

**INFORMATION ON THE ACQUIREE COMPANY
PHILEO ALLIED BANK (MALAYSIA) BERHAD**

1. **Company Name** : PhileoAllied Bank (Malaysia) Berhad (Company No.: 306350-K)

2. **History And Business**

PhileoAllied Bank (Malaysia) Berhad (“PABB”) was incorporated in Malaysia on 6 July 1994 as AlliedBank (Malaysia) Bhd and subsequently changed to the present name on 28 April 1997. PABB has authorised share capital of RM2,000,000,000 consisting of 2,000,000,000 ordinary shares of RM1.00 each and issued and paid-up share capital of RM704,000,000 consisting of 704,000,000 ordinary shares of RM1.00 each. PABB offers complete and comprehensive range of financial services and investment choices, innovative, tailor-made financial products, delivery channels through the creative use of information technology to its customers.

Currently, PABB has 29 branches nationwide and 3 virtual banking kiosks.

3. **Subsidiary And Associated Companies As At 30 November 2000**

Name of Company	Date and Place of Incorporation	Effective Equity Interest %	Issued and Paid Up Share Capital RM	Principal Activity
AlliedBan Nominees (Tempatan) Sdn Bhd	24.10.94 Malaysia	100.00	40,000	Nominee and custodian services
AlliedBan Nominees (Asing) Sdn Bhd	15.10.94 Malaysia	100.00	10,000	Nominee and custodian services
PhileoAllied Property Holding Sdn Bhd	08.12.94 Malaysia	100.00	2,000,000	Property holding
PhileoAllied Unit Trust Management Bhd	27.09.95 Malaysia	100.00	6,500,000	Unit trust
PhileoAllied Credit & Leasing Sdn Bhd	13.01.96 Malaysia	100.00	10,000,000	Financing
Phileo Allied Options and Financial Futures Sdn Bhd	12.10.92 Malaysia	100.00	10,000,000	Financial futures and options brokers
Phileo Asset Management Sdn Bhd	22.04.96 Malaysia	100.00	4,600,000	Fund management
PhileoAllied Trustee Berhad	29.08.98 Malaysia	80.00	150,000	Dormant

Pursuant to the Sale and Purchase agreement between PABB and Co-operative Central Bank Limited (“CCB”) dated 10 October 1994 and a subsequent Vesting Order of the High Court of Malaya at Kuala Lumpur dated 5 December 1994, the investment in BPK Credit & Leasing Sdn Bhd and BPK Nominees Sdn Bhd were vested in PABB with effect from 1 January 1995.

The directors are of the opinion that PABB’s control over the two subsidiaries is temporary and accordingly, they are not consolidated. This is consistent with International Accounting Standard No. 27.

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4. Share Capital As At 30 November 2000

Type <i>Ordinary shares</i>	No. Of Shares	Par Value RM	Amount RM
Authorised	2,000,000,000	RM1.00	2,000,000,000
Issued and Paid-up	704,000,000	RM1.00	704,000,000

5. Changes In the Issued And Paid-Up Share Capital

Date Of Allotment	No. Of Ordinary Shares	Par Value RM	Consideration	Total Issued Capital RM
06.07.1994	2	1.00	Subscribers' shares	2
30.08.1994	24,999,998	1.00	Cash	25,000,000
23.12.1994	425,000,000	1.00	Cash	450,000,000
29.11.1995	50,000,000	1.00	Cash	500,000,000
30.09.1996	20,000,000	1.00	Cash	520,000,000
31.12.1996	145,000,000	1.00	Cash	665,000,000
13.01.1997	17,000,000	1.00	Cash	682,000,000
01.07.1999	22,000,000	1.00	Consideration for the acquisition of finance business of PhileoAllied Finance (Malaysia) Berhad ("PAFMB")	704,000,000

6. Board Of Directors

Shareholdings As At 30 November 2000

Name Of Director	Nationality	Direct		Indirect	
		No. Of Shares	%	No. Of Shares	%
Dato' Md Taib bin Abdul Hamid	Malaysian	-	-	-	-
Ahmad bin Abdullah	Malaysian	-	-	704,000,000*	100.00
Lean Meng Seong	Malaysian	-	-	-	-
Loh Chen Peng	Malaysian	-	-	-	-

* Deemed interested through his substantial shareholdings in Phileo Allied Berhad.

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7. Financial Data

A summary of the audited profit and loss accounts of Phileo Allied Bank (Malaysia) Berhad for the past five (5) financial years ended 31 January 1996 to 2000 and the unaudited 6 months ended 31 July 2000 are as follows:

	Year ended 31 January					(Unaudited) 6 months ended
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	31.07.2000 RM'000
Net interest income	54,943	108,796	178,857	39,807	225,931	165,306
Profit/(Loss) before taxation	27,074	34,690	(63,726)	(16,957)	212,442	37,855
Taxation	(10,350)	(20,000)	(4,600)	(1,344)	8,200	(25,255)
Profit/(loss) after taxation	16,724	14,690	(68,326)	(18,301)	220,642	12,600
Effective tax rate (%) (Note 1)	38.23	57.65	N/A	N/A	N/A	66.72
Gross earnings/(loss) per share (sen)	5.42	5.09	(9.34)	(2.49)	30.18	5.38
NTA	507,911	704,601	636,275	617,974	860,616	873,216
NTA per share (RM)	1.02	1.03	0.93	0.91	1.22	1.24
Paid-up capital	500,000	682,000	682,000	682,000	704,000	704,000
Shareholders' funds	507,911	704,601	636,275	617,974	860,616	873,216
After tax return on Shareholders' funds (%)	3.29	2.08	(10.74)	(2.96)	25.64	1.44
Capital Adequacy Ratio (%) - Risk-weighted capital ratio	28.3	14.2	10.2	9.8	14.4	N/A
Gross Dividend (%)	-	-	-	-	-	-

Note 1.: Tax expense per Profit Before Tax.

