


annual report

07



Maybank

Strength in Simplicity



At Maybank, our strength lies in our commitment to making banking simple and accessible to customers anytime, anywhere.

As Malaysia's leading financial services group, we will continue to combine expertise with innovation and technology to enrich customer experience and maximise stakeholder value creation.

Contents

Notice of 47th Annual General Meeting	2	Statement Accompanying Notice of 47th AGM	3
Strength	4	Corporate Information	6
		Organisation Structure	7
		Board of Directors	8
Management Committee	14	Performance	16
		Financial Highlights	18
		Segment Information	19
Five Year Group Financial Summary	20	Financial Calendar	21
		Letter to Shareholders	22
Management's Discussion and Analysis of Financial Performance	32	Awards and Achievements	34
Responsibility	36	Code of Ethics and Conduct	38
		Statement on Corporate Governance	39
Statement on Internal Control	46	Audit Committee of the Board	47
		Risk Management	50
Additional Compliance Information	59	Community	60
		Corporate Social Responsibility	62
Group Corporate Highlights	67	Other Information	69
		Analysis of Shareholdings	70
Classification of Shareholders	72	Changes in Share Capital	73
		Maybank Group Global Network	75
Properties Owned by Maybank Group	76	Group Directory	78
		Form of Proxy	• Appendix 1



Strength 4



Performance 16



Responsibility 36



Community 60

Corporate Vision

TO BECOME FIRST CHOICE FINANCIAL PARTNER
IN THE TARGET MARKETS AND COUNTRIES
WE SERVE.

Core Values

WE SERVE OUR CUSTOMERS BY:

- Enriching their experiences with us
- Developing long term and mutually beneficial relationships with them
- Placing a high value on their privacy and financial security

WE VALUE OUR PEOPLE WHO ARE:

- Committed to excellence in everything they do
- Team players working together based on mutual respect, leadership by example and dignity in their dealings with everyone
- Ethical and uphold high levels of integrity

WE ARE KNOWN AS AN ORGANISATION THAT:

- Consistently provides our shareholders with superior returns
- Focuses on sustainable and superior growth guided by sound financial discipline
- Operates in the most efficient and effective manner

Notice of 47th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 47th Annual General Meeting of Malayan Banking Berhad (Maybank/the Company) will be held at Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Saturday, 29 September 2007 at 11.30 a.m. for the following businesses:-

AS ORDINARY BUSINESSES:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2007 together with the Reports of the Directors and Auditors thereon.
(Ordinary Resolution 1)
2. To approve the payment of a Final Dividend of 40 sen per share less 27% income tax, for the financial year ended 30 June 2007 as recommended by the Board.
(Ordinary Resolution 2)
3. To re-elect the following Directors, each of whom retires by rotation in accordance with Articles 96 and 97 of the Company's Articles of Association:-
 - i) Tan Sri Mohamed Basir bin Ahmad **(Ordinary Resolution 3)**
 - ii) Datuk Abdul Rahman bin Mohd Ramli **(Ordinary Resolution 4)**
 - iii) Datuk Zainun Aishah binti Ahmad **(Ordinary Resolution 5)**
4. To consider and, if thought fit, to pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-
 - i) "That Haji Mohd Hashir bin Haji Abdullah, retiring pursuant to Section 129(6) of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **(Ordinary Resolution 6)**
 - ii) "That Teh Soon Poh, retiring pursuant to Section 129(6) of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **(Ordinary Resolution 7)**
5. To approve the payment of Directors' fees of RM1,234,410.94 for the financial year ended 30 June 2007 (FY2005/2006 : RM1,261,938.31).
(Ordinary Resolution 8)
6. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 30 June 2008 and to authorise the Directors to fix their remuneration.
(Ordinary Resolution 9)

AS SPECIAL BUSINESSES:

To consider, and if thought fit, to pass the following Ordinary and Special resolutions:-

7. AUTHORITY TO DIRECTORS TO ISSUE SHARES
"THAT subject always to the Companies Act, 1965, the Company's Articles of Association and approval of the relevant government/regulatory authorities being obtained, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, 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% of the issued share capital of the Company for the time being."
(Ordinary Resolution 10)
8. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY
"THAT subject to the relevant approvals being obtained, the proposed amendments to the Articles of Association ("Articles") of the Company in the manner as set out in Appendix 1 to the Annual Report 2007 ("Proposed Amendments") be and are hereby approved and consequence thereof the new set of Articles incorporating all appropriate amendments be adopted AND THAT the Directors and Secretary be and are hereby authorized to sign, do and execute all relevant documents, acts and things as may be required for or in connection with and to give effect to the Proposed Amendments with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities".
(Special Resolution)
9. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act, 1965.

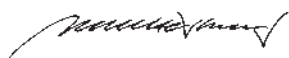
NOTICE OF 47TH ANNUAL GENERAL MEETING**NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

NOTICE IS ALSO HEREBY GIVEN THAT the Final Dividend of 40 sen per share less 27% income tax, for the financial year ended 30 June 2007, if approved by the shareholders, at the 47th Annual General Meeting, will be paid on 15 November 2007 to Depositors whose names appear in the Record of Depositors on 1 November 2007.

A depositor shall qualify for entitlement to the dividends only in respect of:-

- A) Shares deposited into the Depositors' Securities Accounts before 12.30 p.m. on 30 October 2007 (in respect of shares exempted from mandatory deposit);
- B) Shares transferred to the Depositors' Securities Accounts in respect of ordinary transfers before 4.00 p.m. on 1 November 2007; and
- C) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD



MOHD NAZLAN MOHD GHAZALI

LS0008977

Company Secretary

Kuala Lumpur

7 September 2007

NOTES:

1. The right of foreigners to vote in respect of securities is subject to Section 41(2) of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 and the Articles of Maybank.
2. A member entitled to attend and vote at the 47th Annual General Meeting is entitled to appoint a proxy to attend and on a show of hands or on a poll, to vote in his stead. A proxy shall be a member of the Company, an Advocate, an approved Company Auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its directors.
3. Duly completed Form of Proxy must be deposited at the Company's registered office at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, by 27 September 2007 at 11.30 a.m.
4. For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.
5. Only members registered in the Record of Depositors on or before 12.30 p.m., on 26 September 2007 shall be eligible to attend the AGM.
6. **Explanatory note on Special Businesses**

Ordinary Resolution 10 - Authority to Directors to Issue Shares

The proposed Ordinary Resolution 10, if passed, will give powers to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.

Special Resolution – Proposed Amendments to Articles of Association of the Company

This Special Resolution, if passed, will bring the Company's Articles of Association in line with the recent amendments prescribed under the Listing Requirements of Bursa Malaysia Securities Berhad and the Companies Act, 1965 as well as enhancement of the administration of the Company's internal processes, particularly those relevant to directors and meetings.

7. Statement Accompanying the Notice of Annual General Meeting

Additional information pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad is set out in Annexure A in Maybank's 2007 Annual Report.

Statement Accompanying Notice of 47th Annual General Meeting

ANNEXURE A

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

The Profile of the Directors who are standing for re-election and re-appointment (as per Ordinary Resolutions 3 to 7 as stated above) at the 47th Annual General Meeting of Malayan Banking Berhad (Maybank/ the Company) which will be held at Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Saturday, 29 September 2007 at 11.30 a.m. are stated on pages 8 to 13 of the Annual Report 2007.

The details of any interest in the securities of Maybank and its subsidiaries (if any) held by the said Directors are stated on pages 2 to 3 of the Financial Statements of the Annual Report 2007.

6 Corporate Information

7 Organisation Structure

8 Board of Directors

14 Management Committee

strength



Corporate Information

BOARD OF DIRECTORS

Non-Independent Non-Executive Chairman

Tan Sri Mohamed Basir bin Ahmad P.S.M., J.S.M., D.P.C.M.

Independent Non-Executive Vice Chairman

Dato' Richard Ho Ung Hun D.P.M.P.

Non-Independent Executive Director (President and CEO)

Datuk Amirsham A Aziz P.J.N.

Non-Independent Executive Director (Deputy President and CFO)

Dato' Mohammed Hussein D.J.M.K., J.P.

Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali

P.J.K., P.P.T., K.M.N., S.M.P., J.M.N., D.P.S.K., D.I.M.P., D.P.J., P.S.M., S.J.J., S.P.N.S.

Independent Non-Executive Director

Mohammad bin Abdullah

Independent Non-Executive Director

Haji Mohd Hashir bin Haji Abdullah J.M.N., S.M.S., P.P.T.

Independent Non-Executive Director

Teh Soon Poh

Non-Independent Non-Executive Director

Datuk Abdul Rahman bin Mohd Ramli P.J.N.

Independent Non-Executive Director

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor D.P.C.M., P.J.N., P.S.M.

Non-Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad P.J.N., J.S.M., D.D.M.P., P.M.P., K.M.N.

COMPANY SECRETARY

Mohd Nazlan Mohd Ghazali (LS0008977)

REGISTERED OFFICE

14th Floor, Menara Maybank

100, Jalan Tun Perak

50050 Kuala Lumpur, Malaysia

Telephone : (6)03-20708833

Telex : MA 30438

Facsimile : (6)03-20708305 (Investor Relations)

: (6)03-27113421 (Customer Feedback Management)

: (6)03-78459858 (Maybank Group Customer Care)

: (6)03-20310071 (Secretarial Services)

Cable : MAYBANK

SWIFT : MBBEMYKLA

Website : <http://www.maybank2u.com>

E-Mail : publicaffairs@maybank.com.my

REGISTRAR

Malayan Banking Berhad

14th Floor, Menara Maybank

100, Jalan Tun Perak

50050 Kuala Lumpur, Malaysia

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

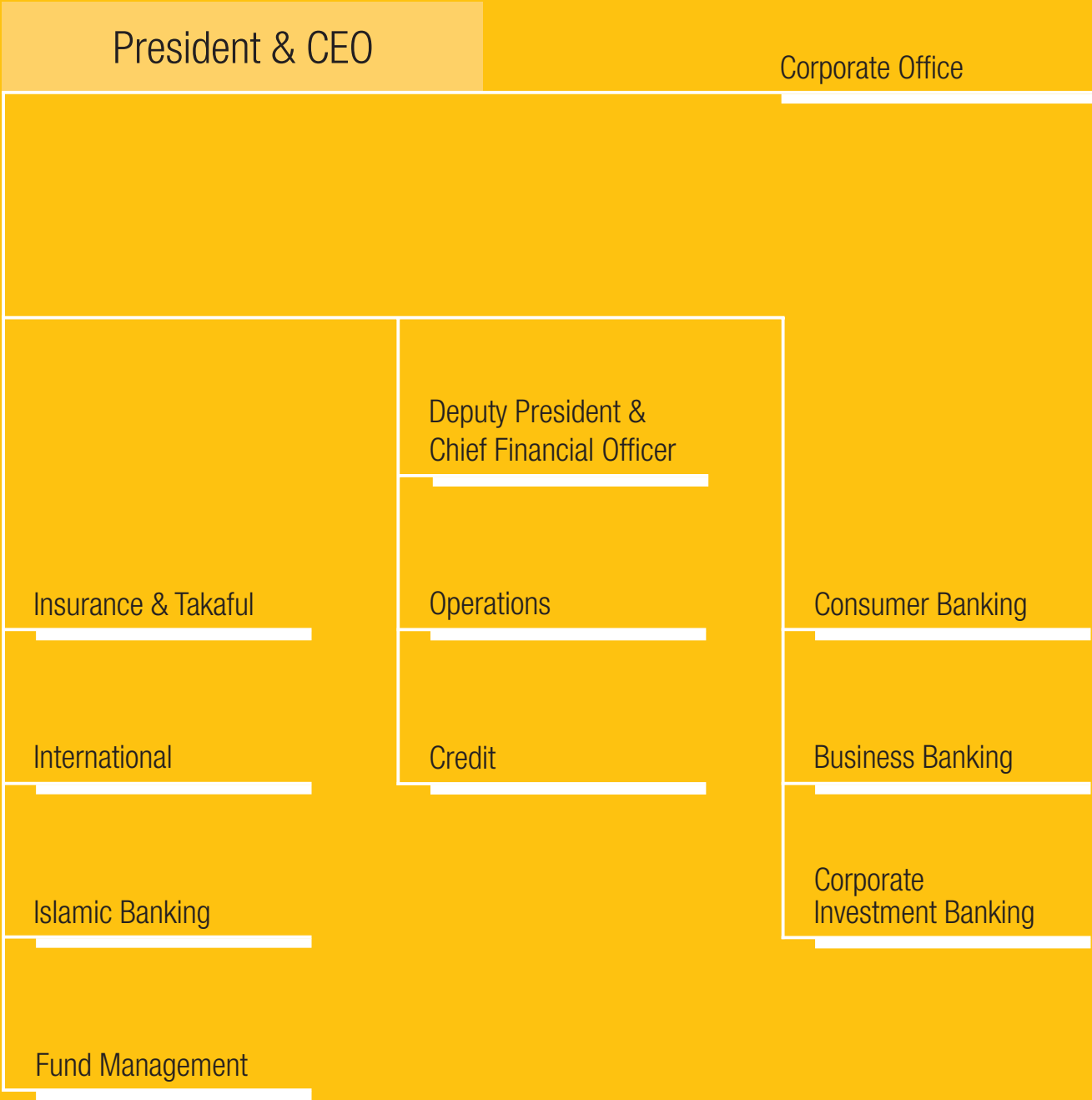
(Listed since 17 February 1962)

EXTERNAL AUDITORS

Messrs. Ernst & Young (AF: 0039)

Chartered Accountants

Organisation Structure



Board of Directors



TAN SRI MOHAMED BASIR BIN AHMAD

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR (CHAIRMAN)

(69 years of age - Malaysian) B.A., AMP (Harvard), D. Com Sc

Tan Sri Mohamed Basir bin Ahmad was appointed as a Director of Maybank on 5 August 1993 and as Chairman of Maybank on 9 October 1993. He also serves as Chairman of the Credit Review Committee of the Board.

He joined Bank Negara Malaysia in 1965 and had served the Central Bank in various capacities before retiring in 1993 as Advisor. He is a Fellow member of the Malaysian Institute of Bankers since 1980.

He is also the Chairman of several companies in the Maybank Group which include Mayban Fortis Holdings Berhad, Aseambankers Malaysia Berhad, MNI Holdings Berhad, PT Bank Maybank Indocorp, Maybank Philippines Incorporated and PhileoAllied Securities (Philippines) Incorporated.

He attended 14 out of the 16 Board Meetings held in the financial year.

Tan Sri Mohamed Basir bin Ahmad has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.



DATO' RICHARD HO UNG HUN

INDEPENDENT NON-EXECUTIVE DIRECTOR (VICE-CHAIRMAN)

(80 years of age - Malaysian) Barrister at Law (Lincoln's Inn)

Dato' Richard Ho Ung Hun was appointed as Vice-Chairman and Director of Maybank on 27 January 1983. He is the Chairman of the Employee Share Option Scheme Committee and a member of the Credit Review Committee of the Board.

He served as a Member of Parliament from 1969 to 1982. He was appointed Deputy Minister of Road Transport in 1974 and subsequently Deputy Minister of Finance in 1976. In 1978, he was the Minister without Portfolio in the Prime Minister's Department and subsequently named as the then Minister of Labour and Manpower in the same year.

He is the Chairman of several companies in the Maybank Group which include Mayban Trustees Berhad, Maybank International (L) Ltd, Mayban International Trust (Labuan) Berhad and Mayban International Trust (L) Ltd and is also a director of Aseambankers Malaysia Berhad. He is also a director of Malayan Flour Mills Berhad, a public listed company.

He attended 15 out of the 16 Board Meetings held in the financial year.

Dato' Richard Ho Ung Hun has no family relationship with any director and/or major shareholder of Maybank. Other than a Tenancy Agreement with Maybank on the rental of a four-storey shophouse used as branch premises, he has no conflict of interest with Maybank and has never been charged for any offence.

BOARD OF DIRECTORS

**DATUK AMIRSHAM A AZIZ**

NON-INDEPENDENT EXECUTIVE DIRECTOR

(57 years of age - Malaysian) B.Econs (Hons), Member of MICPA

Datuk Amirsham A Aziz joined the Maybank Group in 1977 and has worked in various capacities within the Group. He was appointed as an Executive Director in August 1993 and subsequently as Managing Director on 1 May 1994. The post has since been re-designated as President and Chief Executive Officer. He is the Chairman of the Group Management Committee and also serves as a member of the Credit Review Committee of the Board.

His directorships in companies in the Maybank Group include Aseambankers Malaysia Berhad, Mayban Fortis Holdings Berhad and Malaysia National Insurance Berhad. His directorships in other companies include as Chairman of ASEAN Finance Corporation Ltd, Chairman of Malaysian Electronic Payment System (1997) Sdn Berhad and as director of Cagamas Berhad and Perbadanan Usahawan Nasional Berhad.

Datuk Amirsham A Aziz is a member of the Investment Panel of Kumpulan Wang Persaraan (Diperbadankan) and a member of the Investment Panel of Employees Provident Fund Board.

He is a Council Member of the Association of Banks in Malaysia, Vice Chairman of the Institute of Bankers Malaysia and a director of Islamic Banking and Finance Institute Malaysia Sdn Bhd, Asian Pacific Bankers Club as well as Institute of International Finance.

He attended all of the 16 Board Meetings held in the financial year.

Datuk Amirsham A Aziz has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

**DATO' MOHAMMED HUSSEIN**

NON-INDEPENDENT EXECUTIVE DIRECTOR

(56 years of age - Malaysian) Bachelor of Commerce (Accounting), AMP (Harvard)

Dato' Mohammed Hussein was appointed as an Executive Director of Maybank on 1 November 2000. He is the Deputy President and Chief Financial Officer of Maybank. He joined the Maybank Group in 1977 and has worked in various capacities within the Group, including as Managing Director of Aseambankers Malaysia Berhad.

His directorships in companies in the Maybank Group include Aseambankers Malaysia Berhad and PT Bank Maybank Indocorp. He is also a director of Pelaburan Hartanah Nasional Berhad.

He attended 15 out of the 16 Board Meetings held during the financial year.

Dato' Mohammed Hussein has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

BOARD OF DIRECTORS

**RAJA TAN SRI MUHAMMAD ALIAS BIN RAJA MUHD. ALI**

INDEPENDENT NON-EXECUTIVE DIRECTOR

(75 years of age - Malaysian) B.A (Hons), AMP (Harvard), D.Sc. (Hon), D.Econ. (Hon)

Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali was appointed as a Director of Maybank on 17 March 1978. He serves as Chairman of the Risk Management and the Nomination Committees of the Board. He is also a member of the Remuneration and Establishment Committee and Employee Share Option Scheme Committee of the Board.

He was the Chairman of Federal Land Development Authority prior to his retirement on 30 June 2001. He is currently the Chairman of Highlands & Lowlands Berhad.

He is also a director of Mayban Fortis Holdings Berhad. His directorships in other public listed companies are in Kuala Lumpur Kepong Berhad, Batu Kawan Berhad, Sime Darby Berhad and Kumpulan Guthrie Berhad.

He attended 15 out of the 16 Board Meetings held in the financial year.

Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

**MOHAMMAD BIN ABDULLAH**

INDEPENDENT NON-EXECUTIVE DIRECTOR

(66 years of age - Malaysian) Member of MICPA, Member of MIA

Mohammad bin Abdullah was appointed as a Director of Maybank on 11 January 1995. He serves as Chairman of the Remuneration and Establishment and the Audit Committees and member of the Employee Share Option Scheme and Nomination Committees of the Board.

He was the Chairman of Coopers & Lybrand Malaysia prior to his retirement in 1995 and he is currently the Chairman of Negara Properties (M) Berhad, MNRB Holdings Berhad, Malaysia Rating Corporation Berhad, Labuan Reinsurance (L) Limited and Malaysian Reinsurance Berhad.

His directorships in companies in the Maybank Group include Maybank International (L) Ltd and Aseambankers Malaysia Berhad. His directorships in other public companies are in Golden Hope Plantations Berhad, MIMOS Berhad, MNRB Retakaful Berhad and Malaysian Bulk Carriers Berhad.

He attended 14 out of the 16 Board Meetings held in the financial year.

Mohammad bin Abdullah has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

BOARD OF DIRECTORS**HAJI MOHD HASHIR BIN HAJI ABDULLAH**

INDEPENDENT NON-EXECUTIVE DIRECTOR

(71 years of age - Malaysian) ACA (Aust), ACIS (UK), Member of MICPA, FCMI (UK), FCIT (UK), AMP (Harvard)

Haji Mohd Hashir bin Haji Abdullah was appointed as a Director of Maybank on 7 November 1996. He serves as a member of the Audit, Nomination, Credit Review and Risk Management Committees of the Board.

He was the General Manager and Chief Executive Officer of Kelang Port Authority prior to his retirement in 1991.

His directorship in companies in the Maybank Group include PT Bank Maybank Indocorp and he is also the Chairman of the asset management companies in the Group, amongst others, Mayban Investment Management Sdn Bhd and Mayban Ventures Sdn Bhd.

He attended all of the 16 Board Meetings held in the financial year.

Haji Mohd Hashir bin Haji Abdullah has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

**TEH SOON POH**

INDEPENDENT NON-EXECUTIVE DIRECTOR

(71 years of age - Malaysian) Barrister at Law (Middle Temple)

Teh Soon Poh was appointed as a Director of Maybank on 21 October 1997. He serves as a member of the Audit Committee, Remuneration and Establishment Committee as well as the Risk Management and Credit Review Committees of the Board.

He was the former General Manager of Credit Control Division of Maybank prior to his retirement in 1992.

His directorships in companies in the Maybank Group include Mayban Trustees Berhad, Maybank International (L) Ltd, Mayban International Trust (L) Ltd, PT Bank Maybank Indocorp, Maybank Philippines Incorporated and PhileoAllied Securities (Philippines) Incorporated and as Chairman of Maybank (PNG) Ltd.

He attended 15 out of the 16 Board Meetings held in the financial year.

Teh Soon Poh has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

BOARD OF DIRECTORS



DATUK ABDUL RAHMAN BIN MOHD RAMLI

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

(68 years of age - Malaysian) ACA (Aust), Member of MICPA, Member of MIA

Datuk Abdul Rahman bin Mohd Ramli was appointed as a Director of Maybank on 17 November 1999. He serves as a member of the Remuneration and Establishment Committee, Credit Review Committee as well as the Nomination Committees of the Board.

He was the Group Chief Executive of Golden Hope Plantations Berhad prior to his retirement in 1999.

His directorships in companies in the Maybank Group include Malaysia National Insurance Berhad, Takaful Nasional Sdn Berhad, Maybank International (L) Ltd, Mayban International Trust (Labuan) Berhad, Mayban International Trust (L) Ltd and Maybank (PNG) Ltd. He is also the director of Kuala Lumpur Kepong Berhad and DRB-HICOM Berhad, both public listed companies.

He attended all of the 16 Board Meetings held in the financial year.

Datuk Abdul Rahman bin Mohd Ramli has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.



TAN SRI DATO' MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

INDEPENDENT NON-EXECUTIVE DIRECTOR

(58 years of age - Malaysian) B.Sc (Hons) in Mining Engineering

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor was appointed as a Director of Maybank on 19 July 2004. He serves as a member of the Nomination and Employee Share Option Scheme Committees of the Board.

He was the Regional Business CEO/Managing Director of Shell Exploration and Production International B.V. (Netherlands) prior to his retirement in January 2004 and is currently the Chairman of Maxis Communications Berhad.

His directorships in companies in the Maybank Group include Mayban Fortis Holdings Berhad and MNI Holdings Berhad as well as Chairman of Malaysia National Insurance Berhad, Mayban Life Assurance Berhad, Mayban General Assurance Berhad, Mayban Takaful Berhad, Mayban Life International (L) Ltd, MNI Offshore Insurance (L) Ltd and Takaful Nasional Sdn Berhad. He is also a director of the International Centre for Leadership in Finance and the Capital Market Development Fund.

He attended all of the 16 Board Meetings held in the financial year.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

BOARD OF DIRECTORS**DATUK ZAINUN AISHAH BINTI AHMAD**

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

(61 years of age - Malaysian) BA (Hons) (Econs)

Datuk Zainun Aishah binti Ahmad was appointed as a Director of Maybank on 13 July 2005. She serves as a member of the Audit and Risk Management Committees of the Board.

She was the Director General of Malaysian Industrial Development Authority and a member of various committees/authorities at national level, including being a member of the National Committee on Business Competitiveness, Malaysia Incorporated and the National Project Director for Majlis Penyelarasan Perindustrian (ICC) before retiring in September 2004.

She is a director of several companies in the Maybank Group. She is also the Chairman of Scmi Engineering Berhad and Pernec Corporation Berhad, and a director of Microlink Solutions Berhad, all public companies.

She attended 15 out of the 16 Board Meetings held during the financial year.

Datuk Zainun Aishah binti Ahmad has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. She has no conflict of interest with Maybank and has never been charged for any offence.

**MOHD NAZLAN MOHD GHAZALI**

EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL & COMPANY SECRETARY

Mohd Nazlan Mohd Ghazali was a Partner and Head of Equity Capital Markets at Zaid Ibrahim & Co before joining Maybank in 2005. Prior to that he was with the Securities Commission for about 7 years until 2000 and his last position was the General Manager of the Enforcement Division.

He graduated with a Bachelor of Arts in Jurisprudence and a Master of Arts from University of Oxford and is a Barrister at Law of Lincoln's Inn.

He is also the Head of Corporate and Legal Services of Maybank and a director of Mayban Trustees Berhad.

Management Committee

DATUK AMIRSHAM A AZIZ

Datuk Amirsham graduated with a Bachelor of Economics (Honours) degree, majoring in Accounting, from the University of Malaya in 1973 and is a member of the Malaysian Institute of Certified Public Accountants (MICPA). He joined the Group in 1977 and was appointed as Executive Director in 1996. Datuk Amirsham is currently the President and Chief Executive Officer of Maybank.



DATO' MOHAMMED HUSSEIN

Holder of a Bachelor of Commerce degree majoring in Accounting from the University of Newcastle, Australia in 1972. Dato' Mohammed Hussein attended the Advanced Management Program, Harvard University, USA. He joined the Group in 1977 and was appointed as Executive Director in 1999. Dato' Mohammed Hussein is currently the Deputy President and Chief Financial Officer.



SPENCER LEE TIEN CHYE

An accountant by profession, Spencer Lee is a Fellow of the Institute of Chartered Accountants (England and Wales). He joined the Group in 1975 and is currently the Senior Executive Vice President heading Consumer Banking. He was previously the Country Head for Maybank Singapore and Head, International till 2006.

DATUK JOHAR CHE MAT

Holder of a Bachelor's degree in Economics from the University of Malaya in 1975. Dato' Johar joined the Group in 1975 and has served in various capacities and positions including the Head of Enterprise Banking (Corporate/Commercial) and Head of Retail Financial Services. He is currently the Senior Executive Vice President and Chief Operating Officer.

MANAGEMENT COMMITTEE**SURACHET CHAIPATAMANONT**

Holder of a Bachelor of Science in Electrical Engineering and Master of Science, Operations Research in Finance from Columbia University, USA. Surachet has been in the banking industry since 1993, having worked at various investment banking firms including Bear Stearns, Peregrine and JPMorgan. He was the Head of Financial Institution Group (Southeast Asia) for JPMorgan before joining Maybank Group in 2005. He is currently the Chief Executive Officer and Director of Aseambankers Malaysia Berhad and Head of Corporate Investment Banking.

DATO' AMINUDDIN MD DESA

Holder of Advanced Diploma in Business Studies in 1985 and an Associate of the Chartered Institute of Insurance, UK as well as an Associate of the Malaysian Insurance Institute. Dato' Aminuddin joined the Group in 2005 and is currently the Chief Executive Officer and Director of Mayban Fortis Holdings Berhad and Head of Insurance and Takaful.

JAMALUDIN NASIR

Holder of Bachelor's Degree in Economics and Bachelor of Science in Finance and Business Economics from Southern Illinois University, USA as well as a Masters Degree in Business Administration from Texas A & M International University, USA. Jamaludin has been in the banking industry since 1986 and has gained wide experience working in local and international financial institutions. Joined Maybank in June 2005 and is currently the Senior Executive Vice President and Chief Credit Officer.

**ROZIDIN MASARI**

Holder of Masters in Business Administration from the University of New Haven, Connecticut, USA. Rozidin began his career in banking in 1984 with Aseambankers, the investment banking arm of the Maybank Group. In 2002, he was transferred to the parent company, Maybank where he is currently the Senior Executive Vice President and Head of Business Banking.

LIM HONG TAT

Holder of Bachelor of Economics (Business Administration) (Honours) degree from the University of Malaya. He has been with Maybank Group since 1981 and is experienced in all aspects of banking, having managed branches, region, credit card and overseas business portfolios. He was previously the Country Head for Maybank Philippines Inc. till 2006. He is currently Executive Vice President and Head of International.

- 18** Financial Highlights
- 19** Segment Information
- 20** Five Year Group Financial Summary
- 21** Financial Calendar
- 22** Letter to Shareholders
- 32** Management's Discussion and
Analysis of Financial Performance
- 34** Awards and Achievements

performance



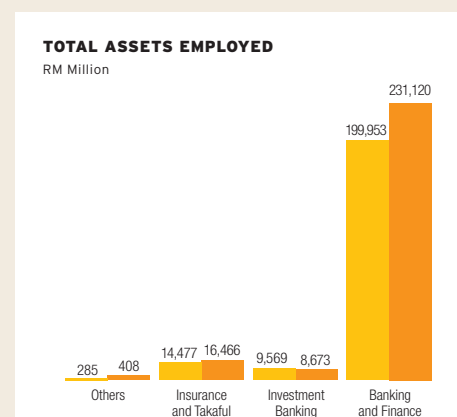
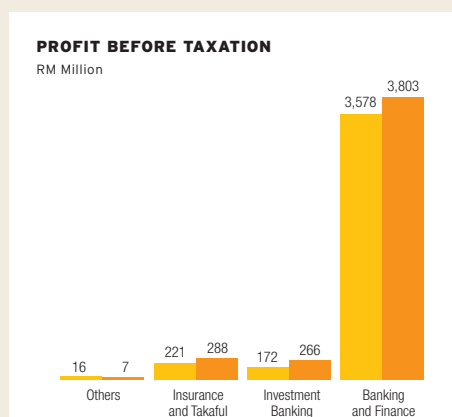
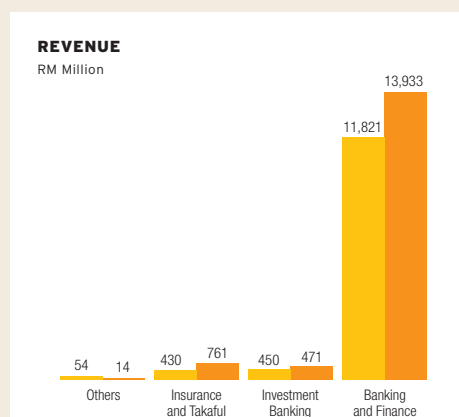
Financial Highlights

	Group		Bank	
	2006	2007	2006	2007
PROFITABILITY (RM Million)				
Operating revenue	12,754	15,169	11,503	13,956
Operating profit	4,872	5,117	4,482	4,955
Profit before taxation	3,988	4,364	3,535	4,152
Profit after taxation and minority interests	2,772	3,178	2,490	3,051
KEY BALANCE SHEET DATA (RM Million)				
Total assets	224,284	256,667	197,135	227,447
Securities portfolio	33,671	33,692	26,840	28,625
Loans, advances and financing	131,454	140,865	127,848	136,223
Total liabilities	206,807	236,799	181,783	209,993
Deposits from customers	136,279	163,677	125,137	149,576
Commitments and contingencies	130,383	175,392	128,296	171,957
Paid-up capital	3,797	3,889	3,797	3,889
Shareholders' equity	16,867	19,198	15,352	17,454
SHARE INFORMATION				
Per share (sen)				
Basic earnings	73.6	82.6	66.1	79.3
Diluted earnings	73.3	82.4	65.8	79.1
Gross dividend	85.0	80.0	85.0	80.0
Net tangible assets	444.2	493.6	404.3	448.8
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest-earning assets	2.8	2.8	2.9	2.8
Net interest on average risk-weighted assets	3.6	3.5	3.3	3.7
Net return on average shareholders' funds	16.6	17.6	16.3	18.6
Net return on average assets	1.3	1.3	1.3	1.4
Net return on average risk-weighted assets	1.9	1.9	1.6	2.0
Cost to income ratio	39.8	42.5	38.3	39.0
CAPITAL ADEQUACY RATIOS (%) (after deducting proposed final dividend)				
<u>Based on credit risk:</u>				
Core capital ratio	10.1	10.3	9.7	9.9
Risk-weighted capital ratio	14.3	15.9	12.8	14.6
<u>Based on credit and market risk:</u>				
Core capital ratio	9.4	9.4	9.0	9.1
Risk-weighted capital ratio	13.3	14.5	11.9	13.4
ASSET QUALITY RATIOS				
Net non-performing loans ratio (3 month classification) (%)	3.8	3.0	3.8	3.1
Loan loss coverage (%)	69.8	80.3	69.2	78.3
Gross loan to deposit ratio (%)	83.6	76.3	87.4	78.2
Deposits to shareholders' funds (times)	9.8	10.1	10.0	10.4
VALUATIONS ON SHARE				
Gross dividend yield (%)	7.9	6.7	—	—
Dividend payout ratio (%)	82.1	69.8	—	—
Price to earnings multiple (times)	14.5	14.5	—	—
Price to book multiple (times)	2.4	2.4	—	—

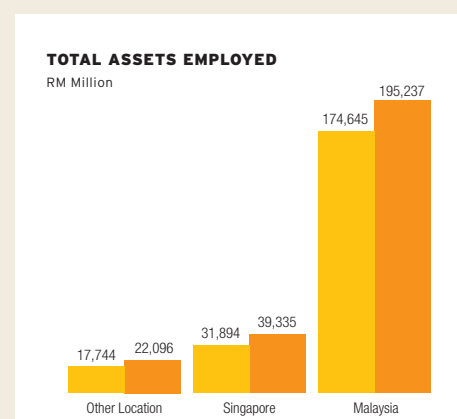
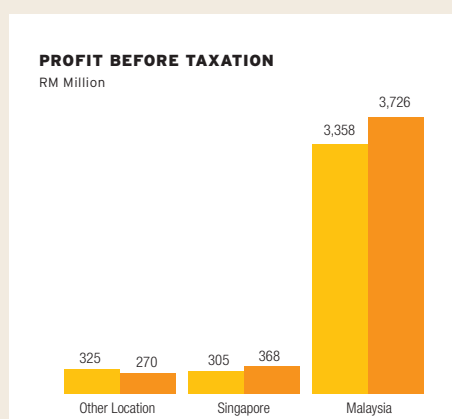
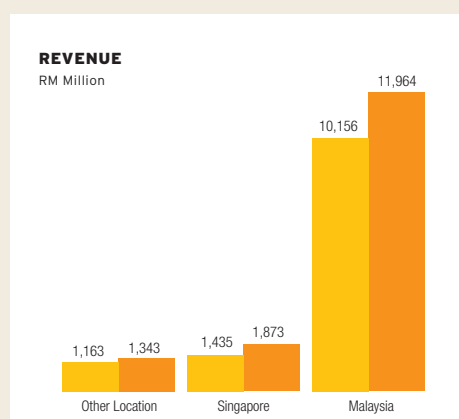
** The Bank Negara Malaysia Guidelines on Market Risk Capital Adequacy Framework are effective from 1 April 2005.

FINANCIAL HIGHLIGHTS

ANALYSIS BY ACTIVITY



ANALYSIS BY GEOGRAPHICAL LOCATION



2006 2007

Segment Information

ANALYSIS BY ACTIVITY

	2006	2007
REVENUE (RM'000)		
1 Banking and Finance	11,820,760	13,932,926
2 Investment Banking	449,965	471,058
3 Insurance and Takaful	429,993	761,211
4 Others	53,773	14,117
	12,754,491	15,179,312
PROFIT BEFORE TAXATION (RM'000)		
1 Banking and Finance	3,578,352	3,803,194
2 Investment Banking	172,228	265,624
3 Insurance and Takaful	221,330	287,738
4 Others	16,155	7,142
	3,988,065	4,363,698
TOTAL ASSETS EMPLOYED (RM'000)		
1 Banking and Finance	199,952,765	231,119,894
2 Investment Banking	9,568,980	8,673,238
3 Insurance and Takaful	14,476,949	16,466,267
4 Others	285,165	407,877
	224,283,859	256,667,276

ANALYSIS BY GEOGRAPHICAL LOCATION

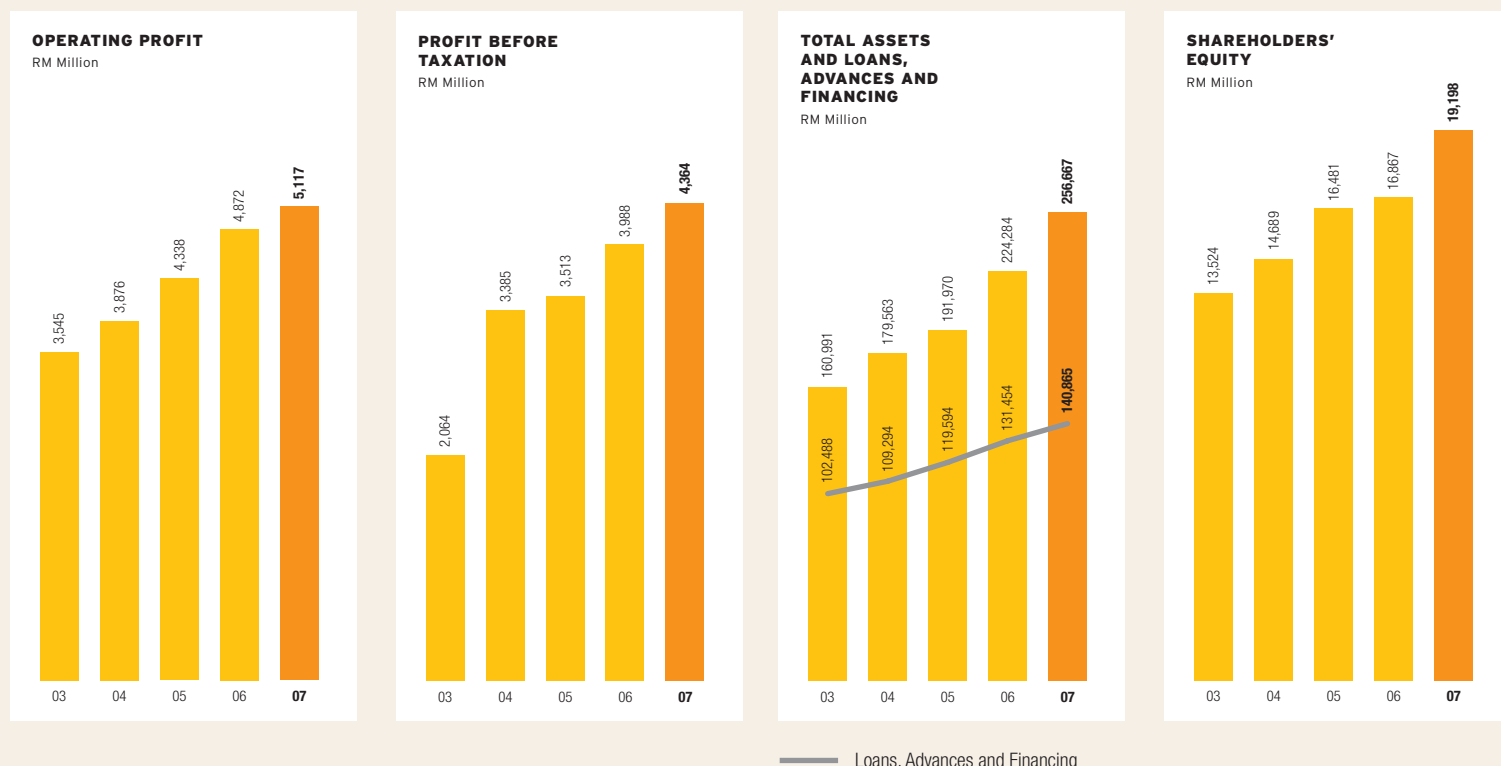
	2006	2007
REVENUE (RM'000)		
1 Malaysia	10,155,983	11,963,873
2 Singapore	1,435,106	1,872,772
3 Other Locations	1,163,402	1,342,667
	12,754,491	15,179,312
PROFIT BEFORE TAXATION (RM'000)		
1 Malaysia	3,357,886	3,725,802
2 Singapore	304,987	368,217
3 Other Locations	325,192	269,679
	3,988,065	4,363,698
TOTAL ASSETS EMPLOYED (RM'000)		
1 Malaysia	174,644,961	195,236,570
2 Singapore	31,894,468	39,334,536
3 Other Locations	17,744,430	22,096,170
	224,283,859	256,667,276

Five Year Group Financial Summary

Year ended 30 June	2003	2004	2005	2006	2007
OPERATING RESULTS (RM Million)					
Operating profit	3,545	3,876	4,338	4,872	5,117
Profit before taxation	2,064	3,385	3,513	3,988	4,364
Profit after taxation and minority interests	2,004	2,451	2,547	2,772	3,178
KEY BALANCE SHEET DATA (RM Million)					
Total assets	160,991	179,563	191,970	224,284	256,667
Loans, advances and financing	102,488	109,294	119,594	131,454	140,865
Total liabilities	147,067	164,434	175,036	206,807	236,799
Deposits from customers	109,535	123,366	131,068	136,279	163,677
Commitments and contingencies	78,527	92,377	109,452	130,383	175,392
Paid-up capital	3,589	3,600	3,721	3,797	3,889
Shareholders' equity	13,524	14,689	16,481	16,867	19,198
SHARE INFORMATION					
Per share (sen)					
Basic earnings	56.2	68.1	68.5	73.6	82.6
Diluted earnings	56.2	68.1	68.0	73.3	82.4
Gross dividend	52.0	60.0	102.5	85.0	80.0
Net tangible assets	376.8	408.0	442.9	444.2	493.6
Share price as at 30 June (RM)	8.60	10.10	10.90	10.70	12.00
Market capitalisation (RM Million)	30,865	36,360	40,559	40,628	46,668
FINANCIAL RATIOS (%)					
Profitability Ratios/Market Share					
Net interest margin on average interest-earning assets	2.9	2.9	2.9	2.8	2.8
Net interest on average risk-weighted assets	3.7	2.8	3.3	3.6	3.5
Net return on average shareholders' funds	15.3	17.4	16.3	16.6	17.6
Net return on average assets	1.3	1.4	1.4	1.3	1.3
Net return on average risk-weighted assets	1.7	1.7	1.9	1.9	1.9
Cost income ratio	39.7	40.1	39.3	39.8	42.5
Gross loan to deposit ratio	102.7	96.0	97.2	83.6	76.3
Net non-performing loans ratio (3-month classification)(%)	6.2	6.0	4.9	3.8	3.0
Domestic market share in:					
Loans, advances and financing	21.1	20.6	20.4	20.3	19.6
Deposits from customers – Savings Account	30.3	29.8	29.1	28.9	30.6
Deposits from customers – Current Account	23.2	22.7	22.4	21.1	21.4
CAPITAL ADEQUACY RATIOS (%) (after deducting proposed final dividend)					
<u>Based on credit risk:</u>					
Core capital ratio	10.3	10.4	106.0	10.1	10.3
Risk-weighted capital ratio	15.3	15.1	14.2	14.3	15.9
<u>Based on credit and market risk:</u>					
Core capital ratio	**	**	10.3	9.4	9.4
Risk-weighted capital ratio	**	**	13.9	13.3	14.5
VALUATIONS ON SHARE					
Gross dividend yield (%)	6.0	5.9	9.4	7.9	6.7
Dividend payout ratio (%)	57.7	37.4	62.9	82.1	69.8
Price to earnings multiple (times)	15.4	15.0	15.9	14.5	14.5

** The Bank Negara Malaysia Guidelines on Market Risk Capital Adequacy Framework are effective from 1 April 2005.

FIVE YEAR GROUP FINANCIAL SUMMARY



Financial Calendar

24.8.2006

Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the financial year ended 30.6.2006

8.9.2006

Notice of the 46th Annual General Meeting, Notice of Dividend Payment and Book Closure and issuance of annual report for the financial year ended 30.6.2006

30.9.2006

46th Annual General Meeting

2 and 3.11.2006

Book closure for determining the entitlement of the dividends

14.11.2006

Announcement of the unaudited results of Maybank and of the Group for the first quarter of the financial year ended 30.6.2007

15.11.2006

Date of payment of the final dividend of 35 sen per share (less 28% Malaysian Income Tax) in respect of the financial year ended 30.6.2006

21.2.2007

Announcement of the unaudited results of Maybank and of the Group for the second quarter of the financial year ended 30.6.2007

13 and 14.4.2007

Book closure for determining the entitlement of the dividends

26.4.2007

Date of payment of the interim dividend of 40 sen per share (less 27% Malaysian Income Tax) in respect of the financial year ended 30.6.2007

11.5.2007

Announcement of the unaudited results of Maybank and of the Group for the third quarter of the financial year ended 30.6.2007

29.8.2007

Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the financial year ended 30.6.2007

7.9.2007

Notice of the 47th Annual General Meeting, Notice of Dividend Payment and Book Closure and issuance of annual report for the financial year ended 30.6.2007

29.9.2007

47th Annual General Meeting

2 and 3.11.2007

Book closure for determining the entitlement of the dividends

15.11.2007

Date of payment of the final dividend of 40 sen per share (less 27% Malaysian Income Tax) in respect of the financial year ended 30.6.2007

Letter

The Group recorded a net profit of RM3.18 billion, a creditable growth of 14.6% compared to a growth of 10.8% in the previous year.

to Shareholders



LETTER TO SHAREHOLDERS



Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present to you the Annual Report and Statement of Accounts for the Financial Year ended 30 June 2007.

BUSINESS ENVIRONMENT

The operating environment for the financial year ending 30 June 2007 was mixed as robust domestic demand offset increasing weakness in the export sector as a result of slower demand from the US. External uncertainties from the downturn in the US property market eventually led to greater concern when the subprime mortgage crisis began to emerge in early 2007. Nevertheless, the economies of China and the rest of Asia continued to remain robust, partly compensating for the sluggish growth in the US.

Malaysia's economic growth, with GDP at 5.7% in the quarter ending June 2007, remained resilient as Bank Negara kept interest rates at 3.5% and inflation receded from 3.9% to 1.4% over the course of the financial year, prompting consumer demand to gradually improve especially in the second half of the financial year. In addition, the expected demand for financing following the government's implementation of the Ninth Malaysia Plan was initially weak but began to pick up in the second half of the financial year.

Loans growth for the banking system slowed down from 8.6% in June last year to 6.3% in December, thereafter stabilising to end at 6.0% by June 2007. This was a reflection that improving consumer confidence in the second half of the financial year was beginning to translate into credit demand. Asset quality for the banking industry improved with net non-performing loans (NPL) ratio declining to 4.1% by June 2007 from 5.4% the previous year.

The performance of the equity market was significantly bullish as foreign funds were encouraged by prospects of a stronger Malaysian Ringgit (MYR) and Malaysia's attractive valuation. As a result during the financial year, the KL Composite Index rose 48% to 1,354.38 and average daily value traded surged 111% to RM1.7 billion. The inflow of foreign portfolio funds and repatriation of export earnings boosted the country's foreign reserves by 25% to US\$98.4 billion and supported the strengthening of the MYR, which rose 6.4% to RM3.45 by end-June 2007.

REVIEW OF GROUP PERFORMANCE

Operating profit for the group grew to a record RM5.12 billion, rising 4.8% from 13.0% the previous year. The lower growth in operating income was attributed to faster expansion in overheads and slower growth in non-interest income due to a mark-to-market loss on derivatives compared to a gain the previous year.

However, representative of the generally improving operating environment, interest income showed a better growth of 24.4% against 15.4% the previous year while net interest income was a healthy 14.6% versus 5.2% previously. On the other hand, income from Islamic Banking was relatively flat at RM857.6 million due to higher cost of funding and lower contribution from the Profit Equalisation Reserve.

Nevertheless, helped by lower provision for loan loss and lower taxes due to a tax writeback, the net profit recorded a creditable growth of 14.6% compared to 10.8% in the previous year. The lower loan loss provision was due to lower specific provisions, better recovery and a writeback of RM256 million for the sale of NPLs of RM2.1 billion. With a net profit of RM3.18 billion, return on equity rose to 18.8% after deducting deferred tax.

After the proposed final dividend of 40 sen per share, the risk weighted capital ratio of the Bank stood at 13.4%, well above the minimum regulatory requirement of 8.0%.

The Group's focus on improving asset quality continues to be one of our operational strategies to enhance bottom line growth. Credit quality is managed as an integrated process from origination to remedial and recovery. The net NPL ratio has been trimmed to 3.03% from 3.84% the previous year. A significant achievement for the year and the first in the local banking industry was the completion of our NPL sale of RM2.1 billion which enabled us to write back RM256 million. Two more tranches of NPL sales have been planned for this financial year.

Despite rising competition and pressure on margins, we were able to extend our dominant position in the key business sectors.



CONSUMER BUSINESS

With consumer demand gradually improving over the past year, Maybank stepped up promotional activities targeting its diverse customer base. Overall, consumer loans growth, which was initially sluggish, showed stronger performance in the second half to record a full year growth of 5.9%. Similarly, growth in mortgage, which was flat in the first half, picked up momentum in the second half to record a full year growth of 2.2%. We expect this momentum to continue this financial year due in part to the government's recent liberalisation of the property sector.

We greatly value our interaction with customers through our branch network and to enhance our service in this area, we introduced signature branches, which are upscale branches, upgraded to provide a full range of services in prime and strategic locations. The concept of signature branches will be supported by cluster branches to improve service and operational efficiency.

Other initiatives to enhance customer service included the expansion of our outbound telesales capabilities and the implementation of our customer-centric aCRM and 'CARE' systems. These systems allow us to better manage the branch customers throughout the Maybank group sales process, providing a single holistic customer view for us to offer a diverse range of services which will ultimately enhance our cross sell ratio. Our auto finance unit's exclusive strategic alliances with leading car manufacturers and dealers to offer special financing packages resulted in hire purchase rising 10.9% in the past year compared to 9.6% the previous year.

Our internet banking business continues to dominate the market as we build upon our successful Maybank2u internet banking portal with the addition of Maybank2e.net for business customers. In growing with our customers, Maybank introduced imteen, a banking account targeted for teens, with an online banking portal called myZone. Our internet banking business during the year was enhanced with the addition of mobile banking called M2u Mobile as well as the extension of our online banking to small businesses and the introduction of online foreign telegraphic transfer.

Cards business showed exceptional performance with credit card receivables growing 48%. Through American Express, which was acquired in August 2006, Maybank gained greater access to multinational companies and high networth customers to drive further growth. A major acquisition drive to expand card penetration to the Bank's customers during the year resulted in card base and customer base growth of 23% and 20% respectively. Supported by year round marketing campaigns, debit card spend continued to lead growth by registering a 54% growth. Maybank now has the distinction of providing a full suite of cards products namely credit, charge and debit cards to meet customer needs.





BUSINESS BANKING

For the financial year 2007, Business and Corporate Banking registered an improved performance, mainly due to higher net interest income, improved asset quality, better recovery and higher non-interest income.

In contrast, the corporate loan portfolio declined marginally as large corporates continue to favour capital market financing for their funding needs. During the year, the Group introduced a Corporate Investment Banking model to better enable Business Banking and the Investment Banking Group serve top corporate clients in a more holistic manner. We continually innovate in the area of financing, as evidenced by our launch of Malaysia's first structured commodity financing product, Collateral Management Arrangement, which is targeting to secure at least RM1.0 billion in loans within the first year of launch.

Non-interest income from cash management, trade finance and treasury continue to expand rapidly through new innovative services. During the year, Maybank introduced a redefined Cash Management System (CMS) leveraging on Maybank2e.net, our business internet portal. The redefined system is Malaysia's first Syariah compliant CMS and offers a new spectrum of services such as loan and credit enquiries, collections, standard instructions and zakat. It gives our customers better control of their cash management activities and will take cash management in Malaysia to a higher level, optimising new technology and enhancing customer experience. During the financial year, our cash management business has more than doubled in volume in both the fee based and float based revenue.

In the area of trade financing where Maybank has a commanding market share of close to 26%, we continue to innovate to satisfy customer needs and to keep abreast of the market. During the year, we embarked on the eTrade project, a web-based Trade Finance front end solution, enabling customers to communicate via the internet for trade finance transactions and trade related requirements.

To grow fee income, we will further build upon transactional banking capabilities by linking our fully functional CMS with eTrade Finance to focus on supply chain management. This initiative, which offers 'straight through' processing capabilities, will improve efficiency and minimise operational risk. It will also provide a new source of income from transaction fees and capture customer 'end to end' business transactions to satisfy their total financing requirements.

In the area of
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we continue to innovate
to satisfy customer
needs and to keep
abreast of the market.



LETTER TO SHAREHOLDERS

ISLAMIC BANKING

During the year, the Islamic banking business continued to grow, with total financing and customer deposits expanding by 7.6% and 19.6% respectively. Islamic financing now accounts for 16.5% of Maybank's loans and advances with our market share still the largest at 24.8%. We made significant progress in expanding our reach through new Mudharabah deposit products such as imteen-i, Yippie-i, net current account-i and auto finance facilities.

Our Islamic banking operations is currently served through our conventional branches and 11 dedicated Islamic branches. We are in the process of incorporating an Islamic Banking subsidiary and are excited with this development. The subsidiary paves the way for the introduction of a broader range of services encompassing Islamic wealth management and foreign currency denominated business as well as opportunities to expand to regional and international markets.

INTERNATIONAL

The international business grew by 13.9% in pre-tax profit while loans growth continued to expand strongly at 20.5%. Singapore, which accounts for about three quarters of our overseas loan portfolio, recorded loans growth of 15.5%.

Already the domestic bank with the widest overseas presence, Maybank continues to improve and expand its international network. Whilst setting our sights on potential acquisitions within the region, Maybank continues with its emphasis on organic growth. In the past year, we opened in Indonesia two new sub-branches in greater Jakarta, with another one due for launch this financial year.

Enhancements to our international network include linking the three countries in Southeast Asia where we have a retail presence namely Singapore, Brunei and the Philippines to our operations in Malaysia to provide customers the convenience of real-time transactions.

Also in progress are efforts to improve efficiency and risk management through standardisation of the IT platform and infrastructure now completed in three overseas units and extended to all our overseas units by 2010.

Maybank Singapore continues to be innovative. In the area of Islamic banking, Maybank launched the first Syariah-compliant structured deposit in the region, adding diversity to Islamic banking offerings in the Singapore market. We also launched the Savings Account-i, the first Syariah-compliant passbook savings account in Singapore.

The incorporation
of an Islamic banking
subsidiary paves the way
for the introduction of
a broader range
of services.



INVESTMENT BANKING

At the end of 2006, Aseambankers acquired Mayban Securities and Mayban Discount to form Maybank's Investment Banking Group. With the integration of the various investment-related functions under a single entity, Aseambankers has now begun to reap the benefits of offering a more complete range of Investment Banking services. The CIB model that was set up has indeed enhanced coordination, ownership and productivity while offering corporate customers with a one-stop centre for both traditional financing and capital market funding.

In the financial year 2007, Aseambankers retained its status as a regional debt powerhouse, arranging 19 transactions worth RM71.23 billion in nominal value – a significant improvement from 11 transactions with a nominal value of RM8.3 billion the previous financial year. Aseambankers emerged as the top underwriter of MYR bonds for 2007 with a 25.1% share of the market.

In merger and acquisition (M&A) activities, Aseambankers successfully completed RM16.5 billion in M&A transactions during the financial year involving companies such as Malakoff Berhad, Road Builder and Unisem (M) Berhad. In IPO deals, Aseambankers, the pioneer in the listing of real estate investment trusts (REITs) in Malaysia, listed three REITs during the year, namely Hektar Real Estate Investment Trust, Quill Capita Trust and Atrium Real Estate Investment Trust.

With trading activity on Bursa Malaysia surging during the financial year, brokerage income from the equity division of Aseambankers, formerly Mayban Securities, jumped 77% or an increase of RM36.1 million. Aseambankers has spent the year building up and strengthening its equity platform and is seeking to expand into equity derivatives.





LETTER TO SHAREHOLDERS

Mayban Fortis has now catapulted to become the second largest insurer in the Malaysian market by new premiums. Our aspiration is for it to emerge as the national insurance champion by the financial year 2009.

INSURANCE

As you may recall, in the financial year 2006, our insurance unit, Mayban Fortis, acquired Malaysia National Insurance Berhad, Malaysia's largest national insurer and its subsidiary, Takaful Nasional Sdn Bhd, Malaysia's premier Takaful provider. We are glad to report significant progress in the integration of these companies under Mayban Fortis in the past financial year. The enlarged entity is now multi-channel providing greater accessibility to customers through the agency force, insurance and Takaful branches, Maybank branches, the internet, ATMs as well as through other third party banks. After completing the first year of its three-year Merger Masterplan, Mayban Fortis has since catapulted to become the second largest insurer in the Malaysian market by new premiums. Our aspiration is for our insurance arm to emerge as the national insurance champion by the financial year 2009. To achieve this goal, a strategic initiative is in progress to enhance customer focus, product optimisation and channel excellence together with a value creation programme to maximise top-line growth, improve operational efficiency and enhance risk and investment management.

