

ANNUAL REPORT 2004

Accelerating FORWARD



## OUR Vision

A Premier Partner for Financial Growth and Innovative Services

## OUR Mission

- To provide innovative financial solutions and services to target customers in order to generate profits and create value for our shareholders and other stakeholders.
- In so doing, we provide opportunities for employees to contribute and excel; and be competitive in providing our solutions and services to our valued customers.
- We shall conduct our business with integrity and professionalism in compliance with good corporate governance principles and practices.

## OUR Values

### In Serving Customers

Customer-first  
Quality-focus

### In Serving the Bank

Loyalty  
Total commitment  
Excellence through teamwork

### In Carrying Ourselves at Work

Discipline  
Integrity  
Humility  
Caring  
Creativity

## FLIGHTMANUAL

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## OVERVIEW OF THE YEAR

- The Bank recorded a profit before tax and zakat of RM180.20 million for the financial year ended 31 December 2004, representing a record growth of 1,249% from last year's result of RM13.35 million.
- Both the Group and the Bank managed to gain earning per share (EPS) of 15.4 sen and 15.9 sen respectively compared to 7.8 sen and 7.7 sen respectively a year ago.
- The Bank had undergone a comprehensive balance sheet restructuring programme that saw its total assets declined to RM18.03 billion in the period under review.
- As part of the Bank's new business model, it had started transforming its branches into what is known as Customer Relationship Centres (CRCs) to emphasize on sales and services and unveiled the new 'Banking Without Barriers' concept.

Notice is hereby given that the **29th Annual General Meeting of Affin Bank Berhad** will be held at the Board Room, 19th Floor, Menara AFFIN, 80, Jalan Raja Chulan, 50200 Kuala Lumpur on **Tuesday, 15 March 2005** at **11.30 a.m.** for the transaction of the following business:-

**Note**

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him and the proxy need not be a member of the Company.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or in some other manner approved by Directors.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Company's registered office at the 17th Floor, Menara AFFIN, 80, Jalan Raja Chulan, 50200 Kuala Lumpur, at least forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting as the case may be otherwise the person so named shall not be entitled to vote in respect thereof.

02

**AGENDA:**

1. To receive and adopt the Statutory Statements of Accounts for the year ended 31 December 2004 and the Directors' and Auditors' Reports thereon.
2. To approve Directors' fees for 2004.
3. To re-elect the following Directors who retire pursuant to Article 91 (a) of the Articles of Association and who, being eligible, offer themselves for re-election:-
  - (a) YBhg. Jen (B) Tan Sri Dato' Seri Ismail Hj. Omar
  - (b) YBhg. Datuk Razman Md. Hashim Che Din Md. Hashim
4. To appoint Auditors for the financial year ending 31 December 2005 and to authorise the Directors to fix their remuneration.
5. To transact any other ordinary business.

BY ORDER OF THE BOARD

NIMMA SAFIRA KHALID (LS 005963)  
*Company Secretary*

7 March 2005

FLIGHT **ITINERARY**

NOTICE OF MEETING

**100%**  
**AFFINBANK**

- ABB Nominee (Tempatan) Sdn Bhd – 100%  
*(formerly known as PAB Nominee (Tempatan) Sdn Bhd)*
- ABB Trustee Berhad\* – 100%  
*(formerly known as PAB Trustee Berhad)*
- Affin Factors Sdn Bhd – 100%
- ABB Nominee (Asing) Sdn Bhd – 100%  
*(formerly known as PAB Nominee (Asing) Sdn Bhd)*
- ABB IT & Services Sdn Bhd – 100%  
*(formerly known as BSN Information Technologies & Services Sdn Bhd)*
- ABB Venture Capital Sdn Bhd – 100%  
*(formerly known as PAB Venture Capital Sdn Bhd)*
- Affin Futures Sdn Bhd – 100%
- PAB Properties Sdn Bhd – 100%
- PAB Property Development Sdn Bhd – 100%
- PAB Property Management Service Sdn Bhd – 100%
- PAB Property Trust Management Bhd – 100%
- BSNCB Nominees (Tempatan) Sdn Bhd – 100%
- BSNC Nominees (Tempatan) Sdn Bhd – 100%
- BSNC Asset Management (M) Bhd – 100%
- BSNC Venture Capital (M) Sdn Bhd – 100%
- Barakah Corporation Sdn Bhd – 100%
- BSN Merchant Bank Bhd – 100%
- BSN Merchant Nominees (Tempatan) Sdn Bhd – 100%
- BSN Merchant Nominees (Asing) Sdn Bhd – 100%

# Affin Holdings Berhad

(A member of LTAT Group)

