

NOTES TO THE ACCOUNTS

9. INVESTMENT IN SUBSIDIARIES

	1999 RM'000	<i>The Bank</i> 1998 RM'000
Unquoted shares, at cost	88,232	88,232

The following are the subsidiaries of the Bank, all of which are incorporated in Malaysia:

Name	Principal Activities	Percentage of Equity Held		Paid-up Capital	
		1999 %	1998 %	1999 RM	1998 RM
The Pacific Insurance Berhad	Underwriting of general insurance risks	100	100	65,000,000	65,000,000
P.B. Holdings Sdn. Bhd.	Acquisition and letting out of properties	100	100	1,000,000	1,000,000
Pacific Mutual Fund Bhd.	Establishment and management of unit trust funds	75	75	5,000,000	5,000,000
Pacific Nominees (Tempatan) Sdn. Bhd	To act as nominees, trustees or agents on behalf of any person or corporate body	100	100	10,000	10,000
Pacific Nominees (Asing) Sdn. Bhd.	To act as nominees, trustees or agents on behalf of any person or corporate body	100	100	2	2
P.B. Pacific Sdn. Bhd.	Property investment and management	100	100	10,000	10,000
Pacific Futures Sdn. Bhd.	To become a member of any financial futures exchanges, security exchanges and clearing houses	100	100	2	2
Pac Lease Sdn. Bhd.	Leasing, hire purchase and other related financing service	100	100	15,000,000	15,000,000

10. INVESTMENT IN AN ASSOCIATED COMPANY

	<i>The Bank</i>		<i>The Group</i>	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Unquoted shares, at cost	276	276	276	276
Share of post acquisition losses	-	-	(23)	(60)
	276	276	253	216

The associated company is Malaysian Trustees Berhad, a company incorporated in Malaysia with the equity interest of 20% (1998 : 20%). Its principal activity is providing services as trustees.

11. FIXED ASSETS

<i>The Bank</i>	<i>Freehold land and buildings RM'000</i>	<i>Computer equipment and software, motor vehicles, renovations, office equipment, furniture and fixtures RM'000</i>	<i>Capital work-in- progress RM'000</i>	<i>Total RM'000</i>
1999				
Costs				
At January 1	29,312	109,115	6,620	145,047
Additions	-	4,653	1,380	6,033
Reclassification	-	1,640	(1,640)	-
Disposals	-	(1,284)	-	(1,284)
At December 31	29,312	114,124	6,360	149,796
Accumulated Depreciation				
At January 1	553	52,544	-	53,097
Additions	585	15,408	-	15,993
Disposals	-	(240)	-	(240)
At December 31	1,138	67,712	-	68,850
Net book value	28,174	46,412	6,360	80,946

NOTES TO THE ACCOUNTS

11. FIXED ASSETS (Cont'd)

<i>The Bank</i> 1998 Costs	<i>Freehold land and buildings</i> RM'000	<i>Computer equipment and software, motor vehicles, renovations, office equipment, furniture and fixtures</i> RM'000	<i>Capital work-in- progress</i> RM'000	<i>Total</i> RM'000
At January 1	91	90,318	18,405	108,814
Additions	1	19,554	5,176	24,731
Reclassification	29,220	2,770	-	31,990
Disposals	-	(3,527)	(16,961)	(20,488)
At December 31	29,312	109,115	6,620	145,047
Accumulated Depreciation				
At January 1	66	41,078	-	41,144
Additions	487	14,203	-	14,690
Disposals	-	(2,737)	-	(2,737)
At December 31	553	52,544	-	53,097
Net book value	28,759	56,571	6,620	91,950

<i>The Group</i> 1999 Cost	<i>Freehold land and buildings</i> RM'000	<i>Leasehold land and buildings</i> RM'000	<i>Computer equipment and software, motor vehicles, renovations, office equipment, furniture and fixtures</i> RM'000	<i>Capital work-in- progress</i> RM'000	<i>Total</i> RM'000
At January 1	64,094	10,067	121,935	62,241	258,337
Additions	-	-	5,507	35,829	41,336
Disposals	-	-	(1,749)	-	(1,749)
Reclassification	940	-	1,640	(2,580)	-
At December 31	65,034	10,067	127,333	95,490	297,924

11. FIXED ASSETS (Cont'd)

<i>The Group</i> 1999	<i>Freehold land and buildings RM'000</i>	<i>Leasehold land and buildings RM'000</i>	<i>Computer equipment and software, motor vehicles, renovations, office equipment, furniture and fixtures RM'000</i>	<i>Capital work-in- progress RM'000</i>	<i>Total RM'000</i>
Accumulated Depreciation					
At January 1	1,612	847	58,459	-	60,918
Additions	963	203	17,278	-	18,444
Disposals	-	-	(501)	-	(501)
At December 31	2,575	1,050	75,236	-	78,861
Net book value	62,459	9,017	52,097	95,490	219,063
1998					
Cost					
At January 1	34,872	7,582	102,302	74,219	218,975
Additions	2	2,485	20,724	38,467	61,678
Disposals	-	-	(3,861)	(18,455)	(22,316)
Reclassification	29,220	-	2,770	(31,990)	-
At December 31	64,094	10,067	121,935	62,241	258,337
Accumulated Depreciation					
At January 1	761	676	45,308	-	46,745
Additions	851	171	16,117	-	17,139
Disposals	-	-	(2,966)	-	(2,966)
At December 31	1,612	847	58,459	-	60,918
Net book value	62,482	9,220	63,476	62,241	197,419

