

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

The Directors have pleasure in presenting their report together with the audited financial statements of the Bank and of the Group for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking and related financial services.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

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

FINANCIAL RESULTS

	Group/Bank RM'000
Profit before taxation	47,553
Taxation	(13,900)
Profit after taxation	33,653
Dividend	(16,078)
Transfer to statutory reserves	(16,826)
Profit after transfer to statutory reserves	749
Accumulated profit brought forward	18,593
Accumulated profit carried forward	19,342

DIVIDENDS

The amount of dividend paid by the company since 31 December 2002 was as follows:

	RM'000
In respect of the financial year ended 31 December 2002 as reported in the directors' report of that year	
Final dividend of 11% less 28% taxation, paid on 23 May 2003	16,078

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2003, of 11.51% less 28% taxation on 203,000,002 ordinary shares of RM1 each, amounting to a total dividend payable of RM16,823,016 (8.28 sen net per share) will be proposed for 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 shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2004.

RESERVES AND PROVISIONS

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

NON PERFORMING DEBTS AND FINANCING

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

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

CURRENT ASSETS

Before the financial statements of the Bank and of the Group were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, have been written down to an amount which they might be expected to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

As at the date of this report there does not exist:

- (i) any charge on the assets of the Bank or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Bank or of the Group that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent liability or other liability of the Bank and of the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Bank and of the Group to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

- (i) the results of the operations of the Bank and of the Group for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those as disclosed in the financial statements; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Bank and of the Group for the current financial year in which this report is made.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are:

General (Rtd) Tan Sri Dato' Mohd Ghazali Seth
Diong Chin Teck @ Tiong Chin Sang
Dato' Jorgen Bornhoft
Mohamed Eusoff Abdul Carrim
Robert Ralph Davis
Dato' Krishnan Tan Boon Seng
Wong See Hong (*Appointed on 12.3.2003*)
Jeremy Roy Oliver (*Appointed on 27.1.2004*)
Hugues Jacques Edouard Alain Delcourt (*Resigned on 13.5.2003*)

General (Rtd) Tan Sri Dato' Mohd Ghazali Seth and Diong Chin Teck @ Tiong Chin Sang, being over seventy years of age, retire in accordance with Section 129(2) of the Companies Act, 1965. The Board recommend that they be re-appointed as Directors in accordance with Section 129(6) of the Act.

DIRECTORS' INTERESTS

None of the Directors who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act 1965 an interest in shares in the Bank or its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements, or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

HOLDING COMPANIES

The Directors regard ABN AMRO Bank N.V. and ABN AMRO Holding N.V., as the immediate and ultimate holding companies of the Bank. Both companies are incorporated in The Netherlands.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

BUSINESS PLAN AND STRATEGY FOR FINANCIAL YEAR ENDED 31 DECEMBER 2003

ABN AMRO Bank Berhad has maintained its strategy of increasing revenues from its selected key clients, while remaining competitive, by constantly reviewing operational efficiency.

The bank has also been changing its revenue mix by growing its non-interest revenues, predominantly in the area of Financial Markets by offering value-added solutions in foreign exchange options and other derivatives that are focused on clients needs.

Tight cost management also resulted in a modest efficiency ratio of 54% recorded for the year.

OUTLOOK FOR 2004

ABN AMRO Bank Berhad expects a healthy Gross Domestic Products (GDP) in 2004 for the Malaysian economy, led mainly by export growth, particularly in emerging markets such as China and the intra ASEAN region. The weak United States Dollar has resulted in Malaysia maintaining its competitiveness in the global markets. Consumer confidence and domestic consumption is expected to remain high in 2004 despite the lower budget deficit projected for 2004 by the Government.

The Bank is striving to build its loan base which will be helped by sovereign upgrades and the better economic outlook for Malaysia in 2004 by offering innovative trade financing and credit solutions to its key clients.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

RATING BY AGENCY

RAM, Ratings Agency Malaysia Berhad reaffirmed the Bank's long term rating of AA₂ and its short-term rating of P1. The ratings were based on the Bank's sound asset quality, relatively stable funding, well-capitalised position and improving profitability. The Bank's healthy asset quality as demonstrated by the low incidence of non-performing loans ("NPLs"), the Bank's promotion of its fee-based activities to sustain its earnings by leveraging on its extensive global network as well as the Bank's position as a wholly owned subsidiary of ABN AMRO Holding N.V., a major global banking institution with a very strong franchise and prudent operations, were considered in the above rating.

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



JEREMY ROY OLIVER



MOHAMED EUSOFF ABDUL CARRIM

)
)
)
)
)
)
)

DIRECTORS

Kuala Lumpur, Malaysia.
12 March 2004

STATEMENT BY DIRECTORS

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

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

We, JEREMY ROY OLIVER and MOHAMED EUSOFF ABDUL CARRIM, being two of the Directors of ABN AMRO BANK BERHAD, do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 9 to 56 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act so as to give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2003 and of the results and the cash flows of the Bank and of the Group for the year then ended.

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



JEREMY ROY OLIVER



MOHAMED EUSOFF ABDUL CARRIM

)
)
)
)
)
)
)

DIRECTORS

Kuala Lumpur, Malaysia.
12 March 2004

STATUTORY DECLARATION

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

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

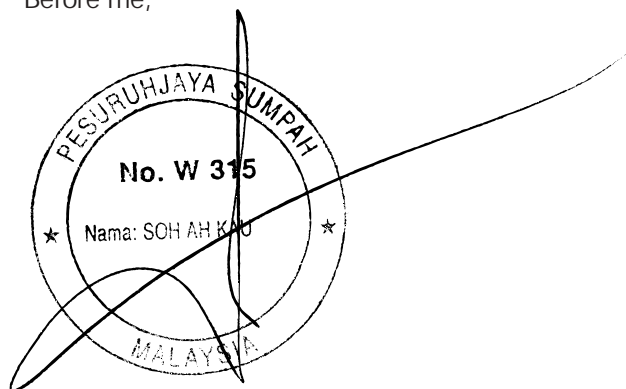
I, JEREMY ROY OLIVER being the Director primarily responsible for the financial management of ABN AMRO BANK BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 56 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed
JEREMY ROY OLIVER
at Kuala Lumpur in the Federal Territory
on 12 March 2004



JEREMY ROY OLIVER

Before me,



AUDITORS' REPORT

TO THE MEMBERS OF ABN AMRO BANK BERHAD

We have audited the accompanying financial statements and consolidated financial statements set out on pages 9 to 56. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

