
Dato' Mohd Salleh Mahmud (Resigned on 7 November 2006)	7/9
Dr. Roslan A. Ghaffar	8/10
Izlan Izhab (Resigned on 7 November 2006)	9/9
Dato' Hamzah bin Bakar (Appointed on 7 November 2006)	0/1
Tan Sri Dato' Seri Haidar bin Mohamed Nor (Appointed on 7 November 2006)	1/1
Dato' Zainal Abidin bin Putih (Appointed on 7 November 2006)	0/1
Datuk Dr Syed Muhamad bin Syed Abdul Kadir (Appointed on 7 November 2006)	1/1
Mr Cezar Peralta Consing (Appointed on 7 November 2006)	0/1
Dato' Robert Cheim Dau Meng (Appointed on 7 November 2006)	1/1

## 1. INTRODUCTION

### 1.1 Renewal Of Authority For Bumiputra-Commerce Holdings Berhad (“the Company” or “BCHB”) To Purchase Its Own Shares (“Proposed Shares Buy-Back”)

At the Company's Annual General Meeting (“AGM”) held on 27 April 2006, the Company had obtained approval from the shareholders of the Company to purchase its own shares as may be determined by the Board of Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Board of Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution does not exceed

## Statement Accompanying Notice of Annual General Meeting

ten per centum (10%) of the total issued and paid-up share capital of the Company at any point in time and an amount not exceeding the total retained profits of approximately RM665.5 million and/or share premium account of approximately RM3,642.0 million of the Company based on the audited financial statements for the financial year ended 31 December 2006.

The authority obtained by the Board of Directors for purchasing the Company's own shares in accordance with the Listing Requirements of Bursa Securities governing shares buy-back by listed companies, will lapse at the conclusion of the coming Fiftieth (50th) Annual General Meeting ("AGM").

It is the intention of the Company to renew the authority to purchase its own shares by way of an ordinary resolution.

### 1.2 Purpose of Statement

The purpose of this Statement is to provide relevant information on the Proposed Shares Buy-Back and to seek your approval for the ordinary resolution, which is to give effect to the Proposed Shares Buy-Back to be tabled at the coming Fiftieth (50th) AGM. A notice of the AGM together with the Proxy Form is set out in this Annual Report.

## 2. DETAILS OF THE PROPOSED SHARES BUY-BACK

The Board proposes to seek shareholders approval for a renewal of the authority to purchase and/or hold in aggregate of up to ten per centum (10%) of the issued and paid-up share capital of the Company at any point of time through Bursa Securities. Based on the issued and paid up share capital of the Company as at 28 February 2007 of RM3,230,784,083 comprising 3,230,784,083 ordinary shares of RM1.00 each in the Company ("BCHB shares"), a total of 323,078,408 BCHB Shares may be purchased by the Company pursuant to the Proposed Shares Buy-Back. The maximum number of shares that can be bought back under this renewal will take into account the number of shares previously bought back and retained as treasury shares, if any.

Such authority, if so approved, would be effective immediately upon passing of this ordinary resolution until:

- i. the conclusion of the next AGM of BCHB in 2008 at which time such authority shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions;
- ii. the expiration of the period within which the next AGM after that date is required by law to be held; or
- iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting; whichever is the earlier but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant authorities.

The Board proposed to allocate an amount of up to retained profits and/or share premium account of the Company for the purchase of own shares subject to the compliance with section 67A of the Act (as may be amended, modified or re-enacted from time to time) and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase ("Prevailing Laws"). The actual number of BCHB Shares to be purchased will depend on the market conditions and sentiments of Bursa Securities as well as the retained profits and the share premium account and financial resources available to the Company. The audited retained profits of the Company as at 31 December 2006 was RM665.5 million whilst the audited share premium account of the Company as at 31 December 2006 was approximately RM3,642.0 million.

