

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

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 2004.

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	39,195
Taxation	<u>(10,842)</u>
Profit after taxation	28,353
Transfer to statutory reserves	(14,177)
Dividend	(16,823)
Retained earnings brought forward	<u>19,342</u>
Retained earnings carried forward	<u>16,695</u>

DIVIDENDS

The amount of dividend paid by the Bank since 31 December 2003 was as follows:

	RM'000
In respect of the financial year ended 31 December 2003 as reported in the directors' report of that year	
Final dividend of 11.51% less 28% taxation, paid on 28 April 2004	<u>16,823</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004, of 9.699% less 28% taxation on 203,000,002 ordinary shares of RM1 each, amounting to a total dividend payable of RM14,176,000 (6.98 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 earnings in the financial year ending 31 December 2005.

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 of 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 2004

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 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 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 2004

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
Robert Ralph Davis
Dato' Krishnan Tan Boon Seng (*Resigned on 15.12.2004*)
Wong See Hong
Jeremy Roy Oliver
Lindsey Michael Haman (*Appointed on 01.09.2004*)
Mohamed Eusoff Abdul Carrim (*Resigned on 30.06.2004*)

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 recommends 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 2004

BUSINESS PLAN AND STRATEGY FOR FINANCIAL YEAR ENDED 31 DECEMBER 2004

In 2004, the Bank successfully engaged its key clients in providing innovative customised solutions to their financing needs and increasing its loan book size, a goal the Bank set out to achieve at the end of 2003. The resulting mix of client revenues from the the non-traditional financial solutions as well as income from the Bank's lending activity augurs well for the coming year, with a stable revenue base for the Bank to build on.

OUTLOOK FOR 2005

ABN AMRO expects the Malaysian economy to continue the growth shown in 2004, with focus still on Asian trade flows. Key developments in the year could be in the currency markets where the US Dollar, Euro and the Ringgit peg could be focal points.

Internally, the Bank is further streamlining its business model, to better align its strength with the needs of its most valued clients. 2005 will see changes in the Bank's organisation structure which will help serve clients better and ensure that the Bank provides faster, more efficient delivery of its products.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

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



LINDSEY MICHAEL HAMAN

Kuala Lumpur, Malaysia.
24 March 2005

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 Lindsey Michael Haman, 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 10 to 61 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2004 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



LINDSEY MICHAEL HAMAN

Kuala Lumpur, Malaysia.
24 March 2005

STATUTORY DECLARATION

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

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

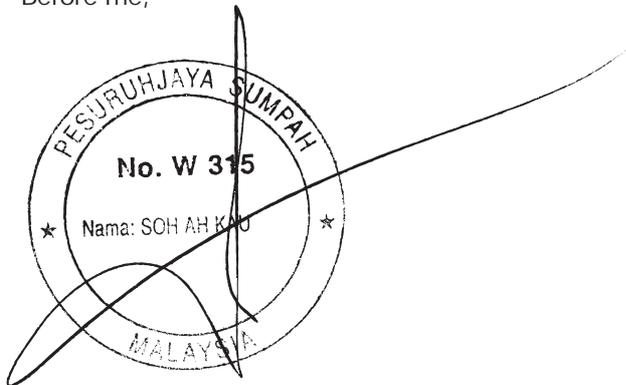
I, JEREMY ROY OLIVER being the Director primarily responsible for the financial management of ABN AMRO Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 61 are to the best of my knowledge and belief, correct and I make this solemn declaration 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 24 March 2005



JEREMY ROY OLIVER

Before me,



AUDITORS' REPORT

TO THE MEMBERS OF ABN AMRO BANK BERHAD

We have audited the financial statements set out on pages 10 to 61. These financial statements are the responsibility of the Company'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.

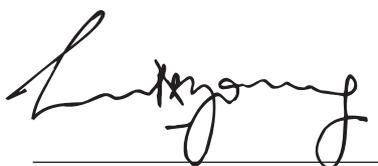
In our opinion,

- (a) the financial statements 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 2004 and of the results and the cash flows of the Bank and of the Group 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
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by its subsidiary companies for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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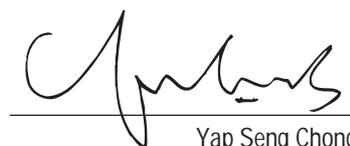
We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information 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
24 March 2005



Yap Seng Chong
(No. 2190/12/05(J))
Partner

BALANCE SHEETS

AS AT 31 DECEMBER 2004

	Note	GROUP		BANK	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
ASSETS					
Cash and short-term funds	3	1,131,875	1,237,145	1,131,875	1,237,145
Deposits and placements with banks and other financial institutions	4	122,610	304,684	122,610	304,684
Securities purchased under resale agreements	5	50,766	-	50,766	-
Dealing securities	6	377,176	48,561	377,176	48,561
Investment securities	7	1,007,457	845,170	1,007,457	845,170
Loans, advances and financing	8	427,078	370,592	427,078	370,592
Other assets	9	172,322	107,921	172,322	107,921
Deferred tax assets	10	6,785	1,511	6,785	1,511
Statutory deposits with Bank Negara Malaysia	11	46,319	36,353	46,319	36,353
Investment in subsidiary companies	12	-	-	20	20
Property, plant and equipment	13	3,377	2,585	3,377	2,585
TOTAL ASSETS		3,345,765	2,954,522	3,345,785	2,954,542
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	14	1,995,556	1,632,592	1,995,576	1,632,612
Deposits and placements of banks and other financial institutions	15	697,670	806,861	697,670	806,861
Other liabilities	16	267,894	141,954	267,894	141,954
TOTAL LIABILITIES		2,961,120	2,581,407	2,961,140	2,581,427
Share capital	17	203,000	203,000	203,000	203,000
Reserves	18	181,645	170,115	181,645	170,115
SHAREHOLDERS' FUNDS		384,645	373,115	384,645	373,115
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		3,345,765	2,954,522	3,345,785	2,954,542
COMMITMENTS AND CONTINGENCIES	31	19,687,034	18,616,115	19,687,034	18,616,115