100%

**AFFIN FUND MANAGEMENT SDN BHD**

- Affin Trust Management Bhd – 100%

100%

**AFFINMONEYBROKERS (M) SDN BHD**

100%

**\*AFFIN CORPORATE SERVICES SDN BHD**

100%

**\*INDOLIGHT SDN BHD**

100%

**AFFIN DISCOUNT BHD**

63.16%

**AFFIN MERCHANT BANK BHD**

- \*Merchant Nominees (Asing) Sdn Bhd – 63.16%
- Merchant Nominees (Tempatan) Sdn Bhd – 63.16%
- Classic Precision Sdn Bhd – 42.25%

62.12%

**AFFIN-ACF HOLDINGS BHD**

- Affin-ACF Nominees (Tempatan) Sdn Bhd – 74.78%
- Affin Insurance Brokers Sdn Bhd – 62.12%
- Affin Leasing Sdn Bhd – 62.12%
- Affin-ACF Finance Bhd – 74.78%
- \*Affin-ACF Management Services Bhd – 62.16%
- \*Affin.com Sdn Bhd – 62.12%

100%

**AFFIN-CAPITAL HOLDINGS SDN BHD**

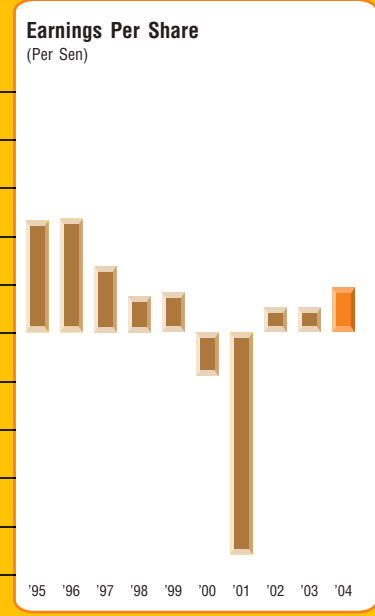
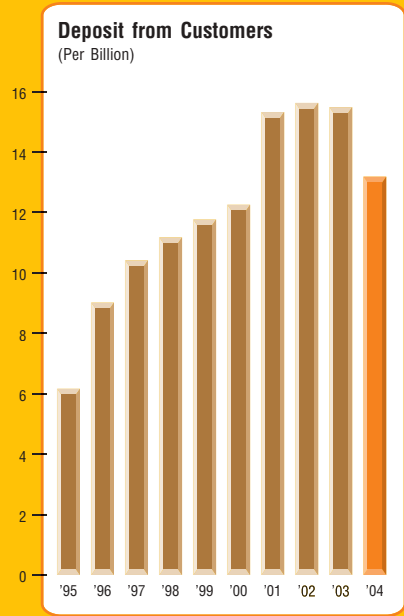
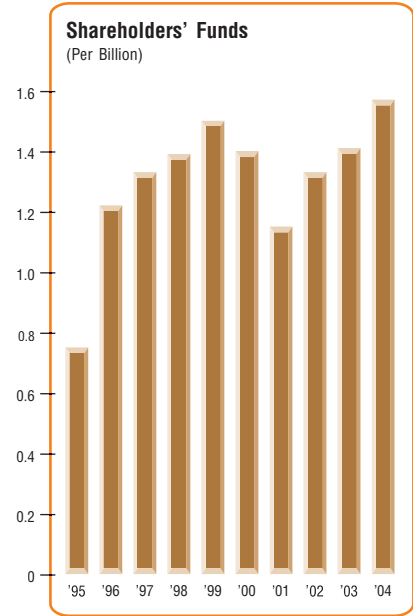
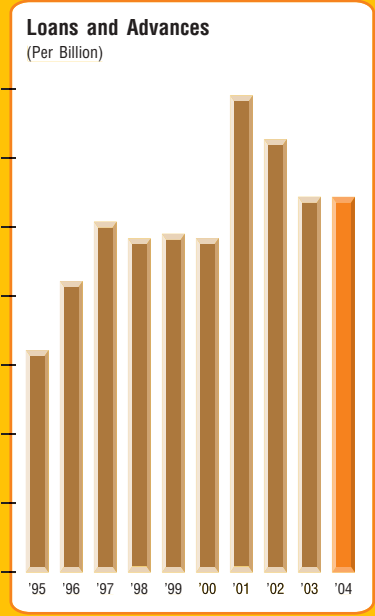
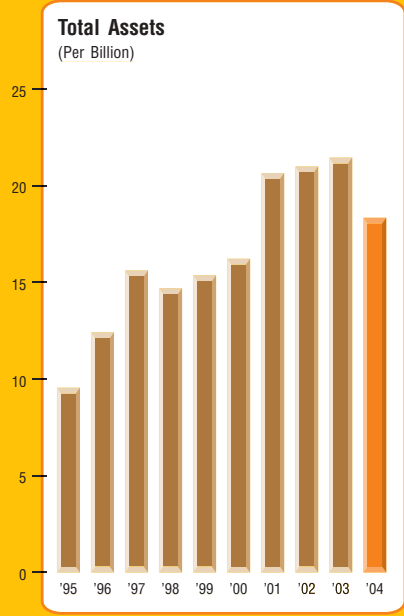
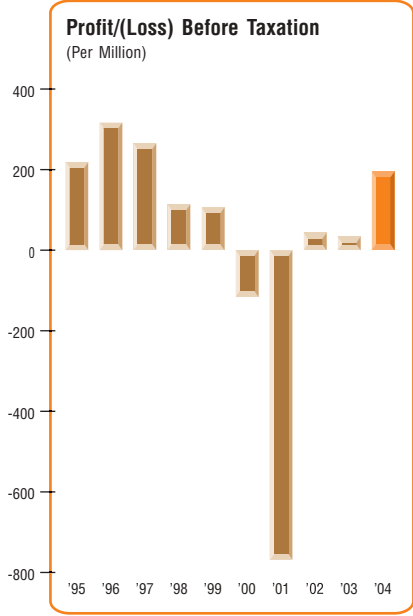
*(formerly known as AFFIN-UOB Holdings Sdn Bhd)*

