

27. INTEREST EXPENSE

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits and placements of banks and other financial institutions	417,281	404,669	362,728	366,014
Deposits from other customers	2,296,919	2,340,003	1,720,396	1,730,862
Loans sold to Cagamas	294,492	301,255	117,476	106,109
Floating rate certificates of deposits	4,141	13,591	4,141	13,591
Subordinated notes	156,838	156,932	156,838	156,932
Subordinated bonds	34,559	34,465	34,559	34,465
Others	12,848	39,202	5,061	7,193
	3,217,078	3,290,117	2,401,199	2,415,166

28. NON-INTEREST INCOME

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Fee income:				
Commission	404,772	323,978	432,541	337,172
Service charges and fees	426,319	341,448	328,918	272,267
Guarantee fees	84,334	93,729	79,510	89,832
Underwriting fees	8,235	3,056	2,807	198
Brokerage income	68,323	25,669	—	—
Other fee income	29,891	26,580	18,653	17,484
	1,021,874	814,460	862,429	716,953



28. NON-INTEREST INCOME (CONT'D.)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Investment income:				
Net (loss)/gain from sale of dealing securities	(45,924)	42,427	(3,562)	(2,667)
Net gain on disposal of investment securities	179,025	157,478	143,735	126,895
	133,101	199,905	140,173	124,228
Gross dividends from:				
Investment securities				
– Quoted outside Malaysia	1,630	—	—	—
– Quoted in Malaysia	16,642	17,472	12,665	2,127
– Unquoted outside Malaysia	138	1,059	138	101
– Unquoted in Malaysia	3,334	22,496	1,804	13,930
Subsidiaries in Malaysia	—	—	587,867	1,237,715
Associated companies	—	—	1,350	1,350
	21,744	41,027	603,824	1,255,223
Write back of provision/(provision) for diminution in value of investment securities (net)	20,961	17,959	16,146	(661)
Provision for diminution in value of investment in subsidiaries	—	—	—	(184,660)
	20,961	17,959	16,146	(185,321)
Other income:				
Foreign exchange profit	289,460	173,141	282,951	170,258
Net premiums written	212,049	198,731	—	—
Rental income	7,090	6,439	10,422	12,290
Gain on disposal of property, plant and equipment	8,029	16,299	7,593	11,439
Gain on disposal of foreclosed properties	1,051	1,203	73	—
Other operating income	25,071	37,234	41,494	32,608
Other non-operating income	60,288	63,640	12,544	20,732
	603,038	496,687	355,077	247,327
	1,800,718	1,570,038	1,977,649	2,158,410

29. OVERHEAD EXPENSES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Personnel expenses (Note 30)	1,273,594	1,149,222	974,371	864,022
Establishment costs	511,600	473,835	412,325	363,493
Marketing costs	138,754	112,725	114,555	84,669
Administration and general expenses	667,340	600,335	484,974	416,497
	2,591,288	2,336,117	1,986,225	1,728,681
Included in overhead expenses are:				
Directors' fees and remuneration (Note 31)	10,722	10,324	4,287	3,920
Rental of leasehold land and premises	79,403	71,690	59,770	55,792
Hire of equipment	6,342	6,632	4,856	4,976
Lease of equipment	—	6,971	155	730
Auditors' remuneration				
– statutory audit fees	3,076	3,124	2,263	2,274
– other fees	543	771	482	664
Provision for doubtful debts of other debtors	6,474	21,083	1,655	7,921
Depreciation of property, plant and equipment (Note 14)	180,645	178,865	138,617	127,208
Impairment loss (Note 14)	237	346	—	—
Loss on disposal of property, plant and equipment	520	3,514	—	—
Property, plant and equipment written off (Note 14)	849	1,131	145	219



30. PERSONNEL EXPENSES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Salaries and wages	1,022,445	876,630	789,536	708,382
Social security cost	7,699	7,742	5,463	5,266
Pension cost – defined contribution plan	146,154	128,511	112,223	99,348
Other staff related expenses	97,296	136,339	67,149	51,026
	1,273,594	1,149,222	974,371	864,022

31. DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Directors of the Bank:				
Executive directors:				
Salary and other remuneration, including meeting allowance	1,755	1,597	1,587	1,469
Bonuses	1,010	750	1,010	750
Pension cost – defined contribution plan	459	381	459	381
Benefits-in-kind	242	82	242	82
	3,466	2,810	3,298	2,682
Non-executive directors:				
Fees	1,078	1,167	657	757
Other remuneration	821	823	574	563
Benefits-in-kind	59	59	59	59
	1,958	2,049	1,290	1,379



31. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Directors of the Subsidiaries:				
Executive directors:				
Salary and other remuneration, including meeting allowance	3,768	3,675	—	—
Bonuses	740	878	—	—
Pension cost – defined contribution plan	341	406	—	—
Benefits-in-kind	423	303	—	—
	5,272	5,262	—	—
Non-executive directors:				
Fees	459	393	—	—
Other remuneration	291	254	—	—
	750	647	—	—
Total	11,446	10,768	4,588	4,061
Total (excluding benefits-in-kind)	10,722	10,324	4,287	3,920

The remuneration attributable to the President/Chief Executive Officer of the Bank including benefits-in-kind during the year amounted to RM1,523,144 (2003: RM1,241,563).

The total directors' fees and remuneration of the Group above has excluded the amount of RM719,547 (2003: RM538,663) which has been allocated to the life, general takaful and family takaful funds.



31. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

	Group	
	2004 RM'000	2003 RM'000
Number of directors of the Bank whose remuneration falls into the following bands:		
Number of executive directors:		
Above RM1,000,000	1	1
RM950,000 to RM1,000,000	1	—
RM900,000 to RM950,000	1	—
RM800,001 to RM850,000	—	1
RM750,001 to RM800,000	—	1
	3	3
Number of non-executive directors:		
RM650,001 to RM700,000	1	1
RM250,000 to RM300,000	1	—
RM200,001 to RM250,000	3	3
RM150,001 to RM200,000	1	1
RM100,001 to RM150,000	1	3
RM50,001 to RM100,000	1	—
	8	8
	11	11



32. LOAN AND FINANCING LOSS AND PROVISIONS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Provision for bad and doubtful debts and financing:				
– Specific (net)	679,398	930,434	578,478	752,820
– General	132,688	189,756	84,768	130,586
Bad debts and financing:				
– Written off	43,558	7,074	13,928	5,548
– Recovered	(355,075)	(215,416)	(234,507)	(94,125)
	500,569	911,848	442,667	794,829
Written back on recoveries of amounts receivable from Danaharta	(5,207)	—	(4,671)	—
	495,362	911,848	437,996	794,829

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The Bank's significant transactions and balances with related parties are as follows:

	Bank	
	2004 RM'000	2003 RM'000
Transactions with subsidiaries and associates:		
Income:		
Interest on deposits	62,878	74,094
Interest on loans and advances	745	40,358
Dividend income	589,217	1,239,065
Rental of premises	2,568	6,186
Other income	66,118	39,383
	721,526	1,399,086



33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

	Bank	
	2004 RM'000	2003 RM'000
Transactions with subsidiaries and associates (Cont'd.):		
Expenditure:		
Interest on deposits	7,848	20,216
Other expenses	18,413	19,824
Subscription fee paid to an associate	5,192	4,997
	31,453	45,037
Other transactions:		
Acquisition of unquoted private debt securities with face value of RM570,000,000 (2003: RM1,015,000,000) from a subsidiary	525,814	1,020,844
Acquisition of an investment with carrying value of RM114,473,284 from a subsidiary as part of the settlement of a loan (after an interest waiver of RM15,893,303) owed by the subsidiary in the previous financial year	—	145,068
Transaction with other related party:		
Professional fees paid to a firm which the spouse of an executive director is a partner	1,016	2,691

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.



33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Transaction with other related party (Cont'd.):

Included in the balance sheet of the Bank are amounts due from/(to) subsidiaries and an associate represented by the following:

	Bank	
	2004 RM'000	2003 RM'000
Amounts due from subsidiaries:		
Current accounts and deposits	1,683,264	4,644,877
Loans, advances and financing	16,394	93,051
Interest and other receivable on deposits	146,660	84,626
	1,846,318	4,822,554
Amounts due to subsidiaries:		
Current accounts and deposits	(3,798,743)	(2,635,288)
Interest payable on deposits	(24,563)	(22,495)
	(3,823,306)	(2,657,783)
Deposits by an associate	3,750	8,902



34. TAXATION AND ZAKAT

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax expense for the year:				
Malaysian income tax	1,047,033	799,644	920,522	896,935
Foreign tax	51,791	39,082	46,622	37,339
Less: Double taxation relief	(42,833)	(32,295)	(42,271)	(31,055)
	1,055,991	806,431	924,873	903,219
Over provision in respect of prior years:				
Malaysian income tax	(27,406)	(187,220)	—	(157,365)
	1,028,585	619,211	924,873	745,854
Deferred tax (Note 20):				
Relating to originating and reversal of temporary differences (net)	(124,021)	(57,376)	(118,798)	(63,244)
Overprovision in prior years	(17,667)	—	(15,018)	—
	(141,688)	(57,376)	(133,816)	(63,244)
Share of tax in associates	744	431	—	—
	887,641	562,266	791,057	682,610
Zakat	869	983	247	237
	888,510	563,249	791,304	682,847

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.



34. TAXATION AND ZAKAT (CONT'D.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

Group	2004	2003
	RM'000	RM'000
Profit before taxation	3,358,597	2,619,674
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	940,407	733,509
Effect of different tax rates in other tax jurisdictions	(19,382)	(12,201)
Effect of income not subject to tax	(10,815)	(11,778)
Effect of expenses not deductible for tax purposes	51,100	50,455
Effect of utilisation of previously unrecognised tax losses and capital allowances	(30,153)	(23,168)
Deferred Tax assets not recognised during the year	1,557	12,669
Over provision in deferred tax in prior years	(17,667)	—
Over provision in prior years	(27,406)	(187,220)
Tax expense for the year	887,641	562,266
Bank		
Profit before taxation	2,883,375	2,737,899
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	807,345	766,612
Effect of different tax rates in other countries	4,351	6,284
Effect of income not subject to tax	(23,719)	(5,689)
Effect of expenses not deductible for tax purposes	18,098	72,768
Over provision in deferred tax in prior years	(15,018)	—
Over provision in prior years	—	(157,365)
Tax expense for the year	791,057	682,610



34. TAXATION AND ZAKAT (CONT'D.)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax savings recognised during the year arising from:				
Utilisation of previously unrecognised tax losses	32,088	23,072	—	—
Utilisation of current year absorbed capital allowance	4,809	5,690	—	—
Utilisation of unabsorbed capital allowances previously not recognised	2,587	4,092	—	—

35. EARNINGS PER SHARE

The basic and diluted EPS of the Group and the Bank are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2004	2003	2004	2003
Net profit for the year (RM'000)	2,424,511	1,996,489	2,092,071	2,055,052
Weighted average number of ordinary shares in issue ('000)	3,600,171	3,569,377	3,600,171	3,569,377
Basic and diluted EPS (sen)	67.3	55.9	58.1	57.6

The weighted average number of ordinary shares in issue for the previous financial year ended 30 June 2003 has been adjusted for the effects of the shares issued under the ESOS bonus entitlement (see Note 22) during the year for comparative purposes.

As at the balance sheet date of the current financial year, there is no outstanding arrangement which can potentially give rise to material and dilutive ordinary shares.



36. DIVIDENDS

	Group and Bank		Net Dividend Per Share	
	2004 RM'000	2003 RM'000	2004 Sen	2003 Sen
Interim dividend of 10% (2003: 10%) less 28% taxation	259,212	257,396	7.2	7.2
Special dividend of 25% (2003: Nil) less 28% taxation	648,031	—	18.0	—
Interim tax exempt dividend of Nil% (2003: 25%)	—	893,737	—	25.0
Final dividend of 7% less 28% taxation in respect of year ended 30 June 2002	—	179,156	—	5.0
Final dividend of 17% less 28% taxation in respect of year ended 30 June 2003	440,661	—	12.2	—
	1,347,904	1,330,289	37.4	37.2

At the Annual General Meeting, the final dividend in respect of the financial year ended 30 June 2003 of 17% less 28% taxation on 3,600,171,921 ordinary shares, amounting to a dividend of RM440,661,043 (12.2 sen net per share) was approved by the shareholders and is accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ended 30 June 2004.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2004 of 25% less 28% taxation on 3,600,171,921 ordinary shares, amounting to a dividend payable of RM648,030,946 (18.0 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2005.