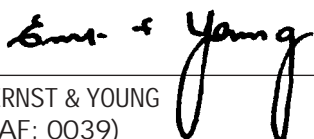
We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, 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:

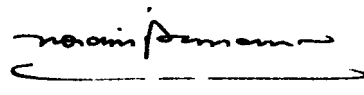
- (a) the financial statements and consolidated financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Bank and of the Group as at 31 December 2003 and of the results and cash flows of the Group and of the Bank for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements and consolidated financial statements.
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by the subsidiaries for which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and 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
12 March 2004


Dato' Nordin Bin Baharuddin
(No. 837/03/04(J))
Partner

BALANCE SHEETS

AS AT 31 DECEMBER 2003

		GROUP		BANK	
	Note	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
ASSETS					
Cash and short-term funds	4	1,237,145	1,130,851	1,237,145	1,130,851
Deposits and placements with financial institutions	5	304,684	371,841	304,684	371,841
Dealing securities	6	48,561	25,097	48,561	25,097
Investment securities	7	845,170	618,863	845,170	618,863
Loans and advances	8	370,592	450,137	370,592	450,137
Other assets	9	107,921	97,710	107,921	97,710
Deferred tax assets	10	2,105	2,719	2,105	2,719
Statutory deposits with Bank Negara Malaysia	11	36,353	42,454	36,353	42,454
Investment in subsidiary companies	12	-	-	20	20
Property, plant and equipment	13	2,585	3,599	2,585	3,599
TOTAL ASSETS		2,955,116	2,743,271	2,955,136	2,743,291
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	14	1,632,592	1,155,247	1,632,612	1,155,267
Deposits and placements of banks and other financial institutions	15	806,861	1,086,298	806,861	1,086,298
Other liabilities	16	141,954	145,328	141,954	145,328
Deferred tax liabilities	10	594	858	594	858
TOTAL LIABILITIES		2,582,001	2,387,731	2,582,021	2,387,751
Share capital	17	203,000	203,000	203,000	203,000
Reserves	18	170,115	152,540	170,115	152,540
SHAREHOLDERS' FUNDS		373,115	355,540	373,115	355,540
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		2,955,116	2,743,271	2,955,136	2,743,291
COMMITMENTS AND CONTINGENCIES					
	32	18,616,115	9,448,788	18,616,115	9,448,788

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

		GROUP/BANK	
	Note	2003 RM'000	2002 RM'000
Interest income	19	89,420	93,180
Interest expense	20	(53,782)	(55,488)
Net interest income		35,638	37,692
Loan loss and write back	21	2,341	4,268
Provision for commitments and contingencies		2,191	1,802
		40,170	43,762
Non-interest income	22	58,220	57,840
Net income		98,390	101,602
Non-interest expense	23	(50,837)	(46,851)
		47,553	54,751
Provision for restructuring costs	24	-	4,617
Profit before taxation		47,553	59,368
Taxation	28	(13,900)	(13,007)
Profit after taxation		33,653	46,361
Earnings per share (sen)	29	17	23

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2003

	Issued and fully paid ordinary shares of RM1.00 each		Non-distributable		Distributable	
	Number of shares	Nominal value	Share premium	Statutory reserves	Retained earnings	Total
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP AND BANK						
At 1 January 2002, as previously reported	203,000	203,000	76,182	32,168	(710)	310,640
Prior year adjustments (Note 37)	-	-	-	-	(1,461)	(1,461)
At 1 January 2002, as restated	203,000	203,000	76,182	32,168	(2,171)	309,179
Profit for the year	-	-	-	-	46,361	46,361
Transfer to reserves	-	-	-	25,597	(25,597)	-
At 31 December 2002	203,000	203,000	76,182	57,765	18,593	355,540
At 31 December 2002, as previously reported	203,000	203,000	76,182	57,765	24,886	361,833
Prior year adjustments (Note 37)	-	-	-	-	(6,293)	(6,293)
At 31 December 2002, as restated	203,000	203,000	76,182	57,765	18,593	355,540
Profit for the year	-	-	-	-	33,653	33,653
Dividends (Note 30)	-	-	-	-	(16,078)	(16,078)
Transfer to reserves	-	-	-	16,826	(16,826)	-
At 31 December 2003	203,000	203,000	76,182	74,591	19,342	373,115

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	GROUP/BANK	
Note	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	47,553	59,368
Adjustments for:		
Depreciation of property, plant and equipment	1,171	2,298
Property, plant and equipment written off	-	46
Gain on disposal of property, plant and equipment	(31)	(116)
Loan loss and write back	(2,341)	(4,268)
Provision for commitments and contingencies	(2,191)	(1,802)
Provision for diminution in value of investment securities	4,311	-
Provision for interest-in-suspense	-	(177)
Loss on sale of investment securities	-	1,949
Gross dividends	(16,078)	-
	(15,159)	(2,070)
Operating profit before working capital changes	32,394	57,298
(Increase)/decrease in dealing securities	(23,464)	48,769
Decrease in loans and advances	81,886	564,160
Increase in other assets	(7,245)	(37,243)
Decrease in statutory deposits with Bank Negara Malaysia	6,101	28,378
Increase/(decrease) in deposits from customers	477,345	(35,555)
(Decrease)/increase in deposits and placements of banks and other financial institutions	(279,437)	52,761
Increase/(decrease) in other liabilities	1,492	(46,977)
Decrease in bills and acceptances payable	-	(9,940)
Cash generated from operations	289,072	621,651
Income taxes paid	(19,191)	(22,939)
NET CASH GENERATED FROM OPERATING ACTIVITIES	269,881	598,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(193)	(4)
Proceeds from disposal of property, plant and equipment	67	201
Increase in investment securities	(230,618)	(275,698)
NET CASH USED IN INVESTING ACTIVITIES	(230,744)	(275,501)
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,137	323,211
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,502,692	1,179,481
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25 1,541,829	1,502,692

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank and of the Group have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989 and applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board (MASB).

During the financial year ended 31 December 2003, the Bank and the Group adopted the following MASB Standards for the first time:

MASB 25	Income Taxes
MASB 29	Employee Benefits

The effects of adopting MASB 25 is summarised in the Statements of Changes in Equity and further information is disclosed in Note 37 to the financial statements. The adoption of MASB 29 has not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

2. GENERAL

The Bank is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office is located at Levels 26, MNI Twins, Tower 2, 11, Jalan Pinang, 50450 Kuala Lumpur.