- Affin Securities Sdn Bhd – 100%
- Affin Nominees (Tempatan) Sdn Bhd – 100%
- Affin Nominees (Asing) Sdn Bhd – 100%
- Amsteel Equity Nominees (Tempatan) Sdn Bhd – 100%
- \*Amsteel Equity Nominees (Asing) Sdn Bhd – 100%

40%

**AXA AFFIN ASSURANCE BHD**

*\*Dormant*



YEAR ENDED 31 DECEMBER	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000
<b>GROUP</b>					
Profit/(Loss) Before Taxation	174,641	15,116	31,464	(751,533)	(102,808)
Profit/(Loss) After Taxation	156,714	79,052	78,392	(702,445)	(101,721)
<b>Assets</b>					
Total Assets	18,030,771	21,148,527	20,689,361	20,337,908	15,906,210
Loans and Advances	10,708,147	10,744,032	12,406,111	13,689,492	9,514,343
<b>Liabilities &amp; Shareholder's Funds</b>					
Deposit from Customers	12,948,829	15,249,040	15,373,184	15,072,816	12,014,810
Share Capital	1,017,281	1,017,281	1,017,281	909,631	650,000
Shareholders' Funds	1,548,714	1,392,000	1,312,948	1,127,742	1,378,986
<b>Financial Ratios (%)</b>					
Return on Assets (ROA)	0.98	0.07	0.15	(3.70)	(0.65)
Return on Equity (ROE)	12.79	1.28	2.69	(72.74)	(7.70)
Earnings Per Share (EPS)	15.4 sen	7.8 sen	8.6 sen	(89.4 sen)	(15.65 sen)
<b>BANK</b>					
Profit/(Loss) Before Taxation	180,196	13,353	22,163	(751,847)	(99,991)
Profit/(Loss) After Taxation	161,731	78,578	70,712	(702,015)	(98,775)
<b>Assets</b>					
Total Assets	18,026,582	21,137,968	20,684,748	20,343,027	15,906,472
Loans and Advances	10,689,274	10,698,851	12,365,091	13,639,197	9,514,343
<b>Liabilities &amp; Shareholder's Funds</b>					
Deposit from Customers	12,952,948	15,252,926	15,391,093	15,089,250	12,021,675
Share Capital	1,017,281	1,017,281	1,017,281	909,631	650,000
Shareholders' Funds	1,547,176	1,385,445	1,306,867	1,126,592	1,380,153
<b>Financial Ratios (%)</b>					
Return on Assets (ROA)	1.01	0.06	0.11	(3.70)	(0.63)
Return on Equity (ROE)	13.27	1.13	1.90	(72.85)	(7.49)
Earnings Per Share (EPS)	15.9 sen	7.7 sen	7.8 sen	(89.4 sen)	(15.2 sen)

**Note:**

ROA & ROE based on pre-tax profit, EPS based on profit after tax.

The calculations of ROA is exclusive of deferred tax.

## INCOME AND EXPENDITURE

The financial year ended 31 December 2004 saw solid growth in profit for both the Group and the Bank. The Group recorded a pre-tax profit of RM174.64 million from RM15.1 million in 2003, an increase of almost 1055%. Meanwhile, the Bank registered RM180.20 million in pre-tax profit compared to last year's result of RM13.35 million, a jump of almost 1249%.

## INCOME AND EXPENDITURE

The financial year ended 31 December 2004 saw solid growth in profit for both the Group and the Bank. The Group recorded a pre-tax profit of RM174.64 million from RM15.1 million in 2003, an increase of almost 1055%. Meanwhile, the Bank registered RM180.20 million in pre-tax profit compared to last year's result of RM13.35 million, a jump of almost 1249%.

### NET INTEREST INCOME

During the year, net interest income declined by 13.9% to RM377.39 million from the RM438.53 million recorded in 2003. However, the Bank saw a 27.2% increase in non-interest income to RM171.17 million from RM134.52 million in 2003. This was mainly contributed by the increase in fee income to RM77.84 million from RM69.51 million in 2003, a hike of 11.98%. Investment income and other income expanded to RM42.96 million and RM50.37 million respectively in 2004, a hike of 56.56% and 34.1% respectively compared with 2003 results.