The merger process will also streamline the existing five legal entities, currently with different brands and corporate cultures, into two anchor companies, one for conventional and one for Takaful. However, there will be a single compelling brand identity through which we will build a credible platform to accelerate our growth in the market, currently seeing increasing expansion in distribution channels, greater diversity of product offering, intensified competitive environment as well as increasing prominence of Takaful as an alternative to insurance.

HUMAN CAPITAL

Maybank places a premium on Human Capital both in terms of organisational and personal growth. Key initiatives in the past year include revamped attraction and retention programmes and the continued focus on employee career progression and leadership development through our comprehensive compensation package, Talent Management Framework and through the recent introduction of a robust Management Associate Program. Our high performing corporate culture is a result of HR practices that continue to provide employees with the capabilities, systems and support to perform at their optimum levels. The My Campus online learning portal provides learning flexibility and inculcates lifelong learning. We have invested in IT infrastructure to provide the tools, systems and capabilities to enhance collaboration and sharing of knowledge in order to enhance productivity levels. Employee feedback, which plays a significant part in shaping our policies and processes, is constantly tracked through our Employee Engagement Survey "MyVoice." It is noteworthy to mention that our employee engagement index has seen a steady increase over the years and is currently above the ISR Malaysia National Norms. More importantly, this is reflected in improvement of our productivity levels. For example, profit before tax per employee has increased to RM179,100 at end June 2007 from RM169,800 the previous year.



AWARDS AND RECOGNITION

The Group continues to be recognised as Malaysia's premier financial institution. Among the awards garnered during the year were the Pacific Rim Bankers Programme Most Distinguished Leadership Award and the Asian Banker Leadership Award for the Financial Services Industry, both presented to the Maybank President and CEO.

Our strength and innovation in Trade Finance is well recognised in the industry, earning us the awards for Best Trade Finance Bank Malaysia 2006 by Global Finance and the recent Award by Alpha South East Asia Magazine in 2007.

In Cash Management, we have garnered three consecutive Asiamoney awards since 2004 and the Asset Triple A Award in 2006. In the field of Human Resources, Maybank won the Malaysia Outstanding HR Achievement Award organised by the Malaysian Institute of Human Resource Management and Kelly Services. The award is in recognition of sustained and continuous commitment by organisations and corporations to the development of human talent in line with the nation's needs to develop a world-class workforce. Aseambankers continued to be recognised for innovation in the Islamic capital market, winning the Best Mudharabah Deal of the Year award from Islamic Finance News in 2006.

Other awards include the Reader's Digest Trusted Brand Gold Award for 2007, IR Magazine's Best Investor Relations in the Singapore market by a Malaysian company for 2006, and the Corporate Social Responsibility (CSR) Award for 2006 by Malaysian Business magazine.



PROSPECTS AND STRATEGIC FOCUS

Overall, prospects appear to be improving on the domestic front with better consumer demand and increased government spending. Though we are cautious about the sluggish growth in the external sector, which is now being exacerbated by concerns over a possible downturn in the US economy as a result of the subprime crisis, we are confident that strong growth outside the US could help prevent a severe domestic slowdown. As such, we remain confident that domestic economic growth will remain sufficiently robust to support continued business expansion. In an improving domestic business environment, our focus will be on recovering loan market share in order to further entrench our position in mortgage, credit card, SME and corporate financing in both conventional and Islamic banking. Expansion and enhancement of our branch network, together with better staff capability will help us drive the Group's loans growth to exceed the country's GDP growth rate.



LETTER TO SHAREHOLDERS

Expansion and enhancement of our branch network, together with better staff capability will help us drive the Group's loans growth to exceed the country's GDP growth rate.

We will strive to extend our leadership position in the face of heightened competition in Islamic banking by taking advantage of the greater flexibility accorded to our new Islamic Banking subsidiary. We will also be seeking to export the Islamic banking model to our overseas operating units.

We will continue to emphasise growing fee-based income as a means to diversify income streams by providing less capital intensive service offerings and enhancing the contributory role of Investment Banking and Insurance.

We have not embarked on any significant international acquisition during the year. However, as outlined in our long term strategy, apart from accelerating our organic growth, we will continue to evaluate rigorously various acquisition opportunities to accelerate our international business expansion in order to boost overseas income and spread our geographical earnings base.

The Group is focused on several key initiatives to support our business objectives. Enhancing our product innovation capabilities is of prime importance to ensure we provide customised financial solutions to meet our increasingly differentiated needs of our more affluent customer base.

Enhancing asset quality will continue to be a key initiative towards improving our bottom line by minimising provision requirements. We are continually optimising cost efficiency through the use of technology, better systems and processes, and improving productivity levels. Finally, to support our initiatives in the longer term, we will continue to focus on enhancing the quality of the Group's human capital.

ACKNOWLEDGEMENT

The continued strength of the Group is attributed to the support of our customers and the contribution of employees and management team. We also wish to extend our appreciation to our Board of Directors for their astute guidance and advice during the financial year.

A sincere thank you to our shareholders for continued support and loyalty. We would like to take this opportunity to pay tribute to our Vice Chairman Dato' Richard Ho Ung Hun and Independent Directors Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali and Encik Mohammad Abdullah who will retire at our forthcoming Annual General Meeting. We wish to place on record our gratitude to them for their invaluable service, commitment and contribution to Maybank through the years.

Tan Sri Mohamed Basir bin Ahmad
Chairman

Amirsham A Aziz
President and CEO

Management's Discussion and Analysis of Financial Performance

ANALYSIS OF SIGNIFICANT BALANCE SHEET MOVEMENTS

Total Assets

For the financial year under review, outstanding assets of the Group expanded by 14.4% or RM32.4 billion while for the Bank it grew 15.4% or RM30.3 billion. For the previous year, the corresponding growth rates were 16.9% and 12.4% respectively. Almost 96% of the Group's growth in assets was derived from the expansion of net loans and advances, cash and short term deposits, deposits with financial institutions and the Insurance and Takaful business.

As at end June 2007, net loans and advances represented 54.9% of total Group assets, which is slightly lower than the 58.6% as at end June 2006. However, the proportion of interest-bearing assets to total assets was still maintained at around 90%.

Securities Purchased Under Resale Agreements

This item declined by RM1.2 billion, largely on account of lower purchases of Malaysian Government Securities.

Deposits And Placements With Financial Institutions

The Group's deposits and placements with financial institutions increased by RM13.3 billion or 328% as higher growth for customer deposits meant that the Group had to place out its surplus funds. The Bank remained a net lender in the inter-bank market.

Securities

The investment securities portfolio of the Group remained stable, dipping by only RM20.3 million or 0.1% which was mainly contributed by the rise in money market instruments and offset by a decline in Malaysian Government Securities. Around 86% of the securities portfolio comprised securities available-for-sale and a further 7.5% securities held-to-maturity.

Life, General Takaful And Family Takaful Fund Assets

After a significant growth of RM8.5 billion or 237% in the previous year as a consequence of the acquisition of MNI Holdings Berhad, this balance sheet item grew by a further 24.1% or RM2.9 billion to RM15.0 billion.

Loans, Advances And Financing

During the first half-year, the Group's net loans and financing were flat. However, stronger growth in the second half-year enabled the Group's net loans and financing to still expand by 7.2% or RM9.4 billion compared with 9.9% or RM11.9 billion in the previous financial year. On a gross basis, after adjusting for non performing loan (NPL) write offs and Islamic financings sold to Cagamas, the Group's adjusted gross loans growth was a higher 7.6% compared with 10.9% previously. The Group's overall domestic loans market share stood at 19.6%.

The overall growth for domestic operations slowed down to 2.9% from 6.9% in the previous year. This was mainly due to slower growth in the retail sector, especially in the first half-year, which was compounded by the contraction in the corporate portfolio as a result of the disintermediation to the capital market as well as some large prepayments by corporates which were cash-flushed. However, in line with the

Group's emphasis, trade financing continued to be heavily promoted with the market share strengthening further to 25.5% from 24.7% in June 2006.

Lending to the domestic SME sector rose 13.5% from 15.0% previously as demand for financing continued to be robust with the thriving SME sector becoming one of the key drivers of the economy.

Retail loans registered a growth of 2.2% which is slower than the previous year's 8.2% due to the continued cautionary stance taken in respect of mortgage loans in the first-half of the financial year. However, financing for the purchase of securities rose by RM730.8 million or 8.5%, with the bulk of the increase related to the purchase of relatively low risk ASB units.

Auto-finance loans for the domestic operations registered a slightly faster growth of 10.9% compared to 9.6% in the previous year as potential buyers are re-entering the market after the initial slower sales following the announcement of the National Automotive Policy last year. Card receivables recorded a substantial growth of 48.2% compared to 12.1% in the previous year partly due to the acquisition of the American Express business as well as reclassification of some receivables previously not treated as loans and advances.

As of June 2007, the overseas operations loan book (including Singapore) accounted for 26% of the Group's loan base from 23% in the previous year.

In Singapore, gross loans grew a further 15.5% or RM3.76 billion after an exceptionally strong 31% in the previous year. Consistent with the focus on retail lending, growth in mortgage and auto-finance loans accounted for 54% of the overall increase for the SGD portfolio.

For the other overseas locations, growth was an even higher 36%. In addition to supporting the increased financing requirements of the Group's customers who have invested abroad, increased participation in viable syndicated facilities as well as selective higher lending to local customers in some locations were also pursued.

The Group's Islamic financing grew by 7.6% or RM1.3 billion during the year. Islamic financing accounted for 16.5% of the domestic operations' gross loans and the Group continued to command a high market share of 24.8%.

Ongoing efforts deployed to continuously improve asset quality have again borne results. The Group's gross NPL default rate for newly-classified NPLs declined to 3.4% from 4.7% the previous year. During the year, two tranches of corporate NPLs were also sold – a first in Malaysia. Hence, the Group's net NPLs declined by RM819 million to RM4.38 billion as at June 2007. Accordingly, the net NPL ratio went down further to 3.03% from 3.84% in June 2006. The Group's NPL reserve cover, before taking into consideration collateral, rose to a healthy 80.3% compared to 69.8% the previous year. In comparison, the banking industry's ratio was 64.8% as at June 2007.

Total Liabilities

Outstanding liabilities of the Group grew by 14.5% or RM30.0 billion and for the Bank, by RM28.2 billion or almost 15.5%. For the Group, 91% of the overall increase was attributed to deposit from customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE

Deposits From Customers

The Group's customer deposits grew by a substantial 20.1% or RM27.4 billion compared with 4.0% or RM5.2 billion in the previous year. This is attributed to flush liquidity in the economy from rising consumer disposable incomes, higher corporate earnings, strong external sector as well as the wealth effect from the buoyant stock market.

More importantly, the Group's strong franchise had also contributed to the high growth of 27.1% for demand deposits and 15.9% for savings deposit. The Bank's pricing capacity was enhanced by its strong market shares in demand and savings deposits which stood at 21.4% and 30.6% respectively at end June 2007. The domestic operations' fixed deposit also grew at a slightly higher rate than the industry despite a 5 to 20 basis points lower rates offered compared with the Bank's three largest competitors, for maturities of up to 5 months.

The Group's overall deposit funding mix improved slightly as the Group's 'higher-cost' fixed deposits and Negotiable Instruments of Deposits (NID) declined to 63.8% of total deposits from 64.5% in June 2006.

For the Domestic Operations, fixed deposit, NIDs and repos accounted for 57.6% of total deposits. This is significantly lower than the Industry's average of 69.7%.

Deposits And Placements Of Financial Institutions

This item grew by RM827 million or merely 2.9% and signified that the high growth in customer deposits had reduced the need to derive additional funding requirements from financial institutions for gapping activities.

Obligations On Securities Sold Under Repurchase Agreements (Repos)

Total repos declined by 18.9% or RM2.3 billion, primarily due to lower Malaysian Government Securities sold under repos.

Recourse Obligations On Loans Sold To Cagamas

For the Group, this item saw a decline of RM1.27 billion or 34.1% and was part of the Group's routine funding strategy.

Shareholders' Equity

The Group's shareholders' equity rose by RM2.3 billion or 13.8% to RM19.2 billion. The increase is mainly due to retained earnings, shares issued pursuant to the Group's Employee Share Option Scheme and the increase in unrealised holding reserves for securities.

ANALYSIS OF INCOME STATEMENT

Net Interest Income

Net interest income of the Group (before that earned from Islamic banking) had increased by RM652.3 million or by 14.6%, reflecting the 15.4% rise in the average volume of interest-earning assets. This was higher than the previous year's 5.2%. However, the average net interest margin fell by 3 basis points to 2.74% and this was largely due to the sizeable rise in placements with financial institutions at low spreads.

Islamic Banking

Net income (before financing loss) from the Group's Islamic Banking operations fell RM33.6 million or 3.8% to RM857.6 million. The decline was mainly because of higher cost of funds, following the issuance of a few Islamic sub-debts and a USD Sukuk. After financing loss, Islamic Banking operations contributed about 6% to the Group's profit before tax. For the year under review, a higher amount of overheads were allocated to the Islamic Banking operations based on a certain ratio to revenue. In the previous financial year, most overhead costs were not allocated.

Non-interest Income

The Group's ongoing strategy to focus on fee income to drive revenue growth continued to bear results. Overall non-interest income for the Group grew by RM199.0 million or 7.3% which included unrealised loss on the revaluation of securities and derivatives of RM74.4 million compared to a gain of RM284.8 million the previous year. Taking out the volatile marked-to-market securities and derivatives item, the increase in non-interest income would be a commendable 21.9%.

Notable increases recorded were for commissions (+RM166 million or 33.0%), net premiums written (+RM110.0 million or 30.5%) as well as service charges and fees (+RM71.1 million or 13.7%). The Group continued to reap benefits from its extensive payment services infrastructure and insurance operations. During a surge in the equity market turnover, brokerage income from stockbroking activities jumped 77.0% or RM36.1 million. However, the contribution of non-interest income as a percentage of total income for the financial year 2007 declined by 0.9% to 33.6% from 34.5% in the previous financial year.

Overhead Expenses

The Group's overhead expenses increased by RM581.8 million or 18.1%. As this rose faster than revenue growth, the Group's cost-to-income ratio increased to 42.5% from 39.8% previously. The growth in overhead costs is partly due to inclusion of insurance claims incurred, additional 6 months of operations for the MNI Group as well as higher ESOS costs by RM55.1 million. Hence, the Group's organic growth in overhead costs would be 12.1% or comparable to the average recorded by 11 other banking groups. On a comparable basis, the Group's adjusted cost-to-income ratio (without insurance claims and unrealised loss) would be 39.7% against 39.1% for the previous financial year.

Loan and Financing Loss and Provisions

Loan loss and provisions of the Group amounted to RM746.3 million or 15.5% lower than the previous year. Even before taking into consideration a write-back of RM257.7 million from the NPL sale, the specific provision charge for the year declined significantly by 46.9%. This is due to an all-round improvement. Provision for newly classified NPLs as well as provisions made for NPLs aged more than 5 years were reduced while bad debts recovered also increased.

Outstanding general provision currently constitutes 1.9% of net loans and advances, slightly higher than the 1.8% in June 2006.

Taxation

The effective tax rate of the Group is at 25.5% which is slightly lower than the statutory rate of 27%. This is mainly due to reversal of tax over-provided in prior years.

Awards & Achievements

2007

Asiamoney Cash Management Poll 2007 – Best Local Currency Cash Management Services (By Currency) – Malaysia

Best Local Cash Management Bank in Malaysia as Voted By Small-sized and Medium-sized Corporates

Malaysian Business Best Corporate Social Responsibility Award

Malaysian Business Corporate Governance Award (Merit)

Alpha South East Asia - Best Trade Finance Bank in Malaysia

The Asset Triple A Award – Best Cash Management Bank in Malaysia

Pacific Rim Bankers Association – Pacific Rim Bankers Program Most Distinguished Leadership Award to Maybank President and CEO, Datuk Amirsham A Aziz

The Asian Banker – Leadership Achievement Award for the Financial Services Industry in Malaysia to Maybank President and CEO, Datuk Amirsham A Aziz

Global Finance Award – Best Trade Finance in Malaysia

Reader's Digest – Trusted Brand Gold Award

CGC Top SMI Supporter Award

2006

Global Finance Award – Best Foreign Exchange Bank in Malaysia

The Asset Asian Award – Best Cash Management Bank

Sheikh Mohammed bin Rashid Al Maktoum Islamic Finance Award – Global Continuing Contribution to Islamic Retail Development

Sheikh Mohammed bin Rashid Al Maktoum Islamic Finance Award – Regional Continuing Contribution to Islamic Finance R&D (Asia) – Aseambankers

Reader's Digest – Trusted Brand Gold Award

Malaysian Business Best Corporate Social Responsibility Award

Malaysian Business Best Corporate Governance Award (Second placing)

Malaysian Institute of Human Resource Management & Kelly Services – Malaysia Outstanding HR Achievement Awards

CGC Top SMI Supporter Award

Euromoney Award for Excellence – Best M&A House in Malaysia (Aseambankers)

RAM League Award – Islamic – 1st Place (Issue Value) & 3rd Place (Number of Deals)

RAM League Award – 3rd Place (Number of Deals) & 3rd Place (Issue Value)

IR Magazine – Best IR in Singapore market by a Malaysian company

2005

Asiamoney Award for Best Domestic Commercial Bank

Global Finance Award for Best Emerging Market Bank – Malaysia

Asiamoney Annual Award – Best Cash Management – Local

Asiamoney Annual Award – Best Local Foreign Exchange Provider

Asiamoney Annual Award – Trade Finance for Best Overall Domestic Services

Asiamoney 15th Anniversary Poll of Polls (past 15 years) for Best Local Cash Management, Best Local Forex and Best Trade Finance (Overall)

Asiamoney Annual Awards for Aseambankers Malaysia Berhad: Participation in Malaysian Deal of the Year and Regional Deals of the Year Local Currency

Quality Management Excellence Award from the Ministry of International Trade and Industry

National Award for Management Accounting (NAfMA) Best Practice Excellence Award

IBM's "Innovation That Matters" Award to Financial Services Group

Malaysian Media Awards: Gold Award for Maybankard Travel Treats Campaign in the category "Best Use of Newspaper"

MasterCard Asia Pacific Marketing Leadership Awards: Best Overall Marketing Program

Anugerah Citra Wangsa by Dewan Bahasa dan Pustaka (DBP) for best use of Bahasa Malaysia in a TV commercial

CGC Top SMI Supporter Award



2004

The Banker Award for “Bank of the Year” in Malaysia

Asiamoney Award for Best Bank in Cash Management in Malaysia

Euromoney Annual Islamic Finance Award – Best Provider of Islamic Financial Services in Asia

Euromoney Annual Islamic Finance Award to Aseambankers Malaysia Berhad for Best Islamic Wholesale Financial Services Provider

Silver Award under the Singapore H.E.A.L.T.H. Awards organised by the Health Promotion Board, in recognition to organisations with excellent workplace health promotion programmes

KLSE Corporate Sectoral Award in the Finance sector of the Main Board

Malaysian Business Corporate Governance Award (Merit)

MasterCard's Asia Pacific Market Leadership Awards: GOLD – Best MasterCard Electronic Card (Maybank Money Gift Card, Singapore) PLATINUM – Best Commercial Card (Maybank Business Card, Singapore)

CGC Top SMI Supporter Award

2003

The Banker Award for “Bank of the Year” in Malaysia

Euromoney Award for Excellence – Best Islamic Retail Bank

Euromoney Award for Excellence to Aseambankers Malaysia Berhad for being “Best at Islamic Bonds”

Kuala Lumpur Stock Exchange (KLSE) Corporate Excellence Award

CGC Top SMI Supporter Award

The Edge-Lipper Award for Mayban Balanced Trust Fund (No. 1 position in Mixed Asset Balanced Funds)

2002

Global Finance Award for Best Consumer Internet Bank in Malaysia

Global Finance Award for Best Consumer Online Securities Trading in Asia Pacific

Global Finance Award for Best Foreign Exchange Bank in Malaysia

Kuala Lumpur Stock Exchange (KLSE) Corporate Excellence Award

CGC Top SMI Supporter Award

Arts Supporter Award from the National Arts Council of Singapore

Best of e-Commerce Interactive Marketing Innovations – Asia Pacific ICT Awards [MSC-APICTA]

2001

Best Internet Application Website@My 2001

Global Finance – Best Internet Bank in Malaysia

Euromoney Award for Excellence – Best Bank in Malaysia

The Asset Asian Awards – Best Malaysian Bank

CGC Top SMI Supporter Award

Investor Relations Magazine Asia Awards – Best Investor Relations By A Malaysian Company

“Risk Manager of the Year” from the Malaysian Association of Risk and Insurance Management for the Mayban Assurance Berhad – UMBC Insurans Integration Team

Arts Supporter Award from the National Arts Council of Singapore

2000

Euromoney Award for Excellence – Best Domestic Bank in Malaysia

The Banker Award for “Bank of the Year” in Malaysia

Euromoney Awards for Excellence to Aseambankers Malaysia Berhad for the “Best Domestic Bond House in Malaysia” and “Best Domestic Equity House in Malaysia”

Crystal Award to Mayban Finance Berhad for Best Community Relations from the Institute of Public Relations Malaysia (IPRM)

CGC Top SMI Supporter Award

- 38 Code of Ethics and Conduct
- 39 Statement on Corporate Governance
- 46 Statement on Internal Control
- 47 Audit Committee of the Board
- 50 Risk Management
- 59 Additional Compliance Information

responsibility



Code of Ethics and Conduct

Maybank, as a custodian of public funds, has a responsibility to safeguard its integrity and credibility. It is on this understanding that the organisation sets out clearly the code of ethics and conduct for its staff. The code stipulates the sound principles that will guide all Maybank staff in discharging their duties. It sets out the standards of good banking practice.

The purpose of the code is to:

1. Uphold the good name of Maybank and to maintain public confidence in Maybank.
2. Maintain public confidence in the security and integrity of the banking system.
3. Maintain an impartial and unbiased relationship between Maybank and its customers.
4. Uphold the high standards of personal integrity and professionalism of Maybank staff.

The code stipulates that staff should not:

1. Engage directly or indirectly in any business activity that competes or is in conflict with the Bank's interest.
2. Misuse or abuse their positions in the Bank for their personal benefit or for the benefit of other persons.
3. Misuse information.

In addition to these, staff should:

1. Ensure the integrity and accuracy of records and/or transactions.
2. Ensure fair and equitable treatment in all business dealings on behalf of the Bank.
3. Maintain the highest standard of service in their relationship with customers.
4. Maintain confidentiality of all relations and dealings between the Bank and its customers. However, confidential information concerning a customer may be given or made available to third parties only with prior written consent of the customer or when disclosure is authorised under the Banking and Financial Institutions Act, 1989.
5. Maintain the integrity of the banking system.
6. Manage their financial matters well and not subject themselves to pecuniary embarrassment.
7. Observe and comply with laws and regulations relating to the operations of the Bank.

Statement on Corporate Governance

Malayan Banking Berhad (“Maybank” or “the Bank”) and its Group of Companies (“the Group”) practise the highest standards of corporate governance and operate within a governance framework that was formulated based on the recommendations of the Malaysian Code on Corporate Governance (“the Code”).

The adoption of other recommendations on corporate governance in the Group’s practice, in particular the “Green Book on Enhancing Board Effectiveness” (“Green Book”) initiated by the Putrajaya Committee on High Performance as part of the Government Linked Companies Transformation Programme, is testimony to the unreserved commitment of the Board of Directors (“the Board”) to its shareholders and stakeholders in ensuring such high corporate governance standards continue to be practised throughout the Group.

Further to the Board’s commitment to adhering to good governance, such best practices across the Group entail close coordination amongst various business units including subsidiary companies, which has ensured the Group’s continued compliance with the relevant guidelines on corporate governance pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and those stipulated by other regulatory bodies such as Bank Negara Malaysia’s Revised Guidelines on Corporate Governance for Licensed Institutions (“BNM/GP1”).

The Board of Maybank is pleased to inform the shareholders on the manner in which the Group has applied the Principles of the Code and the extent of compliance with Best Practices of the Code, pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Securities throughout the financial year ended 30 June 2007.

EFFECTIVENESS OF THE BOARD OF DIRECTORS

Composition of the Board

The Board leads and controls the Bank by providing direction as well as through effective oversight and is ultimately responsible for the overall strategic, financial and organisational matters of the Group.

The Board currently has eleven (11) members comprising two executive Directors and nine non-executive Directors, of whom six are independent. The current composition of the Board is in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Securities as more than half of its members are independent Directors. A brief profile of each member of the Board is presented on pages 8 to 13 of this Annual Report.

The Board recognises that to continue to be effective and relevant in a regulated and competitive industry, members must fully satisfy the fit and proper test, including having the attributes and criteria relating to matters such as relevant qualification, professional standing and background as well as experience in the financial, business, legal and technical fields.

In this respect, the Policy on Fit and Proper Criteria for Appointment as Chairman, Directors and Chief Executive Officers of Licensed Institutions in Maybank Group (“Fit and Proper Policy”) acts as a guide for the Board not only to determine the overall suitability of a candidate as a director but to identify the gaps in skills of the current Board. The Board recognises the urgent need to refresh its composition, and its determination to ensure the Board continue to lead and manage the Group effectively is evident from the intended retirement of three independent non-executive Directors at the forthcoming Annual General Meeting (“AGM”).

The retirement of an independent non-executive Director who is 80 years old is in compliance with the Fit and Proper Policy which states that a director serving any Board in the Group should not be more than the age of 80. Further, the other two independent non-executive Directors who have each served on the Board for more than 12 years have also decided to retire at the forthcoming AGM.

The Board’s review of its composition also revealed that they would benefit from additional members with entrepreneurial and business skills, hence the search for suitable potential candidates to succeed the out-going members has been initiated and candidates are evaluated accordingly.

However, at the same time the Board values the strong commitment demonstrated by its long-serving members who have contributed very significantly towards the success and growth of the Group. Further, any exercise to refresh the Board’s composition will also be balanced with the need for continued stability in the Board.

In addition to the Board’s review of its composition, the Board has also considered its size pursuant to BNM/GP1 which states that the Board should determine the appropriate size of itself and in determining the size, appropriate consideration should be given to enable an efficient and effective conduct of board deliberation. Further, the Green Book recommends that the composition of the board should be no larger than 10 directors but also states the number of directors can be up to 12 if the situation warrants it, for example due to the complexity of the business.

The Board is of the view that its size comprising 11 members is reasonable to enable the Board to discharge its functions in a professional manner in consideration of the size, breadth and complexity of the Group’s business activities domestically as well as internationally.

Role and Responsibilities of the Chairman and the President/Chief Executive Officer (CEO)

The roles and responsibilities of the Chairman and the President and CEO are clearly defined, distinguished and documented for approval by the Board. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach and attendant authority limits also facilitates efficiency and expedites informed decision making.

The Chairman of the Board is a non-executive Director, and together with the rest of the Board, is responsible for setting the policy framework within which Management is to work. In addition to leading the Board in monitoring the performance of Management in meeting the espoused corporate goals and objectives as well as determining the Group’s long-term direction, the Chairman encourages deliberation of issues during meetings whilst maintaining order of the meeting to arrive at a resolution that has comprehensively considered all pertinent issues.

The Chairman takes strong constructive stands at board or committee meetings, where necessary and confronts conflicts and participates in finding a resolution. He provides realism and practical advice to board deliberations and communicates persuasively in a clear and non-confrontational manner. He also demonstrates high ethical standards and integrity and is willing to act on and remain accountable for Boardroom decisions.

STATEMENT ON CORPORATE GOVERNANCE

The Chairman and President and CEO have a good working relationship and clear communication which assist in the performance of their respective duties.

The President and CEO is primarily responsible for overseeing the day-to-day operations to ensure the smooth and effective running of the Group. He is entrusted with mapping the medium to longer term strategies including policies and decisions for the Board's deliberation and approval and making sure that they are carried through to their desired outcomes especially in the institution of remedial measures to address identified shortcomings. He carries the primary responsibility for ensuring management competency including the emplacement of an effective succession plan to sustain continuity. In addition, the President and CEO also functions as the intermediary between the Board and Management.

APPOINTMENTS TO THE BOARD

Board Balance

Although all Directors have equal responsibilities, the role of the independent non-executive Directors is especially significant in order to provide appropriate safeguards to the interest of all stakeholders by ensuring that strategies and key policies formulated by Management are fully reviewed, examined and disclosed as well as providing independent judgment to bear on matters where the views or interest of Management and those of the Board may potentially diverge such as on senior executive remuneration, risk management and audit.

Further to the clear separation of role and duties between the Chairman and President and CEO, the Board has identified Haji Mohd Hashir bin Haji Abdullah as the Senior Independent Director ("SID") of the Board to whom concerns of shareholders and stakeholders may be conveyed.

The SID may be contacted at the following address:-

c/o: General Counsel & Company Secretary
Corporate & Legal Services
14th Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

Haji Mohd Hashir bin Haji Abdullah has been appointed to succeed Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali who will be retiring at the forthcoming AGM and will not be seeking re-appointment.

Roles and responsibilities

In fulfilment of the Board's statutory and fiduciary duties, it has the responsibility to approve and periodically review the overall business strategies and significant policies of the Bank.

The Board's primary responsibilities are amongst others, as follows:-

- Review and approve the strategic business plans for the Bank and Group;
- Identify and managing principal risks affecting the Group;
- Review the adequacy and integrity of the Group's internal control system;
- Oversee the conduct of the Group's businesses;

- Approve appointment, compensation and structure of key management staff;
- Approve new policies pertaining to staff salary and benefits;
- Approve changes to the corporate organization structure;
- Approve the appointments of directors and directors' emoluments and benefits in accordance with relevant statutes; and
- Approve policies relating to corporate community relations, investor relations and shareholder communications programmes.

Meetings

The Board ordinarily meets every month with additional meetings convened as and when urgent issues and important decisions are required to be taken between the scheduled meetings. During the financial year ended 30 June 2007, the Board met sixteen (16) times to deliberate and consider a variety of significant matters that required its guidance and approval.

All Directors have complied with the requirement that Directors must attend at least 75% of board meetings held in the financial year in accordance with BNM/GP1 and attended at least 50% of board meetings held in the financial year pursuant to the Listing Requirements of Bursa Securities.

Details of attendance of each Director who was in office during the financial year ended 30 June 2007 are as follows:-

Directors	No. of meetings and attendance	Percentage of attendance (%)
Tan Sri Mohamed Basir bin Ahmad	14/16	88
Dato' Richard Ho Ung Hun	15/16	94
Datuk Amirsham A Aziz	16/16	100
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali	15/16	94
Mohammad bin Abdullah	14/16	88
Haji Mohd Hashir bin Haji Abdullah	16/16	100
Teh Soon Poh	15/16	94
Datuk Abdul Rahman bin Mohd Ramli	16/16	100
Dato' Mohammed Hussein	15/16	94
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	16/16	100
Datuk Zainun Aishah binti Ahmad	15/16	94

Out of the sixteen (16) Board meetings, four (4) Board meetings were held at operations units located outside of Kuala Lumpur and Malaysia such as Langkawi, Pulau Pinang, Singapore and Jakarta. These Board meetings enable the Directors to visit the various operations units not only to provide more effective oversight but to better understand the Group's operations' needs and issues as well as meeting with the management and staff at Group and Region level at sessions and events organised in conjunction with the Board meetings.

Supply of Information

The Board has full and unrestricted access to all information pertaining to the Group's businesses and affairs to enable it to discharge its duties effectively.

STATEMENT ON CORPORATE GOVERNANCE

Prior to each Board meeting, an agenda together with comprehensive reports for each agenda item to be discussed will be forwarded to each Director at least 5 clear days before the scheduled meeting to enable the Directors to obtain further clarification or explanation, where necessary, in order to be adequately apprised before the meeting. However, papers which are submitted to the Secretariat after the expiry of the deadline of submission of papers could still be tabled to the Board in view of the urgency of the matter. Issues that are highly confidential and sensitive may also be discussed at the Board meeting with written materials only distributed to Directors at the meeting itself, in consultation either with the Chairman or President and CEO.

As part of the annual assessment of the Board's current practices, feedback is obtained from Directors on the quality and quantity of meeting folders. One of the comments received was that there was too much information contained in the Board's meeting folders and a distilled or summarised version is preferred. Although Management had reviewed the format of meeting papers and implemented throughout the Group the corresponding guidelines on meeting papers in November 2006, Management continues to review and improve the format, where appropriate to ensure comprehensive, relevant yet concise meeting papers are submitted by originators to the Board for its consideration.

The agenda for Board meetings ensures matters are discussed in a structured manner. The Directors monitor the status and follow-up action on issues raised at Board meetings vide Matters Arising which is a fixed item in the agenda. In addition to meeting papers distributed in a timely manner before the scheduled Board meetings, minutes of meetings of Group Management Committee are circulated to Directors well ahead of the scheduled Board meetings to enable them to review issues raised at Management level and to facilitate discussions at the Board meetings when the relevant matters and papers are escalated or Directors can themselves separately raise issues arising therefrom, as appropriate.

At the Board meetings, presentation and briefing by external consultants or advisors on relevant papers, particularly where consultants are appointed or papers involving complex issues are also held to assist Directors to deliberate and decide on matters. This would ensure that the Board is presented with sufficient overall information pertaining to the business, operations and management of the Bank necessary for the Directors to effectively discharge their duties under the law and in accordance with the relevant corporate governance guidelines.

In carrying out its duties in overseeing the management of compliance risk, the Board has direct and unrestricted access to the Compliance Unit, which reports directly to the Board. The Compliance Unit was established with a mission to facilitate and promote the development of a compliance culture which is conducive to minimising regulatory risk of the Maybank Group and the resultant sanctions and reputational damage. Its core functions include Corporate Regulatory and Governance Supervision, Knowledge Management and Anti Money Laundering/Counter Financing of Terrorism (AML/CFT) regulatory compliance.

Directors are also regularly updated and advised of any new regulations and guidelines, and amendments thereto issued by Bank Negara Malaysia, Bursa Securities, Securities Commission and other relevant regulatory authorities including recommendations on corporate law reform in respect of Malaysian as well as relevant foreign jurisdictions, particularly on the possible implications of such new or amended regulations and guidelines on Directors specifically, and the Bank and Group generally.

Individual Directors may also seek independent professional advice at the Bank's expense where necessary, in the furtherance of their duties in accordance with the Bank's Policy and Procedure on Access to Independent Professional Advice, Senior Management and Company Secretary by Directors of Maybank Group. All Directors have access to the advice and services of the Company Secretary.

Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme in compliance with the Listing Requirements of Bursa Securities. Additionally, new Directors will undergo an induction programme comprising briefings and be given written materials on, amongst others, the duties of a director of Maybank and information on the Bank and Group.

Further to the repeal of the requirement on the Continuing Education Programmes (CEP) prescribed by Bursa Securities, the Board continues to fully support the need for its members to further enhance their skills and knowledge on relevant new laws and regulations and changing commercial risks as well as to keep abreast with developments in the financial services industry through a Structured Training Programme for Directors (STPD). The STPD requires that each Director attend at least one training programme which shall be specifically developed for Directors, during the financial year. In relation thereto members of the Board attended the ICLIF-INSEAD Directors Forum, a 4-day training programme for Directors in September 2006 organised by International Centre for Leadership in Finance (ICLIF).

For the period under review, all Directors have complied with the internal policy on training and attended a number of training and seminar programmes related to amongst others, banking, insurance and related sectors, corporate governance and risk management, which specifically are as follows:-

BANKING, INSURANCE AND RELATED INDUSTRIES

- World Islamic Economic Forum "Global Challenges, Innovative Partnership" organised by World Islamic Economic Forum Foundation
- Risk Based Capital Seminar for Board of Directors and CEO organised by Persatuan Insurans Am Malaysia

RISK MANAGEMENT, ACCOUNTING STANDARDS AND FINANCIAL REPORTING

- National Accountants Conference organised by Malaysian Institute of Accountants
- World Congress of Accountants organised by International Federation of Accountants
- Key Issues on Anti-Money Laundering Act 2001 organised by Maybank
- Anti-Money Laundering Act 2001 organised by Bank Negara Malaysia

CORPORATE GOVERNANCE

- Corporate Governance Conference 2006 "Corporate Social Responsibility & Directors Duties" organised by Aramconsultant Sdn Bhd
- Making Corporate Boards More Effective organised by Charles River Centre
- Improving Board of Directors' Performance, Leadership and Governance organised by Golden Hope
- Improving Board Directors' Performance Leadership & Governance organised by Knowledge Group Consulting
- Directors and Officers Liability organised by PPB Group Berhad

STATEMENT ON CORPORATE GOVERNANCE

OTHER AREAS

- ICLIF-Overview of Scenario Thinking & Planning organised by ICLIF
- A Discussion on the Key Continuing Obligation Requirements of Companies Listed on the Bursa Securities organised by Rating Agency Malaysia Berhad
- Enhancing Your Image Quotient organised by Skill Builders
- The Lean Way Seminar DRB-HICOM CEOs' Business Forum 2007 organised by DRB-HICOM
- Malaysian RE's CEO Programme organised by Malaysian Reinsurance Berhad

Re-election

In accordance with the Company's Articles of Association, one-third of the Directors retire from office at each AGM, subject to the retirement of all Directors at least once in every three years. Retiring Directors can offer themselves for re-election.

Directors who are appointed as additional Directors or to fill casual vacancies during the year are subject to re-election by the shareholders at the next AGM following their appointments.

The Nomination Committee of the Board assesses the performance of Directors during the year who are up for re-election and makes the relevant recommendation to the Board for approval. All appointments and re-election of Directors are subject to the approval of Bank Negara Malaysia.

Details of Directors up for re-election are in the Statement Accompanying Notice of AGM on page 3 of this Annual Report.

Directorships in other Companies

Pursuant to the Listing Requirements of Bursa Securities, each member of the Board holds not more than ten (10) directorships in public listed companies and not more than fifteen (15) directorships in non-public listed companies. This ensures that their commitment, resources and time are focused to enable them to discharge their duties effectively. Additionally, the Directors also comply with the best practices recommendation of the Green Book.

In line with BNM/GP1 guidelines, the Board had considered and agreed to the setting of an internal limit on directorship of each director, which would assist the Directors to focus their time to attend to the Group's affairs appropriately thereby improving the Board's effectiveness.

Although the independent non-executive Directors are also Directors of several companies in the Maybank Group, in accordance with BNM/GP1, the Nomination Committee assesses the independence of the said Directors pursuant to a declaration made that they are not taking instructions from any person including Maybank.

Directors' Remuneration

Directors' remuneration is determined at levels which enable the Bank to attract and retain Directors with the relevant experience and expertise needed to manage the Group effectively. For executive Directors, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. For non-executive Directors, the level of remuneration generally reflects the experience and level of responsibilities undertaken by these Directors. In relation to the Bank's Employee Share Options Scheme (ESOS), allocations to Directors are based on considerations such as length of service on the Board.

The determination of remuneration packages for non-executive Directors, including the non-executive Chairman, is a matter for the Board as a whole following the relevant recommendation made by the Remuneration and Establishment Committee. The Directors concerned are required to abstain from deliberations and voting on decisions in respect of their individual remuneration.

The remuneration package of the Directors is as follows:-

- Basic salary - Basic salary for executive Directors is approved by the Board upon consideration of the individual performance and rates of salary for similar positions in comparable companies.
- Fees and meeting allowances - Directors' fees and meeting allowances are based on fixed sum as determined by the Board and approved by shareholders after considering comparable organisations and Directors' participation in various Committees of the Board.
- Directors' Share Options - The executive and non-executive Directors are eligible to participate in the Bank's ESOS on the same terms and conditions as those offered to employees. The Directors' dealings in share options during the year under review are reflected in the audited financial statements.

A summary of the total remuneration of the Directors, distinguishing between executive and non-executive Directors, in aggregate with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 for the financial year ended 30 June 2007 is disclosed on page 27 of the Financial Statements of this Annual Report.

BOARD COMMITTEES

The Board has delegated certain specific responsibilities to Board Committees, which operate within clearly defined terms of references primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted discretionary authority to deliberate and decide certain operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

The following Board Committees were established by the Board with clearly defined terms of references:

Board of Directors					
Committees of the Board					
Audit Committee	Credit Review Committee	Remuneration and Establishment Committee	Nomination Committee	Risk Management Committee	Employee Share Option Scheme Committee

The Strategic Planning Committee of the Board, which main role was to recommend to the Board the business direction, plan and strategies of the Group and capital allocation by business segments, was disbanded effective October 2006 until further notice. The Board was of the view that there should be more focus on the deliberation of strategic issues by the Board as a whole and the relevant papers would be tabled directly to the Board instead of a dedicated Board Committee. The Board had agreed that the Board would hold extended session on strategic issues at least twice a year to allow for more in-depth deliberation of such issues, particularly concerning the more medium and long-term strategy matters.

STATEMENT ON CORPORATE GOVERNANCE**Audit Committee**

The Committee is authorised by the Board to investigate any activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and members of Management of the Group. The activities carried out by the Committee during the year under review are summarised in the Audit Committee Report and its Terms of Reference as stated in pages 47 to 49 of this Annual Report.

Credit Review Committee

The Committee is tasked by the Board generally to review all loan applications of a certain sum approved by the Credit Committee of the Management as well as to approve the writing off of credit and operational items, in respect of which amount exceeds Management's authority limit.

In relation to proposals recommended by the Credit Committee to the Board for approval, the Committee shall review and support or object to the said proposals, as the case may be as well as reviewing director and staff related loans and policy loans.

The Committee meets weekly and its members and their attendance for the year under review is as follows:

Name of members	No. of meetings and attendance
Tan Sri Mohamed Basir bin Ahmad (Chairman)	34/50
Dato' Richard Ho Ung Hun	39/50
Datuk Abdul Rahman bin Mohd Ramli	47/50
Tuan Haji Mohd Hashir Haji Abdullah	50/50
Teh Soon Poh	49/50
Datuk Amirsham A Aziz	36/50

Remuneration and Establishment Committee

The overall responsibility of the Committee is to recommend an effective human resource strategy, including initiatives on the development and management of human capital with the objective of attracting, developing and retaining the best talent for the Group.

The Committee is responsible for reviewing and recommending to the Board the appropriate remuneration framework for all Directors including executive Directors and senior management, performance management model which sets the appropriate performance target parameters and benchmark, learning strategy and development programme for senior management as well as succession planning for the Group.

All members of the Committee are non-executive Directors of whom majority are independent. The Committee meets at least once in every quarter with additional meetings convened to attend to urgent matters that require their deliberation. The attendance of members for the year under review is as follows:

Name of members	No. of meetings and attendance
Mohammad bin Abdullah (Chairman)	6/6
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali	6/6
Datuk Abdul Rahman bin Mohd Ramli	6/6
Teh Soon Poh	5/6

Nomination Committee

In line with BNM/GP1, the Committee recommends to the Board suitable candidates for directorships and appointment of senior personnel of the Bank and its subsidiaries. The Committee ensures candidates satisfy the relevant requirements on the skills and core competencies of a director and are deemed fit and proper to be appointed as director in accordance with the Fit and Proper Policy.

Further to the Directors, Board and Peer Annual Assessment exercise, the Committee had reviewed the performance of Directors on the Board and Board Committees of the Bank and various subsidiaries. In respect of the peer evaluation, the Board had agreed to the Committee's recommendation that a benchmark of 80% in respect of total score for performance of each director as assessed by his peer be set.

As the Board had agreed that the composition of the Board be refreshed, the Committee is presently in the process of evaluating the suitability of the proposed candidates to succeed the three independent non-executive directors who have decided to retire at the forthcoming AGM. The processes for nomination of such candidates are being conducted in line with the Bank's Policy on the Nomination Process for Appointment as Chairman, Directors and Chief Executive Officers of Licensed Institutions in Maybank Group.

The Committee comprises non-executive Directors, majority of whom are independent. Meetings are held as and when necessary for the Committee to deliberate on related matters. The members of the Committee and the attendance for the year under review are as follows:

Name of members	No. of meetings and attendance
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (Chairman)	7/7
Mohammad Abdullah	7/7
Tuan Haji Mohd Hashir Haji Abdullah	7/7
Datuk Abdul Rahman bin Mohd Ramli	6/7
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	7/7

Risk Management Committee

The Committee is responsible for the Group's risk oversight and recommends to the Board for approval policies and frameworks formulated to identify, measure and monitor various risk components amongst others, credit risk, market risk, liquidity risk and operational risk. Additionally, the Committee reviews and assesses the adequacy of these risk management policies and ensures infrastructure, resources and system are emplaced for risk management.

The Committee meets at least once in every quarter with additional meetings convened to attend to urgent matters that require their deliberation. A majority of the Committee's members are independent non-executive Directors and their attendance for the year under review are as follows:

Name of members	No. of meetings and attendance
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (Chairman)	7/7
Teh Soon Poh	7/7
Haji Mohd Hashir bin Hj Abdullah	7/7
Datuk Zainun Aishah binti Ahmad	7/7

STATEMENT ON CORPORATE GOVERNANCE

Employee Share Option Scheme (ESOS) Committee

The Board has delegated to the Committee the responsibility to determine all questions of policy and expediency arising from the administration of ESOS and to generally undertake actions necessary to promote the Bank's best interest.

The Committee is also tasked to review the rules and regulations relating to ESOS and to ensure the Scheme is implemented in accordance with the Bye-Laws, amongst others, on the terms on eligibility, the offer and date of offer, basis of allotment, termination and appeals.

All members of the Committee are independent non-executive Directors. Meetings are held at least twice a year or as and when the Committee is required to deliberate on urgent matters. For the period under review, two meetings were held.

The members of the Committee are as follows:

- Dato' Richard Ho Ung Hun (Chairman)
- Raja Tan Sri Muhammad Alias bin Raja Muhd Ali
- Mohammad bin Abdullah
- Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

Maybank is committed to maintaining effective and open communications with all its stakeholders, both local and foreign, and recognises the need to provide relevant, timely and comprehensive information to all interested parties. Towards this end, apart from the statutory public statements, it also maintains a website, www.maybank2u.com, to provide updates on developments impacting the Group.

For further information or queries on Investor Relations matters, the following Management personnel may be contacted:-

- Hazimi Kassim, Head, Corporate & Strategic Planning
Contact : 03-2074 8101
Email : hazimik@maybank.com.my
- Raja Indra Putra Raja Ismail, Head, Economic Services & Investor Relations
Contact : 03-2074 8582
Email : rajaindra@maybank.com.my
- Celina May Benjamin, Head, Corporate Affairs & Communications
Contact : 03-2072 1416
Email : celina@maybank.com.my

The Group convenes specific briefing sessions for investment analysts, fund managers as well as local and foreign media, on the occasion of the release of the Group's half year and full year financial results. The Group's management participated in eight international conferences and roadshows covering United States, United Kingdom, Australia, Hong Kong and Singapore and one in Malaysia, and together with other individual investor meetings, conducted more than 200 meetings with fund managers and analysts during the period under review. In addition, reputable rating agencies

such as Standard and Poor's, Rating Agency Malaysia, FitchRatings and Moody's Investors have been invited to rate the Group on an ongoing basis. This is to ensure an independent flow of information to the stakeholders as well as to the general public.

Media coverage on the Group and Senior Management is initiated proactively at regular intervals to provide wider publicity and improve the understanding of the Group's business.

The Group's Extraordinary General Meeting (EGM) and AGM represent the primary platform for direct two-way interaction between the shareholders, Board and Management of the Group. In keeping with the deference to shareholder democracy and the transparency policy adopted by the Group, shareholders' approval is required on all material issues including, but not limited to, the election, removal and remuneration of Directors, mergers, acquisitions, divestments, appointment of Auditors and dividend payments.

The attendance of shareholders at the Group's general meetings has always been high as evidenced by the presence of 1,262 shareholders at the AGM for financial year ended 2005/2006 despite the institutional bias in the investor base.

In addition to the AGMs and EGMs, shareholders and market observers are also welcome to raise queries at anytime through the Corporate Affairs and Communications and Corporate and Strategic Planning Divisions.

OWNERSHIP STRUCTURE

The shares of Maybank are widely held with institutional shareholders dominating. As at 30 June 2007, the top three (3) shareholders are Skim Amanah Saham Bumiputera (ASB) with 40.98%, Employee Provident Fund Board with 8.15% and Permodalan Nasional Berhad (PNB) with 6.70% and accounting for a combined 55.83%.

Maybank is not subject to any biased influence from dominant shareholders and large shareholders and do not hold management positions within the organisation. It also ensures high level corporate governance and the Group is focussed on continuously building value for all its shareholders.

The shareholding structure is transparent and is disclosed on page 70 of this Annual Report. Updates can be obtained on request from the designated management personnel on Investor Relations matters.

The existing share structure consists entirely of Ordinary Shares and there are no classes of the shares. There is no foreign shareholding limit and the Memorandum and Articles of Association do not have any explicit provision(s) that may discourage any acquisition. However, the Bank is subject to the Banking and Financial Institutions Act, 1989 (BAFIA) which contains certain restrictions on share ownership.

In an effort to expand its liquidity and shareholder base, Maybank has established a Sponsored Level 1 American Depositary Receipt Programme (ADR) which is traded Over-the-Counter in United States of America since May 2005 on the basis of 1 ADR equivalent to 2 Maybank shares. The total number of ADRs outstanding is 4,068,300 as at 30 June 2007 and there were no cancellations of any ADRs during the year.

STATEMENT ON CORPORATE GOVERNANCE

Maybank Custody Services (MCS) is the leading custodian for the ADR Programme in Malaysia including the Maybank ADR issued by The Bank of New York, the depository bank for the Maybank ADR Programme. MCS has been accorded "Top Rated" by the Bank's foreign clients and "Commended" by the Bank's domestic clients rating in the 2006 Emerging Markets Agent Bank Review of the reputable publication, Global Custodian.

ACCOUNTABILITY AND AUDIT**Financial Reporting and Disclosure**

The Board has a fiduciary responsibility to present a clear, balanced and meaningful evaluation of the Group's financial positions, performance and prospects. In achieving this, the Board is assisted by the Audit Committee to oversee the financial reporting process and the quality of the Group's financial statements to ensure that the reports present a true and fair view of the Group performance.

The financial statements of Maybank are in compliance with the Malaysian Accounting Standards Board's (MASB) requirements, which are in line with the International Accounting Standards (IAS). As Maybank operates in a number of foreign jurisdictions, the financial treatment of the consolidated accounts has always been based on the more stringent requirements.

The scope of the disclosures includes review of the main sources of revenue by business activity and geography, past year performance analysis, financial adequacy, together with detailed explanation of the changes in the Balance Sheet and Profit and Loss Statement, to facilitate better understanding of the Group's operations.

In addition to the Audited Report, the Group also releases its unaudited quarterly financial results which are accessible on Maybank and Bursa Securities' websites.

Directors' Responsibility Statement in respect of the preparation of the Annual Financial Statements

The Board is responsible for ensuring that the financial statements of the Group gives a true and fair view of the state of affairs of the Group and of the Bank as at the end of the accounting period and of the profit and loss and cashflow for the period then ended.

In preparing the financial statements, the Directors have applied suitable accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors have also ensured that all applicable accounting standards have been followed and prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and of the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors also have responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Bank and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors generally have the duty to take such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Internal Controls

The Board has overall responsibility for the Group's system of internal controls which includes financial controls, operational and compliance controls and risk management to ensure shareholders' investments, customers' interests and the Group's assets are safeguarded.

The Directors' Statement on Internal Control set out on page 46 of this Annual Report provides an overview of the state of internal control within the Group.

Relationship with the Auditors

The Board, through the Audit Committee maintains a transparent and professional relationship with the Bank's Auditors, both external and internal. The accounts of Maybank are audited by Messrs. Ernst and Young. The auditors are appointed by the shareholders on an annual basis, through recommendation of the Audit Committee and the Board.

A full report of the Audit Committee outlining its role in relation to the internal and external auditors is set out on pages 47 to 49 of this Annual Report.

Code of Ethics and Conduct

Maybank has a Code of Ethics and Conduct (Code) that sets out the sound principles and standards of good practice in the financial services industry, which are observed by its employees. Employees are required to uphold the highest integrity in discharging their duties and in dealings with customers, fellow employees and regulators. This is in line with the Group's Core Values which give emphasis on behavioural ethics when dealing with third party and fellow employees.

The Group communicates the Code to all employees upon commencement of their employment and is deemed to be part of the Terms and Conditions of Service. Further details of the Code can be found on page 38 of this Annual Report.

This statement is made in accordance with the Board's resolution dated 27 July 2007.


Tan Sri Mohamed Basir bin Ahmad

Chairman of the Board

Statement on Internal Control

RESPONSIBILITY

The Board acknowledges overall responsibility for the Group's internal control environment and its effectiveness. It is of the view that the internal control framework is designed to manage rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable assurance and not absolute assurance of effectiveness against material misstatement of management and financial information or against financial losses and fraud.

The Board is additionally of the view that the system of internal controls in place for the year under review is sound and sufficient to safeguard shareholders' investments, customers' interests and the Group's assets. The system of internal controls which has been instituted throughout the Group is updated from time to time to suit the changes in the business environment.

The role of Management includes:-

- implementing the policies approved by the Board
- implementing the necessary risk and controls by identifying and evaluating the risks faced
- designing, operating and monitoring a suitable system of internal controls
- formulating related policies and procedures to manage these risks

KEY INTERNAL CONTROL PROCESSES

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal controls are as follows:-

- An organisation structure with clearly defined lines of responsibility, limits of authority and accountability aligned to business and operational requirements which support the maintenance of a strong control environment.
- Risk management principles, policies, procedures and practices which are updated regularly to ensure relevance and compliance with laws and regulations and are made available to all employees. To further enhance risk awareness within the Maybank Group, a series of road shows were conducted for all levels of staff emphasizing the importance of control environment and the Group's whistle blowing policy that defines the avenue for employees to raise genuine concerns about actual and suspected wrongdoing or malpractices and for the protection of the said employees.
- Annual business plan and budget are submitted to the Board for approval. Actual performances are reviewed against the targeted results on a monthly basis allowing timely responses and corrective actions to be taken to mitigate risks. The Board also reviews regular reports from the management on the key operating statistics, legal and regulatory matters. The Board also approves any changes or amendments to the Group policies.
- The Audit Committee of The Board (ACB) regularly reviews the actions taken on internal control issues identified in reports prepared by Internal Audit, the external auditors, regulatory authorities, and evaluates the effectiveness and adequacy of the Group's internal control system. The ACB has active oversight on the internal audit's independence, scope of work and resources. It also performs reviews on Internal Audit function particularly the annual audit plan scope and frequency of the internal audit activities.
- The Internal Audit of the Group supervises the observance of internal control policy, procedures by performing regular reviews of the business processes to

examine and evaluate the adequacy, effectiveness and efficiency of financial and operating controls and highlights significant risks and non-compliance impacting the Group. Management, through the Internal Audit Committee, is to follow up and review the status of actions on recommendations made by the internal and external auditors. Audits are carried out on units that are identified premised on a risk based approach, in cognizance with the Group's objectives and policies in the context of its evolving business and regulatory environment, taking into consideration input of the senior management and the board.

- Besides the ACB, the Board has also set up several Board Committees to assist the Board perform its oversight functions. For more details on the various Board Committees, please refer to page 42.
- Group Executive Risk Committee, Group Management Committee, Group IT Steering Committee, Internal Audit Committee, Asset and Liability Committee and Group Staff Committee are also established as part of its stewardship function to ensure effective management and supervision of the areas under the respective Committee's purview.
- Recruitment and promotion policies/guidelines within the Group are established to ensure appropriate persons of calibre are selected to fill positions available. A learning management council is formed for each business sector to ensure staff are adequately trained and competent in discharging their duties effectively. Proper guidelines are also drawn-up for termination of staff.
- A clearly defined framework with appropriate empowerment and authority limits has been approved by the Board for acquisitions and disposals of assets, awarding tenders, writing off operational and credit items, donations, as well as approving general and operational expenses.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report for the financial year ended 30 June 2007.

The external auditors conducted the review in accordance with the "Recommended Practice Guide 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control" ("RPG 5") issued by the Malaysian Institute of Accountants. The review has been conducted to assess whether the Statement on Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the processes the Directors had adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. RPG 5 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant matters disclosed in the annual report will, in fact, mitigate the risks identified or remedy the potential problems.

Based on their review, the external auditors have reported to the Board that nothing had come to their attention that caused them to believe that the Statement on Internal Control 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.

Audit Committee of the Board

MEMBERSHIP

The present members of the Audit Committee of the Board (ACB) comprise of:

Mohammad bin Abdullah

Chairman, Independent Non-Executive Director

Tuan Haji Mohd Hashir bin Haji Abdullah

Independent Non-Executive Director

Teh Soon Poh

Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad

Non-Independent Non-Executive Director

The Company Secretary, En. Mohd Nazlan Mohd Ghazali is the Secretary to the ACB.