Notes:

- (a) There were no exceptional or extraordinary items for the past five (5) financial years ended 31 January 1996 to 2000 and the six (6) months period ended 31 July 2000.
- (b) The significant increase in turnover for the financial year ended 31 January 1997 was mainly due to major growth in loans and advances of 172% as compared to the previous year.
- (c) The significant increase in turnover for the financial year ended 31 January 1998 was attributed to the major growth in loans and advances of 25%. Despite the increase in turnover, PABB's adoption of a selective accelerated specific provision policy which requires provisions to be made to the extent of 100% of all collateral shortfall for non-performing loans in its books and the provision for diminution in value of dealing securities, has resulted in loss after taxation for the financial year.

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- (d) *The increase in turnover for the financial year ended 31 January 1999 as compared to 1998 was mainly due to the increase in the investment income. The lower pre-tax loss of RM16.9 million registered for the year was mainly due to the significantly lower provisioning for bad and doubtful debts and for diminution in value of dealing securities, better interest margins and conservative stance in the provisioning for bad and doubtful debts in the previous year.*
- (e) *Despite a slight decrease in the turnover for the financial year ended 31 January 2000 as compared to 1999 due to reduction in the interest income, PABB registered a significant increase in profit before taxation for 2000. This was mainly due to the significant increase in investment income and net interest income.*
- (f) *The lower investment income and an increase in interest-in-suspense and provision of bad and doubtful debts following the delay in the completion of some major loans restructuring have resulted in a lower profit before taxation for the six (6) months period ended 31 July 2000.*

8. Substantial Shareholders As At 30 November 2000

Substantial Shareholders	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Phileo Allied Berhad	682,000,000	96.87	22,000,000*	3.13
PhileoAllied Finance (Malaysia) Berhad	22,000,000	3.13	-	-
Avenue Assets Berhad (formerly known as Phileo Land Berhad)	-	-	704,000,000**	100.00

* Deemed interested by virtue of their 100% direct shareholdings in PAFMB.

** Deemed interested by virtue of their direct shareholdings of more than 15% in PAB.

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9. Audited Accounts

Extracts of the audited accounts of PABB for the financial year ended 31 January 2000 together with the auditors' report and the accounts are enclosed in the following pages:-

PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2000

	Note	2000 RM'000	1999 RM'000
Interest income	22	587,326	771,907
Interest expense	23	(361,395)	(732,100)
Net interest income		225,931	39,807
Loan loss and provision	24	(107,819)	(3,250)
		118,112	36,557
Non-interest income	25	205,718	54,830
Write back/(provision) for commitments and contingencies	18	20	(20)
Net income		323,850	91,367
Overhead expenses	26	(111,408)	(108,324)
Profit/(loss) before taxation		212,442	(16,957)
Taxation	29	8,200	(1,344)
Profit/(loss) after taxation		220,642	(18,301)
Transfer to statutory reserve	21	(110,321)	–
		110,321	(18,301)
Accumulated losses brought forward		(79,733)	(61,432)
Retained profit/(accumulated losses) carried forward	21	30,588	(79,733)
Earnings/(loss) per share (sen)	30	31.75	(2.70)

The accompanying notes on pages 33 to 58 form an integral part of the financial statements.

BALANCE SHEET

AS AT 31 JANUARY 2000

	Note	2000 RM'000	1999 RM'000
ASSETS			
Cash and short-term funds	4	1,668,969	474,570
Deposits and placements with financial institutions	5	600,266	155,305
Dealing securities	6	1,043,352	1,700,157
Investment securities	7	679,086	1,540,878
Loans and advances	8	5,235,500	5,441,636
Other assets	9	568,693	393,902
Statutory deposits with Bank Negara Malaysia	11	265,000	314,487
Investment in subsidiary companies	12	33,420	25,320
Fixed assets	14	92,270	104,259
TOTAL ASSETS		10,186,556	10,150,514
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	15	7,297,784	5,865,361
Deposits and placements of banks and other financial institutions	16	1,068,031	2,201,217
Obligations on securities sold under repurchase agreements	17	165,449	930,432
Bills and acceptances payable		186,240	162,414
Other liabilities	18	608,436	373,116
TOTAL LIABILITIES		9,325,940	9,532,540
Share capital	20	704,000	682,000
Reserves	21	156,616	(64,026)
Shareholders' funds		860,616	617,974
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		10,186,556	10,150,514
COMMITMENTS AND CONTINGENCIES	31	2,482,649	2,497,429

The accompanying notes on pages 33 to 58 form an integral part of the financial statements.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2000

	2000 RM'000	1999 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	212,442	(16,957)
Adjustments for:		
Depreciation	19,981	17,669
Interest income from investment securities	(62,120)	(72,215)
Dividend income from dealing securities	(1,290)	(1,200)
Dividend income from investment securities	(10)	(28)
Gain from sale of investment securities	(64,403)	(3,207)
Accretion of discount less amortisation of premium	(30,355)	(11,176)
Provision for bad and doubtful debts	106,676	3,237
Provision for interest-in-suspense	110,588	163,070
Amortisation of contribution to CCB Rescue Scheme	2,000	2,000
Provision for diminution in value of dealing securities (Write back)/provision for commitments and contingencies	1,953 (20)	111 20
Gain from disposal of fixed assets	(47)	-
Provision for amount recoverable from Danaharta	1,198	-
Fixed assets written off	1,564	1,231
Operating profit before working capital changes	298,157	82,555
(Increase)/decrease in deposits and placements with financial institutions	(444,961)	46,880
Decrease/(increase) in dealing securities	654,852	(272,149)
Decrease/(increase) in loans and advances	58,562	(285,938)
(Increase)/decrease in other assets	(178,495)	45,118
Decrease in statutory deposits with Bank Negara Malaysia	52,353	704,241
Increase in deposits from customers	1,431,788	1,338,642
Decrease in deposits and placements of banks and other financial institutions	(1,184,686)	(1,200,464)
(Decrease)/increase in obligation on securities sold under repurchase agreements	(764,983)	113,058
Increase/(decrease) in bills and acceptances payable	23,826	(23,978)
Increase in other liabilities	242,690	31,384
Net cash generated from operating activities	189,103	579,349