### OVERHEAD EXPENSES

In 2004, the Bank's overhead expenses contracted by 11.52% to RM341.0 million as compared to RM385.39 million the year before. This was mainly attributed to the reduction in the Bank's establishment cost by almost 15.0% to RM118.06 million in 2004. Likewise, the Bank managed to reduce its administration and general expenses by 6.69%.

### ASSETS

During the year, the Bank had undertaken several cost reduction exercises. Among them was the disposal of unutilized assets of the Bank. Correspondingly, this had resulted in a reduction of the Bank's total assets by RM3.11 billion to RM18.03 billion compared to RM21.14 billion in 2003. Meanwhile, the Group's total assets declined to RM18.03 billion in 2004 from RM21.15 billion recorded in the previous year.



#### NET LOANS AND ADVANCES

Net loans, advances and financing at the Bank level contracted by a marginal 0.09% to RM10.69 billion from RM10.70 billion the year before. On the other hand, overdrafts dropped by RM383.08 million or 13.9% to RM2.37 billion compared to last year's RM2.75 billion. In the period under review, term loans also declined by 4.66% to RM7.0 billion from RM7.35 billion in 2003.

#### LIABILITIES

##### DEPOSIT FROM CUSTOMERS

The Bank's deposits from customers fell by 15.08% to RM12.95 billion in the year under review from RM15.25 billion recorded in the previous year. Demand for deposits decreased by 5.47% to RM3.09 billion. Saving deposits contracted to RM1.29 billion from RM1.39 billion the year before.

Nevertheless, deposits sourced from individuals rose RM166.3 million to RM2.73 billion compared to RM2.56 billion in 2003. Deposits sourced from business enterprises however dipped 1.28% to RM4.14 billion from RM4.19 billion the year before.

##### SHAREHOLDERS' FUNDS

The Bank's shareholders' funds increased further by 11.67% to RM1.55 billion in 2004 from RM1.38 billion the year before. In the meantime, the Bank's share capital remained at RM1.02 billion.

#### CAPITAL ADEQUACY

In the year under review, the Bank's capital adequacy expanded in both core capital and risk weighted capital ratio. The core capital ratio strengthened further to 9.37% from 7.40% recorded in 2003, while the risk-weighted capital ratio surged to 14.55% from 12.32% in 2004.

#### ISLAMIC BANKING

Total assets for Islamic banking declined by 7.37% to RM3.25 billion from RM3.51 billion recorded in 2003. Profit before zakat for both the Group and the Bank slipped to RM41.05 million from RM43.02 million in 2003, a drop of 4.58%. On the other hand, net income for both the Group and the Bank declined to RM42.90 million from last year's RM44.72 million.

Meanwhile, deposits from customers declined by 17.33% to RM2.29 billion from RM2.77 billion a year before. Loans, advances and financing contracted by RM150.89 million to RM1.17 billion compared to RM1.32 billion in 2003. Overall, the performance of Islamic banking needs to be enhanced further to enable it to become one of the major contributors to the Bank.



## NAME:

Affin Bank Berhad (Co. No. 25046-T)

## DATE OF INCORPORATION:

23 October 1975

## PRINCIPAL ACTIVITIES:

Affin Bank Berhad is principally involved in the carrying out of banking and related financial services, including Islamic banking services. The Bank has 19 subsidiary companies and one associate company that are principally engaged in property management services, nominee services, trustee management services, factoring and information technology services.

## BOARD OF DIRECTORS

### CHAIRMAN

YBhg. Jen (B) Tan Sri Dato' Seri Ismail Hj. Omar

### DIRECTORS

YBhg. Tan Sri Dato' Lodin Wok Kamaruddin

YBhg. Dato' Abdul Hamidy Abdul Hafiz

YM Dr. Raja Abdul Malek Raja Jallaludin

YBhg. Laksamana Madya (B) Dato' Seri Ahmad Ramli Mohd Nor

YBhg. Datuk Razman Md. Hashim Che Din Md. Hashim

YBhg. Dato' Dr. Lee Chee Kuon

YBhg. Dato' Abdul Aziz Abdul Rahman

### PRESIDENT/CEO

YBhg. Dato' Abdul Hamidy Abdul Hafiz

## COMPANY SECRETARIES

Nimma Safira Khalid

Mohd Nor Jamil (retired w.e.f. 13 February 2005)

## REGISTERED ADDRESS

17th Floor, Menara AFFIN, 80, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia  
Tel: 03-2055 9000 Fax: 03-2026 1415