ATTENDANCE OF MEETINGS

For the financial year 2006/2007, the ACB held a total of 16 meetings. The meeting attendance of the Committee members is as follows:

Name of Committee Member	No. of Meetings Attended
Mohammad bin Abdullah	16 / 16
Tuan Haji Mohd Hashir bin Haji Abdullah	16 / 16
Teh Soon Poh	15 / 16
Datuk Zainun Aishah binti Ahmad	15 / 16

The Executive Directors or the Chief Operating Officer and the Chief Audit Executive are invited to attend the meetings. Prior to the release of the annual financial results, the external auditors met separately with members of the Audit Committee in private without the presence of the management. In addition, the External Auditors were also invited to attend meetings to discuss on matters such as the year end audited financial statements, management letters and other matters that are relevant.

COMPOSITION AND TERM OF REFERENCE

Composition

- The Chairman and the majority of the Audit Committee members shall be independent directors and at least one member of the committee must be:
 - a member of the Malaysian Institute of Accountants (MIA); or
 - if he is not a member of the MIA, he must have at least three (3) years working experience; and
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountant Act, 1967; or
 - he must be a member of one (1) of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.
- Where the Chairman is unable to attend the meeting, the members shall elect a person among themselves as Chairman.
- Review of membership is undertaken once every three (3) years. This review pertains to the term of office and performance of the members.

Quorum

- The quorum shall be three (3) with majority to be independent directors.

Authority

The ACB is empowered by the Board to carry out the following:

- Investigate any activity or matter within its terms of reference.
- Promptly report to Bursa Malaysia Securities Berhad ("Bursa Securities") matters which have not been resolved satisfactorily thus resulting in a breach of the Bursa Securities Listing Requirements.
- Obtain external independent professional advice, legal or otherwise deemed necessary.
- Maintain direct communication channels with external auditors, person(s) carrying out the internal audit function or activity and with senior management of the Bank and its subsidiaries.
- Convene meetings with internal and external auditors, without the attendance of the management, whenever deemed necessary.

In discharging the above functions, the ACB has also been empowered by the Board to have:

- Necessary resources which are required to perform its duties.
- Full and unrestricted access to any information and documents relevant to its activities.

DUTIES & RESPONSIBILITIES

The primary duties and responsibilities of the ACB with regards to the Maybank Group's Internal Audit function, external auditors, financial reporting, related party transactions and annual reporting are as follows:

1. Internal Audit

- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function, Internal Audit Charter and that it has necessary authority to carry out its work.
- Review the internal audit reports to evaluate the findings of their work and to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified.
- Approve the appointment or termination of the Chief Audit Executive.
- Assess the performance of the internal auditors and determine and approve the remuneration and annual increment of the internal auditors.

2. External Audit

- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board.
- Assess the qualification, expertise, resources and effectiveness of the external auditors.
- Monitor the effectiveness of the external auditors' performance and their independence and objectivity.

AUDIT COMMITTEE OF THE BOARD

- Review the external auditors' audit scope and plan, including any changes to the planned scope of the audit plan.
- Review major audit findings raised by the external auditors and Management's responses, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the external auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

3. Financial Reporting

Review the quarterly and year-end financial statements focusing on

- any changes in accounting policy,
- significant and unusual events, and
- compliance with applicable Financial Reporting Standards and other legal and regulatory requirements.

4. Related Party Transactions

Review any related party transactions and conflict of interest situations that may arise within the Bank or Maybank Group including transactions, procedures or courses of conducts that may raise questions of Management's integrity.

5. Annual Report

Report the Audit Committee's activities for the financial year.

6. Other Matters

Other matters as the committee considers appropriate or as authorised by the Board of Directors.

SUMMARY OF ACTIVITIES

During the financial year 2006/2007, the ACB carried out its duties as set out in the terms of reference. The main activities undertaken by the ACB were as follows:

Internal Audit

1. Reviewed the effectiveness of the roles and responsibilities of the ACB as prescribed by the following:
 - a) Terms of Reference of the ACB;
 - b) Bank Negara Malaysia Garis Panduan 10 - Guidelines On Minimum Audit Standards For Internal Auditors Of Financial Institutions (BNM/GP10);
 - c) Revised Garis Panduan 1 – Guidelines On Corporate Governance For Licensed Institutions (BNMGP1);
 - d) Guidelines on Management of IT Environment (BNM/GPIS1);
 - e) Bursa Securities Listing Requirements; and
 - f) Malaysian Code of Corporate Governance.

2. Reviewed the annual internal audit plan for the financial year 2006/2007 to ensure adequate scope and coverage over the activities of the Bank and the Group and the quarterly audit performance reports to ensure the adequacy, performance, progress, achievement and coverage of the internal audit functions. The ACB has also reviewed internal audit reports, audit recommendations and management's responses to these recommendations.
3. Reviewed the audit reports of Bank Negara Malaysia Examiners', the external auditors and other regulatory authorities, Management's responses to the auditors' and examiners' recommendations and monitored the actions taken to rectify weaknesses detected. When necessary, the ACB had also directed that appropriate remedial actions be taken.
4. Deliberated the minutes of the meetings of the subsidiary companies' ACBs for an overview of the risk management and internal control systems of those subsidiary companies.
5. Examined the adequacy of the skills, knowledge and core competencies of the internal auditors.
6. Provided independent evaluation on the performance and remuneration package of audit staff in accordance with the requirements of Garis Panduan 1 of Bank Negara Malaysia.

Financial Reporting

7. Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Bank and the Maybank Group to ensure that the financial reporting and disclosure requirements are in compliance with the relevant acts, rules and regulations.

External Audit

8. Evaluate the performance of the external auditor and made recommendations to the Board on their appointment, scope of work and audit fees.

Related Party Transactions

9. Reviewed the related party transactions within the Bank and the Group.

Employee Share Option Scheme (ESOS)

10. Reviewed the allocation of the ESOS.

AUDIT COMMITTEE OF THE BOARD

INTERNAL AUDIT FUNCTION

The Group has a well established Internal Audit Division (IAD) to assist the Board of Directors to oversee that Management has in place a sound risk management, internal control and governance system. The IAD reports functionally to the ACB of the Bank and its subsidiary companies and is independent of the activities or operations of other operating units. The scope of internal audit covers the audits of all units and operations, including subsidiaries. It is the responsibility of the internal audit department to provide the ACB with independent and objective reports on the state of risk management, control and governance processes.

IAD executes its independent assurance and consultative role through programmed reviews of units and operations identified on a risk based audit approach, aimed at helping accomplish the Group's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

The selection of the units to be audited from the audit universe leading to the formulation of the audit plan, is premised on a risk based approach and in cognizance with the Group's objectives and policies in the context of its evolving business environment, taking into consideration input of Senior Management and the Board. In addition to risk based audits, IAD also assists in the evaluation of risk exposures to ensure that control procedures are in place to mitigate the risks identified, prior to implementation of new business products and projects.

The audit reports, which provide the results of the audit conducted in terms of the risk management of the unit, operating effectiveness of internal controls, compliance with internal and regulatory requirements and overall management of the unit are submitted to the ACB for their review. Key control issues, significant risks and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable. This enables the ACB to execute its oversight function by forming an opinion on the adequacy of measures undertaken by Management.

The internal audit function is organised on a Group basis and provided with adequate resources to discharge its responsibilities. Consistent with this approach, the internal audit function is supervised centrally with support from resident auditors in selected overseas locations where Maybank operates namely in Singapore, Philippines and Indonesia. Technical support especially in the areas of credit risk, market risk, information technology systems and developmental initiatives are centrally driven to ensure consistency of standards and applications. The ACB reviews and approves the Group Internal Audit's human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors.

The International Standards for the Professional Practice of Internal Auditing (SPPIA) of the Institute of Internal Auditors (IIA), the Practice Advisories issued by the IIA, the Guidelines On Internal Audit Functions and Bank Negara Malaysia's Garis Panduan 10 (GP10) and Garis Panduan Insurance 13 (GPI 13) are used where relevant as authoritative guides for internal auditing procedures.

Risk Management

OVERVIEW

Maybank Group's risk management mission is to provide the appropriate frameworks and methodologies for the effective management of enterprise-wide risks in the Group in order to protect and enhance shareholder value.

Within the Group, we consider Risk Management as a critical component of the Group's operating model. Over the past few years, the Basel II programme has acted as a major catalyst for the enhancement of risk management practices, further embedding the risk culture and methodologies in the Group's operations.

Moving forward, the Group will continue to invest extensively to ensure that comprehensive risk management policies and advanced risk systems infrastructure are established at both the Group and subsidiary entities for the systematic identification, measurement, monitoring and control of all material risks faced by the Group. This vision shall ensure that risk management remains well-engrained in our business model even as the banking industry evolves in a dynamic manner.

RISK GOVERNANCE

The Group views that strong risk governance is essential as the foundation for successful risk management.

In line with Bank Negara Malaysia (BNM)'s guidelines on corporate governance, the Board of Directors has overall risk oversight responsibility and is actively assisted by the following Board and Management committees:

- Risk Management Committee (RMC) of the Board
- Credit Review Committee (CRC)
- Audit Committee of the Board (ACB)
- Executive Risk Committee (ERC)
- Asset and Liability Management Committee (ALCO)

The ERC was set up during 2006 as a dedicated executive-level risk committee to review all risk areas with the exception of market and liquidity risks which remain under the purview of the ALCO.

Organisationally, we have a dedicated Risk Management team helmed by the Chief Risk Officer (CRO). The Risk Management team comprises four risk units, namely Credit Risk Management Unit (CRM), Market Risk Management Unit (MRM), Operational Risk Management Unit (ORM) and Risk Strategy Unit (RS). All teams report to the CRO, who also advises risk management teams embedded at other Group entities.

ENTERPRISE RISK MANAGEMENT (ERM) APPROACH

The Group takes a holistic and integrated view of risk management across the various entities within the Group. We view the ERM process as a structured and disciplined approach to align strategy, policy, process, people and technology with the specific purpose of evaluating all risks as the Group seeks to create shareholder value.

This vision is reflected by the adoption of the RMC-approved 7 Broad Principles of Risk Management by the various Group entities to ensure integration in purpose, policy, methodology and risk culture.

One of the seven principles, the "three lines of defence" concept serves to embed an enterprise risk management (ERM) process in the whole Group involving all organisational units from business development, support teams, centralised risk management units to internal audit.

7 BROAD PRINCIPLES OF RISK MANAGEMENT

1. The risk management approach is premised on the three lines of defence concept – risk taking units, risk control units and internal audit.
2. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is Internal Audit which provides independent assurance of the effectiveness of the risk management approach.
3. Risk Management provides risk oversight for the major risk categories including credit, market, liquidity, operational and other industry-specific risk types (eg insurance and stock-broking risks).
4. Risk Management ensures that the core risk policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.
5. Risk Management is functionally and organisationally independent of business sectors and other risk taking units within the Group.
6. The Maybank Board, through the Risk Management Committee, maintains overall responsibility for the risk oversight function within the Group.
7. Risk Management ensures the execution of various risk policies and related decisions of the Board.

THREE LINES OF DEFENCE CONCEPT		
First Line of Defence	Second Line of Defence	Third Line of Defence
<ul style="list-style-type: none"> Business Units Support Units 	<ul style="list-style-type: none"> Risk Management Units 	<ul style="list-style-type: none"> Internal Audit

Under the "Three Lines of Defence" concept, the risk taking units, acting as the first line of defence, shall have primary responsibility for managing specific risks assumed by them in their day-to-day activities.

In the second line, centralised Risk Management units provide the specialised resources for developing risk frameworks, policies, methodologies and tools for the management of material risks taken by the Group as a whole.

Finally, activities pertaining to internal control reviews and audit programmes are undertaken by the internal audit team, providing independent assurance on the whole ERM process.

CREDIT RISK DEFINITION

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfill their obligations to repay their loans or settle financial contracts.

MANAGEMENT OF CREDIT RISK

CRM is primarily responsible for developing, enhancing and communicating an efficient, effective and consistent credit risk management framework across the Group, leveraging on people, process and technology.

The Group has also implemented a product approval programme to ensure that all risks inherent in new products/financing packages and related business activities are identified, with risk mitigation measures emplaced, prior to the launching of the product/financing package. Sign-off by the relevant stakeholders, including CRM, Legal, Accounting and Internal Audit and approval by the RMC is required prior to product launch.

CREDIT RISK IDENTIFICATION FRAMEWORK

- The Group places strong emphasis in creating and enhancing risk awareness among all staff within the Group. Risk awareness programmes are conducted regularly to create a risk aware culture and empower staff with the capability to identify and manage risks more effectively.

- Selection and training of lending personnel is considered a key process in the management of credit risk. Newly appointed lending personnel are required to undergo comprehensive credit training programmes and are required to sit for the Certified Credit Professional examination conducted by Institute of Bankers Malaysia. Credit training programmes are also conducted to enhance the skills of existing lending personnel.
- There are efforts to improve the knowledge of lending personnel by leveraging on knowledge sharing tools including e-learning courses to enhance credit skills within the Group. This knowledge transfer is pertinent to ensure that the Group's credit standards are always maintained.
- The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While business units are responsible for credit origination, the credit approving function rests mainly with the Office of the Chief Credit Officer (CCO) which is independent from the business units while the post-approval evaluation is undertaken by CRM's Credit Review team.
- The Group believes that the authority limit for credit approval should be directly related to the risk levels of the borrower and transaction. In this respect, a Risk-Based Authority Limit (RBAL) structure had been implemented. The RBAL is structured based on the expected loss (EL) framework and leveraged on the Group's internally developed Credit Risk Rating System (CRRS).

CREDIT RISK MEASUREMENT METHODOLOGY

The Group applies the expected loss (EL) framework to quantify credit risk as illustrated in the matrix below:

Expected loss (EL)	=	Probability of default (PD)	X	Exposure at default (EAD)	X	Loss given default (LGD)
		Borrower Risk Rating		Facility Risk Rating		
		Borrower Risk Rating	PD	Facility Risk Rating	LGD	
		1	PD%	A+	LGD%	
		2	PD%	A	LGD%	
		3	PD%	B	LGD%	
		4	PD%	C	LGD%	
		5	PD%	D	LGD%	
		6	PD%	E	LGD%	
		7	PD%	F	LGD%	
		8	PD%	G	LGD%	
		9	PD%			
		10	PD%			

RISK MANAGEMENT

The internal risk rating models comprise two components, the Borrower Risk Rating (BRR) and Facility Risk Rating (FRR).

The BRR is a borrower-specific rating component that provides an estimation of the likelihood of the borrower going into default over the next twelve months. The BRR estimates the borrower risk and is independent of the type/nature of facilities and collaterals offered. The BRR comprises ten non-default grades, with 1 being the best grade and 10 being the worst grade. For defaulted borrowers, the applicable grades are either 11 or 12.

The FRR is a facility-specific rating component that quantifies the facility and collateral structure risk. The FRR comprises eight grades, with A+ being the best grade and G being the worst grade.

CREDIT RISK TOOLS AND RISK SYSTEMS

As at the reporting date, the following retail application scorecards and corporate rating systems have been developed and implemented across the Group:

- The Integrated Retail Scoring Solution (IRSS) provides a retail application scoring system using statistically validated consumer scoring tools for retail borrowers. The IRSS has been implemented in both the Malaysian and Singaporean operations.
- The Credit Risk Rating System (CRRS) provides a statistically-based internal risk rating system for the risk grading of corporate and commercial borrowers. The CRRS has been deployed at all Malaysian and Singapore lending units.
- For the Group's overseas business units, a set of International Risk Rating Scorecards (IRRS) had been deployed to risk grade the corporate and commercial borrowers.

CREDIT RISK MONITORING AND CONTROL

To manage large exposures, the Group has in place, amongst others, the following concentration limits and related lending guidelines to avoid undue concentration of credit risks in its loan portfolio:

- Countries
- Business Segments
- Economic Sectors
- Single Customer Groups
- Banks
- Counterparties
- Collaterals

A post-approval evaluation of credit facilities process is emplaced and performed by the CRM's Credit Review team, with checks to ensure that credit facilities are properly appraised and approved. Findings of the credit review team are tabled to the various risk committees, including the RMC for review and remedial actions.

A dedicated Portfolio Quality and Risk Compliance team prepares regular credit risk reports which are submitted to the various risk committees including the RMC as part of the on-going monitoring and review of borrowers and loan portfolios.

To effectively manage the vulnerable credits of the Group, there are dedicated credit recovery teams including the following:

- Corporate Remedial Management at Head Office
- Loan Management Centres at Regional Offices
- Asset Quality Management and Regional Asset Quality Management Centres

CREDIT RISK MANAGEMENT INITIATIVES

As the Maybank Group intends to adopt the Foundation Internal Ratings Based (FIRB) Approach for credit risk, various credit risk initiatives are being undertaken to meet the specific requirements under the FIRB Approach.

Some of the key activities include the following:

- The Group Collateral Management System (GCMS) Project is a centralised database of collateral information, which seeks to meet the specific operational and monitoring requirements under Basel II for the application of credit risk mitigation techniques in the regulatory capital process.
- The Risk Data Management Solution (RDMS) Project is a capital calculator system, which is designed to provide for a seamless integration between risk systems for the development of a consistent approach in management of risk data associated with Basel II, regulatory and management reporting.
- The Group Exposure Management System (GEMS) is a system to automate the management of exposures and limits consistent with the Group's risk management policies and risk appetite limits.

Other credit risk initiatives being undertaken include a Bank Risk Rating System (BRRS) and the Retail IRB System.

MARKET RISK AND LIQUIDITY RISK DEFINITIONS

Market risk is the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equities, commodities and in their implied volatilities.

Liquidity risk is the risk that the Group is unable to obtain funds to meet its financial obligations when due. Liquidity risk could also arise due to adverse market movements, which hinders the ability of a market participant to withdraw or hedge their positions.

MANAGEMENT OF MARKET AND LIQUIDITY RISKS

The ALCO, an executive committee chaired by the President and CEO, is primarily responsible for the development and implementation of broad strategies and policies for managing the Group's balance sheet and associated risks.

Organisationally, MRM provides independent evaluation and recommendation to ensure efficient implementation of market risk management frameworks within the Group. Its primary responsibilities are the development and implementation of consistent policies and methodologies to identify, measure, monitor, control and report market risk and liquidity risk.

RISK MANAGEMENT

MARKET RISK MANAGEMENT FRAMEWORK

Market risks are inherent in the ordinary course of Maybank Group's business and are especially prevalent in the treasury activities that the Group undertakes. As such, the market risk management framework of the Group incorporates key risk management principles, which are benchmarked against industry best practices and satisfies regulatory requirements.

The Group has established a Market Risk Framework, which serves as the base for the overall and consistent management of price risk (traded risk). The Group has also developed an Interest Rate Risk Framework for enterprise-wide implementation and effective management of interest rate risk in the banking book that suits the Group's operating environment while meeting international best practices and regulatory expectations. A Liquidity Risk Framework has also been developed to function as a blueprint for the effective and efficient management of liquidity risk in various scenarios / circumstances.

In respect to risk measurement, the Group utilises a myriad of specific tools and methodologies covering traditional approaches to industry leading practices to meet different sophistication needs and expectations of business requirements, supervisory authorities and rating agencies across different geographical locations. The Group has been continuously exploring cutting edge techniques and methodologies that leverage heavily on technology infrastructure to enhance its risk measurement capability.

The Group's existing Market Risk and Liquidity Risk Frameworks provide for reporting of risk policies / limits exceptions to senior management and Board members. The reporting activities lay down a structured information flow, proper and adequate escalation process of effective risk management. Further, scheduled reports are submitted to management and board level committees to provide the basis for informed decision making.

Both the Price Risk Framework and Interest Rate Risk Framework outline the process of identifying, measuring, monitoring and controlling market risk exposures of the Maybank Group. This framework facilitates the Group to manage its market risk exposures in a systematic and consistent manner.

PROCESS	RISK TOOLS AND MEASURES
MARKET RISK IDENTIFICATION	<ul style="list-style-type: none"> Identify, assess and review market risk within existing and new products. New product approval programme ensures that all risks in new products are identified, measured and managed before transacting in the product.
MARKET RISK MEASUREMENT	<ul style="list-style-type: none"> Employ various risk measurement tools to quantify market risks: <ul style="list-style-type: none"> Repricing Gap Value-at-Risk Earnings-at-Risk Economic Value-at-Risk Duration Analysis and Sensitivity Measures Simulation Analysis, inclusive of Stress Test and Back Test.
MARKET RISK CONTROL AND MONITORING	<ul style="list-style-type: none"> Employ 3 lines of defence to monitor market risk, comprising of Risk Taking Units, Risk Control Units and Audit. Establish various market risk limits and risk indicators to cap / manage market risk exposures within acceptable risk levels. Conduct daily / periodic monitoring to ensure adherence to approved risk limits and policies.
MARKET RISK REPORTING	<ul style="list-style-type: none"> Employ an Early Warning System to prompt / initiate proactive actions in managing market risk. Prepare scheduled reporting and exception reporting on risk limits / policy breaches. Track risk mitigating action plans

RISK MANAGEMENT

MANAGEMENT OF PRICE RISK

The technique adopted by the Group to measure and control price risk exposure is Value-at-Risk (VaR). VaR is used to estimate the potential loss of value resulting from market movements over a specified period of time within a specified confidence level, under a normal business environment.

The Group adopts the Historical Simulation approach for computation of VaR. Historical Simulation is an approach that involves using historical changes in market rates and prices to construct a distribution of potential future portfolio profit and loss. Currently, the Group uses the following parameters to compute VAR in line with the Basel II recommendations.

Confidence level	Holding Period	Observation Period
99%	10 days	1 year

VaR limits can be used to control the aggregated risk exposures across different instruments and/or different business units. It also takes into account the risk reduction/diversification effect of offsetting positions.

MANAGEMENT OF INTEREST RATE RISK

The complementary diagnostic techniques adopted by the Group for measuring and controlling interest rate risk are as follows:

The Group adopts the Rate Sensitivity Gap (GAP), Earnings-at-Risk (EaR) and Economic Value-at-Risk (EVaR) techniques to measure interest rate risk exposure from a static balance sheet position. GAP analysis aims to measure the repricing mismatch between rate sensitive assets and rate sensitive liabilities in the predetermined time bands.

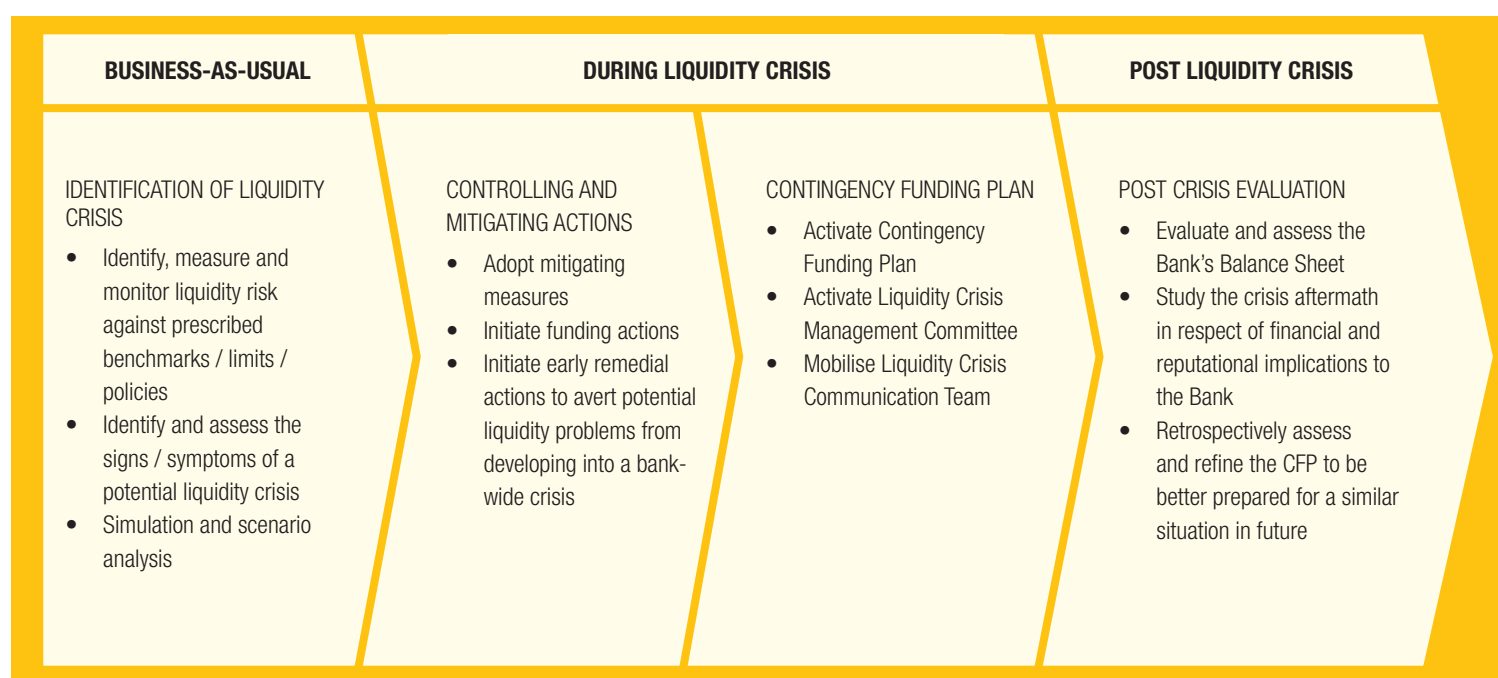
Earnings volatility (short term risk) and sensitivity of capital base (long term risk) to interest rate movements are quantified by applying a set of predefined parameters and variables on the GAP profile of each entity across the Group.

Furthermore, the Bank also employs dynamic simulation techniques to complement its traditional risk measurement capability. The Bank utilises a business intelligence application to model and project its interest rate sensitivity based on multiple balance sheet and interest rate scenarios. EaR is the simulated net interest income exposures over a relatively short time horizon. EVaR is estimated through the present value of cash flows of asset, liabilities and off balance sheet items. The simulation model incorporates business assumptions obtained from lines of business and behavioural assumptions developed based on empirical study to ascertain a more reflective risk assessment. Stress testing is performed at periodic intervals to assess the impact of extreme, but plausible events on the Bank. The model is subject to periodic validation exercises to ensure reliability of the forecasted results.

Gap limits are established to manage the repricing balances in specific time bands. The EaR limit and EVaR limits aim to limit the potential loss in earnings and deterioration in economic value of capital under adverse interest rate scenario. Based on the view of interest rates, earnings volatility and risk profiles are adjusted through the use of derivatives, repositioning of assets duration/pricing, as well as changing funding strategies.

LIQUIDITY RISK FRAMEWORK

The Liquidity Risk Framework encompasses the process of identifying, measuring, managing and controlling liquidity exposures of the Group under normal as well as distressed scenarios. This is to ensure that the Group is well prepared to face liquidity disruptions under various scenarios.



RISK MANAGEMENT

The Liquidity Risk Framework serves as the guiding principle for the overall management of liquidity risk of the Group. This is supplemented by individual Liquidity Policy Statements at each overseas unit which are customized according to the various regulatory and business requirements.

Liquidity crisis could be triggered by internal and external factors. Signs of potential liquidity crisis as well as liquidity indicators are monitored on a regular basis for any anomalies or crisis symptoms which can trigger mitigating actions.

The Group has emplaced a prudent Liquidity Risk Management structure to evaluate and implement strategies during crisis. Various mitigating measures have been identified and may be taken to avert or mitigate the impact of a liquidity crisis.

A Contingency Funding Plan (CFP) has been formulated as a blueprint to establish systematic approach in the event of a liquidity crisis. It sets out the responsibilities, administrative procedures, approaches, strategies as well as courses of action to be taken in different liquidity scenarios, either Bank-specific or at the market level. The implementation of CFP recognizes that it is no longer business as usual and the focus is to return to normal business conditions as soon as possible. A Post Crisis Evaluation is conducted to study the impact of the crisis. The retrospective assessment also helps the Group to refine the Contingency Funding Plan.

The Group performs regular liquidity stress testing. The liquidity scenarios adopted are Business-As-Usual, Bank Specific Crisis and General Market Crisis scenarios.

MARKET RISK MANAGEMENT INITIATIVES

The Group has adopted the Standardised Approach in the market risk capital charge calculation for its Trading Book. The Group is presently assessing the adoption of the Internal Models Approach subject to the finalisation of the Market Risk and Interest Rate/Rate of Return Risk in the Banking Book ("MIRCAF") concept paper issued by BNM.

OPERATIONAL RISK DEFINITION

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risks.

MANAGEMENT OF OPERATIONAL RISK

The Group's Operational Risk Management (ORM) Framework and Governance aims to ensure that all Group entities, Boards, Directors, business line management, all staff and contractors can discharge their operational risk management responsibilities within a transparent and formalised framework that is aligned to business objectives.

The goal of the ORM Framework and Governance is to:

- Articulate the overall vision, principles, philosophy, objectives and goals of operational risk management;
- Define a framework for effective management and supervision of operational risk;
- Define a framework for operational risk identification, assessment, reporting, management and monitoring; and
- Enhance operational risk awareness and culture.

The Operational Risk Management Unit (ORM) is responsible for the formulation and implementation of operational risk framework within the Group, which encompasses operational risk management strategy, the operational risk governance structure, policies and processes. The above also include the maintenance and analysis of operational loss database, development and implementation of various operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Risk taking units constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk. They are responsible for putting in place and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Group's operational risk management framework.

Risk Officers and Risk Representatives have been appointed within the various business and specialist/support units (BSSs) of the Group. While the Risk Officers form the key interface between BSSs and ORM, the Risk Representatives, in turn, form the key interface between the operating unit and the Risk Officer. The Risk Officers and Risk Representatives are the key personnel within the BSSs responsible for implementing and executing the operational risk management processes and tools developed. They are also responsible for the investigation of operational losses; monitoring and analysis of risk trend; and the training of staff on operational risk practices and governance.

RISK MANAGEMENT

OPERATIONAL RISK MANAGEMENT FRAMEWORK

Identification	Measurement	Monitoring & Control
<ul style="list-style-type: none"> Risk identification performed prior to launching of new products Product proposal paper prepared by business unit and reviewed/signed-off by respective risk control units Policies/limits tabled to the Management and Board for approval. Operational risk inherent in major products, critical activities and systems identified via tools such as Risk Profiling and Key Risk Indicators (KRIs) 	<ul style="list-style-type: none"> Risk and Control Self-Assessment (RCSA) is used to measure the level of operational risk Incident Management and Data Collection (IMDC) KRIs performance tracking 	<ul style="list-style-type: none"> KRIs also used to obtain timely information on selected leading operational risks and drivers IMDC also used to monitor and control operational risk profiles and material operational losses Ongoing Fraud Awareness Fraud Reporting Hotline in place Group Business Continuity Planning Framework in place Outsourcing Framework in place Neural-based fraud detection system in place Operational risk transfer via insurance Ongoing monitoring, management and reporting of risk profiles Periodic audits by internal and external auditors

OPERATIONAL RISK IDENTIFICATION

Under the Group's product approval programme, all risks inherent in new products/financing packages and related business activities are identified prior to the launch of the product/financing package, with risk mitigation measures emplaced. All new products have to be signed-off by the relevant stakeholders, including ORM, Legal, Accounting and Internal Audit and approval by the RMC.

Risk-profiling and self-assessment exercises are also conducted as part of the operational risk management process. These exercises enable risk taking units to identify inherent operational risks specific to their environment and assist them in assessing the effectiveness of controls in place.

OPERATIONAL RISK MEASUREMENT, MONITORING AND CONTROL

ORM independently monitors and evaluates risk taking and capability units' operational risk management activities through the following methodologies and tools:

- Ongoing reviews of operational risk management policies and processes are carried out to ensure that the policies and processes remain current and effective.
- On a group-wide basis, actual operational losses are mapped into the eight business lines and seven loss event type criteria as provided by the Basel Committee. Operational "hot spots" are identified and appropriate action plans are developed to minimise the risk impact.
- Neural-based fraud detection system is used to detect and prevent suspicious transactions in customers' accounts.
- A Fraud Reporting Hotline policy has been introduced to provide a framework for staff within the Group to raise genuine and legitimate concerns pertaining to suspected malpractices or impropriety.

- Ongoing Fraud Awareness for all levels of staff across Maybank Group.
- KRIs for all operational risk types are monitored. Such monitoring and reporting facilitate the review and assessment of operational performance and operational risk management processes at individual risk taking units and at the same time provide a group-wide perspective of operational risk exposures.

RISK MITIGATION AND INSURANCE

Outsourcing

Notwithstanding that the Group had outsourced a number of non-core activities to concentrate on its core business and to enhance efficiency levels, proper reporting and monitoring mechanisms are put in place to ensure that the integrity and quality of work conducted by the outsourcing service providers are maintained.

An Outsourcing Framework has been put in place to facilitate effective risk assessment and monitoring of outsourcing activities within the Group. The Outsourcing Framework is designed in accordance with the outsourcing guidelines issued by BNM.

Insurance

Mitigation tools such as insurance can be used to reduce the exposure or high severity losses by sharing the risk with other insurance companies.

Maybank Group's insurable risk exposures are continuously assessed with appropriate risk management solutions implemented. The Group had also put in place appropriate procedures to ascertain the adequacy of coverage with respect to the Group's operational risk exposure.

OPERATIONAL RISK METHODOLOGIES AND TOOLS

A variety of methodologies and tools have been implemented to effectively measure and report operational risk exposures on a timely basis, thereby serving as tools to facilitate decision-making and enhance the operational risk management process. These include Risk & Control Self Assessment (RCSA), Key Risk Indicators (KRI), Incident Management Data Collection (IMDC), Business Continuity Planning, Fraud Detection Solution and Fraud Reporting Hotline.

• Risk & Control Self Assessment (RCSA)

RCSA is a process of continual assessment of risk controls to identify control gaps and to propose action plans to close the gaps. It is a risk profiling tool which facilitates effective operational risk management for the Group.

Key Benefits

- Provide a framework and methodology for comprehensive self-assessment of inherent risks and adequacy of controls in place.
- Provide a management tool for monitoring risks and controls and to complement the risk management structure.
- Provide a framework for identification of opportunities for improvement across the Group based on international best practices.
- Provide the foundation for Advanced Measurement Approach (AMA) for capital modeling.

BSSs had undertaken the RCSA exercise to identify operational risk and control of their key processes. The tool has also facilitated the BSSs to develop and review their risk profile. In addition, it has assisted the BSSs to give due focus in review of business processes to enhance critical operations and controls, especially those that were assessed under High and Medium risk category.

• Key Risk Indicator (KRI)

KRIs are embedded into critical processes to provide early warning of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring.

Key Benefits

- Provide a management tool to track and monitor critical operational risk exposures over time.
- Provide an early warning signal of changes in the risk environment and the effectiveness of controls.
- Facilitate measurement of risk exposure to act as incentive mechanism for good risk management behaviour.
- Keep the operational risk management process dynamic and risk profiles current through ongoing tracking of risk exposures
- Provide the foundation for AMA.

BSSs monitor their risk exposures via KRI system which could serve as early warning signals. With the introduction of the KRI tool, ORM was able to work with BSSs to establish and review their KRIs with the setting of appropriate thresholds. BSSs are required to develop action plans for those indicators that fall under "Danger" and "Caution".

• Incident Management Data Collection (IMDC)

IMDC provides a structured process and system to identify and focus attention on operational "hotspots" and facilitates the minimization of risk impact.

Key Benefits

- Provide a common mechanism for reporting of operational risk incidents thereby providing consistent and standardised incident information in a centralised database.
- Provide a management tool to identify and focus attention on operational 'hotspots' and facilitate minimization of risk impact.
- Provide consistent escalation triggers to different levels of management within the Group.
- Provide a centralised database of loss incidences and near misses to facilitate learning and analysis for future enhancements.
- Provide the foundation for AMA.

With the implementation of the IMDC and the centralised database availability, ORM and the BSSs are able to analyse operational incidents based on causal factors as well as Basel II's loss event types and identify/highlight "operational hotspots" for appropriate action plans to address the critical areas.

• Business Continuity Planning (BCP)

The Group's BCP serves as a tool to mitigate the adverse impact in the event of an operational disruption or a disaster to ensure the health and safety of people and the survival of the organisation.

Key Benefits

- Increase the level of operational efficiency and effectiveness which is in accordance with the Group's corporate vision and mission.
- Group is able to respond effectively to business disruptions, resume essential business operations and mitigate/minimize impact of an incident.
- Completed infrastructure in Command Centre expedites the recovery process.
- Compliance with BNM requirements.

Since the BCP Programme implementation in 2005, the BCP plans, processes, and strategies have been tested through several BCP exercises as well as real activations. Having a proper BCP Programme in place, the BCP teams and the affected sectors were able to respond effectively and in a structured manner during the incidents. Appropriate escalation procedures and recovery efforts by the relevant parties were centrally coordinated in the BCP Command Centre. Faster business recovery was made possible with quick resolutions and approvals obtained from the authorised parties.

RISK MANAGEMENT

• Fraud Detection Solution (FDS)

The Bank has implemented the FDS which analyses trend and behavioural patterns of the accounts.

Key Benefits

- Provide automated tracking and reporting process for the detection of most probable fraudulent and abnormal transactions for strategic management decisions.
- Facilitate monitoring of such detections to mitigate potential monetary losses on probable fraudulent incidents perpetrated by fraudsters.
- Provide timely and effective early detection for immediate actions.
- Provide automation of the customer profile from the banking activities performed via the various channels, e.g current accounts, savings accounts, Fixed Deposit, Internet Banking and ATM.

Since the implementation of the Fraud Detection Solution in 2006, the Bank has been able to reduce losses due to fraudulent transactions. The system facilitated detection of abnormal behaviour in accounts thereby enabling prompt action taken to curtail possible losses.

• Fraud Reporting Hotline

The purpose of establishing a fraud reporting hotline is to develop a culture where it is safe and acceptable for all employees to raise their concerns regarding fraud, criminal activities, dishonesty and malpractice committed by another employee or any person who has dealings with the Bank via dedicated reporting mechanism.

Key Benefits

- Deter employees from engaging in malpractice by increasing the likelihood of discovery.
- Provide internal resolution of issues/concerns without the involvement of external parties such as the public and media amongst others.
- In line with industry best practices, global trends and to enhance corporate governance.

The recent survey undertaken within the Group indicated positive feedback on the awareness and effectiveness of the Fraud Reporting Hotline. Efforts are consistently reviewed to encourage usage of this mechanism to mitigate operational losses.

BASEL II UPDATE AND STATUS OF GROUP'S PREPARATIONS

In Malaysia, BNM has announced the plan for the implementation of the "International Convergence of Capital Measurement and Capital Standards – A Revised Framework" (Basel II). On 19 April 2007, BNM issued the final guidelines on Basel II for credit risk and operational risk under the basic standardised approaches. The implementation date for these approaches is 1 January 2008. BNM, however, allows for qualifying financial institutions to migrate directly to the Internal Ratings Based (IRB) approaches for credit risk with effect 1 January 2010.

The Maybank Group intends to adopt the Foundation IRB approach for credit risk and Alternative Standardised Approach (ASA) for operational risk. As part of the application process, the Group had submitted the required information to BNM for consideration. The central bank is expected to inform the Group of its decision soon.

Briefly, the Basel II framework is designed with a three-pillar approach covering the following:

Pillar 1 – Minimum Capital Requirements

Pillar 2 – Supervisory Review Process

Pillar 3 – Market Discipline

GROUP'S PREPARATIONS FOR BASEL II

The Group is fully committed to adopt the more advanced approaches under the menu of options available for credit risk, market risk and operational risk. In this regard, the Group has allocated the necessary budget and resources to undertake the relevant tasks.

BASEL II IMPLEMENTATION GOVERNANCE STRUCTURES

Leadership for the implementation of the comprehensive Basel II initiatives is provided by two dedicated committees:

- Basel II Strategic Committee (BSC) which acts as the Steering Committee for the Group's various initiatives. Membership of the BSC, which is chaired by the Deputy President & CFO, comprises heads of business units, support teams and the CRO. The BSC meets at least once every two months.
- Basel II Implementation Committee (BIC) which acts to coordinate activities at the working level. Chaired by the CRO, the BIC meets at least once a month. Four major Project Working Groups report to the BIC covering Credit Risk, Market Risk, Operational Risk and Special Issues (Pillar 2 and Pillar 3).

A Basel II Programme Office serves to coordinate and manage the overall implementation of the various Basel II initiatives. The Group expects the key projects to be completed by end-2008. Other minor initiatives shall be completed on a schedule aligned to regulatory timelines.

Most of the key Basel II initiatives are currently work in progress, with some already completed and implemented and others at the planning stage pending the issuance of finalised regulatory guidelines.

Moving forward, the Group has formulated a "Basel II Implementation Master Plan 2007-2013" setting out its plans to move to the most advanced approaches between 2010 and 2013.

Additional Compliance Information

The following information is disclosed in compliance with Appendix 9C of Bursa Securities Listing Requirements:

1. Utilisation of Proceeds

- During financial year 2007, two fund raising issues were executed, a RM1.5 billion sub-debt and a US\$300 million Sukuk, and the utilisation of proceeds from the two issues are as follows:
 - RM1.5 billion sub-debt
The proceeds from the Subordinated Bonds shall be utilised by Maybank to fund its general banking and financing activities.
 - US\$300 million Sukuk
The proceeds from the Sukuk will be used to finance the Group's Islamic banking operations and for general Islamic banking purposes. In particular, the Bank will use the proceeds to refinance the existing conventional US\$380,000,000 6.125% Subordinated Notes due 2012 which was issued on 6 June, 2002 and for which the optional redemption date is 6 July, 2007

2. Share Buy-back

The Company did not make any proposal for share buy-back during the financial year under review.

3. Options, Warrants or Convertible Securities

Maybank did not issue any options, warrants or convertible securities during the financial year ended 30 June 2007 other than the granting of options under the Maybank Group Employee Share Option Scheme ("ESOS") as disclosed in Note 25 to the financial statements.

4. Imposition of sanctions and/or penalties

There were no sanctions and/or penalties imposed on Maybank and its subsidiaries, directors or management by the relevant regulatory bodies, which was made public during the financial year under review.

5. Non-Audit Fees

Non-audit fees payable to the external auditors, Ernst & Young for the year amounted to RM1.335 million for the Group and RM1.145 million for the Bank.

6. Variation in Results

There was no profit forecast issued by Maybank and its subsidiary companies during the year.

7. Profit Guarantee

There was no profit guarantee issued by Maybank and its subsidiary companies during the year.

8. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving directors and substantial shareholders, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

9. Valuation Policy

The Group does not revalue its landed properties classified as Property and Equipment. The revaluation policy on landed properties classified as Investment Properties are disclosed in Note 3(ix) to the financial statements.

10. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")

The Company did not seek any mandate from its shareholders nor enter into RRPT, which are necessary for its day-to-day operation on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders for the financial year under review.

62 Corporate Social Responsibility

67 Group Corporate Highlights

community



Corporate Social Responsibility

Maybank has emphasised consistently through the years the importance of achieving a good equilibrium between value creation for all stakeholders and enhancing our role as a leading and responsible corporate citizen. In line with this, the Bank has always engaged actively with the community through a comprehensive Corporate Social Responsibility (CSR) programme to reflect its commitment and philosophy of “Growing with Responsibility”.

Over the years, our CSR initiatives have remained focused on our customers, employees as well as the community - with special emphasis on Medical and Health causes, Education and Learning, Welfare, Arts and Culture, Sports Development and Conservation of the Environment.

In recognition of Maybank's achievements in CSR, the Bank was presented with the CSR Award for 2006 by Malaysian Business magazine under its annual Corporate Governance Awards programme.

RESPONSIBILITY TO STAKEHOLDERS & CUSTOMERS

On the business side of CSR, Maybank looks beyond profit to ensure that it adheres to its core values at all times by adopting the highest standards of corporate governance. At the same time, the Bank is mindful of the need to operate profitably to return value to stakeholders as well as to improve the lives of employees and the community.



CORPORATE SOCIAL RESPONSIBILITY

Maybank has an internal policy against unethical lending to businesses involved in activities which may negatively impact the environment. This is reflected in its portfolio assessment for financing. This criterion of engagement with customers underscores the Bank's belief in ethical business and social practices, and commitment to the enhancement of society and the environment.

The Bank also continues to support many communities particularly in rural areas by providing financial services at locations where it may not always be profitable. We also continue to expand our ATM network and internet banking portal, Maybank2u.com, to enable the community to have banking access even in remote locations. Our delivery channels have also been used to support fund raising campaigns during natural disasters, the most recent for the flood victims in the southern region of Peninsular Malaysia at the beginning of 2007.

Maybank also supports programmes of many business partners be they for CSR, national or industry related causes. Sponsorships this year included the MIDA Seminar on Investment in Malaysia held in Singapore, PNB's World Investment Challenge, Investor's Week and Unit Trust Week and the World Islamic Economic Forum.

RESPONSIBILITY TO THE COMMUNITY**Welfare and Community Development**

During the financial year, Maybank expanded its CSR initiatives to include employee volunteerism in its community outreach efforts. A milestone partnership was sealed with the Ministry of Women, Family and Community Development to adopt seven welfare homes nationwide under the Cahaya Kasih Maybank programme which goes beyond corporate philanthropy and instead focuses on employees volunteering their time and talent to assist the homes.

Maybank was amongst the first to respond to the flood situation in the southern region of Peninsular Malaysia in early 2007 and contributed RM1 million to the National Disaster Relief Fund to aid victims. In addition, Maybank offered its internet banking portal, Maybank2u.com, as a donation channel for TV3's fund raising for flood victims, which successfully raised more than RM200,000 within a month.

As part of Malaysia's celebration of 50 years of nationhood in 2007, Maybank became the principal sponsor of the "Our Vision for the Nation" campaign with a contribution of RM350,000. The campaign involved the participation of children from all walks of life expressing their vision for the nation and the raising of a montage of the national flag showing the faces of the children of Malaysia. Donations raised during the campaign were donated to 10 charities led by Yayasan Harapan Kanak-Kanak Malaysia.



CORPORATE SOCIAL RESPONSIBILITY

Maybank's international offices also engage with communities in their respective locations. Maybank provided support to the Philippine National Red Cross (PNRC) to help ongoing rehabilitation efforts for displaced victims of Typhoon Reming in Bicol. It also expanded its MAYBANKALINGA project, extending help to children of Caritas Manila, landslide victims of Guinsaugon, the Philippine National Red Cross and Elcie Gache. Maybank Singapore, meanwhile, continued to support the underprivileged by celebrating Christmas with children from various children's homes.

Education and Learning

Maybank has an annual Scholarship Awards Scheme that is open to deserving undergraduates from local public universities. Over RM1.8 million in scholarships was disbursed in 2007 to 222 Maybank scholars.

The Bank is active in the support of Khazanah Nasional's Silver Book for CSR through the PINTAR (Promoting Intelligence, Nurturing Talent, Advocating Responsibility) programme to encourage academic excellence amongst rural students, the pilot of which was launched in Penang in December 2006. The Bank has to date two adopted schools in Penang and will help upgrade educational development and resources for the schools.

In Singapore, Maybank has collaborated with the Singapore Management University to offer the Maybank Best Business Student Award to the University's top student for the next five years.

Maybank also supported various education and leadership related programmes including Perdana Leadership Foundation, Badan Pembangunan Pendidikan Malaysia (Kelantan), Asian Strategy & Leadership Institute, Malaysian Institute of Accountants and PNB Minggu Saham Amanah (Unit Trust Week).

Art and Culture

In the development of art and culture, Balai Seni Maybank established in 1988, has been the venue of numerous art exhibitions by local as well as foreign artists. Over the years, Maybank has engaged the art community in 'art with a heart' exhibitions and assisted in fund raising through art for several organisations.

One such exhibition was the 'No Time to Lose' art exhibition in December 2006 featuring Chinese paintings by Malaysian brush painters. This exhibition raised over RM17,000 for the Alzheimer's Disease Foundation Malaysia.

In May 2007, the 'Landscapes' art exhibition by a renowned Chinese artist from Guangdong provided a rare opportunity for Malaysians to view exquisite Chinese landscape paintings. Over RM420,000 was raised for two charities namely the Alzheimer's Disease Foundation Malaysia and Yayasan Orang Kurang Upaya Kelantan.



CORPORATE SOCIAL RESPONSIBILITY

In May 2007, Maybank partnered with the Cuban Embassy to host an art exhibition entitled 'Independence Presumptions & Convergence : A Homage to Malaysia's Independence through Art'. The exhibition featured for the first time in Malaysia, the largest collection of Cuban art in Malaysia by Cuban artists showcasing their work to commemorate the 50th Merdeka celebration of Malaysia.

Health and Medical

The Maybank Group Welfare Fund makes annual contributions for the purchase of critically needed medical equipment to public hospitals or medical welfare organisations as part of efforts to support the provision of healthcare facilities for the community.

Sports

For the second year, Maybank continued to be the title sponsor of the Maybank Malaysian Golf Open, part of the European and Asian Tours. The Open is one of the most prestigious international golf tournaments in Asia which carries world-ranking points and global viewership. The sponsorship of this event saw a global audience of over 350 million households and created greater awareness of Malaysia as a destination for world-class golfing and host of international events.

Environment

Maybank actively supports conservation of the environment through varied programmes to educate and support efforts or activities which have at heart the interest of nature, conservation and sustainable care of the environment.

The Bank is embarking on a new approach to tiger conservation to include education programmes on protection of the species. This is an enhancement to the Bank's ongoing sponsorship programmes with Zoo Negara, Zoo Taiping and Zoo Melaka.

The Bank's support of environmental protection is also applied through its business processes, which aims to support organisations which adhere to good environmental and ethical standards.

In its day-to-day operations, the Bank encourages environmentally friendly processes such as the recycling of paper, use of electronic mail and energy saving practices.

In the Philippines, Maybank continues to sponsor reforestation programmes at the La Mesa Watershed by way of adopting 100 indigenous trees.



CORPORATE SOCIAL RESPONSIBILITY

ENHANCING EMPLOYEE CARE AND ENGAGEMENT IN CSR

Employees remain an important investment for Maybank. The Bank committed over RM65 million during the year for the enhancement of its human capital capabilities.

The annual Employee Engagement Survey remains an important avenue to understand employees' expectations and feedback is used to strategise for the Group's business plans as well as human resource policies.

Employees who excel in sporting activities are provided opportunities and benefits to enable them to bring honour to the organisation and the nation. Maybank has many athletes who represent the country, particularly in badminton and hockey.

Maybank is the only financial institution with a First Aid Standby Team (F.A.S.T) that can provide immediate medical assistance to staff or members of the public who require such care whilst in our premises at Menara Maybank. Team members comprise employees of the Bank who volunteer their services as emergency response personnel.

During the financial year, employees also participated in blood donation drives as well as joined in celebrating with the various communities during major festivals in the country. Maybank employees also volunteered their services to assist flood victims during the flood crisis which hit the southern Malaysian region during December 2006 and January 2007.

This year, the bank organised a Health Week Campaign as part of Occupational Safety and Health Awareness. Advocating a healthy lifestyle among employees extends to the provision of sport and recreational facilities at the Maybank sports complex in Bangi. In addition, Maybank maintains a number of holiday accommodation units which are made available to employees to enjoy the facilities.

The annual Maybank Games is also an activity to promote better team spirit and encourage participation in sports among employees. More than 3,000 employees participated in the 2006 Games.

Maybank is steadfast in its commitment to sustainable community engagement and its corporate responsibility to stakeholders. We are aware of the increasing demands that are placed on us and remain committed to CSR programmes that will benefit those who require support most.



Group Corporate Highlights



August 2006

- Maybank Group announced a pre-tax profit of RM4.03 billion (USD1.07 billion) for the financial year ended 30 June 2006, 15.3% higher compared to the previous corresponding period. Profit after tax for the year was RM2.8 billion, a 12% increase.

A Maybank and American Express concluded a Business Transfer Agreement relating to the transfer of American Express' card business in Malaysia to Maybank. Maybank would be the sole issuer and manager of the American Express charge card and merchant acquiring businesses in Malaysia under an independent operator agreement.

B Maybank signed an agreement with key systems and solutions providers (Telekom Malaysia Berhad, CSC Computer Sciences Sdn Berhad and StrataSoft Sdn Bhd) to implement an improved cards network and system solution to enhance its cards payment services for merchants and cardholders.

- Maybank sponsored a seminar and dialogue session in Singapore with Dato' Seri Rafidah Aziz, Minister of International Trade & Industry, Malaysia, on business opportunities in Malaysia. The keynote address was delivered by Mr Lim Hng Kiang, Minister for Trade and Industry, Singapore.

September 2006

- The 46th Annual General Meeting of the shareholders of Maybank was held in Kuala Lumpur.
- Maybank opened its first full-fledged Islamic banking branch in Johor. The branch, Maybank's 11th Islamic banking branch nationwide, offers a full range of Maybank Islamic banking products and services.

November 2006

C Maybank signed an agreement with Integro Technologies Sdn Bhd, one of the region's leading providers of CMS solutions for Basel II Collateral Management System. The CMS is another major foundation piece of the bank's Integrated Risk Management Framework initiated in 2003.

- Maybank announced a pre-tax profit of RM881.0 million for the quarter ended 30 September 2006. Net profit for the quarter stood at RM576.0 million.

December 2006

- Maybank Group announced the completion of its divestment of Mayban Unit Trust Berhad (MUTB) to Amanah Saham Nasional Berhad. With the completion of the disposal, MUTB ceased to be a subsidiary of the Maybank Group with effect from 30 November 2006.

January 2007

- Maybank announced it had entered into two conditional Sale and Purchase Agreements for the sale of two tranches of long standing corporate non-performing loans.

February 2007

- The Maybank Group announced that pre-tax profit for the half-year ended 31 December 2006 rose 7.6% to RM2.01 billion. Net profit for the period grew 4.4% to RM1.37 billion.
- Maybank Philippines formally inaugurated its newly relocated Caloocan City Branch.

GROUP CORPORATE HIGHLIGHTS



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D Maybank continued its title sponsorship of the Maybank Malaysian Golf Open for the second year. The event held at Saujana Golf & Country Club was a major success with over 50,000 spectators attending.

March 2007

- Maybank received approval-in-principle from Bank Negara Malaysia to undertake Islamic Banking business through a subsidiary to be established by Maybank.
- Maybank announced it had received approval for a proposed subordinated bonds issuance of up to RM1.5 billion with tenure of 10 years from issue date. The bonds will qualify as Tier 2 capital and will be utilised to fund Maybank's general banking and financing activities.

E Maybank Group announced the signing of a Memorandum of Understanding with PT Panin Life Tbk of Indonesia for both parties to commence discussion on a possible joint venture partnership via the acquisition of a 60% stake in PT Anugrah Life Insurance, a subsidiary of PT Panin Life Tbk. PT Panin Life Tbk also owns a 45% stake in Panin bank, which is one of the top 10 banks in Indonesia.

- Maybank officially launched its third branch in Indonesia, located in Kelapa Gading, Jakarta.

April 2007

- Maybank announced the successful pricing of the world's first Islamic US\$300 million Subordinated Bank Capital Sukuk, jointly lead managed by Aseambankers Malaysia Berhad, The Hongkong and Shanghai Banking Corporation Limited, Offshore Banking Unit, Labuan and UBS AG, Labuan Branch.

May 2007

- The Maybank Group announced a higher pre-tax profit of RM3.03 billion for the nine months ended 31 March 2007, an increase of 7.5% compared the previous corresponding period. Net profit for the quarter rose 18% to RM754.6 million from RM639.4 million in the previous corresponding quarter.
- Maybank was the Strategic Forum Partner of the 3rd World Islamic Economic Forum organised by Asian Strategy & Leadership Institute and hosted by the Government of Malaysia in Kuala Lumpur.