CASH FLOW STATEMENT (cont'd)
 FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2000

	2000 RM'000	1999 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from dealing securities	1,290	864
Dividend received from investment securities	10	20
Interest received from investment securities	62,120	72,215
Purchase of fixed assets	(8,987)	(19,375)
Proceeds from disposal of fixed assets	239	–
Net purchase of investment securities	957,865	(475,035)
Investment in subsidiary companies	(8,100)	(3,300)
Net cash generated from/(used in) investing activities	<u>1,004,437</u>	<u>(424,611)</u>
CASH AND CASH EQUIVALENTS		
Net increase in cash and cash equivalents	1,193,540	154,738
Cash and cash equivalents at beginning of year	474,570	319,832
Net cash acquired	859	–
Cash and cash equivalents at end of year	<u>1,668,969</u>	<u>474,570</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 4)	<u>1,668,969</u>	<u>474,570</u>

The accompanying notes on pages 33 to 58 form an integral part of the financial statements.

NOTES TO THE ACCOUNTS

31 JANUARY 2000

1 PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking, related financial services and investment holding. The principal activities of the subsidiary companies are disclosed in Note 12 to the accounts. There have been no significant changes in these activities during the financial year.

2 BASIS OF PREPARATION OF THE ACCOUNTS

The accounts of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, Bank Negara Malaysia Guidelines and applicable approved Accounting Standards in Malaysia.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) 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, whilst income on hire purchase is recognised using the sum-of-digits method.

Where an amount is classified as non-performing, recognition of interest income from the date of first default is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for six months or more from the first day of default for loans and overdrafts, and one month after maturity date for trade bills, bankers' acceptances and trust receipts.

(c) 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.

(d) Provision for bad and doubtful debts

Specific provisions are made for doubtful debts which have been individually reviewed and specifically identified as bad or doubtful.

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

An uncollectible loan or portion of a loan 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.

The Bank's provision for non-performing loans is in conformity with the requirements of Bank Negara Malaysia "Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts".

(e) Repurchase agreements

Securities purchased under resale agreements are securities which the Bank had purchased with a commitment to resell at future date. 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 date. Such financing transactions and the obligation to repurchase the securities are reflected as a liability in the balance sheet.

(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, Malaysian Government investment issues, Cagamas bonds, other Government securities 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. Other Private Debt Securities are valued at lower of cost and market value. Other investment securities are stated at cost and provision is made in the event of any permanent diminution in value.

(h) Contribution to Co-operative Central Bank Limited Rescue Scheme

The contribution to the Co-operative Central Bank Limited ('CCB') Rescue Scheme has been capitalised and amortised through the profit and loss account on a straight-line basis over a period of 25 years.

(i) Investment 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.

Consolidated accounts are not prepared as the Bank is a wholly-owned subsidiary of Phileo Allied Berhad, a company incorporated in Malaysia. The accounts of the subsidiary companies are annexed. The accounts of the Bank and its subsidiary companies are consolidated in the accounts of Phileo Allied Berhad.

(j) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are not depreciated. Depreciation of other fixed assets is calculated to amortise the cost of the fixed assets on a straight-line basis over the expected useful life of the assets concerned. The principal annual rates are:

Buildings on freehold land	2%
Leasehold land and buildings	Amortised over the period of the lease
Renovations	10%
Office equipment, computers and furniture	10 – 30%
Motor vehicles	15 – 20%

(k) Bills and acceptances payable

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

(l) Forward exchange contracts

Unmatured forward exchange contracts as at balance sheet date are valued at forward rates applicable to their respective dates of maturity and unrealised losses and gains recognised in the profit and loss account for the year.

(m) Futures and forward contracts

The Bank enters into interest rate futures contracts as part of its trading account activities and its overall interest rate risk management.

Gains and losses on interest rate futures contracts that qualify as hedges are deferred and amortised over the life of hedged assets or liabilities as adjustments to interest income or interest expense. Gains and losses on interest rate futures contracts that do not qualify as hedges are recognised in the current year using the mark-to-market method.

(n) Currency translations

Individual foreign currency assets and liabilities are stated in the balance sheet at spot rates of exchange which closely approximate those ruling at the balance sheet date. Profit and loss account items are translated at rates prevailing on transaction dates. Exchange gains and losses are recognised in the profit and loss account in the year they arise.

(o) Deferred taxation

Provision is made by using the 'liability' method of deferred taxation in respect of all material timing differences. However, where the timing differences give rise to deferred tax benefits, these net benefits are not recognised.

(p) Deferred asset

The deferred asset represents the excess of liabilities over the assets taken over from CCB pursuant to the abovementioned Rescue Scheme, and is to be reduced progressively by the net income derived from the utilisation of the assets and liabilities vested in the Bank and net recoveries from the non-performing loans acquired from CCB.

(q) Amounts recoverable from Danaharta

This relates to the loans sold to Pengurusan Danaharta Nasional Berhad ('Danaharta') where the total consideration is received in two portions, i.e. upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the Bank's pre-determined share of the surplus over the initial consideration upon recovery of the loans.

The difference between the carrying value of the loans and initial consideration is recognised as "Amounts recoverable from Danaharta" within the "Other assets" component of the balance sheet. Provisions against these amounts are made in accordance with Bank Negara Malaysia's 'Guidelines on the sale of Non-performing Loans to Pengurusan Danaharta Nasional Berhad' issued on 30 April 1999 and reflect the Directors' assessment of the realisable value of the final consideration as at the balance sheet date.

(r) Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term funds.