## AUTHORISED SHARE CAPITAL

No. of shares	Par value	Total
2,000,000,000	RM1.00	RM2,000,000,000

## ISSUED AND PAID-UP SHARE CAPITAL

No. of shares	Par value	Total
1,017,281,077	RM1.00	RM1,017,281,077

## SUBSTANTIAL SHAREHOLDER

	No. of shares
Affin Holdings Berhad	1,017,281,077

## EXTERNAL AUDITORS

PricewaterhouseCoopers (AF 1146)



Subsidiary and Associate Companies as at 15 February 2005

	Date of Incorporation	Equity Interest	Principal Activities
1. ABB Nominee (Tempatan) Sdn Bhd <i>(formerly known as PAB Nominee (Tempatan) Sdn Bhd)</i>	9.2.1978	100%	Nominee Services for Local
2. ABB Trustee Berhad* <i>(formerly known as PAB Trustee Berhad)</i>	3.12.1995	100%	Trustee Services
3. Affin Factors Sdn Bhd	26.12.1995	100%	Factoring Services
4. ABB Nominee (Asing) Sdn Bhd <i>(formerly known as PAB Nominee (Asing) Sdn Bhd)</i>	25.6.1996	100%	Dormant
5. ABB IT & Services Sdn Bhd <i>(formerly known as BSN Information Technologies &amp; Services Sdn Bhd)</i>	9.10.1995	100%	Dormant
6. ABB Venture Capital Sdn Bhd <i>(formerly known as PAB Venture Capital Sdn Bhd)</i>	4.12.1995	100%	Dormant
7. Affin Futures Sdn Bhd	25.7.1995	100%	Dormant
8. PAB Properties Sdn Bhd	5.5.1983	100%	Dormant
9. PAB Property Development Sdn Bhd	20.3.1991	100%	Dormant
10. PAB Property Management Service Sdn Bhd	8.4.1991	100%	Dormant
11. PAB Property Trust Management Bhd	9.1.1996	100%	Dormant
12. BSNCB Nominees (Tempatan) Sdn Bhd	9.10.1995	100%	Dormant
13. BSNC Nominees (Tempatan) Sdn Bhd	21.11.1995	100%	Dormant
14. BSNC Asset Management (M) Bhd	29.2.1996	100%	Dormant
15. BSNC Venture Capital (M) Sdn Bhd	22.4.1996	100%	Dormant
16. Barakah Corporation Sdn Bhd	18.5.1996	100%	Dormant
17. BSN Merchant Bank Bhd	5.7.1995	100%	Dormant
18. BSN Merchant Nominees (Tempatan) Sdn Bhd	26.11.1996	100%	Dormant
19. BSN Merchant Nominees (Asing) Sdn Bhd	3.12.1996	100%	Dormant
*20% held directly and 80% held by the Directors of AFFINBANK in trust for the Bank			

A large, glossy blue sphere is the central focus, reflecting a bright light and a landscape with a horizon. It is part of a complex, dark mechanical structure with various pipes, valves, and components. The background is dark, suggesting an interior or a night sky.

## Ready to Soar

We're changing the way banks are perceived.

We're making it breeze for our customers.

We call it Banking Without Barriers.

Come and soar with us.



**YBHG. JEN (B) TAN SRI DATO'  
SERI ISMAIL HJ. OMAR**  
*(Non-Independent Non-Executive Chairman)*

Jen (B) Tan Sri Dato' Seri Ismail Hj. Omar aged 63, was appointed as a Director and Chairman of AFFINBANK on 21 May 2002. His military service saw varied Command and Service appointments at the Army, Armed Forces and Ministerial levels. He was appointed Chief of Defence Forces in 1995. He retired on 31 December 1998 after thirty-eight (38) years as a professional soldier.

He graduated from the Royal Military Academy, Sandhurst, United Kingdom in 1961, The Land Forces Command and Staff College, Canada (1972); The UN International Peace Academy, Vienna (1981); and the National Defence College, India (1988).

Current directorships in public companies include, Affin Holdings Berhad and AFFIN-ACF Finance Berhad.

Jen (B) Tan Sri Dato' Seri Ismail Hj. Omar attended all of the 19 Board Meetings held in the financial year ended 31 December 2004.

**YBHG. DATO' ABDUL HAMIDY  
ABDUL HAFIZ**  
*(Non-Independent Executive Director)*

Dato' Abdul Hamidy Abdul Hafiz aged 48, was appointed as a Director and President/CEO of AFFINBANK on 1 June 2003. Prior to his appointment at AFFINBANK, he was the Managing Director of Pengurusan Danaharta Nasional Berhad.

He holds an MBA and is a Fellow of the Institute of Bankers Malaysia.

Current directorships in public companies include Pengurusan Danaharta Nasional Berhad and Malaysia Debt Ventures Berhad.

Dato' Abdul Hamidy Abdul Hafiz attended 17 out of 19 Board Meetings held in the financial year ended 31 December 2004.