June 2007

- Maybank announced the completion of its landmark sale of non-performing loans (NPLs), the first ever in Malaysia by competitive open auction. The sale, consisting of two tranches of long outstanding corporate NPLs, was made to two Special Purpose Vehicles (SPVs), namely Gale Force Sdn Bhd, which is part of Standard Bank of South Africa Group and Popular Ambience Sdn Bhd, which is jointly owned by Standard Chartered Bank (Hong Kong) Limited and Standard Chartered Bank Malaysia Berhad.
- Maybank Philippines became the first foreign bank in the republic to be ISO 9001-2000 Certified. The certification process was conducted by SGS Philippines and covers the bank's Customer Complaint Management System.
- Maybank added another branch, Maybank@Bedok, in the Singapore heartlands, a strategic location in the East of the island republic.

other information

70 Analysis of Shareholdings

72 Classification of Shareholders

73 Changes in Share Capital

75 Maybank Group Global Network

76 Properties Owned by Maybank Group

78 Group Directory

Form of Proxy

Appendix 1

Analysis of Shareholdings

as at 10 August 2007

Authorised Share Capital : 10,000,000,000
 Paid-Up Share Capital : 3,891,070,521
 Class of Shares : Ordinary Share of RM1 each
 Voting Right : 1 vote per Ordinary Share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	501	1.44	10,421	0.00
100 to 1,000 shares	12,039	34.50	8,388,808	0.22
1,001 to 10,000 shares	16,781	48.09	65,688,771	1.69
10,001 to 100,000 shares	4,691	13.45	128,975,480	3.31
100,001 to less than 5% of issued shares	877	2.51	1,506,825,720	38.72
5% and above of issued shares	3	0.01	2,181,181,321	56.06
TOTAL	34,892	100.00	3,891,070,521	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputera)	1,593,624,775	40.96
2.	Employees Provident Fund Board	324,038,559	8.33
3.	Permodalan Nasional Berhad	263,517,987	6.77

TOP THIRTY SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputera)	1,593,624,775	40.96
2.	Employees Provident Fund Board	324,038,559	8.33
3.	Permodalan Nasional Berhad	263,517,987	6.77
4.	Kumpulan Wang Persaraan (Diperbadankan)	109,767,600	2.82
5.	Lembaga Kemajuan Tanah Persekutuan (Felda)	99,697,725	2.56
6.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Amanah Saham Malaysia)	54,865,700	1.41
7.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Amanah Saham Wawasan 2020)	48,637,900	1.25
8.	Cartaban Nominees (Asing) Sdn Bhd (SSBT Fund GB01 for Harbor International Fund)	48,100,000	1.24
9.	Valuecap Sdn Bhd	47,764,100	1.23
10.	Citigroup Nominees (Asing) Sdn Bhd (Exempt AN for Mellon Bank (Mellon))	45,567,487	1.17
11.	Cimsec Nominees (Tempatan) Sdn Bhd (Security Trustee (KCW Issue 2))	40,856,500	1.05

ANALYSIS OF SHAREHOLDINGS

as at 10 August 2007

No.	Name of Shareholders	No. of Shares Held	% of Shares
12.	Malaysia Nominees (Tempatan) Sdn Bhd (Great Eastern Life Assurance (Malaysia) Berhad (Par 1))	35,300,000	0.91
13.	Cimsec Nominees (Tempatan) Sdn Bhd (Security Trustee (KCW Issue 1))	33,543,290	0.86
14.	Citigroup Nominees (Asing) Sdn Bhd (Exempt AN for Mellon Bank (ABNAMRO Mellon))	23,950,400	0.62
15.	HSBC Nominees (Asing) Sdn Bhd (TNTC for Saudi Arabian Monetary Agency)	23,051,100	0.59
16.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for BNP Paribas Securities Services (Convert In USD))	22,908,609	0.59
17.	Cartaban Nominees (Asing) Sdn Bhd (Investors Bank and Trust Co. for Ishares, Inc.)	22,204,800	0.57
18.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.K))	20,508,600	0.53
19.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Sekim Amanah Saham Nasional)	20,000,000	0.51
20.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for Morgan Stanley & Co. International PLC)	18,924,600	0.49
21.	Cartaban Nominees (Asing) Sdn Bhd (Nomura Trust and Banking Co. Ltd Tokyo for Asia Attractive Dividend Stock Fund Mother Fund)	16,922,400	0.43
22.	HSBC Nominees (Asing) Sdn Bhd (BBH and Co. Boston for GMO Emerging Markets Fund)	15,937,000	0.41
23.	Citigroup Nominees (Tempatan) Sdn Bhd (Exempt AN for Prudential Assurance Malaysia Berhad)	15,350,000	0.39
24.	HSBC Nominees (Tempatan) Sdn Bhd (Nomura Asset Mgmt Malaysia for Employees Provident Fund)	14,926,700	0.38
25.	HSBC Nominees (Asing) Sdn Bhd (HSBC Bk Plc for Prudential Assurance Company Ltd)	13,415,700	0.34
26.	Citigroup Nominees (Asing) Sdn Bhd (Exempt AN for American International Assurance Company Limited)	13,214,044	0.34
27.	HSBC Nominees (Asing) Sdn Bhd (BBH and Co. Boston for Vanguard Emerging Markets Stock Index Fund)	12,770,900	0.33
28.	Cartaban Nominees (Asing) Sdn Bhd (Exempt AN for RBC Dexia Investor Services Trust (Clients Account))	12,086,944	0.31
29.	Mayban Nominees (Asing) Sdn Bhd (The Bank of New York ADR Prog. for Malayan Banking Berhad)	12,017,870	0.31
30.	Cartaban Nominees (Asing) Sdn Bhd (Government of Singapore Investment Corp. Pte Ltd for Government of Singapore (c))	11,869,415	0.31
TOTAL		3,035,340,705	78.01

Classification of Shareholders

as at 10 August 2007

Category	No. of Shareholders		No. of Shareholdings		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Individual						
a. Bumiputera	3,182		14,386,116		0.37	
b. Chinese	21,041		118,603,018		3.05	
c. Indian	1,027		4,305,190		0.11	
d. Others	166	1,733	682,734	24,887,307	0.02	0.64
Body Corporate						
a. Banks/Finance	75	1	758,782,096	7,000	19.50	
b. Investment/Trust	7		852,502		0.02	
c. Societies	11		366,275		0.01	
d. Industrial	532	64	49,817,903	9,087,158	1.28	0.23
Government Agencies/ Institution	12		108,941,668		2.80	
Nominees	2,912	4,129	1,994,206,198	806,145,356	51.25	20.72
TOTAL	28,965	5,927	3,050,943,700	840,126,821	78.41	21.59

Changes in Share Capital

AUTHORISED SHARE CAPITAL

The present authorised share capital of the Bank is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1-00 each. Details of changes in its authorised share capital since its incorporation are as follows :-

Date	Increase in Authorised Share Capital	Total Authorised Share Capital
31-05-1960	20,000,000	20,000,000
06-09-1962	30,000,000	50,000,000
09-04-1977	150,000,000	200,000,000
17-01-1981	300,000,000	500,000,000
06-10-1990	500,000,000	1,000,000,000
09-10-1993	1,000,000,000	2,000,000,000
19-06-1998	2,000,000,000	4,000,000,000
11-08-2004	6,000,000,000	10,000,000,000

ISSUED AND PAID-UP SHARE CAPITAL

Details of changes in the Bank's issued and paid-up share capital since its incorporation are as follows:-

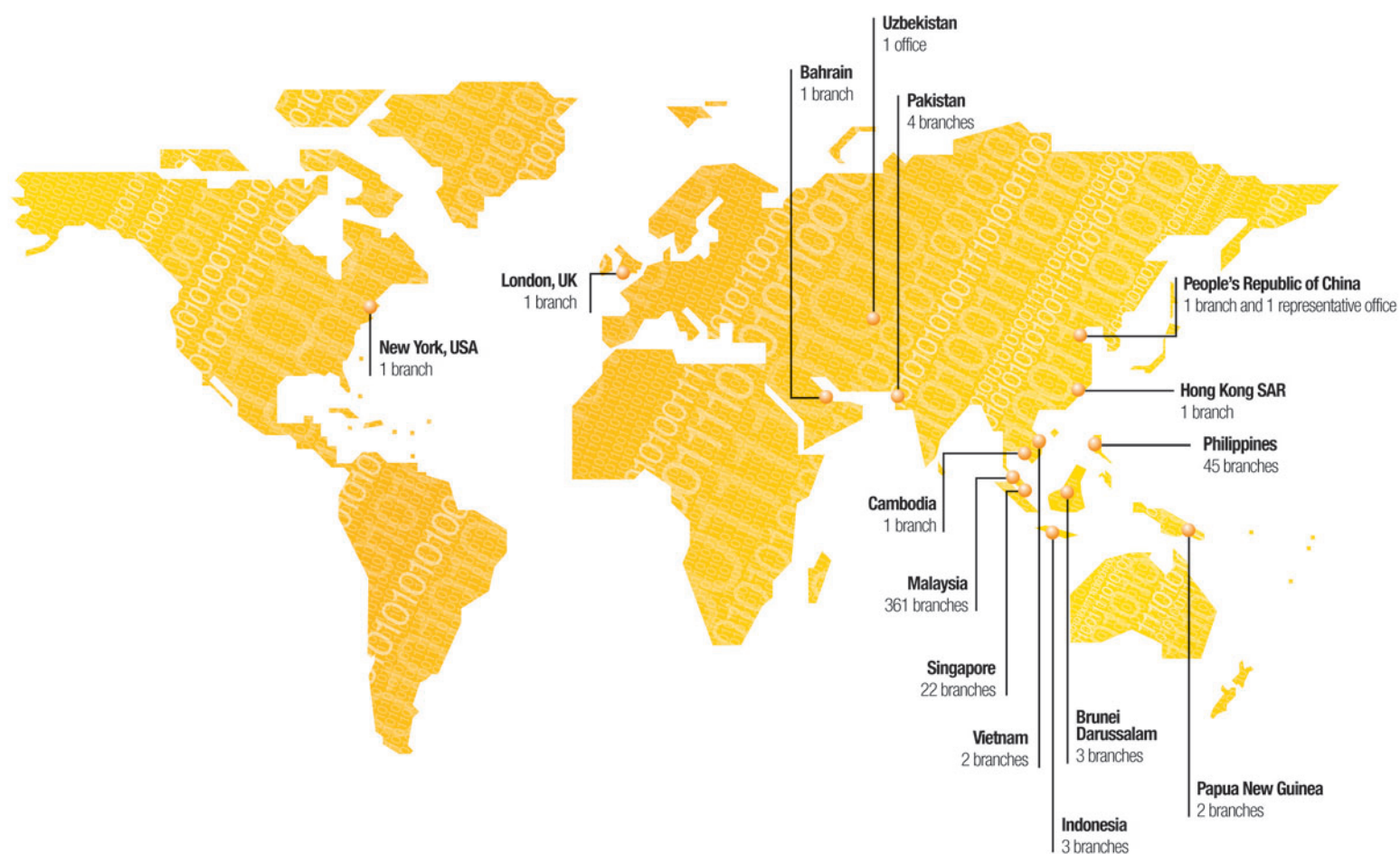
Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Resultant Total Issued and Paid-Up Capital RM'000
31-05-1960	1,500,000	5.00	Cash	7,500,000
18-05-1961	500,000	5.00	Cash	10,000,000
31-05-1962	1,000,000	5.00	Rights Issue (1:2) at RM7.00 per share	15,000,000
21-08-1968	1,500,000	5.00	Rights Issue (1:2) at RM7.00 per share	22,500,000
04-01-1971	22,500,000	1.00*	Rights Issue (1:1) at RM1.50 per share	45,000,000
06-05-1977	15,000,000	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:3)	60,000,000
23-06-1977	30,000,000	1.00	Rights Issue (1:2) at RM3.00 per share	90,000,000
21-02-1981	30,000,000	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:3)	120,000,000
10-04-1981	60,000,000	1.00	Rights Issue (1:2) at RM4.00 per share	180,000,000
14-11-1984	45,000,000	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:4)	225,000,000
28-12-1984	45,000,000	1.00	Rights Issue (1:4) at RM6.00 per share	270,000,000
31-11-1985	68,249	1.00	Conversion of Unsecured Notes	270,068,249
15-11-1986	9,199,999	1.00	Issued in exchange for purchase of Kota Discount Berhad (Now known as Mayban Discount Berhad)	279,268,248
01-12-1986	10,550	1.00	Conversion of Unsecured Notes	279,278,798
29-07-1987 to 20-10-1987	90,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	279,368,798
30-11-1987	11,916	1.00	Conversion of Unsecured Notes	279,380,714
08-06-1988	27,938,071	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:10)	307,318,785
30-11-1988	10,725	1.00	Conversion of Unsecured Notes	307,329,510
16-03-1989 to 21-06-1989	9,198,206	1.00	Exchange for Kwong Yik Bank Berhad ("KYBB") shares	316,527,716
11-07-1989 to 23-11-1989	7,555,900	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	324,083,616
30-11-1989	46,174,316	1.00	Conversion of Unsecured Notes	370,257,932
01-12-1989 to 24-10-1990	4,508,900	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	374,766,832
16-11-1990	187,383,416	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:2)	562,150,248
27-11-1990	11,550	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	562,161,798

CHANGES IN SHARE CAPITAL

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Resultant Total Issued and Paid-Up Capital RM'000
30-11-1990	280,497	1.00	Conversion of Unsecured Notes	562,442,295
03-01-1991	3,300	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	562,445,595
03-01-1991	188,991,002	1.00	Rights Issue (1:2) at RM5.00 per share	751,436,597
04-01-1991	4,950	1.00	Rights Issue (1:2) upon ESOS at RM5.00 per share	751,441,547
25-01-1991 to 28-11-1991	726,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	752,167,547
30-11-1991	35,197	1.00	Conversion of Unsecured Notes	752,202,744
11-12-1991 to 20-05-1992	5,566,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	757,768,744
30-11-1992 to 30-11-1993	3,153,442	1.00	Conversion of Unsecured Notes	760,922,186
18-01-1994	380,461,093	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:2)	1,141,383,279
29-12-1994	2,030,428	1.00	Conversion of Unsecured Notes	1,143,413,707
19-06-1998	1,143,413,707	1.00	Capitalisation of Share Premium and Retained Profit Account (Bonus Issue 1:1)	2,286,827,414
21-09-1998 to 09-10-2001	72,909,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	2,359,736,414
23-10-2001	1,179,868,307	1.00	Capitalisation of Retained Profit Account (Bonus Issue 1:2)	3,539,604,721
25-10-2001 to 05-08-2003	60,567,200	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	3,600,171,921
29-09-2004 to 10-08-2007	290,898,600	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	3,891,070,521

* The par value of the Bank's shares was changed from RM5.00 to RM1.00 on 25 November 1968

Maybank Group Global Network



Properties Owned by Maybank Group

Area	No. of Properties		Land Area (sq m.)	Book Value as at 30.6.2007 (RM)
	Freehold	Leasehold		
Maybank				
Kuala Lumpur	19	17	52,255.18	238,410,721.84
Johor Darul Takzim	35	11	21,823.10	62,398,519.89
Kedah Darul Aman	12	8	6,911.83	12,074,530.16
Kelantan Darul Naim	1	7	2,585.00	3,164,399.30
Melaka	1	6	3,531.00	6,401,010.43
Negeri Sembilan Darul Khusus	12	5	23,655.20	9,011,397.90
Pahang Darul Makmur	11	16	20,926.80	18,254,602.74
Perak Darul Ridzuan	20	8	11,478.35	16,508,834.59
Perlis Indera Kayangan	1	3	1,475.00	1,881,423.99
Pulau Pinang	26	4	14,781.26	28,735,891.67
Sabah	-	24	15,707.84	28,565,082.47
Sarawak	9	15	7,812.97	22,165,548.71
Selangor Darul Ehsan	28	16	104,561.30	117,976,132.04
Terengganu Darul Iman	8	2	4,955.00	5,315,950.01
Hong Kong	-	2	193.00	HKD 1,433,823.14
London	-	6	1,215.00	GBP547,787.82
Singapore	12	11	26,549.00	\$109,286,395.05
Maybank International (L) Ltd				
W.P. Labuan	-	5	1,089.81	USD308,385.81
Mayban Life Assurance Berhad				
Kuala Lumpur	-	1	4,506.00	98,346,313.33
Negeri Sembilan Darul Khusus	1	-	148.64	150,000.00
Mayban General Assurance Berhad				
Kuala Lumpur	-	1	2,706.00	48,516,977.00
Sabah	-	1	186.00	797,746.00
Pulau Pinang	1	-	171.00	570,000.00
Singapore	-	1	638.00	1,058,616.00
Johor Darul Takzim	1	-	125.41	530,000.00
Kedah Darul Aman	1	-	153.90	330,000.00
Mayban PB Holdings				
Kuala Lumpur	-	2	747.59	2,837,764.04
Johor Darul Takzim	2	1	1,330.00	2,473,557.28
Pahang Darul Makmur	1	2	595.42	1,160,683.58
Perak Darul Ridzuan	1	1	857.74	2,654,329.29
Pulau Pinang	1	-	445.93	894,970.39
Sabah	-	3	634.81	1,852,182.00
Sarawak	-	1	314.00	1,027,803.45
Selangor Darul Ehsan	2	2	1,594.77	3,702,171.34

PROPERTIES OWNED BY MAYBANK GROUP

Area	No. of Properties		Land Area (sq m.)	Book Value as at 30.6.2007 (RM)
	Freehold	Leasehold		
Aseambankers Malaysia Berhad				
Negeri Sembilan Darul Khusus	1	2	591.97	508,784.11
Pahang Darul Makmur	1	1	229.11	362,690.45
Pulau Pinang	1	-	84.04	161,820.00
Perak Darul Ridzuan	-	1	260.00	254,860.86
MNI				
Kuala Lumpur	1	2	23,989.53	371,000,000.00
Johor Darul Takzim	2	-	464.52	1,159,090.00
Kedah Darul Aman	1	1	514.33	1,447,612.00
Kelantan Darul Naim	0	1	298.00	266,981.00
Melaka	0	1	452.00	1,250,000.00
Negeri Sembilan Darul Khusus	2	1	486.41	2,026,853.00
Pahang Darul Makmur	1	1	933.61	1,424,989.00
Perak Darul Ridzuan	1	0	483.09	690,484.00
Perlis Indera Kayangan	1	0	286.14	492,588.00
Pulau Pinang	1	1	621.59	3,450,000.00
Sabah	-	2	5,170.05	1,589,009.00
Sarawak	0	1	222.96	1,030,936.00
Selangor Darul Ehsan	2	1	136,152.57	19,755,686.00
Terengganu Darul Iman	1	0	111.48	353,072.00
Double Care Sdn Bhd				
Kuala Lumpur	1	-	4,373.50	37,000,000.00
Pahang Darul Makmur	-	1	17,401.49	404,933.00

Group Directory

as at 30 June 2007

COMMERCIAL BANKING

Maybank

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

P.T. Bank Maybank Indocorp

17th Floor, Sona Topas
Jalan Jenderal Sudirman KAV 26
12920 Jakarta, Indonesia

Maybank Philippines Incorporated

Legaspi Towers 300
P. Ocampo Sr. St. Corner
Roxas Boulevard
Manila, Philippines

Maybank (PNG) Ltd

Corner Waigani Road/Islander Drive
P.O. Box 882 Waigani
National Capital District
Papua New Guinea

Maybank International (L) Ltd

Level 16 (B), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Wilayah Persekutuan Labuan

INVESTMENT BANKING

Aseambankers Malaysia Berhad

33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

ASSET MANAGEMENT

Mayban Ventures Sdn Bhd

41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Mayban Venture Capital Company Sdn Bhd

41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Mayban Agro Fund Sdn Bhd

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Mayban-JAIC Capital Management Sdn Bhd

41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Mayban Investment Management Sdn Bhd

Level 13, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

TRUSTEE & NOMINEE SERVICES

Mayban Trustees Berhad

34th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Mayban Nominees (Tempatan) Sdn Bhd

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Mayban Nominees (Asing) Sdn Bhd

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

INSURANCE

Mayban Fortis Holdings Berhad

Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

Mayban General Assurance Berhad

Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

Mayban Life Assurance Bhd

Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

Mayban Life International (Labuan) Ltd

Level 11B, Block 4 Office Tower
Financial Park Complex
Jalan Merdeka
87000 Wilayah Persekutuan Labuan

Mayban Takaful Bhd

Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

Malaysia National Insurance Berhad

Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

Takaful Nasional Sdn Berhad

Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur



MALAYAN BANKING BERHAD
(Company No.3813-K)
(Incorporated in Malaysia)

Form of Proxy

For the 47TH ANNUAL GENERAL MEETING

Number of shares held	CDS Account No													
				—				—						

Please refer to the notes below before completing this Form of Proxy.

I/We _____ NRIC / Co. No. _____
(full name in block letters)

of _____ Telephone No. _____
(full address)

a shareholder/shareholders of MALAYAN BANKING BERHAD, hereby appoint

_____ (full name in block letters)

of _____ (full address)

or failing him/her _____ (full name in block letters)

of _____ (full address)

or failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the 47th Annual General Meeting of Malayan Banking Berhad to be held at Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Saturday, 29 September 2007 at 11.30 a.m. and at any adjournment thereof for the following resolutions as set out in the Notice of Annual General Meeting:-

No.	Resolution	For	Against
1	Ordinary resolutions : Receipt of Audited Financial Statements and Reports		
2	Declaration of Final Dividend		
3	Re-election of Directors in accordance with Articles 96 and 97:		
	i. Tan Sri Mohamed Basir bin Ahmad		
4	ii. Datuk Abdul Rahman bin Mohd Ramli		
5	iii. Datuk Zainun Aishah binti Ahmad		
6	Re-appointment of Directors pursuant to Section 129(6) of Companies Act, 1965:		
	i. Haji Mohd Hashir bin Haji Abdullah		
7	ii. Teh Soon Poh		
8	Payment of Directors' fees amounting to RM1,234,410.94 for the financial year ended 30 June 2007		
9	Re-appointment of Messrs. Ernst & Young as Auditors		
10	Authorisation for Directors to issue shares pursuant to Section 132D of Companies Act, 1965		
	Special resolution : Proposed Amendments to the Articles of Association of the Company		

My/Our proxy is to vote on the resolutions as indicated by an "X" in the appropriate space above. If no indication is given, my/our proxy shall vote or abstain as he/she thinks fit.

Dated this _____ day of _____ 2007

Signature(s)/Common Seal of shareholder(s)

Notes:

- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy must be a member of the Company, an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its Directors.
- The Form of Proxy must be deposited at the Company's registered office at 14th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur not less than forty-eight (48) hours before the time set for the meeting and any adjournment thereof.
- For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.
- Only members registered in the Record of Depositors on or before 12.30 p.m., on 26 September 2007 shall be eligible to attend the Annual General Meeting.

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STAMP

CORPORATE SERVICES
MAYBANK

14th Floor, Menara Maybank,
100, Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

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Appendix 1

PROPOSED AMENDMENTS TO MALAYAN BANKING BERHAD'S ("MAYBANK/THE COMPANY") ARTICLES OF ASSOCIATION ("ARTICLES")

Rationale: The proposed amendments ("Proposed Amendments") to Maybank's Articles of Association are to be in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("BMLR") and the Companies Act, 1965, which have been recently amended as well as to enhance the administration of the Company's internal processes, particularly those relevant to directors and meetings.

The details of the Proposed Amendments to the Articles are as follows:-

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
Article 2	<p>"Approved Market Place" means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No.2) Order 1998.</p> <p>"Central Depository" means The Malaysian Central Depository Sdn Bhd.</p> <p>"Depositor" means a holder of securities account.</p>	<p>To delete in entirety.</p> <p>"Central Depository" means Bursa Malaysia Depository Sdn Bhd (165570-W).</p> <p>"Depositor" means a holder of securities account established by the Central Depository.</p>	<p>Pursuant to the deletion of the definition of "Approved Market Place" in BMLR Paragraph 1.01.</p> <p>Pursuant to the amended definition in BMLR Paragraph 1.01.</p> <p>Pursuant to the amended definition in BMLR Paragraph 1.01.</p>
Article 6(4)	<p><u>Allotment of shares</u></p> <p>The total value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time. Preference shareholders shall have the same rights as ordinary shareholders as regard receiving notices, reports and audited accounts and attending general meetings of the Company. The holder of a preference share must be entitled to a right to vote in each of the following circumstances:-</p> <p>(a) where the dividend or part of the dividend on the share is in arrears for more than 6 months;</p> <p>(b) on a proposal to reduce the Company's share capital;</p> <p>(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;</p> <p>(d) on a proposal that affects the rights attached to the share;</p> <p>(e) on a proposal to wind up the Company; and</p> <p>(f) during the winding up of the Company.</p> <p>The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.</p>	<p><u>Allotment of shares</u></p> <p>The total value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time. Preference shareholders shall have the same rights as ordinary shareholders as regard receiving notices, reports and audited accounts and attending general meetings of the Company. The holder of a preference share must be entitled to a right to vote in each of the following circumstances:-</p> <p>(a) where the dividend or part of the dividend on the share is in arrears for more than 6 months;</p> <p>(b) on a proposal to reduce the Company's share capital;</p> <p>(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;</p> <p>(d) on a proposal that affects the rights attached to the share;</p> <p>(e) on a proposal to wind up the Company; and</p> <p>(f) during the winding up of the Company.</p> <p>The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.</p>	<p>Pursuant to the deletion of BMLR Paragraph 7.05.</p> <p>Pursuant to the deletion of BMLR Paragraph 7.08(2).</p>

APPENDIX 1

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
-	New provision Article 34A	<u>“Transmission of securities from Foreign Register. Where the securities of the Company are listed on another stock exchange and the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.”</u>	To add new Article 34A pursuant to amendments made to BMLR Paragraph 7.14.
Article 52	<p><u>Annual General Meeting</u></p> <p>(1) The Company shall, in each year, hold a General Meeting as its Annual General Meeting, in addition to any other meetings in that year. Not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next.</p> <p>(2) All General Meetings other than Annual General Meeting shall be called Extraordinary General Meetings.</p>	<p><u>Annual General Meeting</u></p> <p>(1) The Company shall, in each year, hold a General Meeting as its Annual General Meeting, in addition to any other meetings in that year. Not more than fifteen months <u>unless approved by the Registrar of Companies or other relevant regulatory bodies and authorities shall be allowed to elapse</u> between the date of one Annual General Meeting and that of the next.</p> <p>(2) All General Meetings other than Annual General Meeting shall be called Extraordinary General Meetings.</p>	This is in line with Section 143(2) of Companies Act, 1965 which provides that companies may apply to the Registrar of Companies for an extension of time to hold the AGM more than 15 months period from their last AGM.
Article 55(1)	<p><u>Notice of meeting</u></p> <p>A meeting called for the passing of a special resolution or an Annual General Meeting shall be called by twenty-one days' notice in writing at least. Any other Meeting of the Company shall be called by fourteen (14) days' notice in writing at the least. Notice of at least fourteen (14) days or twenty one (21) days in the case where any special resolution is proposed or where it is an Annual General Meeting for every such meeting shall be given by advertisement in the daily press chosen by the Company and in writing to each stock exchange upon which the Company is listed. Provided that in respect of a Deposited Security, the Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall also request the Central Depository in accordance with the Rules to issue a Record of Depositors, as at a date not less than three (3) market days before the General Meeting (hereinafter referred to as “the General Meeting Record of Depositors”).</p>	<p><u>Notice of meeting</u></p> <p>A meeting called for the passing of a special resolution or an Annual General Meeting shall be called by twenty-one days' notice in writing at least. Any other Meeting of the Company shall be called by fourteen (14) days' notice in writing at the least. Notice of at least fourteen (14) days or twenty one (21) days in the case where any special resolution is proposed or where it is an Annual General Meeting for every such meeting shall be given by advertisement <u>in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper</u> and in writing to each stock exchange upon which the Company is listed. Provided that in respect of a Deposited Security, the Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall also request the Central Depository in accordance with the Rules to issue a Record of Depositors, as <u>at the latest date which is reasonably practicable which shall in any event be</u> not less than three (3) market days before the General Meeting (hereinafter referred to as “the General Meeting Record of Depositors”).</p>	Pursuant to amendments made to BMLR Paragraph 7.17 and 7.18(2).

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
Article 58	<p><u>Quorum at General Meeting</u></p> <p>No business shall be transacted at any General Meeting unless a quorum is present when the Meeting proceeds to business. Save as herein otherwise provided, two (2) Members personally present shall be a quorum. Provided that in respect of a Deposited security, the Company shall inform the Central Depository of the dates of general meetings and shall in written request made in the prescribed form, request the Central Depository at least three (3) market days prior to and not including the date of the general meeting, to prepare the second Record of Depositors. The General Meeting Record of Depositors shall be the final record of all Depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and vote at such meetings. Subject to the Securities Industry (Central Depository) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.</p>	<p><u>Quorum at General Meeting</u></p> <p>(1) No business shall be transacted at any General Meeting unless a quorum is present when the Meeting proceeds to business. Save as herein otherwise provided, two (2) Members personally present shall be a quorum. Provided that in respect of a Deposited Security, the Company shall inform the Central Depository of the dates of general meetings and shall in written request made in the prescribed form, request the Central Depository at least three (3) market days prior to and not including the date of the general meeting, to prepare the second Record of Depositors. The General Meeting Record of Depositors shall be the final record of all Depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and vote at such meetings. Subject to the Securities Industry (Central Depository) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.</p> <p><u>“(2) A member may participate in a meeting of members by conference telephone, electronic or such other communication facilities which would permit all members participating in the meeting to communicate with each other simultaneously and instantaneously.</u></p> <p><u>(3) Participation by a member in a meeting by conference telephone, electronic or such other communication facilities shall be treated as presence in person by that person at the said meeting and shall be counted towards the quorum notwithstanding the fact that he/she is not physically present at the venue where the meeting is to be held.</u></p> <p><u>(4) For the avoidance of doubt, such a meeting shall be deemed to be held at the place where the Chairman of the meeting is at the start of the meeting.</u></p> <p><u>(5) Such a meeting shall not be deemed to have proceeded for such period or periods where the conference telephone, electronic or such other communication facilities have been disconnected.</u></p> <p><u>The Chairman of such meeting shall have the discretion to postpone the meeting which had been disconnected and which cannot be reconnected within a reasonable time, to another date and time to be agreed by the members of the meeting.”</u></p>	<p>Renumbering as Article 58(1)</p> <p>To be in line with amended Section 145A of the Companies Act, 1965, such that holding the AGM at more than one venue using technology would allow all members a reasonable opportunity to participate.</p>

APPENDIX 1

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
Article 61	<p><u>Meeting may be adjourned</u></p> <p>The Chairman of the Meeting may, with the consent of any Meeting at which a quorum is present, and shall, if so directed by the Meeting, adjourn the Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place. When a Meeting is adjourned for thirty days or more, notice of the adjourned Meeting shall be given as in the case of an original Meeting. Save as aforesaid it shall not be necessary to give notice of an adjournment or of the business to be transacted at an adjourned Meeting.</p>	<p><u>Meeting may be adjourned</u></p> <p>The Chairman of the Meeting may, with the consent of any Meeting at which a quorum is present, and shall, if so directed by the Meeting, adjourn the Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place unless notice of the fresh business to be transacted shall have been given in accordance with these Articles. When a Meeting is adjourned for thirty days or more, notice of the adjourned Meeting shall be given as in the case of an original Meeting or if fresh business is to be transacted at any adjourned meeting, notice of the adjourned meeting must comply with the requirements of these Articles and/or the Act. Save as aforesaid it shall not be necessary to give notice of an adjournment or of the business to be transacted at an adjourned Meeting.</p>	<p>The amended Article enables the Company to consider fresh resolutions at an adjourned meeting in addition to the unfinished business of the original meeting provided notice of such fresh resolutions has been given in accordance with the Articles.</p>
Article 66	<p><u>How Members may vote</u></p> <p>Subject to any special rights or restrictions for the time being attached to any special class of shares in the capital of the Company, on a show of hands every Member personally present shall have one vote only, and in the case of a poll every Member shall have one vote for every share held by him.</p>	<p><u>How Members may vote</u></p> <p>Subject to any special rights or restrictions for the time being attached to any special class of shares in the capital of the Company, on a show of hands every Member or a holder of preference shares personally present shall have one vote only, and in the case of a poll every Member shall have one vote for every share held by him.</p>	<p>Pursuant to amendments made to BMLR Paragraph 7.19A.</p>
Article 72A	<p><u>Instrument of appointment</u></p> <p>Where a Member of the Company is an authorized nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.</p>	<p><u>Instrument of appointment</u></p> <p>Where a Member of the Company is an authorized nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one proxy but not more than two proxies each in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.</p>	<p>To be in line with Section 149 of the Companies Act, 1965.</p>
Article 77(2)	<p>All Directors of the Company shall be natural persons.</p>	<p>To delete in entirety.</p>	<p>Pursuant to the deletion of BMLR Paragraph 7.23.</p>
Article 95	<p><u>Vacation of office</u></p> <p>The office of a director shall become vacant:</p> <ul style="list-style-type: none"> (a) If he becomes of unsound mind; (b) If he is absent from more than 50% of the total Board of Directors' meetings held during the financial year without reasonable cause subject to the approval of the Kuala Lumpur Stock Exchange; (c) If he absents himself from the meetings of the Directors for a continuous period of three months without having obtained special leave of absence from the Board of Directors and they have passed a resolution that he has by reason of such absence vacated his office; (d) If the Board shall receive from him written notice of his resignation; (e) If he become prohibited from being a Director by reason of any order made under the provisions of the Act; (f) If he is removed by a resolution of the Company in general meeting in accordance with S128 of the Act; (g) If he is disqualified by any of the provisions within S56 of BAFIA. 	<p><u>Vacation of office</u></p> <p>The office of a director shall become vacant:</p> <ul style="list-style-type: none"> (a) If he becomes of unsound mind or bankrupt during his term of office; (b) If he is absent from more than 50% of the total Board of Directors' meetings held during the financial year without reasonable cause subject to the approval of the Kuala Lumpur Stock Exchange; (b) If he absents himself from the meetings of the Directors for a continuous period of three months without having obtained special leave of absence from the Board of Directors and they have passed a resolution that he has by reason of such absence vacated his office; (c) If the Board shall receive from him written notice of his resignation; (d) If he becomes prohibited from being a Director by reason of any order made under the provisions of the Act; (e) If he is removed by a resolution of the Company in general meeting in accordance with Section 128 of the Act; (f) If he is disqualified by any of the provisions within Section 56 of Banking and Financial Institutions Act, 1989 (BAFIA). 	<p>Pursuant to amendments made to BMLR Paragraph 7.29.</p>

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
Article 110	<p><u>Resolution in Writing valid and effectual under certain circumstances</u></p> <p>A Resolution in Writing shall be as valid and effective as if it had been passed on the date on which it was signed by the last director, provided that the following 2 conditions are satisfied:-</p> <p>(i) the resolution shall be signed by all directors for the time being present in Malaysia and entitled to receive notice of meeting of the directors; and</p> <p>(ii) the number of Directors present in Malaysia and entitled to receive notice of a meeting of Directors shall not be less than 50% of the total number of the Directors.</p>	<p><u>Resolution in Writing valid and effectual under certain circumstances</u></p> <p>(1) A Resolution in Writing shall be as valid and effective as if it had been passed on the date on which it was signed by the last director, provided that the following 2 conditions are satisfied:-</p> <p>(i) the resolution shall be signed by all directors for the time being present in Malaysia and entitled to receive notice of meeting of the directors; and</p> <p>(ii) the number of Directors present in Malaysia and entitled to receive notice of a meeting of Directors shall not be less than 50% of the total number of the Directors.</p> <p><u>(2) A Resolution in Writing signed or approved by letter or telefax or other electronic means shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted provided the above conditions are satisfied. Any such resolution may consist of several documents in like form, each signed by one (1) or more Directors, all of which taken together and when delivered to the Secretary shall constitute one and the same resolution.</u></p>	<p>Renumbering as Article 110(1)</p> <p>To improve the administration of the Company's internal affairs, particularly to provide for a more effective and efficient mode of communication, taking advantage of current telecommunication technology.</p>
Article 126(1)	<p><u>Members to have copies of accounts</u></p> <p>A printed copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in General Meeting, together with a copy of the Auditor's report, shall before the date of the meeting be delivered or sent by post to every Member of and every holder of debentures of, the Company: Provided that this Article shall not require a copy of those documents to be sent to any Member of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.</p>	<p><u>Members to have copies of accounts</u></p> <p>A printed copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in General Meeting, together with a copy of the Auditor's report <u>in printed form or in CD-ROM form or in such form of electronic media or any combination thereof</u>, shall <u>not less than 21 days</u> before the date of the meeting be delivered or sent by post to every Member of and every holder of debentures of, the Company: Provided that this Article shall not require a copy of those documents to be sent to any Member of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.</p>	<p>To be in line with amendments made to BMLR Paragraph 9.23A.</p>
Article 128	<p><u>How notices to be served on Members</u></p> <p>A notice may be given to any Member either personally or by sending it by post to him to his registered address or (if he has no registered address within Malaysia) to the address if any in Malaysia supplied by him to the Company as appearing in the Register of Members and the Record of Depositors for the giving of notice to him.</p>	<p><u>How notices to be served on Members</u></p> <p>A notice may be given to any Member either personally or by sending it by post to him to his registered address or (if he has no registered address within Malaysia) to the address if any in Malaysia supplied by him to the Company as appearing in the Register of Members and the Record of Depositors for the giving of notice to him. <u>The Company may in addition to or where appropriate, instead of serving a notice by post, send a copy of such notice using electronic communications to the address provided by the Member as the address to which the electronic communications may be sent. Service of notice sent using electronic communication shall be deemed to be effected by properly addressing and transmitting the notice.</u></p>	<p>To improve the administration of the Company's internal affairs, particularly to provide for a more effective and efficient mode of communication, taking advantage of current telecommunication technology.</p>
-	All references to Kuala Lumpur Stock Exchange in the Articles.	All references to Kuala Lumpur Stock Exchange be amended to <u>Bursa Malaysia Securities Berhad</u> .	To be in line with new name of Bursa Malaysia Securities Berhad.

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annual report

07



Maybank

Financial Statements

Contents

Statement of Directors' Responsibility **1** Directors' Report **2** Statement by Directors **3**

Statutory Declaration **4** Report of the Auditors **4** Balance Sheets **4** Income Statements **5**

Consolidated Statement of Changes in Equity **5** Statement of Changes in Equity **6**

Cash Flow Statements **7** Notes to the Financial Statements **8**

Statement of Directors' Responsibility

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The directors are required by the Companies Act, 1965 and the Bursa Malaysia's listing requirements to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Bank at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the directors have:

- considered the applicable approved accounting standards in Malaysia
- adopted and consistently applied appropriate accounting policies
- made judgements and estimates that are prudent and reasonable

The directors have the responsibility for ensuring that the Group and the Bank keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Bank which will enable them to ensure that the financial statements comply with the Companies Act, 1965 and the Bursa Malaysia's Listing Requirements.

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

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2007.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the business of banking and finance in all its aspects which also include Islamic Banking Scheme operations.

The subsidiaries are principally engaged in the businesses of investment banking including stock broking and discount house, general and life insurance, general and family takaful, leasing and factoring, trustee and nominee services, asset management and venture capital.

There were no significant changes in these activities during the financial year.

RESULTS

	Group RM'000	Bank RM'000
Profit before tax and zakat	4,363,698	4,151,847
Tax expense and zakat	(1,110,827)	(1,100,386)
Profit for the year	3,252,871	3,051,461
Attributable to:		
Equity holders of the Bank	3,178,372	3,051,461
Minority interests	74,499	—
	3,252,871	3,051,461

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity, Note 8(iii) (accumulated impairment losses for securities held-to-maturity), Note 9(vii) (allowance for bad and doubtful debts for loans, advances and financing) and Note 20 (provision for outstanding claims, profit equalisation reserves and other provisions) to the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than changes in accounting policies as disclosed in Note 3(ii) to the financial statements.

DIVIDENDS

The amount of dividends paid by the Bank since 30 June 2006 were as follows:

	RM'000
In respect of the financial year ended 30 June 2006 as reported in the directors' report of that year:	
Final dividend of 35% less 28% taxation on 3,828,027,421 ordinary shares approved during the Annual General Meeting on 30 September 2006 and paid on 15 November 2006 (including net dividend amounting to RM7,832,185 paid on shares issued on the exercise of options under ESOS)	964,663
In respect of the financial year ended 30 June 2007:	
Interim dividend of 40% less 27% taxation, on 3,884,477,521 ordinary shares, declared on 21 February 2007 and paid on 26 April 2007	1,134,267

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2007 of 40% less 27% taxation on 3,889,224,521 ordinary shares, amounting to a net dividend payable of RM1,135,653,560 (29.20 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2008.

MAYBANK GROUP EMPLOYEE SHARE OPTION SCHEME (ESOS)

The Maybank Group Employee Share Option Scheme (ESOS) is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 11 August 2004. The ESOS was implemented on 26 August 2004 and is in force for a period of 5 years from the date of implementation.

MAYBANK GROUP EMPLOYEE SHARE OPTION SCHEME (ESOS) (CONT'D.)

The terms of the ESOS include provision for the participation of non-executive directors. The maximum number of ordinary shares of RM1 each in the Bank available under the ESOS should not exceed 15% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESOS are disclosed in Note 25 to the financial statements.

The Bank has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 75,000 ordinary shares of RM1 each during the financial year. The option holders with the number of options granted in respect of the ESOS of 75,000 shares of RM1 each or above during the financial year include certain directors of the Bank whose names and the number of options granted are disclosed in the section on Directors' Interests in this report.

ISSUE OF SHARE CAPITAL

During the financial year, the Bank increased its issued and fully paid-up ordinary share capital from RM3,796,947,321 to RM3,889,224,521 via issuance of 92,277,200 new ordinary shares of RM1 each for cash, to eligible persons who exercised their options under the ESOS which commenced on 26 August 2004.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing shares of the Bank.

DIRECTORS

The directors who served since the date of the last report are:

Tan Sri Mohamed Basir bin Ahmad (Chairman)
 Dato' Richard Ho Ung Hun
 Datuk Amirsham A Aziz
 Dato' Mohammed Hussein
 Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali
 Mohammad bin Abdullah
 Haji Mohd Hashir bin Haji Abdullah
 Teh Soon Poh
 Datuk Abdul Rahman bin Mohd Ramli
 Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
 Datuk Zainun Aishah binti Ahmad

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank or its subsidiary was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate, other than as may arise from the share options granted pursuant to the ESOS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 33 to the financial statements) by reason of a contract made by the Bank 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' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and share options of the Bank during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1.7.2006	Exercise of ESOS	Sold	30.6.2007
Tan Sri Mohamed Basir bin Ahmad	28,000	185,000	185,000	28,000
Dato' Richard Ho Ung Hun	10,500	345,000	355,500	—
Datuk Amirsham A Aziz	481,000	100,000	—	581,000
Dato' Mohammed Hussein	273,400	230,000	100,000	403,400
Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali	255,000	219,500	125,000	349,500
Mohammad bin Abdullah	143,000	159,500	253,000	49,500
Haji Mohd Hashir bin Haji Abdullah	77,700	143,500	108,700	112,500
Teh Soon Poh	55,247	110,000	115,047	50,200
Datuk Abdul Rahman bin Mohd Ramli	13,200	138,200	115,200	36,200
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	10,000	—	—	10,000

DIRECTORS' INTERESTS (CONT'D.)

	Number of Options Over Ordinary Shares of RM1 Each				
	Exercise Price	1.7.2006	Granted Under	Exercised	30.6.2007
	RM		ESOS		
Tan Sri Mohamed Basir bin Ahmad	9.23	140,000	—	140,000	—
	9.92	75,000	—	45,000	30,000
	10.19	—	75,000	—	75,000
Dato' Richard Ho Ung Hun	9.23	304,500	—	304,500	—
	9.92	67,500	—	40,500	27,000
	10.19	—	67,500	—	67,500
Datuk Amirsham A Aziz	9.23	430,000	—	100,000	330,000
	9.87	120,000	—	—	120,000
	9.92	120,000	—	—	120,000
	10.19	—	120,000	—	120,000
Dato' Mohammed Hussein	9.23	230,000	—	230,000	—
	9.87	80,000	—	—	80,000
	9.92	80,000	—	—	80,000
	10.19	—	80,000	—	80,000
Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali	9.23	170,000	—	170,000	—
	9.92	62,500	—	37,500	25,000
	10.19	—	62,500	12,000	50,500
Mohammad bin Abdullah	9.23	122,000	—	122,000	—
	9.92	62,500	—	37,500	25,000
	10.19	—	62,500	—	62,500
Haji Mohd Hashir bin Haji Abdullah	9.23	106,000	—	106,000	—
	9.92	43,800	—	18,800	25,000
	10.19	—	62,500	18,700	43,800
Teh Soon Poh	9.23	115,000	—	110,000	5,000
	9.92	62,500	—	—	62,500
	10.19	—	62,500	—	62,500
Datuk Abdul Rahman bin Mohd Ramli	9.23	82,000	—	82,000	—
	9.92	62,500	—	37,500	25,000
	10.19	—	62,500	18,700	43,800

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Rating Classification	Rating Received
Moody's Investors Service	8 May 2007	— Long-term deposits	A3
		— Short-term deposits	P1
		— Subordinated long-term debts	Baa 1
		— Financial strength rating	C
		— Outlook	Stable
Standard & Poor's	24 May 2006	— Long-term counterparty	A-
		— Short-term counterparty	A-2
		— Subordinated notes	BBB+
		— Bank fundamental strength	B
		— Outlook	Stable
Rating Agency Malaysia Berhad	29 March 2007	— Long-term	AAA
		— Short-term	P1
		— Subordinated bonds	AA1
		— Outlook	Stable
Fitch Ratings	11 April 2007	— Long Term Foreign Currency Issuer Default	A-
		— Subordinated debts	A-
		— Outlook	Stable

BUSINESS OUTLOOK

While cognizant of the challenges presented by the volatility of the current financial market, we believe we have a well-established risk management framework to cope with these challenges and at the same time capitalise on the opportunities.

The Group also expects the business environment on the domestic front supported by the accelerated launch of projects under the 9th Malaysian Plan and the resilience of the Malaysian economy to remain conducive for the Group. The Group therefore, expects to record a better performance for the financial year 2007/2008.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Bank were made out, the directors took reasonable steps:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and 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
 - to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render:
- the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Bank inadequate to any substantial extent; and
 - the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.
- (f) In the opinion of the directors:
- no contingent liability 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 will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and
 - no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events during the financial year are as disclosed in Note 48 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors



Mohamed Basir bin Ahmad



Amirsham A Aziz

Kuala Lumpur, Malaysia
29 August 2007

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Mohamed Basir bin Ahmad and Amirsham A Aziz, being two of the directors of Malaysian Banking Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 4 to 54 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2007 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors



Mohamed Basir bin Ahmad



Amirsham A Aziz

Kuala Lumpur, Malaysia
29 August 2007

STATUTORY DECLARATION

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

I, Mohammed Hussein, being the director primarily responsible for the financial management of Malayan Banking Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 4 to 54 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.

Subscribed and solemnly declared by
the abovenamed Mohammed Hussein
at Kuala Lumpur in the Federal
Territory on 29 August 2007



Mohammed Hussein

Before me,



S. Masood Omar
Commissioner for Oaths

REPORT OF THE AUDITORS

TO THE MEMBERS OF MALAYAN BANKING BERHAD (INCORPORATED IN MALAYSIA)

We have audited the financial statements set out on pages 4 to 54. These financial statements are the responsibility of the Bank's directors.

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

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

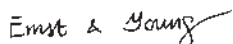
In our opinion:

- the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of:
 - the financial position of the Group and of the Bank as at 30 June 2007 and of the results and the cash flows of the Group and of the Bank for the year then ended; and
 - the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- the accounting and other records and the registers required by the Act to be kept by the Bank and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 52 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank 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 in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
29 August 2007



Abdul Rauf bin Rashid
No. 2305/05/08(J)
Partner

BALANCE SHEETS

AS AT 30 JUNE 2007

		Group		Bank	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
Cash and short-term funds	5	37,597,422	32,035,395	34,200,909	27,542,452
Deposits and placements with banks and other financial institutions	6	17,348,421	4,051,409	15,560,914	3,010,830
Securities purchased under resale agreements	7(i)	258,772	1,503,957	258,772	1,503,957
Securities portfolio	8	33,691,730	33,671,391	28,624,945	26,839,747
Loans, advances and financing	9	140,864,736	131,453,654	136,223,498	127,848,395
Derivative assets	10	394,870	343,367	390,406	343,367
Other assets	11	3,257,377	2,765,564	1,833,414	1,486,306
Investment properties	12	40,750	21,788	—	—
Statutory deposits with Central Banks	13	5,652,233	3,701,824	5,339,337	3,515,995
Investment in subsidiaries	14	—	—	2,763,929	2,714,847
Interests in associates	15	43,601	46,738	40,739	57,940
Property, plant and equipment	16	1,269,703	1,344,917	1,074,389	1,130,625
Intangible assets	17	193,072	58,892	184,462	48,873
Deferred tax assets	23	1,016,730	1,164,275	951,526	1,091,937
Life, general takaful and family takaful fund assets	50	15,037,859	12,120,688	—	—
TOTAL ASSETS		256,667,276	224,283,859	227,447,240	197,135,271
LIABILITIES					
Deposits from customers	18	163,676,762	136,278,170	149,576,055	125,137,436
Deposits and placements of banks and other financial institutions	19	29,534,690	28,707,575	32,683,020	28,037,862
Obligations on securities sold under repurchase agreements	7(ii)	9,957,065	12,276,138	10,489,855	11,217,285
Bills and acceptances payable		2,930,070	4,818,216	2,922,088	5,168,544
Derivative liabilities	10	656,705	233,408	644,860	234,560
Other liabilities	20	5,089,567	3,631,800	3,896,973	3,328,577
Recourse obligation on loans sold to Cagamas	21	2,455,762	3,727,458	2,455,762	3,727,458
Provision for taxation and zakat	22	1,019,790	1,074,402	980,741	1,034,310
Deferred tax liabilities	23	96,810	41,847	—	—
Subordinated obligations	24	6,344,048	3,896,880	6,344,048	3,896,880
Life, general takaful and family takaful fund liabilities	50	1,194,914	684,536	—	—
Life, general takaful and family takaful policy holders' funds	50	13,842,945	11,436,152	—	—
TOTAL LIABILITIES		236,799,128	206,806,582	209,993,402	181,782,912
Equity attributable to equity holders of the Bank					
Share capital	25	3,889,225	3,796,947	3,889,225	3,796,947
Reserves	26	15,308,431	13,071,855	13,564,613	11,555,412
		19,197,656	16,868,802	17,453,838	15,352,359
Minority interests		670,492	608,475	—	—
		19,868,148	17,477,277	17,453,838	15,352,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		256,667,276	224,283,859	227,447,240	197,135,271
COMMITMENTS AND CONTINGENCIES					
	39	175,392,450	130,383,443	171,957,142	128,296,116

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

INCOME STATEMENTS**FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Continuing Operations					
Operating revenue	28	15,179,312	12,754,491	13,955,755	11,503,450
Interest income	29	10,856,095	8,726,961	10,099,053	8,075,947
Interest expense	30	(5,723,172)	(4,246,347)	(5,273,221)	(3,848,681)
Net interest income		5,132,923	4,480,614	4,825,832	4,227,266
Income from Islamic Banking Scheme operations		777,750	784,424	765,724	762,817
Gross operating income		79,817	106,718	80,060	96,776
Profit equalisation reserves					
	49	857,567	891,142	845,784	859,593
		5,990,490	5,371,756	5,671,616	5,086,859
Dividends from subsidiaries		—	—	392,774	80,711
Other operating income		2,914,934	2,715,983	2,055,103	2,098,644
Total non-interest income	31	2,914,934	2,715,983	2,447,877	2,179,355
Net income		8,905,424	8,087,739	8,119,493	7,266,214
Overhead expenses	32	(3,788,751)	(3,206,938)	(3,164,541)	(2,784,026)
Operating profit		5,116,673	4,880,801	4,954,952	4,482,188
Allowance for losses on loans, advances and financing	34	(746,342)	(883,405)	(803,105)	(946,798)
		4,370,331	3,997,396	4,151,847	3,535,390
Share of losses of associates		(6,633)	(9,331)	—	—
Profit before taxation and zakat		4,363,698	3,988,065	4,151,847	3,535,390
Taxation and zakat	36	(1,110,827)	(1,153,481)	(1,100,386)	(1,045,318)
Profit for the year		3,252,871	2,834,584	3,051,461	2,490,072

INCOME STATEMENTS (CONT'D.)**FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Attributable to:					
Equity holders of the Bank		3,178,372	2,772,418	3,051,461	2,490,072
Minority interests		74,499	62,166	—	—
		3,252,871	2,834,584	3,051,461	2,490,072

Earnings per share attributable

to equity holders of the Bank

Basic (sen)	37	82.6	73.6	79.3	66.1
Diluted (sen)	37	82.4	73.3	79.1	65.8

Net dividends per ordinary

share held by equity

holders of the Bank in

respect of financial year

(sen)

Paid – Interim	38			29.2	36.0
Proposed – Final	38			29.2	25.2

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 30 JUNE 2007**

Group	<----- Non-distributable ----->										
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserve RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2005 (as previously stated)	3,721,053	1,501,117	3,965,468	15,250	347,170	49,238	—	7,006,035	16,605,331	452,444	17,057,775
– Effects of adopting BNM Circular on Handling Fees (Note 51)	—	—	—	—	—	—	—	105,353	105,353	—	105,353
– Effects of adopting FRS 128 (Note 51)	—	—	—	—	—	—	—	25,765	25,765	(100,000)	(74,235)
At 1 July 2005 (restated)	3,721,053	1,501,117	3,965,468	15,250	347,170	49,238	—	7,137,153	16,736,449	352,444	17,088,893
Currency translation differences	—	—	455	—	—	8,898	—	—	9,353	(87)	9,266
Reserve on acquisition	—	—	—	—	—	—	—	16,634	16,634	—	16,634
Net dilution from increased interest in subsidiaries	—	—	—	—	—	—	—	(23,298)	(23,298)	23,298	—
Subscription of new shares in subsidiaries	—	—	—	—	—	—	—	—	—	297,724	297,724
Acquisition of interests from minority interests	—	—	—	—	—	—	—	—	—	(131,359)	(131,359)
Unrealised net (loss)/gain on revaluation of securities available-for-sale	—	—	—	—	(374,649)	—	—	—	(374,649)	4,289	(370,360)
Net gain/(loss) not recognised in the income statement	—	—	455	—	(374,649)	8,898	—	(6,664)	(371,960)	193,865	(178,095)
Net profit for the year	—	—	—	—	—	—	—	2,772,418	2,772,418	62,166	2,834,584
Total recognised income/(expense) for the year	—	—	455	—	(374,649)	8,898	—	2,765,754	2,400,458	256,031	2,656,489
Transfer to statutory reserves	—	—	7,994	—	—	—	—	(7,994)	—	—	—
Share-based payment under ESOS (Note 32)	—	—	—	—	—	—	3,038	—	3,038	—	3,038
Issue of ordinary shares pursuant to ESOS	75,894	636,690	—	—	—	—	—	—	712,584	—	712,584
Dividends (Note 38)	—	—	—	—	—	—	—	(2,983,727)	(2,983,727)	—	(2,983,727)
At 30 June 2006	3,796,947	2,137,807	3,973,917	15,250	(27,479)	58,136	3,038	6,911,186	16,868,802	608,475	17,477,277

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)

FOR THE YEAR ENDED 30 JUNE 2007

Group (Cont'd.)

	<----- Non-distributable ----->										
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserve RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2006 (as previously stated)	3,796,947	2,137,807	3,973,917	15,250	(27,479)	58,136	—	6,811,248	16,765,826	708,475	17,474,301
– Effects of adopting FRS 2 (Note 51)	—	—	—	—	—	—	3,038	(3,038)	—	—	—
– Effects of adopting BNM Circular on Handling Fees (Note 51)	—	—	—	—	—	—	—	77,211	77,211	—	77,211
– Effects of adopting FRS 128 (Note 51)	—	—	—	—	—	—	—	25,765	25,765	(100,000)	(74,235)
At 1 July 2006 (restated)	3,796,947	2,137,807	3,973,917	15,250	(27,479)	58,136	3,038	6,911,186	16,868,802	608,475	17,477,277
– Effects of adopting FRS 140 (Note 51)	—	—	—	—	—	—	—	10,244	10,244	—	10,244
	3,796,947	2,137,807	3,973,917	15,250	(27,479)	58,136	3,038	6,921,430	16,879,046	608,475	17,487,521
Currency translation differences	—	—	—	—	—	(142,130)	—	—	(142,130)	(6,083)	(148,213)
Subscription of new shares	—	—	—	—	—	—	—	—	—	3,038	3,038
Acquisition of interests from minority interests	—	—	—	—	—	—	—	—	—	(39,454)	(39,454)
Unrealised net gain on revaluation of securities available-for-sale	—	—	—	—	433,067	—	—	—	433,067	30,017	463,084
Net gain/(loss) not recognised in the income statement	—	—	—	—	433,067	(142,130)	—	—	290,937	(12,482)	278,455
Net profit for the year	—	—	—	—	—	—	—	3,178,372	3,178,372	74,499	3,252,871
Total recognised income/(expense) for the year	—	—	—	—	433,067	(142,130)	—	3,178,372	3,469,309	62,017	3,531,326
Transfer to/from statutory reserves	—	—	(51,929)	—	—	—	—	51,929	—	—	—
Share-based payment under ESOS (Note 32)	—	—	—	—	—	—	58,190	—	58,190	—	58,190
Issue of ordinary shares pursuant to ESOS (Note 25)	92,278	797,763	—	—	—	—	—	—	890,041	—	890,041
Dividends (Note 38)	—	—	—	—	—	—	—	(2,098,930)	(2,098,930)	—	(2,098,930)
At 30 June 2007	3,889,225	2,935,570	3,921,988	15,250	405,588	(83,994)	61,228	8,052,801	19,197,656	670,492	19,868,148

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

Bank

	<----- Non-distributable ----->							
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 July 2005 (as previously stated)	3,721,053	1,501,117	3,871,038	338,219	89,419	–	5,839,892	15,360,738
– Effects of adopting BNM Circular on Handling Fees (Note 51)	–	–	–	–	–	–	105,353	105,353
At 1 July 2005 (restated)	3,721,053	1,501,117	3,871,038	338,219	89,419	–	5,945,245	15,466,091
Currency translation differences	–	–	455	–	23,271	–	–	23,726
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	(359,425)	–	–	–	(359,425)
Net gain/(loss) not recognised in the income statement	–	–	455	(359,425)	23,271	–	–	(335,699)
Net profit for the year	–	–	–	–	–	–	2,490,072	2,490,072
Total recognised income/(expense) for the year	–	–	455	(359,425)	23,271	–	2,490,072	2,154,373
Share-based payment under ESOS								
– In respect of the Bank's employees (recognised in profit or loss) (Note 32)	–	–	–	–	–	1,984	–	1,984
– In respect of the subsidiaries' employees:								
• As capital injection (addition to costs of investment in subsidiaries)	–	–	–	–	–	753	–	753
• Payable by certain subsidiaries (as amount due to the Bank)	–	–	–	–	–	301	–	301
Issue of ordinary shares pursuant to ESOS	75,894	636,690	–	–	–	–	–	712,584
Dividends (Note 38)	–	–	–	–	–	–	(2,983,727)	(2,983,727)
At 30 June 2006	3,796,947	2,137,807	3,871,493	(21,206)	112,690	3,038	5,451,590	15,352,359

STATEMENT OF CHANGES IN EQUITY (CONT'D.)