4 CASH AND SHORT-TERM FUNDS

	2000	1999
	RM'000	RM'000
Cash and balances with banks and other financial institutions	151,744	90,426
Money at call and deposit placements maturing within one month	1,517,225	384,144
	<u>1,668,969</u>	<u>474,570</u>

5 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2000	1999
	RM'000	RM'000
Licensed banks	30,111	10,023
Licensed finance companies	121,037	10,003
Other financial institutions	449,118	135,279
	<u>600,266</u>	<u>155,305</u>

6 DEALING SECURITIES

	2000	1999
	RM'000	RM'000
Money market instruments:		
Malaysian Government treasury bills	190,000	–
Malaysian Government securities	100,972	390,349
Cagamas bonds	62,161	25,078
Cagamas notes	130,000	–
Danamodal bonds	–	104,407
Negotiable instruments of deposit	10,000	160,000
Unquoted private debt securities	421,492	889,047
	<u>914,625</u>	<u>1,568,881</u>
Quoted securities:		
<u>In Malaysia</u>		
Shares	47,207	38,068
Private debt securities	80,381	92,069
<u>Outside Malaysia</u>		
Shares	1,139	1,139
	<u>1,043,352</u>	<u>1,700,157</u>
Market value of quoted securities:		
Malaysian Government securities	102,390	399,445
Cagamas bonds	64,072	25,845
Danamodal bonds	–	108,565
Private debt securities	82,230	94,954
Shares quoted in Malaysia	48,958	38,068
Shares quoted outside Malaysia	1,139	1,139
	<u>298,789</u>	<u>668,016</u>

7 INVESTMENT SECURITIES

	2000 RM'000	1999 RM'000
Money market instruments:		
Malaysian Government securities	41,753	442,900
Cagamas bonds	316,602	249,837
Danamodal bonds	3,659	38,960
Bankers' acceptances	42,533	8,689
Unquoted private debt securities	219,168	761,015
	<u>623,715</u>	<u>1,501,401</u>
Quoted securities:		
<u>In Malaysia</u>		
Shares	23	23
<u>Outside Malaysia</u>		
Private debt securities	18,668	18,562
Other unquoted securities:		
<u>In Malaysia</u>		
Shares	6,263	3,630
	<u>648,669</u>	<u>1,523,616</u>
Amortisation of premium less accretion of discounts	30,417	17,262
	<u>679,086</u>	<u>1,540,878</u>
Market value of quoted securities:		
Malaysian Government securities	43,767	454,764
Cagamas bonds	319,332	253,641
Danamodal bonds	3,887	39,864
Shares quoted in Malaysia	33	26
Private debt securities quoted outside Malaysia	18,684	18,691
	<u>385,703</u>	<u>766,986</u>
The maturity structure of money market instruments and private debt securities held for investment is as follows:		
Maturing within one year	326,807	94,540
One year to three years	93,673	559,113
Three years to five years	183,778	525,851
Over five years	38,125	340,459
	<u>642,383</u>	<u>1,519,963</u>

8 LOANS AND ADVANCES

	2000	1999
	RM'000	RM'000
Overdrafts	959,044	923,109
Term loans – fixed rate	327,960	139,000
– floating rate	4,317,350	4,507,647
Bills receivable	1,894	1,514
Trust receipts	26,299	22,117
Claims on customers under acceptance credits	160,564	172,420
Staff loans (of which approximately RM284,946 (1999: RM350,903) is to a director)	32,782	27,725
Hire purchase loans	41,247	–
Other loans	6,646	1,054
	<u>5,873,786</u>	<u>5,794,586</u>
Less: Unearned interest	(4,396)	(18)
Gross loans and advances	5,869,390	5,794,568
Loans sold to Cagamas Berhad	(65,935)	(7,739)
	<u>5,803,455</u>	<u>5,786,829</u>
Provision for bad and doubtful debts		
– Specific	(206,475)	(114,994)
– General	(111,319)	(87,000)
Interest-in-suspense	(280,986)	(177,204)
	<u>5,204,675</u>	<u>5,407,631</u>
Net loans and advances acquired from CCB	30,825	34,005
	<u>5,235,500</u>	<u>5,441,636</u>

Pursuant to the Sale and Purchase agreement between the Bank and CCB dated 10 October 1994 and a subsequent Vesting Order of the High Court of Malaya at Kuala Lumpur dated 5 December 1994, the following loans and advances were acquired and vested in the Bank with effect from 1 January 1995:

	2000	1999
	RM'000	RM'000
Overdrafts	779,654	777,847
Term loans	156,910	165,543
Staff loans	10	11
Other loans	31,564	34,030
	<u>968,138</u>	<u>977,431</u>
Gross loans and advances		
Provision for bad and doubtful debts – Specific	(88,013)	(96,123)
Interest-in-suspense	(849,300)	(847,303)
	<u>30,825</u>	<u>34,005</u>
Net loans		

8 LOANS AND ADVANCES (cont'd)

	2000	1999
	RM'000	RM'000
(i) The maturity structure of loans and advances are as follows:		
Maturing within one year	3,558,617	3,889,295
One year to three years	653,790	559,039
Three years to five years	1,025,871	675,217
Over five years	1,533,315	1,640,709
	<u>6,771,593</u>	<u>6,764,260</u>
(ii) Loans and advances analysed by their economic purposes are as follows:		
Agriculture	168,521	12,900
Mining and quarrying	7,295	9,236
Manufacturing	569,382	530,826
Electricity, gas and water	305	55,856
Construction	131,498	162,310
Real estate	695,539	673,615
Purchase of landed property of which: (i) residential	431,303	495,029
(ii) non-residential	798,145	830,196
General commerce	748,324	748,964
Transport, storage and communication	389,887	406,939
Finance, insurance and business services	589,884	697,663
Purchase of securities	871,668	799,529
Purchase of transport vehicles	36,376	8,051
Consumption credit	1,112,766	1,128,249
Others	220,700	204,897
	<u>6,771,593</u>	<u>6,764,260</u>
(iii) Movements in the provisions for bad and doubtful debts and interest-in-suspense are as follows:		
<u>General Provision</u>		
Balance at beginning of year	87,000	84,500
Transferred from PhileoAllied Finance Berhad	2,819	—
Provision made during the year	21,500	2,500
Balance at end of year	<u>111,319</u>	<u>87,000</u>
As a percentage of total loans less specific provision and interest-in-suspense	2.07%	1.58%