BCHB may only purchase its own shares at a price which is not more than fifteen per centum (15%) above the weighted average market price for the past five (5) market days immediately preceding the date of the purchase(s). The Company may only resell the purchased shares held as treasury shares at a price which is not less than the weighted average market price of BCHB Shares for the five (5) market days immediately preceding the date of re-sale or not less than five per centum (5%) below the weighted average market price of BCHB Shares for the five (5) market days immediately prior to the re-sale provided that the re-sale takes place no

## Statement Accompanying Notice of Annual General Meeting

earlier than 30 days from the date of purchase and the re-sale price is not less than the cost of purchase of the BCHB Shares being re-sold. The Company shall, upon each purchase or re-sale of shares, make the necessary announcements to the Bursa Securities.

The Proposed Shares Buy-Back will allow the Board to exercise the power of the Company to purchase its own shares at any time within the abovementioned time period using internal funds of the Company and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on the available internally generated funds, actual number of BCHB Shares to be purchased, the anticipated future cash flows of the Group and other cost factors.

Purchased BCHB Shares held as treasury shares may be distributed as share dividends, re-sold on Bursa Securities in accordance with the relevant rules of Bursa Securities, cancelled or continue to be retained as treasury shares. The decision whether to retain the purchased shares as treasury shares, to cancel the shares purchased, distribute the treasury shares as share dividends and/or resell the treasury shares on Bursa Securities will be made by the Board at the appropriate time.

The distribution of treasury shares as share dividends may be applied as a reduction of the retained profits or the share premium account of the Company. The treatment of the purchased shares held as treasury shares either distributed as share dividends or resold by the Company on Bursa Securities or both will in turn, depend on the availability of, among others, retained profits, share premium account and tax credits (in relation to Section 108 of the Income Tax Act 1967) of the Company.

While the purchased shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number of percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of the provision of Section 67A of the Companies Act 1965, the provisions of any law or requirements of the Articles of Association of the Company or the Listing Requirements governing substantial shareholding, takeovers, notices, the requisitioning of meetings, quorum for a meeting and the result of a vote on a resolution at a meeting.

The Proposed Shares Buy-Back will be carried out in accordance with the Prevailing Laws at the time of the purchase including compliance with the public shareholding spread as required by the Listing Requirements.

The public shareholding spread of the Company before and after the Proposed Shares Buy-Back is as follows:

	Before the Proposed Shares Buy-Back	After the Proposed Shares Buy-Back
Public shareholding spread	64.49%*1	60.54%*2

Notes:

\*1 As at 28 February 2007

\*2 Based on the assumptions that:

- (i) the Proposed Shares Buy-Back involves the aggregate purchase of 323,078,408 BCHB Shares (being an amount of 10% of the issued and paid up share capital of the Company as at 28 February 2007) which are to be retained as treasury shares; and
- (ii) the number of BCHB Shares held by Directors of the BCHB Group, the substantial shareholders of BCHB and persons connected to them remains unchanged.

## Statement Accompanying Notice of Annual General Meeting

### 3. RATIONALE FOR THE PROPOSED SHARES BUY-BACK

The Proposed Shares Buy-Back will enable BCHB to utilise any of its surplus financial resources to purchase BCHB Shares. The increase in Earnings Per Share (EPS), if any, arising from the Proposed Shares Buy-Back is expected to benefit the shareholders of the Company.

The purchased shares can be held as treasury shares and re-sold on Bursa Securities with the intention of realising potential gain without affecting the total issued and paid-up share capital of the Company. The distribution of the treasury shares as share dividends also serves to reward the shareholders of the Company.

### 4. EVALUATION OF THE PROPOSED SHARES BUY-BACK

#### 4.1 Advantages

The potential advantages of the Proposed Shares Buy-Back are as follows:

- (i) Allows the Company to take preventive measures against excessive speculation, in particular when the Company's shares are undervalued;
- (ii) Allows the Company more flexibility in fine-tuning its capital structure;
- (iii) The resultant reduction of share capital base is expected to improve the earnings per share and may strengthen the net tangible assets ("NTA") of the remaining shares as well as the probability of declaring a higher quantum of dividend in future;
- (iv) To stabilise a downward trend of the market price of the Company's shares;
- (v) Treasury shares can be treated as long-term investments. It makes business sense to invest in our own Company as the Board of Directors is confident of BCHB's future prospects and performance in the long term;
- (vi) If the Treasury shares are distributed as dividend by the Company, it may then serve to reward the shareholders of the Company.

