

Bank Negara Malaysia

Balance Sheet as at 31 December 2007

		2007	2006
		RM	RM
ASSETS			
Gold and Foreign Exchange	3	334,338,606,394	288,871,214,113
International Monetary Fund Reserve Position		617,472,897	793,377,077
Holdings of Special Drawing Rights		760,950,672	756,926,104
Malaysian Government Papers	4	2,468,203,632	1,504,154,121
Deposits with Financial Institutions		62,470,044,391	4,626,624,482
Loans and Advances	5	12,288,159,901	12,924,727,795
Other Assets	6	11,937,972,319	13,551,017,533
Total Assets		424,881,410,206	323,028,041,225
LIABILITIES AND CAPITAL			
Currency in Circulation		42,192,729,256	37,896,029,181
Deposits by: Financial Institutions		231,591,665,147	176,459,444,828
Federal Government		14,274,462,010	16,624,678,860
Others	7	2,819,726,945	2,199,409,354
Bank Negara Papers		69,009,960,464	24,793,933,282
Allocation of Special Drawing Rights	8	726,822,946	736,745,411
Other Liabilities	9	34,518,924,334	31,668,377,651
Total Liabilities		395,134,291,102	290,378,618,567
Authorised Capital	RM200,000,000		
Paid-up Capital	10	100,000,000	100,000,000
General Reserve Fund	11	10,799,678,929	9,362,550,221
Other Reserves	12	18,847,440,175	23,186,872,437
Total Capital		29,747,119,104	32,649,422,658
Total Liabilities and Capital		424,881,410,206	323,028,041,225

Notes on the following pages form part of these financial statements.

Bank Negara Malaysia

Income Statement for the Year Ended 31 December 2007

	Note	2007 RM	2006 RM
Total Income	13	8,489,814,550	4,843,406,554
Less:			
Recurring Expenditure	14	834,185,691	773,866,381
Development Expenditure	15	994,993,036	610,070,417
Total Expenditure		1,829,178,727	1,383,936,798
Net Profit		6,660,635,823	3,459,469,756

Profit and Loss Appropriation Statement for the Year Ended 31 December 2007

		2007 RM	2006 RM
Net Profit		6,660,635,823	3,459,469,756
Transfer to Other Reserves	16	3,723,507,115	1,000,000,000
Transfer to General Reserve Fund		1,437,128,708	1,259,469,756
Amount Payable to Federal Government		1,500,000,000	1,200,000,000
		6,660,635,823	3,459,469,756

Notes on the following pages form part of these financial statements.

Notes to the Financial Statements - 31 December 2007

1. Principal Activities of the Bank

The Bank's principal roles and responsibilities are as follows:

- (a) to achieve monetary stability;
- (b) to promote a stable financial system;
- (c) to ensure an efficient payment system;
- (d) to issue currency in Malaysia; and
- (e) to act as a banker and a financial adviser to the Federal Government.

2. Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies are consistently applied to both of the financial years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

- (a) These financial statements have been prepared in accordance with the Central Bank of Malaysia Act 1958 (Revised 1994) and applicable Malaysian Financial Reporting Standards (FRS) in as far as it is considered appropriate to the roles and responsibilities of the Bank. The Bank, having considered its responsibilities for the formulation and conducting effective monetary policy, is of the opinion that, it is appropriate to differ, in some aspects, from the Malaysian FRS.
- (b) The preparation of the financial statements in conformity with the requirements of the Malaysian FRS requires management to use certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the financial year. Although these estimates are based on the management's best knowledge of current events and actions, the actual results could differ from those estimates.

2.2 Measurement Base and Accrual Accounting

The financial statements have been prepared on the historical cost basis of accounting, with the revaluation of financial instruments that are held at fair value through profit and loss and on an accrual basis.

2.3 Foreign Currency Translation

- (a) The financial statements have been prepared using Ringgit Malaysia, the currency of the primary economic environment in which the Bank operates.
- (b) Assets and liabilities in foreign currencies have been revalued into Ringgit Malaysia at rates of exchange prevailing on the balance sheet date. Transactions in foreign currencies during the year have been translated into Ringgit Malaysia at rates of exchange prevailing on the value dates.
- (c) The International Reserves comprising Gold and Foreign Exchange, International Monetary Fund Reserve Position and Holdings of Special Drawing Rights as at 31 December 2007 was RM335,717 million equivalent to USD101,344.8 million.