37. COMMITMENTS AND CONTINGENCIES

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

Risk-weighted exposures of the Bank and its subsidiaries as at 30 June, are as follows:

	2004		2003	
	Principal RM'000	Credit Equivalent RM'000	Principal RM'000	Credit Equivalent RM'000
Group				
Direct credit substitutes	5,001,641	5,001,641	4,730,987	4,730,987
Certain transaction-related contingent items	6,148,365	3,074,182	5,572,629	2,786,315
Short-term self-liquidating trade related contingencies	9,175,025	1,835,005	5,762,397	1,152,479
Islamic housing and hire purchase loans sold to Cagamas Berhad	466,374	466,374	552,609	552,609
Obligations under underwriting agreements	1,205,999	603,000	1,013,610	505,055
Obligations arising out of rediscounting of bankers' acceptances	—	—	8,278	331
Irrevocable commitments to extend credit:				
– Maturity within one year	31,752,801	—	33,298,081	—
– Maturity exceeding one year	5,020,827	2,510,418	4,509,141	2,254,571
Foreign exchange related contracts:				
– Less than one year	21,417,468	281,949	13,700,376	174,810
– One year to less than five years	1,227,109	21,306	1,064,920	26,370
– Five years and above	—	—	82,463	22,101
Interest rate related contracts:				
– Less than one year	2,007,854	15,226	1,166,295	6,233
– One year to less than five years	5,526,783	301,410	3,794,351	475,999
– Five years and above	1,182,018	104,463	1,212,167	152,219
Miscellaneous	2,244,595	—	2,058,768	—
	92,376,859	14,214,974	78,527,072	12,840,079



37. COMMITMENTS AND CONTINGENCIES (CONT'D.)

Risk weighted exposures of the Bank and its subsidiaries as at 30 June, are as follows (Cont'd.):

	2004		2003	
	Principal RM'000	Credit Equivalent RM'000	Principal RM'000	Credit Equivalent RM'000
Bank				
Direct credit substitutes	3,445,070	3,445,070	3,161,733	3,161,733
Certain transaction-related contingent items	6,139,622	3,069,811	5,565,332	2,782,666
Short-term self-liquidating trade related contingencies	9,158,506	1,831,701	5,742,188	1,148,438
Islamic housing loans sold to Cagamas Berhad	114,380	114,380	127,268	127,268
Obligations under underwriting agreements	344,013	172,006	776,878	388,439
Irrevocable commitments to extend credit:				
– Maturity within one year	30,816,965	—	32,323,256	—
– Maturity exceeding one year	3,595,083	1,797,542	3,084,131	1,542,066
Foreign exchange related contracts:				
– Less than one year	21,415,585	281,949	13,036,744	164,877
– One year to less than five years	1,208,094	21,306	1,064,920	26,370
– Five years and above	—	—	82,463	22,101
Interest rate related contracts:				
– Less than one year	2,007,854	15,226	1,166,295	6,233
– One year to less than five years	5,254,708	296,450	3,794,351	475,999
– Five years and above	1,167,018	103,463	1,212,167	152,129
Miscellaneous	2,242,382	—	2,056,076	—
	86,909,280	11,148,904	73,193,802	9,998,319

The Bank and certain subsidiaries are contingently liable in respect of Islamic housing loans sold to Cagamas Berhad on the condition that they undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria.



37. COMMITMENTS AND CONTINGENCIES (CONT'D.)

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. Principal amounts of the foreign exchange related contracts and interest rate related contracts are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Foreign exchange related contracts:				
– Forward and futures contracts	8,422,825	6,167,092	8,401,927	6,165,646
– Swaps	14,221,752	8,680,667	14,221,752	8,018,481
Interest rate related contracts:				
– Forward and futures contracts	24,956	38,000	13,000	38,000
– Swaps	8,684,640	6,134,813	8,416,580	6,134,813
	31,354,173	21,020,572	31,053,259	20,356,940

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.

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 and certain subsidiaries have a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

As at 30 June, the amounts of market risk and credit risk are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Market risk				
Amount of contracts which were not hedged and hence, exposed to market risk	76,182	84,426	76,182	84,426
Credit risk				
Amount of credit risk, measured in terms of cost to replace the profitable contracts	52,643	69,896	52,643	55,962

38. FINANCIAL RISK MANAGEMENT POLICIES

Risk Management is a critical pillar of the Group's operating model, complementing the other two pillars, which are customer sector and support and services sector. As part of the Group's strategy to integrate the management and control of risks across the various risk segments, a dedicated Board committee known as the Risk Management Committee was established. The Committee is responsible for formulating policies and the oversight of the key risks faced by the Group including credit, market, liquidity and operational risks with the objective of containing the negative impact to the Group's earnings should losses arise from exposures to these risks.

The broad principles that underpin the risk management process at the Group are as follows:

- (a) The risk management approach is premised on three lines of defence – Risk Taking Units, Risk Control Units which are under Group Risk Management, and Internal Audit.
- (b) The Risk Taking Units are responsible for the day-to-day management of risks inherent in their business activities while the Risk Control Units are responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is Internal Audit which provides independent assurance of the effectiveness of the risk management approach.
- (c) Group Risk Management provides risk oversight for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks.
- (d) Group Risk Management ensures that core policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.
- (e) Group Risk Management is functionally and organisationally independent of the customer sectors and other risk takers in the Group.
- (f) The Board of Directors through the Risk Management Committee maintains overall responsibility for risk oversight within the Group.
- (g) Group Risk Management is responsible for the execution of various risk policies and related decisions of the Board.



38. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The followings are the key risk areas that the Group encounters:

(a) Credit Risk Management

In discharging this responsibility, Group Credit Risk Unit is primarily involved in managing and enhancing asset quality, formulating and reviewing credit policies as well as the documentation/compilation of credit policies and procedures for adherence. Group Credit Risk also sets and reviews concentration limits according to various categories such as single customer groups, economic segments, product types, banks and countries, and overseas credit portfolio risk.

(b) Market Risk Management

Group Market Risk Unit continually evaluates risk arising from adverse movements in market prices or rates and monitors compliance to approved policies and risk limits. Market risk profiles are regularly reported to the various levels of management, as well as the Risk Management Committee and the Board of Directors.

Market risk controls adopted include the "Value-at-Risk" ("VaR") measurement, independent mark-to-market valuations, on-line tracking of various risk limits for trading positions, stress testing of portfolios, back testing of risk models and new product introduction guidelines.

(c) Liquidity Risk Management

The primary mechanism and tool for monitoring liquidity is the cash flow behaviour of the Bank. This framework ascertains liquidity based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of eligible liquid assets.

The Group maintains a minimum level of liquid assets although there is no such regulatory requirement. These assets are maintained in the form of cash and marketable debt securities that are issued by both sovereigns and triple-A rate private entities.

(d) Operational Risk Management

The Risk Taking Units (including the support units) are primary parties responsible for the management of day-to-day operational risk inherent in their respective business and functional areas. While Group Operational Risk Unit is responsible for the second line of defence, Group Internal Audit acts as the third line of defence by overseeing compliance in respect of day-to-day management of operational risks at the Risk Taking Units and providing independent assessments regarding the overall effectiveness of the operational risk management framework.

Further information on the framework and the principles for the management of risks of the Group are disclosed in the annual report.



39. INTEREST RATE RISK

The Group and Bank are exposed to various risk associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee ("ALCO") to protect total net interest income from changes in market interest rates.

The table below summarises the Group's and Bank's exposure to interest rate risk. The table indicates effective average interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 2004	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non- interest sensitive	Effective interest rate	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Total RM'000	%
Assets									
Cash and short-term funds	16,656,570	—	—	—	—	—	6,352,510	23,009,080	2.34
Deposits and placements with banks and other financial institutions	601,925	5,116,254	613,626	32,542	50,948	—	271,495	6,686,790	2.23
Securities purchased under resale agreements	447,861	285,770	—	—	—	—	—	733,631	2.89
Dealing securities	140,868	28,519	86,139	—	15,941	28,089	1	299,557	3.34
Investment securities	2,370,154	4,316,710	1,767,088	1,232,731	10,234,239	4,574,382	4,208,116	28,703,420	3.89
Loans, advances and financing									
– performing	45,055,816	10,137,529	3,913,737	3,326,750	17,103,632	12,118,310	14,277,153	105,932,927	6.76
– non-performing*	—	—	—	—	—	—	3,137,564	3,137,564	—
Other assets	—	—	—	—	—	—	2,076,427	2,076,427	—
Other non-interest sensitive balances	—	—	—	—	—	—	6,307,571	6,307,571	—
Life, general takaful and family takaful fund assets	—	—	—	—	—	—	2,620,460	2,620,460	—
Total Assets	65,273,194	19,884,782	6,380,590	4,592,023	27,404,760	16,720,781	39,251,297	179,507,427	



39. INTEREST RATE RISK (CONT'D.)

Group (Cont'd.) 2004	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non- interest sensitive	Effective interest rate Total	Effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Liabilities and Shareholders' Equity									
Deposits from customers	57,311,992	12,431,417	8,140,437	13,259,462	1,569,671	160,900	30,492,063	123,365,942	2.34
Deposits and placements of banks and other financial institutions	4,225,866	1,358,413	782,110	159,002	2,072,098	477,213	5,423,504	14,498,206	1.85
Obligations on securities sold under repurchase agreements	6,334,774	490,847	162,410	—	—	—	—	6,988,031	2.19
Bills and acceptances payable	194,752	582,375	169,315	1,725	—	—	2,371,262	3,319,429	2.76
Recourse obligation on loans sold to Cagamas	26,486	—	391,098	338,201	5,776,261	—	—	6,532,046	4.45
Provision for taxation and zakat	—	—	—	—	—	—	932,330	932,330	—
Subordinated obligations	—	—	—	—	3,004,000	—	—	3,004,000	6.34
Other liabilities	—	—	—	—	—	—	3,173,396	3,173,396	—
Other non-interest sensitive balances	—	—	—	—	—	—	10,806	10,806	—
Life, general takaful and family takaful fund liabilities	—	—	—	—	—	—	101,491	101,491	—
Life, general takaful and family takaful policy holders' funds	—	—	—	—	—	—	2,518,969	2,518,969	—
Total Liabilities	68,093,870	14,863,052	9,645,370	13,758,390	12,422,030	638,113	45,023,821	164,444,646	

39. INTEREST RATE RISK (CONT'D.)

Group (Cont'd.) 2004	Up to 1	>1-3	>3-6	>6-12	>1-5	Over 5	Non-	Effective	
	month	months	months	months	years	years	interest	interest	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	sensitive	Total	rate
							RM'000	RM'000	%
Shareholders' equity	—	—	—	—	—	—	14,623,436	14,623,436	—
Minority interests	—	—	—	—	—	—	439,345	439,345	—
	—	—	—	—	—	—	15,062,781	15,062,781	
Total Liabilities and Shareholders' Equity	68,093,870	14,863,052	9,645,370	13,758,390	12,422,030	638,113	60,086,602	179,507,427	
On-balance sheet interest sensitivity gap	(2,820,676)	5,021,730	(3,264,780)	(9,166,367)	14,982,730	16,082,668	(20,835,305)		—
Off-balance sheet interest sensitivity gap (interest rate swaps)	1,745,972	(1,290,790)	711,535	(448,548)	555,431	(1,273,600)	—		—
Total interest sensitivity gap	(1,074,704)	3,730,940	(2,553,245)	(9,614,915)	15,538,161	14,809,068	(20,835,305)		—
Cumulative interest rate sensitivity gap	(1,074,704)	2,656,236	102,991	(9,511,924)	6,026,237	20,835,305	—		

* This is arrived at after deducting the general provision, specific provision and interest/income-in-suspense from gross non-performing loans outstanding.



Notes

to the Financial Statements – 30 June 2004

39. INTEREST RATE RISK (CONT'D.)

Group 2003	Up to 1	>1-3	>3-6	>6-12	>1-5	Over 5	Non-	Effective	
	month	months	months	months	years	years	interest	Total	interest
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate
									%
Assets									
Cash and short-term funds	13,896,611	—	—	—	—	—	2,743,018	16,639,629	2.41
Deposits and placements with banks and other financial institutions	149,176	4,928,743	278,486	30,065	—	—	265,809	5,652,279	2.54
Securities purchased under resale agreements	585,008	—	—	—	—	—	—	585,008	1.34
Dealing securities	234,414	65,233	10,713	8,866	146,407	310,995	8	776,636	4.19
Investment securities	3,010,930	2,432,032	1,402,597	2,860,493	6,432,232	3,986,987	5,005,982	25,131,253	3.80
Loans, advances and financing									
– performing	45,574,896	8,836,220	4,300,850	2,006,017	15,698,396	11,500,441	11,362,455	99,279,275	6.78
– non-performing*	—	—	—	—	—	—	3,209,195	3,209,195	—
Other assets	—	—	—	—	—	—	2,048,591	2,048,591	—
Other non-interest sensitive balances	—	—	—	—	—	—	5,869,752	5,869,752	—
Life, general takaful and family takaful fund assets	—	—	—	—	—	—	1,763,779	1,763,779	—
Total Assets	63,451,035	16,262,228	5,992,646	4,905,441	22,277,035	15,798,423	32,268,589	160,955,397	



39. INTEREST RATE RISK (CONT'D.)

Group (Cont'd.) 2003	Up to 1	>1-3	>3-6	>6-12	>1-5	Over 5	Non-	Effective	
	month	months	months	months	years	years	interest	Total	interest
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate
									%
Liabilities and Shareholders' Equity									
Deposits from customers	47,247,271	12,500,985	7,690,639	11,186,355	2,585,689	413	28,323,377	109,534,729	2.46
Deposits and placements of banks and other financial institutions	4,712,229	4,333,542	429,705	8,537	1,864,298	204,700	2,119,521	13,672,532	2.21
Obligations on securities sold under repurchase agreements	5,206,013	35,640	3,498	—	—	—	141,421	5,386,572	2.44
Bills and acceptances payable	832,552	858,892	144,069	679	—	—	1,314,798	3,150,990	2.85
Recourse obligation on loans sold to Cagamas	—	296,238	497,919	515,990	5,351,818	—	—	6,661,965	4.38
Provision for taxation and zakat	—	—	—	—	—	—	789,646	789,646	—
Subordinated obligations	—	—	—	—	3,004,000	—	—	3,004,000	6.34
Other liabilities	—	—	—	—	—	—	3,097,381	3,097,381	—
Other non-interest sensitive balances	—	—	—	—	—	—	8,620	8,620	—
Life, general takaful and family takaful fund liabilities	—	—	—	—	—	—	107,443	107,443	—
Life, general takaful and family takaful policy holders' funds	—	—	—	—	—	—	1,656,336	1,656,336	—
Total Liabilities	57,998,065	18,025,297	8,765,830	11,711,561	12,805,805	205,113	37,558,543	147,070,214	



39. INTEREST RATE RISK (CONT'D.)

Group (Cont'd.) 2003	Up to 1	>1-3	>3-6	>6-12	>1-5	Over 5	Non-	Effective	
	month	months	months	months	years	years	interest	Total	interest
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate
									%
Shareholders' equity	—	—	—	—	—	—	13,485,233	13,485,233	—
Minority interests	—	—	—	—	—	—	399,950	399,950	—
	—	—	—	—	—	—	13,885,183	13,885,183	
Total Liabilities and Shareholders' Equity	57,998,065	18,025,297	8,765,830	11,711,561	12,805,805	205,113	51,443,726	160,955,397	
On-balance sheet interest sensitivity gap	5,452,970	(1,763,069)	(2,773,184)	(6,806,120)	9,471,230	15,593,310	(19,175,137)		—
Off-balance sheet interest sensitivity gap (interest rate swaps)	97,400	(1,108,936)	(2,650,604)	135,257	3,621,883	(95,000)	—		—
Total interest sensitivity gap	5,550,370	(2,872,005)	(5,423,788)	(6,670,863)	13,093,113	15,498,310	(19,175,137)		—
Cumulative interest rate sensitivity gap	5,550,370	2,678,365	(2,745,423)	(9,416,286)	3,676,827	19,175,137			—

* This is arrived at after deducting the general provision, specific provision and interest/income-in-suspense from gross non-performing loans outstanding.