NOTES TO THE ACCOUNTS

12. DEPOSITS FROM CUSTOMERS

	<i>The Bank</i>		<i>The Group</i>	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Demand deposits	994,068	862,011	984,220	852,428
Saving deposits	836,751	607,121	836,751	607,121
Fixed deposits	5,562,013	6,062,426	5,559,175	5,996,300
Negotiable instruments of deposits	1,400	11,800	1,400	11,800
	7,394,232	7,543,358	7,381,546	7,467,649

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

	<i>The Bank</i>		<i>The Group</i>	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Due within six months	4,562,909	4,637,497	4,560,128	4,607,317
Six months to one year	633,229	1,060,694	633,172	1,024,748
One year to three years	352,486	370,975	352,486	370,975
Three years to five years	14,789	5,060	14,789	5,060
	5,563,413	6,074,226	5,560,575	6,008,100

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

Business enterprises	2,093,436	2,159,200	2,080,750	2,083,491
Individuals	4,017,657	3,824,287	4,017,657	3,824,287
Others	1,283,139	1,559,871	1,283,139	1,559,871
	7,394,232	7,543,358	7,381,546	7,467,649

13. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>The Bank and The Group</i>	
	1999	1998
	RM'000	RM'000
Bank Negara Malaysia	-	13,432
Licensed bank	234,328	517,165
Licensed finance companies	16,850	8,852
Other financial institutions	441,718	764,626
	692,896	1,304,075

14. OTHER LIABILITIES

	<i>The Bank</i>		<i>The Group</i>	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
Proposed dividend	34,102	2,455	34,102	2,455
Taxation	-	4,706	885	7,360
Deferred taxation (Note 15)	-	-	213	860
Amount due to agents, reinsurers and co-insurers	-	-	13,071	14,132
Provision for outstanding claims	-	-	44,183	41,639
Reserves for unexpired risks	-	-	21,300	31,361
Retirement benefits	417	420	1,037	1,073
Provision for commitments and contingencies	2,190	3,069	2,190	3,069
Other creditors and accruals	378,178	377,108	391,681	392,625
	414,887	387,758	508,662	494,574

NOTES TO THE ACCOUNTS

14. OTHER LIABILITIES (Cont'd)

The movements in the provision for commitments and contingencies are as follows:

	<i>The Bank and The Group</i>	
	1999	1998
	RM'000	RM'000
Provision for Commitments and Contingencies		
As at January 1	3,069	1,217
Provisions made during the year	110	5,079
Amount written back in respect of recoveries	(904)	(3,216)
Amount written off	(85)	(11)
As at December 31	2,190	3,069

15. DEFERRED TAXATION

	<i>The Bank</i>		<i>The Group</i>	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
At January 1	-	7,390	860	8,374
Transfer to profit and loss account	-	(7,390)	(647)	(7,514)
At December 31	-	-	213	860
 The timing differences comprise:				
Timing differences between				
- depreciation and corresponding capital allowances of fixed assets	13,604	17,557	857	20,921
- other short-term timing differences	(33,168)	(18,562)	(96)	(17,850)
	(19,564)	(1,005)	761	3,071

As at December 31, 1999, the Bank has a potential deferred tax benefit of approximately RM5,478,000 (1998 : RM281,000), arising principally from provisions for interest-in-suspense, the effects of which are not included in the accounts as there is no assurance beyond any reasonable doubt that future taxable income will be sufficient to allow the benefit to be realised.

16. SHARE CAPITAL

	<i>The Bank</i>	
	1999 RM'000	1998 RM'000
(a) Ordinary shares of RM1.00 each:		
Authorised	2,000,000	2,000,000
(b) Issued and fully paid:		
At January 1	340,931	340,729
Shares issued under Employee Share Option Scheme	91	202
At December 31	341,022	340,931

The issued and paid-up share capital was increased from RM340,930,800 to RM341,022,400 by the issuance of additional 91,600 fully paid-up ordinary shares of RM1.00 each pursuant to the Employee Share Option Scheme at the following prices:

<i>Number of Shares</i>	<i>Option Price</i> RM
35,600	1.82
30,000	3.20
26,000	3.26
<u>91,600</u>	

The resulting share premium amounting to RM153,952 has been credited to the share premium account as shown in Note 17.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Bank.