JEN (B) TAN SRI DATO' SERI ISMAIL HJ. OMAR  
Chairman

DATO' ABDUL HAMIDY ABDUL HAFIZ  
President/CEO





**YBHG. TAN SRI DATO' LODIN WOK  
KAMARUDDIN**

*(Non-Independent Non-Executive Director)*

Tan Sri Dato' Lodin Wok Kamaruddin aged 55, was appointed as a Director of AFFINBANK on 26 January 1985. He is the Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT), Managing Director of Affin Holdings Berhad and Group Managing Director of Boustead Holdings Berhad.

He graduated with a Bachelor of Business Administration and Masters of Business Administration from the University of Toledo Ohio, United States of America.

Current directorships in public companies include, Affin Holdings Berhad, AFFIN-ACF Holdings Berhad, AFFIN-ACF Finance Berhad, Affin Discount Berhad, Boustead Holdings Berhad, Boustead Properties Berhad, Boustead Plantations Berhad, UAC Berhad, Johan Ceramics Berhad and Ramatex Berhad.

Tan Sri Dato' Lodin Wok Kamaruddin attended 18 out of 19 Board Meetings held in the financial year ended 31 December 2004.

**YBHG. LAKSAMANA MADYA (B) DATO' SERI AHMAD RAMLI  
MOHD NOR**

*(Independent Non-Executive Director)*

Laksamana Madya (B) Dato' Seri Ahmad Ramli Mohd Nor aged 60, was appointed as a Director of AFFINBANK on 21 May 2002. He retired as the Chief of Royal Malaysian Navy in 1999.

He graduated from the Britannia Royal Naval College Dartmouth, United Kingdom and holds a Masters Degree in Public Administration from the Harvard University in the United States.

Current directorships in public companies include, Land and General Berhad, Muhibbah Engineering Berhad and COMCORP Berhad.

Laksamana Madya (B) Dato' Seri Ahmad Ramli Mohd Nor attended 15 out of 19 Board Meetings held in the financial year ended 31 December 2004.

**YBHG. DATO' ABDUL AZIZ ABDUL RAHMAN**

*(Independent Non-Executive Director)*

Dato' Abdul Aziz Abdul Rahman aged 58, was appointed as a Director of AFFINBANK on 28 January 2003. He was formerly the Managing Director of Bank Rakyat, Deputy Chief Minister of Pahang and was a Senator of Malaysian Parliament. Presently he is the Chairman of National Film Development Corporation Malaysia (FINAS) and a Council Member of the International Islamic University Malaysia.

He graduated with Bachelor of Commerce, from the University of New South Wales, Australia. He is a member of the MACPA and MIA.

Dato' Abdul Aziz Abdul Rahman attended 16 out of 19 Board Meetings held in the financial year ended 31 December 2004.

**YM DR. RAJA ABDUL MALEK RAJA  
JALLALUDIN**

*(Independent Non-Executive Director)*

Dr. Raja Abdul Malek Raja Jallaludin aged 59, was appointed as a Director of AFFINBANK on 29 January 1991.

He graduated as a Medical Doctor from the University of Malaya in 1972 and had worked in the General Hospital, KL and the Faculty of Medicine, UKM in the early days of his career. In late 1975, he went into private medical practice and became a senior partner of the firm Drs. Catterall, Khoo, Raja Malek & Partners until 2003 when he resigned from the partnership. He is currently the Medical Director for HOE Pharmaceutical/Diversified Healthcare Services Sdn Bhd.

Current directorships in public companies include, PAB Trustee Berhad.

Dr. Raja Abdul Malek Raja Jallaludin attended 16 out of 19 Board Meetings held in the financial year ended 31 December 2004.

**YBHG. DATO' DR. LEE CHEE KUON**

*(Independent Non-Executive Director)*

Dato' Dr. Lee Chee Kuon aged 58, was appointed as a Director of AFFINBANK on 21 May 2002.

He obtained his Bachelor of Science (Engineering, First Class Honours) degree from University of London, Master of Business Administration from Cranfield School of Management and Doctorate in Philosophy from University of London. He attended the Advanced Management Programme from Harvard University.

He has vast experience in banking, finance and fund management. He was in the Senior Management with Amanah-Chase Merchant Bank Berhad from 1975 to 1981. He joined Baring Brothers Asia limited for a year prior to his move to Lion Group in 1982. In Lion Group, he has been involved in various business activities, both in operations and advisory capacity. He has been managing a fund management company for the past few years.

Current directorships in other public companies include, AFFIN-ACF Finance Berhad and AFFIN-ACF Holdings Berhad.

Dato' Dr. Lee Chee Kuon attended all of the 19 Board Meetings held in the financial year ended 31 December 2004.

**YBHG. DATUK RAZMAN MD HASHIM CHE DIN MD HASHIM**

*(Independent Non-Executive Director)*

Datuk Razman Md Hashim Che Din Md Hashim aged 65, was appointed as a Director of AFFINBANK on 21 May 2002. He is a member of the Australian Institute of Bankers. He has more than 34 years of experience in the banking industry.