8 LOANS AND ADVANCES (cont'd)

	2000 RM'000	1999 RM'000
<u>Specific Provision</u>		
Balance at beginning of year	114,994	114,278
Transferred from PhileoAllied Finance Berhad	8,179	–
Provision made during the year	147,538	114,984
Amounts written back in respect of recoveries	(62,362)	(114,247)
Amounts written off	(1,874)	(21)
Balance at end of year	<u>206,475</u>	<u>114,994</u>
<u>Interest-in-suspense</u>		
Balance at beginning of year	177,204	16,295
Transferred from PhileoAllied Finance Berhad	2,708	–
Provision made during the year	166,473	191,789
Amount sold to Danaharta	(20,513)	–
Amounts written back in respect of recoveries	(44,631)	(30,873)
Amounts written off	(255)	(7)
Balance at end of year	<u>280,986</u>	<u>177,204</u>
 (iv) <u>Non-performing loans</u>		
Balance at beginning of year	1,229,147	384,849
Transferred from PhileoAllied Finance Berhad	16,925	–
Non-performing during the year (gross)	817,304	1,864,808
Amount sold to Danaharta	(107,363)	–
Recoveries/reclassified	(448,192)	(1,020,467)
Amount written off	(17,523)	(43)
Balance at end of year	<u>1,490,298</u>	<u>1,229,147</u>
Net non-performing loans	<u>1,002,837</u>	<u>936,949</u>
As a percentage of total loans less specific provision and interest-in-suspense	<u>18.63%</u>	<u>17.03%</u>

9 OTHER ASSETS

	2000	1999
	RM'000	RM'000
Interest receivable	11,622	32,831
Other debtors, deposits and prepayments	106,266	58,238
Foreclosed properties	27,627	27,627
Amount recoverable from Danaharta	4,793	-
Contribution to CCB Rescue Scheme (Note 10)	38,000	40,000
Deferred asset	361,957	214,417
Amount due from CCB	18,428	20,789
	<u>568,693</u>	<u>393,902</u>

Amount recoverable from Danaharta

Balance at beginning of year	-	-
Amount arising during the year	5,991	-
Provision made during the year	(1,198)	-
Balance at end of year	<u>4,793</u>	<u>-</u>

Foreclosed properties

Foreclosed properties relate to properties charged as collateral for loans previously granted by CCB and subsequently foreclosed which the Bank intends to dispose and realise the amounts stated.

Deferred Asset

The Bank participated in a scheme approved by the Minister of Finance and sanctioned by the High Court of Malaya whereby certain assets and liabilities of CCB were transferred and vested in the Bank with effect from 1 January 1995 for a nominal consideration of RM1.

10 CONTRIBUTION TO CO-OPERATIVE CENTRAL BANK LIMITED RESCUE SCHEME

	2000	1999
	RM'000	RM'000
Balance at beginning of year	40,000	42,000
Amortisation for the year	(2,000)	(2,000)
Balance at end of year	<u>38,000</u>	<u>40,000</u>

This contribution on the part of the Bank was applied to reduce the deficiency in the books of CCB and is being amortised over 25 years on a straight-line basis.

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, the amounts of which are determined as set percentages of total eligible liabilities.

12 INVESTMENT IN SUBSIDIARY COMPANIES

	2000 RM'000	1999 RM'000
Unquoted shares at cost – in Malaysia	<u>33,420</u>	<u>25,320</u>

The subsidiary companies of the Bank are as follows:

Name	Principal activities	Country of incorporation	Effective interest	
			2000 %	1999 %
AlliedBan Nominees (Tempatan) Sdn Bhd	Nominee services	Malaysia	100	100
AlliedBan Nominees (Asing) Sdn Bhd	Nominee services	Malaysia	100	100
PhileoAllied Unit Trust Management Bhd	Unit trust fund management	Malaysia	100	100
Phileo Allied Credit & Leasing Sdn Bhd	Financing	Malaysia	100	100
Phileo Allied Options and Financial Futures Sdn Bhd	Financial futures and options broker	Malaysia	100	100
PhileoAllied Property Holding Sdn Bhd	Dormant	Malaysia	100	100
Phileo Asset Management Sdn Bhd	Fund management	Malaysia	100	100
PhileoAllied Trustee Berhad	Dormant	Malaysia	80	80

13 SHORT-TERM INVESTMENT IN SUBSIDIARY COMPANIES

	2000 RM'000	1999 RM'000
Unquoted shares at cost		
– in Malaysia	420	420
Amounts due from subsidiary companies	263,086	250,792
	<u>263,506</u>	<u>251,212</u>
Less: Provision for diminution in value of unquoted shares	(420)	(420)
Provision for amount deemed irrecoverable from subsidiary companies	(263,086)	(250,792)
	<u>–</u>	<u>–</u>

Pursuant to the Sale and Purchase agreement between the Bank and CCB dated 10 October 1994 and a subsequent vesting order of the High Court of Malaya at Kuala Lumpur dated 5 December 1994, the investment in BPK Credit & Leasing Sdn Bhd and BPK Nominees Sdn Bhd were vested in the Bank with effect from 1 January 1995.

The directors are of the opinion that the Bank's control over the two subsidiaries is temporary and accordingly, they are not consolidated. This is consistent with International Accounting Standard No. 27.