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

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	GROUP/BANK	
		2004 RM'000	2003 RM'000
Operating revenue	19	176,919	147,640
Interest income	20	100,500	89,420
Interest expense	21	(62,400)	(53,782)
Net interest income		38,100	35,638
Loan loss and write back	22	328	2,341
Provision for commitments and contingencies		-	2,191
		38,428	40,170
Non-interest income	23	76,419	58,220
Net income		114,847	98,390
Non-interest expense	24	(75,652)	(50,837)
Profit before taxation		39,195	47,553
Taxation	27	(10,842)	(13,900)
Profit after taxation		28,353	33,653
Earnings per share (sen)	28	14	17

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2004

	Issued and fully paid ordinary shares of RM1.00 each		Non-distributable		Distributable	Total
	Number of shares	Nominal value	Share premium	Statutory reserves	Retained earnings	
	'000	RM'000	RM'000	RM'000	RM'000	
GROUP AND BANK						
At 1 January 2003	203,000	203,000	76,182	57,765	18,593	355,540
Profit for the year	-	-	-	-	33,653	33,653
Dividends (Note 29)	-	-	-	-	(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
At 1 January 2004	203,000	203,000	76,182	74,591	19,342	373,115
Profit for the year	-	-	-	-	28,353	28,353
Dividends (Note 29)	-	-	-	-	(16,823)	(16,823)
Transfer to reserves	-	-	-	14,177	(14,177)	-
At 31 December 2004	203,000	203,000	76,182	88,768	16,695	384,645

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	GROUP/BANK	
		2004 RM'000	2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		39,195	47,553
Adjustments for:			
Depreciation of property, plant and equipment		767	1,171
Gain on disposal of property, plant and equipment		-	(31)
Loan loss and write back		(328)	(2,341)
Provision for commitments and contingencies		-	(2,191)
(Write back)/provision for diminution in value of investment securities		(40)	4,311
		399	919
Operating profit before working capital changes		39,594	48,472
Increase in dealing securities		(328,615)	(23,464)
(Increase)/decrease in loans, advances and financing		(56,158)	81,886
Increase in securities purchased under resale agreements		(50,766)	-
Increase in other assets		(65,680)	(7,245)
(Increase)/decrease in statutory deposits with Bank Negara Malaysia		(9,966)	6,101
Increase in deposits from customers		362,964	477,345
Decrease in deposits and placements of banks and other financial institutions		(109,191)	(279,437)
Increase in other liabilities		125,940	1,492
Cash (used in)/generated from operations		(91,878)	305,150
Income taxes paid		(14,837)	(19,191)
Dividends paid		(16,823)	(16,078)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(123,538)	269,881
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,559)	(193)
Proceeds from disposal of property, plant and equipment		-	67
Increase in investment securities		(162,247)	(230,618)
NET CASH USED IN INVESTING ACTIVITIES		(163,806)	(230,744)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(287,344)	39,137
CASH AND CASH EQUIVALENTS AT 1 JANUARY		1,541,829	1,502,692
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	1,254,485	1,541,829

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

1. CORPORATE INFORMATION

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

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 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 immediate and ultimate holding companies of the Bank are ABN AMRO Bank N.V. and ABN AMRO Holding N.V. respectively, both of which are incorporated in The Netherlands.

The number of employees of the Group and of the Bank at the end of the year was 125 (2003: 138).

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by Bank Negara Malaysia via its letter dated 8 March 2005 and by the Board of Directors in accordance with a resolution of the Directors on 24 March 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Bank have been prepared under the historical cost convention. The financial statements comply with the provisions of the Companies Act 1965, the Banking and Financial Institutions Act, 1989 and applicable Approved Accounting Standards issued in Malaysia.

(b) Basis of Consolidation

Subsidiary Companies

The consolidated financial statements include the financial statements of the Bank and all its subsidiary companies. Subsidiary companies are those entities in which the Bank has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Recognition of Interest Income

Interest income is recognised on an accrual basis. Interest income includes amortisation of premium or accretion of discounts. Interest income on dealing and investment securities are recognised on an effective yield 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.

(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. Increases or decreases in the carrying amount of dealing securities are credited or charged to the income statement. On disposal of the dealing securities, the differences between the net disposal proceeds and their carrying amounts are charged or credited to the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

On disposal of the investment securities, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(h) Investments in Subsidiary Companies

The Bank's investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(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 2(j).

The principal annual rates of depreciation used are as follows:

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

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of Assets

At each balance sheet date, the Group and the Bank review the carrying amounts of the 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.