#### 4.2 Disadvantages

The potential disadvantages of the Proposed Shares Buy-Back are as follows:

- (i) The purchase can only be made out of distributable reserves resulting in a reduction of the amount available for distribution as dividends and bonus issues to shareholders; and
- (ii) The purchases of existing shares involve cash outflow from the Company which may otherwise be retained in the business to generate greater profits.

Nevertheless, the Board of Directors will be mindful of the interests of BCHB and its shareholders in undertaking the Proposed Shares Buy-Back.

### 5. EFFECTS OF PROPOSED SHARES BUY-BACK

Assuming that the Company purchases up to 323,078,408 BCHB Shares representing approximately ten per centum (10%) of its issued and paid-up share capital as at 28 February 2007 and such shares purchased are cancelled or alternatively be retained as treasury shares or both, the effects of the Proposed Shares Buy-Back on the share capital, NTA, working capital, earnings and substantial shareholders' and Directors' shareholdings as well as the implication relating to the Malaysian Code on Take-Overs and Mergers 1998 are as set out below:

#### 5.1 Share Capital

In the event that all BCHB Shares purchased are to be cancelled, the Proposed Shares Buy-Back will result in the issued and paid-up share capital of BCHB as at 28 February 2007 be reduced from RM3,230,784,083 comprising 3,230,784,083 BCHB Shares to RM2,907,705,675 comprising 2,907,705,675 BCHB Shares. However, it is not expected to have any effect on the issued and paid-up share capital if all BCHB Shares purchased are to be retained as treasury shares.

## Statement Accompanying Notice of Annual General Meeting

The effects of the Proposed Shares Buy-Back on the issued and paid up share capital of BCHB are illustrated below:

	As per audited financial statements as at 31 December 2006	As at 28 February 2007	After share purchase and cancellation
Issued and paid up share capital (RM)	3,184,429,229	3,230,784,083*1	2,907,705,675*2

Notes:

\*1 After issuance of 46,354,854 BCHB Shares pursuant to Employee Share Option Scheme, part conversion of USD125 Million Nominal Value Five-Year Guaranteed Redeemable Convertible Bonds issued via Commerce Capital (Labuan) Ltd, a wholly-owned subsidiary of BCHB and part conversion of Redeemable Convertible Unsecured Loan Stocks 2006/2008.

\*2 Assuming approximately 10% or 323,078,408 BCHB Shares are purchased and cancelled

### 5.2 Net Tangible Asset (“NTA”) and Working Capital

The effects of the Proposed Shares Buy-Back on the NTA per share of the Group are dependent on the purchase prices of BCHB Shares and the effective funding cost or loss in interest income to the Group.

If all BCHB Shares purchased are to be cancelled or retained as treasury shares, the Proposed Shares Buy-Back will reduce the NTA per share when the purchase price exceeds the NTA per share at the relevant point in time. On the contrary, the NTA per share will be increased when the purchase price is less than the NTA per share at the relevant point in time.

The Proposed Shares Buy-Back will reduce the working capital of the Group, the quantum of which will depend on the amount of financial resources to be utilised for the purchase of BCHB Shares.

### 5.3 Earnings

The effects of the Proposed Shares Buy-Back on the Earnings Per Share (EPS) of the Group are dependent on the purchase prices of BCHB Shares and the effective funding cost or loss in interest income to the Group.