14 FIXED ASSETS

	Freehold land and building RM'000	Leasehold land and building Less than 50 years RM'000	50 years or more RM'000	Renovations RM'000
2000				
Net book value at beginning of year	18,055	177	6,923	14,592
Additions at cost	–	–	–	8,418
Transferred from PhilcoAllied Finance Berhad at net book value	–	–	–	251
Disposal/write-off at net book value	–	–	–	(1,350)
Depreciation charge for the year	(107)	(11)	(87)	(2,429)
Net book value at end of year	<u>17,948</u>	<u>166</u>	<u>6,836</u>	<u>19,482</u>
Cost	<u>18,492</u>	<u>221</u>	<u>7,308</u>	<u>26,190</u>
Accumulated depreciation	<u>544</u>	<u>55</u>	<u>472</u>	<u>6,708</u>

14 FIXED ASSETS (cont'd)

	Office equipment, computers and furniture RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
Net book value at beginning of year	52,878	2,069	9,565	104,259
Additions/(reclass)* at cost	8,101	91	(7,623)*	8,987
Transferred from PhileoAllied Finance Berhad at net book value	581	65	–	897
Disposal/write-off at net book value	(262)	(144)	–	(1,756)
Depreciation charge for the year	(16,557)	(926)	–	(20,117)
Net book value at end of year	44,741	1,155	1,942	92,270
Cost	98,170	5,236	1,942	157,559
Accumulated depreciation	53,429	4,081	–	65,289

	Freehold land and building RM'000	Leasehold land and building Less than 50 years RM'000	50 years or more RM'000	Renovations RM'000
1999				
Net book value at beginning of year	18,162	188	7,012	11,101
Additions at cost	–	–	–	5,714
Disposal/write-off at net book value	–	–	–	(491)
Depreciation charge for the year	(107)	(11)	(89)	(1,732)
Net book value at end of year	18,055	177	6,923	14,592
Cost	18,492	221	7,308	18,605
Accumulated depreciation	437	44	385	4,013

14 FIXED ASSETS (cont'd)

	Office equipment, computers and furniture RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
Net book value at beginning of year	53,843	2,803	10,838	103,947
Additions/(reclass)* at cost	14,623	311	(1,273)*	19,375
Disposal/write-off at net book value	(740)	–	–	(1,231)
Depreciation charge for the year	(14,848)	(1,045)	–	(17,832)
Net book value at end of year	52,878	2,069	9,565	104,259
Cost	84,683	5,105	9,565	143,979
Accumulated depreciation	31,805	3,036	–	39,720

Depreciation charge of approximately RM135,708 (1999: RM162,643) arising from the vested fixed assets from CCB has been charged to the deferred asset.

15 DEPOSITS FROM CUSTOMERS

	2000 RM'000	1999 RM'000
Demand deposits	717,222	424,845
Savings deposits	2,164,758	1,875,397
Fixed deposits	4,039,552	2,882,843
Negotiable instruments of deposits	376,252	682,276
	<u>7,297,784</u>	<u>5,865,361</u>

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

Due within six months	2,554,818	2,144,989
Six months to one year	888,715	621,190
One year to three years	596,006	114,424
Three years to five years	13	2,240
	<u>4,039,552</u>	<u>2,882,843</u>

15 DEPOSITS FROM CUSTOMERS (cont'd)

	2000	1999
	RM'000	RM'000
(ii) The deposits are sourced from the following customers:		
Business enterprises	1,490,547	1,334,309
Individuals	4,282,821	3,750,486
Others	1,524,416	780,566
	<u>7,297,784</u>	<u>5,865,361</u>

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2000	1999
	RM'000	RM'000
Licensed banks	61,185	781,378
Licensed finance companies	81,772	868,117
Other financial institutions	925,074	551,722
	<u>1,068,031</u>	<u>2,201,217</u>

17 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	2000	1999
	RM'000	RM'000
Financial institutions	27,574	121,361
Individuals	137,875	809,071
	<u>165,449</u>	<u>930,432</u>

18 OTHER LIABILITIES

	2000	1999
	RM'000	RM'000
Taxation	27,414	32,114
Deferred taxation (Note 19)	-	3,500
Provision for commitments and contingencies	-	20
Other creditors, provisions and accruals	581,022	337,482
	<u>608,436</u>	<u>373,116</u>

18 OTHER LIABILITIES (cont'd)

	2000 RM'000	1999 RM'000
(i) Movements in provision for commitments and contingencies are as follows:		
Balance at beginning of year	20	–
Provision made during the year	–	76
Amount written back in respect of recoveries	(20)	(56)
Balance at end of year	<u>–</u>	<u>20</u>

19 DEFERRED TAXATION

	2000 RM'000	1999 RM'000
Balance at beginning of year	3,500	2,500
Transfer from profit and loss account	(3,500)	1,000
Balance at end of year	<u>–</u>	<u>3,500</u>

The deferred taxation is in respect of the following:

Timing differences between depreciation and corresponding capital allowances on fixed assets	–	<u>12,500</u>
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20 SHARE CAPITAL

	2000 RM'000	1999 RM'000
Authorised:		
Ordinary shares of RM1 each		
Balance at beginning of year	1,000,000	1,000,000
Increased during the year	1,000,000	–
Balance at end of year	<u>2,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary shares of RM1 each		
Balance at beginning of year	682,000	682,000
Shares issued during the year	22,000	–
Balance at end of year	<u>704,000</u>	<u>682,000</u>

21 RESERVES

	2000	1999
	RM'000	RM'000
Statutory reserve	126,028	15,707
Retained profit/(accumulated losses)	30,588	(79,733)
	<u>156,616</u>	<u>(64,026)</u>
 <u>Statutory reserve</u>		
Balance at beginning of year	15,707	15,707
Transfer from profit and loss account	110,321	-
Balance at end of year	<u>126,028</u>	<u>15,707</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.

