

Bank Negara Malaysia

Balance Sheet as at 31 December 2006

		2006 RM	2005 RM
ASSETS			
Gold and Foreign Exchange	3	288,871,214,113	264,421,558,175
International Monetary Fund Reserve Position		793,377,077	1,186,337,566
Holdings of Special Drawing Rights		756,926,104	748,345,706
Malaysian Government Papers	4	1,504,154,121	961,013,021
Deposits with Financial Institutions		4,626,624,482	2,878,873,387
Loans and Advances	5	12,924,727,795	10,295,735,304
Other Assets	6	13,551,017,533	14,940,995,292
Total Assets		323,028,041,225	295,432,858,451
LIABILITIES AND CAPITAL			
Currency in Circulation		37,896,029,181	34,396,746,453
Deposits by: Financial Institutions		176,459,444,828	140,606,624,541
Federal Government		16,624,678,860	27,273,933,343
Others	7	2,199,409,354	4,297,159,874
Bank Negara Papers		24,793,933,282	20,347,587,398
Allocation of Special Drawing Rights	8	736,745,411	751,127,007
Other Liabilities	9	31,668,377,651	29,551,916,821
Total Liabilities		290,378,618,567	257,225,095,437
Authorised Capital		RM200,000,000	
Paid-up Capital	10	100,000,000	100,000,000
General Reserve Fund	11	9,362,550,221	8,103,080,465
Other Reserves	12	23,186,872,437	30,004,682,549
Total Capital		32,649,422,658	38,207,763,014
Total Liabilities and Capital		323,028,041,225	295,432,858,451

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

Bank Negara Malaysia

Income Statement for the Year Ended 31 December 2006

		2006 RM	2005 RM
Total Income	13	4,843,406,554	4,989,023,000
Less:			
Recurring Expenditure	14	773,866,381	809,055,659
Development Expenditure	15	610,070,417	619,004,191
Total Expenditure		1,383,936,798	1,428,059,850
Net Profit		3,459,469,756	3,560,963,150

Profit and Loss Appropriation Statement for the Year Ended 31 December 2006

		2006 RM	2005 RM
Net Profit		3,459,469,756	3,560,963,150
Transfer to Other Reserves	16	1,000,000,000	1,000,000,000
Transfer to General Reserve Fund		1,259,469,756	1,360,963,150
Amount Payable to Federal Government		1,200,000,000	1,200,000,000
		3,459,469,756	3,560,963,150

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

Notes To The Financial Statements - 31 December 2006

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 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 2006 was RM290,421.5 million equivalent to USD82,457.3 million.

2.4 Gold, Securities and Investments

Gold, securities and investments are stated at cost and provisions have been made for diminution in value as at 31 December 2006.

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.

3. Gold and Foreign Exchange

	2006 RM	2005 RM
Foreign Securities	222,484,196,755	214,223,340,658
Foreign Deposits	45,754,677,766	30,954,385,954
Balances with Other Central Banks, Bank for International Settlements (BIS) and International Monetary Fund (IMF)	7,689,540,079	5,043,988,892
Others	12,942,799,513	14,199,842,671
	<u>288,871,214,113</u>	<u>264,421,558,175</u>

With effect from May 2006, other foreign currency claims on residents are reclassified from 'Gold and Foreign Exchange' to 'Other Assets'.

4. Malaysian Government Papers

	2006 RM	2005 RM
Malaysian Government Securities	<u>1,504,154,121</u>	<u>961,013,021</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 RM13,181,520,663 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 subscription 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 RM736,745,411 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**

	2006	2005
	RM	RM
As at 1 January	8,103,080,465	6,742,117,315
Transfer from Net Profit	1,259,469,756	1,360,963,150
As at 31 December	<u>9,362,550,221</u>	<u>8,103,080,465</u>

12. **Other Reserves**

Other reserves comprise the Exchange Rate Fluctuation Reserve and the Contingency Reserve.

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 Central Bank of Malaysia Act 1958.

17. **Contingent Liabilities**

Total contingent liabilities as at 31 December 2006 amounted to RM7,487,719,316. These comprise:

- (a) an amount of RM7,423,739,965 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 RM63,979,351 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.