2.4 Gold, Securities and Investments

Gold, securities and investments are stated mainly at cost and provisions have been made for diminution in value as at 31 December 2007.

2.5 Repurchase and Reverse-Repurchase Agreements

The amount borrowed under repurchase agreements is reported under 'Other Liabilities'. The amount lent under reverse-repurchase agreements is reported under 'Other Assets'. The difference between the amount received and amount paid under repurchase and reverse-repurchase agreements is recognised as interest expense and interest income on a straight-line basis, respectively.

2.6 Net Profit

The net profit of the Bank has been appropriated in accordance with section 7 of the Central Bank of Malaysia Act 1958 and only realised gains are made available for dividend distribution.

3. Gold and Foreign Exchange

	2007 RM	2006 RM
Foreign Securities	239,672,351,872	222,484,196,755
Foreign Deposits	68,159,741,976	45,754,677,766
Balances with Other Central Banks, Bank for International Settlements (BIS) and International Monetary Fund (IMF)	6,603,359,274	7,689,540,079
Others	19,903,153,272	12,942,799,513
	<u>334,338,606,394</u>	<u>288,871,214,113</u>

4. Malaysian Government Papers

	2007 RM	2006 RM
Malaysian Government Securities	<u>2,468,203,632</u>	<u>1,504,154,121</u>

5. Loans and Advances

Loans and advances comprise mainly advances extended by the Bank to the participating institutions under section 30(1) of the Central Bank of Malaysia Act 1958.

6. Other Assets

Other assets include investments in shares and bonds of RM11,233,737,492 acquired under section 30(1)(j) and section 30(1)(oo)(i) of the Central Bank of Malaysia Act 1958.

7. Deposits by Others

A substantial part of these deposits comprises deposits from Federal Statutory Authorities.

8. Allocation of Special Drawing Rights

IMF member countries are allocated Special Drawing Rights (SDR) in proportion to their subscriptions to the IMF. The allocation represents a dormant liability of the Bank to the IMF, against which assets are received in SDR from the IMF. The net cumulation of the allocation was RM726,822,946 equivalent to SDR139,048,000.

9. Other Liabilities

Other liabilities include mainly placements by financial institutions under the repurchase agreements.

10. Paid-up Capital

The entire issued and paid-up capital of RM100 million is owned by the Government of Malaysia.

11. **General Reserve Fund**

	2007 RM	2006 RM
As at 1 January	9,362,550,221	8,103,080,465
Transfer from Net Profit	1,437,128,708	1,259,469,756
As at 31 December	10,799,678,929	9,362,550,221

12. **Other Reserves**

Other reserves comprise the Exchange Rate Fluctuation Reserve, Revaluation Reserve and the Contingency Reserve. The Revaluation Reserve is created to deal with the movements in the market values of the Bank's investment portfolios which are designated at fair value through profit and loss.

13. **Total Income**

Total income comprises revenue from foreign reserve management which includes interest and dividends, non-treasury income and is stated at net of amortisation/accretion of premiums/discounts and the monetary policy cost.

14. **Recurring Expenditure**

Recurring expenditure are expenses incurred in the management and administration of the day-to-day operations of the Bank.

15. **Development Expenditure**

Development expenditure are expenses incurred mainly to finance developmental and long term projects undertaken by the Bank that are in line with its principal roles and responsibilities.

16. **Transfer to Other Reserves**

This transfer is made in accordance with section 7(2) of the Central Bank of Malaysia Act 1958 and note 2.6.

17. **Contingent Liabilities**

Total contingent liabilities as at 31 December 2007 amounted to RM7,345,905,721. These comprise:

- (a) an amount of RM7,282,788,042 which represents the obligation of the Bank to pay in full, in SDR or other convertible currencies, the amount of Malaysia's quota in the IMF under the Articles of Agreement; and
- (b) an amount of RM63,117,679 which represents the uncalled portion of the 3,220 units of shares held by the Bank in Bank for International Settlements. The amount is based on the nominal value (SDR5,000) of the uncalled portion and SDR rate as at the balance sheet date.

18. **Income Tax**

The Bank is exempted from payment of income tax and supplementary income tax as set out in the Income Tax (Exemption) (No. 7) Order 1989.