### 5.4 Substantial Shareholders’ and Directors’ Shareholdings

The effects of the Proposed Shares Buy-Back on the Substantial Shareholders’ and Directors’ shareholdings based on the Register of Substantial Shareholders and the Register of Directors shareholdings respectively as at 28 February 2007 are as follows:

Substantial Shareholders	No. of BCHB Shares Held							
	Before the Proposed Shares Buy-Back				After the Proposed Shares Buy-Back			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Khazanah Nasional Berhad*1	692,189,072	21.42	–	–	692,189,072	23.81	–	–
Employees Provident Fund Board*2	441,491,686	13.67	–	–	441,491,686	15.18	–	–

Notes:

\*1 660,808,872 BCHB Shares are held directly and the remaining 31,380,200 BCHB Shares are held through nominee companies.

\*2 417,347,886 BCHB Shares are held directly and the remaining 24,143,800 BCHB Shares are held through nominee companies.

## Statement Accompanying Notice of Annual General Meeting

Directors	No. of BCHB Shares Held							
	Before the Proposed Shares Buy-Back				After the Proposed Shares Buy-Back			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Tan Sri Dato' Md Nor Md Yusof	600,000 *1	-	-	-	600,000 *1	-	-	-
Dato' Mohd Shukri Hussin *2	112 *1	-	-	-	112 *1	-	-	-
Dato' Mohamed Nazir Abdul Razak *3	12,958,872	0.40	-	-	12,958,872	0.45	-	-

Notes:

\*1 Below 0.1% of BCHB's equity as at 28 February 2007.

\*2 Dato' Mohd Shukri Hussin's shareholding does not include 300,000 share options granted under the employee share option scheme and 8,250,000 share options granted under the Management Equity Scheme ("MES"), which have not been exercised.

\*3 Dato' Mohamed Nazir Abdul Razak's shareholding does not include 19,644,389 shares registered under Cimsec Nominees (Tempatan) Sdn Bhd for CIMB CEO Share Scheme.

Save as disclosed above, none of the Directors, substantial shareholders, and persons connected with Directors and/or substantial shareholders has held any BCHB Shares.

## 6. APPROVAL REQUIRED

The Proposed Shares Buy-Back is conditional upon the approval of the shareholders of BCHB at the forthcoming AGM.

## 7. SHARE PRICES

The monthly highest and lowest prices per share of BCHB Shares traded on Bursa Securities for the last twelve (12) months from March 2006 to February 2007 are as follows:

	High (RM)	Low (RM)
<b>2006</b>		
March	6.40	5.75
April	6.50	6.15
May	6.50	5.90
June	6.30	5.70
July	6.20	5.70
August	6.50	6.00
September	6.70	6.35
October	6.90	6.60
November	8.00	6.85
December	8.05	7.40
<b>2007</b>		
January	9.50	7.75
February	10.80	9.00

## Statement Accompanying Notice of Annual General Meeting

### 8. PURCHASES AND RE-SALES MADE IN THE PREVIOUS TWELVE (12) MONTHS

There were no share buy-back transactions and resale of treasury shares during the previous twelve months.

### 9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors and substantial shareholders of the Company have any interest, direct or indirect in the Proposed Shares Buy-Back and, if any, the resale of treasury shares. None of the persons connected to the Directors and substantial shareholders of the Company have any interest, direct or indirect in the Proposed Shares Buy-Back and if any, the resale of treasury shares.

### 10. DIRECTORS' RECOMMENDATION

After careful consideration, your Board is of the opinion that the Proposed Shares Buy-Back is in the interest of the Company. Accordingly, they recommend that you vote in favour of the ordinary resolution for the Proposed Shares Buy-Back to be tabled at the forthcoming AGM.

### 11. MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 1998 ("CODE")

The Proposed Shares Buy-Back if carried out in full (whether shares are cancelled or treated as treasury shares) may result in a substantial shareholders and/or parties acting in concert with it incurring a mandatory general offer obligation. In this respect, the Board is mindful of the provision under Practice Note 2.7 and 2.9 of the code.

### 12. STATEMENT BY BURSA SECURITIES

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or reliance upon the whole or any part of the contents of this Statement.