The movements in the Bank's unissued shares under options granted pursuant to the Employee Share Option Scheme during the financial year are as follows:

	<i>Number of ordinary shares of RM1.00 each</i>				
	January 1, 1999	Granted	Exercised	Forfeited	December 31, 1999
No. of unissued shares under option	13,369,600	-	(91,600)	(540,000)	12,738,000

The above options can be exercised before June 29, 2000, date of expiry of the Scheme.

NOTES TO THE ACCOUNTS

17. RESERVES

	<i>The Bank</i>		<i>The Group</i>	
	1999	1998	1999	1998
	RM'000	RM'000	RM'000	RM'000
Share premium (Note a)	228,700	228,546	228,700	228,546
Statutory reserve (Note b)	180,030	144,020	180,030	144,020
Retained profits (Note c)	99,766	97,867	122,233	93,489
	508,496	470,433	530,963	466,055
<hr/>				
(a) Share premium				
At January 1	228,546	228,104	228,546	228,104
Premium on shares issued under the Employee Share Option Scheme	154	442	154	442
At December 31	228,700	228,546	228,700	228,546
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(b) Statutory reserve				
At January 1	144,020	136,500	144,020	136,500
Transfer from profit and loss account	36,010	7,520	36,010	7,520
At December 31	180,030	144,020	180,030	144,020
<hr/>				
(c) Retained profits				
At January 1	97,867	92,823	93,489	86,811
Transfer from profit and loss account	1,899	5,044	28,744	6,678
At December 31	99,766	97,867	122,233	93,489

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989.

The share premium and statutory reserve are not distributable as cash dividends.

18. INTEREST INCOME

	<i>The Bank</i>		<i>The Group</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Loans, advances and financing	535,877	871,369	534,214	871,369
Money at call and deposit placements with financial institutions	71,342	68,393	73,425	61,930
Dealing securities	-	356	-	356
Investment securities	45,422	86,762	46,977	95,116
Others	447	1,736	8,534	9,262
	653,088	1,028,616	663,150	1,038,033
Amortisation of premium less accretion of discounts	26,655	2,301	27,155	2,301
	679,743	1,030,917	690,305	1,040,334
Net interest suspended	(89,657)	(96,021)	(90,152)	(96,211)
	590,086	934,896	600,153	944,123

19. INTEREST EXPENSE

	<i>The Bank</i>		<i>The Group</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Deposits and placements of banks and other financial institutions	37,675	59,676	34,121	52,860
Deposits from other customers	370,070	597,691	370,070	597,691
Others	7,832	19,313	8,056	22,498
	415,577	676,680	412,247	673,049

20. LOAN AND FINANCING LOSS AND PROVISION

	<i>The Bank and The Group</i>	
	<i>1999</i>	<i>1998</i>
	<i>RM'000</i>	<i>RM'000</i>
Provision for bad and doubtful debts and financing		
- specific provision (net)	48,245	176,860
- general provision	(3,244)	7,072
Bad debts and financing		
- written off	42	-
- recovered	(4)	(36)
	45,039	183,896
Provisions for amounts recoverable from Danaharta		
- provision for value impairment during the year	12,140	1,010
- amount written back	(2,442)	(408)
	9,698	602
Total	54,737	184,498

NOTES TO THE ACCOUNTS

21. NON-INTEREST INCOME

	<i>The Bank</i>		<i>The Group</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Fee income:				
Commission	7,142	7,245	7,234	7,373
Service charges and fees	13,762	15,042	13,762	15,042
Guarantee fees	5,817	6,656	5,817	6,656
Underwriting fees	1,997	2,092	1,997	2,092
Management fees from unit trust funds	-	-	6,376	4,011
	28,718	31,035	35,186	35,174
Investment income:				
Gains from sale of investment securities	26,492	9,702	27,045	9,896
Write-back of provision for diminution in value of investment	-	1,417	3,959	4,074
Gross dividends from investment securities	1,646	605	2,370	1,293
	28,138	11,724	33,374	15,263
Other income:				
Foreign exchange profit	17,326	30,545	17,326	30,545
Rental income	748	504	768	555
Gains on disposal of fixed assets	6	62	48	196
Write-back of provision for diminution of manager's stock	-	-	-	7
Insurance underwriting income	-	-	22,713	6,000
Net income from sale of unit trust	-	-	5,477	3,089
Other non-operating income	161	116	309	256
	18,241	31,227	46,641	40,648
Total	75,097	73,986	115,201	91,085

22. NON-INTEREST EXPENSE

Personnel costs	75,286	71,445	87,432	83,069
Establishment costs	42,120	45,917	45,142	50,886
Marketing expenses	2,750	2,804	8,559	5,579
Administration and general expenses	14,794	11,347	20,618	18,943
	134,950	131,513	161,751	158,477

22. NON-INTEREST EXPENSE (Cont'd)

The above expenditure includes the following items:

	<i>The Bank</i>		<i>The Group</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Directors' remuneration (Note 23)	374	356	1,025	961
Fees paid to company in which a director has interest	-	-	90	60
Auditors' remuneration				
- current year	110	100	173	148
- underprovision in the prior year	-	-	15	-
Rental of premises	14,780	16,360	16,790	16,099
Hire of equipment	402	838	428	851
Depreciation of fixed assets	15,993	14,690	18,444	17,139
Loss on disposal of fixed assets	373	660	375	660
Provision for doubtful debts	-	-	2,398	3,176
Amortisation of goodwill arising on consolidation	-	-	246	257
Loss on disposal of investment	-	-	-	164
Amortisation of intangible assets	-	-	-	169

23. DIRECTORS' REMUNERATION

(i) Forms of remuneration in aggregate for all directors charged to the profit and loss account for the year are as follows:

	<i>The Bank</i>		<i>The Group</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Directors of the Bank:				
Fees				
Present directors	129	116	182	162
Past director	5	-	12	-
Other remuneration				
Executive directors	-	-	-	-
Non-executive directors	240	240	278	251
	374	356	472	413
Other directors:				
Fees	-	-	130	118
Other remuneration				
Executive directors	-	-	240	210
Non-executive directors	-	-	183	220
	-	-	553	548
	374	356	1,025	961

(ii) The estimated cash value of benefits-in-kind of directors of the Bank and of the Group not included in the above are RMNil (1998 : RMNil) and RM7,000 (1998 : RM7,000) respectively.

NOTES TO THE ACCOUNTS

24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related company transactions and balances of the Bank with its subsidiaries are as follows:

	1999 RM'000	1998 RM'000
INCOME		
Interest on loans, advances and financing	1,798	3,165
EXPENDITURE		
Interest on fixed deposits	3,554	3,544
Rental of premises	2,641	2,376
Other expenditure	27	-
	6,222	5,920
AMOUNT DUE FROM		
Advances	165,257	133,318
Others	301	534
	165,558	133,852
AMOUNT DUE TO		
Current accounts	9,848	9,583
Fixed deposits	2,838	66,125
	12,686	75,708

25. TAXATION

	<i>The Bank</i>		<i>The Group</i>	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Malaysian income tax	152	16,790	282	18,333
Overprovision in respect of previous years	(2,432)	-	(2,560)	(83)
Underprovision in respect of prior year	-	-	15	-
Transfer from deferred taxation	-	(7,390)	(647)	(7,514)
Share of tax in associated company	-	-	-	3
	(2,280)	9,400	(2,910)	10,739

Other than the tax charge on dividend income, there is no tax charge for the current financial year as the amount payable is waived in accordance with the Income Tax (Amendment) Act, 1999. The chargeable income of approximately RM66,000,000 on which the tax is waived shall be credited to an exempt account from which tax exempt dividends can be declared, subject to agreement with the Inland Revenue Board.

The disproportionate taxation charge of the Bank and the Group in prior year is principally due to certain expenses being disallowed for tax purposes.

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account to declare its entire retained profits as at December 31, 1999 as dividends without incurring additional tax liabilities.

26. EARNINGS PER ORDINARY SHARE OF RM1.00 EACH

The calculation of basic earnings per ordinary share of RM1.00 each is based on the Bank's profit after taxation of RM72,011,000 (1998 : RM15,028,000) and the Group's consolidated profit after taxation and minority interest of RM98,856,000 (1998 : RM16,662,000) over the weighted average number of 340,948,676 (1998 : 340,896,954) ordinary shares in issue during the year. The assumed exercise of the employee share options during the year would be antidilutive, accordingly, the basic and fully diluted earnings per ordinary share are the same.

27. 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 as at December 31 are as follows:

The Bank

	1999		1998	
	<i>Principal RM'000</i>	<i>* Credit equivalent RM'000</i>	<i>Principal RM'000</i>	<i>* Credit equivalent RM'000</i>
Direct credit substitutes	350,289	350,289	11,630	11,630
Certain transaction-related contingent items	455,083	227,542	943,910	471,955
Short-term self-liquidating trade-related contingencies	61,121	12,224	61,993	12,399
Housing loan sold directly and indirectly to Cagamas Berhad	101,480	101,480	109,441	109,441
Obligations under underwriting agreement	5,500	2,750	21,000	10,500
Irrevocable commitments to extend credit:				
- maturity exceeding one year	417,536	208,768	286,961	143,481
- maturity not exceeding one year	1,782,137	-	1,768,167	-
Forward foreign exchange contracts - less than one year	138,737	2,187	238,208	8,253
Miscellaneous commitments and contingencies	154,250	-	157,764	-
	3,466,133	905,240	3,599,074	767,659

The Group

Direct credit substitutes	350,289	350,289	11,630	11,630
Certain transaction-related contingent items	462,398	231,199	943,910	471,955
Short-term self-liquidating trade-related contingencies	61,121	12,224	61,993	12,399
Housing loan sold directly and indirectly to Cagamas Berhad	101,480	101,480	109,441	109,441

27. COMMITMENTS AND CONTINGENCIES (Cont'd)

The Group	1999		1998	
	Principal RM'000	* Credit equivalent RM'000	Principal RM'000	* Credit equivalent RM'000
Obligations under underwriting agreement	5,500	2,750	21,000	10,500
Irrevocable commitments to extend credit:				
- maturity exceeding one year	417,536	208,768	286,961	143,481
- maturity not exceeding one year	1,782,137	-	1,768,167	-
Forward foreign exchange contracts	138,737	2,187	238,208	8,253
Miscellaneous commitments and contingencies	154,250	-	157,764	-
Performance bonds	-	-	13,495	13,495
Advance payment bonds	-	-	199	199
	3,473,448	908,897	3,612,768	781,353

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

The forward 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 end of 1999, the amount of contracts which were not hedged and, hence, exposed to market risk was RM438,000 (1998 : RM23,393,000).