He joined the Standard Chartered Bank Malaysia Berhad in 1964, and served in various capacities including secondment to the Bank's branches in London, Europe, Hong Kong and Singapore. In 1994, he was appointed as Executive Director of the Standard Chartered Bank Malaysia Berhad.

Current directorships in public companies include Sunway City Berhad, Ranhill Berhad, Multi-Purpose Holdings Berhad, O.Y.L. Industries Berhad and Sunway Infrastructure Berhad.

Datuk Razman Md Hashim Che Din Md Hashim attended 15 out of 19 Board Meetings held in the financial year ended 31 December 2004.



YBHG. DATO' DR. LEE CHEE KUON



YBHG. DATUK RAZMAN MD HASHIM CHE DIN MD HASHIM



DATO' ABDUL HAMIDY ABDUL HAFIZ  
President/CEO

# RADAR CONTROLUNIT

LEAN MENG SEONG  
Chief Operating Officer

ZULKIFLEE ABBAS ABDUL HAMID  
Director of Enterprise Banking



LOW CHOON SEONG  
Head, Credit Risk Management

KHATIMAH MAHADI  
Chief Internal Auditor

AZLAN RASHID  
Head, Information Technology



**MOHAMAD ASLAM KHAN**  
Head, Special Asset Management



**AHMAD GHUZAL MOHD TAHIR**  
Head, Human Resources



**KAMARUL ARIFFIN MOHD JAMIL**  
Head, Corporate Strategy

**ROHIT BHARGAVA**  
Director of Consumer Banking

**MAIMOONAH HUSSAIN**  
Director of Investment & Islamic Banking

**WAHID ALI MOHD KHALIL**  
Director of Banking Services



**TAN KOK TOON**  
Head, Treasury

**RAMANATHAN RAJOO**  
Acting Head, Finance

**NIMMA SAFIRA KHALID**  
Company Secretary

## MANAGEMENT TEAM



## Balanced performance

We have discovered the secret to stability.

We have learnt it is a balancing act.

To be strong in all areas. And weak in none.

Come and benefit from our agility.





## COMPLIANCE WITH THE CODE

The Board of Directors (“Board”) and Management are fully committed in ensuring that the Malaysian Code on Corporate Governance (“Code”) (issued in March 2000) principles and international best practice standards of corporate governance are embedded and practised throughout the group. Throughout 2004 and to date, AFFINBANK continues to conduct its business with integrity and exercise a high level of transparency and objectivity.

# RADAR **CONTROL** ASSISTANCE



The Board and Management illustrate their commitment to good corporate governance by ensuring employees adhere closely to Bank Negara Malaysia's Guidelines (BNM/GP 7) on Code of Ethics ("COE"), which aims at instilling the three values: integrity, credibility and confidence in the Bank and employees. The COE sets high ethical business standards and practices for business conduct and the code of behaviour for employees to adhere to. In addition to the COE, all directors are required to adhere to the Directors' Code of Ethics. Responsibility for implementation of these policies and guidelines rests primarily with Management, whilst the Audit Committee provides the oversight.

The following sets out how AFFINBANK has applied the principles in the Code, the extent of compliance with the recommended Best Practices.

## 1. BOARD OF DIRECTORS

In 2004 AFFINBANK continues to have a strong and experienced Board, befitting its aspiration to become mid size Bank of Prominence. It consists of representatives from the private sector with suitable qualifications and experience in relevant areas particularly in banking. Directors' profiles appear on pages 12 to 17, reflect clearly the depth and diversity in expertise and

perspective they have, to lead AFFINBANK and allow for an independent and objective analysis of major issues.

### BOARD'S RESPONSIBILITIES

The Board's responsibilities remain within the framework of the Bank Negara Malaysia Guidelines. The Board has diligently carried out its responsibilities for the policies and general affairs of AFFINBANK whilst retaining full and effective control of the Bank.

These include responsibility for determining AFFINBANK general policies and strategies for the short, medium and long term; approving business plans, including targets and budgets, and making all major strategic decisions.

The Board Committees terms of reference disclosed on page 29 of this annual report provides an outline of its role and functions.

The following main Board Committees, which were set up, have continued to fulfil their specific responsibilities as set out in their terms of reference.

- The Board Remuneration Committee ("RC") is responsible to provide a formal and transparent procedure for developing remuneration policy for directors, chief executive officer and key senior management officers and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy. The Committee obtains advice from experts in compensation and benefits, both internally and externally.





- The Board Nominating Committee (“NC”) is responsible to provide a formal and transparent procedure for the appointment of directors and chief executive officer as well as assessment of effectiveness of individual directors, board as a whole and performance of chief executive officer and key senior management.
- The Board Risk Management Committee (“BRMC”) is responsible to oversee management’s activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning.
- The Board Loan Review and Recovery Committee (“BLRRC”) is responsible to provide critical reviews on loans and other credit facilities with higher risk implications, after due process of checking, analysis, review and recommendation by the Credit Risk Management function, and if found necessary, exercise the power to veto loan applications that have been accepted by the Management Loan Committee. The Committee is also responsible to provide review on the non performing loans report presented by the Management.
- The Audit Committee is responsible for providing oversight on reviewing the adequacy and integrity of the internal control systems and oversees the work of the internal and external auditors.