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(k) Repurchase/resale agreements

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

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

(l) Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provision for restructuring costs is recognised in the period in which the Group becomes legally or constructively committed to payment.

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

(o) 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:

	2004	2003
United States Dollars	3.8000	3.8000
Great Britain Pounds	7.3180	6.0918
Euros	5.1786	3.9410
Singapore Dollars	2.3281	2.1700
Japanese Yen	0.0370	0.0320

(p) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) 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.

(r) 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.

(s) 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.

(t) 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 are 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

3. CASH AND SHORT-TERM FUNDS

	GROUP AND BANK	
	2004	2003
	RM'000	RM'000
Cash and balances with banks and other financial institutions	16,807	10,234
Money at call and deposit placements maturing within one month	1,115,068	1,226,911
	<u>1,131,875</u>	<u>1,237,145</u>

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP AND BANK	
	2004	2003
	RM'000	RM'000
Licensed banks	<u>122,610</u>	<u>304,684</u>

5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

The underlying securities purchased under resale agreements are as follow:

	GROUP AND BANK	
	2004	2003
	RM'000	RM'000
Malaysian Government securities	<u>52,000</u>	<u>-</u>

6. DEALING SECURITIES

	GROUP AND BANK	
	2004	2003
	RM'000	RM'000
Money market instruments:		
Malaysian Government securities	238,277	552
Quoted securities:		
<u>In Malaysia</u>		
Private debt securities	138,899	48,009
Total dealing securities	<u>377,176</u>	<u>48,561</u>
Market value of quoted securities:		
Malaysian Government securities	238,277	552
Private debt securities	<u>138,899</u>	<u>48,009</u>

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NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT SECURITIES

	GROUP / BANK	
	2004 RM'000	2003 RM'000
Money market instruments:		
Malaysian Government securities	466,000	331,000
Khazanah bonds	10,000	20,000
Danaharta bonds	-	110,000
Treasury Bills	-	5,000
Bankers' acceptances	381,645	358,082
Prasarana Bonds	50,000	-
Government Investment Issues	70,000	-
	977,645	824,082
Quoted securities:		
<u>In Malaysia</u>		
Shares	2,974	3,024
Unquoted securities:		
<u>In Malaysia</u>		
Shares	3,608	3,608
Debentures	20	20
	3,628	3,628
	984,247	830,734
Amortisation of premium less accretion of discounts	28,093	19,359
Provision for diminution in value of investment securities	(4,883)	(4,923)
Total investment securities	1,007,457	845,170
Market value of quoted securities:		
Malaysian Government securities	506,421	350,272
Khazanah bonds	9,705	19,120
Danaharta bonds	-	108,853
Treasury Bills	-	4,908
Prasarana bonds	50,185	-
Government Investment Issues	64,970	-
Shares	1,266	5
The maturity structure of money market instruments held for investment are as follows:		
Maturity within one year	411,645	483,082
One year to three years	561,000	225,000
Three years to five years	5,000	116,000
	977,645	824,082
Included in the investment securities are the following securities sold under repurchase agreements (Note 14):		
Malaysian Government securities	-	85,000
Bankers' Acceptances	207,058	363,029
	207,058	448,029

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

8. LOANS, ADVANCES AND FINANCING

	GROUP / BANK	
	2004 RM'000	2003 RM'000
Overdrafts	25,750	28,380
Term loans	309,893	204,615
Bills receivable	106,704	166,358
Trust receipts	2,370	3,161
Claims on customers under acceptance credits	18,871	15,987
Staff loans (of which RM114,660 (2003 : RM151,213) to Directors)	10,847	10,308
Gross loans, advances and financing	474,435	428,809
Provision for bad and doubtful debts and financing		
- specific	(20,986)	(29,334)
- general	(17,200)	(17,200)
Interest-in-suspense	(9,171)	(11,683)
Total net loans, advances and financing	427,078	370,592
(i) The maturity structure of gross loans, advances and financing are as follows:		
Maturing within one year	417,844	398,901
One year to three years	23,420	13,412
Three years to five years	363	248
Over five years	32,808	16,248
	474,435	428,809
(ii) Loans, advances and financing analysed by their economic purposes are as follows:		
Manufacturing	101,069	116,597
Construction	73,424	70,390
Real estate	40,201	40,401
Purchase of landed properties (Residential)	27,965	24,655
Transport, storage and communication	118,319	33,604
Finance, insurance and business services	73,011	83,628
Purchase of securities	1,457	1,319
Purchase of transport vehicles	427	708
Wholesale and retail	32,579	53,179
Consumption credit	5,956	4,294
Others	27	34
	474,435	428,809
(iii) Movements in the non-performing loans and financing including interest receivable are as follows:		
Balance as at 1 January	42,672	60,901
Non-performing during the year (gross)	1,359	5,370
Recoveries	(2,011)	(3,998)
Amount written off	(11,080)	(15,290)
Debt equity/bonds conversion	-	(4,311)
Balance as at 31 December	30,940	42,672
Ratio of net NPLs to Net Loans	0.18%	0.43%
NPLs as % of total loans less specific provision (SP) and interest-in-suspense (IIS)	6.96%	11.00%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