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 at end of 1999, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM80,000 (1998 : RM427,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

28. CAPITAL COMMITMENTS

	The Bank		The Group	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Approved but not contracted for	-	2,194	4,064	38,005
Contracted but not provided for	-	-	10,631	5,525
	-	2,194	14,695	43,530
Uncalled share capital of a subsidiary	35,000	35,000	-	-

29. CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are analysed as follows:

	<i>The Bank</i>	
	1999 RM'000	1998 RM'000
Tier 1 Capital		
Issued and paid-up share capital	341,022	340,931
Share premium	228,700	228,546
Statutory reserve	180,030	144,020
Retained profits	99,766	97,867
Total Tier 1 capital	849,518	811,364
Tier 2 Capital		
General provisions for bad and doubtful debts and financing	121,945	125,189
Total Tier 2 capital	121,945	125,189
Total capital	971,463	936,553
Less: Investment in subsidiaries	(88,232)	(88,232)
Capital base	883,231	848,321

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

0%	1,334,664	976,077
10%	545,559	610,506
20%	1,876,807	2,352,290
50%	886,915	619,330
100%	6,018,422	6,672,974
Capital Ratios		
Core capital ratio	12.32%	10.79%
Risk-weighted capital ratio	12.81%	11.28%

30. SIGNIFICANT EVENT

During the financial year, Pacific Mutual Fund Berhad, a subsidiary of the Bank, launched its fourth and fifth unit trust funds known as Pacific Recovery Fund and Pacific Millennium Fund.

NOTES TO THE ACCOUNTS

31. SUBSEQUENT EVENT

Under Bank Negara Malaysia's (BNM) merger programme for banking institutions, The Pacific Bank Berhad is grouped together with Malayan Banking Berhad. BNM expects the banking institutions to complete the merger transaction by December 31, 2000.

32. ISLAMIC BANKING OPERATION

BALANCE SHEET - DECEMBER 31, 1999

	<i>Notes</i>	1999 <i>RM'000</i>	1998 <i>RM'000</i>
ASSETS			
Cash and short-term funds	(a)	85,232	103,537
Investment securities	(b)	185,959	100,225
Loans, advances and financing	(c)	133,604	84,813
Other assets		38,916	157,546
Fixed assets		215	62
TOTAL ASSETS		443,926	446,183
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(d)	398,295	402,061
Deposits and placements of banks and other financial institutions	(e)	7,937	19,126
Other liabilities		12,753	9,988
Total liabilities		418,985	431,175
Islamic Banking Fund	(f)	24,941	15,008
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		443,926	446,183
COMMITMENTS AND CONTINGENCIES	(j)	60,196	24,720

32. ISLAMIC BANKING OPERATION (Cont'd)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1999

	Notes	1999 RM'000	1998 RM'000
Income	(g)	9,018	10,100
Loan and financing loss and provision	(h)	(1,138)	(735)
Net income		7,880	9,365
Overhead expenses	(i)	(1,947)	(1,059)
Profit before taxation and zakat		5,933	8,306
Taxation		-	(2,600)
Zakat		-	-
Profit after taxation and zakat		5,933	5,706
Retained profits brought forward		14,008	8,302
Retained profits carried forward		19,941	14,008
(a) CASH AND SHORT-TERM FUNDS			
Cash and balances with banks and other financial institutions		32	37
Money at call and deposit placements maturing within one month		85,200	103,500
		85,232	103,537
(b) INVESTMENT SECURITIES			
Money market instruments:			
Islamic accepted bills		-	77,574
Malaysian Government Investment Certificates		42,628	22,651
Khazanah bonds		109,908	-
Private debt securities		29,727	-
		182,263	100,225
Amortisation of premium less accretion of discount		3,696	-
		185,959	100,225
The maturity structure of money market instruments held for investment are as follows:			
Maturing within one year		-	100,225
One year to three years		42,628	-
Three to five years		109,908	-
Over five years		29,727	-
		182,263	100,225