The principal place of business is located at Levels 25 - 27, MNI Twins, Tower 2, 11, Jalan Pinang, 50450 Kuala Lumpur.

The principal activities of the Bank are banking and related financial services.

The principal activities of the subsidiary companies are to act as nominee, trustees, custodian trustees and agents on behalf of the Bank.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 12 March 2004 and by Bank Negara Malaysia via its letter dated 25 February 2004.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements are prepared under the historical cost convention.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and all its subsidiaries for the year to 31 December 2003. The results of all subsidiary companies acquired or sold are included in the consolidated financial statements from the date of acquisition or to the date of sale.

(c) Recognition of Interest Income

Interest income is recognised on an accrual basis. Interest income on housing and term loans is recognised by reference to rest periods which are either monthly or yearly.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for more than three months for loans, overdrafts, and housing loans and after maturity date for trade bills, bankers' acceptances and trust receipts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Recognition of Fees and Other Income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Dividends from dealing securities are recognised when received. Dividends from investment securities are recognised when declared.

(e) Provision for Non-Performing Debts and Financing

Specific provisions are made for doubtful debts and financing which have been individually reviewed and specifically identified as sub-standard, doubtful or bad.

A general provision based on a percentage of the loan and financing portfolio is also made to cover possible losses which are not specifically identified.

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

(f) Dealing Securities

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short term, and are stated at the lower of cost and market value.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.

(g) Investment Securities

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirement pursuant to Section 38 of the Banking and Financial Institutions Act, 1989, and are usually held to maturity.

Malaysian Government securities, Cagamas bonds, other Government securities and Government and bank guaranteed Private debt securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount to maturity date.

Bankers' acceptances are stated at face value less unearned discount. Other investment securities are stated at cost and provision is made in the event of any permanent diminution in value.

Unquoted equity securities held as long term investments are stated at cost and provision is made in the event of any permanent diminution in value.

Transfers, if any, between investment and dealing securities are made at the lower of carrying value and market value.

(h) Investments in Subsidiary Companies

A subsidiary company is a company in which the Bank controls the composition of its board of directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investments in subsidiary companies are stated at cost, and written down when the Directors consider that there is a permanent diminution in the value of such investments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, with the exception of freehold land and buildings which are not depreciated. The non-depreciation of buildings on freehold land is a non-compliance of MASB Standard No.14 - Depreciation Accounting, but the effect of this non-compliance is not material. Depreciation of other property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(j).

The principal annual rates of depreciation used are as follows:

Motor vehicles	20%
Office equipment and machinery	20%
Furniture, fittings and office renovation	10% - 20%
Computer equipment and software	20% - 33 1/3%

(j) Impairment of Assets

At each balance sheet date, the Bank reviews the carrying amounts of its assets, other than financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(k) Repurchase Agreements

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

Conversely, obligation on securities sold under repurchase agreements are securities which 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Forward Exchange Contracts

Unmatured forward exchange contracts are valued at forward rates as at the balance sheet date, applicable to their respective dates of maturity, and unrealised losses and gains are recognised in the income statement.

(m) Interest Rates Swap, Futures, Forward and Option Contracts

The Bank acts as an intermediary with counterparties who wish to swap their interest obligations. The Bank also uses interest rate swaps, futures, forward and option contracts in its trading account activities and in its overall interest rate risk management.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rates futures, forward and option contracts that qualify as hedges are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expense.

Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current year using the mark-to-market method, and are included in net result from dealing securities.

(n) Currency Translations

Individual foreign currency assets and liabilities are reported in Ringgit Malaysia in the balance sheet at spot rates of exchange which closely approximate those ruling at the balance sheet date. Income statement items are recorded at rates prevailing on transaction dates. Exchange gains and losses are recognised in the income statement in the year they arise.

The major exchange rates used by the Bank and the Group are:

	GROUP AND BANK	
	Year end rates	
	2003	2002
United States Dollar	3.8000	3.8000
Great Britain Pounds	6.7686	6.0918
Euro	4.7783	3.9410
Singapore Dollar	2.2342	2.1700
Japanese Yen	0.0355	0.0320

(o) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. 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, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income Tax (Cont'd)

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.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 37.

(p) Employee Benefits

(i) 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. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(q) Cash and Cash Equivalents

Cash and cash equivalents as stated in the cash flow statement comprise cash and short-term funds, deposits and placements with financial institutions that are readily convertible to cash with insignificant risk of changes in value.

(r) Financial Instruments

Financial instruments are recognised on the balance sheet when the Bank has become a party to the contractual provisions of the instrument. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

(i) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(ii) Other financial instruments

The accounting policies for financial instruments other than equity instruments are disclosed in the individual policies associated with each item.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Derivatives

Derivatives are financial instruments, the contracted or notional amounts of which are not included in the balance sheet either because rights and obligations arise out of one and the same contract, the performance of which is due after balance sheet date, or because the notional amounts serve merely as variables for calculation purposes. Examples of derivatives are forward exchange contracts, options, swaps, futures and forward rate agreements. The underlying value may involve interest rate, currency, commodity, bond or equity products or a combination of these.

(i) Hedging transactions

All currency and interest rate swaps undertaken as a hedge against open positions created by customer transactions have been disclosed as contingent items. These transactions are revalued and the income or losses resulting from the revaluation taken to the income statement.

(ii) Trading transactions

There are no proprietary trading positions for money market, interest rate or currency derivatives for the Bank.

4. CASH AND SHORT-TERM FUNDS

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Cash and balances with banks and other financial institutions	10,234	25,387
Money at call and deposit placements maturing within one month	1,226,911	1,105,464
	<u>1,237,145</u>	<u>1,130,851</u>

5. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Licensed banks	<u>304,684</u>	<u>371,841</u>

6. DEALING SECURITIES

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Money market instruments:		
Malaysian Government securities	552	-
Quoted securities:		
In Malaysia		
Private debt securities	48,009	25,097
Total dealing securities	<u>48,561</u>	<u>25,097</u>
Market value of quoted securities:		
Malaysian Government securities	552	-
Private debt securities	<u>48,009</u>	<u>25,568</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