**Bumiputra-Commerce Holdings Berhad**

 (Incorporated in Malaysia)  
(50841-W)

CDS Account No. \_\_\_\_\_

Number of Shares \_\_\_\_\_

I/We \_\_\_\_\_ (name of shareholder as per NRIC, in capital letters)

IC No./ID No./Company No. \_\_\_\_\_ (new) \_\_\_\_\_ (old) of

 \_\_\_\_\_  
 (full address) being a member(s) of the abovenamed Company, hereby appoint \_\_\_\_\_ (name of  
 proxy as per NRIC, in capital letters) IC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old) of

 \_\_\_\_\_  
 (full address) or failing him/her \_\_\_\_\_ (name of proxy per NRIC, in capital letters)

IC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old) of \_\_\_\_\_

 \_\_\_\_\_  
 (full address) failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fiftieth Annual General Meeting of the Company to be held at Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 26th April 2007 at 9.30 a.m. and at each and every adjournment thereof.

My/our proxy is to vote as indicate below.

RESOLUTIONS		FOR	AGAINST
A	As Ordinary Business		
1.	Receipt of Audited Financial Statements and Reports	Resolution 1	
2.	Declaration of Dividends	Resolution 2	
3.	Re-election of Directors		
4.	Dr Roslan A. Ghaffar	Resolution 3	
5.	Tan Sri Dato' Md Nor Md Yusof	Resolution 4	
6.	Tan Sri Dato' Seri Haidar Mohamed Nor	Resolution 5	
7.	Dato' Hamzah Bakar	Resolution 6	
8.	Dato' Zainal Abidin Putih	Resolution 7	
9.	Datuk Dr Syed Muhamad Syed Abdul Kadir	Resolution 8	
10.	Dato' Robert Cheim Dau Meng	Resolution 9	
11.	Mr Cezar Peralta Consing	Resolution 10	
11.	Payment of Directors' Fees	Resolution 11	
12.	Reappointment of Auditors	Resolution 12	
	As Special Business		
13.	Proposed renewal of the authority for the issue of new ordinary shares	Resolution 13	
14.	Proposed renewal of authority to purchase own ordinary shares	Resolution 14	

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Signature/Common Seal

Date:

**Notes:**

- A member of the company entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him. Each proxy shall represent a minimum of 100 shares.
- Where a member appoints more than one (1) proxy, such appointment shall be invalid unless he specifies the proportion of the shareholding to be represented by each proxy.
- A proxy may but need not be a member of the Company and the provisions of Section 149(1) of the Companies Act, 1965 shall not apply to the Company.
- If the appointer is a corporation, the proxy form must be executed either under seal or under the hand of an officer or attorney duly authorised. If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction, in which it was created and is exercised, should be enclosed with.
- For a proxy to be valid, all proxy forms should be deposited at the Registrar's Office, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur not less than forty-eight hours before the time for holding the meeting or any adjournment thereof.
- For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.
- Explanatory note on special business:  
Ordinary Resolution 13, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at any time in their absolute discretion without convening a General Meeting. The authorisation will, unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting.
- The details on Resolution 14 on the proposed renewal of the authority for the purchase of own ordinary shares is contained in the Statement Accompanying Notice of Annual General Meeting in this Annual Report.
- For the purpose of determining a member who shall be entitled to attend this 50th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 54(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 18 April 2007. Only a depositor whose name appears on the General Meeting Record of Depositors as at 18 April 2007 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/ her behalf.