NOTES TO THE ACCOUNTS

32. ISLAMIC BANKING OPERATION (Cont'd)

(c) LOANS, ADVANCES AND FINANCING

	1999 RM'000	1998 RM'000
Overdrafts	630	2
Term financing	222,386	128,243
	223,016	128,245
Unearned income	(86,730)	(41,965)
Gross loans, advances and financing	136,286	86,280
Provision for bad and doubtful debts and financing:		
- specific	(1,413)	(23)
- general	(1,169)	(1,444)
Income-in-suspense	(100)	-
Net loans, advances and financing	133,604	84,813
 (i) Movements in non-performing loans, advances and financing are as follows:		
Balance as at January 1	854	167
Non-performing during the year	24,535	687
Balance as at December 31	25,389	854
Ratio of non-performing loans, advances and financing to total loans, advances and financing (net of specific provision and income-in-suspense)	17.7%	1.0%
 (ii) Loans, advances and financing analysed by concepts are as follows:		
Al-Bai Bithaman Ajil	135,275	85,264
Al-Murabahah	1,011	1,016
	136,286	86,280
 (iii) The maturity structure of loans, advances and financing are as follows:		
Maturing within one year	16,612	20
One year to three years	5,274	733
Three years to five years	31,325	20,979
Over five years	83,075	64,548
	136,286	86,280

32. ISLAMIC BANKING OPERATION (Cont'd)

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

	1999 RM'000	1998 RM'000
Agriculture	47,361	902
Mining and quarrying	14	-
Manufacturing	8,862	10,614
Construction	12,447	11,120
Real estate	-	1,973
Purchase of landed property:		
- residential	15,419	9,025
- non-residential	8,882	5,018
General commerce	1,728	108
Transport, storage and communication	270	412
Finance, insurance and business services	31,948	38,832
Purchase of securities	5,561	-
Purchase of transport vehicles	20	-
Consumption credit	1,187	177
Others	2,587	8,099
	136,286	86,280

(v) Movements in the provision for bad and doubtful debts and financing and income-in-suspense are as follows:

General provision		
Balance as at January 1	1,444	732
Provision made during the year	(275)	712
Balance as at December 31	1,169	1,444
Specific provision		
Balance as at January 1	23	-
Provision made during the year	1,413	23
Amount written off	(23)	-
Balance as at December 31	1,413	23
Income-in-suspense		
Balance as at January 1	-	-
Provision made during the year	155	-
Amount written back in respect of recoveries	(55)	-
Balance as at December 31	100	-

(d) DEPOSITS FROM CUSTOMERS

Demand deposits	62,968	70,422
Savings deposits	117,193	93,349
General investment deposits	183,934	238,290
Special investment deposits	34,200	-
	398,295	402,061

NOTES TO THE ACCOUNTS

32. ISLAMIC BANKING OPERATION (Cont'd)

(i) Maturity structure of general and special investment deposits are as follows:

	1999 RM'000	1998 RM'000
Due within six months	211,401	224,975
Six months to one year	6,375	12,835
One year to three years	350	395
Three years to five years	8	85
	218,134	238,290

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

Business enterprises	91,547	87,135
Individuals	126,640	97,755
Others	180,108	217,171
	398,295	402,061

(e) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

Licensed banks	1,834	-
Licensed finance companies	363	173
Other financial institutions	5,740	18,953
	7,937	19,126

(f) ISLAMIC BANKING FUND

Funds allocated from Head Office	5,000	1,000
Retained profits	19,941	14,008
	24,941	15,008

(g) INCOME FROM ISLAMIC BANKING OPERATION

Income derived from loans financing	12,644	15,364
Income derived from investment securities	6,273	3,962
Income derived from deposits and placements with financial institutions	5,585	1,633
Income attributable to depositors:		
Other customers	(15,987)	(11,482)
Banks and other financial institutions	(492)	(80)
Income attributable to Bank	8,023	9,397
Other Islamic Banking income	995	703
	9,018	10,100

32. ISLAMIC BANKING OPERATION (Cont'd)

(h) LOAN AND FINANCING LOSS AND PROVISION

	1999 RM'000	1998 RM'000
Provision for bad and doubtful debts and financing:		
- specific provision	1,413	23
- general provision	(275)	712
	1,138	735

(i) OVERHEAD EXPENSES

	1999	1998
Personnel costs	1,605	1,025
General and administration expenses	342	34
	1,947	1,059

(j) 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 as at December 31 are as follows:

	1999		1998	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
Certain transaction-related contingent items	23,837	11,919	20,851	10,425
Short-term self-liquidating trade-related contingent items	3,495	699	3,869	774
Irrevocable commitments to extend credit:				
- maturity exceeding one year	27	13	-	-
- maturity not exceeding one year	32,837	-	-	-
	60,196	12,631	24,720	11,199

NOTES TO THE ACCOUNTS

33. SEGMENT REPORTING

The analysis by activity of the Group's operations all of which are in Malaysia for the year ended December 31 are as follows:

1999	<i>Operating Revenue RM'000</i>	<i>Profit Before Taxation RM'000</i>	<i>Assets Employed RM'000</i>
Banking operations	674,201	69,731	9,632,272
Insurance operations	35,694	19,024	159,306
Trust fund management	12,124	2,013	11,564
Others	10,441	5,946	194,148
	732,460	96,714	9,997,290
Consolidation adjustments	(8,088)	(246)	(259,273)
	724,372	96,468	9,738,017
1998			
Banking operations	1,018,982	24,428	10,330,813
Insurance operations	18,612	918	152,317
Trust fund management	7,631	153	10,011
Others	9,373	2,192	155,741
	1,054,598	27,691	10,648,882
Consolidation adjustments	(9,290)	(257)	(289,671)
	1,045,308	27,434	10,359,211

34. RATING

The Bank was rated by Rating Agency Malaysia Berhad on July 26, 1999. The rating classification for long-term and short-term debts are A3 and P1 (reaffirmed) (1998 : A3 and P1) respectively.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

36. CURRENCY

All amounts are stated in Ringgit Malaysia.

AUDITORS' REPORT

To the Shareholders of
THE PACIFIC BANK BERHAD

We have audited the accounts of THE PACIFIC BANK BERHAD (the Bank) and the consolidated accounts of THE PACIFIC BANK BERHAD AND ITS SUBSIDIARIES (the Group) as at December 31, 1999. 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 Standards on Auditing 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 the 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 and of the Group as at December 31, 1999 and of the results of the Bank and of the Group and cash flows of the Group for the year then ended, and 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; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the accounts of the subsidiaries that have been consolidated with the Bank's accounts are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for these purposes.

Our auditors' reports on the accounts of the subsidiaries were not subject to any qualification or any adverse comment made under subsection (3) of Section 174 of the Act.



Arthur Andersen & Co.
No. AF 0103
Public Accountants



Gloria Goh Ewe Gim
No. 1685/4/01(j)
Partner of the Firm

April 19, 2000

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Information Circular has been seen and approved by the Directors of Maybank and they individually and collectively accept full responsibility for the accuracy of the information given in this Information Circular, except for the information on The Pacific Bank Berhad, Phileo Allied Bank (Malaysia) Berhad and Phileo Allied Securities Sdn Bhd, in so far as it relates to Maybank, and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief there are no material facts the omission of which would make any statement in this Information Circular misleading.

2. MATERIAL LITIGATIONS**Maybank**

Maybank and its subsidiaries are not engaged in any material litigation either as plaintiff or defendant and the Directors of Maybank have no knowledge of any proceedings pending or threatened against Maybank and its subsidiaries or any fact likely to give rise to any proceedings which might materially affect the position or business of Maybank and its subsidiaries.

PABB Group and PASSB Group

Neither PAB nor its subsidiary companies (including PABB Group and PASSB Group) are engaged in any litigation either as plaintiff or defendant, which will have a material effect on the financial position of PAB Group. The Directors of PAB are not aware of any proceedings pending or threatened against the PAB Group or any facts likely to give rise to any proceedings, which might materially and adversely affect the position or business of PAB Group.

PBB

Neither PBB nor its subsidiary companies are engaged in any material litigation, either as plaintiff or defendant, which will have a material effect on the financial position of PBB Group. The Directors of PBB are not aware of any proceedings pending or threatened against PBB Group or any facts likely to give rise to any proceedings, which might materially and adversely affect the position or business of PBB or its subsidiary companies.

3. MATERIAL CONTRACTS**Maybank**

Save as disclosed below, there are no material contracts entered into by Maybank, within two (2) years preceding the latest practicable date from the printing of the circular which are not in the ordinary course of business.

- (i) On 17 May 1999, Mayban Assurance Berhad ("MAB"), a subsidiary company of the Bank, entered into a conditional sale and purchase agreement with Sime Bank Berhad ("SBB") to acquire a 77.24% stake in UMBC Insurans Berhad ("UMBCT") comprising 37,075,681 ordinary shares of RM1 each for a consideration not exceeding RM108,137,403.
- (ii) On 28 May 1999, the operations of MFSL Limited (formerly known as Mayban Finance (Singapore) Limited) were merged with the Singapore operations of the Bank. With the merger, the Singapore operations of the Bank have taken over all the assets, liabilities and businesses of MFSL Limited. This has enlarged the capital base of the merged entity that will support a number of strategic goals of the Bank in Singapore. The merger will also increase the range of services and convenience in which the Bank intends to offer to its customers in Singapore.