FOR THE YEAR ENDED 30 JUNE 2007

Bank (Cont'd.)

	<----- Non-distributable ----->							
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 July 2006 (as previously stated)	3,796,947	2,137,807	3,871,493	(21,206)	112,690	–	5,376,363	15,274,094
– Effects of adopting FRS 2 (Note 51)	–	–	–	–	–	3,038	(1,984)	1,054
– Effects of adopting BNM Circular on Handling Fees (Note 51)	–	–	–	–	–	–	77,211	77,211
At 1 July 2006 (restated)	3,796,947	2,137,807	3,871,493	(21,206)	112,690	3,038	5,451,590	15,352,359
Currency translation differences	–	–	277	–	(104,030)	–	–	(103,753)
Unrealised net gain on revaluation of securities available-for-sale	–	–	–	304,470	–	–	–	304,470
Net gain/(loss) not recognised in the income statement	–	–	277	304,470	(104,030)	–	–	200,717
Net profit for the year	–	–	–	–	–	–	3,051,461	3,051,461
Total recognised income/(expense) for the year	–	–	277	304,470	(104,030)	–	3,051,461	3,252,178
Transfer to statutory reserve	–	–	18,000	–	–	–	(18,000)	–
Share-based payment under ESOS								
– In respect of the Bank's employees (recognised in profit or loss) (Note 32)	–	–	–	–	–	50,527	–	50,527
– In respect of the subsidiaries' employees:								
• As capital injection (addition to costs of investment in subsidiaries)	–	–	–	–	–	5,068	–	5,068
• Payable by certain subsidiaries (as amount due to the Bank)	–	–	–	–	–	2,595	–	2,595
Issue of ordinary shares pursuant to ESOS (Note 25)	92,278	797,763	–	–	–	–	–	890,041
Dividends (Note 38)	–	–	–	–	–	–	(2,098,930)	(2,098,930)
At 30 June 2007	3,889,225	2,935,570	3,889,770	283,264	8,660	61,228	6,386,121	17,453,838

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	4,363,698	3,988,065	4,151,847	3,535,390
Adjustments for:				
Share of losses of associates	6,633	9,331	–	–
Depreciation	146,885	156,068	129,427	137,160
Amortisation of intangible assets	35,638	25,654	29,182	21,508
Gain on disposal of property, plant and equipment	(1,397)	(21,301)	(175)	(20,031)
Gain on disposal of foreclosed properties	(3,688)	(15,931)	(1,645)	(14,905)
Net loss on disposal of held-for-trading securities	4,003	10,069	25,054	15,989
Net gain on disposal of available-for-sale securities	(272,632)	(245,161)	(203,180)	(177,457)
Net loss on redemption of held-to-maturity securities	269	30	238	–
Loss/(gain) on disposal of associate	–	5,901	–	(4,320)
Gain on disposal of subsidiaries	(456)	–	(82,376)	–
Amortisation of premiums less accretion of discounts	53,029	59,091	59,152	58,200
Unrealised loss/(gain) on revaluation of securities held-for-trading and derivatives	74,408	(284,896)	63,571	(298,107)
(Write back)/impairment of losses on securities	(28,769)	10,315	(7,128)	(16,348)
Impairment of interest in associate	–	–	20,396	–
Loan and financing loss and allowances	1,485,873	1,164,125	1,480,131	1,222,399
(Write back)/allowance for other debts	(6,351)	4,103	–	–
Interest income clawed back/suspended	57,280	62,329	57,280	62,183
Dividend income	(36,079)	(24,581)	(410,822)	(92,179)
Carried forward	5,878,344	4,903,211	5,310,952	4,429,482

CASH FLOW STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 30 JUNE 2007

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Brought forward	5,878,344	4,903,211	5,310,952	4,429,482
Negative goodwill	(36,481)	–	(36,481)	–
Gain on disposal of investment properties	(384)	–	–	–
Fair value adjustment on investment properties	(9,333)	–	–	–
Share options granted under ESOS	58,190	3,038	50,527	1,984
Property, plant and equipment written off	18,822	1,793	1,997	1,407
Impairment of property, plant and equipment	1,660	1,111	–	–
Write back for commitments and contingencies	–	(7,208)	–	–
Profit equalisation reserves	(79,817)	(106,718)	(80,060)	(96,776)
Transfer of life, general takaful and family takaful fund surplus	(90,524)	(28,287)	–	–
Operating profit before working capital changes	5,740,477	4,766,940	5,246,935	4,336,097
Change in securities purchased under resale agreements	1,245,185	(1,204,100)	1,245,185	(1,207,086)
Change in deposits and placements with banks and other financial institutions	(13,297,012)	5,315,832	(12,550,084)	6,964,906
Change in securities portfolio	805,494	(3,609,307)	(1,242,136)	(4,652,935)
Change in loans, advances and financing	(10,954,235)	(12,807,757)	(9,912,514)	(13,651,345)
Change in derivative assets and liabilities	–	–	–	–
Change in other assets	(450,515)	(1,272,623)	(306,387)	(388,619)
Change in statutory deposits with Central Banks	(1,950,409)	526,957	(1,823,342)	536,003
Change in deposits from customers	27,398,592	5,149,931	24,438,619	6,861,723
Carried forward	8,537,577	(3,134,127)	5,096,276	(1,201,256)

CASH FLOW STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 30 JUNE 2007

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)				
Brought forward	8,537,577	(3,134,127)	5,096,276	(1,201,256)
Change in deposits and placement of banks and other financial institutions	827,115	10,346,393	4,645,158	8,163,668
Change in obligations on securities sold under repurchase agreements	(2,319,073)	4,648,443	(727,430)	3,795,016
Change in bills and acceptances payable	(1,888,146)	2,460,091	(2,246,456)	2,475,976
Change in other liabilities	1,856,487	793,658	928,739	289,509
Change in life, general takaful and family takaful fund assets	(2,826,647)	(1,601,470)	—	—
Change in life, general takaful and family takaful fund liabilities and policy holders' funds	2,917,171	989,809	—	—
Exchange fluctuation	486,225	131,936	456,351	109,720
Cash generated from operations	7,590,709	14,634,733	8,152,638	13,632,633
Taxes and zakat paid	(1,117,016)	(1,313,123)	(1,126,272)	(1,016,708)
Net cash generated from operating activities	6,473,693	13,321,610	7,026,366	12,615,925
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(227,186)	(157,404)	(158,111)	(136,749)
Purchase of intangible assets	(101,077)	(21,481)	(97,139)	(18,801)
Purchase of preference shares and additional ordinary shares in existing subsidiaries	—	(483,923)	(207,850)	(797,815)
Purchase of redeemable preference shares in associate	(3,195)	—	(3,195)	—
Acquisition of MNI Holdings Berhad	—	(802,370)	—	—
Proceeds from disposal of associate	—	7,020	—	7,020
Proceeds of subsidiaries	(9,211)	—	265,500	—
Proceeds from disposal of property, plant and equipment	65,783	45,994	6,706	37,632
Proceeds from disposal of investment properties	757	—	—	—
Dividends received	36,079	24,581	410,822	92,179
Net cash generated from investing activities	(238,050)	(1,387,583)	216,733	(816,534)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	890,041	712,584	890,041	712,584
Proceeds from issuance of subordinated obligations	2,531,338	2,500,000	2,531,338	2,500,000
Redemption of subordinated obligations	—	(1,560,000)	—	(1,560,000)
Loans sold to Cagamas, net	(1,271,696)	(1,263,315)	(1,271,696)	(1,263,315)
Dividends paid	(2,098,930)	(2,983,727)	(2,098,930)	(2,983,727)
Dividends paid to minority interests	(12,482)	(37,726)	—	—
Issuance of preference and ordinary shares by a subsidiary to minority interests	—	297,724	—	—
Net cash used in financing activities	38,271	(2,334,460)	50,753	(2,594,458)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,273,914	9,599,567	7,293,852	9,204,933
Cash and cash equivalents at beginning of year*	31,323,508	22,435,828	26,907,057	18,337,519
CASH AND CASH EQUIVALENTS AT END OF YEAR	37,597,422	32,035,395	34,200,909	27,542,452
* Cash and cash equivalents at beginning of year:				
- As previously reported	32,035,395	22,596,444	27,542,452	18,479,404
- Effects of foreign exchange rate changes	(711,887)	(160,616)	(635,395)	(141,885)
	31,323,508	22,435,828	26,907,057	18,337,519

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

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2007

1. CORPORATE INFORMATION

The Bank is principally engaged in the business of banking and finance in all its aspects which also include Islamic Banking Scheme (IBS) operations.

The subsidiaries are principally engaged in the businesses of investment banking including stock broking and discount house, general and life insurance, general and family takaful, leasing and factoring, trustee and nominee services, asset management and venture capital.

There were no significant changes in these activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 August 2007.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines.

The financial statements incorporate those activities relating to the Islamic banking business, which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing, capital market and treasury activities under the Shariah Principles.

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000), unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES**(i) Basis of Accounting**

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

(ii) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRS and BNM's Circular

The accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following FRS effective from the financial periods beginning 1 July 2006:

FRS 2	Share-based Payment
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 5, 101, 102, 108, 110, 116, 121, 127, 131, 132, 133 and 136 does not result in significant changes in accounting policies of the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRS are discussed below:

(a) FRS 2: Share-based Payment

Prior to 1 July 2006, no compensation expense was recognised in profit or loss for share options granted. The Group and the Bank recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(ii) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRS and BNM's Circular (Cont'd.)****(a) FRS 2: Share-based Payment (Cont'd.)**

The Group has applied FRS 2 in accordance with its transitional provisions which allow this change in accounting policy to be applied to share options that were granted after 31 December 2004 but had not yet vested on 1 July 2006. The application is retrospective and accordingly, certain comparatives have been restated, and the effects on the balance sheets as at 30 June 2006 and income statements for the year ended 30 June 2006 are disclosed in Note 51.

(b) FRS 101: Presentation of Financial Statements

Prior to 1 July 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Bank and to minority interests.

Prior to 1 July 2006, the Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates and jointly controlled entities accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

Derivative assets and derivative liabilities have also been disclosed separately (from other financial assets and financial liabilities) in line with FRS 101.

These changes in presentation have been applied retrospectively and as disclosed in Note 51, certain comparatives have been restated. These changes in presentation has no financial impact on the Bank's financial statements.

(c) FRS 128: Investment in Associates and Interpretation Committee Interpretation 112 Consolidation – Special Purpose Entity

In prior year, Mayban Venture Capital Company Sdn Bhd ("MVCC") was treated as a subsidiary by virtue of the RM2 ordinary shares held by the Group, through its subsidiary, Mayban Ventures Sdn Bhd ("MVS"). Funding for its operations is raised through the issuance of 150,000 units of redeemable non-convertible preference shares ("RUCPS") at RM1.00 each with a premium of RM999.00 per RUCPS. The Group, through MVS, has subscribed to approximately 33.33% of the RUCPS amounting to RM50,000,000. In the current financial year, MVCC is treated as an associate and equity accounted by the Group in accordance with FRS 128 and Interpretation Committee Interpretation 112 Consolidation - Special Purpose Entity which are effective for the Group from the financial year beginning 1 July 2006 onwards. When MVCC is equity accounted in the current year's financial statements, only the Group's share of the beneficiary interests of approximately 33.33% in the profit or loss of MVCC is recognised in the financial statements. The effects of the change in treatment of MVCC are accounted for retrospectively and are disclosed in Note 51.

(d) FRS 140: Investment Property

The adoption of this new FRS has resulted in a change in the classification of certain land and buildings owned by the life insurance business. Previously, in line with FRS 203 Life Insurance Business (formerly known as MASB Standard 18), land and buildings owned by the life insurance business are classified as investment properties, notwithstanding that they are substantially occupied for use by, or in the operations of the Group.

With the adoption of FRS 140 and consequential amendment to FRS 203, owner-occupied property cannot be classified as investment property. Accordingly, land and buildings previously classified as investment properties have been reclassified as and accounted for as property, plant and equipment.

As a result of the adoption of FRS 140, investment properties which are held for rental to external parties are stated at fair value and any gain or loss arising from a change in fair value is recognised in the income statement. Prior to 1 July 2006, investment properties are stated at cost less impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(ii) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRS and BNM's Circular (Cont'd.)****(d) FRS 140: Investment Property (Cont'd.)**

The Group has applied FRS 140 in accordance with the transitional provisions. The change in accounting policy has had no impact on amounts reported for 30 June 2006 or prior periods. Instead, the changes have been accounted for by restating certain opening balances of the Group as at 1 July 2006 as disclosed in Note 12 and Note 51.

(e) FRS 138: Intangible Assets

The adoption of this new FRS has resulted in a change in the classification of certain computer software. Previously, computer software used by the Group and the Bank was classified as computer and peripherals and was depreciated over their estimated useful life of four (4) years.

Upon the adoption of FRS 138, computer software which is not an integral part of the computer hardware is classified as intangible assets and amortised over its finite useful lives ranging from 3 to 5 years. The application is retrospective and accordingly, certain comparatives have been restated. The adoption of this FRS only has effects on reclassification of balance sheet captions, which are disclosed in Note 51.

(f) BNM's Circular on Handling Fees

The adoption of BNM's Circular on Handling Fees dated 16 October 2006 resulted in the Group and the Bank capitalising the handling fees paid for originating hire purchase loans in the balance sheet and amortising the amount to the income statement over the life of the loans with retrospective effect. The amount amortised is offset against interest income earned on the hire purchase loans. Previously, such handling fees were recognised in the income statement as a reduction in interest income when incurred. The effects of the adoption of this BNM circular are set out in Note 51.

(iii) Subsidiaries and Basis of Consolidation**(a) Subsidiaries**

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

In the Bank's separate financial statements, investments in subsidiaries are stated at cost or directors' valuation less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (xxx) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Basis of Consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(iii) Subsidiaries and Basis of Consolidation (Cont'd.)****(b) Basis of Consolidation (Cont'd.)**

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. 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 then.

(iv) Associates

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

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

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

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

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

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

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (xxx) below.

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

(v) Intangible Assets**(a) Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(v) Intangible assets (Cont'd)****(b) Other Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

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

Computer softwares	3 – 5 years
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(vi) Securities Portfolio

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

(a) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their values and derecognition of these securities are recognised in the income statements.

(b) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and Bank have the positive intent and ability to hold to maturity.

Securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

(c) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value, or at cost (less impairment losses) if the fair value cannot be reliably measured. The return and cost of the securities available-for-sale are credited and charged to the income statement using accreted/amortised cost based on the effective yield method. Any gain or loss arising from a change in fair value after applying the accreted/amortised cost method are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

(d) Impairment of securities portfolio

The Group assesses at each balance sheet date whether there is any objective evidence that a security or group of securities (other than securities held-for-trading) is impaired.

(i) Securities held-to-maturity

For securities carried at amortised cost in which there are objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(vi) Securities Portfolio (Cont'd.)****(d) Impairment of securities portfolio (Cont'd.)****(i) Securities held-to-maturity (Cont'd.)**

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

(ii) Securities available-for-sale

For securities available-for-sale in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

(vii) Allowance for Doubtful Debts

Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as bad and doubtful. Additional allowances are made for long outstanding non-performing loans aged more than five years.

In addition, a general allowance based on a certain percentage of total risk-weighted assets for credit risk, which takes into account all balance sheet items and their perceived credit risk levels, is maintained.

The allowance for doubtful debts and financing of the Group are computed based on the requirements of BNM/GP3, which is consistent with the adoption made in the previous audited annual financial statements.

(viii) Property, Plant and Equipment and Depreciation

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, in accordance with Note 3(xxx).

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Leasehold land is depreciated over the period of the respective leases which ranges from 30 to 999 years. The remaining period of respective leases ranges from 9 to 984 years.

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

Buildings on freehold land	Over 50 years
Buildings on leasehold land	50 years or remaining life of the lease, whichever is shorter
Office furniture, fittings, equipment and renovations	10% – 25%
Computers and peripherals	14% – 25%
Electrical and security equipment	8% – 25%
Motor vehicles	20% – 25%

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(viii) Property, Plant and Equipment and Depreciation (Cont'd.)**

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(ix) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rental or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(x) Other Assets

Other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(xi) Repurchase Agreements

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

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

(xii) Bills and Acceptances Payable

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

(xiii) Provisions for Liabilities

Provisions for liabilities are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

(xiv) Liabilities

Deposits from customers, deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(xv) Profit Equalisation Reserves ("PER") on IBS Operations

PER is the amount provided in order to maintain a certain level of return for deposits in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return". The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of total Islamic banking capital fund.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(xvi) Income Tax**

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

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

(xvii) Leases**(a) Finance Lease/Lease Receivable**

Assets leased to customers under agreements which transfer substantially all risks and rewards associated with ownership other than legal title are classified as lease receivables. The balance sheet amount represents total minimum lease payments receivable less unearned income and prepaid rentals. Initial direct costs are immediately recognised as expenses.

(b) Operating Lease

Payments made under operating leases are recognised in the income statement on an accrual basis in accordance with the terms of the leases.

(xviii) Life Fund

The Life fund consists of long-term liabilities to policyholders, determined by an annual actuarial valuation, as well as accumulated surplus. The distributable surplus is transferable from the Life fund to the income statement based on the surplus determined by the actuarial valuation.

(xix) Takaful Funds

The Group's Takaful funds are operated under the Mudharabah and Wakalah models and are maintained in accordance with the requirements of the Takaful Act, 1984 and comply with the principles of Shariah.

(i) Family Takaful Fund

The Family Takaful fund consists of the amounts attributable to participants as determined by the annual actuarial valuation and accumulated surplus attributable to participants. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the respective Takaful operators.

(ii) General Takaful Fund

The General Takaful fund consists of unearned contribution reserves and accumulated surplus attributable to participants. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the respective Takaful operators.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(xx) Unearned Premium Reserves and Unearned Contribution Reserves**

Unearned Premium Reserves ("UPR") and Unearned Contribution Reserves ("UCR") represent the portion of the net premiums and contribution of insurance policies and takaful certificates written that relate to the unexpired periods of policies and certificates at the end of the financial year. In determining the UPR and UCR at the balance sheet date, the method that most accurately reflect the actual unearned premium is used as follows:

- 25% method for marine cargo and aviation cargo, and transit business.
- 1/24th method for other classes of Malaysian general policies and 1/365th method for all classes of general takaful within Malaysia, reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding limits specified by Bank Negara Malaysia on:

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical health	
– Standalone individuals	15%
– Group of 3 or more	10%
Workmen compensation and employers' liability	
– Foreign workers	10%
– Others	25%
Other classes	20%
- 1/8th method for all classes of overseas inward treaty business with a deduction of 20% for commissions.
- Bond policies and non-annual certificates are time-apportioned over the periods of the risks.

(xxi) Provision for Outstanding Claims

For general insurance and general takaful businesses, a liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at balance sheet date based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation using actual claims development pattern.

For life assurance and family takaful businesses, claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified.

Claims and provisions for claims arising on life insurance and family takaful policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of the contingency covered.

(xxii) Borrowings

Interest-bearing borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statement over the period of the borrowings on an effective interest method.

(xxiii) Interest and Financing Income Recognition

Interest income is recognised on an accrual basis. Interest income includes the amortisation of premiums or accretion of discounts. Interest income on securities are recognised on an effective yield basis.

Interest income on overdrafts, term loans and housing loans is accounted for on a straight line basis by reference to the rest periods as stipulated in the loan agreements. Interest income from hire purchase, instalment sale financing, block discounting and leasing transactions is accounted for on the "sum-of-the-digits" method, whereby the income recognised for each month is obtained by multiplying the total income by a fraction whose numerator is the digit representing the remaining number of months and whose denominator is the sum of the digits representing the total number of months.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(xxiii) Interest and Financing Income Recognition (Cont'd.)**

Where an account has turned non-performing, interest accrued previously but has not been received is reversed out of income, and set-off against the accrued interest receivable in the balance sheet with retroactive adjustment made to the date of first default. Thereafter, interest on these accounts are recognised on a cash basis until such time as the accounts are no longer classified as non-performing. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three months and one month after maturity date for trade bills, bankers' acceptances and trust receipts. Credit card holders are deemed non-performing where repayments are in arrears for more than three months from first day of default.

Income from the IBS business is recognised on the accrual basis in compliance with Bank Negara Malaysia Guidelines.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statement over the tenor of the loan in accordance with Bank Negara Malaysia Circular on Handling Fees dated 16 October 2006 and is set off against interest income recognised on the hire purchase loans.

(xxiv) Fee and Other Income Recognition

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

Dividend income is recognised when the shareholder's right to receive payment is established.

Premiums and contributions from general insurance and general takaful businesses, respectively, are recognised as income in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Premiums and contributions for life assurance and family takaful businesses, respectively, are recognised as income on assumption of risks and subsequent premiums are recognised on due dates. Premiums outstanding at balance sheet date are recognised as income for the period provided they are still within the grace period allowed for payment. Contribution income on long term policies is recognised as earned based on the time-apportionment method.

Gross contributions for takaful business are accounted for on accrual basis in accordance with the Principles of Shariah as advised by Mayban Takaful Berhad's Shariah Committee. Unrealised income is deferred and receipts in advance are treated as liabilities in the balance sheet.

Rollover fees on margin accounts and management fees from asset management are recognised on an accrual basis.

(xxv) Interest, Financing and Related Expense Recognition

Interest expense and attributable profit (on activities relating to IBS business) on deposits and borrowings of the Group and the Bank are expensed as incurred.

(xxvi) Employee Benefits**(a) Short Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Certain foreign branches of the Bank and subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(xxvi) Employee Benefits (Cont'd.)****(c) Share-based Compensation**

The Maybank Group's Employee Share Options Scheme ("ESOS") is an equity-settled share-based compensation plan that allows the Group's Directors and employees to acquire shares of the Bank. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(xxvii) Foreign Currencies**(a) Functional and Presentation Currency**

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

(b) Foreign Currency Transactions

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Bank's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in profit or loss in the Bank's separate financial statements or the individual financial statements of the foreign operations, as appropriate.

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

(c) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(xxvii) Foreign Currencies (Cont'd.)****(c) Foreign Operations (Cont'd.)**

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent entity and are recorded in RM at the rates prevailing at the date of acquisition.

(xxviii) Derivative Instruments

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception and subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques that include 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 gain or loss for derivatives that qualify for hedge accounting is recognised as follows:

(i) Fair value hedge

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

(ii) Cash flow hedge

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

(xxix) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash and bank balances and short-term funds with remaining maturity of less than one month.

(xxx) Impairment of Assets

The carrying amounts of assets, other than securities portfolio, goodwill, intangible assets with indefinite useful life, investment property and deferred tax, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(xxx) Impairment of Assets (Cont'd.)**

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(xxxi) Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Bank:

	Effective for financial periods beginnings on or after
FRSs, Amendments to FRSs and Interpretations	
FRS 117 Leases	1 October 2006
FRS 124 Related Party Transaction	1 October 2006
FRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 107 Cash Flow Statements	1 July 2007
FRS 111 Construction Contracts	1 July 2007
FRS 112 Income Taxes	1 July 2007
FRS 118 Revenue	1 July 2007
FRS 119 Employee Benefits	1 July 2007
FRS 120 Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 126 Accounting and Reporting by Retirement Benefit Plans	1 July 2007
FRS 129 Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 134 Interim Financial Reporting	1 July 2007
FRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139 Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above FRSs, amendments to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Bank upon their initial application other than FRS 139.

The Group and the Bank are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 117, FRS 124 and FRS 139 by virtue of exemptions stipulated in the respective FRS.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are as follows:

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)**(i) Fair Value Estimation of Securities Held-for-trading (Note 8(i)), Securities Available-for-sale (Note 8(ii)) and Derivative Financial Instruments (Note 10)**

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

(ii) Valuation of Investment Properties (Note 12)

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent professional valuers.

(iii) Impairment of Goodwill (Note 17)

The Group tests annually whether the goodwill that has an indefinite life has suffered any impairment by measuring the recoverable amount of the goodwill based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment.

(iv) Impairment of Other Intangible Assets (Note 17)

The Group's and the Bank's intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

The determination of the estimated useful life of these intangible assets requires the Bank's management to analyse the circumstances, the industry and market practice and also to use judgement. 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.

(v) Liabilities of Insurance Business (Note 20)

The actuarial estimate of future contingent policy liabilities is computed in accordance with the standards and bases prescribed under the Insurance Act and Regulations, and uses a level net premium methodology with allowances for acquisition costs through the application of zilmer or full preliminary term adjustments, whichever produces higher reserves.

For general claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with Bank Negara Malaysia guidelines. As and when more information becomes available regarding a claim, the reserve is amended accordingly.

(vi) Deferred Tax (Note 23) and Income Taxes (Note 36)

The Group and the Bank are subject to income taxes in many jurisdictions and significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognized based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

(vii) Allowances for Bad and Doubtful Debts (Note 9 (vii) and Note 34)

The Group and the Bank review the doubtful loans, advances and financing at each reporting date to assess whether allowances for impairment should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful loans, and the estimation of realisation amount from the doubtful loans when determining the level of allowance required.

The Group and the Bank have adopted certain criteria in the identification of doubtful loans, which include classifying loans as non-performing when repayments are in arrears for more than three (3) months (one (1) month after maturity date for trade bills, bankers' acceptances and trust receipts). Specific allowances for doubtful loans are provided after taking into consideration of the values assigned to collateral. The values assigned to collateral are estimated based on market value and/or forced sales value, as appropriate and conforms with BNM guidelines. In addition to the specific allowances made, the Group and the Bank also make general allowance against exposure not specifically identified based on a certain percentage of total risk-weighted assets for credit risk. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash, balances and deposits with banks and other financial institutions	37,399,601	31,985,854	34,155,189	27,516,211
Money at call	197,821	49,541	45,720	26,241
	37,597,422	32,035,395	34,200,909	27,542,452

Included in cash and short-term funds of the Group are monies held in trust of RM133,570,000 (2006: RM99,124,643) in respect of the stockbroking business.

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Licensed banks	13,880,375	3,200,946	13,326,543	2,630,947
Licensed merchant banks	—	50,000	—	50,000
Bank Negara Malaysia	3,154,235	474,545	1,920,560	3,965
Other financial institutions	313,811	325,918	313,811	325,918
	17,348,421	4,051,409	15,560,914	3,010,830

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

(i) The underlying securities purchased under resale agreements are as follows:

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities	142,344	1,154,603	142,344	1,154,603
Foreign government treasury bills	116,428	349,354	116,428	349,354
	258,772	1,503,957	258,772	1,503,957

The fair value of securities accepted as collateral under the resale agreements that the Bank is permitted to sell or repledge in the absence of default by the counterparties is approximately RM264,972,577 (2006: RM1,503,478,912).

(ii) The securities sold under repurchase agreements are as follows:

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Securities (Note 8(iv)(b))	5,572,738	7,770,662	5,954,421	6,711,809
Bankers' acceptances (Note 9(viii))	4,384,327	4,505,476	4,384,327	4,505,476
Short term revolving credits (Note 9(viii))	—	—	151,107	—
	9,957,065	12,276,138	10,489,855	11,217,285

8. SECURITIES PORTFOLIO

		Group		Bank	
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Securities held-for-trading (i)		2,032,634	477,698	1,447,227	476,976
Securities available-for-sale (ii)		29,124,704	27,395,434	25,213,654	23,093,904
Securities held-to-maturity (iii)		2,534,392	5,798,259	1,964,064	3,268,867
		33,691,730	33,671,391	28,624,945	26,839,747

(i) Securities Held-for-Trading**At fair value****Money market instruments:**

Malaysian Government Treasury Bills	52,997	21,800	52,997	21,800
Bank Negara Malaysia Bills and Notes	867,578	225,343	867,578	225,343
Bankers' acceptances and Islamic accepted bills	—	722	—	—
	920,575	247,865	920,575	247,143

8. SECURITIES PORTFOLIO (CONT'D.)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(i) Securities Held-for-Trading (Cont'd.)				
Unquoted Securities:				
Foreign private debt securities	526,652	229,833	526,652	229,833
Private and Islamic debt securities in Malaysia	585,407	—	—	—
	1,112,059	229,833	526,652	229,833
Total securities held-for-trading	2,032,634	477,698	1,447,227	476,976
(ii) Securities Available-for-Sale				
	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At fair value, or at cost less impairment losses for certain unquoted equity instruments				
Money market instruments:				
Malaysian Government Securities	3,034,542	3,264,639	2,377,960	2,452,659
Cagamas bonds	748,781	2,012,688	462,758	1,600,531
Foreign government securities	3,261,092	2,257,642	3,198,175	2,208,481
Malaysian Government Treasury Bills	35,580	127,500	35,580	127,500
Malaysian Government Investment Issues	3,873,649	1,822,126	3,718,743	1,695,199
Foreign government treasury bills	652,052	759,497	529,286	667,404
Negotiable instruments of deposits	2,288,651	1,005,152	2,676,010	1,495,850
Bankers' acceptances and Islamic accepted bills	3,198,835	4,106,895	3,198,835	4,106,895
Khazanah bonds	929,845	733,163	734,194	555,579
Bank Negara Malaysia Sukuk Ijarah	40,072	199,403	40,072	199,403
Foreign certificates of deposits	230,539	77,572	—	—
	18,293,638	16,366,277	16,971,613	15,109,501
Quoted Securities:				
In Malaysia:				
Shares, warrants, trust units and loan stocks	631,387	548,495	267,733	162,952
Outside Malaysia:				
Shares, warrants, trust units and loan stocks	164,184	56,744	104,342	25,580
	795,571	605,239	372,075	188,532
Unquoted Securities:				
Shares, trust units and loan stocks in Malaysia	807,028	739,303	545,617	459,549
Shares, trust units and loan stocks outside Malaysia	23,743	10,084	13,747	6,219
Private and Islamic debt securities in Malaysia	4,477,735	4,557,044	3,002,583	2,576,144
Malaysian Government bonds	296,849	317,446	296,849	317,446
Foreign government bonds	79,367	—	—	—
Malaysia Global Sukuk	86,432	92,137	—	—
Credit linked notes (Note 8(iv)(c))	426,367	453,772	426,367	453,772
Foreign Islamic and private debt securities (Note 8(iv)(d))	3,837,974	4,254,122	3,584,803	3,982,741
Others	—	10	—	—
	10,035,495	10,423,918	7,869,966	7,795,871
Total securities available-for-sale	29,124,704	27,395,434	25,213,654	23,093,904

8. SECURITIES PORTFOLIO (CONT'D.)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(iii) Securities Held-to-Maturity				
At amortised cost				
Money market instruments:				
Malaysian Government Securities	1,025,981	2,201,298	1,025,422	2,088,881
Cagamas bonds	224,057	504,342	212,299	222,347
Foreign government securities	207,572	273,674	—	1,286
Malaysian Government Investment Issues	80	183,904	—	183,904
Khazanah bonds	—	4,925	—	2,496
Bankers' acceptances and Islamic accepted bills	—	920,427	—	—
Negotiable instruments of deposits	—	70,000	—	—
	1,457,690	4,158,570	1,237,721	2,498,914
Unquoted Securities:				
Private and Islamic debt securities in Malaysia	547,977	1,067,618	197,627	197,900
Malaysian Government bonds	45,139	48,150	45,139	48,150
Foreign government bonds	9	18	—	—
Foreign Islamic and private debt securities	327,973	359,994	327,973	359,994
Credit linked notes (Note 8(iv)(c))	172,725	183,800	172,725	183,800
Others	2,044	2,044	2,044	2,044
	1,095,867	1,661,624	745,508	791,888
Accumulated impairment losses	(19,165)	(21,935)	(19,165)	(21,935)
Total securities held-to-maturity	2,534,392	5,798,259	1,964,064	3,268,867
Indicative value of unquoted securities held-to-maturity:				
Malaysian Government Securities	1,027,310	2,185,125	1,026,728	2,072,989
Cagamas bonds	223,738	499,976	211,989	218,934
Foreign government securities	207,572	272,674	—	1,286
Malaysian Government Investment Issues	81	182,647	—	182,647
Khazanah bonds	—	4,965	—	2,507
Bankers' acceptances and Islamic accepted bills	—	920,427	—	—
Negotiable instruments of deposits	—	70,000	—	—
Private and Islamic debt securities in Malaysia	527,271	1,074,734	177,661	172,983
Malaysian Government bonds	47,541	51,270	47,541	51,270
Foreign government bonds	9	17	—	—
Foreign Islamic and private debt securities	342,244	371,117	342,244	371,117
Credit linked note	172,725	183,800	172,725	183,800
Others	2,044	2,044	2,044	2,044
(iv) Other disclosures				
(a) The maturity structure of money market instruments available-for-sale and held-to-maturity are as follows:				
	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Maturing within one year	9,180,631	10,310,769	8,892,730	9,321,449
One year to three years	4,391,849	6,164,226	3,817,364	4,884,204
Three years to five years	2,728,786	2,786,050	2,375,777	2,334,622
After five years	3,450,062	1,263,802	3,123,463	1,068,140
	19,751,328	20,524,847	18,209,334	17,608,415

8. SECURITIES PORTFOLIO (CONT'D.)

- (b) Included in the securities available-for-sale and held-to-maturity are the following securities sold under repurchase agreements:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysian Government securities	1,006,935	2,234,875	1,006,818	2,234,875
Cagamas bonds	211,785	182,066	211,785	118,718
Negotiable instruments of deposits	1,126,310	969,985	1,659,998	799,985
Bankers' acceptances and Islamic accepted bills	2,418,202	2,348,105	2,418,202	2,211,155
Private debt securities	809,506	2,035,631	657,618	1,347,076
	5,572,738	7,770,662	5,954,421	6,711,809

- (c) Included in securities available-for-sale and held-to-maturity are credit linked notes with a face value of USD175,000,000 (2006: USD175,000,000) or Ringgit Malaysia equivalent of RM604,537,500 (2006: RM643,300,000) with embedded credit default swaps. The notes would be redeemed at face values on their respective maturity dates provided there is no occurrence of a specified credit event affecting the reference entities or their obligations. If there is an occurrence of a credit event, the underlying asset (the reference obligation of the reference entity), or a cash settlement amount to be determined with reference to the market value of the underlying asset in accordance with the terms of the contract, would be delivered by the issuer of the note.

- (d) Included in foreign Islamic and private debt securities in securities available-for-sale of the Group and the Bank above is an amount of USD10,000,000 (2006: USD10,000,000) or Ringgit Malaysia equivalent of RM34,545,000 (2006: RM36,760,000) pledged with the New York State Banking Department in satisfaction of capital equivalency deposit requirements.

9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Overdrafts	13,801,836	13,566,214	13,766,775	13,533,809
Term loans				
– Housing loans/financing	26,980,875	25,906,418	26,850,921	25,556,944
– Syndicated loan/financing	9,954,678	6,497,354	7,559,442	5,058,608
– Hire purchase receivables	26,121,500	22,926,152	26,121,500	22,924,768
– Lease receivables	7,954	22,697	7,954	14,477
– Other loans/financing	41,358,326	39,380,762	39,359,046	37,900,942
Credit card receivables	2,871,567	2,300,567	2,871,567	2,300,567
Bills receivable	1,543,665	1,174,201	1,511,273	1,159,709
Trust receipts	2,969,625	2,704,954	2,896,203	2,703,879
Claims on customers under acceptance credits	8,434,367	7,846,537	8,439,619	7,815,683
Loans/financing to banks and other financial institutions	10,289,507	11,410,876	10,289,507	11,409,931
Revolving credits	13,360,174	14,811,275	13,259,610	14,456,194
Staff loans	986,795	954,673	932,025	899,137
	158,860,869	149,502,680	153,865,442	145,734,648
Housing loans to				
– Executive directors of the Bank	123	374	123	374
– Executive directors of subsidiaries	1,719	960	1,719	960
Others	180,919	236,154	–	–
	158,863,630	149,740,168	153,867,284	145,735,982
Unearned interest and income	(11,366,360)	(11,861,142)	(11,334,154)	(11,823,254)
Gross loans, advances and financing	147,497,270	137,879,026	142,533,130	133,912,728
Allowances for bad and doubtful debts/financing				
– Specific	(3,875,219)	(4,010,299)	(3,696,358)	(3,805,936)
– General	(2,757,315)	(2,415,073)	(2,613,274)	(2,258,397)
Net loans, advances and financing	140,864,736	131,453,654	136,223,498	127,848,395

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

- (i) Loans, advances and financing analysed by type of customer are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Domestic operations:				
Domestic non-bank financial institutions				
– Stockbroking companies	163,268	131,896	163,088	131,896
– Others	9,758,406	10,820,402	9,748,355	10,823,065
Domestic business enterprise				
– Small and medium enterprise	23,457,406	23,321,481	23,464,107	23,292,469
– Others	21,390,132	19,733,316	21,272,776	19,563,712
Government and statutory bodies	222,050	1,050,597	222,050	1,047,931
Individuals	53,329,288	50,252,687	53,274,983	50,048,025
Other domestic entities	202,020	215,094	46,398	212,128
Foreign entities	381,348	314,546	361,569	261,178
Total domestic operations	108,903,918	105,840,019	108,553,326	105,380,404
Overseas operations:				
Singapore	28,042,055	24,283,980	28,042,055	24,283,980
Labuan offshore	3,813,701	2,932,332	–	–
Hong Kong SAR	2,174,984	1,528,711	2,174,984	1,528,711
United States of America	1,218,424	874,081	1,218,424	874,081
People's Republic of China	696,326	518,916	696,326	518,916
Vietnam	391,445	338,886	391,445	338,886
United Kingdom	866,331	566,768	866,332	566,768
Brunei	163,049	197,275	163,049	197,275
Cambodia	104,195	51,236	104,195	51,236
Bahrain	322,994	172,471	322,994	172,471
Philippines	682,381	506,555	–	–
Indonesia	87,813	40,204	–	–
Papua New Guinea	29,654	27,592	–	–
Total overseas operations	38,593,352	32,039,007	33,979,804	28,532,324
Gross loans, advances and financing	147,497,270	137,879,026	142,533,130	133,912,728

- (ii) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed rate				
– Housing loans/financing	11,047,846	12,991,134	10,860,914	12,847,935
– Hire purchase receivables	21,898,806	19,992,510	21,731,957	19,980,718
– Other fixed rate loans/financing	14,332,124	16,510,789	14,199,453	16,267,590
Variable rate				
– Base lending rate plus	53,682,867	46,576,057	53,614,209	46,302,114
– Cost plus	14,442,609	12,216,671	14,249,846	12,152,482
– Other variable rates	32,093,018	29,591,865	27,876,751	26,361,889
Gross loans, advances and financing	147,497,270	137,879,026	142,533,130	133,912,728

- (iii) Loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Domestic operations:				
Purchase of securities	9,336,069	8,605,303	9,114,564	8,444,064
Purchase of transport vehicles	13,864,267	12,549,834	13,855,560	12,545,752
– less Islamic housing loans sold to Cagamas	(787,228)	(1,127,571)	(787,228)	(1,127,571)
Purchase of landed properties				
– residential	24,621,251	24,462,017	24,577,064	24,429,998
– non residential	6,305,032	6,774,708	6,304,373	6,773,961
– less Islamic housing loans sold to Cagamas	(408,915)	(448,185)	(408,915)	(448,185)
Purchase of fixed assets (exclude landed properties)	3,363	176,229	3,363	174,356
Personal use	3,138,004	3,030,492	3,138,044	3,030,331
Credit card	2,631,699	1,774,126	2,631,699	1,774,126
Purchase of consumer durables	50,335	22,008	50,301	21,979
Construction	5,547,948	5,885,779	5,546,112	5,788,199
Working capital	43,352,731	43,307,742	43,357,532	43,305,810
Others	1,249,360	827,537	1,170,857	667,584
Total domestic operations	108,903,916	105,840,019	108,553,326	105,380,404

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iii) Loans, advances and financing analysed by economic purpose are as follows: (Cont'd.)

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Overseas operations:				
Singapore	28,042,055	24,283,980	28,042,055	24,283,980
Labuan offshore	3,813,701	2,932,332	—	—
Hong Kong SAR	2,174,984	1,528,711	2,174,984	1,528,711
United States of America	1,218,424	874,081	1,218,424	874,081
People's Republic of China	696,326	518,916	696,326	518,916
Vietnam	391,445	338,886	391,445	338,886
United Kingdom	866,332	566,768	866,332	566,768
Brunei	163,049	197,275	163,049	197,275
Cambodia	104,195	51,236	104,195	51,236
Bahrain	322,995	172,471	322,994	172,471
Philippines	682,381	506,555	—	—
Indonesia	87,813	40,204	—	—
Papua New Guinea	29,654	27,592	—	—
Total overseas operations	38,593,354	32,039,007	33,979,804	28,532,324
Gross loans, advances and financing	147,497,270	137,879,026	142,533,130	133,912,728

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

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	50,332,961	49,497,064	49,198,621	48,552,822
One year to three years	11,864,017	8,770,081	10,652,937	7,875,830
Three years to five years	16,254,069	15,490,002	15,081,327	14,190,048
After five years	69,046,223	64,121,879	67,600,245	63,294,028
	147,497,270	137,879,026	142,533,130	133,912,728

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

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of year	9,211,938	9,609,580	8,757,597	8,991,886
Non-performing during the year	4,506,633	5,495,459	4,470,979	5,452,229
Reclassified as performing	(3,004,543)	(2,850,207)	(2,853,189)	(2,808,657)
Acquisition of subsidiaries	—	1,051	—	1,119
Acquisition of businesses of KBB and AMEX (Notes 48(b) and 48(c))	77,008	—	77,008	—
Transfer from subsidiaries pursuant to Investment Bank Rationalisation Programme (Note 48(a))	—	—	22,554	—
Recovered during the year	(1,122,873)	(2,010,281)	(1,047,068)	(1,945,499)
Amount written off	(846,928)	(1,069,806)	(825,719)	(980,528)
Converted to securities	(63,799)	(18,824)	(63,798)	(17,827)
Sale of NPL (Note 48(f))	(512,313)	—	(512,313)	—
Exchange differences and expenses debited to customers' accounts	13,091	54,966	28,622	64,874
Balance at end of year	8,258,214	9,211,938	8,054,673	8,757,597
Less:				
— Specific allowance	(3,875,219)	(4,010,299)	(3,696,358)	(3,805,936)
Net balance	4,382,995	5,201,639	4,358,315	4,951,661
Gross loans, advances and financing	147,497,270	137,879,026	142,533,130	133,912,728
Add: Islamic loans sold to Cagamas	1,196,143	1,575,756	1,196,143	1,575,756
	148,693,413	139,454,782	143,729,273	135,488,484
Less:				
— Specific allowance	(3,875,219)	(4,010,299)	(3,696,358)	(3,805,936)
Net loan, advances and financing (including Islamic loans sold to Cagamas)	144,818,194	135,444,483	140,032,915	131,682,548
Ratio of net non-performing loans	3.03%	3.84%	3.11%	3.76%

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vi) Non-performing loans analysed by economies purpose are as follows:

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Domestic operations:				
Purchase of securities	339,314	366,021	272,047	308,215
Purchase of transport vehicles	137,861	182,675	137,394	182,498
Purchase of landed properties				
— residential	2,584,797	2,768,097	2,582,761	2,766,863
— non-residential	473,242	588,347	473,242	588,347
Purchase of fixed assets (exclude landed properties)	9,625	12,855	9,625	12,855
Personal use	258,919	276,576	258,919	276,576
Credit card	42,902	33,937	42,902	33,937
Purchase of consumer durables	1,299	1,275	1,299	1,275
Construction	678,537	907,956	678,537	890,152
Working capital	2,619,262	2,715,483	2,619,262	2,697,411
Others	477,892	341,802	458,908	323,182
Total domestic operations	7,623,650	8,195,024	7,534,896	8,081,311

Overseas operations:

Singapore	408,636	574,548	408,636	574,548
Labuan offshore	52,653	274,683	—	—
Hong Kong SAR	33,927	31,341	33,927	31,341
Brunei	37,378	36,644	37,378	36,644
Vietnam	27,738	17,806	27,738	17,806
People's Republic of China	8,514	12,133	8,514	12,133
Cambodia	3,584	3,814	3,584	3,814
Papua New Guinea	3,223	5,006	—	—
Philippines	58,911	58,566	—	—
Indonesia	—	2,373	—	—
Total overseas operations	634,564	1,016,914	519,777	676,286
	8,258,214	9,211,938	8,054,673	8,757,597

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

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Specific allowance:				
Balance at beginning of year	4,010,299	3,541,718	3,805,936	3,249,740
Allowance made during the year	1,733,021	2,203,167	1,687,783	2,121,737
Amount written back in respect of recoveries	(584,810)	(640,065)	(569,397)	(557,170)
Acquisition of subsidiaries	—	548	—	1,119
Acquisition of businesses of KBB and Amex (Note 48(b) and 48(c))	50,709	—	50,709	—
Amount written off	(1,233,023)	(1,054,184)	(1,211,814)	(979,826)
Transfer to general allowance	(32,724)	(12,683)	(9,812)	(5,114)
Transfer to impairment losses in value of securities	(8,488)	(12,769)	(8,488)	(12,536)
Transfer to restructured/ rescheduled loans and financing	(39,055)	(21,390)	(33,765)	(21,390)
Exchange differences	(20,710)	5,957	(14,794)	9,376
Balance at end of year	3,875,219	4,010,299	3,696,358	3,805,936
General allowance:				
Balance at beginning of year	2,415,073	2,810,356	2,258,397	2,596,076
Allowance made during the year	361,053	18,015	343,381	—
Amount written back	(41,802)	(425,182)	—	(345,278)
Acquisition of business of KBB (Note 48(b))	3,419	—	3,419	—
Transfer from subsidiaries	—	—	5,352	—
Transfer from specific allowance	32,724	12,683	9,812	5,114
Exchange differences	(13,152)	(799)	(7,087)	2,485
Balance at end of year	2,757,315	2,415,073	2,613,274	2,258,397
As a percentage of total loans (including Islamic loans sold to Cagamas, less specific allowance)	1.90%	1.78%	1.87%	1.72%

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Movements in the allowance for bad and doubtful debts are as follows: (Cont'd.)

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
As a percentage of total risk-weighted assets for credit risk excluding deferred tax assets	1.68%	1.63%	1.73%	1.66%

(viii) Included in loans, advances and financing of the Bank are bankers' acceptances and short term revolving credits sold under repurchase agreements amounting to RM4,384,327,069 (2006: RM4,505,476,268) and RM151,106,785 (2006: Nil) respectively.

10. DERIVATIVE FINANCIAL INSTRUMENTS

	2007			2006		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Group						
Foreign exchange contracts:						
Currency forward	7,578,117	62,594	(40,729)	7,675,369	104,925	(63,108)
Currency swaps	43,057,426	68,670	(368,587)	19,151,437	105,339	(154,531)
Options	920,279	4,615	(4,498)	111,280	58	(57)
	51,555,822	135,879	(413,814)	26,938,086	210,322	(217,696)

Interest rate**related contracts:**

Interest rate swaps	29,582,852	258,991	(242,891)	23,325,373	133,045	(15,712)
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Total derivative

assets/ (liabilities)	394,870	(656,705)	343,367	(233,408)
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	2007			2006		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Bank						
Foreign exchange contracts:						
Currency forward	7,578,117	62,594	(40,729)	7,675,369	74,731	(42,925)
Currency swaps	43,057,426	68,670	(368,587)	18,990,829	73,039	(106,553)
Options	920,279	4,615	(4,498)	111,280	58	(57)
	51,555,822	135,879	(413,814)	26,777,478	147,828	(149,535)

Interest rate**related contracts:**

Interest rate swaps	29,034,969	254,527	(231,046)	22,892,618	195,539	(85,025)
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Total derivative

assets/(liabilities)	390,406	(644,860)	343,367	(234,560)
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11. OTHER ASSETS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Interest receivables	813,824	731,940	719,037	614,254
Prepayments and deposits	304,667	185,997	291,846	182,604
Other debtors	1,953,841	1,631,637	765,715	649,946
Tax recoverable	123,155	117,688	—	—
Foreclosed properties	61,890	98,302	56,816	39,502
	3,257,377	2,765,564	1,833,414	1,486,306

12. INVESTMENT PROPERTIES

	Group	
	2007	2006
	RM'000	RM'000
At 1 July 2006/2005 (as previously disclosed)	21,788	21,788
Effects of adopting FRS 140 (Note 51)		
– Transfer to property, plant and equipment, net	(273)	—
– Fair value adjustment	10,244	—
At 1 July 2006/2005, (as restated)	31,759	21,788
Fair value adjustments (Note 31)	9,333	—
Disposal	(373)	—
Exchange difference	31	—
At 30 June 2007	40,750	21,788

The following investment properties are held under lease terms:

	Group	
	2007	2006
	RM'000	RM'000
Leasehold land and buildings	1,700	218

13. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
With Bank Negara Malaysia	4,553,144	2,856,925	4,530,468	2,809,699
With other Central Banks	1,099,089	844,899	808,869	706,296
	5,652,233	3,701,824	5,339,337	3,515,995

The non-interest-bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as set percentages of total eligible liabilities. The statutory deposits of the foreign branches and subsidiaries are denominated in foreign currencies and maintained with the Central Banks of respective countries, in compliance with the applicable legislations.

14. INVESTMENT IN SUBSIDIARIES

	Bank	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost		
– In Malaysia	2,262,240	2,387,962
– Outside Malaysia	844,491	669,687
	3,106,731	3,057,649
Less: Accumulated impairment losses	(342,802)	(342,802)
	2,763,929	2,714,847

(a) Disposal of Mayban Unit Trust Berhad ("MUTB")

On 30 November 2006, the Group disposed off its 100% equity interest in Mayban Unit Trust Berhad for a total consideration of RM38.3 million.

The disposals had the following effects on the financial position of the Group as at the end of the year:

	RM'000
Property, plant and equipment	1,190
Trade and other receivables	10,197
Cash and bank balances	47,469
Other assets	492
Trade and other liabilities	(21,546)
Net assets disposed	37,802
Total disposal proceeds	38,258
Gain on disposal to the Group	456
Cash inflow arising on disposals:	
Cash consideration	38,258
Cash and cash equivalents of subsidiaries disposed	(47,469)
Net cash outflow of the Group	(9,211)

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(b) Disposal of Mayban Securities (Holdings) Sendirian Berhad

On 30 December 2006, the Bank disposed off its 100% equity interest in Mayban Securities (Holdings) Sendirian Berhad for a total consideration of RM227.2 million as part of the completion of Investment Bank Rationalisation Programme (Note 48(a)).

(c) Increase in the Bank's equity interest in PT Bank Maybank Indocorp

During the financial year, the Bank increased its equity interest in PT Bank Maybank Indocorp from 93.92% to 96.83% via capital injection of USD50 million or Ringgit Malaysia equivalent of RM174.65 million (Note 48(d)).

(d) Increase in the Bank's equity interest in Aseambankers Malaysia Berhad ("Aseambankers")

During the financial year, the Bank increased its equity interest in Aseambankers from 94.69% to 100.00% for a total cash consideration of RM33.2 million (Note 48(e)).

(e) Details of the subsidiaries are disclosed in Note 52.

15. INTERESTS IN ASSOCIATES

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares, at cost	65,035	65,035	57,940	57,940
Exchange differences	2,693	2,392	—	—
Share of post-acquisition reserves	(27,322)	(20,689)	—	—
	40,406	46,738	57,940	57,940
Redeemable preference shares				
— Acquired during the year (Note 15(a))	3,195	—	3,195	—
	43,601	46,738	61,135	57,940
Less: Impairment losses	—	—	(20,396)	—
	43,601	46,738	40,739	57,940
Represented by the Group's share of:				
Net tangible assets	43,601	46,738		

The summarised financial information of the associates are as follows:

	Group	
	2007 RM'000	2006 RM'000
Total assets	147,565	95,161
Total liabilities	(16,598)	(16,236)
Operating Revenue	12,620	6,103
Loss after tax	(19,232)	(2,269)

Details of the associates are as follows:

Name	Principal activities	Country of incorporation	2007 %	2006 %
Held by the Company:				
UzbekLeasing International A. O.	Leasing	Uzbekistan	35.0	35.0
Philmay Holding, Inc.	Investment holding	Philippines	33.0	33.0
TX 123 Sdn. Bhd.	E-commerce business	Malaysia	50.0	50.0
Pelaburan Hartanah Nasional Berhad	Property Trust	Malaysia	30.0	30.0
Mayban Agro Fund Sdn. Bhd. (Note 15(a))	Fund specific purpose vehicle	Malaysia	33.0	—
Mayban Venture Capital Company Sdn. Bhd. (Note 15(b))	Venture capital	Malaysia	33.0	33.0
Held through subsidiaries:				
Baiduri Securities Sdn. Bhd.	Under members' voluntary liquidation	Brunei	39.0	39.0
Pak-Kuwait Takaful Company Limited	Investment holding	Pakistan	17.5	17.5

15. INTERESTS IN ASSOCIATES (CONT'D.)

The financial year ends of the above associates are coterminous with those of the Group, except for UzbekLeasing International A.O. and Pelaburan Hartanah Nasional Berhad, which both have a financial year end of 31 December to conform with their holding companies' financial year end. For the purpose of applying the equity method of accounting, the financial statements of UzbekLeasing International A.O. and Pelaburan Hartanah Nasional Berhad for the year ended 31 December 2006 have been used and appropriate adjustments have been made for the effects of significant transactions between 31 December 2006 and 30 June 2007.

(a) During the financial year, the Group acquired 33% of redeemable preference shares issued in Mayban Agro Fund Sdn. Bhd. for cash consideration of RM3,195,000.

(b) In prior years, Mayban Venture Capital Company Sdn Bhd ("MVCC") was treated as a subsidiary by virtue of the RM2 ordinary shares held by the Group, through its subsidiary, Mayban Ventures Sdn Bhd ("MVS"). Funding for its operations is raised through the issuance of 150,000 units of redeemable non-convertible preference shares ("RUCPS") at RM1.00 each with a premium of RM999.00 per RUCPS. The Group, through MVS has subscribed to approximately 33.33% of the RUCPS amounting to RM50,000,000. In the current financial year, MVCC is treated as an associate and equity accounted by the Group in accordance with FRS 128 and Interpretation Committee Interpretation 112 Consolidation – Special Purpose Entity which are effective for the Group from the financial year beginning 1 July 2006 onwards. When MVCC is equity accounted in the current year's financial statements, only the Group's share of the beneficiary interests of approximately 33.33% in the profit or loss of MVCC is recognised.

The effects of the change in treatment of MVCC are accounted for retrospectively and are disclosed in Note 51.