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AFFIX  
STAMP

The Share Registrars  
**TENAGA KOPERAT SDN. BHD.** (118401-V)  
Tingkat 20, Plaza Permata  
Jalan Kampar Off Jalan Tun Razak  
50400 Kuala Lumpur

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# Group Corporate Directory



## **Bumiputra-Commerce Holdings Berhad**

12th Floor, Commerce Square  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 603 2093 5333  
Fax : 603 2093 3335  
Website : [www.commerz.com.my](http://www.commerz.com.my)

## **CIMB Group Sdn Bhd**

**CIMB Investment Bank Berhad**  
*(formerly known as Commerce International Merchant Bankers Berhad)*

## **CIMB Futures Sdn Bhd**

**CIMB SI Sdn Bhd**  
*(formerly known as CIMB ShareTech Sdn Bhd)*

10th Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 603 2084 8888  
Fax : 603 2084 8899  
Website : [www.cimb.com](http://www.cimb.com)

## **CIMB Bank Berhad**

*(formerly known as Bumiputra-Commerce Bank Berhad)*  
No. 6, Jalan Tun Perak  
50050 Kuala Lumpur  
Tel : 603 2693 1722  
Fax : 603 2698 6628  
Website : [www.cimb.com](http://www.cimb.com)

## **CIMB Islamic Bank Berhad**

*(formerly known as Commerce Tijani Bank Berhad)*

## **CIMB-Kanoo Islamic Investment Company BSC (C)**

1st Floor, Menara Promet  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 603 2116 1280  
Fax : 603 2144 4746  
Website : [www.cimbislamic.com](http://www.cimbislamic.com)

## **CIMB Investment Bank Berhad Brunei Branch**

14th Floor PGGMB Building  
Jalan Kianggeh  
Bandar Seri Begawan BS8111  
Brunei Darussalam  
Tel : 673 224 1888  
Fax : 673 224 0999

## **PT Bank Niaga Tbk**

Graha Niaga  
Jl. Jend. Sudirman Kav. 58  
Jakarta 12190  
Indonesia  
Tel : 6221 250 5252  
Fax : 6221 252 6749  
Website : [www.bankniaga.com](http://www.bankniaga.com)

## **Commerce Asset Ventures Sdn Bhd**

6, Commerce House  
22, Jalan Sri Semantan Satu  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 603 2732 5577  
Fax : 603 2732 1343  
Website : [www.commerce-ventures.com.my](http://www.commerce-ventures.com.my)

## **Commerce International Group Berhad**

### **Commerce Assurance Berhad**

Suite 3A-15, Level 15  
Block 3A, Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Tel : 603 2264 0400/0600  
Fax : 603 2264 0500  
Website : [www.commercegroup.com.my](http://www.commercegroup.com.my)

## **Commerce Life Assurance Berhad**

### **Commerce Takaful Berhad**

Suite 3A – 15, Level 15,  
Block 3A, Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Tel : 603 2264 0505  
Fax : 603 2264 0555

## **CIMB Trust Ltd**

*(formerly known as Bumiputra-Commerce Trust Ltd)*

Level 14(A), Main Office Tower  
Financial Park Labuan  
Jalan Merdeka  
87000 Labuan  
Federal Territory of Labuan  
Tel : 6087 411 252  
Fax : 6087 411 855

## **CIMB Bank (L) Ltd**

*(formerly known as Bumiputra-Commerce Bank (L) Ltd)*

**CIMB (L) Ltd**  
Level 14(A), Main Office Tower  
Financial Park Labuan  
Jalan Merdeka  
87000 Labuan  
Federal Territory of Labuan  
Tel : 6087 410 305  
Fax : 6087 410 313

## **BHLB Trustee Berhad**

Ground & First Floor  
No 24, Jalan 14/22  
Right Angle, Section 14  
46100 Petaling Jaya  
Selangor  
Tel : 603 7958 3637  
Fax : 603 7955 4071  
Website : [www.bhlb.com.my](http://www.bhlb.com.my)

## **EPIC-I Sdn Bhd**

10th Floor, Menara Atlas  
Plaza Pantai  
5 Jalan 4/83A  
Off Jalan Pantai Baru  
59200 Kuala Lumpur  
Tel : 603 2296 0000  
Fax : 603 2710 9570

## **South East Asian Bank Ltd**

26 Bourbon Street  
Port Louis  
Republic of Mauritius  
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## **CIMB Real Estate Sdn Bhd**

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