FURTHER INFORMATION

- (iii) On 29 October 1999, MFB entered into a conditional sale & purchase agreement with Sime Bank Berhad (“SBB”) for the acquisition of the entire issued and paid-up share capital of Sime Finance Behad (“SFB”). The acquisition was finalized with a purchase consideration of RM76.55 million on 14 August 2000.
- (iv) On 17 February 2000, in line with the rationalization and streamlining of business within the Group, Maybank had transferred its direct holding in Mayban Factoring Berhad to MFB for a total cash consideration of RM2.0 million.
- (v) On 30 May 2000, Maybank entered into a conditional sale and purchase agreement with Malaysian Kuwaiti Investment Co. Sdn Bhd (“MKIC”) for the acquisition of MKIC’s 5,000,000 ordinary shares of RM1.00 each representing approximately 6.10% of the issued and paid-up share capital of MAB. The purchase consideration was RM29.1 million and the transaction was completed on 18 July 2000.
- (vi) Upon acquiring the aggregate equivalent of 78.32% equity interest in UMBCI, MAB made a mandatory offer for the remaining 21.68% equity interest in UMBCI not held by MAB. Upon completion of the mandatory offer, MAB’s interest in UMBCI increased to approximately 80.80%. Subsequent to the mandatory offer, MAB proposed to transfer the assets and liabilities of MAB to UMBCI for a consideration to be satisfied by the issuance of new ordinary shares of UMBCI to MAB (“Proposed Transfer”). The Scheme of Transfer was signed on 20 September 2000 BNM had vide its letter dated 27 April 2000 approved the Proposed Transfer. The Proposed Transfer is still pending approval from the SC.
- (vii) On 17 July 2000, BNM granted Maybank the approval to acquire a 39.83% equity interest in Maybank Philippines Incorporated (“MPI”) from Philippines National Bank for a cash consideration of Peso 1.412 billion (RM124.1 million). The acquisition was completed on 18 August 2000 with the signing of the stock purchase agreement and increase Maybank’s share in MPI to 99.96%.
- (viii) On 24 August 2000, Maybank entered into a conditional sale & purchase agreement with The Pacific Bank Berhad for the proposed acquisition of the entire banking business of The Pacific Bank Berhad and the entire issued and paid up share capital of P.B. Holdings Sdn Bhd, Pacific Nominees (Tempatan) Sdn Bhd and Pacific Nominees (Asing) Sdn Bhd for cash consideration of RM1,250 million.
- (ix) On 26 July 2000, Maybank was given the license by the People’s Bank of China to establish a commercial banking branch in Shanghai.
- (x) On 30 August 2000, Mayban Finance Berhad (“MFB”), a wholly owned subsidiary of Maybank, entered into a conditional assets purchase agreement with Kewangan Bersatu Berhad (“KBB”) for the proposed acquisition of assets of KBB.
- (xi) On 30 August 2000, Maybank entered into a conditional sale & purchase agreement with Phileo Allied Berhad and Phileo Allied Finance (Malaysia) Berhad for the proposed acquisition of Phileo Allied Bank (Malaysia) Berhad and Phileo Allied Securities Sdn Bhd and their respective subsidiaries except for Phileo Allied Options and Financial Futures Sdn Bhd, Phileo Allied Unit Trust Management Sdn Bhd and Phileo Asset Management Sdn Bhd for net cash consideration of RM1,280 million.

FURTHER INFORMATION

PABB Group

Save as disclosed below, there are no material contracts which have been entered into by PABB Group within two (2) years preceding the latest practicable date from the printing of the circular, other than contracts entered into in the ordinary course of business :-

The Finance Company Business Transfer Agreement dated 27 February 1999 as varied by the Supplemental Agreement dated 22 March 1999 between PABB and PAFMB in relation to the acquisition of the entire assets, liabilities and finance company business of PAFMB for a total consideration of RM22 million to be satisfied by the issuance of 22,000,000 ordinary shares of RM1.00 each in PABB as at 29 May 1999.

PASSB Group

There are no material contracts which have been entered into by PASSB Group within two (2) years preceding the latest practicable date from the printing of the circular, other than contracts entered into in the ordinary course of business.

PBB

Save for the Sale and Purchase Agreement dated 24 August 2000 between PBB and Maybank, there are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by PBB and its subsidiary companies within the two (2) years preceding the latest practicable date from the printing of the circular.

4. COMMITMENT AND CONTINGENT LIABILITIES

Save as disclosed in the audited accounts as at 30 June 2000, there are no contingent liabilities incurred or known to be incurred by Maybank, which are not in the ordinary course of business.

5. LETTERS OF CONSENT

Aseambankers Malaysia Berhad has given and has not subsequently withdrawn its written consent to the inclusion in this Information Circular of its name in the form and context in which they appear.

FURTHER INFORMATION

6. DOCUMENTS FOR INSPECTION

The following documents will be available for inspection at the Registered Office of the Company at 14th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur, during the normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Information Circular:-

- (a) Memorandum and Articles of Association of Maybank, PABB and PASSB;
- (b) Audited accounts:
 - (i) audited accounts of Maybank for the past three (3) financial years ended 30 June 2000 and the unaudited quarterly report for the period ended 30 September 2000;
 - (ii) audited accounts of PABB and PASSB for the past three (3) financial years ended 31 January 2000 and the unaudited quarterly report for the period ended 31 July 2000; audited accounts of PBB for the three (3) financial years ended 31 December 1999 and the unaudited quarterly report for the period ended 30 June 2000;
- (c) all material contracts for Maybank, PABB, PASSB and PBB, (please refer to Section 3 – Material Contracts); and
- (d) The letter of consent referred to in this Information Circular under Section 5 of this Appendix.