16. PROPERTY, PLANT AND EQUIPMENT

Group	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings- in- Progress RM'000	Total RM'000
As at 30 June 2007							
Cost							
Balance at 1 July 2006	1,293,693	762,773	999,310	147,224	19,309	33,838	3,256,147
Additions	59,712	33,411	92,993	1,472	2,820	36,778	227,186
Disposals	(66,795)	(8,260)	(3,463)	(597)	(2,371)	—	(81,486)
Disposals of a subsidiary (Note 14(a))	—	(3,746)	—	—	—	—	(3,746)
Write-offs	—	(167,455)	(22,787)	(11,751)	(1,666)	—	(203,659)
Transfers	273	40,096	410	10,396	—	(50,902)	273
Transfer to Intangible Assets (Note 17)	—	—	(67,578)	—	—	(1,050)	(68,628)
Acquired from KBB (Note 48(b))	—	8	110	—	—	—	118
Exchange differences	(7,751)	5,798	(218)	(234)	11	3	(2,391)
Balance at 30 June 2007	1,279,132	662,625	998,777	146,510	18,103	18,667	3,123,814

Accumulated Depreciation and Impairment Losses							
Balance at 1 July 2006							
Accumulated depreciation	283,912	621,206	863,334	121,797	15,695	—	1,905,944
Accumulated impairment losses	5,282	4	—	—	—	—	5,286
	289,194	621,210	863,334	121,797	15,695	—	1,911,230
Charge for the year (Note 32)	25,368	60,311	51,853	7,741	1,612	—	146,885
Impairment losses	1,660	—	—	—	—	—	1,660
Disposals	(12,253)	(506)	(2,193)	(481)	(1,667)	—	(17,100)
Disposals of a subsidiary (Note 14(a))	—	(2,556)	—	—	—	—	(2,556)
Write-offs	—	(160,322)	(12,308)	(10,557)	(1,650)	—	(184,837)
Exchange differences	(4,554)	(970)	2,249	1,998	106	—	(1,171)
Balance at 30 June 2007	299,415	517,167	902,935	120,498	14,096	—	1,854,111

Analysed as:							
Accumulated depreciation	292,473	517,163	902,935	120,498	14,096	—	1,847,165
Accumulated impairment losses	6,942	4	—	—	—	—	6,946
	299,415	517,167	902,935	120,498	14,096	—	1,854,111

Net Carrying Amount							
At 30 June 2007	979,717	145,458	95,842	26,012	4,007	18,667	1,269,703

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (Cont'd.)	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings- in- Progress RM'000	Total RM'000
As at 30 June 2006							
Cost							
Balance at 1 July 2005	1,221,539	697,867	887,538	144,128	17,952	26,649	2,995,673
Acquisition of subsidiaries	75,817	41,001	99,082	308	3,361	5,157	224,726
Additions	10,698	26,089	66,919	3,627	2,189	39,343	148,865
Disposals	(22,209)	(1,118)	(4,338)	(94)	(3,752)	(6,068)	(37,579)
Write-offs	—	(31,827)	(52,081)	(1,825)	(826)	(383)	(86,942)
Transfers	—	29,472	737	926	—	(30,873)	262
Exchange differences	7,848	1,289	1,453	154	385	13	11,142
Balance at 30 June 2006	1,293,693	762,773	999,310	147,224	19,309	33,838	3,256,147
Accumulated Depreciation and Impairment Losses							
Balance at 1 July 2005							
Accumulated depreciation	253,539	558,555	773,590	111,949	15,068	—	1,712,701
Accumulated impairment losses	4,171	4	—	—	—	—	4,175
	257,710	558,559	773,590	111,949	15,068	—	1,716,876
Charge for the year (Note 32)	22,502	57,740	62,154	11,327	2,345	—	156,068
Acquisition of subsidiaries	11,634	35,450	82,862	266	1,876	—	132,088
Impairment losses (Note 32)	1,111	—	—	—	—	—	1,111
Disposals	(4,955)	(379)	(4,300)	(15)	(3,146)	—	(12,795)
Write-offs	—	(30,943)	(51,578)	(1,802)	(826)	—	(85,149)
Exchange differences	1,192	783	606	72	378	—	3,031
	289,194	621,210	863,334	121,797	15,695	—	1,911,230
Analysed as:							
Accumulated depreciation	283,912	621,206	863,334	121,797	15,695	—	1,905,944
Accumulated impairment losses	5,282	4	—	—	—	—	5,286
	289,194	621,210	863,334	121,797	15,695	—	1,911,230
Net Carrying Amount							
At 30 June 2006	1,004,499	141,563	135,976	25,427	3,614	33,838	1,344,917
		Buildings on Freehold Land RM'000	Leasehold Land Less Than 50 Years RM'000	50 Years or More RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	50 Years or More RM'000	Total RM'000

* Properties consist of:

Cost								
Balance at 1 July 2006	117,358	433,482	7,841	145,907	110,348	478,757	1,293,693	
Additions	25,672	17,824	–	828	1,660	13,728	59,712	
Disposals	(23,246)	(23,800)	(345)	(13,108)	(456)	(5,840)	(66,795)	
Write-offs	–	–	–	–	–	–	–	
Transfers	(600)	30,072	256	2,708	(45,277)	13,114	273	
Exchange differences	(345)	(217)	(1,339)	(875)	3,834	(8,809)	(7,751)	
Balance at 30 June 2007	118,839	457,361	6,413	135,460	70,109	490,950	1,279,132	

Accumulated Depreciation and Impairment Losses

Balance at 1 July 2006								
Accumulated depreciation	–	138,687	3,358	22,156	29,236	90,475	283,912	
Accumulated impairment losses	–	4,213	–	–	322	747	5,282	
	–	142,900	3,358	22,156	29,558	91,222	289,194	
Charge for the year	–	11,138	160	1,500	2,284	10,286	25,368	
Impairment losses	–	–	–	–	–	1,660	1,660	
Disposals	–	(9,100)	(125)	(858)	(136)	(2,034)	(12,253)	
Transfers	–	(428)	(352)	(141)	(3,089)	4,010	–	
Exchange differences	–	(2,509)	(641)	(1,200)	(228)	24	(4,554)	
Balance at 30 June 2007	–	142,001	2,400	21,457	28,389	105,168	299,415	

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (Cont'd.)	Freehold Land RM'000	Buildings on Freehold Land RM'000	Leasehold Land Less Than 50 Years RM'000	50 Years or More RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	50 Years or More RM'000	Total RM'000
* Properties consist of:							
(Cont'd.)							
Analysed as:							
Accumulated depreciation	–	137,788	2,400	21,457	28,067	102,761	292,473
Accumulated impairment losses	–	4,213	–	–	322	2,407	6,942
	–	142,001	2,400	21,457	28,389	105,168	299,415
Net Carrying Amount							
At 30 June 2007	118,839	315,360	4,013	114,003	41,720	385,782	979,717
* Properties consist of:							
Cost							
Balance at 1 July 2005	98,940	431,947	9,558	105,425	110,126	465,543	1,221,539
Acquisition of subsidiaries	20,199	8,932	–	37,566	–	9,120	75,817
Additions	4,817	5,754	–	–	–	127	10,698
Disposals	(6,213)	(14,076)	(409)	(278)	(343)	(890)	(22,209)
Exchange differences	(385)	925	(1,308)	3,194	565	4,857	7,848
Balance at 30 June 2006	117,358	433,482	7,841	145,907	110,348	478,757	1,293,693
Accumulated Depreciation and Impairment Losses							
Balance at 1 July 2005							
Accumulated depreciation	–	132,379	3,372	13,285	23,320	81,183	253,539
Accumulated impairment losses	–	4,004	–	–	93	74	4,171
	–	136,383	3,372	13,285	23,413	81,257	257,710
Charge for the year	–	8,195	188	3,326	2,902	7,891	22,502
Acquisition of subsidiaries	–	2,355	–	5,410	–	3,869	11,634
Impairment losses	–	209	–	–	229	673	1,111
Disposals	–	(4,329)	(152)	(48)	(127)	(299)	(4,955)
Exchange differences	–	87	(50)	183	3,141	(2,169)	1,192
Balance at 30 June 2006	–	142,900	3,358	22,156	29,558	91,222	289,194
Analysed as:							
Accumulated depreciation	–	138,687	3,358	22,156	29,236	90,475	283,912
Accumulated impairment losses	–	4,213	–	–	322	747	5,282
	–	142,900	3,358	22,156	29,558	91,222	289,194
Net Book Value							
At 30 June 2006	117,358	290,582	4,483	123,751	80,790	387,535	1,004,499

Bank	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings- in- Progress RM'000	Total RM'000
As at 30 June 2007							
Cost							
Balance at 1 July 2006	1,079,150	656,936	878,088	128,691	11,654	29,511	2,784,030
Additions	22,911	17,392	79,496	1,309	1,446	35,557	158,111
Disposals	(8,386)	–	(453)	–	(174)	–	(9,013)
Write-offs	–	(163,307)	(21,141)	(10,718)	(1,518)	–	(196,684)
Transfers	–	42,561	–	6,658	–	(49,219)	–
Transfer to Intangible Assets (Note 17)	–	–	(67,578)	–	–	–	(67,578)
Acquired from KBB (Note 48 (b))	–	9	110	–	–	–	119
Exchange differences	(9,330)	(1,589)	(1,402)	(232)	(136)	–	(12,689)
Balance at 30 June 2007	1,084,345	552,002	867,120	125,708	11,272	15,849	2,656,296

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank (Cont'd.)	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings- in- Progress RM'000	Total RM'000
As at 30 June 2007							
Accumulated Depreciation							
Balance at 1 July 2006	246,305	528,383	756,564	112,371	9,782	-	1,653,405
Charge for the year (Note 32)	19,086	56,942	46,686	5,672	1,041	-	129,427
Disposals	(1,903)	-	(453)	-	(126)	-	(2,482)
Write-offs	-	(162,562)	(21,076)	(9,548)	(1,501)	-	(194,687)
Exchange differences	(1,336)	(1,076)	(1,148)	(115)	(81)	-	(3,756)
Balance at 30 June 2007	262,152	421,687	780,573	108,380	9,115	-	1,581,907
Net Carrying Amount							
At 30 June 2007	822,193	130,315	86,547	17,328	2,157	15,849	1,074,389

As at 30 June 2006							
Cost							
Balance at 1 July 2005	1,076,058	636,555	862,494	126,296	12,029	26,163	2,739,595
Additions	10,698	21,613	64,402	3,141	1,044	35,851	136,749
Disposals	(15,429)	-	-	-	(562)	(6,068)	(22,059)
Write-offs	-	(31,754)	(51,220)	(1,825)	(826)	-	(85,625)
Transfers	-	29,449	-	926	-	(26,448)	3,927
Exchange differences	7,823	1,073	2,412	153	(31)	13	11,443
Balance at 30 June 2006	1,079,150	656,936	878,088	128,691	11,654	29,511	2,784,030

Accumulated Depreciation							
Balance at 1 July 2005	230,098	507,756	748,788	104,474	10,124	-	1,601,240
Charge for the year (Note 32)	19,087	50,930	56,445	9,622	1,076	-	137,160
Disposals	(3,896)	-	-	-	(562)	-	(4,458)
Write-offs	-	(30,910)	(50,680)	(1,802)	(826)	-	(84,218)
Exchange differences	1,016	607	2,011	77	(30)	-	3,681
Balance at 30 June 2006	246,305	528,383	756,564	112,371	9,782	-	1,653,405

Net Carrying Amount							
At 30 June 2006	832,845	128,553	121,524	16,320	1,872	29,511	1,130,625

Bank	Buildings on Leasehold Land		Buildings on Leasehold Land		Buildings on Leasehold Land		Total RM'000
	Freehold Land RM'000	Freehold Land RM'000	Less Than 50 Years RM'000	50 Years or More RM'000	Less Than 50 Years RM'000	50 Years or More RM'000	

* Properties consist of:

Cost							
Balance at 1 July 2006	95,997	392,571	7,694	99,447	65,362	418,079	1,079,150
Additions	15,440	4,290	-	828	-	2,353	22,911
Disposals	(2,549)	(2,887)	(198)	(522)	(282)	(1,948)	(8,386)
Transfers	-	-	256	(256)	-	-	-
Exchange differences	(345)	(217)	(1,339)	(548)	1,779	(8,660)	(9,330)
Balance at 30 June 2007	108,543	393,757	6,413	98,949	66,859	409,824	1,084,345

Accumulated Depreciation							
Balance at 1 July 2006	-	129,433	3,326	15,967	18,695	78,884	246,305
Charge for the year	-	7,850	131	1,063	1,367	8,675	19,086
Disposals	-	(798)	(93)	(63)	(141)	(808)	(1,903)
Exchange differences	-	(76)	(965)	(1,199)	(116)	1,020	(1,336)
Balance at 30 June 2007	-	136,409	2,399	15,768	19,805	87,771	262,152

Net Book Value							
At 30 June 2007	108,543	257,348	4,014	83,181	47,054	322,053	822,193

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank (Cont'd.)	Freehold Land RM'000	Buildings on Leasehold Land		Buildings on Leasehold Land		Total RM'000
		Freehold Land RM'000	Less Than 50 Years RM'000	Freehold Land RM'000	Less Than 50 Years RM'000	

* Properties consist of:

Cost							
Balance at 1 July 2005	95,782	395,164	9,412	96,531	65,114	414,055	1,076,058
Additions	4,817	5,754	-	-	-	127	10,698
Disposals	(4,218)	(9,291)	(409)	(278)	(343)	(890)	(15,429)
Exchange differences	(384)	944	(1,309)	3,194	591	4,787	7,823
Balance at 30 June 2006	95,997	392,571	7,694	99,447	65,362	418,079	1,079,150

Accumulated Depreciation							
Balance at 1 July 2005	-	124,863	3,351	12,790	14,461	74,633	230,098
Charge for the year	-	7,771	178	3,041	1,339	6,758	19,087
Disposals	-	(3,270)	(152)	(48)	(127)	(299)	(3,896)
Exchange differences	-	69	(51)	184	3,022	(2,208)	1,016
Balance at 30 June 2006	-	129,433	3,326	15,967	18,695	78,884	246,305

Net Book Value							
At 30 June 2006	95,997	263,138	4,368	83,480	46,667	339,195	832,845

17. INTANGIBLE ASSETS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000

Goodwill**Cost:**

At 1 July 2006/2005	-	-	-	-
Arising from acquisition of AMEX Card Service business (Note 48(c))	81,015	-	81,015	-
At 30 June	81,015	-	81,015	-

Computer Software**Cost:**

At 1 July 2006/2005	229,657	207,022	165,937	146,127
Additions	20,062	21,481	16,124	18,801
Disposal of subsidiaries	-	(53)	-	-
Transfer from Property, Plant and Equipment (Note 16)	68,628	-	67,578	-
Exchange differences	(390)	1,207	(1,212)	1,009
At 30 June	317,957	229,657	248,427	165,937

Accumulated amortisation:

At 1 July 2006/2005	170,765	144,250	117,064	95,556
Amortisation charged (Note 32)	35,638	25,654	29,182	21,508
Disposal of subsidiaries	-	(53)	-	-
Exchange differences	(503)	914	(1,266)	-
	205,900	170,765	144,980	117,064

Net carrying amount

Goodwill	81,015	-	81,015	-
Computer Software	112,057	58,892	103,447	48,873
	193,072	58,892	184,462	48,873

(a) Impairment tests for goodwill

Goodwill represents the acquisition of the sole rights of the American Express ("AMEX") card services business in Malaysia. For annual impairment purposes, the AMEX card services business is deemed as a Cash Generating Unit ("CGU"). The recoverable amount of the CGU is assessed based on value-in-use and compared to the carrying value of the CGU to determine whether any impairment exists. The value-in-use calculations apply a discounted cash flow model using cash flow projections prepared by management, covering a 12-year period. The key assumptions for the computation of value-in-use are as follows:

- The Bank expects the AMEX card services business to be a going concern;
- The growth in business volume is expected to be equivalent to the current inflation rate of 4% per annum.;
- The discount rate applied is the internal weighted average cost of capital of the Bank at the time of assessment, which is estimated to be at 8.3% per annum.

Management believes that possible changes in any of the above key assumptions would not cause the carrying value of the CGU to exceed its recoverable amount.

18. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed deposits and negotiable instruments of deposits				
– One year or less	101,012,633	86,201,236	87,798,019	73,210,413
– More than one year	3,450,037	1,727,567	3,160,018	1,652,856
	104,462,670	87,928,803	90,958,037	74,863,269
Savings deposits	27,842,616	24,021,246	27,398,458	23,746,361
Demand deposits	30,890,786	24,310,544	30,738,870	26,510,229
Structured deposits*	480,690	17,577	480,690	17,577
	163,676,762	136,278,170	149,576,055	125,137,436

* Structured deposits represent foreign currency time deposits with embedded foreign exchange option and commodity-linked time deposits.

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Due within six months	80,374,363	70,610,428	67,321,853	57,850,281
Six months to one year	20,638,270	15,590,808	20,476,166	15,360,132
One year to three years	1,770,241	1,108,705	1,748,223	1,087,048
Three years to five years	1,201,802	362,873	1,107,009	309,819
After five years	477,994	255,989	304,786	255,989
	104,462,670	87,928,803	90,958,037	74,863,269

The deposits are sourced from the following types of customers:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Business enterprises	63,413,067	52,621,269	52,266,805	43,459,322
Individuals	82,080,948	69,438,413	81,441,707	68,952,814
Government and statutory bodies	8,030,787	7,050,900	7,780,128	6,774,985
Others	10,151,960	7,167,588	8,087,415	5,950,315
	163,676,762	136,278,170	149,576,055	125,137,436

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Licensed banks	23,815,084	21,382,459	26,963,414	21,186,629
Licensed finance companies	222,632	544,973	222,632	544,973
Licensed merchant banks	986,631	606,775	986,631	606,775
Other financial institutions	4,510,343	6,173,368	4,510,343	5,699,485
	29,534,690	28,707,575	32,683,020	28,037,862

20. OTHER LIABILITIES

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest/profit payable	1,166,598	845,346	1,122,645	823,098
Provision for outstanding claims	429,786	412,667	–	–
Unearned premium reserves	275,816	284,766	–	–
Profit equalisation reserves (IBS operations) (Note 49(j))	64,205	144,111	61,768	141,828
Provisions and accruals	976,262	730,316	863,474	664,800
Due to brokers and clients	389,751	156,236	–	–
Deposits and other creditors	1,787,149	1,058,358	1,849,086	1,698,851
	5,089,567	3,631,800	3,896,973	3,328,577

20. OTHER LIABILITIES (CONT'D.)

Movements in provisions are as follows:

	Group	
	2007 RM'000	2006 RM'000
For outstanding claims:		
Balance at beginning of year	412,667	191,190
Acquisition of subsidiaries	–	246,217
Net provision/(utilisation) during the year	16,473	(24,294)
Exchange differences	646	(446)
Balance at end of year	429,786	412,667
For commitments and contingencies:		
Balance at beginning of year	–	7,208
(Write back)/provision made during the year	–	(7,208)
Balance at end of year	–	–

Included in deposits and other creditors of the Bank is an amount of RM881,907,000 (2006: RM868,892,000) due to Myfin Berhad, a subsidiary of the Bank, arising from the transfer of finance business from Myfin Berhad to the Bank in the previous financial year. The amount is unsecured, interest-free and has no fixed terms of repayment.

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

	Group and Bank	
	2007 RM'000	2006 RM'000
At 1 July 2006/2005	3,727,458	4,990,773
Amount sold during the year	–	517,902
Repayment forwarded	(1,271,696)	(1,781,217)
At 30 June 2007/2006	2,455,762	3,727,458

This relates to proceeds received from conventional housing loans and hire purchase loans sold directly to Cagamas Berhad with recourse to the Bank (the loan portfolio and the related recourse obligation on loans sold to Cagamas of its finance subsidiary were transferred to the Bank on 1 October 2004). Under the agreement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria.

22. PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Taxation	1,015,778	1,071,825	977,178	1,031,893
Zakat	4,012	2,577	3,563	2,417
	1,019,790	1,074,402	980,741	1,034,310

23. DEFERRED TAX

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 July 2006/2005	(1,122,428)	(902,291)	(1,091,937)	(871,839)
Acquisition of subsidiaries	–	(8,022)	–	–
Disposal of subsidiary	(18)	–	–	–
Recognised in the income statement (net) (Note 36)	71,704	(43,591)	45,794	(50,253)
Recognised in equity (net)	148,666	(68,760)	112,728	(69,912)
Transfer from provision for taxation	(17,814)	(99,933)	(18,111)	(99,933)
Exchange differences	(30)	169	–	–
At 30 June 2007/2006	(919,920)	(1,122,428)	(951,526)	(1,091,937)

Presented after appropriate offsetting as follows:

Deferred tax assets	(1,016,730)	(1,164,275)	(951,526)	(1,091,937)
Deferred tax liabilities	96,810	41,847	–	–

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

23. DEFERRED TAX (CONT'D.)

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

Deferred Tax Assets of the Group:

	Loan Loss and Allowances RM'000	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium RM'000	Provision for Liabilities RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 July 2006	(921,794)	(8,293)	(109,958)	(124,230)	(1,164,275)
Disposal of subsidiary	—	—	329	—	329
Recognised in the income statement	40,308	(11)	(25,426)	37,431	52,302
Recognised in equity	—	112,728	—	—	112,728
Transferred from provision for taxation	—	—	—	(17,814)	(17,814)
At 30 June 2007	(881,486)	104,424	(135,055)	(104,613)	(1,016,730)
At 1 July 2005	(744,210)	(44,027)	(95,121)	(118,631)	(1,001,989)
Acquisition of subsidiaries	—	—	—	(8,022)	(8,022)
Recognised in the income statement	(77,651)	1,480	(14,837)	2,418	(88,590)
Recognised in equity	—	34,254	—	—	34,254
Transferred from provision for taxation	(99,933)	—	—	—	(99,933)
Exchange differences	—	—	—	5	5
At 30 June 2006	(921,794)	(8,293)	(109,958)	(124,230)	(1,164,275)

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowance RM'000	Unrealised Holding Reserves and Accretion of Discounts RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 July 2006	27,899	(12,380)	26,328	41,847
Disposal of subsidiary	(347)	—	—	(347)
Recognised in the income statement	4,727	11,304	3,371	19,402
Recognised in equity	—	35,938	—	35,938
Exchange differences	(4)	(22)	(4)	(30)
At 30 June 2007	32,275	34,840	29,695	96,810
At 1 July 2005	3,354	16,028	5,701	25,083
Recognised in the income statement	24,553	(8)	20,454	44,999
Recognised in equity	—	(28,399)	—	(28,399)
Exchange differences	(8)	(1)	173	164
At 30 June 2006	27,899	(12,380)	26,328	41,847

Deferred Tax Assets of the Bank:

	Loan Loss and Allowances RM'000	Impairment Loss on Securities and Amortisation of Premium RM'000	Provision for Liabilities RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 July 2006	(903,011)	(28,689)	(106,016)	(94,584)	(1,132,300)
Recognised in income statement	36,571	802	(22,594)	25,511	40,290
Transfer from provision for taxation	—	—	—	(18,111)	(18,111)
At 30 June 2007	(866,440)	(27,887)	(128,610)	(87,184)	(1,110,121)

23. DEFERRED TAX (CONT'D.)**Deferred Tax Assets of the Bank: (Cont'd.)**

	Loan Loss and Allowances RM'000	Impairment Loss on Securities and Amortisation of Premium RM'000	Provision for Liabilities RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 July 2005	(726,901)	(28,689)	(91,230)	(121,681)	(968,501)
Recognised in income statement	(76,177)	—	(14,786)	27,097	(63,866)
Transfer from provision for taxation	(99,933)	—	—	—	(99,933)
At 30 June 2006	(903,011)	(28,689)	(106,016)	(94,584)	(1,132,300)

Deferred Tax Liabilities of the Bank:

	Accelerated/ (Decelerated) Capital Allowance RM'000	Unrealised Holding Reserves RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 July 2006	20,052	(8,247)	28,558	40,363
Recognised in the income statement	5,504	—	—	5,504
Recognised in equity	—	112,728	—	112,728
At 30 June 2007	25,556	104,481	28,558	158,595
At 1 July 2005	(4,916)	131,530	39,913	166,527
Recognised in the income statement	24,968	—	(11,355)	13,613
Recognised in equity	—	(139,777)	—	(139,777)
At 30 June 2006	20,052	(8,247)	28,558	40,363

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

	Group	
	2007 RM'000	2006 RM'000
Unutilised tax losses	59,878	42,054
Unabsorbed capital allowances	20,440	397
Loan loss and provisions and interest suspended	30,378	65,992
Others	2,109	11,237
	112,805	119,680

The unutilised tax losses and unabsorbed capital allowances are available for offset against future taxable profits of the respective subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of those items as they may not be used to offset taxable profits of other subsidiaries in the Group. They have arisen in subsidiaries that have past losses of which the deferred tax assets are recognised to the extent that future taxable profits will be available.

24. SUBORDINATED OBLIGATIONS

	Note	Group and Bank	
		2007 RM'000	2006 RM'000
USD380 million subordinated notes due in 2012	(i)	1,312,710	1,396,880
RM1,000 million subordinated Islamic bonds due in 2015	(ii)	1,000,000	1,000,000
RM1,500 million subordinated Islamic bonds due in 2018	(iii)	1,500,000	1,500,000
RM1,500 million subordinated bonds due in 2017	(iv)	1,500,000	—
USD300 million subordinated certificates due in 2017	(v)	1,031,338	—
		6,344,048	3,896,880

- (i) On 6 June 2002, the Bank issued USD380 million nominal value Subordinated Notes with a fixed coupon rate of 6.125% per annum payable semi-annually in arrears in January and July each year, subject to the revision of interest explained below and are due in July 2012. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, any time on or after the 5th year from issue date at 100% of the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the first permissible call date, then the coupon rate will be revised to an equivalent to 3.23% above the US Treasury Rate per annum from the beginning of the 6th year to the final maturity date.

On 6 July 2007, the Bank has exercised its call option and redeemed the Notes in whole.

24. SUBORDINATED OBLIGATIONS (CONT'D.)

- (ii) On 24 November 2005, the Bank issued RM1.0 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, with a profit rate of 4.48% per annum payable semi-annually in arrears in May and November each year, and are due in November 2015. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate ranging from 10 to 40 basis points from the beginning of the 6th year to the final maturity date.
- (iii) On 15 May 2006, the Bank issued RM1.5 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 12 non-callable 7 basis feature, with a profit rate of 5.0% per annum payable semi-annually in arrears in May and November each year, and are due in May 2018. Under the 12 non-callable 7 basis feature, the Bank has the option to redeem the Bonds on the 7th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to a permissible step-up profit rate ranging from 0 to 70 basis points from the beginning of the 8th year to the final maturity date.
- (iv) On 11 April 2007, the Bank issued RM1.5 billion nominal value Subordinated Bonds with a fixed coupon rate of 4.00% per annum payable semi-annually in arrears in April and October each year, subject to the revision of interest explained below and are due in 2017. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, any time on or after the 5th anniversary of the issue date and on every semi-annual date thereafter at par together with accrued interest due on the redemption date. Should the Bank decide not to exercise its call option, the holders of the Bonds is entitled to a step-up in the coupon rate of 100 basis points from the beginning of the 6th year to the final maturity date.
- (v) On 25 April 2007, MBB Sukuk, the Issuer, (a Special Purpose Vehicle ("SPV") formed solely for the purpose of participating in this transaction and issuing the subordinated certificates) issued USD300 million Subordinated Certificates with a distribution rate based on 6 months LIBOR plus a margin of 0.33% per annum payable semi-annually in arrears in April and October each year. The proceeds from the Subordinated Certificates are paid to Premier Sukuk, another SPV incorporated for this transaction, and ultimately paid to the Bank. In return, the Bank transfers the beneficial ownership of a portfolio of assets (comprising hire purchase contracts and cash) by way of an equitable assignment to Premier Sukuk and subsequently to the Issuer. The portfolio assets are managed by the Bank pursuant to a Management Agreement.

The Subordinated Certificates are due in 2017. The Issuer may, subject to the prior consent of Bank Negara Malaysia, redeem the Certificates, in whole but not in part, on the 5th anniversary of the issue date or at any semi-annual distribution payment date thereafter.

Should the Issuer decide not to exercise its call option, the Certificate holders are entitled to a step-up margin of 1.33% per annum from the beginning of the 6th year to the final maturity date.

The Certificate holders will have recourse on a subordinated basis to the Bank pursuant to the Sale and Purchase Undertaking Deeds.

All the Notes and Bonds above constitute unsecured liabilities of the Bank and are subordinated to the senior indebtedness of the Bank in accordance with the respective terms and conditions of their issues and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

25. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised:				
1 July 2006/2005	10,000,000	10,000,000	10,000,000	10,000,000
Created during the year	—	—	—	—
At 30 June 2007/2006	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid:				
At 1 July 2006/2005	3,796,947	3,721,053	3,796,947	3,721,053
Shares issued under the Maybank Group Employee Share Option Scheme	92,278	75,894	92,278	75,894
At 30 June 2007/2006	3,889,225	3,796,947	3,889,225	3,796,947

25. SHARE CAPITAL (CONT'D.)

During the year, the Bank increased its issued and paid-up capital from RM3,769,947,321 to RM3,889,224,521 via issuance of 92,277,200 new ordinary shares of RM1 each for cash, to eligible persons who exercised their options under the current Maybank Group Employee Share Option Scheme (ESOS) which commenced on 26 August 2004, for a period of 5 years.

The terms of the current ESOS includes provision for the participation of non-executive directors. The maximum number of ordinary shares of RM1 each in the Bank available under the ESOS should not exceed 15% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESOS are as follows:

- (a) The employees eligible to participate in the ESOS must be employed and on the payroll of the Bank and its subsidiaries for a continuous period of at least twenty four (24) months including service during the probation period and is confirmed in service;
- (b) The non-executive directors eligible to participate in the ESOS must have been a Non-Executive Director of the Group for a continuous period of at least twenty four (24) months;
- (c) The entitlement under the ESOS for the Executive Directors and Non-Executive Directors, including any persons connected to the directors is subject to the approval of the shareholders of the Bank in a general meeting;
- (d) The ESOS shall be in force for a period of five (5) years from its commencement and no further options under the scheme will be granted thereafter unless the shareholders of the Bank in a general meeting agree to continue with the ESOS for a further period of five (5) years with or without variations, and subject to the approvals of relevant authorities, provided that the duration of the ESOS including any extension, if any, shall not exceed a total period of ten (10) years from its commencement;
- (e) The new ordinary shares in the Bank allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all aspects with the then existing ordinary shares in the Bank, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Article of Association of the Bank relating to transfer, transmission and otherwise; and
- (f) The subscription price shall be at a discount, within the limit allowed by the relevant authorities from time to time and shall be decided by the ESOS Committee at its discretion, to the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer, but shall in no event be less than the par value of the shares.

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements, in share options during the year:

Grant Date	Number of Share Options					Outstanding at 30 June 2007/2006 '000	Exercisable at 30 June 2007/2006 '000
	Outstanding at 1 July 2006/2005 '000	Movement During the Year			Expired '000		
		Granted '000	Exercised '000	Forfeited '000			
1.9.2004	59,740	—	(45,119)	(303)	—	14,318	14,318
15.10.2004	13,092	—	(7,980)	(69)	—	5,043	5,043
30.6.2005	160	—	(10)	—	—	150	150
14.11.2005	27,635	22,600	(16,300)	(446)	—	33,489	32,206
14.11.2006	—	42,870	(22,868)	(566)	—	19,436	14,476
	100,627	65,470	(92,277)	(1,384)	—	72,436	66,193
WAEP	9.50	10.10	9.65	9.88	—	9.82	9.83
2006							
1.9.2004	119,274	—	(57,811)	(1,723)	—	59,740	26,993
15.10.2004	21,402	—	(8,135)	(175)	—	13,092	12,750
30.6.2005	—	170	(10)	—	—	160	96
14.11.2005	—	38,046	(9,938)	(473)	—	27,635	23,758
	140,676	38,216	(75,894)	(2,371)	—	100,627	63,597
WAEP	9.33	9.92	9.39	9.41	—	9.50	9.61

25. SHARE CAPITAL (CONT'D.)**(i) Details of share options outstanding at the end of the year:**

Grant Date	Exercise Price RM	Exercise Period
2007		
1.9.2004	9.23	1.9.2004 – 25.8.2009
15.10.2004	9.87	15.10.2004 – 25.8.2009
30.6.2005	10.58	6.1.2005 – 25.8.2009
14.11.2005	9.92	14.11.2005 – 25.8.2009
14.11.2006	10.19	14.11.2006 – 25.8.2009
2006		
1.9.2004	9.23	1.9.2004 – 25.8.2009
15.10.2004	9.87	15.10.2004 – 25.8.2009
30.6.2005	10.58	6.1.2005 – 25.8.2009
14.11.2005	9.92	14.11.2005 – 25.8.2009

(ii) Share options exercised during the year

As disclosed above, options exercised during the year resulted in issuance of 92,277,200 (2006: 75,894,600) ordinary shares at an average price of RM9.65 (2006: RM9.39) each. The related weighted average share price at the date of exercise was RM11.95 (2006: RM11.26).

(iii) Fair value of share options granted during the year

The fair value of share options granted during the year was estimated by an external valuer using a trinomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	2007	2006
Fair value of share options at the following grant dates (RM):		
14.11.2006	1.38	–
14.11.2005	–	1.43
Weighted average share price (RM)	11.50	11.00
Weighted average exercise price (RM)	10.19	9.92
Expected volatility (%)	14.26%	17.41%
Expected life (years)	1 – 2.8	2.3 – 3.3
Risk free rate (%)	3.63%	3.41%
Expected dividend yield (%)	5.50%	5.50%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

26. RESERVES

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-distributable:				
Share premium	2,935,570	2,137,807	2,935,570	2,137,807
Statutory reserves	3,921,988	3,973,917	3,889,770	3,871,493
Capital reserve	15,250	15,250	–	–
Unrealised holding reserves	405,588	(27,479)	283,264	(21,206)
Exchange fluctuation reserve	(83,994)	58,136	8,660	112,690
Share option reserve	61,228	3,038	61,228	3,038
	7,255,630	6,160,669	7,178,492	6,103,822
Distributable:				
Retained profits (Note 27)	8,052,801	6,911,186	6,386,121	5,451,590
Total reserves	15,308,431	13,071,855	13,564,613	11,555,412

The statutory reserves are maintained in compliance with the requirements of Bank Negara Malaysia and certain Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.

The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous years.

27. RETAINED PROFITS

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profits as at 30 June 2007.

28. OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from the businesses of banking, finance, general and life insurance (including takaful), stock broking, discount house, leasing and factoring, trustee and nominee services, asset management and venture capital but excluding all transactions between related companies.

Operating revenue of the Bank comprises gross interest income (after adding back net interest/income suspended), fee and commission income, investment income, gross dividends, income from Islamic Banking Scheme operations and other income derived from banking and finance operations.

29. INTEREST INCOME

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Loans, advances and financing				
– Interest income other than recoveries from NPL	6,809,672	5,916,142	6,522,082	5,678,384
– Recoveries from NPL	366,340	348,393	347,299	339,048
Money at call and deposit placements with financial institutions	2,014,994	1,167,792	1,854,075	1,030,994
Securities purchased under resale agreements	18,283	22,512	15,103	22,512
Securities held-for-trading	415,048	189,932	392,215	171,640
Securities available-for-sale	1,116,992	1,083,778	930,499	914,664
Securities held-to-maturity	225,075	119,832	154,212	39,088
	10,966,404	8,848,381	10,215,485	8,196,330
Amortisation of premiums less accretion of discounts	(53,029)	(59,091)	(59,152)	(58,200)
Net interest/income clawed back/suspended	(57,280)	(62,329)	(57,280)	(62,183)
	10,856,095	8,726,961	10,099,053	8,075,947

30. INTEREST EXPENSE

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits and placements of banks and other financial institutions	1,271,933	1,115,669	1,245,967	865,039
Deposits from other customers	4,186,470	2,808,991	3,757,609	2,662,654
Loans sold to Cagamas	129,434	179,714	129,434	179,714
Floating rate certificates of deposits	25,395	9,742	25,395	9,742
Subordinated notes	96,382	101,331	96,382	101,331
Subordinated bonds	12,986	30,122	12,986	30,122
Others	572	778	5,448	79
	5,723,172	4,246,347	5,273,221	3,848,681

31. NON-INTEREST INCOME

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fee income:				
Commission	669,538	503,534	662,300	532,479
Service charges and fees	592,203	521,062	551,206	454,463
Guarantee fees	93,570	84,537	92,910	84,068
Underwriting fees	12,700	3,280	4,638	696
Brokerage income	83,052	46,931	–	–
Other fee income	36,853	35,775	24,043	21,298
	1,487,916	1,195,119	1,335,097	1,093,004

31. NON-INTEREST INCOME (CONT'D.)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Investment income:				
Net loss from sale of held-for-trading securities	(4,003)	(10,069)	(25,054)	(15,989)
Net gain from sale of available-for-sale securities	272,632	245,161	203,180	177,457
Net loss from redemption of held-to-maturity securities	(269)	(30)	(238)	—
	268,360	235,062	177,888	161,468
Gross dividends from:				
Securities held-for-trading				
– Quoted in Malaysia	—	26	—	—
Securities available-for-sale				
– Quoted outside Malaysia	1,084	721	—	—
– Quoted in Malaysia	25,779	17,205	11,028	6,597
– Unquoted outside Malaysia	2,247	812	346	48
– Unquoted in Malaysia	6,674	4,988	6,674	4,823
Securities held-to-maturity				
– Unquoted in Malaysia	295	829	—	—
Subsidiaries in Malaysia	—	—	392,774	80,711
	36,079	24,581	410,822	92,179
Unrealised (loss)/gains on revaluation of securities held-for-trading and derivatives	(74,408)	284,896	(63,571)	298,107
Write back of/(Provision for) impairment losses in securities, net	28,769	(10,315)	7,128	16,348
	(45,639)	274,581	(56,443)	314,455
Other income:				
Foreign exchange profit	362,785	387,417	343,469	368,500
Net premiums written	470,485	360,470	—	—
Rental income from				
– Investment properties	2,702	—	—	—
– Other properties	15,254	16,500	14,876	15,432
Gain on disposal of property, plant and equipment	1,397	21,301	175	20,031
Gain on disposal of foreclosed properties	3,688	15,931	1,645	14,905
Gain on disposal of investment properties	384	—	—	—
Fair value adjustment on investment properties (Note 12)	9,333	—	—	—
Negative goodwill recognised	36,481	—	36,481	—
Other operating income	222,740	161,666	57,464	54,245
Other non-operating income	42,513	29,256	44,027	40,816
(Loss)/gain from disposal of associates	—	(5,901)	—	4,320
Gain from disposal of subsidiaries	456	—	82,376	—
	1,168,218	986,640	580,513	518,249
	2,914,934	2,715,983	2,447,877	2,179,355

32. OVERHEAD EXPENSES

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Personnel expenses				
– Salaries, allowances and bonuses	1,317,832	1,191,605	1,187,083	1,097,198
– Social security cost	10,506	10,342	9,793	9,766
– Pension costs – Defined contribution plan	192,070	173,930	175,004	161,782
– Share options granted under ESOS	58,190	3,038	50,527	1,984
– Other staff related expenses	180,581	174,844	151,136	149,860
Sub-total	1,759,179	1,553,759	1,573,543	1,420,590

32. OVERHEAD EXPENSES (CONT'D.)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Establishment costs				
– Depreciation of property plant and equipment (Note 16)	146,885	156,068	129,427	137,160
– Amortisation of intangible assets (Note 17)	35,638	25,654	29,182	21,508
– Rental of leasehold land and premises	65,588	62,498	58,518	59,423
– Repairs and maintenance of property, plant and equipment	68,938	71,279	60,428	61,529
– Information technology expenses	305,211	252,339	285,334	242,113
– Others	40,586	16,616	32,467	9,284
Sub-total	662,846	584,454	595,356	531,017
Marketing costs				
– Advertisement and publicity	242,610	208,164	189,981	172,571
– Others	74,161	47,615	70,079	44,561
Sub-total	316,771	255,779	260,060	217,132
Administration and general expenses				
– Fees and brokerage	361,575	278,640	335,272	271,641
– Administrative expenses	223,587	212,390	199,971	195,984
– General expenses	183,800	141,999	172,095	136,321
– Claims incurred	249,559	167,329	—	—
– Impairment of interest in associate	—	—	20,396	—
– Others	31,434	12,588	7,848	11,341
Sub-total	1,049,955	812,946	735,582	615,287
Total	3,788,751	3,206,938	3,164,541	2,784,026

Included in overhead expenses are:

Directors' fees and remuneration (Note 33)	14,052	12,384	6,840	6,520
Rental of equipment	8,823	5,487	4,420	4,050
Direct operating expenses of investment properties:				
– revenue generating	237	208	—	—
Auditors' remuneration:				
Audit fees:				
– Malaysia	2,030	2,030	1,410	1,410
– Overseas	2,380	1,896	1,834	1,431
– Other services	1,335	459	1,145	245
Property, plant and equipment written off	18,822	1,793	1,997	1,407
Impairment of property, plant and equipment (Note 16)	1,660	1,111	—	—
Write back for commitments and contingencies	—	(7,208)	—	—

33. DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors of the Bank:				
Executive directors:				
Salary and other remuneration, including meeting allowances	2,096	2,053	1,870	1,819
Bonuses	1,501	1,715	1,501	1,715
Pension cost – defined contribution plan	623	632	623	632
Share options granted under ESOS	281	108	281	108
Estimated money value of benefits-in-kind	174	195	174	195
	4,675	4,703	4,449	4,469

33. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-executive directors:				
Fees	1,996	1,841	1,234	1,262
Pension cost – defined contribution plan	59	59	59	59
Share options granted under ESOS	638	246	638	246
Other remuneration	901	893	634	679
Estimated money value of benefits-in-kind	47	54	47	54
	3,641	3,093	2,612	2,300

Directors of the Subsidiaries:

Executive directors:				
Salary and other remuneration, including meeting allowance	2,665	2,528	–	–
Bonuses	1,069	762	–	–
Pension cost – defined contribution plan	449	344	–	–
Share options granted under ESOS	62	8	–	–
Estimated money value of benefits-in-kind	220	412	–	–
	4,465	4,054	–	–

Non-executive directors:				
Fees	811	708	–	–
Share options granted under ESOS	665	177	–	–
Other remuneration	236	310	–	–
	1,712	1,195	–	–

Total	14,493	13,045	7,061	6,769
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Total (excluding benefits-in-kind)	14,052	12,384	6,840	6,520
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The remuneration attributable to the President/Chief Executive Officer of the Bank including benefits-in-kind during the year amounted to RM2,709,321 (2006: RM2,116,472).

The total directors' fees and remuneration of the Group above has excluded the amount of RM583,559 (2006: RM681,073) which was been allocated to the life, general takaful and family takaful funds.

	Group	
	2007	2006
Number of directors of the Bank whose remuneration falls into the following bands:		
Number of executive directors:		
RM2,700,000 to RM2,750,000	1	–
RM2,100,001 to RM2,150,000	–	1
RM1,300,001 to RM1,350,000	1	1
RM1,100,001 to RM1,150,000	–	1
	2	3
Number of non-executive directors:		
RM650,001 to RM700,000	1	1
RM350,001 to RM400,000	1	–
RM300,001 to RM350,000	3	1
RM250,001 to RM300,000	2	4
RM200,001 to RM250,000	2	2
RM150,001 TO RM200,000	–	1
	9	9
	11	12

34. ALLOWANCES FOR LOSSES ON LOAN, ADVANCES AND FINANCING

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Allowance for bad and doubtful debts and financing:				
– Specific:				
Made in the year	1,733,021	2,203,167	1,687,783	2,121,737
Written back	(584,810)	(640,065)	(569,397)	(557,170)
Net	1,148,211	1,563,102	1,118,386	1,564,567
– General	319,251	(407,167)	343,381	(345,278)
Bad debts and financing:				
– Written off	18,411	8,190	18,364	3,110
– Recovered*	(733,081)	(283,657)	(677,026)	(275,601)
	752,792	880,468	803,105	946,798
Written back on recoveries of amounts receivable from Danaharta	(99)	(1,166)	–	–
(Write back)/provision for other debts	(6,351)	4,103	–	–
	746,342	883,405	803,105	946,798

* Included in current year's bad debt and financing recovered is an amount of RM257,733,000 relating to gain on sale of non-performing loans as disclosed in Note 48(f).

35. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The Bank's significant transactions and balances with related parties are as follows:

	Bank	
	2007 RM'000	2006 RM'000
Transactions with subsidiaries and associates:		
Income:		
Interest on deposits	62,543	79,752
Interest on loans and advances	–	13,455
Dividend income	805,709	80,711
Rental of premises	2,682	2,572
Other income	66,227	67,703
	937,161	244,193
Expenditure:		
Interest on deposits	113,372	90,144
Other expenses	23,079	24,872
	136,451	115,016

Other transactions:		
Acquisition of unquoted private debt securities with face value of RM2,970,000,000 (2006: RM1,377,413,000) from Aseambankers Malaysia Berhad	2,974,391	1,375,000
Acquisition of loans and advances and securities from Aseambankers Malaysia Berhad pursuant to Investment Bank Rationalisation Programme (Note 48(a))	300,488	–

Included in the balance sheet of the Bank are amounts due from/(to) subsidiaries and an associate represented by the following:

	Bank	
	2007 RM'000	2006 RM'000
Amounts due from subsidiaries:		
Current accounts and deposits	1,808,770	1,166,582
Negotiable Instruments Deposits	650,000	700,000
Interest and other receivable on deposits	132,647	120,971
	2,591,417	1,987,553
Amounts due to subsidiaries:		
Current accounts and deposits	3,757,547	2,660,127
Negotiable Instruments Deposits	489,088	23,707
Private Debt Securities	55,050	34,048
Other trading liabilities	–	316,589
Interest payable on deposits	7,958	9,258
Deposits and other creditors	1,843,463	1,247,858
	6,153,106	4,291,587
Deposits by an associate	–	15,750

36. TAXATION AND ZAKAT

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysian income tax	1,133,932	1,167,927	1,125,198	1,085,534
Foreign tax	93,352	95,770	89,408	88,241
Less: Double taxation relief	(78,381)	(80,391)	(77,651)	(79,704)
	1,148,903	1,183,306	1,136,955	1,094,071
(Over)/under provision in respect of prior years:				
Malaysian income tax	(113,389)	12,131	(85,926)	—
	1,035,514	1,195,437	1,051,029	1,094,071
Deferred tax (Note 23):				
Relating to originating and reversal of temporary differences (net)	37,176	(74,763)	16,288	(81,035)
Relating to changes in tax rates	37,555	—	36,721	—
(Over)/under provision in prior years	(3,027)	31,172	(7,215)	30,782
	71,704	(43,591)	45,794	(50,253)
Tax expense for the year	1,107,218	1,151,846	1,096,823	1,043,818
Zakat	3,609	1,635	3,563	1,500
	1,110,827	1,153,481	1,100,386	1,045,318

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2007 RM'000	2006 RM'000
Group		
Profit before taxation	4,363,698	3,988,065
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	1,178,198	1,116,658
Different tax rates in other countries	14,971	15,379
Effect of changes in tax rates on opening balance of deferred tax	37,555	—
Income not subject to tax	(55,553)	(61,430)
Expenses not deductible for tax purposes	49,843	28,751
Utilisation of previously unrecognised tax losses and capital allowances	(2,231)	(691)
Deferred tax assets not recognised during the year	851	9,876
(Over)/under provision in deferred tax in prior years	(3,027)	31,172
(Over)/under provision in prior years	(113,389)	12,131
Tax expense for the year	1,107,218	1,151,846
Bank		
Profit before taxation	4,151,847	3,535,390
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	1,120,999	989,909
Different tax rates in other countries	11,757	8,537
Effect of changes in tax rates on opening balance of deferred tax	36,721	—
Income not subject to tax	(34,062)	(8,131)
Expenses not deductible for tax purposes	54,549	22,721
(Over)/under provision in deferred tax in prior years	(7,215)	30,782
Over provision in tax expense in prior years	(85,926)	—
Tax expense for the year	1,096,823	1,043,818
	Group	
	2007 RM'000	2006 RM'000
Tax savings recognised during the year arising from:		
Utilisation of previously unrecognised tax losses	—	12,366
Utilisation of current year absorbed capital allowance	307	3,922
Utilisation of unabsorbed capital allowances previously not recognised	20,546	706

37. EARNINGS PER SHARE (EPS)

(a) Basic

The basic and diluted EPS of the Group and the Bank are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2007	2006	2007	2006
Profit for the year attributable to equity holders of the Bank (RM'000)	3,178,372	2,772,418	3,051,461	2,490,072
Weighted average number of ordinary shares in issue ('000)	3,848,639	3,768,213	3,848,639	3,768,213
Basic EPS (sen)	82.6	73.6	79.3	66.1

(b) Diluted

The diluted EPS of the Group is calculated by dividing the net profit for the financial year by the weighted-average number of ordinary shares in issue, which has been adjusted for the number of shares that could have been issued under the ESOS.

In the diluted EPS calculation, it was assumed that the share options were exercised into ordinary shares. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average price of the Bank's shares during the financial year) based on the monetary value of the subscription rights attached to the outstanding share options. This calculation serves to determine the number of dilutive shares to be added to the weighted-average ordinary shares in issue for the purpose of computing the dilution. No adjustment was made to the net profit for the financial year.

	Group		Bank	
	2007	2006	2007	2006
Profit for the year attributable to equity holders of the Bank (RM'000)	3,178,372	2,772,418	3,051,461	2,490,072
Weighted average number of ordinary shares in issue ('000)	3,848,639	3,768,213	3,848,639	3,768,213
Effect of dilution:				
Assumed share options exercised	8,240	14,607	8,240	14,607
Adjusted weighted-average number of ordinary shares in issue and issuable	3,856,879	3,782,820	3,856,879	3,782,820
Fully diluted EPS (sen)	82.4	73.3	79.1	65.8

38. DIVIDENDS

	Group and Bank		Net dividend per Share	
	2007 RM'000	2006 RM'000	2007 Sen	2006 Sen
Interim dividend of 40% (2006: 50%) less 27% (2006: 28%) taxation	1,134,267	1,361,265	29.2	36.0
Final dividend of 35% less 28% taxation in respect of the year ended 30 June 2006	964,663	—	25.2	—
Final dividend of 25% less 28% taxation and special dividend of 35% less 28% taxation in respect of the year ended 30 June 2005	—	1,622,462	—	43.2
	2,098,930	2,983,727	54.4	79.2

38. DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2007 of 40% less 27% taxation on 3,889,224,521 ordinary shares, amounting to a net dividend payable of RM1,135,653,560 (29.20 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2008.

39. COMMITMENTS AND CONTINGENCIES

- (a) In the normal course of business, the Bank and its subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank and its subsidiaries as at 30 June, are as follows:

Group	2007			2006		
	Notional Amount	Credit Equivalent Amount*	Risk Weighted Amount*	Notional Amount	Credit Equivalent Amount*	Risk Weighted Amount*
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	5,171,650	5,171,650	4,736,389	5,719,998	5,719,998	5,397,695
Certain transaction-related contingent items	7,213,591	3,606,795	3,273,307	6,367,217	3,183,608	3,128,665
Short-term self-liquidating trade-related contingencies	6,562,586	1,312,517	614,099	7,707,012	1,541,403	843,044
Islamic housing and hire purchase loans sold to Cagamas Berhad	1,196,143	1,196,143	991,686	1,575,756	1,575,756	1,351,664
Obligations under underwriting agreements	1,166,613	583,307	583,307	742,550	371,275	371,275
Irrevocable commitments to extend credit:						
– maturity within one year	60,228,585	–	–	49,755,601	–	–
– maturity exceeding one year	9,887,353	4,943,676	4,715,569	5,984,817	2,992,409	1,803,568
Foreign exchange related contracts:						
– less than one year	50,797,825	525,756	180,914	26,879,050	249,199	129,920
– one year to less than five years	757,997	7,845	2,699	59,036	492	257
Interest rate related contracts:						
– less than one year	23,812,539	863,091	214,301	13,096,416	141,387	40,039
– one year to less than five years	2,182,786	79,116	19,645	8,519,746	363,913	102,824
– five years and above	3,587,527	130,030	32,287	1,709,211	137,204	38,180
Miscellaneous	2,827,255	–	–	2,267,033	–	–
	175,392,450	18,419,926	15,364,203	130,383,443	16,276,644	13,207,131
Bank						
Direct credit substitutes	4,470,302	4,470,302	4,035,043	4,862,567	4,862,567	4,694,976
Certain transaction-related contingent items	7,144,082	3,572,041	3,242,020	6,343,749	3,171,874	3,115,506
Short-term self-liquidating trade-related contingencies	6,495,940	1,299,188	606,916	7,677,606	1,535,521	842,675
Islamic housing and hire purchase loans sold to Cagamas Berhad	1,196,143	1,196,143	991,686	1,575,756	1,575,756	1,351,664
Obligations under underwriting agreements	286,822	143,411	143,411	273,550	136,775	136,775
Irrevocable commitments to extend credit:						
– maturity within one year	59,698,675	–	–	49,703,408	–	–
– maturity exceeding one year	9,299,580	4,649,790	4,555,080	5,933,909	2,966,955	1,778,112
Foreign exchange related contracts:						
– less than one year	50,797,825	525,756	180,914	26,718,442	247,240	128,939
– one year to less than five years	757,997	7,845	2,699	59,036	492	257
Interest rate related contracts:						
– less than one year	23,371,524	847,098	206,638	12,900,804	136,741	37,566
– one year to less than five years	2,142,360	77,650	18,942	8,303,651	359,383	98,730
– five years and above	3,521,085	127,621	31,132	1,688,163	136,152	37,404
Miscellaneous	2,774,807	–	–	2,255,475	–	–
	171,957,142	16,916,845	14,014,481	128,296,116	15,129,456	12,222,604

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factors and risk weights, respectively as specified by Bank Negara Malaysia.

39. COMMITMENTS AND CONTINGENCIES (CONT'D.)

The Bank is contingently liable in respect of Islamic housing and hire purchase loans sold to Cagamas Berhad on the condition that they undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria.

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. Principal amounts of the foreign exchange related contracts and interest rate related contracts are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Foreign exchange related contracts:				
– Forward contracts	15,248,297	7,675,369	15,248,297	7,675,369
– Swaps	35,436,563	19,151,437	35,436,563	18,990,829
– Options	870,962	111,280	870,962	111,280
Interest rate related contracts:				
– Futures contracts	1,000	–	1,000	–
– Swaps	29,581,852	23,325,373	29,033,969	22,892,618
	81,138,674	50,263,459	80,590,791	49,670,096

Market risk

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

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

As at 30 June, the amounts of market risk and credit risk are as follows:

	Group and Bank	
	2007 RM'000	2006 RM'000
Market risk:		
Amount of contracts which were not hedged and hence, exposed to market risk	135,910	68,784
Credit risk:		
Amount of credit risk, measured in terms of cost to replace the profitable contracts	159,053	160,564

(b) Contingent liability

- (i) In 2005, a subsidiary, Mayban Trustee Berhad ("MTB") and eleven other defendants were served with a writ of summons by ten bondholders for an amount of approximately RM157.8 million. MTB was alleged to have acted in breach of trust and negligence in its capacity as Trustee for the bonds issued. The legal suit is pending court hearing and the liability amount, if any, is subject to the court's decision.

During the financial year, MTB had proceeded to file a counter-claim on a full indemnity basis against one of the bondholders and two of the other defendants to the suit.

The contingent liability is covered by an existing Banker Blanket Bond Policy between the Bank and a subsidiary, Mayban General Assurance Berhad ("MGAB"), which had entered into a facultative reinsurance contract for an insured sum of RM150 million with three other re-insurers.

No provision is made in the Group's financial statements.

- (ii) In 2004, Takaful Nasional Sdn. Berhad ("TNSB"), now a subsidiary of Maybank, commenced a civil suit against a borrower ("the 1st Defendant") and three guarantors, for the sum of approximately RM25.8 million, following the recall of the relevant facility which was preceded by the 1st Defendant's failure to pay monthly instalments.

The 1st Defendant counter-claimed for loss and damage amounting to approximately RM284 million as a result of TNSB's failure to release the balance of the facility of RM7.5 million. It is alleged that the 1st Defendant was unable to carry on its project and therefore suffered loss and damage. TNSB are proceeding with their claim and are resisting the 1st Defendant's counter-claim.

TNSB are of the view that they have a good chance of succeeding in the action and in securing a dismissal of the 1st Defendant's counterclaim.

40. FINANCIAL RISK MANAGEMENT POLICIES

Risk Management is a critical pillar of the Group's operating model, complementing the other two pillars, which are customer sector and support and services sector. As part of the Group's strategy to integrate the management and control of risks across the various risk segments, a dedicated Board committee known as the Risk Management Committee was established. The Committee is responsible for formulating policies and the oversight of the key risks faced by the Group including credit, market, liquidity and operational risks with the objective of containing the negative impact to the Group's earnings should losses arise from exposures to these risks.

The broad principles that underpin the risk management process at the Group are as follows:

- (a) The risk management approach is premised on three lines of defence – Risk Taking Units, Risk Control Units which are under Group Risk Management, and Internal Audit.
- (b) The Risk Taking Units are responsible for the day-to-day management of risks inherent in their business activities while the Risk Control Units are responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is Internal Audit which provides independent assurance of the effectiveness of the risk management approach.
- (c) Group Risk Management provides risk oversight for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks.
- (d) Group Risk Management ensures that core policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.
- (e) Group Risk Management is functionally and organisationally independent of the customer sectors and other risk takers in the Group.
- (f) The Board of Directors through the Risk Management Committee maintains overall responsibility for risk oversight within the Group.
- (g) Group Risk Management is responsible for the execution of various risk policies and related decisions of the Board.

The followings are the key risk areas that the Group encounters:

(a) Credit Risk Management

In discharging this responsibility, Group Credit Risk Unit is primarily involved in managing and enhancing asset quality, formulating and reviewing credit policies as well as the documentation/compilation of credit policies and procedures for adherence. Group Credit Risk also sets and reviews concentration limits according to various categories such as single customer groups, economic segments, product types, banks and countries, and overseas credit portfolio risk.

(b) Market Risk Management

Group Market Risk Unit continually evaluates risk arising from adverse movements in market prices or rates and monitors compliance to approved policies and risk limits. Market risk profiles are regularly reported to the various levels of management, as well as the Risk Management Committee and the Board of Directors.

Market risk controls adopted include the "Value-at-Risk" ("VaR") measurement, independent mark-to-market valuations, on-line tracking of various risk limits for trading positions, stress testing of portfolios, back testing of risk models and new product introduction guidelines.

(c) Liquidity Risk Management

The primary mechanism and tool for monitoring liquidity is the cash flow behaviour of the Bank. This framework ascertains liquidity based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of eligible liquid assets.