7. INVESTMENT SECURITIES

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Money market instruments:		
Malaysian Government securities	331,000	186,000
Khazanah bonds	20,000	10,000
Danaharta bonds	110,000	135,000
Danamodal bonds	-	60,100
Treasury Bills	5,000	-
Bankers' acceptances	358,082	185,811
Prasarana Bonds	-	50,862
	824,082	627,773
Quoted securities:		
<u>In Malaysia</u>		
Shares	4,933	622
Unquoted securities:		
<u>In Malaysia</u>		
Shares	1,699	1,699
Debentures	20	20
	1,719	1,719
	830,734	630,114
Amortisation of premium less accretion of discounts	19,359	(10,639)
Provision for diminution in value of investment securities	(4,923)	(612)
Total investment securities	845,170	618,863
Market value of quoted securities:		
Malaysian Government securities	350,272	205,059
Khazanah bonds	19,120	9,574
Danaharta bonds	108,853	129,625
Danamodal bonds	-	58,637
Treasury Bills	4,908	-
Prasarana bonds	-	51,095
Shares	5	5
The maturity structure of money market instruments held for investment are as follows:		
Maturity within one year	483,082	325,911
One year to three years	225,000	130,000
Three years to five years	116,000	126,086
Over five years	-	45,776
	824,082	627,773

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

8. LOANS, ADVANCES AND FINANCING

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Overdrafts	28,380	42,595
Term loans	204,615	410,547
Bills receivable	166,358	30,093
Trust receipts	3,161	4,061
Claims on customers under acceptance credits	15,987	26,002
Staff loans (of which RM151,213 (2002 : RM179,373) to Directors)	10,308	11,487
Gross loans, advances and financing	428,809	524,785
Provision for bad and doubtful debts and financing		
- specific	(29,334)	(42,864)
- general	(17,200)	(17,200)
Interest-in-suspense	(11,683)	(14,584)
Total net loans, advances and financing	370,592	450,137
(i) The maturity structure of gross loans, advances and financing are as follows:		
Maturing within one year	398,901	486,858
One year to three years	13,412	26,367
Three years to five years	248	227
Over five years	16,248	11,333
	428,809	524,785
(ii) Loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture	1	30,334
Mining and quarrying	1	-
Manufacturing	116,597	76,950
Construction	70,390	26,016
Real estate	40,401	67,090
Purchase of landed properties (Residential)	24,655	20,656
Transport, storage and communication	33,604	95,383
Finance, insurance and business services	83,628	29,472
Purchase of securities	1,319	1,889
Purchase of transport vehicles	708	1,218
Government of Malaysia	-	114,000
Wholesale and retail	53,179	53,523
Consumption credit	4,294	4,163
Others	32	4,091
	428,809	524,785

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

8. LOANS, ADVANCES AND FINANCING (CONT'D)

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
(iii) Movements in the non-performing loans and financing including interest receivable are as follows:		
Balance as at 1 January	60,901	105,612
Non-performing during the year (gross)	5,370	9,705
Recoveries	(3,998)	(47,200)
Amount written off	(15,290)	(7,216)
Debt equity/bonds conversion	(4,311)	-
Balance as at 31 December	42,672	60,901
(as % of total loans less specific provision (SP) and interest-in-suspense (IIS))	0.43%	0.74%
(iv) Movements in the provision for bad and doubtful debts and financing and interest-in-suspense accounts are as follows:		
General provision:		
Balance as at 1 January and 31 December	17,200	17,200
(as % of total loans less loan to Government of Malaysia, SP & IIS)	4.44%	4.87%
Specific provision:		
Balance as at 1 January	42,864	51,521
Provision made during the year	136	2,088
Amount written back in respect of recoveries	(2,477)	(6,356)
Amount written off	(6,878)	(4,389)
Debt equity conversion	(4,311)	-
Balance as at 31 December	29,334	42,864
Interest-in-suspense:		
Balance as at 1 January	14,584	17,444
Provision made during the year	907	1,514
Amount written back in respect of recoveries	(403)	(1,691)
Amount written off	(3,405)	(2,683)
Balance as at 31 December	11,683	14,584

9. OTHER ASSETS

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Other debtors, deposits and prepayments	104,955	97,710
Tax recoverable	2,966	-
	107,921	97,710

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

10. DEFERRED TAX

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
At 1 January	(1,861)	1,461
Recognised in the income statement (Note 28)	350	(3,322)
At 31 December	(1,511)	(1,861)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(2,105)	(2,719)
Deferred tax liabilities	594	858
	(1,511)	(1,861)

Deferred Tax Liabilities of the Bank and of the Group:

	Accelerated Capital Allowances	Total
	RM'000	RM'000
At 1 January	858	858
Recognised in the income statement	(264)	(264)
At 31 December	594	594

Deferred Tax Assets of the Bank and of the Group:

	Loan Loss And Provision	Other Payables	Total
		RM'000	RM'000
At 1 January	1,629	1,090	2,719
Recognised in the income statement	-	(614)	(614)
At 31 December	1,629	476	2,105

11. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

12. INVESTMENT IN SUBSIDIARY COMPANIES

	BANK	
	2003	2002
	RM'000	RM'000
Unquoted shares, at cost	20	20

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

12. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies of the Bank, both of which are incorporated in Malaysia, are as follows:

Name	Principal Activity	Percentage of equity held
ABN AMRO Nominees (Tempatan) Sdn. Bhd.	Nominee Company	100%
ABN AMRO Nominees (Asing) Sdn. Bhd.	Nominee Company	100%

All income and expenditure arising from the nominee activities of the subsidiary companies have been recognised in the Bank's results.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM'000	Motor vehicles RM'000	Office equipment and machinery RM'000	Furniture, fixture and fittings RM'000	Computer equipment and software RM'000	Total RM'000
GROUP AND BANK						
Net book value:						
As at 1 January 2003	388	189	185	2,396	441	3,599
Additions	-	-	-	-	193	193
Disposals/write-offs	-	(11)	-	-	(25)	(36)
Depreciation	-	(93)	(111)	(539)	(428)	(1,171)
As at 31 December 2003	388	85	74	1,857	181	2,585
Depreciation for the year ended 31 December 2002	-	141	380	815	962	2,298
As at 31 December 2003:						
Cost	388	427	1,158	4,732	8,583	15,288
Accumulated depreciation	-	(342)	(1,084)	(2,875)	(8,402)	(12,703)
Net book value	388	85	74	1,857	181	2,585
As at 31 December 2002:						
Cost	388	516	2,276	6,078	8,420	17,678
Accumulated depreciation	-	(327)	(2,091)	(3,682)	(7,979)	(14,079)
Net book value	388	189	185	2,396	441	3,599