39. INTEREST RATE RISK (CONT'D.)

Bank 2004	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non- interest sensitive	Effective interest rate Total	Effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	14,058,132	—	—	—	—	—	5,469,695	19,527,827	2.39
Deposits and placements with banks and other financial institutions	76,485	4,415,603	1,260,762	114,784	—	—	261,854	6,129,488	2.12
Securities purchased under resale agreements	437,122	285,770	—	—	—	—	—	722,892	2.89
Dealing securities	65,730	11,938	86,139	—	—	—	—	163,807	2.94
Investment securities	2,160,076	3,391,603	1,697,530	944,350	7,559,964	3,475,339	3,471,278	22,700,140	3.87
Loans, advances and financing – performing	42,297,811	9,012,602	2,644,087	2,627,936	9,150,644	6,457,495	11,843,339	84,033,914	6.68
– non-performing*	—	—	—	—	—	—	2,684,498	2,684,498	—
Other assets	—	—	—	—	—	—	827,980	827,980	—
Other non-interest sensitive balances	—	—	—	—	—	—	6,760,603	6,760,603	—
Total Assets	59,095,356	17,117,516	5,688,518	3,687,070	16,710,608	9,932,834	31,319,247	143,551,149	



Notes

to the Financial Statements – 30 June 2004

39. INTEREST RATE RISK (CONT'D.)

Bank 2004	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non- interest sensitive	Effective interest rate Total	Effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Liabilities and Shareholders' Equity									
Deposits from customer	40,402,190	8,734,186	6,155,196	11,148,256	989,981	—	29,439,068	96,868,877	2.23
Deposits and placements of banks and other financial institutions	3,794,636	1,496,301	774,147	159,226	2,072,028	471,549	5,409,450	14,177,337	1.77
Obligations on securities sold under repurchase agreements	5,685,430	490,847	162,410	—	—	—	—	6,338,687	2.14
Bills and acceptances payable	1,135,518	1,796,394	465,938	1,725	—	—	2,346,572	5,746,147	2.78
Recourse obligation on loans sold to Cagamas	26,486	—	391,098	—	2,293,534	—	—	2,711,118	4.59
Provision for taxation and zakat	—	—	—	—	—	—	790,000	790,000	—
Subordinated obligations	—	—	—	—	3,004,000	—	—	3,004,000	6.34
Other liabilities	—	—	—	—	—	—	1,815,950	1,815,950	—
Total Liabilities	51,044,260	12,517,728	7,948,789	11,309,207	8,359,543	471,549	39,801,040	131,452,116	
Shareholders' equity	—	—	—	—	—	—	12,099,033	12,099,033	—
Total Liabilities and Shareholders' Equity	51,044,260	12,517,728	7,948,789	11,309,207	8,359,543	471,549	51,900,073	143,551,149	



39. INTEREST RATE RISK (CONT'D.)

Bank 2004	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non- interest sensitive	Effective interest rate Total	Effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
On-balance sheet interest sensitivity gap	8,051,096	4,599,788	(2,260,271)	(7,622,137)	8,351,065	9,461,285	(20,580,826)	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	1,700,972	(1,506,790)	711,535	(448,548)	801,431	(1,258,600)	—	—	
Total interest sensitivity gap	9,752,068	3,092,998	(1,548,736)	(8,070,685)	9,152,496	8,202,685	(20,580,826)	—	
Cumulative interest rate sensitivity gap	9,752,068	12,845,066	11,296,330	3,225,645	12,378,141	20,580,826	—		

* This is arrived at after deducting the general provision, specific provision and interest/income-in-suspense from gross non-performing loans outstanding.



Notes

to the Financial Statements – 30 June 2004

39. INTEREST RATE RISK (CONT'D.)

Bank 2003	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non- interest sensitive	Effective interest rate Total	Effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	11,276,097	—	—	—	—	—	2,414,509	13,690,606	2.35
Deposits and placements with banks and other financial institutions	108,773	5,953,835	937,005	—	—	—	256,326	7,255,939	2.54
Securities purchased under resale agreements	582,003	—	—	—	—	—	—	582,003	1.33
Dealing securities	—	—	—	8,879	48,438	39,681	—	96,998	3.53
Investment securities	2,427,056	2,216,802	924,526	2,047,856	4,608,415	2,943,275	3,567,892	18,735,822	3.64
Loans, advances and financing									
– performing	43,500,169	6,869,263	3,167,094	1,844,755	7,907,687	4,976,821	9,524,303	77,790,092	6.89
– non-performing*	—	—	—	—	—	—	2,370,262	2,370,262	—
Other assets	—	—	—	—	—	—	740,411	740,411	—
Other non-interest sensitive balances	—	—	—	—	—	—	6,392,194	6,392,194	—
Total Assets	57,894,098	15,039,900	5,028,625	3,901,490	12,564,540	7,959,777	25,265,897	127,654,327	



39. INTEREST RATE RISK (CONT'D.)

Bank (Cont'd.) 2003	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non- interest sensitive	Effective interest rate Total	Effective interest rate %
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Liabilities and Shareholders' Equity									
Deposits from customers	36,333,550	8,273,244	5,568,169	9,029,089	1,993,867	80	25,639,302	86,837,301	2.36
Deposits and placements of banks and other financial institutions	4,181,381	4,318,769	428,705	7,494	1,864,225	197,717	1,797,464	12,795,755	2.26
Obligations on securities sold under repurchase agreements	4,888,020	35,640	3,498	—	—	—	141,420	5,068,578	2.42
Bills and acceptances payable	863,581	1,358,503	246,439	1,562	—	—	1,622,571	4,092,656	2.89
Recourse obligation on loans sold to Cagamas	—	39,841	—	413,917	1,835,395	—	—	2,289,153	4.49
Provision for taxation and zakat	—	—	—	—	—	—	642,636	642,636	—
Subordinated obligations	—	—	—	—	3,004,000	—	—	3,004,000	6.34
Other liabilities	—	—	—	—	—	—	1,647,821	1,647,821	—
Total Liabilities	46,266,532	14,025,997	6,246,811	9,452,062	8,697,487	197,797	31,491,214	116,377,900	



Notes

to the Financial Statements – 30 June 2004

39. INTEREST RATE RISK (CONT'D.)

Bank (Cont'd.) 2003	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non- interest sensitive	Effective interest rate Total	Effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Shareholders' equity	—	—	—	—	—	—	11,276,427	11,276,427	—
Total Liabilities and Shareholders' Equity									
	46,266,532	14,025,997	6,246,811	9,452,062	8,697,487	197,797	42,767,641	127,654,327	
On-balance sheet interest sensitivity gap	11,627,566	1,013,903	(1,218,186)	(5,550,572)	3,867,053	7,761,980	(17,501,744)		—
Off-balance sheet interest sensitivity gap (interest rate swaps)	97,400	(1,108,936)	(2,650,604)	135,257	3,621,883	(95,000)	—		—
Total interest sensitivity gap	11,724,966	(95,033)	(3,868,790)	(5,415,315)	7,488,936	7,666,980	(17,501,744)		—
Cumulative interest rate sensitivity gap	11,724,966	11,629,933	7,761,143	2,345,828	9,834,764	17,501,744			—

* This is arrived at after deducting the general provision, specific provision and interest/income-in-suspense from gross non-performing loans outstanding.



40. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO

The Group and Bank are exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in interest rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the Asset and Liability Management Committee ("ALCO") to protect the income from IBS operations.

The table below summarises the Group's and Bank's exposure to yield/profit rate risk for the IBS operations. The table indicates effective average yield/profit rates at the balance sheet date and the periods in which the financial instruments either reprice or mature, whichever is earlier.

Group 2004	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-yield/ profit rate sensitive	Effective yield/profit rate	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Total RM'000	%
Assets									
Cash and short-term funds	2,912,710	—	—	—	—	—	211	2,912,921	2.70
Deposits and placements with banks and other financial institutions	—	51,200	—	—	—	—	38,370	89,570	2.83
Investment securities	542,037	517,878	424,403	287,627	1,171,335	153,599	14,350	3,111,229	3.23
Loans and financing									
– performing	370,061	1,185,785	858,322	785,014	1,399,493	9,678,478	—	14,277,153	8.31
– non-performing*	—	—	—	—	—	—	304,364	304,364	—
Other assets	—	—	—	—	—	—	25,331	25,331	—
Other non-yield/profit rate sensitive balances	—	—	—	—	—	—	203,058	203,058	—
Total Assets	3,824,808	1,754,863	1,282,725	1,072,641	2,570,828	9,832,077	585,684	20,923,626	



Notes

to the Financial Statements – 30 June 2004

40. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Group (Cont'd.) 2004	Up to 1	>1-3	>3-6	>6-12	>1-5	Over 5	Non-yield/ profit rate	Effective	
	month	months	months	months	years	years	sensitive	Total	yield/profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Liabilities and Islamic Banking Fund									
Deposits from customers	4,920,830	1,416,903	969,185	1,231,226	116,534	20,043	3,063,365	11,738,086	2.73
Deposits and placements of banks and other financial institutions	2,973,352	1,015,868	185,079	—	1,523	49,721	2,204	4,227,747	2.71
Bills and acceptances payable	445,935	696,624	289,437	—	—	—	1,327	1,433,323	2.70
Provision for taxation and zakat	—	—	—	—	—	—	143,497	143,497	—
Other liabilities	—	—	—	—	—	—	2,081,206	2,081,206	—
Total Liabilities	8,340,117	3,129,395	1,443,701	1,231,226	118,057	69,764	5,291,599	19,623,859	
Islamic banking fund	—	—	—	—	—	—	1,299,767	1,299,767	—
Total Liabilities and Islamic Banking Fund	8,340,117	3,129,395	1,443,701	1,231,226	118,057	69,764	6,591,366	20,923,626	
On-balance sheet yield/profit rate sensitivity gap	(4,515,309)	(1,374,532)	(160,976)	(158,585)	2,452,771	9,762,313	(6,005,682)	—	
Cumulative yield/ profit rate sensitivity gap	(4,515,309)	(5,889,841)	(6,050,817)	(6,209,402)	(3,756,631)	6,005,682	—	—	

* This is arrived at after deducting the general provision, specific provision and income-in-suspense from gross non-performing financing outstanding.



40. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Group 2003	Up to 1	>1-3	>3-6	>6-12	>1-5	Over 5	Non-yield/ profit rate	Effective	
	month	months	months	months	years	years	sensitive	Total	yield/profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	359,400	—	—	—	—	—	343	359,743	1.47
Deposits and placements with banks and other financial institutions	—	85,000	42,000	—	—	—	39,471	166,471	2.88
Investment securities	713,560	919,909	580,079	367,589	400,603	205,699	14,351	3,201,790	3.30
Loans and financing									
– performing	93,769	838,829	581,953	612,448	1,753,486	7,481,970	—	11,362,455	8.07
– non-performing*	—	—	—	—	—	—	340,983	340,983	—
Other assets	—	—	—	—	—	—	38,717	38,717	—
Other non-yield/profit rate sensitive balances	—	—	—	—	—	—	108,106	108,106	—
Total Assets	1,166,729	1,843,738	1,204,032	980,037	2,154,089	7,687,669	541,971	15,578,265	
Liabilities and Islamic Banking Fund									
Deposits from customers	4,332,625	1,733,622	948,614	1,774,434	64,632	—	2,308,331	11,162,258	2.76
Deposits and placements of banks and other financial institutions	687,535	248,829	440,700	—	3,247	33,781	1,085	1,415,177	2.76
Bills and acceptances payable	197,138	177,244	207,965	—	—	—	323	582,670	2.93
Provision for taxation and zakat	—	—	—	—	—	—	102,350	102,350	—
Other liabilities	—	—	—	—	—	—	1,005,428	1,005,428	—
Total Liabilities	5,217,298	2,159,695	1,597,279	1,774,434	67,879	33,781	3,417,517	14,267,883	



Notes

to the Financial Statements – 30 June 2004

40. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Group (Cont'd.) 2003	Up to 1	>1-3	>3-6	>6-12	>1-5	Over 5	Non-yield/ profit rate	Effective	
	month	months	months	months	years	years	sensitive	Total	yield/profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Islamic banking fund	—	—	—	—	—	—	1,310,382	1,310,382	—
Total Liabilities and Islamic Banking Fund	5,217,298	2,159,695	1,597,279	1,774,434	67,879	33,781	4,727,899	15,578,265	
On-balance sheet yield/profit rate sensitivity gap	(4,050,569)	(315,957)	(393,247)	(794,397)	2,086,210	7,653,888	(4,185,928)	—	
Cumulative yield/ profit rate sensitivity gap	(4,050,569)	(4,366,526)	(4,759,773)	(5,554,170)	(3,467,960)	4,185,928	—		

* This is arrived at after deducting the general provision, specific provision and income-in-suspense from gross non-performing financing outstanding.



40. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Bank 2004	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-yield/ profit rate sensitive	Effective yield/profit rate Total	Effective yield/profit rate %
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	2,605,169	—	—	—	—	—	—	2,605,169	2.72
Deposits and placements with banks and other financial institutions	—	58,600	—	—	—	—	6,370	64,970	2.83
Investment securities	499,014	389,819	414,521	118,587	614,770	—	14,350	2,051,061	2.79
Loans and financing									
– performing	368,567	1,183,393	851,694	759,117	695,785	7,984,783	—	11,843,339	8.03
– non-performing*	—	—	—	—	—	—	338,761	338,761	—
Other assets	—	—	—	—	—	—	4,785	4,785	—
Other non-yield/profit rate sensitive balances	—	—	—	—	—	—	148,462	148,462	—
Total Assets	3,472,750	1,631,812	1,266,215	877,704	1,310,555	7,984,783	512,728	17,056,547	
Liabilities and Islamic Banking Fund									
Deposits from customers	3,829,641	1,026,862	813,590	1,095,127	108,728	20,043	3,063,365	9,957,356	2.68
Deposits and placements of banks and other financial institutions	2,746,579	1,015,802	185,079	—	1,522	49,721	2,297	4,001,000	2.71
Bills and acceptances payable	445,935	696,624	289,437	—	—	—	1,327	1,433,323	2.70
Provision for taxation and zakat	—	—	—	—	—	—	95,484	95,484	—
Other liabilities	—	—	—	—	—	—	870,100	870,100	—
Total Liabilities	7,022,155	2,739,288	1,288,106	1,095,127	110,250	69,764	4,032,573	16,357,263	



Notes

to the Financial Statements – 30 June 2004

40. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Bank (Cont'd.) 2004	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-yield/ profit rate sensitive	Effective yield/profit rate Total	Effective yield/profit rate %
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Islamic banking fund	—	—	—	—	—	—	699,284	699,284	—
Total Liabilities and Islamic Banking Fund	7,022,155	2,739,288	1,288,106	1,095,127	110,250	69,764	4,731,857	17,056,547	
On-balance sheet yield/profit rate sensitivity gap	(3,549,405)	(1,107,476)	(21,891)	(217,423)	1,200,305	7,915,019	(4,219,129)	—	
Cumulative yield/profit rate sensitivity gap	(3,549,405)	(4,656,881)	(4,678,772)	(4,896,195)	(3,695,890)	4,219,129	—		

* This is arrived at after deducting the general provision, specific provision and income-in-suspense from gross non-performing financing outstanding.



40. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Bank 2003	Up to 1	>1-3	>3-6	>6-12	>1-5	Over 5	Non-yield/ profit rate	Effective	
	month	months	months	months	years	years	sensitive	Total	yield/profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	207,400	—	—	—	—	—	—	207,400	1.59
Deposits and placements with banks and other financial institutions	—	85,000	42,000	—	—	—	7,472	134,472	2.88
Investment securities	546,494	771,623	424,457	186,229	185,160	—	14,350	2,128,313	2.93
Loans and financing									
– performing	93,769	838,829	581,953	601,594	730,042	6,678,116	—	9,524,303	8.12
– non-performing*	—	—	—	—	—	—	334,182	334,182	—
Other assets	—	—	—	—	—	—	10,899	10,899	—
Other non-yield/profit rate sensitive balances	—	—	—	—	—	—	76,896	76,896	—
Total Assets	847,663	1,695,452	1,048,410	787,823	915,202	6,678,116	443,799	12,416,465	
Liabilities and Islamic Banking Fund									
Deposits from customers	3,046,132	1,051,805	836,701	1,628,388	53,226	—	2,308,080	8,924,332	2.63
Deposits and placements of banks and other financial institutions	579,858	50,000	440,000	—	3,247	33,781	1,085	1,107,971	2.75
Bills and acceptances payable	382,445	326,397	207,965	—	—	—	322	917,129	2.93
Provision for taxation and zakat	—	—	—	—	—	—	69,979	69,979	—
Other liabilities	—	—	—	—	—	—	772,448	772,448	—
Total Liabilities	4,008,435	1,428,202	1,484,666	1,628,388	56,473	33,781	3,151,914	11,791,859	



40. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

Bank (Cont'd.) 2003	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-yield/ profit rate sensitive	Effective yield/profit rate Total	Effective yield/profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Islamic banking fund	—	—	—	—	—	—	624,606	624,606	—
Total Liabilities and Islamic Banking Fund	4,008,435	1,428,202	1,484,666	1,628,388	56,473	33,781	3,776,520	12,416,465	
On-balance sheet yield/profit rate sensitivity gap	(3,160,772)	267,250	(436,256)	(840,565)	858,729	6,644,335	(3,332,721)		—
Cumulative yield/ profit rate sensitivity gap	(3,160,772)	(2,893,522)	(3,329,778)	(4,170,343)	(3,311,614)	3,332,721			—

* This is arrived at after deducting the general provision, specific provision and income-in-suspense from gross non-performing financing outstanding.

41. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

The banking activities of providing financial products and services to customers expose the Group and the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function, and monitored by Group Risk Management against delegated limits. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is mainly to protect the real economic value, rather than to avoid the short-term accounting impact.



41. FOREIGN EXCHANGE RISK (CONT'D.)

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar and US Dollar. The "Others" foreign exchange risk include mainly exposure to Euro, Japanese Yen, Renminbei, Philippines Peso, Indonesia Rupiah, Papua New Guinea Kina and Brunei Dollars.

Group 2004	Malaysian Ringgit	Singapore Dollar	Great Britain Pound	Hong Kong Dollar	United States Dollar	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	16,248,673	262,003	66,354	8,492	5,776,362	647,196	23,009,080
Deposits and placements with banks and other financial institutions	4,092,663	105,879	55	5	2,437,085	51,103	6,686,790
Securities purchased under resale agreements	676,266	57,365	—	—	—	—	733,631
Dealing securities	182,875	—	—	—	50,461	66,221	299,557
Investment securities	22,790,877	2,138,856	—	140,701	3,363,672	269,314	28,703,420
Loans, advances and financing	86,444,484	12,840,305	12,696	258,037	8,723,368	791,601	109,070,491
Statutory deposits with Central Banks	3,122,298	412,315	—	—	20,295	89,291	3,644,199
Investment in associates	12,221	—	—	—	6,686	—	18,907
Property, plant and equipment	1,028,846	313,470	5,207	1,766	4,075	29,458	1,382,822
Other assets	1,674,739	79,943	2,819	31,048	180,017	107,861	2,076,427
Deferred tax assets	1,261,643	—	—	—	—	—	1,261,643
Life and Family Takaful fund assets	2,620,460	—	—	—	—	—	2,620,460
Total Assets	140,156,045	16,210,136	87,131	440,049	20,562,021	2,052,045	179,507,427



Notes

to the Financial Statements – 30 June 2004

41. FOREIGN EXCHANGE RISK (CONT'D.)

Group 2004 (Cont'd.)	Malaysian Ringgit	Singapore Dollar	Great Britain Pound	Hong Kong Dollar	United States Dollar	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities							
Deposits from customers	99,352,109	14,215,588	114,467	150,453	7,853,549	1,679,776	123,365,942
Deposits and placements of banks and other financial institutions	8,557,136	175,523	22,464	344,431	5,280,115	118,537	14,498,206
Obligations on securities sold under repurchase agreements	6,116,478	—	—	—	871,553	—	6,988,031
Bills and acceptances payable	3,157,554	33,693	—	209	122,688	5,285	3,319,429
Recourse obligation on loans sold to Cagamas	6,532,046	—	—	—	—	—	6,532,046
Provision for taxation and zakat	754,535	173,097	—	26	2,800	1,872	932,330
Subordinated obligations	610,000	—	—	—	2,394,000	—	3,004,000
Other liabilities	2,685,024	229,875	29,634	55,678	133,303	39,882	3,173,396
Deferred taxation	10,806	—	—	—	—	—	10,806
Life and Family Takaful fund liabilities	101,491	—	—	—	—	—	101,491
Life and Family Takaful policy holders' funds	2,518,969	—	—	—	—	—	2,518,969
Total Liabilities	130,396,148	14,827,776	166,565	550,797	16,658,008	1,845,352	164,444,646
On-balance sheet open position	9,759,897	1,382,360	(79,434)	(110,748)	3,904,013	206,693	15,062,781
Off-balance sheet open position	4,032,726	(425,211)	82,755	87,998	(3,822,506)	44,238	—
Net open position	13,792,623	957,149	3,321	(22,750)	81,507	250,931	15,062,781
Net structural position included in the above	—	—	23,934	49,699	—	266,073	339,706

41. FOREIGN EXCHANGE RISK (CONT'D.)

Group 2003	Malaysian Ringgit	Singapore Dollar	Great Britain Pound	Hong Kong Dollar	United States Dollar	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	11,963,406	232,998	164,035	5,886	3,952,064	321,240	16,639,629
Deposits and placements with banks and other financial institutions	3,005,918	152,696	20,115	4	2,473,546	—	5,652,279
Securities purchased under resale agreements	199,045	385,963	—	—	—	—	585,008
Dealing securities	564,044	50,138	—	—	—	162,454	776,636
Investment securities	20,642,769	1,505,193	1,872	76,233	2,614,131	291,055	25,131,253
Loans, advances and financing	83,091,164	10,920,985	88,027	358,013	7,088,330	941,951	102,488,470
Statutory deposits with Central Banks	2,918,304	346,974	—	—	17,302	39,058	3,321,638
Investment in associates	12,448	—	—	—	4,853	—	17,301
Property, plant and equipment	1,065,947	309,147	4,573	1,807	3,575	34,924	1,419,973
Other assets	1,664,090	76,424	4,209	27,527	202,042	74,299	2,048,591
Deferred tax assets	1,109,870	—	—	—	—	970	1,110,840
Life and Family Takaful fund assets	1,763,779	—	—	—	—	—	1,763,779
Total Assets	128,000,784	13,980,518	282,831	469,470	16,355,843	1,865,951	160,955,397



41. FOREIGN EXCHANGE RISK (CONT'D.)

Group 2003	Malaysian Ringgit	Singapore Dollar	Great Britain Pound	Hong Kong Dollar	United States Dollar	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities							
Deposits from customers	89,445,100	12,229,617	316,515	153,965	6,285,016	1,104,516	109,534,729
Deposits and placements of banks and other financial institutions	5,399,198	192,605	1,277	296,327	7,704,458	78,667	13,672,532
Obligations on securities sold under repurchase agreements	4,817,297	—	—	—	569,275	—	5,386,572
Bills and acceptances payable	2,984,656	30,360	—	124	568	135,282	3,150,990
Recourse obligation on loans sold to Cagamas	6,661,965	—	—	—	—	—	6,661,965
Provision for taxation and zakat	635,308	147,774	—	4,853	1,620	91	789,646
Subordinated obligations	610,000	—	—	—	2,394,000	—	3,004,000
Other liabilities	2,595,737	197,697	5,450	41,278	205,291	51,928	3,097,381
Deferred taxation	8,594	24	—	—	—	2	8,620
Life and Family Takaful fund liabilities	107,443	—	—	—	—	—	107,443
Life and Family Takaful policy holders' funds	1,656,336	—	—	—	—	—	1,656,336
Total Liabilities	114,921,634	12,798,077	323,242	496,547	17,160,228	1,370,486	147,070,214
On-balance sheet open position	13,079,150	1,182,441	(40,411)	(27,077)	(804,385)	495,465	13,885,183
Off-balance sheet open position	(783,969)	(560,755)	40,481	(1,381)	1,981,543	(675,919)	—
Net open position	12,295,181	621,686	70	(28,458)	1,177,158	(180,454)	13,885,183
Net structural position included in the above	—	—	5,522	41,044	—	288,659	335,225

41. FOREIGN EXCHANGE RISK (CONT'D.)

Bank 2004	Malaysian Ringgit	Singapore Dollar	Great Britain Pound	Hong Kong Dollar	United States Dollar	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	14,396,177	256,021	63,729	8,469	4,648,267	155,164	19,527,827
Deposits and placements with banks and other financial institutions	2,725,575	110,096	—	—	3,112,898	180,919	6,129,488
Securities purchased under resale agreements	665,527	57,365	—	—	—	—	722,892
Dealing securities	113,346	—	—	—	50,461	—	163,807
Investment securities	17,339,184	2,034,802	—	134,426	3,099,317	92,411	22,700,140
Loans, advances and financing	68,228,060	12,840,304	12,696	258,037	4,986,724	392,591	86,718,412
Statutory deposits with Central Banks	2,406,000	412,315	—	—	20,295	17,024	2,855,634
Investment in subsidiaries	1,490,997	24,438	—	—	27,060	326,734	1,869,229
Investment in associates	3,600	—	—	—	6,140	—	9,740
Property, plant and equipment	724,095	301,574	5,207	1,762	4,000	—	1,036,638
Other assets	553,824	58,673	2,819	30,606	179,352	2,706	827,980
Deferred tax assets	834,089	155,273	—	—	—	—	989,362
Total Assets	109,480,474	16,250,861	84,451	433,300	16,134,514	1,167,549	143,551,149



Notes

to the Financial Statements – 30 June 2004

41. FOREIGN EXCHANGE RISK (CONT'D.)

Bank 2004 (Cont'd.)	Malaysian Ringgit	Singapore Dollar	Great Britain Pound	Hong Kong Dollar	United States Dollar	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities							
Deposits from customers	77,975,920	14,241,108	112,995	160,491	3,564,276	814,087	96,868,877
Deposits and placements of banks and other financial institutions	8,238,682	175,593	22,464	344,450	5,287,913	108,235	14,177,337
Obligations on securities sold under repurchase agreements	5,467,134	—	—	—	871,553	—	6,338,687
Bills and acceptances payable	5,707,314	33,693	—	209	799	4,132	5,746,147
Recourse obligation on loans sold to Cagamas	2,711,118	—	—	—	—	—	2,711,118
Provision for taxation and zakat	614,224	173,013	—	—	2,763	—	790,000
Subordinated obligations	610,000	—	—	—	2,394,000	—	3,004,000
Other liabilities	1,448,972	154,623	29,632	53,055	126,919	2,749	1,815,950
Total Liabilities	102,773,364	14,778,030	165,091	558,205	12,248,223	929,203	131,452,116
On-balance sheet open position	6,707,110	1,472,831	(80,640)	(124,905)	3,886,291	238,346	12,099,033
Off-balance sheet open position	4,032,726	(425,211)	82,755	87,998	(3,822,506)	44,238	—
Net open position	10,739,836	1,047,620	2,115	(36,907)	63,785	282,584	12,099,033
Net structural position included in the above	—	—	23,934	33,942	—	312,332	370,208