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

	GROUP / BANK	
	2004 RM'000	2003 RM'000
(iv) Loans, advances and financing are disbursed to the following types of customers:		
Domestic banking institutions	50,000	-
Domestic non-bank financial institutions		
Stockbroking companies	-	2
Domestic business enterprises		
Small medium enterprises	51,808	15,124
Others	336,822	382,707
Government and statutory bodies	35,757	30,799
Foreign entities	48	177
	474,435	428,809
(v) Loans, advances and financing analysed by their interest/profit rate sensitivity are as follows:		
Fixed rate		
Housing loans/financing	8,957	8,085
Other fixed rate loan/financing	1,890	2,223
Variable rate		
BLR plus	65,484	72,483
Cost plus	398,104	346,018
	474,435	428,809
(vi) 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	3.87%	4.44%
Specific provision:		
Balance as at 1 January	29,334	42,864
Provision made during the year	1,035	136
Amount written back in respect of recoveries	(1,363)	(2,477)
Amount written off	(8,020)	(6,878)
Debt equity conversion	-	(4,311)
Balance as at 31 December	20,986	29,334
Interest-in-suspense:		
Balance as at 1 January	11,683	14,584
Provision made during the year	566	907
Amount written back in respect of recoveries	(18)	(403)
Amount written off	(3,060)	(3,405)
Balance as at 31 December	9,171	11,683

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

9. OTHER ASSETS

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
Other debtors, deposits and prepayments	67,057	36,984
Revaluation on derivatives contracts	103,578	67,971
Tax recoverable	1,687	2,966
	<u>172,322</u>	<u>107,921</u>

10. DEFERRED TAX

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
At 1 January	(1,511)	(1,861)
Recognised in the income statement (Note 27)	(5,274)	350
At 31 December	<u>(6,785)</u>	<u>(1,511)</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	(7,264)	(2,105)
Deferred tax liabilities	479	594
	<u>(6,785)</u>	<u>(1,511)</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relates to the same fiscal authority.

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Bank and of the Group:

	Accelerated	Total
	Capital Allowances	
	RM'000	RM'000
At 1 January 2004	594	594
Recognised in the income statement	(115)	(115)
At 31 December 2004	<u>479</u>	<u>479</u>
At 1 January 2003	858	858
Recognised in the income statement	(264)	(264)
At 31 December 2003	<u>594</u>	<u>594</u>

Deferred Tax Assets of the Bank and of the Group:

	Loan Loss	Other	Total
	And Provision	Payables	
	RM'000	RM'000	RM'000
At 1 January 2004	(1,629)	(476)	(2,105)
Recognised in the income statement	1,629	(6,788)	(5,159)
At 31 December 2004	<u>-</u>	<u>(7,264)</u>	<u>(7,264)</u>
At 1 January 2003	(1,629)	(1,090)	(2,719)
Recognised in the income statement	-	614	614
At 31 December 2003	<u>(1,629)</u>	<u>(476)</u>	<u>(2,105)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

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	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	20	20

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

Name	Principal Activities	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 2004	388	85	74	1,857	181	2,585
Additions	-	-	18	15	1,526	1,559
Depreciation	-	(85)	(57)	(448)	(177)	(767)
As at 31 December 2004	388	-	35	1,424	1,530	3,377
Depreciation for the year ended 31 December 2003	-	93	111	539	428	1,171
As at 31 December 2004:						
Cost	388	427	1,176	4,748	9,833	16,572
Accumulated depreciation	-	(427)	(1,140)	(3,324)	(8,304)	(13,195)
Net book value	388	-	36	1,424	1,529	3,377
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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

14. DEPOSITS FROM CUSTOMERS

Type	GROUP		BANK	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Demand deposits	890,055	678,428	890,075	678,448
Saving deposits	5,294	5,840	5,294	5,840
Fixed deposits	893,305	484,719	893,305	484,719
Repurchase agreements	206,902	463,605	206,902	463,605
	<u>1,995,556</u>	<u>1,632,592</u>	<u>1,995,576</u>	<u>1,632,612</u>

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

	GROUP / BANK	
	2004 RM'000	2003 RM'000
Due within six months	391,544	437,925
Six months to one year	185,398	28,358
One year to three years	16,363	18,436
More than three years	300,000	-
	<u>893,305</u>	<u>484,719</u>

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

	GROUP		BANK	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Business enterprises	1,561,988	1,360,743	1,561,988	1,360,763
Individuals	53,091	98,716	53,091	98,716
Others	380,477	173,133	380,497	173,133
	<u>1,995,556</u>	<u>1,632,592</u>	<u>1,995,576</u>	<u>1,632,612</u>

(iii) The underlying securities sold under repurchase agreements (Note 7) are as follows:

	GROUP / BANK	
	2004 RM'000	2003 RM'000
Malaysian Government Securities	-	85,000
Bankers' Acceptances	207,058	363,029
	<u>207,058</u>	<u>448,029</u>

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP / BANK	
	2004 RM'000	2003 RM'000
Deposits from licensed banks	616,989	806,861
Negotiable instruments of deposits issued to other financial institutions	80,681	-
	<u>697,670</u>	<u>806,861</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

16. OTHER LIABILITIES

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
Retirement benefits	22	22
Other liabilities	195,945	115,737
Revaluation on derivatives contracts	70,225	24,493
Provision for commitments and contingencies	1,702	1,702
	<u>267,894</u>	<u>141,954</u>

17. SHARE CAPITAL

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
Authorised:		
500,000,000 ordinary shares of RM1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
Balance as at 1 January/31 December	<u>203,000</u>	<u>203,000</u>

18. RESERVES

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
Non-distributable		
Share premium (Note a)	76,182	76,182
Statutory reserves (Note b)	88,768	74,591
Distributable		
Retained earnings	16,695	19,342
	<u>181,645</u>	<u>170,115</u>
(a) <u>Share premium</u>		
Balance as at 1 January and 31 December	<u>76,182</u>	<u>76,182</u>
(b) <u>Statutory reserves</u>		
Balance as at 1 January	74,591	57,765
Transfer from distributable earnings	14,177	16,826
Balance as at 31 December	<u>88,768</u>	<u>74,591</u>

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.