22 INTEREST INCOME

	2000	1999
	RM'000	RM'000
Loans and advances	517,916	724,329
Money at call and deposit placements with financial institutions	20,873	26,771
Dealing securities	66,650	100,486
Investment securities	62,120	72,215
	<u>667,559</u>	<u>923,801</u>
Accretion of discounts less amortisation of premium	30,355	11,176
Net interest suspended	(110,588)	(163,070)
	<u>587,326</u>	<u>771,907</u>

23 INTEREST EXPENSE

	2000	1999
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	63,242	243,495
Deposits from other customers	283,368	457,030
Deposits transferred from CCB	14,680	31,225
Others	105	350
	<u>361,395</u>	<u>732,100</u>

24 LOAN LOSS AND PROVISION

	2000 RM'000	1999 RM'000
Provision for bad and doubtful debts:		
– specific provision (net)	85,176	737
– general provision	21,500	2,500
Bad debts:		
– recovered	(71)	(1)
– written off	16	14
Provision on amounts recoverable from Danaharta	1,198	–
	<u>107,819</u>	<u>3,250</u>

25 NON-INTEREST INCOME

	2000 RM'000	1999 RM'000
Fee income:		
Commission	21,244	7,621
Service charges and fees	3,664	3,255
Guarantee fees	3,307	2,852
Underwriting fees	993	1,402
Other fee income	3,956	2,911
	<u>33,164</u>	<u>18,041</u>
Investment income:		
Net profit from dealing securities	103,565	24,916
Gains from sale of investment securities	64,403	3,207
Gross dividends from:		
<u>Malaysia</u>		
Investment securities	10	28
Dealing securities	1,290	1,200
	<u>202,432</u>	<u>47,392</u>
Other income:		
Foreign exchange gain	2,519	6,522
Gains on disposal of fixed assets	47	–
Other non-operating income	720	916
	<u>205,718</u>	<u>54,830</u>

26 OVERHEAD EXPENSES

	2000	1999
	RM'000	RM'000
Personnel expenses	43,111	48,141
Establishment expenses	45,690	42,804
Marketing expenses	1,714	2,593
Administration and general expenses	20,893	14,786
	111,408	108,324
The above expenditure includes the following statutory disclosures:		
Directors' remuneration (Note 28)	814	613
Rental of premises	13,013	12,857
Auditors' remuneration	128	128
Depreciation of fixed assets	19,981	17,669
Amortisation of contribution to CCB Rescue Scheme	2,000	2,000

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties and relationship

	<u>Relationship</u>
Phileo Allied Berhad	Holding and ultimate holding company

Subsidiary Companies

PhileoAllied Property Holding Sdn Bhd	Subsidiary of the Company
Phileo Allied Options and Financial Futures Sdn Bhd	Subsidiary of the Company
Phileo Allied Credit and Leasing Sdn Bhd	Subsidiary of the Company
PhileoAllied Unit Trust Management Bhd	Subsidiary of the Company
AlliedBan Nominees (Tempatan) Sdn Bhd	Subsidiary of the Company
AlliedBan Nominees (Asing) Sdn Bhd	Subsidiary of the Company
Phileo Asset Management Sdn Bhd	Subsidiary of the Company
PhileoAllied Trustee Berhad	Subsidiary of the Company

Related Companies

Phileo Allied Securities Sdn Bhd	Subsidiary of holding company
PhileoAllied Finance (Malaysia) Berhad	Subsidiary of holding company
Phileo Allied Capital Partners Sdn Bhd	Subsidiary of holding company
Phileo Allied Properties Sdn Bhd	Subsidiary of holding company
Phileo Allied Education Sdn Bhd	Subsidiary of holding company
Phileo Allied Venture Capital Sdn Bhd	Subsidiary of holding company

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

<u>Related Companies</u>	<u>Relationship</u>		
Phileo Allied Management Sdn Bhd	Subsidiary of holding company		
Phileo Allied Research Sdn Bhd	Subsidiary of holding company		
Phileo Merchandise Sdn Bhd	Subsidiary of holding company		
Real Riviera Sdn Bhd	Sub-subsidiary of holding company		
Gerak Kawal Sdn Bhd	Sub-subsidiary of holding company		
Effivation Sdn Bhd	Sub-subsidiary of holding company		
Prestige Future Sdn Bhd	Sub-subsidiary of holding company		
	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
2000			
<u>Significant related party transactions</u>			
<u>Income</u>			
Margin interest	–	4	–
	–	4	–
<u>Expenditure</u>			
Interest on fixed deposits	–	85	522
Purchase/sale of shares	–	–	1,307
Others	11	587	1,476
	11	672	3,305
<u>Related party balances</u>			
<u>Amount due to</u>			
Current account and fixed deposits	4,819	57,055	54,496
Others	192	–	128
	5,011	57,055	54,624
<u>Amount due from</u>			
Term placements	–	125,953	–
Others	3	21	4
	3	125,974	4

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
1999			
<u>Significant related party transactions</u>			
<u>Income</u>			
Disposal of shares	–	–	32,791
Interest receivable	–	14,254	5,670
Margin interest	–	23	–
	–	14,277	38,461
<u>Expenditure</u>			
Interest on fixed deposits	–	91	1,171
Other interest expense	–	–	280
Purchase of computer equipment	–	–	1,867
Purchase of shares	–	–	28,187
Others	–	–	1,096
	–	91	32,601
<u>Related party balances</u>			
<u>Amount due to</u>			
Current accounts and fixed deposits	223	1,641	31,204
Short-term advances	33	–	461
	256	1,641	31,665
<u>Amount due from</u>			
Term placements	–	–	48,513
Others	–	144,890	16,119
	–	144,890	64,632

28 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all directors charged to the profit for the financial year are as follows:

	2000 RM'000	1999 RM'000
Fees	20	36
Other remuneration:		
– Executive directors	586	390
– Non-executive directors	208	187
	<u>814</u>	<u>613</u>

The estimated cash value of benefits-in-kind of directors amounted to approximately RM54,600 (1999: RM54,600).

29 TAXATION

	2000 RM'000	1999 RM'000
Malaysian income tax	27,400	344
Overprovision in prior year	(32,100)	–
Transfer (from)/to deferred taxation	(3,500)	1,000
	<u>(8,200)</u>	<u>1,344</u>

Bank Negara Malaysia has granted the Bank a RM200 million tax credit in relation to the CCB Rescue Scheme. This tax credit is available for set-off against the Bank's tax liabilities. Subject to agreement with the tax authorities, as at 31 January 2000, the value of this tax credit amounted to approximately RM172,600,000 (1999: RM119,936,000).

The effective rate of taxation for the Bank is lower than the statutory rate of taxation due to unabsorbed tax losses.