41. FOREIGN EXCHANGE RISK (CONT'D.)

Bank 2003	Malaysian Ringgit	Singapore Dollar	Great Britain Pound	Hong Kong Dollar	United States Dollar	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	9,867,228	229,379	155,078	5,826	3,184,596	248,499	13,690,606
Deposits and placements with banks and other financial institutions	3,061,596	154,858	20,087	—	3,868,342	151,056	7,255,939
Securities purchased under resale agreements	196,040	385,963	—	—	—	—	582,003
Dealing securities	24,988	50,138	—	—	—	21,872	96,998
Investment securities	14,729,305	1,421,618	1,872	71,839	2,357,560	153,628	18,735,822
Loans, advances and financing	64,903,229	10,920,985	88,026	358,013	3,421,057	469,044	80,160,354
Statutory deposits with Central Banks	2,236,000	346,974	—	—	17,297	21,128	2,621,399
Investment in subsidiaries	1,148,247	23,869	—	—	27,060	669,537	1,868,713
Investment in associates	3,600	—	—	—	6,140	—	9,740
Property, plant and equipment	729,869	297,068	4,573	1,804	3,482	—	1,036,796
Other assets	441,698	61,333	4,205	28,651	201,606	2,918	740,411
Deferred tax assets	855,546	—	—	—	—	—	855,546
Total Assets	98,197,346	13,892,185	273,841	466,133	13,087,140	1,737,682	127,654,327



41. FOREIGN EXCHANGE RISK (CONT'D.)

Bank 2003 (Cont'd.)	Malaysian Ringgit	Singapore Dollar	Great Britain Pound	Hong Kong Dollar	United States Dollar	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities							
Deposits from customers	70,313,606	12,250,170	307,927	154,544	3,076,658	734,396	86,837,301
Deposits and placements of banks and other financial institutions	4,440,611	192,604	1,276	296,327	7,791,701	73,236	12,795,755
Obligations on securities sold under repurchase agreements	4,499,303	—	—	—	569,275	—	5,068,578
Bills and acceptances payable	4,059,692	30,359	—	124	401	2,080	4,092,656
Recourse obligation on loans sold to Cagamas	2,289,153	—	—	—	—	—	2,289,153
Provision for taxation and zakat	488,521	147,672	—	4,843	1,600	—	642,636
Subordinated obligations	610,000	—	—	—	2,394,000	—	3,004,000
Other liabilities	1,259,882	134,835	5,446	41,101	202,954	3,603	1,647,821
Total Liabilities	87,960,768	12,755,640	314,649	496,939	14,036,589	813,315	116,377,900
On-balance sheet open position	10,236,578	1,136,545	(40,808)	(30,806)	(949,449)	924,367	11,276,427
Off-balance sheet open position	(783,969)	(560,755)	40,481	(1,381)	1,639,816	(334,192)	—
Net open position	9,452,609	575,790	(327)	(32,187)	690,367	590,175	11,276,427
Net structural position included in the above	—	—	5,522	27,674	—	332,199	365,395



41. FOREIGN EXCHANGE RISK (CONT'D.)

Net structural foreign currency position represents the Group's and the Bank's net investment in overseas operations. This position comprises the net assets of the Group's and the Bank's overseas branches, investments in overseas subsidiaries and long term investments in overseas properties.

Where possible, the Group and the Bank mitigate the effect of currency exposures by funding the overseas operations with borrowings and deposits received in the same functional currencies of the respective overseas locations. The foreign currency exposures are also hedged using foreign exchange derivatives.

The structural currency exposures of the Group and the Bank as at the balance sheet dates are as follows:

Group Currency of structural exposures	Structural currency exposures in overseas operations	Hedges by funding in respective currencies	Other currency hedges	Net structural currency exposures
	RM'000	RM'000	RM'000	RM'000
2004				
Singaporean Dollar	107,115	—	(107,115)	—
Great Britain Pound	23,934	—	—	23,934
Hong Kong Dollar	49,699	—	—	49,699
United States Dollar	487,096	(487,096)	—	—
Others	266,073	—	—	266,073
	933,917	(487,096)	(107,115)	339,706
2003				
Singaporean Dollar	72,695	—	(72,695)	—
Great Britain Pound	5,522	—	—	5,522
Hong Kong Dollar	41,044	—	—	41,044
United States Dollar	388,302	(388,302)	—	—
Others	288,659	—	—	288,659
	796,222	(388,302)	(72,695)	335,225



41. FOREIGN EXCHANGE RISK (CONT'D.)

Bank Currency of structural exposures	Structural currency exposures in overseas operations	Hedges by funding in respective currencies	Other currency hedges	Net structural currency exposures
	RM'000	RM'000	RM'000	RM'000
2004				
Singaporean Dollar	106,983	—	(106,983)	—
Great Britain Pound	23,934	—	—	23,934
Hong Kong Dollar	33,942	—	—	33,942
United States Dollar	47,659	(47,659)	—	—
Others	312,332	—	—	312,332
	524,850	(47,659)	(106,983)	370,208
2003				
Singaporean Dollar	72,565	—	(72,565)	—
Great Britain Pound	5,522	—	—	5,522
Hong Kong Dollar	27,674	—	—	27,674
United States Dollar	41,802	(41,802)	—	—
Others	332,199	—	—	332,199
	479,762	(41,802)	(72,565)	365,395



42. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with MASB Standard 24 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associated companies, property, plant and equipment, provision for current and deferred taxation, life and family takaful fund assets, and life and family takaful fund liabilities. The information on the fair values of financial assets and financial liabilities of the life and family takaful fund is disclosed in Note 49.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

Group	2004		2003	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial assets				
Dealing securities	299,557	299,627	776,636	780,910
Investment securities	28,703,420	29,133,479	25,131,253	26,253,195
Loans, advances and financing*	112,691,498	113,580,313	105,962,910	107,340,337



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

Group (Cont'd.)	2004		2003	
	Carrying Value RM'000	Fair Value Assets RM'000	Carrying Value RM'000	Fair Value Assets RM'000
Financial liabilities				
Deposits from customers	123,365,942	123,463,433	109,534,729	109,587,796
Deposits and placements of banks and other financial institutions	14,498,206	14,576,508	13,672,532	13,712,657
Recourse obligation on loans sold to Cagamas	6,532,046	7,549,003	6,661,965	6,717,043
Subordinated obligations	3,004,000	3,045,185	3,004,000	3,221,342

Bank	2004		2003	
	Carrying Value RM'000	Fair Value Assets RM'000	Carrying Value RM'000	Fair Value Assets RM'000
Financial assets				
Dealing securities	163,807	163,877	96,998	97,003
Investment securities	22,700,140	23,006,890	18,735,822	19,686,759
Loans, advances and financing*	89,407,829	90,590,964	82,750,589	83,625,118
Financial liabilities				
Deposits from customers	96,868,877	96,938,439	86,837,301	86,873,913
Deposits and placements of banks and other financial institutions	14,177,337	14,255,640	12,795,755	12,835,877
Recourse obligation on loans sold to Cagamas	2,711,118	2,790,359	2,289,153	2,337,467
Subordinated obligations	3,004,000	3,045,185	3,004,000	3,221,342

* The general provisions for the Group and the Bank amounting to RM3,621,007,000 (2003: RM3,474,440,000) and RM2,689,417,000 (2003: RM2,590,235,000) respectively have been added back to arrive at the carrying value of the loans, advances and financing.



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

The fair values of unrecognised financial instruments at the balance sheet date are as follows:

	2004			2003		
	Nominal Amount RM'000	Fair Value – Assets RM'000	Fair Value – Liabilities RM'000	Nominal Amount RM'000	Fair Value – Assets RM'000	Fair Value – Liabilities RM'000
	Group					
Derivative financial instruments						
Foreign exchange contracts:						
– Forwards and futures	8,422,825	16,277	(29,204)	6,167,092	19,781	(22,582)
– Swaps	14,221,752	31,268	(39,371)	8,680,667	27,094	(43,813)
Interest rate contracts						
– Forwards and futures	24,956	—	(5)	38,000	—	(3)
– Swaps	8,684,640	183,294	(153,525)	6,134,813	303,024	(387,619)
Bank						
Derivative financial instruments						
Foreign exchange contracts:						
– Forwards and futures	8,401,927	16,277	(29,204)	6,165,646	19,781	(22,582)
– Swaps	14,221,752	31,268	(39,371)	8,018,481	27,094	(43,813)
Interest rate contracts						
– Forwards and futures	13,000	—	(5)	38,000	—	(3)
– Swaps	8,416,580	187,264	(153,525)	6,134,813	303,024	(387,619)

Included in the fair value of the unrecognised financial instruments above is an amount of RM31,981,000 (2003: RM84,856,000) relating to the instruments that qualify as hedges, which gains and losses are deferred and amortised over the life of respective instruments to match against the corresponding amounts of the hedged instruments.



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

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(a) Cash and Short-term Funds

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

(b) Deposits and Placements with Financial Institutions, Securities Purchased under Resale Agreement, Obligations on Securities Sold under Repurchase Agreement and Bills and Acceptances Payable

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the balance sheet date.

(c) Dealing and Investment Securities

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including net tangible assets, earnings multiples and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the balance sheet date.

(d) Loans, Advances and Financing

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values which are net of interest/income-in-suspense and specific provision for bad and doubtful debts and financing.

(e) Deposits from Customers, Deposits and Placements of Banks and Other Financial Institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.



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

(f) Recourse Obligation on Loans Sold to Cagamas

The fair values of recourse obligation on housing and hire purchase loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at balance sheet date.

(g) Subordinated Obligations

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risks profiles.

(h) Derivative Financial Instruments

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the Group's and the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

43. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Approved and contracted for	177,951	182,974	158,507	157,528
Approved but not contracted for	376,918	284,622	318,802	223,186
	554,869	467,596	477,309	380,714
(b) Uncalled capital in shares of subsidiaries	—	—	280	280



43. CAPITAL AND OTHER COMMITMENTS (CONT'D.)

- (c) The Bank and a subsidiary are committed to lend up to five times the nominal value of its investment in Export Credit Insurance Corporation of Singapore Limited ("ECIC") to meet claims arising as part of the export credit insurance business of the company. ECIC may, at its option, convert the whole or any part of any such loans into fully paid shares.

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Maximum commitments in respect of the investment in ECIC	11,048	10,791	11,048	10,791

44. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank as at 30 June, are as follows:

	Group		Bank	
	2004	2003	2004	2003
Without deducting proposed dividend*:				
Core capital ratio	10.89%	10.65%	11.54%	11.45%
Risk-weighted capital ratio	15.62%	15.68%	14.74%	14.94%
After deducting proposed dividend:				
Core capital ratio	10.37%	10.28%	10.86%	10.96%
Risk-weighted capital ratio	15.10%	15.30%	14.07%	14.46%

* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the proposed dividends for respective financial years were not deducted.



44. CAPITAL ADEQUACY (CONT'D.)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tier 1 capital				
Paid-up share capital	3,600,172	3,589,465	3,600,172	3,589,465
Share premium	500,566	444,672	500,566	444,672
Other reserves	10,469,260	9,393,764	7,918,359	7,175,303
Tier 1 minority interest	203,504	202,943	—	—
Less: Deferred tax assets	(1,261,643)	(1,110,840)	(989,362)	(855,546)
Total Tier 1 capital	13,511,859	12,520,004	11,029,735	10,353,894
Tier 2 capital				
Subordinated obligations	2,244,000	2,434,000	2,244,000	2,434,000
General provision for bad and doubtful debts and financing	3,621,007	3,474,440	2,689,417	2,590,235
Total Tier 2 capital	5,865,007	5,908,440	4,933,417	5,024,235
Total capital	19,376,866	18,428,444	15,963,152	15,378,129
Less: Investment in subsidiaries	—	—	(1,869,229)	(1,868,713)
Capital base	19,376,866	18,428,444	14,093,923	13,509,416

The breakdown of risk-weighted assets (excluding deferred tax assets) in the various categories of risk-weights are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
0%	35,572,499	27,325,491	30,621,181	21,460,822
10%	2,270,884	4,262,725	1,614,342	3,233,650
20%	27,069,500	19,972,166	22,171,435	18,700,583
50%	22,537,394	19,877,897	18,331,996	15,615,461
100%	107,121,785	103,153,554	81,791,926	78,508,104
	194,572,062	174,591,833	154,530,880	137,518,620



45. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, business segment information, is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to public.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Capital expenditure comprises additions to property, plant and equipment.

(a) Primary Segment – By Business Segment

The Group comprises the following main business segments:

(i) Banking

The Banking segment focuses on business of banking in all its aspects which also include IBS operations. Its activities are generally structured into two key areas, Retail Financial Services ("RFS") and Enterprise Financial Services ("EFS").

RFS comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as housing loans and personal loans, unit trusts, bancassurance products and credit cards.

EFS provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(ii) Finance

The Finance segment focuses on business of a licensed finance company (including IBS operations) which provides products and services to individual customers and small and medium enterprises, concentrating on hire purchase financing, leasing, block discounting and other retail based loans products.



45. SEGMENT INFORMATION (CONT'D.)

(a) Primary Segment – By Business Segment (Cont'd.)