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

14. DEPOSITS FROM CUSTOMERS

Type	GROUP		BANK	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Demand deposits	678,428	559,490	678,448	559,510
Saving deposits	5,840	5,330	5,840	5,330
Fixed deposits	484,719	535,612	484,719	535,612
Repurchase agreements	463,605	54,815	463,605	54,815
	<u>1,632,592</u>	<u>1,155,247</u>	<u>1,632,612</u>	<u>1,155,267</u>

(i) Maturity structure of fixed deposits are as follows:

	GROUP AND BANK	
	2003 RM'000	2002 RM'000
Due within six months	437,925	480,440
Six months to one year	28,358	41,599
One year to three years	18,436	13,573
	<u>484,719</u>	<u>535,612</u>

(ii) The deposits are sourced from the following types of customers:

	GROUP		BANK	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Business enterprises	1,360,743	892,469	1,360,763	892,489
Individuals	98,716	122,669	98,716	122,669
Others	173,133	140,109	173,133	140,109
	<u>1,632,592</u>	<u>1,155,247</u>	<u>1,632,612</u>	<u>1,155,267</u>

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP AND BANK	
	2003 RM'000	2002 RM'000
Deposits from licensed banks	806,861	827,298
Negotiable instruments of deposits issued to financial institutions	-	259,000
	<u>806,861</u>	<u>1,086,298</u>

16. OTHER LIABILITIES

	GROUP AND BANK	
	2003 RM'000	2002 RM'000
Taxation	-	2,673
Retirement benefits	22	22
Other liabilities	140,230	138,740
Provision for commitments and contingencies	1,702	3,893
	<u>141,954</u>	<u>145,328</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

17. SHARE CAPITAL

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Authorised:		
500,000,000 ordinary shares of RM1 each	500,000	500,000
Issued and fully paid:		
Balance as at 1 January	203,000	203,000
Issued during the year	-	-
Balance as at 31 December	203,000	203,000

18. RESERVES

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Share premium (see below)	76,182	76,182
Statutory reserves (see below)	74,591	57,765
Accumulated profit	19,342	18,593
	170,115	152,540
(a) <u>Share premium</u>		
Balance as at 1 January and 31 December	76,182	76,182
(b) <u>Statutory reserves</u>		
Balance as at 1 January	57,765	32,168
Transfer from distributable earnings	16,826	25,597
Balance as at 31 December	74,591	57,765

The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

19. INTEREST INCOME

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Loans and advances	19,714	30,104
Money at call and deposit placements with financial institutions	39,400	33,403
Investment securities	27,762	26,590
Dealing securities	2,544	2,906
	89,420	93,003
Interest suspended net of recoveries	-	177
	89,420	93,180

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

20. INTEREST EXPENSE

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	21,869	22,155
Deposits from other customers	30,328	29,363
Others	1,585	3,970
	<u>53,782</u>	<u>55,488</u>

21. LOAN LOSS AND WRITE BACK

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Provision for bad and doubtful debts		
- specific provision (net)	(2,341)	(4,268)
- general provision	-	-
	<u>(2,341)</u>	<u>(4,268)</u>

22. NON-INTEREST INCOME

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Fee income:		
Commission	28,285	7,308
Service charges and fees	2,907	1,969
Guarantee fees	782	2,120
Other fee income	1,400	1,433
	<u>33,374</u>	<u>12,830</u>
Investment income:		
Net profit from dealing securities	3,219	22,427
Loss from sale of investment securities	-	(1,949)
Gross dividend from unquoted investments securities	338	67
	<u>3,557</u>	<u>20,545</u>
Other income:		
Foreign exchange profit	13,871	18,349
Premium on disposal of mortgage loans	2,444	6,000
Gain on disposal of property, plant and equipment	31	116
Share of profit on derivatives trading	3,719	-
Premium earned from currency option trading	1,224	-
	<u>21,289</u>	<u>24,465</u>
Total	<u>58,220</u>	<u>57,840</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

23. NON-INTEREST EXPENSE

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Personnel costs	19,242	19,070
Establishment costs	17,283	12,656
Marketing expenses	832	444
Administration and general expenses	13,480	14,681
	<u>50,837</u>	<u>46,851</u>
Included in the above expenditure are the following:		
Directors' remuneration and benefits-in-kind (Note 27)	1,600	1,259
Rental of premises	1,702	1,823
Rental of equipment	39	130
Auditors' remuneration - statutory audit	80	80
Depreciation of property, plant and equipment	1,171	2,298
Property, plant and equipment written off	-	46

The number of employees of the Group and of the Bank at the end of the year were 138 (2002 : 144) and 138 (2002 : 144) respectively.

24. PROVISION FOR RESTRUCTURING COSTS

The write back in 2002 relates to unutilised provision for restructuring costs from prior years. Such provision was made then by the Bank to be in line with the new structure identified for the Malaysian operations which is a focused wholesale bank.

25. CASH AND CASH EQUIVALENTS

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and short-term funds	1,237,145	1,130,851
Deposits and placements with financial institutions	304,684	371,841
	<u>1,541,829</u>	<u>1,502,692</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

	Immediate holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
2003			
Income:			
Commission	28,350	-	-
Interest income	19,428	-	-
Expense:			
Interest expense	11,852	-	18
Management fee	18,004	-	-
Commission	424	-	-
Cost sharing automation	3,018	-	-
Amount due from:			
Deposits and current accounts	554,694	-	-
Interest receivable	2,555	-	-
Amount due to:			
Deposits and current accounts	423,867	20	-
Interest payable	652	-	-
Foreign exchange related contracts:			
- purchased and receivable	4,092,504	-	-
- sold and payable	4,032,515	-	-
2002			
Income:			
Commission	2,222	-	-
Interest income	23,353	-	162
Expense:			
Interest expense			
Management fee	7,152	-	-
Commission	14,683	-	-
Cost sharing automation	69	-	-
Other automation costs	3,205	-	-
Amount due from:			
Deposits and current accounts	1,082,216	-	1,173
Interest receivable	5,463	-	-
Amount due to:			
Deposits and current accounts	748,008	20	-
Interest payable	576	-	-
Foreign exchange related contracts:			
- purchased and receivable	413,724	-	140,794
- sold and payable	393,865	-	139,280

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

27. DIRECTORS' REMUNERATION (Note 23)

Forms of remuneration in aggregate for all Directors charged to the income statement for the year are as follows:

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Executive directors		
- Salary and other remuneration	925	876
- Bonuses	464	-
- Benefits-in-kind	120	322
- Pension	30	-
Non-executive directors		
- Fees	61	61
	<u>1,600</u>	<u>1,259</u>

The remuneration attributable to the Managing Director of the Bank, including benefits-in-kind during the year amounted to RM971,167 (2002 : RM737,000).