(c) Retained earnings

As at 31 December 2004, the Bank has tax exempt profits available for distribution of approximately RM40,383,000 (2003: RM40,383,000), subject to the agreement of the Inland Revenue Board. The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 December 2004.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

19. OPERATING REVENUE

Operating revenue of the Group and of the Bank comprise all types of revenue derived from the business of banking and comprises gross interest income (after adding back net interest/income suspended), fee and commission income, investment income, gross dividends and other income derived from banking operations.

20. INTEREST INCOME

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
Loans, advances and financing	20,072	19,714
Money at call and deposit placements with banks and other financial institutions	39,978	39,400
Investment securities	32,438	27,762
Dealing securities	8,012	2,544
	<u>100,500</u>	<u>89,420</u>

21. INTEREST EXPENSE

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	26,084	21,869
Deposits from other customers	35,705	30,328
Others	611	1,585
	<u>62,400</u>	<u>53,782</u>

22. LOAN LOSS AND WRITE BACK

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
Provision for bad and doubtful debts and financing:		
Specific provision		
- Made in the financial year	1,035	136
- Written back	(1,363)	(2,477)
	<u>(328)</u>	<u>(2,341)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

23. NON-INTEREST INCOME

	GROUP / BANK	
	2004 RM'000	2003 RM'000
Fee income:		
Commission	16,783	28,285
Service charges and fees	3,545	2,907
Guarantee fees	1,115	782
Other fee income	766	1,400
	<u>22,209</u>	<u>33,374</u>
Investment income:		
Net profit from dealing securities	5,419	3,219
Gross dividend from unquoted investments securities	39	338
	<u>5,458</u>	<u>3,557</u>
Other income:		
Foreign exchange profit	11,530	13,871
Premium on disposal of mortgage loans	-	2,444
Gain on disposal of property, plant and equipment	-	31
Share of profit on derivatives trading	36,226	3,719
Premium earned from currency option trading	854	1,224
Others	142	-
	<u>48,752</u>	<u>21,289</u>
Total	<u>76,419</u>	<u>58,220</u>

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24. NON-INTEREST EXPENSE

	GROUP / BANK	
	2004 RM'000	2003 RM'000
Personnel costs (Note a)	21,362	19,242
Establishment costs	17,180	17,283
Marketing expenses	715	832
Administration and general expenses	27,887	13,480
Provision for restructuring	8,508	-
	<u>75,652</u>	<u>50,837</u>
(a) <u>Personnel costs</u>		
Salaries, bonuses and allowances	15,617	13,903
Social security costs	36	38
Pension costs-defined contribution plan	1,782	1,633
Other staff related expenses	3,927	3,668
	<u>21,362</u>	<u>19,242</u>
Included in the above expenditure are the following:		
Directors' remuneration and benefits-in-kind	2,236	1,600
Rental of premises	1,841	1,702
Rental of equipment	25	39
Auditors' remuneration - statutory audit	90	80
Depreciation of property, plant and equipment	767	1,171
	<u>767</u>	<u>1,171</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

24. NON-INTEREST EXPENSE (CONT'D)

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

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
Executive directors		
- Salary and other remuneration	1,660	925
- Bonuses	470	464
- Benefits-in-kind	25	120
- Pension	-	30
Non-executive directors		
- Fees	81	61
	<u>2,236</u>	<u>1,600</u>

The remuneration attributable to the Managing Director of the Bank, including benefits-in-kind during the year amounted to RM1,631,700 (2003: RM971,167).

25. CASH AND CASH EQUIVALENTS

	GROUP / BANK	
	2004	2003
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and short-term funds	1,131,875	1,237,145
Deposits and placements with banks and other financial institutions	122,610	304,684
	<u>1,254,485</u>	<u>1,541,829</u>

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

2004	Immediate holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income:			
Commission	16,340	-	-
Interest income	8,014	-	7,457
Expense:			
Interest expense	5,217	-	3,887
Management fee	33,377	-	-
Commission	583	-	-
Cost sharing automation	951	-	-
Amount due from:			
Deposits and current accounts	252,856	-	50,678
Interest receivable	1,869	-	3,976
Amount due to:			
Deposits and current accounts	296,649	-	76,340
Interest payable	2,395	-	3,310
Foreign exchange related contracts:			
- purchased and receivable	333,280	-	117,213
- sold and payable	330,529	-	117,700
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	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

27. TAXATION

	GROUP / BANK	
	2004 RM'000	2003 RM'000
Malaysian income tax based on results for the year:		
Current year	16,116	13,550
Deferred tax		
Relating to origination and reversal of temporary differences (Note 10)	(5,274)	350
	<u>10,842</u>	<u>13,900</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 / BANK	
	2004 RM'000	2003 RM'000
Profit before taxation	39,195	47,553
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	10,975	13,315
Income not subject to tax	(5)	(78)
Expenses not deductible for tax purposes	198	663
Overprovision of deferred taxation in prior years	(326)	-
Tax expense for the year	<u>10,842</u>	<u>13,900</u>

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28. EARNINGS PER SHARE

The earnings per share has been calculated based on the net profit after taxation of RM28,353,000 (2003: RM33,653,000) on the weighted average number of ordinary shares of RM1 each in issue of 203,000,002 (2003 : 203,000,002) during the year.