(iii) Investment Banking

The Investment Banking segment includes business of a merchant bank, discount house and securities broker. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, and share and futures dealings.

(iv) Insurance and Takaful

The insurance and takaful segment includes the business of underwriting all classes of general and life insurance businesses, offshore investment life insurance business, general takaful and family takaful businesses.

(v) Others

The "Others" segment includes asset and fund management, nominee and trustee services and custodian services.

Group 2004	Banking	Finance	Investment Banking	Insurance and Takaful	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE							
External revenue	7,921,836	1,827,585	451,180	247,931	72,388	—	10,520,920
Dividends from subsidiaries	589,217	7,188	40,821	34,652	875	(672,753)	—
Other inter-segment revenue	163,861	18,346	3,450	28,089	15,442	(229,188)	—
Total inter-segment revenue	753,078	25,534	44,271	62,741	16,317	(901,941)	—
Total revenue	8,674,914	1,853,119	495,451	310,672	88,705	(901,941)	10,520,920
Segment results							
– operating profit	3,418,683	766,129	174,164	128,556	35,827	(672,753)	3,850,606
Loan and financing loss and provisions	(537,018)	3,965	37,691	—	—	—	(495,362)
Share of results of associated companies	—	740	—	—	2,613	—	3,353



45. SEGMENT INFORMATION (CONT'D.)

(a) Primary Segment – By Business Segment (Cont'd.)

Group 2004	Banking	Finance	Investment Banking	Insurance and Takaful	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE (CONT'D.)							
Profit before taxation and zakat	2,881,665	770,834	211,855	128,556	38,440	(672,753)	3,358,597
Taxation and zakat	(794,711)	(185,818)	(22,693)	(23,067)	(12,895)	150,674	(888,510)
Profit after taxation and zakat	2,086,954	585,016	189,162	105,489	25,545	(522,079)	2,470,087
Minority interests							(45,576)
Net profit for the year							2,424,511
ASSETS AND LIABILITIES							
Segment assets	151,903,745	22,825,694	9,290,211	4,151,352	297,089	(8,979,571)	179,488,520
Investment in associated companies	—	5,564	—	—	13,343	—	18,907
Total assets	151,903,745	22,831,258	9,290,211	4,151,352	310,432	(8,979,571)	179,507,427
Total segment liabilities	139,196,376	20,239,120	7,954,472	2,970,054	160,359	(6,075,735)	164,444,646
OTHER INFORMATION							
Capital expenditure	145,727	2,745	5,331	1,086	4,415	—	159,304
Depreciation	141,205	22,067	6,624	8,227	2,522	—	180,645
Non-cash expenses/(income) other than depreciation	453,752	72,979	(12,814)	(1,201)	2,686	—	515,402



45. SEGMENT INFORMATION (CONT'D.)

(a) Primary Segment – By Business Segment (Cont'd.)

Group 2003	Banking	Finance	Investment Banking	Insurance and Takaful	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE							
External revenue	7,418,224	1,900,683	431,519	230,426	56,758	—	10,037,610
Dividends from subsidiaries	1,239,067	12,150	19,619	33,002	948	(1,304,786)	—
Other inter-segment revenue	170,840	35,732	3,888	26,439	14,304	(251,203)	—
Total inter-segment revenue	1,409,907	47,882	23,507	59,441	15,252	(1,555,989)	—
Total revenue	8,828,131	1,948,565	455,026	289,867	72,010	(1,555,989)	10,037,610
Segment results							
– operating profit	3,813,844	724,838	166,429	135,687	(4,395)	(1,304,786)	3,531,617
Loan and financing loss and provisions	(882,064)	(25,030)	(4,320)	—	(434)	—	(911,848)
Share of results of associated companies	—	(1,170)	(27)	—	1,102	—	(95)
Profit before taxation and zakat	2,931,780	698,638	162,082	135,687	(3,727)	(1,304,786)	2,619,674
Taxation and zakat	(684,845)	(172,949)	(19,800)	(39,675)	(8,136)	362,156	(563,249)
Profit after taxation and zakat	2,246,935	525,689	142,282	96,012	(11,863)	(942,630)	2,056,425
Minority interests							(59,936)
Net profit for the year							1,996,489



45. SEGMENT INFORMATION (CONT'D.)

(a) Primary Segment – By Business Segment (Cont'd.)

Group 2003	Banking	Finance	Investment Banking	Insurance and Takaful	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS AND LIABILITIES							
Segment assets	136,588,647	23,448,341	9,174,514	3,422,565	364,101	(12,060,072)	160,938,096
Investment in associated companies	—	4,852	—	—	12,449	—	17,301
Total assets	136,588,647	23,453,193	9,174,514	3,422,565	376,550	(12,060,072)	160,955,397
Total segment liabilities	123,911,537	20,967,618	7,927,115	2,124,921	157,075	(8,018,052)	147,070,214
OTHER INFORMATION							
Capital expenditure	209,240	10,065	5,183	1,948	33,101	—	259,537
Depreciation	129,127	25,498	7,099	8,319	8,822	—	178,865
Non-cash expenses/ (income) other than depreciation	699,804	123,608	11,298	10,032	5,069	(184,660)	665,151

(b) Secondary Segment – By Geographical Locations

In presenting information on the basis of geographical segments, segment revenue is based on geographical locations of customers. Segment assets are based on the geographical locations of assets.

The Group has operations in Malaysia, Singapore, Indonesia, Philippines, Papua New Guinea, Brunei Darussalam, People's Republic of China, Hong Kong SAR, Vietnam, United Kingdom, United States of America, Cambodia and Bahrain.

With the exception of Malaysia and Singapore, no other individual country contributed more than 5% of the consolidated revenue before operating expenses and of total assets.



45. SEGMENT INFORMATION (CONT'D.)

(b) Secondary Segment – By Geographical Locations (Cont'd.)

	Total Revenue from External Customers	Capital Expenditure	Segment Assets	Profit before Taxation and Zakat
	RM'000	RM'000	RM'000	RM'000
2004				
Malaysia	10,178,040	125,023	162,568,597	3,813,808
Singapore	756,503	18,475	17,579,299	144,215
Others	488,318	15,806	8,339,102	73,327
Elimination	11,422,861 (901,941)	159,304 —	188,486,998 (8,979,571)	4,031,350 (672,753)
Group	10,520,920	159,304	179,507,427	3,358,597
2003				
Malaysia	10,375,731	218,361	150,130,607	3,791,387
Singapore	717,120	18,887	14,759,326	95,884
Others	500,748	22,289	8,125,536	37,189
Elimination	11,593,599 (1,555,989)	259,537 —	173,015,469 (12,060,072)	3,924,460 (1,304,786)
Group	10,037,610	259,537	160,955,397	2,619,674



46. SIGNIFICANT EVENTS

(a) Outsourcing of IT Services

On 28 August 2003, the Bank entered into an estimated RM1.3 billion ten (10) year IT outsourcing agreement with CSC Computer Science Sdn. Bhd. and CSC Computer Sciences Pte. Limited ("the CSC Group"). The services to be provided under the agreement include data center operations, desktop management, network management and IT help desk across the Group's operations in Malaysia and Singapore. The Group's IT Group would continue to be responsible for IT strategy and architecture, applications development and strategic projects.

(b) Increase in Equity Interest in Mayban Life International (Labuan) Ltd.

On 15 October 2003, Mayban Life Assurance Berhad ("MLAB"), a 62.0% owned subsidiary of the Bank, acquired 1,050,000 ordinary shares of USD1 each in Mayban Life International (Labuan) Ltd. ("MLI(L)"), representing the remaining 30% equity interest of its investment in MLI(L), for a cash consideration of USD780,000 (RM2,983,500). MLI(L) becomes a wholly-owned subsidiary of MLAB subsequent to the acquisition, and the Group's effective interest in MLI(L) increases from 43.4% to 62.0% since then.

47. SUBSEQUENT EVENTS

(a) Disposal of Equity Interest in Inter-City MPC (M) Sdn. Bhd.

On 29 July 2004, Kerlipan Bersinar Sdn. Bhd., a 72.7% owned subsidiary of the Bank, disposed 7,200,000 ordinary shares of RM1 each in Inter-City MPC (M) Sdn. Bhd. (ICM), representing 100% equity interest of its investment in ICM, for a cash consideration of RM12,500,000.

(b) Proposed ESOS and Increase in Authorised Ordinary Share Capital

As disclosed in Note 22, the revised Proposed ESOS (after incorporating the proposed changes) has been approved by the shareholders on 11 August 2004 in the Extraordinary General Meeting. In addition to the shareholders' approval obtained for the non-executive directors to participate in the revised Proposed ESOS, approval from the shareholders has also been obtained for the grant of options under the revised Proposed ESOS to subscribe for a maximum of 155,000 new ordinary shares in the Bank to Tunku Alizarki bin Raja Muhammad Alias, an employee of the Bank and a person connected to a non-executive director, Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali.

The shareholders have also approved the resolution for the increase in the authorised ordinary share capital of the Bank from RM4,000,000,000 to RM10,000,000,000 by the creation of an additional 6,000,000,000 new ordinary shares of RM1 each in the same meeting.

(c) Transfer of the business of Mayban Finance Berhad to the Bank

The vesting order for the transfer of the finance company business of a subsidiary, Mayban Finance Berhad, to the Bank has been issued by the High Court on 17 August 2004. The transfer will be effective on 1 October 2004. The exercise has been approved by Bank Negara Malaysia vide its letter dated 4 June 2004.

(d) Acquisition of Additional Equity Interest in Aseambankers Malaysia Berhad

The Bank obtained the approval of Bank Negara Malaysia on 1 June 2004 to acquire an additional 2,350,440 ordinary shares of RM1 each of Aseambankers Malaysia Berhad ("Aseambankers") for a total consideration of RM18,380,440. The Bank's shareholding in Aseambankers will increase from 75.0% to 79.7% when the acquisition is completed in the future. The acquisition has not been completed as at the date of the financial statements.



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS")

BALANCE SHEETS AS AT 30 JUNE 2004

	Note	Group		Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
ASSETS					
Cash and short-term funds	(a)	2,912,921	359,743	2,605,169	207,400
Deposits and placements with banks and other financial institutions	(b)	89,570	166,471	64,970	134,472
Investment securities	(c)	3,111,229	3,201,790	2,051,061	2,128,313
Loans and financing	(d)	14,581,517	11,703,438	12,182,100	9,858,485
Deferred tax assets	(e)	203,058	108,106	148,462	76,896
Other assets		25,331	38,717	4,785	10,899
		20,923,626	15,578,265	17,056,547	12,416,465
LIABILITIES					
Deposits from customers	(f)	11,738,086	11,162,258	9,957,356	8,924,332
Deposits and placements of banks and other financial institutions	(g)	4,227,747	1,415,177	4,001,000	1,107,971
Bills and acceptances payable		1,433,323	582,670	1,433,323	917,129
Other liabilities	(h)	2,081,206	1,005,428	870,100	772,448
Provision for taxation and zakat	(j)	143,497	102,350	95,484	69,979
		19,623,859	14,267,883	16,357,263	11,791,859
Islamic banking capital fund	(k)	1,299,767	1,310,382	699,284	624,606
		20,923,626	15,578,265	17,056,547	12,416,465
COMMITMENTS AND CONTINGENCIES	(p)	4,112,571	3,919,742	3,638,240	3,323,384

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



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Note	Group		Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income	(l)	521,970	383,081	334,675	252,301
Financing loss and provisions	(m)	(319,020)	(203,701)	(219,495)	(143,343)
Net income		202,950	179,380	115,180	108,958
Overhead expenses	(n)	(19,926)	(17,066)	(16,821)	(14,502)
Profit before taxation and zakat		183,024	162,314	98,359	94,456
Taxation	(o)	(42,671)	(40,657)	(23,434)	(21,946)
Zakat		(869)	(983)	(247)	(237)
Profit after taxation and zakat		139,484	120,674	74,678	72,273

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



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2004

	Islamic Banking Fund	Statutory Reserve	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000
Group				
At 1 July 2002	332,500	—	506,250	838,750
Net profit for the year	—	—	120,674	120,674
Transfer to Islamic Banking Fund	350,958	—	—	350,958
Transfer to statutory reserves	—	1,313	(1,313)	—
At 30 June 2003	683,458	1,313	625,611	1,310,382
Net profit for the year	—	—	139,484	139,484
Transfer from Islamic Banking Fund	(150,099)	—	—	(150,099)
Transfer to statutory reserves	—	2,523	(2,523)	—
At 30 June 2004	533,359	3,836	762,572	1,299,767
Bank				
At 1 July 2002	222,500	—	329,833	552,333
Net profit for the year	—	—	72,273	72,273
At 30 June 2003	222,500	—	402,106	624,606
Net profit for the year	—	—	74,678	74,678
At 30 June 2004	222,500	—	476,784	699,284

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



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	183,024	162,314	98,359	94,456
Adjustments for:				
Loan and financing loss and provision	329,355	208,217	221,849	143,469
Amortisation of premiums less accretion of discounts of investment securities	(19,200)	(20,569)	(14,833)	(16,168)
Income-in-suspense	34,358	25,311	26,305	21,807
Profit Equalisation Reserve	101,559	65,549	91,939	42,372
	629,096	440,822	423,619	285,936
Decrease in deposits and placements with banks and other financial institutions	76,901	113,184	69,502	63,183
Decrease in dealing securities	—	165,678	—	—
Increase in loans and financing	(3,241,792)	(3,691,064)	(2,571,769)	(3,138,258)
Increase in other assets	13,386	389,818	6,114	55,589
Increase in deposits from customers	575,828	236,127	1,033,024	287,389
Increase in deposits and placements of banks and other financial institutions	2,812,570	100,589	2,893,029	275,366
Increase in bills and acceptances payable	850,653	561,371	516,194	895,830
Net (purchase)/disposal of investment securities	109,761	(354,647)	92,085	(267,405)
Increase in other liabilities	974,219	883,093	5,713	683,360
Cash generated from operations	2,800,622	(1,155,029)	2,467,511	(859,010)
Taxes and zakat paid	(97,345)	(86,670)	(69,742)	(42,294)
Net cash generated from/(used in) operating activities	2,703,277	(1,241,699)	2,397,769	(901,304)