28. TAXATION

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Malaysian income tax based on results for the year:		
Current year	13,550	16,329
Deferred tax		
Relating to origination and reversal of temporary differences (Note 10)	350	(3,322)
	<u>13,900</u>	<u>13,007</u>

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 Bank and of the Group is as follows:

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
Profit before taxation	47,553	59,368
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	13,315	16,623
Income not subject to tax	(78)	(3,071)
Expenses not deductible for tax purposes	663	3,635
Deferred tax asset recognised on provisions	-	(1,090)
Underprovision of deferred taxation in prior years	-	(3,090)
Tax expense for the year	<u>13,900</u>	<u>13,007</u>

29. EARNINGS PER SHARE

The earnings per share has been calculated based on the net profit after taxation of RM33,653,000 (2002 : RM46,361,000) on the weighted average number of ordinary shares of RM1 each in issue of RM203,000,002 (2002: RM203,000,002) during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

30. DIVIDENDS

	Amount		Net Dividends per Share	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Final dividend of 11% less 28% taxation, paid on 23 May 2003	16,078	-	7.9	-

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2003, of 11.51% less 28% taxation on 203,000,002 ordinary shares of RM1 each, amounting to a total dividend payable of RM16,823,016 (8.28 sen net per share) will be proposed for 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 shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2004.

31. LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long term lease commitments, net of sub-leases is as follows:

Year	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
2003	-	1,150
2004	1,462	218
2005	1,350	-
2006	990	-

32. COMMITMENTS AND CONTINGENCIES

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

Risk Weighted Exposures of the Bank as at 31 December:

	GROUP AND BANK			
	2003		2002	
	Principal amount RM'000	Credit equivalent amount * RM'000	Principal amount RM'000	Credit equivalent amount * RM'000
Direct credit substitutes	46,591	46,591	44,088	44,088
Transaction-related contingent items	447,066	223,533	443,644	221,822
Short-term self-liquidating trade-related contingencies	36,353	7,271	57,060	11,412
Other assets sold with recourse and commitments with certain drawdown	9,463	9,463	9,860	9,860
Irrevocable commitments to extend credit:				
- maturity less than one year	129,317	-	182,234	-
- maturity more than one year	5,809	2,905	10,306	5,153
Foreign exchange related contracts:				
- Forward and futures contracts - less than one year	13,042,516	380,650	6,201,596	143,882
Interest rate related contracts:				
- Forward and futures contracts - less than one year	4,899,000	122,333	2,500,000	59,182
	<u>18,616,115</u>	<u>792,746</u>	<u>9,448,788</u>	<u>495,399</u>

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

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

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. As at 31 December 2003, the amount of contracts which were not hedged and, hence, exposed to market risk was RM25.1 million (2002: RM32.6 million).

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 has a gain position. As 31 December 2003, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM19.4 million (2002: RM9.2 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

33. FINANCIAL RISK MANAGEMENT POLICIES

The Bank's financial risk management policy seeks to ensure that adequate resources are available for the development of the Bank's business whilst managing its interest rate, market, credit and liquidity risks. The Board of Directors has approved guidelines pertaining to the risk management policies of the Bank which are closely adhered to, ensuring that the operations of the Bank are conducted in a prudent manner.

(a) Operational Risk

Operational risk is the risk of loss to the Bank resulting from weaknesses or failures in its internal processes, people and systems, or due to external events whether within or beyond its control.

The Bank is currently implementing an Internal Operational Self Risk Assessment system, identifying areas and probability of risk. The actual occurrence of operational loss is entered into a Corporate Loss Database and reconciled against the financial statements. The Bank has also the Operational Risk Assessment Process and a Business Continuity Plan already in place.

(b) Credit Risk

Credit risk arises from the possibility that a customer or counterparty may be unable to meet its financial obligations to the Bank, either from a facility granted or a contract in which the Bank has a gain position. At customer level, the Bank will evaluate the total credit risk for all products.

Credit risk for derivatives is measured as sum of replacement cost of the outstanding position (determined by using current market rates) plus an estimate of the Bank's future credit exposure as a result of market price changes. A "Contracts Violations Report" is generated and the report presents credit violations that were committed. These violations will be monitored and reported to Head Office by the Country Risk Officer ("CRO").

With respect to country risk:

- (i) The CRO signs off on the monthly country risk reports which reflect the cross border risk exposure, sovereign risk exposure and gross country exposure in accordance with the Bank's policy on country risk, and
- (ii) The CRO will track limit violations and together with the Business Support Unit, reports the violations to Head Office.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

33. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

The credit risk concentrations of the Group and Bank are set out in the following tables.

Group								
	Short term funds and placements with financial institutions including Statutory Deposit with BNM RM'000	Dealing securities RM'000	Investment securities RM'000	Loans and advances RM'000	General provision RM'000	Other Asset RM'000	On balance sheet Total RM'000	Commitments and contingencies RM'000
Agricultural mining and quarrying				2				
Manufacturing				116,597				
Construction				70,390				
Real estate				40,401				
Purchase of landed properties (Residential)								
i) Resident				24,655				
ii) Non-resident				-				
Wholesale and retail				53,179				
Transport, storage and communication				33,604				
Finance, insurance and business services				83,628				
Government and government agencies				-				
Purchase of securities				1,319				
Purchase of transport vehicles				708				
Consumption credit				-				
Others	1,576,557	48,561	845,170	4,326	(17,200)			18,616,115
	1,576,557	48,561	845,170	428,809	(17,200)	-	-	18,616,115

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

33. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

Bank								
	Short term funds and placements with financial institutions including Statutory Deposit with BNM RM'000	Dealing securities RM'000	Investment securities RM'000	Loans and advances RM'000	General provision RM'000	Other Asset RM'000	On balance sheet Total RM'000	Commitments and contingencies RM'000
Agricultural mining and quarrying				2				
Manufacturing				116,597				
Construction				70,390				
Real estate				40,401				
Purchase of landed properties (Residential)								
i) Resident				24,655				
ii) Non-resident				-				
Wholesale and retail				53,179				
Transport, storage and communication				33,604				
Finance, insurance and business services				83,628				
Government and government agencies				-				
Purchase of securities				1,319				
Purchase of transport vehicles				708				
Consumption credit				-				
Others	1,576,557	48,561	845,170	4,326	(17,200)			18,616,115
	1,576,557	48,561	845,170	428,809	(17,200)	-	-	18,616,115

(c) Market Risk

Market risk is the potential change in value caused by movements in market rates and prices. The Bank is exposed to foreign exchange and interest rate risks, which are monitored daily through its market risk management systems. Daily reports measuring utilization of currency and holding limits together with price value basis points limits are generated and circulated to the relevant parties for information and action.