29. DIVIDENDS

	Amount		Net Dividends per Share	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Final dividend of 11% less 28% taxation, paid on 23 May 2003	-	16,078	-	7.9
Final dividend of 11.51% less 28% taxation, paid on 28 April 2004	16,823	-	8.3	-
	<u>16,823</u>	<u>16,078</u>	<u>8.3</u>	<u>7.9</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004, of 9.699% less 28% taxation on 203,000,002 ordinary shares of RM1 each, amounting to a total dividend payable of RM14,176,000 (6.98 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 earnings in the financial year ending 31 December 2005.

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30. 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 / BANK	
	2004 RM'000	2003 RM'000
2004	-	1,462
2005	1,350	1,350
2006	990	990

31. 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.

Risk Weighted Exposures of the Group and the Bank as at 31 December:

	2004		2003	
	Principal amount RM'000	Credit equivalent amount * RM'000	Principal amount RM'000	Credit equivalent amount * RM'000
Direct credit substitutes	45,209	45,209	46,591	46,591
Transaction-related contingent items	194,372	97,186	447,066	223,533
Short-term self-liquidating trade-related contingencies	132,772	26,554	36,353	7,271
Other assets sold with recourse and commitments with certain drawdown	3,256	3,256	9,463	9,463
Irrevocable commitments to extend credit:				
- maturity less than one year	132,626	-	129,317	-
- maturity more than one year	1,488	744	5,809	2,905
Foreign exchange related contracts:				
- Forward contracts				
contracts - less than one year	1,553,001	109,229	1,623,637	159,175
- Forward contracts				
contracts - more than one year	6,737,575	103,321	11,418,879	221,475
Interest rate related contracts:				
- Interest rate related contracts and futures contracts - less than one year	8,701,735	287,931	2,842,000	119,344
- Interest rate related contracts and futures contracts - more than one year	2,185,000	4,955	2,057,000	2,989
	<u>19,687,034</u>	<u>678,385</u>	<u>18,616,115</u>	<u>792,746</u>

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

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31. COMMITMENTS AND CONTINGENCIES (CONT'D)

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 2004, the amount of contracts which were not hedged and, hence, exposed to market risk was RM0.961 million (2003: RM25.1 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 2004, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM84.9 million (2003: RM19.4 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.

32. 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 has implemented 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.

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32. 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.

2004								
	Short term funds and placements with financial institutions including Statutory Deposit with BNM	Securities purchased under resale agreement	Dealing securities	Investment securities	Loans and advances	General provision	Other Asset	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing	-	-	-	-	101,069	-	-	-
Construction	-	-	-	-	73,424	-	-	-
Real estate	-	-	-	-	40,201	-	-	-
Purchase of landed properties (Residential)								
i) Resident	-	-	-	-	27,965	-	-	-
ii) Non-resident	-	-	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	32,579	-	-	-
Transport, storage and communication	-	-	-	-	118,319	-	-	-
Finance, insurance and business services	-	-	-	-	73,011	-	-	-
Purchase of securities	-	-	-	-	1,457	-	-	-
Purchase of transport vehicles	-	-	-	-	427	-	-	-
Consumption credit	-	-	-	-	5,956	-	-	-
Others	1,300,804	50,766	377,176	1,007,457	27	(17,200)	-	19,687,034
	1,300,804	50,766	377,176	1,007,457	474,435	(17,200)	-	19,687,034

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32. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

	2003							
	Short term funds and placements with financial institutions including Statutory Deposit with BNM RM'000	Securities purchased under resale agreement RM'000	Dealing securities RM'000	Investment securities RM'000	Loans and advances RM'000	General provision RM'000	Other Asset RM'000	Commitments and contingencies RM'000
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	-	-	-
Purchase of securities	-	-	-	-	1,319	-	-	-
Purchase of transport vehicles	-	-	-	-	708	-	-	-
Consumption credit	-	-	-	-	4,294	-	-	-
Others	1,578,182	-	48,561	845,170	34	(17,200)	-	18,616,115
	1,578,182	-	48,561	845,170	428,809	(17,200)	-	18,616,115

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(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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33. 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.

The following table represents the Group's carrying assets and liabilities at carrying amounts as at 31 December 2004.