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (CONT'D.)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
CASH FLOWS FROM FINANCING ACTIVITY				
Funds transferred (from)/to Head Office	(150,099)	350,958	—	—
Net cash (used in)/generated from financing activity	(150,099)	350,958	—	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,553,178	(890,741)	2,397,769	(901,304)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	359,743	1,250,484	207,400	1,108,704
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,912,921	359,743	2,605,169	207,400
Cash and cash equivalents comprise:				
Cash and short term funds	2,912,921	359,743	2,605,169	207,400

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



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(a) CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash, balances and deposits with banks and other financial institutions	2,912,921	359,743	2,605,169	207,400

(b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	12,600	80,000	20,000	80,000
Licensed merchant banks	38,600	47,000	38,600	47,000
Bank Negara Malaysia	6,370	7,471	6,370	7,472
Other financial institutions	32,000	32,000	—	—
	89,570	166,471	64,970	134,472

(c) INVESTMENT SECURITIES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Money market instruments:				
Cagamas Mudharabah bonds	153,929	153,924	153,929	153,924
Malaysian Government Investment certificates and issues	413,569	254,896	329,240	203,672
Khazanah bonds	148,220	232,060	24,322	142,914
Islamic accepted bills	623,678	1,350,601	623,678	1,350,601
Negotiable Islamic certificates of deposits	954,151	267,721	896,979	238,154
Total money market instruments	2,293,547	2,259,202	2,028,148	2,089,265



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(c) INVESTMENT SECURITIES (CONT'D.)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted securities in Malaysia:				
Private and Islamic debt securities	819,526	922,810	14,350	14,350
Accumulated accretion of discounts less amortisation of premiums	14,156	40,778	8,563	24,698
Provision for diminution in value of Islamic debt securities	(16,000)	(21,000)	—	—
	3,111,229	3,201,790	2,051,061	2,128,313
Indicative value of unquoted securities:				
Cagamas				
Mudharabah bonds	155,247	152,515	155,247	152,515
Malaysian Government				
Investment certificates and issues	419,963	261,986	335,034	208,493
Khazanah bonds	151,329	266,667	26,161	166,429
Private and Islamic debt securities	827,716	954,384	14,350	14,350

The maturity structure of money market instruments held for investment is as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Maturing within one year	1,451,071	1,916,460	1,421,942	1,752,786
One year to three years	700,070	303,073	509,791	298,435
Three years to five years	142,406	38,044	96,415	38,044
After five years	—	1,625	—	—
	2,293,547	2,259,202	2,028,148	2,089,265



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(d) LOANS AND FINANCING

	Group		Bank	
	2004 RM’000	2003 RM’000	2004 RM’000	2003 RM’000
Overdrafts	1,191,398	1,129,008	1,191,398	1,129,008
Term financing	18,328,632	16,758,987	16,999,470	15,212,029
Trust receipts	199,081	237,564	152,292	177,939
Hire purchase receivables	2,316,239	1,597,262	—	—
Other financing	2,706,854	1,308,529	2,521,772	1,368,154
	24,742,204	21,031,350	20,864,932	17,887,130
Unearned income	(9,321,733)	(8,785,431)	(8,102,952)	(7,665,143)
Gross loans and financing	15,420,471	12,245,919	12,761,980	10,221,987
Provision for bad and doubtful debts and financing				
– Specific	(217,866)	(172,214)	(121,607)	(88,756)
– General	(534,031)	(306,364)	(395,910)	(232,255)
Income-in-suspense	(87,057)	(63,903)	(62,363)	(42,491)
Net loans and financing	14,581,517	11,703,438	12,182,100	9,858,485

(i) Loans and financing analysed by concepts are as follows:

	Group		Bank	
	2004 RM’000	2003 RM’000	2004 RM’000	2003 RM’000
Al-Bai’ Bithaman Ajil	10,578,104	9,119,157	10,096,940	8,677,984
Al-Ijarah	1,833,046	1,226,985	—	—
Al-Murabahah	2,659,227	1,536,956	2,659,227	1,536,956
Other principles	350,094	362,821	5,813	7,047
	15,420,471	12,245,919	12,761,980	10,221,987



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

(ii) Loans and financing analysed by their economic purposes are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Agriculture	262,910	412,194	261,120	410,110
Manufacturing	2,047,128	1,127,722	2,038,438	1,119,324
Electricity, gas and water	251,745	70,222	251,226	70,114
Construction	583,072	507,937	505,544	441,529
Real estate	133,874	222,849	131,726	221,152
Purchase of landed properties:				
– Residential	7,082,372	6,337,377	6,597,801	5,895,536
– Non-residential	709,076	408,533	600,989	285,446
– Less Islamic loans sold to Cagamas	(114,380)	(127,268)	(114,380)	(127,268)
General commerce	563,980	345,696	555,101	333,736
Transport, storage and communication	227,599	193,655	218,380	183,887
Finance, insurance and business service	1,120,366	814,598	1,115,250	812,601
Purchase of securities	110,545	155,550	70,911	107,295
Purchase of transport vehicles	2,110,705	1,593,029	133	141
– Less Islamic loans sold to Cagamas	(351,994)	(425,341)	—	—
Consumption credit	500,769	458,696	353,643	320,116
Others	182,704	150,470	176,098	148,268
	15,420,471	12,245,919	12,761,980	10,221,987

(iii) The maturity structure of loans and financing is as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Maturing within one year	4,025,505	2,794,421	3,985,115	2,783,567
One year to three years	424,220	317,653	240,526	117,572
Three years to five years	812,104	1,228,419	248,629	403,394
After five years	10,158,642	7,905,426	8,287,710	6,917,454
	15,420,471	12,245,919	12,761,980	10,221,987



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(d) LOANS AND FINANCING (CONT’D.)

(iv) Movements in the non-performing loans and financing (including income receivables) are as follows:

	Group		Bank	
	2004 RM’000	2003 RM’000	2004 RM’000	2003 RM’000
Gross balance at beginning of year	883,462	601,101	697,685	428,292
Classified during the year	1,079,420	836,679	923,746	674,933
Recovered/regularised during the year	(768,563)	(525,938)	(684,291)	(408,005)
Expenses debited to customers’ accounts	2,571	3,750	2,571	3,750
Amount written off	(53,572)	(32,130)	(21,070)	(1,285)
Gross balance at end of year	1,143,318	883,462	918,641	697,685
Less:				
– Specific provision	(217,866)	(172,214)	(121,607)	(88,756)
– Income-in-suspense	(87,057)	(63,903)	(62,363)	(42,491)
Net non-performing loans	838,395	647,345	734,671	566,438
Gross loans and financing	15,420,471	12,245,919	12,761,980	10,221,987
Add: Loans sold to Cagamas	466,374	552,609	114,380	127,268
	15,886,845	12,798,528	12,876,360	10,349,255
Less:				
– Specific provision	(217,866)	(172,214)	(121,607)	(88,756)
– Income-in-suspense	(87,057)	(63,903)	(62,363)	(42,491)
Net loan and financing (including loans sold to Cagamas)	15,581,922	12,562,411	12,692,390	10,218,008
Ratio of net non-performing loans	5.38%	5.15%	5.79%	5.54%



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) LOANS AND FINANCING (CONT'D.)

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Specific provision				
Balance at beginning of year	172,214	164,653	88,756	79,136
Provision made during the year	268,756	214,177	82,842	33,912
Amount written back in respect of recoveries	(165,877)	(178,706)	(22,580)	(17,905)
Amount written off	(49,677)	(22,761)	(19,861)	(1,238)
Transfer to general provision	(2,084)	—	(2,084)	—
Transfer to specific provision for restructured/rescheduled loans and financing	(5,466)	(5,149)	(5,466)	(5,149)
Balance at end of year	217,866	172,214	121,607	88,756
General provision				
Balance at beginning of year	306,364	133,793	232,255	104,793
Provision made during the year	225,583	172,571	161,571	127,462
Transfer from specific provision	2,084	—	2,084	—
Balance at end of year	534,031	306,364	395,910	232,255
As a percentage of total loans (including Islamic loans sold to Cagamas less specific provision and income-in-suspense)	3.43%	2.44%	3.12%	2.27%
As a percentage of total risk-weighted assets, excluding deferred tax assets	3.90%	2.77%	3.86%	2.87%



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(d) LOANS AND FINANCING (CONT’D.)

(v) Movements in the provision for bad and doubtful debts and income-in-suspense are as follows (Cont’d.):

	Group		Bank	
	2004 RM’000	2003 RM’000	2004 RM’000	2003 RM’000
Income-in-suspense				
Balance at beginning of year	63,903	47,786	42,491	20,731
Provision made during the year	93,690	72,645	70,076	42,676
Amount written back in respect of recoveries	(59,332)	(47,334)	(43,771)	(20,869)
Transfer to income-in-suspense for restructured/rescheduled loans and financing	(8,187)	—	(5,224)	—
Amount written off	(3,017)	(9,194)	(1,209)	(47)
Balance at end of year	87,057	63,903	62,363	42,491

(e) DEFERRED TAX ASSETS

	Group		Bank	
	2004 RM’000	2003 RM’000	2004 RM’000	2003 RM’000
At 1 July 2003/2002	(108,106)	(47,612)	(76,896)	(29,342)
Recognised in the income statement (Note 48 (o))	(92,486)	(60,494)	(71,566)	(47,554)
Transfer to provision for taxation	(2,466)	—	—	—
At 30 June 2004/2003	(203,058)	(108,106)	(148,462)	(76,896)
Presented after appropriate offsetting as follows:				
Deferred tax assets, net	(203,058)	(110,572)	(148,462)	(76,896)
Deferred tax liabilities, net	—	2,466	—	—

48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) DEFERRED TAX ASSETS (CONT'D.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets shown in the balance sheet have been determined after appropriate offsetting.

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

Deferred Tax Assets of the Group:

	Loan Loss and Provisions and Income Suspended	Provision for Diminution in Value of Investments and Amortisation of Premiums	Provision for Liabilities	Other Temporary Differences	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2003	(88,127)	(5,880)	(4,700)	(11,865)	(110,572)
Recognised in the income statement	(63,538)	1,400	(54)	(30,294)	(92,486)
At 30 June 2004	(151,665)	(4,480)	(4,754)	(42,159)	(203,058)
At 1 July 2002	(40,977)	(5,880)	(2,201)	—	(49,058)
Recognised in the income statement	(47,150)	—	(2,499)	(11,865)	(61,514)
At 30 June 2003	(88,127)	(5,880)	(4,700)	(11,865)	(110,572)



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(e) DEFERRED TAX ASSETS (CONT’D.)

Deferred Tax Liabilities of the Group:

	Accretion of Discounts on Investments
	RM’000
At 1 July 2003	2,466
Transfer to provision for taxation	(2,466)
At 30 June 2004	—
At 1 July 2002	1,446
Recognised in the income statement	1,020
At 30 June 2003	2,466

Deferred Tax Assets of the Bank:

	Loan Loss and Provisions	Other Temporary Differences	Total
	RM’000	RM’000	RM’000
At 1 July 2003	(65,031)	(11,865)	(76,896)
Recognised in the income statement	(45,823)	(25,743)	(71,566)
At 30 June 2004	(110,854)	(37,608)	(148,462)
At 1 July 2002	(29,342)	—	(29,342)
Recognised in the income statement	(35,689)	(11,865)	(47,554)
At 30 June 2003	(65,031)	(11,865)	(76,896)

48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(f) DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<u>Mudharabah Fund</u>				
Demand deposits	3,244	251	—	—
Savings deposits	127,798	115,074	—	—
General investment deposits	5,218,542	6,844,963	3,568,854	4,722,362
Special investment deposits	481,383	142,898	481,383	142,898
	5,830,967	7,103,186	4,050,237	4,865,260
<u>Non-Mudharabah Fund</u>				
Demand deposits	3,063,365	2,308,080	3,063,365	2,308,080
Savings deposits	1,828,129	1,387,105	1,828,129	1,387,105
Negotiable instruments of deposits	1,015,625	363,887	1,015,625	363,887
	5,907,119	4,059,072	5,907,119	4,059,072
	11,738,086	11,162,258	9,957,356	8,924,332

- (i) The maturity structure of general and special investment deposits and negotiable instruments of deposits is as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Due within six months	5,355,435	6,119,207	3,849,652	4,154,058
Six months to one year	1,220,833	1,194,375	1,084,734	1,048,329
One year to three years	25,983	32,710	19,570	24,112
Three years to five years	113,299	5,456	111,906	2,648
	6,715,550	7,351,748	5,065,862	5,229,147



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(f) DEPOSITS FROM CUSTOMERS (CONT'D.)