All limits are approved by the holding company and are reviewed regularly.

(d) Liquidity Risk

Liquidity risk is the risk of loss due to failure by the Bank to meet its short term funding requirements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

33. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity Risk (Cont'd)

The Assets and Liabilities Committee ("ALCO") is primarily responsible for the strategic management of the Bank's liquidity, the daily operations of which are carried out by the Money Market Desk of the Treasury Department.

ALCO monitors at its monthly meeting, adherence to the liquidity and mismatch limits, and compliance with ABN AMRO Bank N.V worldwide, ALCO guidelines and Bank Negara Malaysia's New Liquidity Framework.

34. INTEREST RATE RISK

Interest rate risk is the potential change in interest rate levels including changes in interest rate differentials and arises mainly from the differing yields and maturity profiles between assets and liabilities.

Interest rate is monitored through the market risk management systems as part of the overall market risk management of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

34. INTEREST RATE RISK (CONT'D)

The following tables represent the Group and Bank's carrying assets and liabilities at carrying amounts as at 31 December 2003.

31.12.2003									
Group									
	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 bearing RM'000	Provisions RM'000	SPI- related items RM'000	Total RM'000
Assets									
Cash and short-term funds	1,237,145	-	-	-	-	-	-	-	1,237,145
Deposits and placements with financial institutions	-	108,092	177,782	18,810	-	-	-	-	304,684
Dealing securities	-	-	15,210	17,390	15,961	-	-	-	48,561
Investment securities	139,850	188,731	98,730	417,859	-	-	-	-	845,170
Loans, advances and Financing	77,743	102,603	218,555	13,660	16,248	-	(58,217)	-	370,592
Taxation	-	-	-	-	-	2,966	-	-	2,966
Other assets	-	-	-	-	-	104,955	-	-	104,955
Deferred tax assets	-	-	-	-	-	2,105	-	-	2,105
Statutory deposits with Bank negara Malaysia	-	-	-	-	-	36,353	-	-	36,353
Investment in subsidiary companies	-	-	-	-	-	-	-	-	-
Fixed assets	-	-	-	-	-	2,585	-	-	2,585
Total Assets	1,454,738	399,426	510,277	467,719	32,209	148,964	(58,217)	-	2,955,116
Liabilities									
Deposits from customers	1,479,999	105,427	46,791	375	-	-	-	-	1,632,592
Deposits and placements of banks and other financial institutions	551,283	138,078	117,500	-	-	-	-	-	806,861
Other Liabilities	-	-	-	-	-	141,954	-	-	141,954
Deferred tax liabilities	-	-	-	-	-	594	-	-	594
Total Liabilities	2,031,282	243,505	164,291	375	-	142,548	-	-	2,582,001
On balance sheet interest rate gap	(576,544)	155,921	345,986	467,344	32,209	6,416	(58,217)	-	373,115
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	-
Net interest rate gap	(576,544)	155,921	345,986	467,344	32,209	6,416	(58,217)	-	373,115

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

34. INTEREST RATE RISK (CONT'D)

31.12.2003	Bank								
	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 bearing RM'000	Provisions RM'000	SPI-related items RM'000	Total RM'000
Assets									
Cash and short-term funds	1,237,145	-	-	-	-	-	-	-	1,237,145
Deposits and placements with financial institutions	-	108,092	177,782	18,810	-	-	-	-	304,684
Dealing securities	-	-	15,210	17,390	15,961	-	-	-	48,561
Investment securities	139,850	188,731	98,730	417,859	-	-	-	-	845,170
Loans, advances and Financing	77,743	102,603	218,555	13,660	16,248	-	(58,217)	-	370,592
Taxation	-	-	-	-	-	2,966	-	-	2,966
Other assets	-	-	-	-	-	104,955	-	-	104,955
Deferred tax assets	-	-	-	-	-	2,105	-	-	2,105
Statutory deposits with Bank negara Malaysia	-	-	-	-	-	36,353	-	-	36,353
Investment in subsidiary companies	-	-	-	-	-	20	-	-	20
Fixed assets	-	-	-	-	-	2,585	-	-	2,585
Total Assets	1,454,738	399,426	510,277	467,719	32,209	148,984	(58,217)	-	2,955,136
Liabilities									
Deposits from customers	1,480,019	105,427	46,791	375	-	-	-	-	1,632,612
Deposits and placements of banks and other financial institutions	551,283	138,078	117,500	-	-	-	-	-	806,861
Other Liabilities	-	-	-	-	-	141,954	-	-	141,954
Deferred tax liabilities	-	-	-	-	-	594	-	-	594
Total Liabilities	2,031,302	243,505	164,291	375	-	142,548	-	-	2,582,021
On balance sheet interest rate gap	(576,564)	155,921	345,986	467,344	32,209	6,436	(58,217)	-	373,115
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	-
Net interest rate gap	(576,564)	155,921	345,986	467,344	32,209	6,436	(58,217)	-	373,115

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

34. INTEREST RATE RISK (CONT'D)

Included in the tables are the Group's and Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates and their average effective interest rates per annum at their balance sheet dates.