31.12.2004									
Group									
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest sensitive	Provisions	SPI-related items	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	1,131,875	-	-	-	-	-	-	-	1,131,875
Deposits and placements with banks and other financial institutions	-	103,800	9,495	9,315	-	-	-	-	122,610
Securities purchased under resale agreements	50,766	-	-	-	-	-	-	-	50,766
Dealing securities	-	25,040	311,408	-	40,728	-	-	-	377,176
Investment securities	73,497	210,178	109,742	614,040	-	-	-	-	1,007,457
Loans, advances and financing	150,438	146,821	120,585	25,386	31,205	-	(47,357)	-	427,078
Taxation	-	-	-	-	-	1,687	-	-	1,687
Other assets	-	-	-	-	-	170,635	-	-	170,635
Deferred tax assets	-	-	-	-	-	6,785	-	-	6,785
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	46,319	-	-	46,319
Investment in subsidiary companies	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	3,377	-	-	3,377
Total Assets	1,406,576	485,839	551,230	648,741	71,933	228,803	(47,357)	-	3,345,765
Liabilities									
Deposits from customers	1,341,609	151,579	202,176	300,192	-	-	-	-	1,995,556
Deposits and placements of banks and other financial institutions	358,589	152,000	106,400	80,681	-	-	-	-	697,670
Other Liabilities	-	-	-	-	-	267,894	-	-	267,894
Total Liabilities	1,700,198	303,579	308,576	380,873	-	267,894	-	-	2,961,120
On balance sheet interest rate gap	(293,622)	182,260	242,654	267,868	71,933	(39,091)	(47,357)	-	384,645
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	-
Net interest rate gap	(293,622)	182,260	242,654	267,868	71,933	(39,091)	(47,357)	-	384,645

NOTES TO THE FINANCIAL STATEMENTS

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33. INTEREST RATE RISK (CONT'D)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2004.

31.12.2004	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 sensitive RM'000	Provisions RM'000	SPI-related items RM'000	Total RM'000
Assets									
Cash and short-term funds	1,131,875	-	-	-	-	-	-	-	1,131,875
Deposits and placements with banks and other financial institutions	-	103,800	9,495	9,315	-	-	-	-	122,610
Securities purchased under resale agreements	50,766	-	-	-	-	-	-	-	50,766
Dealing securities	-	25,040	311,408	-	40,728	-	-	-	377,176
Investment securities	73,497	210,178	109,742	614,040	-	-	-	-	1,007,457
Loans, advances and financing	150,438	146,821	120,585	25,386	31,205	-	(47,357)	-	427,078
Taxation	-	-	-	-	-	1,687	-	-	1,687
Other assets	-	-	-	-	-	170,635	-	-	170,635
Deferred tax assets	-	-	-	-	-	6,785	-	-	6,785
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	46,319	-	-	46,319
Investment in subsidiary companies	-	-	-	-	-	20	-	-	20
Property, plant and equipment	-	-	-	-	-	3,377	-	-	3,377
Total Assets	1,406,576	485,839	551,230	648,741	71,933	228,823	(47,357)	-	3,345,785
Liabilities									
Deposits from customers	1,341,629	151,579	202,176	300,192	-	-	-	-	1,995,576
Deposits and placements of banks and other financial institutions	358,589	152,000	106,400	80,681	-	-	-	-	697,670
Other Liabilities	-	-	-	-	-	267,894	-	-	267,894
Total Liabilities	1,700,218	303,579	308,576	380,873	-	267,894	-	-	2,961,140
On balance sheet interest rate gap	(293,642)	182,260	242,654	267,868	71,933	(39,071)	(47,357)	-	384,645
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	-
Net interest rate gap	(293,642)	182,260	242,654	267,868	71,933	(39,071)	(47,357)	-	384,645

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33. INTEREST RATE RISK (CONT'D)

The following table represents the Group'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 sensitive 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 banks and other 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	-	-	-	-	-	1,511	-	-	1,511
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	36,353	-	-	36,353
Investment in subsidiary companies	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	2,585	-	-	2,585
Total Assets	1,454,738	399,426	510,277	467,719	32,209	148,370	(58,217)	-	2,954,522
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
Total Liabilities	2,031,282	243,505	164,291	375	-	141,954	-	-	2,581,407
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

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33. INTEREST RATE RISK (CONT'D)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2003.

31.12.2003	Bank								
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non- interest sensitive	Provisions	SPI- related items	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	1,237,145	-	-	-	-	-	-	-	1,237,145
Deposits and placements with banks and other 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	-	-	-	-	-	1,511	-	-	1,511
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	36,353	-	-	36,353
Investment in subsidiary companies	-	-	-	-	-	20	-	-	20
Property, plant and equipment	-	-	-	-	-	2,585	-	-	2,585
Total Assets	1,454,738	399,426	510,277	467,719	32,209	148,390	(58,217)	-	2,954,542
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
Total Liabilities	2,031,302	243,505	164,291	375	-	141,954	-	-	2,581,427
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

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33. 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				BANK			
	31.12.2004		31.12.2003		31.12.2004		31.12.2003	
	MYR	USD	MYR	USD	MYR	USD	MYR	USD
	%	%	%	%	%	%	%	%
Financial Assets								
Cash and short-term funds	2.75	2.30	2.86	1.00	2.75	2.30	2.86	1.00
Deposits and placements with financial institutions	2.95	1.93	2.98	2.09	2.95	1.93	2.98	2.09
Dealing securities	-	-	-	-	-	-	-	-
Investment securities	3.48	-	3.23	-	3.48	-	3.23	-
Loans, advances and financing	4.56	2.44	5.39	1.40	4.56	2.44	5.39	1.40
Other assets	-	-	-	-	-	-	-	-
Financial Liabilities								
Deposits from customers	3.02	1.89	2.75	0.89	3.02	1.89	2.75	0.89
Deposits and placements of banks and other financial institutions	2.70	1.90	2.74	1.09	2.70	1.90	2.74	1.09
Obligations on securities sold under repurchase agreements	2.48	-	2.48	-	2.48	-	2.48	-
Other Liabilities	-	-	-	-	-	-	-	-

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34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table summarises the carrying values and fair values of financial assets and liabilities of the Group and of the Bank.