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Business enterprises	3,338,568	3,972,555	3,045,178	3,114,140
Individuals	2,726,426	2,815,688	2,515,584	2,213,113
Others	5,673,092	4,374,015	4,396,594	3,597,079
	11,738,086	11,162,258	9,957,356	8,924,332

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<u>Mudharabah Fund</u>				
Licensed banks	1,600,580	242,228	1,601,810	299,000
Licensed finance companies	123,910	67,250	123,910	67,250
Licensed discount houses	510,151	108,820	479,250	108,820
Licensed merchant banks	75,630	700	74,590	—
Other financial institutions	200,451	375,565	4,415	89,787
	2,510,722	794,563	2,283,975	564,857
<u>Non-Mudharabah Fund</u>				
Licensed banks	1,385,304	488,586	1,385,304	446,086
Licensed finance companies	59,710	60,000	59,710	45,000
Licensed discount houses	219,655	—	219,655	—
Licensed merchant banks	—	20,000	—	—
Other financial institutions	52,356	52,028	52,356	52,028
	1,717,025	620,614	1,717,025	543,114
	4,227,747	1,415,177	4,001,000	1,107,971



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) OTHER LIABILITIES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit payable	36,613	38,181	29,565	28,688
Profit equalisation reserve (Note 48(i))	167,108	65,549	134,311	42,372
Due to Head Office	1,838,091	883,848	668,067	684,248
Other creditors, provisions and accruals	39,394	17,850	38,157	17,140
	2,081,206	1,005,428	870,100	772,448

(i) PROFIT EQUALISATION RESERVES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
The movements in PER are as follows:-				
At 1 July 2003/2002	65,549	—	42,372	—
Amount arising during the year	124,197	74,578	91,939	42,372
Amount written back	(22,638)	(9,029)	—	—
At 30 June 2004/2003	167,108	65,549	134,311	42,372

(j) PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Taxation	137,623	97,018	95,000	69,500
Zakat	5,874	5,332	484	479
	143,497	102,350	95,484	69,979



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(k) ISLAMIC BANKING CAPITAL FUND

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Funds allocated from Head Office	533,359	683,458	222,500	222,500
Statutory reserves	3,836	1,313	—	—
Retained profits	762,572	625,611	476,784	402,106
	1,299,767	1,310,382	699,284	624,606

(l) INCOME FROM THE OPERATIONS OF IBS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income derived from investment of depositors' funds	974,716	760,364	688,299	511,747
Income attributable to depositors:				
– Other customers				
Mudharabah Fund	(215,285)	(235,110)	(111,562)	(152,506)
Non-Mudharabah Fund	(78,886)	(41,041)	(78,886)	(41,042)
	(294,171)	(276,151)	(190,448)	(193,548)
– Banks and other financial institutions				
Mudharabah Fund	(29,511)	(36,936)	(29,392)	(22,656)
Non-Mudharabah Fund	(58,008)	(23,126)	(67,919)	(23,127)
	(87,519)	(60,062)	(97,311)	(45,783)
Profit equalisation reserves	(101,559)	(65,549)	(91,939)	(42,372)
Income attributable to the Group/Bank	491,467	358,602	308,601	230,044
– Other IBS income	46,047	36,806	41,616	34,584
– Other IBS expenses	(15,544)	(12,327)	(15,542)	(12,327)
	521,970	383,081	334,675	252,301



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(I) INCOME FROM THE OPERATIONS OF IBS (CONT'D.)

Details of the income derived from investment of depositors' funds and funds allocated from Head Office are as follows:

	Group		Bank	
	Depositors' funds RM'000	IBF RM'000	Depositors' funds RM'000	IBF RM'000
2004				
Income from financing	882,173	—	624,071	—
Investment income:				
– Gain/(loss) from sale of dealing securities	(1,052)	—	(1,052)	—
– Gain/(loss) from sale of investment securities	5,376	—	—	—
– Gross income from investment securities	79,327	—	64,953	—
	965,824	—	687,972	—
Fee income:				
– Commission	—	32,514	—	32,514
– Service charges and fees	662	9,101	219	9,101
– Other fee income	107	532	108	1
– Other non-operating income	8,123	3,900	—	—
	974,716	46,047	688,299	41,616
2003				
Income from financing	682,268	—	456,624	—
Investment income:				
– Gain/(loss) from sale of dealing securities	2,718	—	(1,754)	—
– Gain/(loss) from sale of investment securities	6,307	—	—	—
– Gross income from investment securities	61,939	—	56,162	—
	753,232	—	511,032	—
Fee income:				
– Commission	—	28,850	—	26,628
– Service charges and fees	1,296	7,956	682	7,956
– Other fee income	33	—	33	—
– Other non-operating income	5,803	—	—	—
	760,364	36,806	511,747	34,584



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(m) FINANCING LOSS AND PROVISIONS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Provision for bad and doubtful debts and financing:				
– Specific (net)	102,879	35,471	60,262	16,007
– General	225,583	172,571	161,571	127,462
Bad debts and financing:				
– Written off	893	175	16	—
– Recovered	(10,335)	(4,516)	(2,354)	(126)
	319,020	203,701	219,495	143,343

(n) OVERHEAD EXPENSES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Personnel expenses*	9,009	7,945	8,067	7,092
Establishment costs	3,579	3,233	3,348	3,038
Marketing costs	1,502	923	999	755
Administration and general expenses	5,836	4,965	4,407	3,617
	19,926	17,066	16,821	14,502
Included in overhead expenses are:				
Shariah Committee Members' fee and remuneration	52	45	52	45
* Personnel expenses				
Salaries and wages	7,213	6,481	6,471	5,789
Social security cost	56	53	51	49
Pension cost – defined contribution plan	1,120	953	981	845
Other staff related expenses	620	458	564	409
	9,009	7,945	8,067	7,092

48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(o) TAXATION

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current year's provision	135,157	101,151	95,000	69,500
Deferred tax in relation to origination and reversal of temporary differences (Note 48(e))	(92,486)	(60,494)	(71,566)	(47,554)
	42,671	40,657	23,434	21,946

(p) COMMITMENTS AND CONTINGENCIES

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

Risk-weighted exposure of the Bank and its subsidiaries as at 30 June, are as follows:

	2004		2003	
	Principal RM'000	Credit Equivalent RM'000	Principal RM'000	Credit Equivalent RM'000
Group				
Direct credit substitutes	192,026	192,026	130,187	130,187
Certain transaction-related contingent items	530,932	265,466	402,147	201,174
Short-term self-liquidating trade related contingencies	218,530	43,706	157,304	31,461
Islamic housing and hire purchase loans sold to Cagamas Berhad	466,374	466,374	552,609	552,609
Irrevocable commitments to extend credit:				
– Maturity within one year	1,668,197	—	1,764,007	—
– Maturity exceeding one year	425,988	212,994	737,578	368,789
Miscellaneous	610,524	—	175,910	—
	4,112,571	1,180,566	3,919,742	1,284,220



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(p) COMMITMENTS AND CONTINGENCIES (CONT’D.)

	2004		2003	
	Principal RM’000	Credit Equivalent RM’000	Principal RM’000	Credit Equivalent RM’000
Bank				
Direct credit substitutes	192,026	192,026	130,187	130,187
Certain transaction-related contingent items	530,932	265,466	402,147	201,074
Short-term self-liquidating trade related contingencies	218,529	43,706	157,304	31,461
Islamic housing loans sold to Cagamas Berhad	114,380	114,380	127,268	127,268
Irrevocable commitments to extend credit:				
– Maturity within one year	1,668,197	—	1,763,528	—
– Maturity exceeding one year	303,652	151,826	567,040	283,520
Miscellaneous	610,524	—	175,910	—
	3,638,240	767,404	3,323,384	773,510

(q) CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank as at 30 June, are as follows:

	Group		Bank	
	2004	2003	2004	2003
Capital ratio				
Core capital ratio	8.01%	10.86%	5.37%	6.76%
Risk-weighted capital ratio	11.91%	13.63%	9.23%	9.63%



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(q) CAPITAL ADEQUACY (CONT'D.)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tier 1 capital				
Islamic banking fund	533,359	683,458	222,500	222,500
Statutory reserves	3,836	1,313	—	—
Retained profits	762,572	625,611	476,784	402,106
Less: Deferred tax assets	(203,058)	(108,106)	(148,462)	(76,896)
Total Tier 1 capital	1,096,709	1,202,276	550,822	547,710
Tier 2 capital				
General provision for bad and doubtful debts and financing	534,031	306,364	395,910	232,255
Total Tier 2 capital	534,031	306,364	395,910	232,255
Capital base	1,630,740	1,508,640	946,732	779,965

The breakdown of risk-weighted assets (excluding deferred tax assets) in the various categories of risk-weights are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
0%	2,874,992	710,221	2,735,364	558,673
10%	153,929	153,924	153,929	153,924
20%	2,714,978	2,428,105	2,068,832	1,987,766
50%	7,115,876	6,401,312	6,584,418	5,912,745
100%	9,573,307	7,366,536	6,528,856	4,732,030
	22,433,082	17,060,098	18,071,399	13,345,138



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(r) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	2004		2003	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Group				
Financial assets				
Investment securities	3,111,229	3,132,084	3,201,790	3,253,228
Loans and financing*	15,115,548	15,378,915	12,009,802	12,610,566
Financial liabilities				
Deposits from customers	11,738,086	11,741,468	11,162,258	11,162,258
Bank				
Financial assets				
Investment securities	2,051,061	2,051,449	2,128,313	2,130,541
Loans and financing*	12,578,010	12,814,780	10,090,740	10,398,825
Financial liabilities				
Deposits from customers	9,957,356	9,959,590	8,924,332	8,924,332

* The general provisions for the Group and the Bank amounting to RM534,031,000 (2003: RM306,364,000) and RM395,910,000 (2003: RM232,255,000) respectively have been added back to arrive at the carrying value of the loans, advances and financing.

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of IBS operations are as stated in Note 42.



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(s) COMPARATIVES

The presentation of the financial statements of the IBS operations for the current year has been changed to adopt the format as prescribed by Malaysian Accounting Standards Board Standard *i-1*: Presentation of Financial Statements of Islamic Financial Institutions. Comparative figures have been reclassified to conform with this presentation, where necessary.

(t) SHARIAH COMMITTEE

The operation of IBS is governed by Section 124(3) of the Banking and Financial Institutions Act 1996 (“the Act”), which stipulates that *“any license institution carrying on Islamic Financial business, in addition to its existing licensed business may, from time to time seek the advise of the Shariah Advisory Council established under subsection (7) of the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam”* and Bank Negara Malaysia’s guideline on “Skim Perbankan Tanpa Faedah” for the Commercial Banks under Part III Section B (11) which states that *“The bank shall be required to appoint one or more Shariah consultants to advise the Islamic Banking Institutions on matters pertaining to Shariah”*.

Based on the above, the duties and responsibilities of the Group’s Shariah Consultants are to advise on the overall Islamic Banking operations of the Group’s business in order to ensure compliance with the Shariah requirements.

The roles of Shariah Consultants in monitoring the Group’s activities include:

- (a) Review the products and services to ensure conformity with the Shariah requirements.
- (b) Deliberate on Shariah issues pertaining to the day-to-day operations and provide advise accordingly through regular meetings.
- (c) Provide endorsement to investment banking proposals including structuring of facilities capital market instruments, takaful, and etc.
- (d) Participate in the in-house training programmes of the Group.

The Group presently has three Shariah Consultants. For the Group’s takaful business, Mayban Takaful Berhad is advised by a five-member Shariah Supervisory Council.



48. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)**(u) ALLOCATION OF INCOME**

The policy of allocation of income to the various types of deposits and investments is subject to “The Framework on Rate of Return” issued by Bank Negara Malaysia on October 2001. The objective is to set the minimum standard and terms of reference for the Islamic banking institutions in calculating and deriving the rate of return for the depositors.

49. LIFE, GENERAL TAKAFUL AND FAMILY TAKAFUL FUNDS’ BALANCE SHEET**AS AT 30 JUNE 2004**

	Group	
	2004 RM’000	2003 RM’000
ASSETS		
Property, plant and equipment	11,090	14,079
Investments	1,532,569	1,257,215
Loans	46,117	34,873
Receivables	32,748	23,088
Cash and bank balances	4,044	7,361
Investment-linked business assets	993,892	427,163
Total life, general takaful and family takaful business liabilities	2,620,460	1,763,779
LIABILITIES		
Other liabilities	88,106	103,032
Investment-linked business liabilities	13,385	4,411
Total life, general takaful and family takaful business liabilities	101,491	107,443
Life, general takaful and family takaful policyholders’ funds	2,518,969	1,656,336
	2,620,460	1,763,779

- (i) The operating revenue generated from the life insurance, general takaful and family takaful businesses of the Group for the financial year amounted to approximately RM1,129,906,000 (2003: RM609,372,000).



49. LIFE, GENERAL TAKAFUL AND FAMILY TAKAFUL FUNDS' BALANCE SHEET

AS AT 30 JUNE 2004 (CONT'D.)

- (ii) The estimated fair values of financial assets and financial liabilities of the life, general takaful and family takaful funds as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	2004		2003	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Group				
Investments	1,532,569	1,532,388	1,257,215	1,305,407
Loans	46,117	46,117	34,873	34,941

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of the life and family takaful funds are as stated in Note 42.

50. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparatives amounts relating to cheque clearing receivables have been adjusted to conform with current year's presentation.

	As Previously Stated RM'000	Adjustments RM'000	As Restated RM'000
Group			
Cash and short-term funds	16,122,434	517,195	16,639,629
Other assets	2,565,786	(517,195)	2,048,591
Risk-weighted assets			
– 20%	19,454,971	517,195	19,972,166
– 100%	103,670,749	(517,195)	103,153,554



50. COMPARATIVES

	As Previously Stated	Adjustments	As Restated
	RM'000	RM'000	RM'000
Group (Cont'd.)			
Without deducting proposed dividend*:			
– Core capital ratio	10.61%	0.04%	10.65%
– Risk-weighted capital ratio	15.62%	0.06%	15.68%
After deducting proposed dividend:			
– Core capital ratio	10.24%	0.04%	10.28%
– Risk-weighted capital ratio	15.25%	0.05%	15.30%
Bank			
Cash and short-term funds	13,218,144	472,462	13,690,606
Other assets	1,212,873	(472,462)	740,411
Risk-weighted assets			
– 20%	18,228,121	472,462	18,700,583
– 100%	78,980,566	(472,462)	78,508,104
Without deducting proposed dividend*:			
– Core capital ratio	11.40%	0.05%	11.45%
– Risk-weighted capital ratio	14.88%	0.06%	14.94%
After deducting proposed dividend:			
– Core capital ratio	10.92%	0.04%	10.96%
– Risk-weighted capital ratio	14.40%	0.06%	14.46%

* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the proposed dividends for respective financial years were not deducted.

51. CURRENCY

All amounts are in Ringgit Malaysia unless otherwise stated.