30 EARNINGS PER SHARE

The earnings per ordinary share have been calculated based on the net profit after taxation of approximately RM220,642,000 (1999: net loss RM18,301,000) and on the weighted average number of 694,959,000 (1999: 682,000,000) ordinary shares of RM1 each in issue during the financial year.

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 Bank are as follows:

	2000		1999	
	Principal amount RM'000	Credit equivalent amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000
Direct credit substitutes	295,637	295,637	313,680	313,680
Certain transaction related contingent items	25,444	12,722	19,884	9,942
Short-term self-liquidating trade related contingencies	12,622	2,524	14,836	2,968
Housing loans sold directly and indirectly to Cagamas with recourse	65,935	65,935	7,739	7,739
Obligations under underwriting agreements	167,000	83,500	92,500	46,250
Irrevocable commitments to extend credit:				
– maturity exceeding one year	261,985	130,993	421,810	210,905
– maturity not exceeding one year	1,427,862	–	1,355,597	–
Foreign exchange related contracts				
– less than one year	203,272	2,753	177,960	3,248
Interest rate related contracts				
– less than one year	15,000	–	80,000	–
Others	7,892	–	13,423	–
	2,482,649	594,064	2,497,429	594,732

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

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

31 COMMITMENTS AND CONTINGENCIES (cont'd)

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 January 2000, the amount of contracts which were not hedged and, hence, exposed to market risk was approximately RM11,598,275 (1999: RM11,539,971).

Credit risk

Credit risk arises from the possibility that the counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at 31 January 2000, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was approximately RM77,289 (1999: RM149,377). 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 LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable operating lease commitments, net of sub-leases, is as follows:

Year	2000 RM'000	1999 RM'000
Within one year	12,310	13,154
One to two years	3,878	11,409
Two to three years	315	2,961
More than three years	–	518
	<u>16,503</u>	<u>28,042</u>

33 CAPITAL COMMITMENTS

	2000 RM'000	1999 RM'000
Capital expenditure:		
Authorised and contracted for	3,532	3,011
Authorised but not contracted for	56	7
	<u>3,588</u>	<u>3,018</u>

34 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are as follows:

	2000	1999
	RM'000	RM'000
Tier 1 capital	860,616	617,974
Eligible Tier 2 capital	111,319	87,000
Total capital	971,935	704,974
Less: Investment in subsidiaries	(33,420)	(25,320)
Investment in capital of Domestic Banking Institutions	-	(3,460)
Total capital base	<u>938,515</u>	<u>676,194</u>
 <u>Capital ratios</u>		
Core capital ratio	13.2%	9.0%
Risk-weighted capital ratio	<u>14.4%</u>	<u>9.8%</u>

(i) Components of Tier 1 and Tier 2 capital are as follows:

Tier 1 capital

Paid-up share capital	704,000	682,000
Other reserves	156,616	(64,026)
Total Tier 1 capital	<u>860,616</u>	<u>617,974</u>

Tier 2 capital

General provision for bad and doubtful debts	111,319	87,000
Total capital	971,935	704,974
Less: Investment in subsidiaries	(33,420)	(25,320)
Investment in capital of Domestic Banking Institutions	-	(3,460)
Capital base	<u>938,515</u>	<u>676,194</u>

(ii) Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

0%	2,197,045	2,426,302
10%	665,981	480,263
20%	1,091,216	744,945
50%	426,739	428,713
100%	6,038,028	6,465,892
	<u>10,419,009</u>	<u>10,546,115</u>
Total risk-weighted assets	<u>6,536,239</u>	<u>6,877,264</u>

35 SIGNIFICANT EVENTS DURING THE YEAR

Pursuant to the Vesting Order under Section 50 of the Banking and Financial Institutions Act 1989, the Bank on 29 May 1999 acquired the assets and liabilities of PhileoAllied Finance (Malaysia) Berhad and integrated them into its books and operations. In consideration thereof, the Bank issued 22,000,000 fully paid ordinary shares of RM1.00 each to PhileoAllied Finance (Malaysia) Berhad.

The Bank's proposal on 15 April 1999 to enlarge its capital base by the issue of RM200 million irredeemable convertible non-cumulative preferential shares ("ICNPS") of RM1.00 each to its holding company was not carried through following the announcement by Bank Negara Malaysia on 29 July 1999 on the plans to accelerate the merger of domestic banking institutions in the country.

Phileo Allied Berhad, the holding company of the Bank, on 22 September 1999 signed a Memorandum of Understanding (MOU) with Multi-Purpose Bank Berhad with a view to merging the banking operations of the two parties. The MOU was however mutually terminated on 3 January 2000.

36 SUBSEQUENT EVENT

On 3 March 2000, Phileo Allied Berhad signed a Memorandum of Understanding with Malayan Banking Berhad (Maybank) for its acquisition of the Phileo Allied Berhad Group as part of the country's banks merger exercise, in line with the directive from Bank Negara Malaysia requiring the banking industry to consolidate and merge by 31 December 2000.

37 HOLDING AND ULTIMATE HOLDING COMPANY

The directors regard Phileo Allied Berhad, a company incorporated in Malaysia, as its holding and ultimate holding company.

REPORT OF THE AUDITORS

TO THE MEMBERS OF PHILEOALLIED BANK (MALAYSIA) BERHAD (Company No. 306350K)

We have audited the accounts set out on pages 29 to 58. These accounts are the responsibility of the Bank's directors. Our responsibility is to express an opinion on these accounts based on our audit.

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

In our opinion:

- (a) the accounts give a true and fair view of the state of affairs of the Bank as at 31 January 2000 and of its results and cash flows for the financial year ended on that date in accordance with the applicable approved Accounting Standards in Malaysia, Bank Negara Malaysia Guidelines and comply with the Companies Act, 1965; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Public Accountants

UTHAYA KUMAR S/O K. VIVEKANANDA

(No. 1455/6/00 (J))

Partner of the firm

Kuala Lumpur

19 April 2000