	GROUP				BANK			
	2004		2003		2004		2003	
	Carrying Amount RM'000	Fair Value RM'000						
Assets								
Cash and short-term funds	1,131,875	1,131,875	1,237,145	1,237,145	1,131,875	1,131,875	1,237,145	1,237,145
Deposits and placements with banks and other financial institutions	122,610	122,610	304,684	304,684	122,610	122,610	304,684	304,684
Securities purchased under resale agreements	50,766	50,766	-	-	50,766	50,766	-	-
Dealing securities	377,176	377,176	48,561	48,561	377,176	377,176	48,561	48,561
Investment securities	1,007,457	1,014,650	845,170	842,959	1,007,457	1,014,650	845,170	842,959
Loans, advances and financing	427,078	419,483	370,592	369,296	427,078	419,483	370,592	369,296
Other assets	172,322	172,322	107,921	107,921	172,322	172,322	107,921	107,921
Statutory deposit with Bank Negara Malaysia	46,319	46,319	36,353	36,353	46,319	46,319	36,353	36,353
Total Assets	3,335,603	3,335,201	2,950,426	2,946,919	3,335,603	3,335,201	2,950,426	2,946,919
Liabilities								
Deposits from customers	1,995,556	1,995,556	1,632,592	1,732,592	1,995,576	1,995,576	1,632,612	1,632,612
Deposits and placements of banks and other financial institutions	697,670	697,670	806,861	806,861	697,670	697,670	806,861	806,861
Other Liabilities	267,894	267,894	141,954	141,954	267,894	267,894	141,954	141,954
Total Liabilities	2,961,120	2,961,120	2,581,407	2,681,407	2,961,140	2,961,140	2,581,427	2,581,427

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31.12.2004	GROUP / BANK					
	Underlying Notional RM'000	Notional		Total Fair Value RM'000	Fair Value	
		Asset RM'000	Liability RM'000		Asset RM'000	Liability RM'000
Derivative financial instruments						
Foreign exchange contracts:						
- Forward	617,874	341,360	276,514	80,553	349,206	268,653
- Cross currency swaps	4,258,115	1,624,463	2,633,652	(980,270)	1,637,593	2,617,863
- Options	1,894,586	947,293	947,293	-	8,166	8,166
	6,770,575	2,913,116	3,857,459	(899,717)	1,994,965	2,894,682
Interest rate contracts:						
- Futures	3,467,000	610,000	2,857,000	(1,586)	118	1,704
- Swaps	5,899,735	4,293,735	1,606,000	19,328	44,639	25,311
- Cross currency interest rate swaps	1,520,000	988,000	532,000	22,722	25,215	2,493
	10,886,735	5,891,735	4,995,000	40,464	69,972	29,508

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

31.12.2003	GROUP / BANK					
		Notional			Fair Value	
	Underlying Notional RM'000	Asset RM'000	Liability RM'000	Total Fair Value RM'000	Asset RM'000	Liability RM'000
Derivative financial instruments						
Foreign exchange contracts:						
- Forward	1,703,894	774,485	929,409	(110,525)	847,929	958,454
- Cross currency swaps	5,678,708	2,663,470	3,015,238	(360,360)	2,696,300	3,056,660
- Options	5,659,914	2,829,957	2,829,957	-	-	-
	13,042,516	6,267,912	6,774,604	(470,885)	3,544,229	4,015,114
Interest rate contracts:						
- Swaps	3,607,000	1,614,000	1,993,000	597,142	1,141,403	544,261
- Cross currency interest rate swaps	1,292,000	912,000	380,000	20,856	24,669	3,813
	4,899,000	2,526,000	2,373,000	617,998	1,166,072	548,074

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 2004

34. 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.

35. CAPITAL ADEQUACY

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

	BANK 2004 RM'000	2003 RM'000
Tier-I capital		
Paid-up share capital	203,000	203,000
Share premium	76,182	76,182
Statutory reserves	88,768	74,591
Retained earnings	16,695	19,342
	<hr/>	<hr/>
	384,645	373,115
Less: Deferred tax assets	(6,785)	(1,511)
Total Tier-I capital	<hr/>	<hr/>
	377,860	371,604
Tier-II Capital		
General provision for bad and doubtful debts and financing	17,200	17,200
Total Tier-II capital	<hr/>	<hr/>
	17,200	17,200
Total capital funds	395,060	388,804
Less: Investment in subsidiaries companies	(20)	(20)
Capital base	<hr/>	<hr/>
	395,040	388,784
Capital Ratios		
Core capital ratio	29.67%	31.54%
Risk-weighted capital ratio	<hr/>	<hr/>
	31.02%	33.00%

NOTES TO THE FINANCIAL STATEMENTS

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35. CAPITAL ADEQUACY (CONT'D)

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

	2004 RM'000	2003 RM'000
0%	-	-
10%	2,504	-
20%	428,302	466,183
50%	108,313	234,686
100%	734,217	477,436
Total	<u>1,273,335</u>	<u>1,178,305</u>