The Group maintains a minimum level of liquid assets although there is no such regulatory requirement. These assets are maintained in the form of cash and marketable debt securities that are issued by both sovereigns and triple-A rate private entities.

(d) Operational Risk Management

The Risk Taking Units (including the support units) are primary parties responsible for the management of day-to-day operational risk inherent in their respective business and functional areas. While Group Operational Risk Unit is responsible for the second line of defence, Group Internal Audit acts as the third line of defence by overseeing compliance in respect of day-to-day management of operational risks at the Risk Taking Units and providing independent assessments regarding the overall effectiveness of the operational risk management framework.

Further information on the framework and the principles for the management of risks of the Group are disclosed in the annual report.

41. INTEREST RATE RISK

The Group and Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee ("ALCO") to protect total net interest income from changes in market interest rates.

The table below summarises the Group's and Bank's exposure to interest rate risk. The table indicates effective average interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group	Up to 1	>1 - 3	>3 - 12	>1 - 5	Over 5	Non-interest	Trading	Total	Effective
2007	month	months	months	years	years	sensitive	books	RM'000	interest
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate
Assets									%
Cash and short-term funds	32,184,637	—	—	—	—	5,289,928	122,857	37,597,422	4.66
Deposits and placements with banks and other financial institutions	75,802	9,934,437	6,900,360	10,000	5,000	418,897	3,925	17,348,421	4.77
Securities purchased under resale agreements	173,351	85,421	—	—	—	—	—	258,772	3.20
Securities held-for-trading	—	—	—	—	—	—	2,032,634	2,032,634	4.43
Securities available-for-sale	—	—	—	—	—	—	29,124,704	29,124,704	4.32
Securities held-to-maturity	275,534	109,462	988,426	715,724	401,429	43,817	—	2,534,392	4.29
Loans, advances and financing									
— Performing	57,832,642	10,674,373	8,770,062	24,399,903	24,939,881	12,622,195	—	139,239,056	6.62
— Non-performing*	—	—	—	—	—	1,625,680	—	1,625,680	—
Derivative assets	—	—	—	—	—	—	394,870	394,870	—
Other assets	—	—	—	—	—	3,257,377	—	3,257,377	—
Other non-interest sensitive balances	—	—	—	—	—	8,216,089	—	8,216,089	—
Life, general takaful and family takaful fund assets	—	—	—	—	—	15,037,859	—	15,037,859	—
Total Assets	90,541,966	20,803,693	16,658,848	25,125,627	25,346,310	46,511,842	31,678,990	256,667,276	

41. INTEREST RATE RISK (CONTD.)

Group 2007 (Cont'd.)	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 books RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity									
Deposits from customers	53,845,268	18,489,984	34,003,949	38,824,910	184,646	18,328,005	—	163,676,762	2.14
Deposits and placements of banks and other financial institutions	14,316,670	7,891,224	2,425,445	1,496,682	457,273	2,947,396	—	29,534,690	3.93
Obligations on securities sold under repurchase agreements	9,572,963	152,690	231,412	—	—	—	—	9,957,065	3.12
Bills and acceptances payable	236,919	698,265	278,898	—	—	1,715,988	—	2,930,070	3.56
Recourse obligation on loans sold to Cagamas	182,105	54,248	591,781	1,627,628	—	—	—	2,455,762	4.09
Derivatives liabilities	—	—	—	—	—	—	656,705	656,705	—
Subordinated obligations	—	—	—	—	6,344,048	—	—	6,344,048	4.77
Other liabilities	—	—	—	—	—	5,089,567	—	5,089,567	—
Other non-interest sensitive balances	—	—	—	—	—	1,116,600	—	1,116,600	—
Life, general takaful and family takaful fund liabilities	—	—	—	—	—	1,194,914	—	1,194,914	—
Life, general takaful and family takaful policy holders' funds	—	—	—	—	—	13,842,945	—	13,842,945	—
Total Liabilities	78,153,925	27,286,411	37,531,485	41,949,220	6,985,967	44,235,415	656,705	236,799,128	
Shareholders' equity	—	—	—	—	—	19,197,656	—	19,197,656	—
Minority interests	—	—	—	—	—	670,492	—	670,492	—
	—	—	—	—	—	19,868,148	—	19,868,148	
Total Liabilities and Shareholders' Equity	78,153,925	27,286,411	37,531,485	41,949,220	6,985,967	64,103,563	656,705	256,667,276	
On-balance sheet interest sensitivity gap	12,388,041	(6,482,718)	(20,872,637)	(16,823,593)	18,360,343	(17,591,721)	31,022,285	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	(2,408,732)	2,520,569	1,628,139	(446,677)	(1,293,299)	—	—	—	
Total interest sensitivity gap	9,979,309	(3,962,149)	(19,244,498)	(17,270,270)	17,067,044	(17,591,721)	31,022,285	—	
Cumulative interest rate sensitivity gap	9,979,309	6,017,160	(13,227,338)	(30,497,608)	(13,430,564)	(31,022,285)	—	—	
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 books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	25,549,788	—	—	—	—	6,485,607	—	32,035,395	4.22
Deposits and placements with banks and other financial institutions	950,805	1,674,904	1,009,897	63,311	—	352,492	—	4,051,409	4.75
Securities purchased under resale agreements	1,004,367	499,590	—	—	—	—	—	1,503,957	3.72
Securities held-for-trading	—	—	—	—	—	—	477,699	477,699	3.90
Securities available-for-sale	—	—	—	—	—	—	27,395,434	27,395,434	4.50
Securities held-to-maturity	505,649	1,206,571	1,522,903	1,547,495	1,015,640	—	—	5,798,258	3.68
Loans, advances and financing									
— Performing	44,891,024	18,802,228	11,021,215	16,913,687	18,279,148	18,759,786	—	128,667,088	6.40
— Non-performing*	—	—	—	—	—	2,786,566	—	2,786,566	—
Derivative assets	—	—	—	—	—	—	343,367	343,367	—
Other assets	—	—	—	—	—	2,765,564	—	2,765,564	—
Other non-interest sensitive balances	—	—	—	—	—	6,338,434	—	6,338,434	—
Life, general takaful and family takaful fund assets	—	—	—	—	—	12,120,688	—	12,120,688	—
Total Assets	72,901,633	22,183,293	13,554,015	18,524,493	19,294,788	49,609,137	28,216,500	224,283,859	
Liabilities and Shareholders' Equity									
Deposits from customers	51,213,570	12,695,799	23,813,415	33,842,714	15,992	14,696,880	—	136,278,170	2.25
Deposits and placements of banks and other financial institutions	16,310,509	5,203,985	1,566,087	1,729,072	659,104	3,238,818	—	28,707,575	3.68
Obligations on securities sold under repurchase agreements	9,825,474	2,203,376	247,288	—	—	—	—	12,276,138	3.39
Bills and acceptances payable	643,126	980,409	366,906	—	—	2,827,775	—	4,818,216	3.67
Recourse obligation on loans sold to Cagamas	—	22,936	712,593	2,981,133	10,796	—	—	3,727,458	4.15
Derivatives liabilities	—	—	—	—	—	—	233,408	233,408	—
Subordinated obligations	—	—	—	—	3,896,880	—	—	3,896,880	5.27
Other liabilities	—	—	—	—	—	3,631,800	—	3,631,800	—
Other non-interest sensitive balances	—	—	—	—	—	1,116,249	—	1,116,249	—
Life, general takaful and family takaful fund liabilities	—	—	—	—	—	684,536	—	684,536	—
Life, general takaful and family takaful policy holders' funds	—	—	—	—	—	11,436,152	—	11,436,152	—
Total Liabilities	77,992,679	21,106,505	26,706,289	38,552,919	4,582,772	37,632,210	233,408	206,806,582	
Shareholders' equity	—	—	—	—	—	16,868,802	—	16,868,802	—
Minority interests	—	—	—	—	—	608,475	—	608,475	—
	—	—	—	—	—	17,477,277	—	17,477,277	
Total Liabilities and Shareholders' Equity	77,992,679	21,106,505	26,706,289	38,552,919	4,582,772	55,109,287	233,408	224,283,859	

41. INTEREST RATE RISK (CONTD.)

Group 2006 (Cont'd.)	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 books RM'000	Total RM'000	Effective interest rate %
On-balance sheet interest sensitivity gap	(5,091,046)	1,076,788	(13,152,274)	(20,028,426)	14,712,016	(5,500,150)	27,983,092	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	799,135	(328,505)	(161,651)	(338,979)	30,000	—	—	—	
Total interest sensitivity gap	(4,291,911)	748,283	(13,313,925)	(20,367,405)	14,742,016	(5,500,150)	27,983,092	—	
Cumulative interest rate sensitivity gap	(4,291,911)	(3,543,628)	(16,857,553)	(37,224,958)	(22,482,942)	(27,983,092)	—		

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

Bank 2007	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 books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	29,117,254	—	—	—	—	5,083,655	—	34,200,909	4.58
Deposits and placements with banks and other financial institutions	31,823	8,664,258	6,468,752	—	—	396,081	—	15,560,914	4.84
Securities purchased under resale agreements	173,351	85,421	—	—	—	—	—	258,772	3.20
Securities held-for-trading	—	—	—	—	—	—	1,447,227	1,447,227	4.20
Securities available-for-sale	—	—	—	—	—	—	25,213,654	25,213,654	3.95
Securities held-to-maturity	—	91,003	1,126,672	357,147	363,869	25,373	—	1,964,064	4.45
Loans, advances and financing									
— Performing	56,346,011	8,711,918	7,810,960	24,123,624	24,766,171	12,719,773	—	134,478,457	6.60
— Non-performing*	—	—	—	—	—	1,745,041	—	1,745,041	—
Derivative assets	—	—	—	—	—	—	390,406	390,406	—
Other assets	—	—	—	—	—	1,833,414	—	1,833,414	—
Other non-interest sensitive balances	—	—	—	—	—	10,354,382	—	10,354,382	—
Total Assets	85,668,439	17,552,600	15,406,384	24,480,771	25,130,040	32,157,719	27,051,287	227,447,240	
Liabilities and Shareholders' Equity									
Deposits from customer	43,631,730	15,989,458	33,013,878	38,716,551	16,300	18,208,138	—	149,576,055	1.95
Deposits and placements of banks and other financial institutions	17,470,601	7,890,985	2,424,881	1,491,886	457,273	2,947,394	—	32,683,020	3.91
Obligations on securities sold under repurchase agreements	10,106,302	152,239	231,314	—	—	—	—	10,489,855	3.12
Bills and acceptances payable	236,919	698,265	278,898	—	—	1,708,006	—	2,922,088	3.56
Recourse obligation on loans sold to Cagamas	182,105	54,248	591,781	1,627,628	—	—	—	2,455,762	4.09
Derivatives liabilities	—	—	—	—	—	—	644,860	644,860	—
Subordinate obligations	—	—	—	—	6,344,048	—	—	6,344,048	4.77
Other liabilities	—	—	—	—	—	3,896,973	—	3,896,973	—
Other non-interest sensitive balances	—	—	—	—	—	980,741	—	980,741	—
Total Liabilities	71,627,657	24,785,195	36,540,752	41,836,065	6,817,621	27,741,252	644,860	209,993,402	
Shareholders' equity	—	—	—	—	—	17,453,838	—	17,453,838	
Total Liabilities and Shareholders' Equity	71,627,657	24,785,195	36,540,752	41,836,065	6,817,621	45,195,090	644,860	227,447,240	
On-balance sheet interest sensitivity gap	14,040,782	(7,232,595)	(21,134,368)	(17,355,294)	18,312,419	(13,037,371)	26,406,427	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	(2,597,074)	2,464,903	1,623,289	(228,771)	(1,262,347)	—	—	—	
Total interest sensitivity gap	11,443,708	(4,767,692)	(19,511,079)	(17,584,065)	17,050,072	(13,037,371)	26,406,427	—	
Cumulative interest rate sensitivity gap	11,443,708	6,676,016	(12,835,063)	(30,419,128)	(13,369,056)	(26,406,427)	—		

Bank 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 books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	20,816,434	—	—	—	—	6,726,018	—	27,542,452	4.27
Deposits and placements with banks and other financial institutions	409,801	1,076,617	1,084,195	58,826	—	381,391	—	3,010,830	5.02
Securities purchased under resale agreements	1,004,367	499,590	—	—	—	—	—	1,503,957	3.72
Securities held-for-trading	—	—	—	—	—	—	476,976	476,976	3.89
Securities available-for-sale	—	—	—	—	—	—	23,093,904	23,093,904	4.38
Securities held-to-maturity	10,705	368,238	1,028,329	1,222,043	639,552	—	—	3,268,867	3.64
Loans, advances and financing									
— Performing	45,873,867	17,877,272	10,341,792	16,604,479	18,190,628	16,267,093	—	125,155,131	6.42
— Non-performing*	—	—	—	—	—	2,693,264	—	2,693,264	—
Derivative assets	—	—	—	—	—	—	343,367	343,367	—
Other assets	—	—	—	—	—	1,486,306	—	1,486,306	—
Other non-interest sensitive balances	—	—	—	—	—	8,560,217	—	8,560,217	—
Total Assets	68,115,174	19,821,717	12,454,316	17,885,348	18,830,180	36,114,289	23,914,247	197,135,271	

41. INTEREST RATE RISK (CONTD.)

Bank 2006 (Cont'd.)	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 books RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity									
Deposits from customer	40,485,352	11,888,849	24,032,612	33,692,987	16,300	15,021,336	—	125,137,436	2.09
Deposits and placements of banks and other financial institutions	15,446,567	5,296,512	1,563,282	1,761,232	671,363	3,298,906	—	28,037,862	3.66
Obligations on securities sold under repurchase agreements	8,766,994	2,203,003	247,288	—	—	—	—	11,217,285	3.39
Bills and acceptances payable	687,490	1,041,326	395,412	—	—	3,044,316	—	5,168,544	3.67
Recourse obligation on loans sold to Cagamas	—	22,936	712,593	2,981,133	10,796	—	—	3,727,458	4.15
Derivatives liabilities	—	—	—	—	—	—	234,560	234,560	—
Subordinate obligations	—	—	—	—	3,896,880	—	—	3,896,880	5.27
Other liabilities	—	—	—	—	—	3,328,577	—	3,328,577	—
Other non-interest sensitive balances	—	—	—	—	—	1,034,310	—	1,034,310	—
Total Liabilities	65,386,403	20,452,626	26,951,187	38,435,352	4,595,339	25,727,445	234,560	181,782,912	
Shareholders' equity	—	—	—	—	—	15,352,359	—	15,352,359	—
Total Liabilities and Shareholders' Equity	65,386,403	20,452,626	26,951,187	38,435,352	4,595,339	41,079,804	234,560	197,135,271	
On-balance sheet interest sensitivity gap	2,728,771	(630,909)	(14,496,871)	(20,550,004)	14,234,841	(4,965,515)	23,679,687	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	799,135	(328,505)	(161,651)	(338,979)	30,000	—	—	—	
Total interest sensitivity gap	3,527,906	(959,414)	(14,658,522)	(20,888,983)	14,264,841	(4,965,515)	23,679,687	—	
Cumulative interest rate sensitivity gap	3,527,906	2,568,492	(12,090,030)	(32,979,013)	(18,714,172)	(23,679,687)	—		

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

42. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO

The Group and Bank are exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in interest rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the Asset and Liability Management Committee ("ALCO") to protect the income from IBS operations.

The table below summarises the Group's and Bank's exposure to yield/profit rate risk for the IBS operations. The table indicates effective average yield/profit rates at the balance sheet date and the periods in which the financial instruments either reprice or mature, whichever is earlier.

Group 2007	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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/ profit rate %
Assets									
Cash and short-term funds	299,767	—	—	—	—	1,614,108	—	1,913,875	3.44
Deposits and placements with banks and other financial institutions	3,449	51,725	17,242	—	—	1,120	—	73,536	5.32
Securities available-for-sale	86,431	27,625	38,015	—	—	—	3,583,815	3,735,886	3.72
Loans and financing									
— Performing	1,927,047	376,487	287,635	820,313	12,528,732	1,899,495	—	17,839,709	6.89
— Non-performing*	—	—	—	—	—	105,370	—	105,370	—
Other assets	—	—	—	—	—	91,696	—	91,696	—
Other non-yield/profit sensitive balances	—	—	—	—	—	693,303	—	693,303	—
Total Assets	2,316,694	455,837	342,892	820,313	12,528,732	4,405,092	3,583,815	24,453,375	
Liabilities and Islamic Banking Fund									
Deposits from customers	5,484,402	1,010,034	3,394,499	1,363,459	238,486	4,761,165	—	16,252,045	3.06
Deposits and placements of banks and other financial institutions	1,116,403	935,804	2,026	74,320	119,201	30,268	—	2,278,022	4.12
Bills and acceptances payable	151,598	212,147	162,044	—	—	1,085	—	526,874	3.41
Subordinated obligations	—	—	—	—	2,500,000	—	—	2,500,000	4.13
Other liabilities	—	—	—	—	—	694,934	—	694,934	—
Other non-yield/profit sensitive balances	—	—	—	—	—	237,754	—	237,754	—
Total Liabilities	6,752,403	2,157,985	3,558,569	1,437,779	2,857,687	5,725,206	—	22,489,629	
Islamic banking fund	—	—	—	—	—	1,963,746	—	1,963,746	
Total Liabilities and Islamic Banking Fund	6,752,403	2,157,985	3,558,569	1,437,779	2,857,687	7,688,952	—	24,453,375	
On-balance sheet yield/profit rate sensitivity gap	(4,435,709)	(1,702,148)	(3,215,677)	(617,466)	9,671,045	(3,283,860)	3,583,815	—	
Cumulative yield/profit rate sensitivity gap	(4,435,709)	(6,137,857)	(9,353,534)	(9,971,000)	(299,955)	(3,583,815)	—		

42. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/ profit rate %
Assets									
Cash and short-term funds	1,154,653	—	—	—	—	2,120,226	—	3,274,879	3.69
Deposits and placements with banks and other financial institutions	—	340,000	—	—	—	69	—	340,069	3.84
Securities available-for-sale	—	—	—	—	—	—	2,418,341	2,418,341	4.48
Securities held-to-maturity	9,697	9,661	202,457	2,916	—	—	—	224,731	4.19
Loans and financing									
– Performing	3,438,883	1,924,457	874,993	510,086	9,579,845	—	—	16,328,264	7.08
– Non-performing*	—	—	—	—	—	349,090	—	349,090	—
Other assets	—	—	—	—	—	54,120	—	54,120	—
Other non-yield/profit sensitive balances	—	—	—	—	—	647,177	—	647,177	—
Total Assets	4,603,233	2,274,118	1,077,450	513,002	9,579,845	3,170,682	2,418,341	23,636,671	
Liabilities and Islamic Banking Fund									
Deposits from customers	5,937,811	1,240,097	1,807,696	302,866	239,689	4,065,499	—	13,593,658	2.94
Deposits and placements of banks and other financial institutions	1,155,517	190,000	—	42,633	135,072	—	—	1,523,222	3.46
Bills and acceptances payable	922,545	1,087,577	202,564	—	—	658	—	2,213,344	3.72
Subordinated obligations	—	—	—	—	2,500,000	—	—	2,500,000	4.79
Other liabilities	—	—	—	—	—	1,732,792	—	1,732,792	—
Other non-yield/profit sensitive balances	—	—	—	—	—	171,671	—	171,671	—
Total Liabilities	8,015,873	2,517,674	2,010,260	345,499	2,874,761	5,970,620	—	21,734,687	
Islamic banking fund	—	—	—	—	—	1,901,984	—	1,901,984	—
Total Liabilities and Islamic Banking Fund	8,015,873	2,517,674	2,010,260	345,499	2,874,761	7,872,604	—	23,636,671	
On-balance sheet yield/ profit rate sensitivity gap	(3,412,640)	(243,556)	(932,810)	167,503	6,705,084	(4,701,922)	2,418,341	—	
Cumulative yield/profit rate sensitivity gap	(3,412,640)	(3,656,196)	(4,589,006)	(4,421,503)	2,283,581	(2,418,341)	—	—	
* This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.									
Bank 2007	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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/ profit rate %
Assets									
Cash and short-term funds	19,500	—	—	—	—	1,614,060	—	1,633,560	3.42
Deposits and placements with banks and other financial institutions	3,449	51,725	17,242	—	—	1,120	—	73,536	5.32
Securities available-for-sale	—	—	—	—	—	—	3,489,141	3,489,141	3.60
Securities held-to-maturity	—	—	—	—	—	—	—	—	—
Loans and financing									
– Performing	1,927,047	366,123	287,635	820,313	12,528,732	1,899,494	—	17,829,344	6.89
– Non-performing*	—	—	—	—	—	106,114	—	106,114	—
Other assets	—	—	—	—	—	77,499	—	77,499	—
Other non-yield/profit sensitive balances	—	—	—	—	—	693,473	—	693,473	—
Total Assets	1,949,996	417,848	304,877	820,313	12,528,732	4,391,760	3,489,141	23,902,667	
Liabilities and Islamic Banking Fund									
Deposits from customers	5,074,359	979,524	3,389,583	1,363,459	238,486	4,761,165	—	15,806,576	3.04
Deposits and placements of banks and other financial institutions	1,116,403	935,804	2,026	74,320	119,201	30,268	—	2,278,022	4.12
Bills and acceptances payable	151,598	212,147	162,044	—	—	1,085	—	526,874	3.41
Subordinated obligations	—	—	—	—	2,500,000	—	—	2,500,000	4.13
Other liabilities	—	—	—	—	—	646,779	—	646,779	—
Other non-yield/profit sensitive balances	—	—	—	—	—	236,531	—	236,531	—
Total Liabilities	6,342,360	2,127,475	3,553,653	1,437,779	2,857,687	5,675,828	—	21,994,782	
Islamic banking fund	—	—	—	—	—	1,907,885	—	1,907,885	—
Total Liabilities and Islamic Banking Fund	6,342,360	2,127,475	3,553,653	1,437,779	2,857,687	7,583,713	—	23,902,667	
On-balance sheet yield/profit rate sensitivity gap	(4,392,364)	(1,709,627)	(3,248,776)	(617,466)	9,671,045	(3,191,953)	3,489,141	—	
Cumulative yield/profit rate sensitivity gap	(4,392,364)	(6,101,991)	(9,350,767)	(9,968,233)	(297,188)	(3,489,141)	—	—	

42. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONTD.)

Bank 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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/ profit rate %
Assets									
Cash and short-term funds	936,053	—	—	—	—	2,119,927	—	3,055,980	3.64
Deposits and placements with banks and other financial institutions	—	340,000	—	—	—	69	—	340,069	3.84
Securities available-for-sale	—	—	—	—	—	—	2,187,434	2,187,434	4.28
Securities held-to-maturity	—	—	186,400	—	—	—	—	186,400	4.15
Loans and financing									
— Performing	3,438,883	1,924,457	874,993	510,086	9,579,845	—	—	16,328,264	7.06
— Non-performing*	—	—	—	—	—	349,090	—	349,090	—
Other assets	—	—	—	—	—	50,688	—	50,688	—
Other non-yield/profit sensitive balances	—	—	—	—	—	645,680	—	645,680	—
Total Assets	4,374,936	2,264,457	1,061,393	510,086	9,579,845	3,165,454	2,187,434	23,143,605	
Liabilities and Islamic Banking Fund									
Deposits from customers	5,723,083	1,230,935	1,804,629	302,866	239,689	4,065,499	—	13,366,701	3.64
Deposits and placements of banks and other financial institutions	1,110,093	190,000	—	42,633	135,071	—	—	1,477,797	3.84
Bills and acceptances payable	922,545	1,087,577	202,564	—	—	658	—	2,213,344	3.72
Subordinated obligations	—	—	—	—	2,500,000	—	—	2,500,000	4.79
Other liabilities	—	—	—	—	—	1,729,914	—	1,729,914	—
Other non-yield/profit sensitive balances	—	—	—	—	—	171,385	—	171,385	—
Total Liabilities	7,755,721	2,508,512	2,007,193	345,499	2,874,760	5,967,456	—	21,459,141	
Islamic banking fund	—	—	—	—	—	1,684,464	—	1,684,464	—
Total Liabilities and Islamic Banking Fund	7,755,721	2,508,512	2,007,193	345,499	2,874,760	7,651,920	—	23,143,605	
On-balance sheet yield/profit rate sensitivity gap	(3,380,785)	(244,055)	(945,800)	164,587	6,705,085	(4,486,466)	2,187,434	—	
Cumulative yield/profit rate sensitivity gap	(3,380,785)	(3,624,840)	(4,570,640)	(4,406,053)	2,299,032	(2,187,434)	—		

* This is arrived at after deducting the general allowance, specific allowance and income-in-suspense from gross non-performing financing outstanding.

43. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

The banking activities of providing financial products and services to customers expose the Group and the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function, and monitored by Group Risk Management against delegated limits. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is mainly to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar and United States Dollar. The "Others" foreign exchange risk include mainly exposure to Euro, Japanese Yen, Renminbi, Philippines Peso, Indonesia Rupiah, Papua New Guinea Kina and Brunei Dollars.

Group 2007	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	11,015,631	389,925	200,976	7,829	25,636,734	346,327	37,597,422
Deposits and placements with banks and other financial institutions	6,384,463	1,362	—	144,724	10,786,424	31,448	17,348,421
Securities purchased under resale agreements	258,772	—	—	—	—	—	258,772
Securities portfolio	23,957,568	3,974,255	140	321,237	5,366,959	71,571	33,691,730
Loans, advances and financing	102,110,785	23,185,827	354,398	1,064,791	12,655,606	1,493,329	140,864,736
Derivative assets	79,113	103,037	2,090	8,743	171,737	30,150	394,870
Statutory deposits with Central Banks	4,516,100	779,716	—	—	28,400	328,017	5,652,233
Investment in associates	33,445	—	—	—	10,156	—	43,601
Property, plant and equipment	963,096	287,489	4,307	1,074	2,785	10,952	1,269,703
Other assets	2,300,453	255,336	154,942	68,373	—	478,273	3,257,377
Investment properties	40,750	—	—	—	—	—	40,750
Deferred tax assets	832,525	164,872	—	—	—	19,333	1,016,730
Life and Family Takaful fund assets	14,505,903	—	—	—	531,956	—	15,037,859
Intangible assets	177,790	11,148	—	44	2,255	1,835	193,072
Total Assets	167,176,394	29,152,967	716,853	1,616,815	55,193,012	2,811,235	256,667,276

43. FOREIGN EXCHANGE RISK (CONT'D.)

Group 2007 (Cont'd.)	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Liabilities							
Deposits from customers	117,205,276	28,950,673	3,453,627	184,712	11,985,006	1,897,468	163,676,762
Deposits and placements of banks and other financial institutions	12,241,280	55,411	715,233	1,184,457	14,998,321	339,988	29,534,690
Obligations on securities sold under repurchase agreements	9,957,065	—	—	—	—	—	9,957,065
Bills and acceptances payable	2,720,327	197,757	83	2	2,213	9,688	2,930,070
Derivative liabilities	57,855	69,163	895	1,337	470,802	56,653	656,705
Recourse obligation on loans sold to Cagamas	2,455,762	—	—	—	—	—	2,455,762
Provision for taxation and zakat	740,720	260,569	111	10,279	4,325	3,786	1,019,790
Subordinated obligations	4,000,000	—	—	—	2,344,048	—	6,344,048
Other liabilities	2,269,061	236,415	647,912	64,257	1,606,635	265,287	5,089,567
Deferred taxation	54,007	1,590	—	—	—	41,213	96,810
Life and Family Takaful fund liabilities	1,192,413	—	—	—	2,501	—	1,194,914
Life and Family Takaful policy holders' funds	13,820,809	—	—	—	22,136	—	13,842,945
Total Liabilities	166,714,575	29,771,578	4,817,861	1,445,044	31,435,987	2,614,083	236,799,128
On-balance sheet open position	461,819	(618,611)	(4,101,008)	171,771	23,757,025	197,152	19,868,148
Off-balance sheet open position	19,091,967	(175,753)	3,239,012	(354,673)	(22,325,232)	524,679	—
Net open position	19,553,786	(794,364)	(861,996)	(182,902)	1,431,793	721,831	19,868,148
Net structural position included in the above	—	—	64,096	102,118	—	506,136	672,350

43. FOREIGN EXCHANGE RISK (CONT'D.)

Group 2006	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	18,947,761	1,087,959	323,404	7,184	11,250,782	418,305	32,035,395
Deposits and placements with banks and other financial institutions	1,400,486	1,138,743	–	–	1,458,502	53,678	4,051,409
Securities purchased under resale agreements	1,154,603	349,354	–	–	–	–	1,503,957
Securities portfolio	24,316,884	3,155,714	33,772	211,120	5,594,547	359,354	33,671,391
Loans, advances and financing	99,105,924	20,601,827	42,685	432,501	10,388,899	881,818	131,453,654
Derivative assets	68,794	89,597	1,817	7,602	149,337	26,220	343,367
Statutory deposits with Central Banks	2,995,529	676,580	–	–	15,219	14,496	3,701,824
Investment in associates	33,965	–	–	–	12,773	–	46,738
Property, plant and equipment	991,058	300,688	4,056	1,230	6,070	41,815	1,344,917
Other assets	2,609,692	–	–	–	91,440	64,432	2,765,564
Investment properties	21,788	–	–	–	–	–	21,788
Deferred tax assets	996,700	167,575	–	–	–	–	1,164,275
Life and Family Takaful fund assets	11,688,629	–	–	–	432,059	–	12,120,688
Intangible assets	54,231	3,400	–	13	687	561	58,892
Total Assets	164,386,044	27,571,437	405,734	659,650	29,400,315	1,860,679	224,283,859
Liabilities							
Deposits from customers	100,764,284	23,627,661	1,141,963	145,706	8,047,557	2,550,999	136,278,170
Deposits and placements of banks and other financial institutions	13,734,192	700,479	1,391,310	1,004,051	9,071,209	2,806,334	28,707,575
Obligations on securities sold under repurchase agreements	10,929,062	–	–	–	1,347,076	–	12,276,138
Bills and acceptances payable	4,756,649	57,580	–	55	5	3,927	4,818,216
Derivative liabilities	20,562	24,582	318	475	167,333	20,138	233,408
Recourse obligation on loans sold to Cagamas	3,727,458	–	–	–	–	–	3,727,458
Provision for taxation and zakat	814,512	241,050	21	12,425	3,886	2,508	1,074,402
Subordinated obligations	2,500,000	–	–	–	1,396,880	–	3,896,880
Other liabilities	3,073,404	310,517	5,908	8,658	11,562	221,751	3,631,800
Deferred taxation	27,198	481	–	–	–	14,168	41,847
Life and Family Takaful fund liabilities	681,641	–	–	–	2,895	–	684,536
Life and Family Takaful policy holders' funds	11,408,401	–	–	–	27,751	–	11,436,152
Total Liabilities	152,437,363	24,962,350	2,539,520	1,171,370	20,076,154	5,619,825	206,806,582
On-balance sheet open position	11,948,681	2,609,087	(2,133,786)	(511,720)	9,324,161	(3,759,146)	17,477,277
Off-balance sheet open position	2,837,956	(118,896)	355,137	591,132	(5,497,416)	1,832,087	–
Net open position	14,786,637	2,490,191	(1,778,649)	79,412	3,826,745	(1,927,059)	17,477,277
Net structural position included in the above	–	–	38,703	135,459	–	311,746	485,908

43. FOREIGN EXCHANGE RISK (CONT'D.)

Bank 2007	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	8,370,688	397,484	182,851	8,294	24,905,308	336,284	34,200,909
Deposits and placements with banks and other financial institutions	4,904,657	1,329	–	141,275	10,508,319	5,334	15,560,914
Securities purchased under resale agreements	142,344	116,428	–	–	–	–	258,772
Securities portfolio	19,423,787	3,920,239	–	277,350	4,932,971	70,598	28,624,945
Loans, advances and financing	101,840,687	23,171,617	354,181	1,062,543	8,936,262	858,208	136,223,498
Derivative assets	79,113	103,037	2,090	8,743	168,595	28,828	390,406
Statutory deposits with Central Banks	4,516,100	779,716	–	–	28,400	15,121	5,339,337
Investment in subsidiaries	2,290,730	135	–	–	201,792	271,272	2,763,929
Investment in associates	9,235	–	–	–	31,504	–	40,739
Property, plant and equipment	795,437	271,344	3,945	1,020	2,643	–	1,074,389
Other assets	256,982	488,664	263,950	112,835	71,092	639,891	1,833,414
Deferred tax assets	786,654	164,872	–	–	–	–	951,526
Intangible assets	171,154	11,032	–	44	2,232	–	184,462
Total Assets	143,587,568	29,425,897	807,017	1,612,104	49,789,118	2,225,536	227,447,240
Liabilities							
Deposits from customers	110,065,954	28,948,865	2,877,305	184,603	6,568,810	930,518	149,576,055
Deposits and placements of banks and other financial institutions	13,779,018	–	808,901	1,339,380	16,424,504	331,217	32,683,020
Obligations on securities sold under repurchase agreements	9,832,237	–	–	657,618	–	–	10,489,855
Bills and acceptances payable	2,720,327	197,757	83	2	2,214	1,705	2,922,088
Derivative liabilities	57,855	69,163	895	1,337	470,552	45,058	644,860
Recourse obligation on loans sold to Cagamas	2,455,762	–	–	–	–	–	2,455,762
Provision for taxation and zakat	690,246	274,608	98	10,984	4,609	196	980,741
Subordinated obligations	4,000,000	–	–	–	2,344,048	–	6,344,048
Other liabilities	642,950	162,016	815,727	81,324	1,928,444	266,512	3,896,973
Total Liabilities	144,244,349	29,652,409	4,503,009	2,275,248	27,743,181	1,575,206	209,993,402
On-balance sheet open position	(656,781)	(226,512)	(3,695,992)	(663,144)	22,045,937	650,330	17,453,838
Off-balance sheet open position	18,891,219	(175,735)	3,236,054	(354,642)	(22,115,023)	518,127	–
Net open position	18,234,438	(402,247)	(459,938)	(1,017,786)	(69,086)	1,168,457	17,453,838
Net structural position included in the above	–	–	50,235	66,475	–	630,808	747,518

43. FOREIGN EXCHANGE RISK (CONT'D.)

Bank 2006	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	15,785,041	1,084,674	297,351	13,761	9,988,647	372,978	27,542,452
Deposits and placements with banks and other financial institutions	749,954	1,106,298	–	–	1,145,680	8,898	3,010,830
Securities purchased under resale agreements	1,154,603	349,354	–	–	–	–	1,503,957
Securities portfolio	18,376,845	3,062,774	33,760	191,983	5,100,187	74,198	26,839,747
Loans, advances and financing	98,855,314	20,601,828	42,685	432,501	7,453,599	462,468	127,848,395
Derivative assets	69,580	90,622	1,838	7,689	148,281	25,357	343,367
Statutory deposits with Central Banks	2,809,700	676,580	–	–	15,219	14,496	3,515,995
Investment in subsidiaries	2,360,902	139	–	–	27,060	326,746	2,714,847
Investment in associates	13,135	–	–	–	44,805	–	57,940
Property, plant and equipment	820,515	298,791	4,056	1,230	6,033	–	1,130,625
Other assets	1,251,950	6,938	166	741	192,099	34,412	1,486,306
Deferred tax assets	924,362	167,575	–	–	–	–	1,091,937
Intangible assets	45,347	2,923	–	12	591	–	48,873
Total Assets	143,217,248	27,448,496	379,856	647,917	24,122,201	1,319,553	197,135,271
Liabilities							
Deposits from customers	95,990,427	23,616,985	982,682	145,534	3,448,065	953,743	125,137,436
Deposits and placements of banks and other financial institutions	13,336,743	700,457	1,391,306	1,003,750	8,808,477	2,797,129	28,037,862
Obligations on securities sold under repurchase agreements	9,870,209	–	–	–	1,347,076	–	11,217,285
Bills and acceptances payable	5,105,352	62,054	–	59	6	1,073	5,168,544
Derivative liabilities	21,046	25,157	325	486	171,157	16,389	234,560
Recourse obligation on loans sold to Cagamas	3,727,458	–	–	–	–	–	3,727,458
Provision for taxation and zakat	777,003	241,050	–	12,400	3,857	–	1,034,310
Subordinated obligations	2,500,000	–	–	–	1,396,880	–	3,896,880
Other liabilities	2,856,874	197,959	5,094	8,489	41,960	218,201	3,328,577
Total Liabilities	134,185,112	24,843,662	2,379,407	1,170,718	15,217,478	3,986,535	181,782,912
On-balance sheet							
open position	9,032,136	2,604,834	(1,999,551)	(522,801)	8,904,723	(2,666,982)	15,352,359
Off-balance sheet							
open position	2,837,956	(118,896)	355,137	591,132	(5,497,716)	1,832,387	–
Net open position	11,870,092	2,485,938	(1,644,414)	68,331	3,407,007	(834,595)	15,352,359
Net structural position							
included in the above	–	–	18,434	106,236	–	338,327	462,997

Net structural foreign currency position represents the Group's and the Bank's net investment in overseas operations. This position comprises the net assets of the Group's and the Bank's overseas branches, investments in overseas subsidiaries and long term investments in overseas properties.

Where possible, the Group and the Bank mitigate the effect of currency exposures by funding the overseas operations with borrowings and deposits received in the same functional currencies of the respective overseas locations. The foreign currency exposures are also hedged using foreign exchange derivatives.

43. FOREIGN EXCHANGE RISK (CONT'D.)

The structural currency exposures of the Group and the Bank as at the balance sheet dates are as follows:

	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Other currency hedges RM'000	Net structural currency exposures RM'000
Group				
Currency of structural exposures				
2007				
Singapore Dollar	372,286	–	(372,286)	–
Great Britain Pound	64,096	–	–	64,096
Hong Kong Dollar	102,118	–	–	102,118
United States Dollar	764,316	(764,316)	–	–
Others	506,136	–	–	506,136
	1,808,952	(764,316)	(372,286)	672,350
2006				
Singapore Dollar	240,251	–	(240,251)	–
Great Britain Pound	38,703	–	–	38,703
Hong Kong Dollar	135,459	–	–	135,459
United States Dollar	787,656	(787,656)	–	–
Others	311,746	–	–	311,746
	1,513,815	(787,656)	(240,251)	485,908
Bank				
Currency of structural exposures				
2007				
Singapore Dollar	372,283	–	(372,283)	–
Great Britain Pound	50,235	–	–	50,235
Hong Kong Dollar	66,475	–	–	66,475
United States Dollar	100,513	(100,513)	–	–
Others	630,808	–	–	630,808
	1,220,314	(100,513)	(372,283)	747,518
2006				
Singapore Dollar	240,251	–	(240,251)	–
Great Britain Pound	18,434	–	–	18,434
Hong Kong Dollar	106,236	–	–	106,236
United States Dollar	76,538	(76,538)	–	–
Others	338,327	–	–	338,327
	779,786	(76,538)	(240,251)	462,997

44. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

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

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with FRS132 (formerly known as MASB Standard 24) comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associated companies, property, plant and equipment, provision for current and deferred taxation, life and family takaful fund assets, and life and family takaful fund liabilities. The information on the fair values of financial assets and financial liabilities of the life and family takaful fund is disclosed in Note 50.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	2007		2006	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Group				
Financial Assets				
Securities held-to-maturity	2,534,392	2,550,535	5,798,259	5,818,797
Loans, advances and financing*	143,622,051	151,480,328	133,868,727	149,900,032
Financial Liabilities				
Deposits from customers	163,676,762	164,349,756	136,278,170	136,368,174
Deposits and placements of banks and other financial institutions	29,534,690	31,085,886	28,707,575	28,450,297
Recourse obligation on loans sold to Cagamas	2,455,762	2,540,418	3,727,458	3,795,767
Subordinated obligations	6,344,048	6,424,863	3,896,880	3,949,646
Bank				
Financial Assets				
Securities held-to-maturity	1,964,064	1,980,932	3,268,867	3,259,579
Loans, advances and financing*	138,836,772	146,663,076	130,106,792	146,489,697
Financial Liabilities				
Deposits from customers	149,576,055	149,581,822	125,137,436	125,141,385
Deposits and placements of banks and other financial institutions	32,683,020	31,033,657	28,037,862	27,778,365
Recourse obligation on loans sold to Cagamas	2,455,762	2,517,378	3,727,458	3,795,767
Subordinated obligations	6,344,048	6,424,863	3,896,880	3,949,646

* The general allowance for the Group and the Bank amounting to RM2,757,315,000 (2006: RM2,415,073,000) and RM2,613,274,000 (2006: RM2,258,397,000) respectively have been added back to arrive at the carrying value of the loans, advances and financing.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(a) Cash and Short-term Funds

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

(b) Deposits and Placements with Financial Institutions, Securities Purchased under Resale Agreement, Obligations on Securities Sold under Repurchase Agreement and Bills and Acceptances Payable

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the balance sheet date.

(c) Securities

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including net tangible assets, earnings multiples and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the balance sheet date.

44. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)**(d) Loans, Advances and Financing**

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values which are net of interest/income-in-suspense and specific provision for bad and doubtful debts and financing.

(e) Deposits from Customers, Deposits and Placements of Banks and Other Financial Institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(f) Recourse Obligation on Loans Sold to Cagamas

The fair values of recourse obligation on housing and hire purchase loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at balance sheet date.

(g) Subordinated Obligations

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risks profiles.

(h) Derivative Financial Instruments

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the Group's and the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

45. CAPITAL AND OTHER COMMITMENTS

- (a) Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Approved and contracted for	256,937	129,948	208,436	113,046
Approved but not contracted for	395,228	377,348	352,616	353,795
	652,165	507,296	561,052	466,841

- (b) Uncalled capital in shares of subsidiaries

	—	—	280	280
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- (c) In the previous financial year, the Bank is committed to lend up to five times the nominal value of its investment in EH Group Ltd. (formerly known as Export Credit Insurance Corporation of Singapore Limited) ("EH") to meet claims arising as part of the export credit insurance business of the company. EH may, at its option, convert the whole or any part of any such loans into fully paid shares.

During the financial year, EH is in the midst of voluntary liquidation process and no further commitment is expected.

	Group and Bank	
	2007 RM'000	2006 RM'000
Maximum commitments in respect of the investment in EH	—	11,583

46. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank as at 30 June, are as follows:

	Group		Bank	
	2007	2006	2007	2006
Without deducting proposed dividend*:				
Core capital ratio:				
Credit risk	10.99%	10.72%	10.66%	10.39%
Credit and market risks	10.06%	9.98%	9.82%	9.67%
Risk-weighted capital ratio:				
Credit risk	16.54%	14.99%	15.32%	13.52%
Credit and market risks	15.14%	13.94%	14.11%	12.59%
After deducting proposed dividend:				
Core capital ratio:				
Credit risk	10.30%	10.08%	9.91%	9.68%
Credit and market risks	9.43%	9.37%	9.13%	9.01%
Risk-weighted capital ratio:				
Credit risk	15.85%	14.34%	14.57%	12.82%
Credit and market risks	14.51%	13.34%	13.42%	11.94%

* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the proposed dividends for respective financial years were not deducted.

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tier 1 capital				
Paid-up share capital	3,889,225	3,796,947	3,889,225	3,796,947
Share premium	2,935,570	2,137,807	2,935,570	2,137,807
Other reserves	12,036,017	10,888,141	10,337,119	9,326,121
Tier 1 minority interest	276,842	217,385	—	—
Less: Deferred tax assets	(1,016,730)	(1,164,275)	(951,526)	(1,091,937)
Goodwill	(81,015)	—	(81,015)	—
Total Tier 1 capital	18,039,909	15,876,005	16,129,373	14,168,938
Tier 2 capital				
Subordinated obligations	6,349,060	3,896,880	6,349,060	3,896,880
General allowance for bad and doubtful debts and financing	2,757,315	2,415,073	2,613,274	2,258,397
Total Tier 2 capital	9,106,375	6,311,953	8,962,334	6,155,277
Total capital	27,146,284	22,187,958	25,091,707	20,324,215
Less: Investment in subsidiaries*	—	—	(1,923,929)	(1,874,847)
Capital base	27,146,284	22,187,958	23,167,778	18,449,368

* Excludes the cost of investment in a subsidiary, Myfin Berhad of RM840,000,000, as its business, assets and liabilities have been transferred to the Bank in previous financial year.

The breakdown of risk-weighted assets (excluding deferred tax assets) in the various categories of risk-weights are as follows:

	2007		2006	
Group	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	31,715,874	—	27,402,230	—
10%	287,348	28,735	808,925	80,893
20%	57,237,544	11,447,509	31,047,624	6,209,525
50%	28,154,623	14,077,312	27,139,248	13,569,624
100%	138,476,640	138,476,640	128,110,584	128,110,584
Total risk-weighted assets for credit risk		164,030,196		147,970,626
Total risk-weighted assets for market risk		15,191,803		11,088,183
Total risk-weighted assets for credit and market risks		179,221,999		159,058,809

46. CAPITAL ADEQUACY (CONT'D.)

	2007		2006	
Bank	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	24,702,969	—	21,423,761	—
10%	212,300	21,230	11,800	1,180
20%	45,686,663	9,137,333	21,711,919	4,342,384
50%	28,073,818	14,036,909	27,095,465	13,547,733
100%	128,013,147	128,013,147	118,469,846	118,469,846
Total risk-weighted assets for credit risk		151,208,619		136,361,143
Total risk-weighted assets for market risk		12,893,242		10,115,829
Total risk-weighted assets for credit and market risks		164,101,861		146,476,972

47. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, business segment information, is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to public.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Capital expenditure comprises additions to property, plant and equipment.

(a) Primary Segment – By Business Segment

The Group comprises the following main business segments:

(i) Banking

The Banking segment focuses on business of banking in all its aspects which also include IBS operations. Its activities are generally structured into two key areas, Consumer Banking and Business Banking.

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as housing loans and personal loans, unit trusts, bancassurance products and credit cards.

Business Banking provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(ii) Investment Banking

The Investment Banking segment includes business of a merchant bank, discount house and securities broker. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, and share and futures dealings.

(iii) Insurance and Takaful

The insurance and takaful segment includes the business of underwriting all classes of general and life insurance businesses, offshore investment life insurance business, general takaful and family takaful businesses.

(iv) Others

The "Others" segment includes asset and fund management, nominee and trustee services and custodian services.

47. SEGMENT INFORMATION (CONT'D.)

(a) Primary Segment – By Business Segment (Cont'd.)

Group 2007	Banking and Finance RM'000	Investment Banking RM'000	Insurance and Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External revenue	13,902,381	471,058	761,211	44,662	–	15,179,312
Dividends from subsidiaries	392,774	225,228	169,748	1,021	–	788,771
Other inter-segment revenue	193,082	77,725	1,530	773,892	(1,835,000)	(788,771)
Total inter-segment revenue	585,856	302,953	171,278	774,913	(1,835,000)	–
Total revenue	14,488,237	774,011	932,489	819,575	(1,835,000)	15,179,312
Segment results						
– operating profit	5,006,288	443,570	457,526	797,583	(1,588,294)	5,116,673
Allowance for losses on loans, advances and financing	(793,563)	47,282	(40)	(21)	–	(746,342)
Share of results of associates	–	–	–	(6,633)	–	(6,633)
Profit before taxation and zakat	4,212,725	490,852	457,486	790,929	(1,588,294)	4,363,698
Taxation and zakat	(1,095,456)	(112,742)	(107,612)	(3,978)	208,961	(1,110,827)
Profit after taxation and zakat	3,117,269	378,110	349,874	786,951	(1,379,333)	3,252,871
Minority interests						(74,499)
Net profit for the year						3,178,372
ASSETS AND LIABILITIES						
Segment assets	239,385,356	10,041,389	19,908,892	3,049,561	(15,761,523)	256,623,675
Investment in associates	40,739	–	–	11,566	(8,704)	43,601
Total assets	239,426,095	10,041,389	19,908,892	3,061,127	(15,770,227)	256,667,276
Total segment liabilities	219,659,303	8,778,938	16,108,436	989,936	(8,737,485)	236,799,128
OTHER INFORMATION						
Capital expenditure	183,595	975	15,194	1,204	–	200,968
Depreciation	134,588	3,879	6,788	1,630	–	146,885
Amortisation	30,364	1,317	3,733	224	–	35,638
Non-cash expenses/ (income) other than depreciation	35,525	15,492	2,129	(9,678)	–	43,468
Group 2006	Banking and Finance RM'000	Investment Banking RM'000	Insurance and Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External revenue	11,820,760	449,965	429,993	53,773	–	12,754,491
Dividends from subsidiaries	80,711	34,340	117,848	1,199	(234,098)	–
Other inter-segment revenue	231,818	19,676	28,705	26,374	(306,573)	–
Total inter-segment revenue	312,529	54,016	146,553	27,573	(540,671)	–
Total revenue	12,133,289	503,981	576,546	81,346	(540,671)	12,754,491
Segment results						
– operating profit	4,558,058	189,948	339,102	27,791	(234,098)	4,880,801
Allowance for losses on loans, advances and financing	(898,988)	16,620	76	(1,113)	–	(883,405)
Share of results of associates	–	–	–	(9,331)	–	(9,331)
Profit before taxation and zakat	3,659,070	206,568	339,178	17,347	(234,098)	3,988,065
Taxation and zakat	(1,045,755)	(65,842)	(86,197)	(8,891)	53,204	(1,153,481)
Profit after taxation and zakat	2,613,315	140,726	252,981	8,456	(180,894)	2,834,584
Minority interests						(62,166)
Net profit for the year						2,772,418

47. SEGMENT INFORMATION (CONT'D.)

(a) Primary Segment – By Business Segment (Cont'd.)

Group 2006	Banking and Finance RM'000	Investment Banking RM'000	Insurance and Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
ASSETS AND LIABILITIES						
Segment assets	208,048,441	11,186,034	16,750,624	1,044,756	(12,792,734)	224,237,121
Investment in associates	6,635	–	–	40,103	–	46,738
Total assets	208,055,076	11,186,034	16,750,624	1,084,859	(12,792,734)	224,283,859
Total segment liabilities	190,815,332	9,910,161	13,181,623	484,039	(7,584,573)	206,806,582
OTHER INFORMATION						
Capital expenditure	161,953	1,065	7,174	156	–	170,348
Depreciation	139,590	4,307	9,738	2,433	–	156,068
Amortisation	21,719	1,519	2,233	183	–	25,654
Non-cash expenses/ (income) other than depreciation	105,431	6,274	(2,856)	24,679	–	133,528

(b) Secondary Segment – By Geographical Locations

In presenting information on the basis of geographical segments, segment revenue is based on geographical locations of customers. Segment assets are based on the geographical locations of assets.

The Group has operations in Malaysia, Singapore, Indonesia, Philippines, Papua New Guinea, Brunei Darussalam, People's Republic of China, Hong Kong SAR, Vietnam, United Kingdom, United States of America, Cambodia and Bahrain.

With the exception of Malaysia and Singapore, no other individual country contributed more than 5% of the consolidated revenue before operating expenses and of total assets.

	External Revenue RM'000	Capital Expenditure RM'000	Segment Assets RM'000	Profit before Taxation and Zakat RM'000
2007				
Malaysia	13,711,517	183,139	209,086,242	5,313,688
Singapore	1,872,772	12,039	39,178,558	368,625
Others	1,430,023	5,790	24,172,703	269,679
	17,014,312	200,968	272,437,503	5,951,992
Elimination	(1,835,000)	–	(15,770,227)	(1,588,294)
Group	15,179,312	200,968	256,667,276	4,363,698
2006				
Malaysia	10,696,654	148,153	193,389,372	3,591,384
Singapore	1,435,106	16,662	31,899,678	305,587
Others	1,163,402	5,533	11,787,543	325,192
	13,295,162	170,348	237,076,593	4,222,163
Elimination	(540,671)	–	(12,792,734)	(234,098)
Group	12,754,491	170,348	224,283,859	3,988,065

48. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) Completion of Investment Bank Rationalisation Programme

Aseambankers Malaysia Berhad ("Aseambankers"), a 100% owned subsidiary of Maybank, had on 30 December 2006 completed its transformation into an investment bank by the sale of non-investment banking related loans to the Bank and completing the following acquisitions:

- The assets and liabilities of Mayban Discount Berhad on 11 November 2006;
- 100% equity interest in Mayban Securities (Holdings) Sendirian Berhad on 30 December 2006; and
- The assets and liabilities of Mayban Securities Sendirian Berhad on 30 December 2006.

As such, with effect from 3 January 2007, Aseambankers as a Participating Organisation of Bursa Malaysia Securities Berhad will be able to undertake stockbroking business.

48. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)**(b) Acquisition of Kewangan Bersatu Berhad ("KBB")**

The business of KBB was transferred to Maybank on 30 September 2006, pursuant to a vesting order issued by the High Court of Malaya dated 28 September 2006.

(c) Acquisition of Card Service Business and Trade Related Assets of American Express ("AMEX")

On 3 March 2006, the Bank entered into an agreement with American Express (Malaysia) Berhad ("AMEX") to acquire the AMEX Malaysia Card Service business and the trade related assets for a total purchase consideration of approximately RM211 million, consisting RM81 million of goodwill in relation to the sole rights of the AMEX card services business in Malaysia (as disclosed in Note 17(a)) and RM130 million of AMEX's net receivables from the card services business as at 31 August 2006. The acquisition completed on 10 October 2006.

(d) Increase in the Bank's equity interest in PT Bank Maybank Indocorp

During the financial year, the Bank increased its equity interest in PT Bank Maybank Indocorp from 93.92% to 96.83% via capital injection of USD50 million or Ringgit Malaysia equivalent of RM174.65 million (Note 14(b)).

(e) Increase in the Bank's equity interest in Aseambankers Malaysia Berhad ("Aseambankers")

During the financial year, the Bank increased its equity interest in Aseambankers from 94.69% to 100.00% for a total cash consideration of RM33.2 million (Note 14(d)).

(f) Sale of Non-Performing Loans ("NPL")

On 17 January 2007, Maybank entered into two conditional Sale and Purchase Agreements ("SPAs") for the sale of two tranches of long standing corporate non-performing loans ("NPLs") ("Sale"). One tranche of the NPLs is sold to Gale Force Sdn Bhd, which is a special purpose vehicle ("SPV"). SBIC Investments SA, which is part of Standard Bank of South Africa Group, is a substantial shareholder of the SPV. The other tranche of the NPLs is sold to Popular Ambience Sdn Bhd, also an SPV, to be jointly owned by Standard Chartered Bank (Hong Kong) Limited and Standard Chartered Bank Malaysia Berhad.

The sale was completed on 20 June 2007 with the full settlement of the consideration totaling RM397.6 million, resulting in a gain from the sale of approximately RM257.7 million.

(g) Establishment Of An Islamic Banking Subsidiary-Maybank Islamic Bhd ("MIB")

On 20 March 2007, the Group obtained the approval in principle from Bank Negara Malaysia ("BNM") to incorporate a wholly-owned Islamic Banking subsidiary, MIB. Pursuant to the approval, the Group made two secondary submissions to BNM on 1 June and 11 July 2007, pertaining to the proposed Memorandum and Articles of Association, Capital and to operate an International Currency Business Unit ("ICBU-MIB") within MIB.

Approval was obtained from BNM on 21 July 2007 for the following:

- (i) The use of name "Maybank Islamic Berhad";
- (ii) The issuance of the Islamic Banking licence; and
- (iii) The setting up of ICBU – MIB

(h) Rationalisation of Insurance and Takaful Business

Mayban Fortis Holdings Berhad ("MFHB") is undertaking a restructuring exercise to streamline the entire insurance and takaful business within its group of companies following the completion of acquisition of the entire equity of MNI Holdings Berhad ("MNIH") by MFHB in May 2006. The following acquisitions and dissolution have been undertaken:

- (i) Acquisition of Malaysia National Insurance Berhad ("MNIB")
During the financial year, MFHB entered into a Sale and Purchase Agreement with MNIH to acquire the equity interest in MNIB comprising 152,151,399 ordinary shares of RM1 each for a total consideration of RM1,020,652,130. The acquisition was completed on 28 June 2007.
- (ii) Acquisition of TN Overseas Investment Pte Ltd ("TNOIL")
MFHB acquired the entire equity interest in TNOIL comprising 1 ordinary share of USD1 from Takaful Nasional Sdn. Berhad ("TNSB") for a consideration of RM3. The acquisition was completed on 1 May 2007.
- (iii) Dissolution of MNI Life International (L) Ltd ("MNILIL")
On 10 April 2007, MNILIL has commenced members' voluntary winding-up pursuant to a special resolution under Section 131(1) of the Offshore Companies Act, 1990 and Section 254(1)(b) of the Companies Act, 1960. Accordingly, the financial statements of MNILIL has been consolidated up to 30 April 2007 being the date of commencement of winding-up. MNILIL shall be officially dissolved within three months after the final meeting held on 15 June 2007. No audit is required for MNILIL financial statements for the financial year ended 30 June 2007.

48. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)**(h) Rationalisation of Insurance and Takaful Business (Cont'd.)**

- (iv) Transfer of TNSB and MNI Offshore Insurance (L) Ltd ("MNIOL") to MFHB via a Dividend in Specie

Upon completion of the events disclosed above and subsequent to the approvals obtained from relevant authorities on 8 August 2007, MNIB will declare dividend amounting to RM107,882,500 to MFHB comprising shares held by MNIB in TNSB and MNIOL at values equal to the original investment costs of MNIB in TNSB and MNIOL. TNSB and MNIOL will then become wholly-owned direct subsidiaries of MFHB.

- (v) Acquisition of Fortis Insurance International N.V.'s shareholdings in Mayban General Assurance Berhad ("MGAB") and Mayban Life Assurance Berhad ("MLAB")
Subsequent to the approvals obtained from relevant authorities on 8 August 2007, MFHB will enter into a Share Sale Agreement with Fortis Insurance International N.V. ("Fortis") for the acquisition of shares held by Fortis in MGAB and MLAB for a purchase consideration equivalent to RM31,622,063 comprising:

- 3,948,649 ordinary shares of RM1.00 each in MGAB representing approximately 2.22% of the issued and paid up capital of MGAB; and
- 3,430,000 ordinary shares of RM1.00 each in MLAB representing approximately 3.43% of the issued and paid up capital of MLAB.

The purchase consideration of RM31,622,063 shall be satisfied by the issuance of 3,256,906 new ordinary shares in MFHB.

- (vi) Transfer of Takaful Funds from Mayban Takaful Berhad ("MTB") to Takaful Nasional Sdn. Berhad ("TNSB")

MFHB will also consolidate its Takaful business as part of the internal restructuring exercise. MTB will transfer its Takaful Funds under a scheme pursuant to Section 51 of the Takaful Act, 1984 at a purchase consideration equivalent to the net tangible assets of the Takaful Funds as at the date of transfer based on the valuation carried out by the appointed actuary. At the date of authorisation of these financial statements, the execution of the Scheme of transfer of the Takaful business is pending approval from BNM.

- (vii) Capital Injection from Employee Provident Fund ("EPF")

Upon completion of event (v) above, MFHB will enter into a Subscription Agreement with EPF for the subscription of 12,576,076 Non-Redeemable Preference Shares ("NRPS") of RM1.00 each in MFHB by EPF for a total issue price of RM116 million.

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS")**BALANCE SHEETS AS AT 30 JUNE 2007**

Note	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds (a)	1,913,875	3,274,879	1,633,560	3,055,980
Deposits and placements with banks and other financial institutions (b)	73,536	340,069	73,536	340,069
Securities portfolio (c)	3,735,886	2,643,072	3,489,141	2,373,834
Loans and financing (d)	17,945,079	16,677,354	17,935,458	16,677,354
Deferred tax assets (e)	192,303	226,177	192,473	224,680
Other assets	91,696	54,120	77,499	50,688
Statutory deposits with Bank Negara Malaysia (f)	501,000	421,000	501,000	421,000
	24,453,375	23,636,671	23,902,667	23,143,605
LIABILITIES				
Deposits from customers (g)	16,252,045	13,593,658	15,806,576	13,366,701
Deposits and placements of banks and other financial institutions (h)	2,278,022	1,523,222	2,278,022	1,477,797
Bills and acceptances payable	526,874	2,213,344	526,874	2,213,344
Other liabilities (i)	694,934	1,732,792	646,779	1,729,914
Provision for taxation and zakat (k)	237,754	171,671	236,531	171,385
Subordinated obligations (l)	2,500,000	2,500,000	2,500,000	2,500,000
	22,489,629	21,734,687	21,994,782	21,459,141
ISLAMIC BANKING CAPITAL FUNDS				
Islamic banking funds	521,003	599,880	516,002	516,002
Reserves	1,442,743	1,302,104	1,391,883	1,168,462
	1,963,746	1,901,984	1,907,885	1,684,464
	24,453,375	23,636,671	23,902,667	23,143,605
COMMITMENTS AND CONTINGENCIES				
(s)	9,573,057	8,541,037	9,573,057	8,541,037

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

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		Group		Bank	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds	(m)	1,367,876	1,235,584	1,344,474	1,208,299
Expenses directly attributable to depositors and Islamic Banking Funds		(48,759)	(29,876)	(48,705)	(28,921)
Transfer from profit equalisation reserve		79,817	106,718	80,060	96,776
Gross attributable income		1,398,934	1,312,426	1,375,829	1,276,154
Allowances for losses on financing, advances and other loans	(n)	(261,960)	(203,125)	(262,212)	(203,125)
Total attributable income		1,136,974	1,109,301	1,113,617	1,073,029
Income attributable to the depositors	(o)	(516,558)	(455,055)	(505,232)	(450,249)
Income attributable to the Group/Bank		620,416	654,246	608,385	622,780
Income derived from investment of Islamic Banking Funds:					
Gross investment income	(p)	73,281	70,376	73,277	70,293
Finance cost		(98,090)	(36,605)	(98,090)	(36,605)
Net (expense)/income from investment of Islamic Banking Funds		(24,809)	33,771	(24,813)	33,688
		595,607	688,017	583,572	656,468
Overhead expenses	(q)	(319,366)	(23,858)	(318,924)	(23,422)
Profit before taxation and zakat		276,241	664,159	264,648	633,046
Taxation	(r)	(82,293)	(180,565)	(80,290)	(176,915)
Zakat		(3,610)	(1,635)	(3,566)	(1,500)
Profit for the year		190,338	481,959	180,792	454,631

For consolidation and amalgamation with the conventional operations, net income from Islamic Banking Scheme comprises the following items:

		Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross attributable income		1,398,934	1,312,426	1,375,829	1,276,154
Net (expense)/income from investment of Islamic Banking Funds		(24,809)	33,771	(24,813)	33,688
Total income before allowances for loan loss and overhead expenses		1,374,125	1,346,197	1,351,016	1,309,842
Income attributable to the depositors		(516,558)	(455,055)	(505,232)	(450,249)
Income from Islamic Banking Scheme operations reported in the Group-wide/Bank-wide income statement		857,567	891,142	845,784	859,593

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

STATEMENT OF CHANGES IN ISLAMIC BANKING FUND FOR THE YEAR ENDED 30 JUNE 2007

Group	<-----Non-distributable----->					
	Islamic Banking Fund RM'000	Statutory Reserves RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 July 2005 (as previously stated)	981,747	9,851	9,621	—	814,973	1,816,192
Effects of adopting BNM Circular on handling fee	—	—	—	—	22,606	22,606
At 1 July 2005 (restated)	981,747	9,851	9,621	—	837,579	1,838,798
Currency translation differences	—	—	—	(1,118)	—	(1,118)
Unrealised net loss on revaluation of securities available-for-sale	—	—	(35,788)	—	—	(35,788)
Net loss not recognised in the income statement	—	—	(35,788)	(1,118)	—	(36,906)
Net profit for the year	—	—	—	—	481,959	481,959
Transfer to Head Office	(381,867)	—	—	—	—	(381,867)
Transfer to statutory reserves	—	1,851	—	—	(1,851)	—
At 30 June 2006	599,880	11,702	(26,167)	(1,118)	1,317,687	1,901,984

At 1 July 2006 (as previously stated)	599,880	11,702	(26,167)	(1,118)	1,292,319	1,876,616
Effects of adopting BNM Circular on handling fee	—	—	—	—	25,368	25,368
At 1 July 2006 (restated)	599,880	11,702	(26,167)	(1,118)	1,317,687	1,901,984

Currency translation differences	—	—	—	(1,817)	—	(1,817)
Unrealised net loss on revaluation of securities available-for-sale	—	—	43,110	—	—	43,110
Net loss not recognised in the income statement	—	—	43,110	(1,817)	—	41,293
Net profit for the year	—	—	—	—	190,338	190,338
Transfer to Head Office	(78,877)	—	—	—	(90,992)	(169,869)
Transfer to statutory reserves	—	(11,702)	—	—	11,702	—
At 30 June 2007	521,003	—	16,943	(2,935)	1,428,735	1,963,746

Bank	<-----Non-distributable----->				
	Islamic Banking Fund RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 July 2005 (as previously stated)	516,002	11,931	—	718,391	1,246,324
Effects of adopting BNM Circular on handling fee	—	—	—	22,606	22,606
At 1 July 2005 (restated)	516,002	11,931	—	740,997	1,268,930
Currency translation differences	—	—	37	—	37
Unrealised net loss on revaluation of securities available-for-sale	—	(39,134)	—	—	(39,134)
Net loss not recognised in the income statement	—	(39,134)	37	—	(39,097)
Net profit for the year	—	—	—	454,631	454,631
At 30 June 2006	516,002	(27,203)	37	1,195,628	1,684,464

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

STATEMENT OF CHANGES IN ISLAMIC BANKING FUND
FOR THE YEAR ENDED 30 JUNE 2007 (Cont'd.)

Bank	<-----Non-distributable----->				
	Islamic	Unrealised	Exchange	Distributable	
	Banking	Holding	Fluctuation	Retained	
	Fund	Reserve	Reserve	Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2006					
(as previously stated)	516,002	(27,203)	37	1,170,260	1,659,096
Effects of adopting BNM Circular on handling fee	-	-	-	25,368	25,368
At 1 July 2006 (restated)	516,002	(27,203)	37	1,195,628	1,684,464
Currency translation differences	-	-	(27)	-	(27)
Unrealised net loss on revaluation of securities available-for-sale	-	42,656	-	-	42,656
Net loss not recognised in the income statement	-	42,656	(27)	-	42,629
Net profit for the year	-	-	-	180,792	180,792
At 30 June 2007	516,002	15,453	10	1,376,420	1,907,885

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	276,241	664,159	264,648	633,046
Adjustments for:				
Loan and financing loss and provisions	278,440	251,699	278,692	251,699
Accretion of discounts less amortisation of premiums of investment securities, net	(33,852)	(37,006)	(33,729)	(37,052)
Gains on disposal of securities available-for-sale	(2,872)	(1,395)	(2,200)	(562)
Profit equalisation reserves	(79,817)	(106,718)	(80,060)	(96,776)
Operating profit before working capital changes	438,140	770,739	427,351	750,355
Change in deposits and placements with banks and other financial institutions	266,533	126,997	266,533	921
Change in loans and financing	(1,546,165)	(876,295)	(1,536,796)	(876,295)
Change in other assets	(69,253)	(8,976)	15,844	(10,177)
Change in statutory reserve	(80,000)	(421,000)	(80,000)	(421,000)
Change in deposits from customers	2,658,387	(1,742,333)	2,439,875	(1,678,002)
Change in deposits and placements of banks and other financial institutions	754,800	(1,617,186)	800,225	(1,648,103)
Change in bills and acceptances payable	(1,686,470)	1,021,985	(1,686,470)	1,021,985
Net (purchase)/disposal of securities portfolio	(1,040,239)	769,351	(1,063,914)	656,554
Change in other liabilities	(958,040)	669,938	(986,358)	669,961
Cash used in operations	(1,262,307)	(1,306,780)	(1,403,710)	(1,533,801)
Taxes and zakat paid	(19,820)	(181,145)	(18,710)	(174,679)
Net cash used in operating activities	(1,282,127)	(1,487,925)	(1,422,420)	(1,708,480)

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (CONT'D.)

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Funds transferred (to)/from Head Office	(78,877)	(381,867)	-	-
Funds from subordinated bonds	-	2,500,000	-	2,500,000
Net cash (used in)/generated from financing activity	(78,877)	2,118,133	-	2,500,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,361,004)	630,208	(1,422,420)	791,520
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,274,879	2,644,671	3,055,980	2,264,460
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,913,875	3,274,879	1,633,560	3,055,980
Cash and cash equivalents comprise:				
Cash and short-term funds	1,913,875	3,274,879	1,633,560	3,055,980

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

(a) CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash, balances and deposits with banks and other financial institutions	1,913,875	3,274,879	1,633,560	3,055,980

(b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Licensed banks	72,416	290,000	72,416	290,000
Licensed merchant banks	-	50,000	-	50,000
Bank Negara Malaysia	1,120	69	1,120	69
	73,536	340,069	73,536	340,069

(c) SECURITIES PORTFOLIO

		Group		Bank	
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Securities available-for-sale	(i)	3,735,886	2,418,341	3,489,141	2,187,434
Securities held-to-maturity	(ii)	-	224,731	-	186,400
		3,735,886	2,643,072	3,489,141	2,373,834

(i) Securities Available-for-Sale

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money Market Instruments:-				
Cagamas bonds	52,985	152,195	52,985	152,195
Foreign government treasury bills	-	20,180	-	20,180
Malaysian Government Investment Issues	1,339,827	579,992	1,299,480	570,147
Negotiable instruments of deposits	1,016,010	695,850	1,016,010	695,850
Bankers' acceptances and Islamic accepted bills	571,909	139,725	571,909	139,725
Khazanah bonds	375,375	346,668	370,801	346,668
	3,356,106	1,934,610	3,311,185	1,924,765

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(c) SECURITIES PORTFOLIO (CONT'D.)

(i) Securities Available-for-Sale (Cont'd.)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted Securities:-				
Islamic debt securities in Malaysia	—	25,044	—	14,350
Foreign Islamic debt securities	379,780	366,550	177,956	248,319
Malaysia Global Sukuk	—	92,137	—	—
	379,780	483,731	177,956	262,669
Total securities available-for-sale	3,735,886	2,418,341	3,489,141	2,187,434

(ii) Securities Held-to-Maturity

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At amortised cost				
Money Market Instruments:-				
Malaysian Government Investment Issues	—	183,904	—	183,904
Khazanah bonds	—	4,925	—	2,496
	—	188,829	—	186,400
Unquoted Securities:-				
Islamic debt securities in Malaysia	—	35,902	—	—
Total securities held-to-maturity	—	224,731	—	186,400

Indicative value of unquoted securities held-to-maturity:

Malaysian Government Investment Issues	—	182,647	—	182,647
Khazanah bonds	—	4,965	—	2,507
Islamic debt securities in Malaysia	—	37,141	—	—
	—	224,753	—	185,154

The carrying values of Islamic accepted bills and negotiable Islamic instruments of deposits as at previous financial year end approximate the market value due to their relatively short maturity.

The maturity structure of money market instruments available-for-sale and held-to-maturity are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Maturing within one year	1,684,407	1,098,911	1,684,408	1,096,482
One year to three years	985,346	632,335	980,772	622,490
Three years to five years	325,713	344,141	285,365	344,141
After five years	360,640	48,052	360,640	48,052
	3,356,106	2,123,439	3,311,185	2,111,165

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Overdrafts	1,677,671	1,425,584	1,677,671	1,425,584
Term financing				
– House financing	5,101,545	5,322,322	5,101,545	5,322,322
– Syndicated financing	304,483	173,389	294,119	173,389
– Hire purchase receivables	5,445,996	3,730,523	5,445,996	3,730,523
– Other term financing	10,542,596	12,244,460	10,542,596	12,244,460
Trust receipts	146,359	166,766	146,359	166,766
Other financing	4,252,247	3,684,397	4,252,247	3,684,397
	27,470,897	26,747,441	27,460,533	26,747,441
Unearned income	(8,325,050)	(9,055,236)	(8,325,050)	(9,055,236)
Gross loans and financing	19,145,847	17,692,205	19,135,483	17,692,205
Allowance for bad and doubtful debts and financing				
– Specific	(536,572)	(390,937)	(536,572)	(390,937)
– General	(664,196)	(623,914)	(663,453)	(623,914)
Net loans and financing	17,945,079	16,677,354	17,935,458	16,677,354

(i) Loans and financing analysed by concepts are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bai' Bithaman Ajil	9,317,842	10,107,838	9,307,478	10,107,838
Ijarah	5,445,986	3,733,860	5,445,986	3,733,860
Murabahah	4,345,429	3,832,533	4,345,429	3,832,533
Other principles	36,590	17,974	36,590	17,974
Gross loans and financing	19,145,847	17,692,205	19,135,483	17,692,205

(ii) Loans and financing analysed by type of customers are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Domestic non-banking institutions	1,365,259	1,274,463	1,365,259	1,274,463
Domestic business enterprises				
– Small and medium enterprises	3,795,692	3,420,141	3,795,692	3,420,141
– Others	3,198,446	3,244,199	3,198,446	3,244,199
Government and statutory bodies	109,039	110,085	109,039	110,085
Individuals	10,352,500	9,306,169	10,352,500	9,306,169
Other domestic entities	3,722	130,487	3,722	130,487
Foreign entities	321,189	206,661	310,825	206,661
Gross loans and financing	19,145,847	17,692,205	19,135,483	17,692,205

(iii) Loans and financing analysed by profit rate sensitivity are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed rate				
– Housing financing	4,658,607	5,259,518	4,658,607	5,259,518
– Hire purchase receivables	4,456,273	2,949,348	4,456,273	2,949,348
– Other financing	3,177,508	3,904,501	3,177,508	3,904,501
Variable rate				
– Housing financing	326,852	62,621	326,852	62,621
– Other financing	6,526,607	5,516,217	6,516,243	5,516,217
Gross loans and financing	19,145,847	17,692,205	19,135,483	17,692,205

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Purchase of securities	69,149	125,732	69,149	125,732
Purchase of transport vehicles	5,087,175	3,099,569	5,087,175	3,099,569
Less: Islamic loan sold to Cagamas	(787,228)	(1,127,571)	(787,228)	(1,127,571)
Purchase of landed properties:				
– Residential	5,909,139	6,426,982	5,909,139	6,426,982
– Non-residential	604,433	910,399	604,433	910,399
Less: Islamic loans sold to Cagamas	(408,915)	(448,185)	(408,915)	(448,185)
Purchase of Fixed Assets – exclude landed properties	–	16,916	–	16,916
Personal Use	360,899	423,360	360,899	423,360
Consumer Durables	271	–	271	–
Construction	828,228	706,363	828,228	706,363
Working Capital	7,139,114	7,484,783	7,128,750	7,484,783
Other purpose	343,582	73,857	343,582	73,857
Gross loans and financing	19,145,847	17,692,205	19,135,483	17,692,205

(v) The maturity structure of loans and financing are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Maturing within one year	2,648,195	5,643,151	2,648,195	5,643,151
One year to three years	853,070	419,034	842,706	419,034
Three years to five years	2,008,210	1,812,820	2,008,210	1,812,820
After five years	13,636,372	9,817,200	13,636,372	9,817,200
Gross loans and financing	19,145,847	17,692,205	19,135,483	17,692,205

(vi) Movements in the non-performing loans and financing (including income receivables) are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross balance at beginning of year	1,363,941	1,291,218	1,363,941	1,291,218
Classified during the year	823,539	915,069	823,539	915,069
Transfer from Kewangan Bersatu Berhad ("KBB")	8,859	–	8,859	–
Recovered/regularised during the year	(806,036)	(760,408)	(806,036)	(760,408)
Expenses debited to customers' accounts	6,126	6,802	6,126	6,802
Amount written off	(90,291)	(88,740)	(90,291)	(88,740)
Gross balance at end of year	1,306,138	1,363,941	1,306,138	1,363,941
Less:				
– Specific allowance	(536,572)	(390,937)	(536,572)	(390,937)
Net non-performing loans and financing	769,566	973,004	769,566	973,004

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

(vi) Movements in the non-performing loans and financing (including income receivables) are as follows: (Cont'd.)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Less:				
– Specific allowance	(536,572)	(390,937)	(536,572)	(390,937)
Net non-performing loans and financing	769,566	973,004	769,566	973,004
Gross loans and financing	19,145,847	17,692,205	19,135,483	17,692,205
Less:				
– Specific allowance	(536,572)	(390,937)	(536,572)	(390,937)
Net loans and financing	18,609,275	17,301,268	18,598,911	17,301,268
Ratio of net non-performing loans	4.14%	5.62%	4.14%	5.62%

(vii) Non-performing loans analysed by their economic purposes are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Purchase of securities	53,694	53,661	53,694	53,661
Purchase of transport vehicles	29,052	35,032	29,052	35,032
Purchase of landed properties:				
– Residential	661,976	736,422	661,976	736,422
– Non-residential	44,164	62,049	44,164	62,049
Purchase of Fixed Assets – exclude landed properties	387	–	387	–
Personal Use	43,816	46,385	43,816	46,385
Consumer Durables	4	3	4	3
Construction	235,425	242,426	235,425	242,426
Working capital	180,983	140,043	180,983	140,043
Other Purpose	56,637	47,920	56,637	47,920
	1,306,138	1,363,941	1,306,138	1,363,941

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Specific allowance				
Balance at beginning of year	390,937	277,770	390,937	277,770
Allowance made during the year	289,558	257,678	289,558	257,678
Amount written back in respect of recoveries	(52,088)	(54,187)	(52,088)	(54,187)
Amount written off	(90,290)	(88,656)	(90,290)	(88,656)
Transfer to general allowance	–	(1,668)	–	(1,668)
Transfer from specific allowance for restructured/rescheduled	(9,502)	–	(9,502)	–
Transfer from Kewangan Bersatu Berhad ("KBB")	7,957	–	7,957	–
Balance at end of year	536,572	390,937	536,572	390,937

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

(viii) Movements in the allowance for bad and doubtful debts and financing accounts are as follows: (Cont'd.)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
General allowance				
Balance at beginning of year	623,914	609,375	623,914	609,375
Allowance made during the year	69,324	12,871	68,398	12,871
Amount written back	(29,234)	—	(29,051)	—
Amount transferred from KBB	192	1,668	192	1,668
Balance at end of year	664,196	623,914	663,453	623,914
As a percentage of total loans (less specific allowance)	3.57%	3.61%	3.57%	3.61%
As a percentage of total risk-weighted assets for credit risk, excluding deferred tax assets	3.32%	3.43%	3.34%	3.47%

(e) DEFERRED TAX ASSETS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 July 2006/2005	(226,177)	(227,154)	(224,680)	(222,048)
Recognised in the income statement (Note 49(r))	16,811	16,239	16,290	12,715
Recognised in equity	17,063	(10,494)	15,917	(10,579)
Transfer from provision for taxation	—	(4,768)	—	(4,768)
At 30 June 2007/2006	(192,303)	(226,177)	(192,473)	(224,680)
Presented after appropriate offsetting as follows:				
Deferred tax assets, net	(192,303)	(226,177)	(192,473)	(224,680)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets shown in the balance sheet have been determined after appropriate offsetting.

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

Deferred Tax Assets of the Group:

	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium		Other Temporary Difference		Total
	Loan Loss and Allowances RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2006	(190,797)	(11,614)	(33,149)		(235,560)
Recognised in the income statement	(7,092)	742	23,161		16,811
Recognised in equity	—	17,063	—		17,063
At 30 June 2007	(197,889)	6,191	(9,988)		(201,686)

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) DEFERRED TAX ASSETS (CONT'D.)

Deferred Tax Assets of the Group: (Cont'd.)

	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium		Other Temporary Difference		Total
	Loan Loss and Allowances RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2005	(170,626)	(1,680)	(63,210)		(235,516)
Recognised in the income statement	(15,403)	560	30,061		15,218
Recognised in equity	—	(10,494)	—		(10,494)
Transfer from provision for taxation	(4,768)	—	—		(4,768)
At 30 June 2006	(190,797)	(11,614)	(33,149)		(235,560)

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowance RM'000
At 1 July 2006	9,383
Recognised in the income statement	—
At 30 June 2007	9,383
At 1 July 2005	
Recognised in the income statement	8,362
At 30 June 2006	1,021
	9,383

Deferred Tax Assets of the Bank:

	Unrealised Holding Reserve, Impairment Loss on Securities and Amortisation of Premium		Other Temporary Difference		Total
	Loan Loss and Allowances and Income Suspended RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2006	(190,796)	(10,579)	(32,688)		(234,063)
Recognised in the income statement	(6,871)	—	23,161		16,290
Recognised in equity	—	15,917	—		15,917
At 30 June 2007	(197,667)	5,338	(9,527)		(201,856)
At 1 July 2005	(170,625)	—	(59,785)		(230,410)
Recognised in the income statement	(15,403)	—	27,097		11,694
Recognised in equity	—	(10,579)	—		(10,579)
Transfer from provision for taxation	(4,768)	—	—		(4,768)
At 30 June 2006	(190,796)	(10,579)	(32,688)		(234,063)

Deferred Tax Liabilities of the Bank:

	Accelerated Capital Allowance RM'000
At 1 July 2006	9,383
Recognised in the income statement	—
At 30 June 2007	9,383
At 1 July 2005	
Recognised in the income statement	8,362
At 30 June 2006	1,021
	9,383

(f) STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(g) DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<u>Mudharabah Fund</u>				
Demand deposits	1,885,819	1,553,036	1,885,819	1,553,036
Savings deposits	83,805	—	83,805	—
General investment deposits	6,192,625	4,331,794	5,782,692	4,150,301
Special investment deposits	483,953	632,524	483,953	632,524
	8,646,202	6,517,354	8,236,269	6,335,861
<u>Non-Mudharabah Fund</u>				
Demand deposits	2,940,783	2,557,927	2,905,247	2,512,463
Savings deposits	3,217,921	2,647,960	3,217,921	2,647,960
Negotiable instruments of deposits	1,447,139	1,870,417	1,447,139	1,870,417
	7,605,843	7,076,304	7,570,307	7,030,840
	16,252,045	13,593,658	15,806,576	13,366,701

(i) The maturity structure of general and special investment deposits and negotiable instruments of deposits are as follows:

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Due within six months	5,081,922	5,330,849	4,758,737	5,149,356
Six months to one year	1,439,850	882,842	1,353,102	882,842
One year to three years	545,715	195,178	545,715	195,178
Three years to five years	817,744	186,177	817,744	186,177
After five years	238,486	239,689	238,486	239,689
	8,123,717	6,834,735	7,713,784	6,653,242

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

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Business enterprises	2,499,871	3,287,978	2,499,871	3,287,978
Individuals	5,234,561	4,383,871	4,896,142	4,202,378
Government and statutory bodies	2,931,113	2,369,566	2,931,113	2,369,566
Others	5,586,500	3,552,243	5,479,450	3,506,779
	16,252,045	13,593,658	15,806,576	13,366,701

(h) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<u>Mudharabah Fund</u>				
Licensed banks	188,690	882,550	188,690	882,550
Licensed merchant banks	1,850	145,500	1,850	145,500
Other financial institutions	11,333	109,658	11,333	64,233
	201,873	1,137,708	201,873	1,092,283
<u>Non-Mudharabah Fund</u>				
Licensed banks	1,881,828	212,043	1,881,828	212,043
Other financial institutions	194,321	173,471	194,321	173,471
	2,076,149	385,514	2,076,149	385,514
	2,278,022	1,523,222	2,278,022	1,477,797

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) OTHER LIABILITIES

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit payable	97,644	56,704	95,915	56,439
Profit equalisation reserves (Note 49(j))	64,205	144,111	61,768	141,828
Due to Head Office	418,021	1,488,182	374,332	1,488,182
Other creditors, provisions and accruals	115,064	43,795	114,764	43,465
	694,934	1,732,792	646,779	1,729,914

(j) PROFIT EQUALISATION RESERVES ("PER")

The movements in PER are as follows:

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At 1 July 2006/2005	144,111	250,839	141,828	238,604
Amount written back	(79,817)	(106,718)	(80,060)	(96,776)
Exchange difference	(89)	(10)	—	—
At 30 June 2007/2006	64,205	144,111	61,768	141,828

(k) PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Taxation	234,185	169,094	232,968	168,968
Zakat	3,569	2,577	3,563	2,417
	237,754	171,671	236,531	171,385

(l) SUBORDINATED OBLIGATIONS

		Group and Bank	
	Note	2007	2006
		RM'000	RM'000
RM1,000 million subordinated Islamic bonds due in 2015	(i)	1,000,000	1,000,000
RM1,500 million subordinated Islamic bonds due in 2018	(ii)	1,500,000	1,500,000
		2,500,000	2,500,000

(i) On 24 November 2005, the Bank issued RM1.0 billion nominal value Subordinated Islamic Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, with a profit rate of 4.48% per annum payable semi-annually in arrears in May and November each year, and are due in November 2015. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate from the beginning of the 6th year to the final maturity date.

(ii) On 15 May 2006, the Bank issued RM1.5 billion nominal value Subordinated Islamic Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 12 non-callable 7 basis feature, with a profit rate of 5.0% per annum payable semi-annually in arrears in May and November each year, and are due in May 2018. Under the 12 non-callable 7 basis feature, the Bank has the option to redeem the Bonds on the 7th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to a permissible step-up profit rate from the beginning of the 8th year to the final maturity date.

All the Notes and Bonds above constitute unsecured liabilities of the Bank and are subordinated to the senior indebtedness of the Bank in accordance with the respective terms and conditions of their issues and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(m) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Income from investment of:				
(i) General investment deposits	506,114	383,258	497,454	374,800
(ii) Other deposits	861,762	852,326	847,020	833,499
	1,367,876	1,235,584	1,344,474	1,208,299

(i) Income derived from investment of general investment deposits

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other loans	419,442	325,374	419,439	323,772
Securities available-for-sale	30,981	24,004	22,618	17,391
Money at call and deposits with financial institutions	42,099	21,900	42,099	21,900
	492,522	371,278	484,156	363,063
Amortisation of premium less accretion of discount	12,525	11,472	12,480	11,487
	505,047	382,750	496,636	374,550
Gain on sale of securities available-for-sale	1,063	432	814	174
Service charges and fees	4	76	4	76
	506,114	383,258	497,454	374,800

(ii) Income derived from investment of other deposits

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other loans	714,185	723,487	714,181	719,922
Securities available-for-sale	52,751	53,428	38,513	38,710
Money at call and deposits with financial institutions	71,683	48,745	71,683	48,745
	838,619	825,660	824,377	807,377
Amortisation of premium less accretion of discount	21,327	25,534	21,249	25,565
	859,946	851,194	845,626	832,942
Gain on sale of securities available-for-sale	1,809	963	1,387	388
Service charges and fees	7	169	7	169
	861,762	852,326	847,020	833,499

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(n) ALLOWANCES FOR LOSSES ON FINANCING, ADVANCES AND OTHER LOANS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing:				
Specific allowance				
– Made	289,558	257,678	289,558	257,678
– Written back	(52,088)	(54,187)	(52,088)	(54,187)
General allowance made	39,095	12,871	39,347	12,871
Bad debts and financing:				
– Written off	1,875	35,337	1,875	35,337
– Recovered	(16,480)	(48,574)	(16,480)	(48,574)
	261,960	203,125	262,212	203,125

(o) INCOME ATTRIBUTABLE TO DEPOSITORS

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
– Mudharabah Fund	193,687	132,648	185,313	127,862
– Non-Mudharabah Fund	220,392	202,627	220,392	202,627
Deposits and placements of banks and other financial institutions				
– Mudharabah Fund	19,118	31,677	16,166	31,677
– Non-Mudharabah Fund	83,361	88,103	83,361	88,083
	516,558	455,055	505,232	450,249

(p) GROSS INVESTMENT INCOME

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Other operating income				
– Commissions	40,486	39,790	40,486	39,790
– Service charges and fees	29,807	27,956	29,802	27,873
– Other fee income	2,988	2,630	2,989	2,630
	73,281	70,376	73,277	70,293

(q) OVERHEAD EXPENSES

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
– Salaries and wages	119,171	9,245	119,073	9,069
– Social security cost	5,438	98	5,438	93
– Pension cost – Defined contribution plan	18,945	1,465	18,945	1,437
– Other staff related expenses	11,630	1,365	11,630	1,272
Sub-total	155,184	12,173	155,086	11,871
Establishment costs				
– Depreciation	8,475	1,335	8,475	1,335
– Information technology expenses	46,535	2,132	46,535	2,132
– Others	51,478	1,050	51,154	1,009
Sub-total	106,488	4,517	106,164	4,476
Marketing costs				
– Advertisement and publicity	13,112	1,070	13,112	1,070
– Others	20,580	406	20,580	399
Sub-total	33,692	1,476	33,692	1,469

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(q) OVERHEAD EXPENSES (CONT'D.)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Administration and general expenses				
– Fees and brokerage	10,931	2,547	10,931	2,547
– Administrative expenses	6,520	1,750	6,520	1,750
– General expenses	5,611	1,187	5,611	1,187
– Others	940	208	920	122
Sub-total	24,002	5,692	23,982	5,606
Total	319,366	23,858	318,924	23,422

Included in overhead expenses are:

Shariah Committee Members' fee and remuneration	149	149	149	149
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(r) TAXATION

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tax expense for the year	65,482	164,326	64,000	164,200
Deferred tax in relation to origination and reversal of temporary differences (Note 49(e))	16,811	16,239	16,290	12,715
	82,293	180,565	80,290	176,915

(s) COMMITMENTS AND CONTINGENCIES

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

The risk-weighted exposures of the Bank and its subsidiaries as at 30 June, are as follows:

	2007			2006		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
Group and Bank						
Direct credit substitutes	104,393	104,393	80,985	100,865	100,865	69,352
Certain transaction-related contingent items	702,644	351,322	314,075	649,437	324,718	280,615
Short-term self-liquidating trade-related contingencies	148,737	29,747	26,333	157,424	31,485	29,577
Islamic housing and hire purchase loans sold to Cagamas Berhad	1,196,143	1,196,143	991,686	1,575,756	1,575,756	1,351,664
Irrevocable commitments to extend credit:						
– maturity within one year	7,038,763	–	–	5,679,821	–	–
– maturity exceeding one year	279,371	139,686	122,747	239,707	119,854	98,512
Miscellaneous	103,006	–	–	138,027	–	–
	9,573,057	1,821,291	1,535,826	8,541,037	2,152,678	1,829,720

* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights, respectively as specified by Bank Negara Malaysia.

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(t) CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank as at 30 June, are as follows:

	Group		Bank	
	2007	2006	2007	2006
Capital ratio				
Core capital ratio	8.77%	9.37%	8.56%	8.26%
Risk-weighted capital ratio	16.34%	16.90%	16.19%	15.86%
Tier 1 capital				
Islamic banking fund	521,003	599,880	516,002	516,002
Other reserves	1,428,735	1,329,389	1,376,420	1,195,628
Less: Deferred tax assets	(192,303)	(226,177)	(192,473)	(224,680)
Total Tier 1 capital	1,757,435	1,703,092	1,699,949	1,486,950
Tier 2 capital				
Approved capital instruments*	849,975	743,475	849,975	743,475
General allowance for bad and doubtful debts and financing	664,196	623,914	663,453	623,914
Total Tier 2 capital	1,514,171	1,367,389	1,513,428	1,367,389
Capital base	3,271,606	3,070,481	3,213,377	2,854,339

* Limited to the amount approved by Bank Negara Malaysia.

The breakdown of risk-weighted assets for credit risk (excluding deferred tax assets) in the various categories of risk-weights are as follows:

Group	2007		2006	
	Principal RM'000	Risk-Weighted RM'000	Principal RM'000	Risk-Weighted RM'000
0%	2,632,647	–	3,019,399	–
10%	–	–	11,800	1,180
20%	1,817,760	363,552	2,089,080	417,816
50%	5,272,675	2,636,338	5,658,936	2,829,468
100%	17,017,562	17,017,562	14,918,152	14,918,152
		20,017,452		18,166,616
Bank				
0%	2,267,600	–	2,734,736	–
10%	–	–	11,800	1,180
20%	1,811,248	362,250	2,050,480	410,096
50%	5,272,675	2,636,338	5,658,936	2,829,468
100%	16,843,415	16,843,415	14,749,847	14,749,847
		19,842,003		17,990,591

(u) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

Group	2007		2006	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Securities held-to-maturity	–	–	224,731	224,753
Loans and financing*	18,609,275	16,643,207	17,301,268	14,442,531
Financial Liabilities				
Deposits from customers	16,252,045	16,289,074	13,593,658	13,454,658

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)**(u) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)**

Bank	2007		2006	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Securities held-to-maturity	—	—	186,400	185,154
Loans and financing*	18,598,911	16,632,843	17,301,268	14,442,531
Financial Liabilities				
Deposits from customers	15,806,576	15,843,604	13,366,701	13,416,584

* The general allowance for the Group and the Bank amounting to RM664,196,000 (2006: RM623,914,000) and RM663,453,000 (2006: RM623,914,000) respectively have been added back to arrive at the carrying value of the loans, advances and financing.

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of IBS operations are as stated in Note 44.

(v) SHARIAH COMMITTEE

The operation of IBS is governed by Section 124(3) of the Banking and Financial Institutions Act, 1989 ("the Act"), which stipulates that "any license institution carrying on Islamic financial business, in addition to its existing licensed business may, from time to time seek the advice of the Shariah Advisory Council (SAC) established under subsection (7) of the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam" and Section IV of BNM's "Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions" known as BNM/GPS 1, stipulates that "Every Islamic institution is required to establish a Shariah Committee".

Based on the above, the duties and responsibilities of the Group's Shariah Committee are to advise on the overall Islamic Banking operations of the Group's business in order to ensure compliance with the Shariah requirements.

- (a) To advise the Board on Shariah matters in its business operations.
- (b) To endorse Shariah Compliance Manuals.
- (c) To endorse and validate relevant documentations.
- (d) To assist related parties on Shariah matters for advice upon request.
- (e) To advise on matters to be referred to the SAC.

(w) ALLOCATION OF INCOME

The Shariah Committee at the group level has three members. All of them are also members of Shariah Committee of Mayban Takaful Berhad.

The policy of allocation of income to the various types of deposits and investments is subject to "The Framework on Rate of Return" issued by Bank Negara Malaysia in October 2001. The objective is to set the minimum standard and terms of reference for the Islamic banking institutions in calculating and deriving the rate of return for the depositors.

(x) EFFECTS OF CHANGES IN ACCOUNTING POLICIES

The effects of adopting BNM Circular on Handling Fees as disclosed in Note 3(ii) are as follows:

- (i) Effects on opening retained profits

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
As at 1 July 2006/2005	1,291,319	814,973	1,170,260	718,391
Effects of adopting BNM circular on handling fee	22,606	25,368	22,606	25,368
	1,313,925	840,341	1,192,866	743,759

- (ii) Effects on relevant balance sheet items as at 30 June 2006

	Group		Bank	
	As at 30 June/1 July			
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
Other assets	19,369	54,120	15,937	50,688
Deferred tax assets	235,560	226,177	234,063	224,680

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)**(x) EFFECTS OF CHANGES IN ACCOUNTING POLICIES (CONT'D.)**

- (iii) Effects on net profit for the year ended 30 June 2006

	Group RM'000	Bank RM'000
Profit for the year as previously stated	479,197	451,869
Effects of adopting BNM circular on handling fee	2,762	2,762
Profit for the year as restated	481,959	454,631

(y) CHANGE IN ACCOUNTING ESTIMATES

Prior to 1 July 2006, the Bank allocated 1% of its total overheads to the Islamic Banking Scheme ("IBS") operations. Management is of the view that this basis of allocation was not reflective of the operations of the Bank's IBS operations. As a result, with effect from 1 July 2006, the Bank revised the basis of allocation, whereby overhead expenses attributable to IBS operations is allocated using the overhead expense to net income ratio of the Bank. Management is of the view that the overhead to net income ratio of the Bank reflects more accurately, the IBS operations of the Bank.

The revision is accounted for prospectively as a change for the Bank and the Group in accounting estimates. As a result, the overhead expenses of the IBS operations in the current financial year have increased by approximately RM287,279,000.

50. LIFE, GENERAL TAKAFUL AND FAMILY TAKAFUL FUNDS' BALANCE SHEET AS AT 30 JUNE 2007

Group	2007				2006			
	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Total RM'000	Life Takaful Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Total RM'000
ASSETS								
Property, plant and equipment	69,859	362	234	70,455	12,940	3,007	7,645	23,592
Investment properties	372,620	—	—	372,620	344,915	—	—	344,915
Investments	6,397,470	3,225,962	433,782	10,057,214	6,080,906	2,708,136	343,730	9,132,772
Loans	403,274	—	—	403,274	254,941	42,119	1,901	298,961
Receivables	258,415	123,818	68,720	450,953	121,267	81,010	48,755	251,032
Cash and bank balances	46,102	47,817	21,091	115,010	52,399	29,058	18,633	100,090
Deferred tax assets	—	465	153	618	2,987	2,454	1,401	6,842
Investment-linked business assets	3,316,698	251,017	—	3,567,715	1,795,286	167,198	—	1,962,484
	10,864,438	3,649,441	523,980	15,037,859	8,665,641	3,032,982	422,065	12,120,688
LIABILITIES								
Provision for outstanding claims	38,307	43,548	152,228	234,083	20,372	37,406	123,836	181,614
Other liabilities	467,728	154,639	338,464	960,831	278,325	135,430	89,167	502,922
	506,035	198,187	490,692	1,194,914	298,697	172,836	213,003	684,536
Life, general takaful and family takaful policy holders' funds	10,358,403	3,451,254	33,288	13,842,945	8,366,944	2,860,146	209,062	11,436,152
	10,864,438	3,649,441	523,980	15,037,859	8,665,641	3,032,982	422,065	12,120,688

- (i) The operating revenue generated from the life insurance, general takaful and family takaful businesses of the Group for the financial year amounted to approximately RM4,298,524,000 (2006: RM2,467,302,000).

51. EFFECTS OF CHANGES IN ACCOUNTING POLICIES

The following tables provide estimates of the extent to which of the line items in the balance sheets and income statements for the year ended 30 June 2007 is higher or lower as a result of changes in accounting policies as stated in Note 3(ii):

(i) Effects on balance sheets as at 30 June 2007

	Increase/(Decrease)			
	FRS 2 RM'000	FRS 140 RM'000	BNM Circular on handling fees RM'000	Total RM'000
Group				
Investment properties	—	19,577	—	19,577
Property, plant and equipment	—	273	—	273
Other assets	—	—	110,180	110,180
Deferred tax assets	—	—	(28,558)	(28,558)
Deferred tax liabilities	—	5,286	—	5,286
Share option reserves	61,228	—	—	61,228
Retained profit	(61,228)	14,291	81,622	34,685
Minority interests	(1,417)	331	1,889	803
Bank				
Investment in subsidiaries	8,716	—	—	8,716
Other assets	—	—	110,180	110,180
Deferred tax assets	—	—	(28,558)	(28,558)
Share option reserves	61,228	—	—	61,228
Retained profits	(52,512)	—	81,622	29,110

(ii) Effects on income statement for the year ended 30 June 2007

	Increase/(Decrease)			
	FRS 2 RM'000	FRS 140 RM'000	BNM Circular on handling fees RM'000	Total RM'000
Group				
Operating revenue	—	—	4,412	4,412
Interest income	—	—	4,412	4,412
Net interest income	—	—	4,412	4,412
Income from Islamic Banking				
Scheme operations	—	—	6,640	6,640
Overhead expenses	58,190	(9,333)	—	48,857
Operating profit	(58,190)	9,333	4,412	(44,445)
Profit before taxation and zakat	(58,190)	9,333	4,412	(44,445)
Taxation and zakat	—	2,520	1,191	3,711
Profit for the year	(58,190)	6,813	3,221	(48,156)
Earnings per share (sen):				
Basic, for profit for the year	(1.5)	0.2	0.1	(1.2)
Diluted, for profit for the year	(1.5)	0.2	0.1	(1.2)
Bank				
Operating revenue	—	—	4,412	4,412
Interest income	—	—	4,412	4,412
Net interest income	—	—	4,412	4,412
Income from Islamic Banking				
Scheme operations	—	—	6,640	6,640
Overhead expenses	50,527	—	—	50,527
Operating profit	(50,527)	—	4,412	(46,115)
Profit before taxation and zakat	(50,527)	—	4,412	(46,115)
Taxation and zakat	—	—	1,191	1,191
Profit for the year	(50,527)	—	3,221	(47,306)

51. EFFECTS OF CHANGES IN ACCOUNTING POLICIES (CONT'D.)**(iii) Restatement of comparatives**

The following comparative amounts have been restated as a result of adopting new and revised FRSs and BNM Circular on Handling Fees as discussed in Note 3(ii):

	Increase/(Decrease)						
	Previously Stated RM'000	FRS 128 RM'000	BNM Circular on handling fees RM'000	Restated RM'000			
At 1 July 2005							
Group							
Retained profits	7,006,035	25,765	105,353	7,137,153			
Bank							
Retained profits	5,839,892	—	105,353	5,945,245			
At 30 June 2006							
Group							
Securities portfolio	33,721,822	—	—	(50,431)	—	—	33,671,391
Derivative assets	—	—	343,367	—	—	—	343,367
Other assets	3,025,581	—	(343,367)	(631)	—	(21,788)	2,765,564
Investment properties	—	—	—	—	—	21,788	21,788
Interests in associates	9,620	—	—	37,118	—	—	46,738
Property, plant and equipment	1,403,809	—	—	—	(58,892)	—	1,344,917
Intangible assets	—	—	—	—	58,892	—	58,892
Deferred tax assets	1,192,833	—	—	—	—	(28,558)	1,164,275
Deposits from customers	136,217,976	—	—	60,194	—	—	136,278,170
Derivative liabilities	—	—	233,408	—	—	—	233,408
Other liabilities	3,865,111	—	(233,408)	97	—	—	3,631,800
Share option reserve	—	3,038	—	—	—	—	3,038
Retained profits	6,811,248	(3,038)	—	25,765	—	77,211	6,911,186
Minority interests	708,475	—	—	(100,000)	—	—	608,475
Bank							
Securities portfolio	26,889,747	—	—	(50,000)	—	—	26,839,747
Derivative assets	—	—	343,367	—	—	—	343,367
Other assets	1,723,904	—	(343,367)	—	—	105,769	1,486,306
Investment in subsidiaries	2,713,793	1,054	—	—	—	—	2,714,847
Interest in associates	7,940	—	—	50,000	—	—	57,940
Property, plant and equipment	1,179,498	—	—	—	(48,873)	—	1,130,625
Intangible assets	—	—	—	—	48,873	—	48,873
Deferred tax assets	1,120,495	—	—	—	—	(28,558)	1,091,937
Derivative liabilities	—	—	234,560	—	—	—	234,560
Other liabilities	3,563,137	—	(234,560)	—	—	—	3,328,577
Share option reserve	—	3,038	—	—	—	—	3,038
Retained profits	5,376,363	(1,984)	—	—	—	77,211	5,451,590

51. EFFECTS OF CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(iii) Restatement of comparatives (Cont'd.)

		Increase/(Decrease)						
		----->						
	Previously						BNM Circular on handling	
	Stated	FRS 2	FRS 101	FRS 128	FRS 138	FRS 140	fees	Restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the year ended 30 June 2006								
Group								
Interest income	8,771,298	—	—	—	—	—	(44,337)	8,726,961
Net interest income	4,524,951	—	—	—	—	—	(44,337)	4,480,614
Income from IBS operations	887,359	—	—	—	—	—	3,783	891,142
Other operating income	2,719,272	—	—	(3,289)	—	—	—	2,715,983
Total non-interest income	2,719,272	—	—	(3,289)	—	—	—	2,715,983
Overhead expenses	3,217,071	1,981	—	(12,114)	—	—	—	3,206,938
Operating profit	4,914,511	(1,981)	—	8,825	—	—	(40,554)	4,880,801
Share of losses of associates	(499)	—	(7)	(8,825)	—	—	—	(9,331)
Profit before taxation and zakat	4,030,607	(1,981)	(7)	—	—	—	(40,554)	3,988,065
Taxation and zakat	1,164,843	—	(7)	—	—	—	(11,355)	1,153,481
Profit for the year	2,865,764	(1,981)	—	—	—	—	(29,199)	2,834,584
Earnings per share:								
Basic (sen)	74.4	(0.1)	0.1	—	—	—	(0.8)	73.6
Diluted (sen)	74.1	(0.1)	0.1	—	—	—	(0.8)	73.3
Bank								
Interest income	8,120,284	—	—	—	—	—	(44,337)	8,075,947
Net interest income	4,271,603	—	—	—	—	—	(44,337)	4,227,266
Income from IBS operations	855,810	—	—	—	—	—	3,783	859,593
Other operating income	2,098,644	—	—	—	—	—	—	2,098,644
Total non-interest income	2,179,355	—	—	—	—	—	—	2,179,355
Overhead expenses	2,783,099	927	—	—	—	—	—	2,784,026
Operating profit	4,523,669	(927)	—	—	—	—	(40,554)	4,482,188
Profit before taxation and zakat	3,579,871	(927)	—	—	—	—	(40,554)	3,538,390
Taxation and zakat	1,056,673	—	—	—	—	—	(11,355)	1,045,318
Profit for the year	2,520,198	(927)	—	—	—	—	(29,199)	2,490,072
Earnings per share:								
Basic (sen)	66.9	0.0	—	—	—	—	(0.8)	66.1
Diluted (sen)	66.6	0.0	—	—	—	—	(0.8)	65.8

52. DETAILS OF SUBSIDIARIES

(a) Details of the subsidiaries are as follows:

Name of Company	Principal	Country of Incorporation	Issued and Paid-up Share Capital		Effective Interest	
	Activities		2007	2006	2007	2006
			RM	RM	%	%
Banking						
PT Bank Maybank Indocorp ⁸	Banking	Indonesia	945,069,000,000 ¹⁰	493,819,000,000 ¹	96.8 ¹⁰	93.9
Maybank International (L) Ltd.	Offshore banking	Malaysia	10,000,000 ²	10,000,000 ²	100.0	100.0
Maybank (PNG) Limited ⁹	Banking	Papua New Guinea	5,000,000 ³	5,000,000 ³	100.0	100.0
Maybank Philippines, Incorporated ⁸	Banking	Philippines	3,147,156,390 ⁴	3,147,156,390 ⁴	99.97	99.97

52. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (Cont'd.)

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital		Effective Interest	
			2007 RM	2006 RM	2007 %	2006 %
Finance						
Myfin Berhad	Ceased operations	Malaysia	551,250,000	551,250,000	100.0	100.0
Sifin Berhad	Under member's voluntary liquidation	Malaysia	100,000,000	100,000,000	100.0	100.0
Aseamlease Berhad	Leasing	Malaysia	20,000,000	20,000,000	100.0	100.0
Mayban Allied Credit & Leasing Sdn. Bhd.	Financing	Malaysia	10,000,000	10,000,000	100.0	100.0
Aseam Credit Sdn. Bhd.	Hire purchase	Malaysia	20,000,000	20,000,000	100.0	100.0
Mayban Factoring Berhad	Factoring	Malaysia	2,000,000	2,000,000	100.0	100.0
Insurance						
Mayban Fortis Holdings Berhad	Investment holding	Malaysia	236,173,540	236,173,540	70.0	70.0
Mayban Life Assurance Bhd.	Life insurance	Malaysia	100,000,000	100,000,000	62.0	62.0
Mayban Life International (Labuan) Ltd.	Offshore investment-linked insurance	Malaysia	3,500,000 ²	3,500,000 ²	62.0	62.0
Mayban General Assurance Berhad	General insurance	Malaysia	178,171,233	178,171,233	64.8	64.8
Mayban Takaful Berhad	Takaful insurance	Malaysia	100,000,000	100,000,000	70.0	70.0
Malaysia National Insurance Bhd	General insurance	Malaysia	152,351,399	152,351,399	70.0	70.0
Takaful Nasional Sdn. Berhad	Takaful insurance	Malaysia	100,000,000	100,000,000	70.0	70.0
TN Overseas Investment Pte Ltd	Investment holding	Malaysia	1 ²	1 ²	70.0	70.0
MNI Offshore Insurance (L) Ltd	Offshore general reinsurance	Malaysia	2,500,000 ⁷	2,500,000 ⁷	70.0	70.0
MNI Life International (L) Ltd	Under member's voluntary liquidation	Malaysia	4,000,000	4,000,000	70.0	70.0
Peram Ranum Bhd	Dormant	Malaysia	60,000,000	60,000,000	70.0	70.0
Double Care Sdn Bhd	Investment holding	Malaysia	100,000,000	100,000,000	70.0	70.0
Investment Banking						
Aseambankers Malaysia Berhad	Merchant banking	Malaysia	50,116,000	50,116,000	100.0 ¹¹	94.7
Maysec Sdn Bhd (formerly known as Mayban Securities (Holdings) Sendirian Berhad)	Investment holding	Malaysia	162,000,000	162,000,000	100.0	100.0
Maysec (KL) Sdn Bhd (formerly known as Mayban Securities Sendirian Berhad)	Stock broking	Malaysia	124,000,000	124,000,000	100.0	100.0
Maydis Berhad (formerly known as Mayban Discount Berhad)	Discount house	Malaysia	45,000,000	45,000,000	100.0 ¹¹	98.4
Mayban Futures Sdn. Bhd.	Ceased operations	Malaysia	10,000,000	10,000,000	100.0	100.0
Mayban Securities (HK) Limited ⁸	Stockbroking	Hong Kong	30,000,000 ⁶	30,000,000 ⁶	100.0	100.0
Mayban Securities (Jersey) Limited ⁹	Investment holding	United Kingdom	2 ⁷	2 ⁷	100.0	100.0

52. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (Cont'd.)

Name of Company	Principal	Country of Incorporation	Issued and Paid-up Share Capital		Effective Interest	
	Activities		2007 RM	2006 RM	2007 %	2006 %
Investment Banking (Cont'd.)						
PhileoAllied Securities (Philippines) Inc. ⁸	Stockbroking	Philippines	21,875,000 ⁴	21,875,000 ⁴	100.0	100.0
Budaya Tegas Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	2	2	100.0	100.0
Asset Management/Trustees/Custody						
Mayban Indonesia Berhad	Ceased operations	Malaysia	5,000,000	5,000,000	100.0	100.0
Mayban Unit Trust Berhad	Unit trust fund management	Malaysia	4,000,000	4,000,000	— ¹³	100.0
Mayban International Trust (Labuan) Berhad	Under member's voluntary liquidation	Malaysia	150,000	150,000	100.0	100.0
Mayban Offshore Corporate Services (Labuan) Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	2	2	100.0	100.0
Mayban Trustees Berhad	Trustee services	Malaysia	500,000	500,000	100.0	100.0
Mayban Ventures Sdn. Bhd.	Venture capital	Malaysia	14,000,000	14,000,000	100.0	98.41
Mayban-JAIC Capital Management Sdn. Bhd.	Investment advisory and administration services	Malaysia	2,000,000	2,000,000	50.19	50.19
Mayban Investment Management Sdn. Bhd.	Fund management	Malaysia	5,000,000	5,000,000	100.0 ¹¹	97.96
Philmay Property, Inc. ⁸	Property leasing and trading	Philippines	100,000,000 ⁴	100,000,000 ⁴	60.0	60.0
Mayban (Nominees) Sendirian Berhad	Nominee services	Malaysia	31,000	31,000	100.0	100.0
Mayban Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.0	100.0
Mayban Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.0	100.0
Mayban Nominees (Singapore) Private Limited ⁸	Nominee services	Singapore	60,000 ⁵	60,000 ⁵	100.0	100.0
Mayban Nominees (HongKong) Limited ⁸	Nominee services	Hong Kong	3 ⁶	3 ⁶	100.0	100.0
Aseam Malaysia Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	94.7	94.7
Aseam Malaysia Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	94.7	94.7
Mayfin Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.0	100.0

52. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (Cont'd.)

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital		Effective Interest	
			2007 RM	2006 RM	2007 %	2006 %
Mayban Securities Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.0	100.0
Mayban Securities Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	10,000	10,000	100.0	100.0
AFMB Nominees (Tempatan) Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	10,000	10,000	100.0	100.0
Mayban Allied Berhad	Investment holding	Malaysia	753,908,638	753,908,638	100.0	100.0
Anfin Berhad	Under member's voluntary liquidation	Malaysia	106,000,000	106,000,000	100.0	100.0
Mayban Allied Property Holdings Sdn. Bhd.	Dormant	Malaysia	2,000,000	2,000,000	100.0	100.0
Maysec (Ipoh) Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	100,000,000	100,000,000	100.0	100.0
Mayban P.B. Holdings Sdn. Bhd.	Property investment	Malaysia	1,000,000	1,000,000	100.0	100.0
Mayban Property (PNG) Limited ⁹	Property investment	Papua New Guinea	2 ³	2 ³	100.0	100.0
Mayban International Trust (Labuan) Ltd.	Trustee services	Malaysia	40,000 ²	40,000 ²	100.0	100.0
MNI Holdings Berhad	Investment holding	Malaysia	285,327,725	285,327,725	70.0	70.0
KBB Nominees Sdn. Bhd. ¹²	Nominee services	Malaysia	10,000	10,000	100.0	—
KBB Properties Sdn. Bhd. ¹²	Ceased operations	Malaysia	410,000	410,000	100.0	—

Note:

- (1) Indonesia Rupiah (IDR)
- (2) United States Dollars (USD)
- (3) Papua New Guinea Kina (Kina)
- (4) Philippines Peso (Peso)
- (5) Singapore Dollars (SGD)
- (6) Hong Kong Dollars (HKD)
- (7) Great Britain Pound (GBP)
- (8) Audited by firms affiliated with Ernst & Young
- (9) Audited by firms of auditors other than Ernst & Young
- (10) Increase as a result of capital injection by the Bank (Note 14(b) and Note 48(d))
- (11) Increase as a result of the additional interests acquired in Aseambankers Malaysia Berhad (Note 14(c) and Note 48(e))
- (12) Acquired from the acquisition of assets and liabilities of Kewangan Bersatu Berhad (Note 48(b))
- (13) Disposed of during the financial year (Note 14(a))

53. CURRENCY

All amounts are in Ringgit Malaysia unless otherwise stated.

Notes

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