	GROUP 31.12.2003		BANK 31.12.2003	
	MYR	USD	MYR	USD
	%	%	%	%
Financial Assets				
Cash and short-term funds	2.86	1.00	2.86	1.00
Deposits and placements with financial institutions	2.98	2.09	2.98	2.09
Dealing securities	-	-	-	-
Investment securities	3.23	-	3.23	-
Loans, advances and Financing	5.39	1.40	5.39	1.40
Other assets	-	-	-	-
Financial Liabilities				
Deposits from customers	2.75	0.89	2.75	0.89
Deposits and placements of banks and other financial institutions	2.74	1.09	2.74	1.09
Obligations on securities sold under repurchase agreements	2.48	-	2.48	-
Other Liabilities	-	-	-	-

35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

31.12.2003	GROUP		BANK	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Assets				
Cash and short-term funds	1,237,145	1,237,145	1,237,145	1,237,145
Deposits and placements with financial institutions	304,684	304,684	304,684	304,684
Dealing securities	48,561	48,561	48,561	48,561
Investment securities	845,170	842,959	845,170	842,959
Loans, advances and Financing	370,592	369,296	370,592	369,296
Other assets	107,921	107,921	107,921	107,921
Statutory deposit with Bank Negara Malaysia	36,353	36,353	36,353	36,353
Total Assets	2,950,426	2,946,919	2,950,426	2,946,919
Liabilities				
Deposits from customers	1,632,592	1,732,592	1,632,612	1,632,612
Deposits and placements of banks and other financial institutions	806,861	806,861	806,861	806,861
Other Liabilities	141,954	141,954	141,954	141,954
Total Liabilities	2,581,407	2,681,407	2,581,427	2,581,427

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

31.12.2003	Underlying Notional RM'000	GROUP Fair Value		BANK Fair Value	
		Asset RM'000	Liability RM'000	Asset RM'000	Liability RM'000
Derivative financial instruments					
Foreign exchange contracts:					
- Forward	1,701,994	772,585	929,409	772,585	929,409
- Cross currency swaps	5,680,608	2,665,370	3,015,238	1,753,370	2,635,238
- Options	5,659,914	2,829,957	2,829,957	2,829,957	2,829,957
Interest rate contracts:					
- Futures	-	-	-	-	-
- Swaps	4,899,000	3,779,000	1,120,000	3,779,000	1,120,000

Derivative financial assets represent contracts that are in a favourable position, and derivative financial liabilities are contracts that are in an unfavourable position at reporting date and may fluctuate in relation to changes in market rates.

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two parties under normal market conditions.

However, certain assets such as loans, deposits and derivatives, fair values are not readily available as there is no open market where these instruments are traded.

The fair values for these instruments are estimated based on the assumptions and techniques below.

These methods are subjective in nature and therefore the fair values presented may not be indicative of the actual realisable value.

(i) Cash and short term funds

The carrying amounts are a reasonable estimate of the fair values because of their short-term nature.

(ii) Deposits and placements with financial institutions

Deposits and placements of below one year are at carrying amounts while those maturing beyond one year have been valued at discounted cashflows.

(iii) Dealing and investment securities

Dealing and investment securities are valued at market rates prevailing at balance sheet date.

(iv) Loans and advances

Loans, advances and financing have been adjusted to reflect the capacity of the borrowers to repay on demand by calculating the discounted amount payable and credit worthiness of borrowers.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

(v) Other assets

Other assets have been reflected at amounts generated from internal sources and credit adjusted for amounts recoverable from external parties.

(vi) Statutory deposits with BNM

Statutory deposits with BNM are stated at carrying amounts.

(vii) Deposits from customers

Deposits from customers are valued at carrying amounts for all amounts on demand and below one year, while deposits over one year have been valued at discounted cashflows.

(viii) Deposits and placements of banks and other financial institutions

Deposits and placements of banks and other financial institutions are valued at carrying amounts.

(ix) Other liabilities

Other liabilities are stated at carrying amounts.

36. CAPITAL ADEQUACY

The components of Tier I and Tier II capital are as follows:

	GROUP AND BANK	
	2003	2002
	RM'000	RM'000
<u>Tier-I capital</u>		
Paid-up share capital	203,000	203,000
Share premium	76,182	76,182
Other reserves	74,591	57,765
Accumulated profit	19,342	18,593
Total Tier-I capital	373,115	355,540
<u>Tier-II Capital</u>		
General provision for bad and doubtful debts	17,200	17,200
Total Tier-II capital	17,200	17,200
Total capital base	390,315	372,740
Less: Investment in subsidiaries	(20)	(20)
Capital base	390,295	372,720
<u>Capital Ratios</u>		
Core capital ratio	31.67%	35.27%
Risk-weighted capital ratio	33.12%	36.98%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

36. CAPITAL ADEQUACY (CONT'D)

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	2003 RM'000	2002 RM'000
0%	-	-
20%	466,183	402,287
50%	234,686	232,090
100%	477,436	373,573
Total	1,178,305	1,007,950

37. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(a) Changes in Accounting Policies

During the financial year, the Bank and the Group applied two new MASB Standards which became effective from 1 January 2003, and accordingly modified certain accounting policies. The changes in accounting policies which resulted in prior year adjustments are discussed below:

(i) MASB 25 - Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Bank and the Group have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was a reasonable expectation of their realisation.

(b) Prior Year Adjustments

During the financial year, the immediate holding company advised the Bank that an accounting error in relation to sales credits allocation to Malaysia for the financial year 2002 had been identified, resulting in an overstatement of profit after taxation for the year ended 31 December 2002 by RM8,154 mil. Accordingly, the 2002 comparative balances have been restated to reflect the change in the sales credit allocation.

The changes in accounting policies have been applied retrospectively and comparatives have been restated. The effects of the changes in error and in accounting policies are as follows:

	GROUP 2003 RM'000	BANK 2002 RM'000
Effects on Reserves:		
At 31 December, as previously stated	184,430	184,430
Transfer to statutory reserves (S.36 of BAFIA)	(25,597)	(25,597)
	158,833	158,833
Effects on overstatement of sales credits allocation	(11,325)	(11,325)
Tax effects arising on overstatement of sales credits allocation	3,171	3,171
Effects of adopting MASB 25	1,861	1,861
Effects on transfer to statutory reserves	-	-
At 31 December, as restated	152,540	152,540

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

37. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONT'D)

(b) Prior Year Adjustments (Cont'd)

	GROUP 2003 RM'000	BANK 2002 RM'000
Effects on profit for the year:		
At 31 December, as previously stated	70,693	70,693
Effects on the overstatement of sales credits allocation	(11,325)	(11,325)
	59,368	59,368
Taxation, as previously stated	(19,500)	(19,500)
Tax effects arising on overstatement of sales credits allocation	3,171	3,171
Effects of adopting MASB 25	3,322	3,322
	(13,007)	(13,007)
At 31 December, as restated	46,361	46,361

Comparative amounts as at 31 December 2002 have been restated as follows:

	Previously Stated RM'000	Adjustments RM'000	Restated RM'000
Group and Bank			
Deferred tax assets	-	2,719	2,719
Deferred tax liabilities	-	858	858
Other liabilities	137,174	8,154	145,328
Non interest income	69,165	(11,325)	57,840
Taxation	19,500	(6,493)	13,007

38. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of changes in accounting policies as disclosed in Note 1 and Note 37.