### BOARD COMPOSITION AND BALANCE

The composition of President/Chief Executive Director and seven non-executive Directors remains the same throughout 2004. Currently, there are five independent non-executive Directors, two non-independent non-executive Directors and one non-independent executive Director. The Board of Directors meetings are presided by a non-executive non-independent Chairman whose role is clearly separated from the role of the President/Chief Executive Officer.

### APPOINTMENTS AND RE-ELECTION TO THE BOARD

In 2004, Bank Negara Malaysia approved the re-appointment of non-independent non-executive Chairman and four independent non-executive Directors for another two year term.

### DIRECTORS' TRAINING

AFFINBANK provided the Bank Negara Malaysia Guidelines, the Banking and Financial Institutions Act 1989 and other relevant legislation governing the banking industry to all newly appointed non-executive Directors to facilitate their understanding of banking business requirements. All Directors have gone through the Directors Training Programme conducted by the Companies Commission of Malaysia.

### SUPPLY OF INFORMATION TO THE BOARD

Before each Board meeting, Directors are provided with a complete set of board papers itemized in the agenda for Board's review/approval and/or notation.

The Board monitors AFFINBANK's performance by reviewing the monthly Management Report, which provides a comprehensive review and analysis of the AFFINBANK's operations and financial issues. In addition, the Minutes of the Board Committees and Management Committees meetings and other issues are also tabled and considered by the Board.

Procedures are in place for Directors to seek both independent professional advice at the company's expense and the advice and services of the Company Secretary in order to fulfil their duties and specific responsibilities.

## 2. DIRECTORS' REMUNERATION

### LEVEL AND MAKE-UP

The make-up of Chief Executive Officer's remuneration remain unchanged consisting of salary, allowances, bonus and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and AFFINBANK.

Non-executive Directors' emoluments consist of two components – an annual flat fee as a Board member and an allowance for attendance of meetings at a standard rate. The Directors' fees and allowances are those recommended by the Board and in line with the shareholder, Affin Holdings group of companies.

Directors' emoluments are disclosed in the relevant note to the financial statements as an aggregate sum, in conformance to the relevant legislation.

### 3. SHAREHOLDER

AFFINBANK is a wholly owned subsidiary of Affin Holdings Berhad, a listed company on the KLSE.

#### ANNUAL GENERAL MEETING (“AGM”)

The Annual Report and financial statements for year ending December 2003 was tabled at the 28th AGM on 29 March 2004. Likewise the Annual Report and financial statements for year ending December 2004 will be tabled at the 29th AGM on 15 March 2005.

### 4. ACCOUNTABILITY AND AUDIT

#### FINANCIAL REPORTING

AFFINBANK continues to subscribe to the philosophy of transparent, fair, reliable and easily understandable reporting to stakeholders. The Board upholds its responsibility by regularly providing updates on AFFINBANK’s performance through quarterly announcements, ad hoc press conferences, and briefing to media throughout 2004.

The Board acknowledges and accepts full responsibility for the financial information contained in this annual report and by which means it provides a balanced, clear and meaningful assessment of its financial position and prospects as presented here in this and all other reports to the stakeholders, regulatory authorities and public.

#### STATEMENT OF DIRECTORS’ RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board is confident that the financial statements for the financial year ending 2004 give a true and fair view of the state of affairs, the results and cash flow of the Bank and the Group for the financial year. There is reasonable assurance that AFFINBANK has maintained proper accounting records, used and consistently applied appropriate accounting policies supported by reasonable and prudent judgements and estimates, and prepared the financial statements to comply with the Companies Act 1965, approving accounting standards in Malaysia and other regulatory provisions.

All published information on AFFINBANK is also available on the Bank’s website [www.affinbank.com.my](http://www.affinbank.com.my)

#### INTERNAL CONTROL

AFFINBANK has a well-established and fully operational risk management and internal control system. The Statement on Internal Control, which is set out in pages 30 to 33 of the annual report provides an overview on the risk management process/framework as well as on how the internal control system has been designed to manage risks and avert failures.



The Board oversees the proper management and protection of the Bank's interests by ensuring effective implementation of the risk management policy and process, as well as adherence to a sound system of internal control, and by seeking regular assurance on their effectiveness.

The Audit & Examination Committee has oversight responsibility for the adequacy and integrity of the internal control system. Reliance is placed on the results of independent audit performed primarily by internal auditors, the outcome of statutory audits on financial statements conducted by external auditors and on representations by Management based on their control self-assessment of all areas of their responsibility.

Minutes of Audit & Examination Committee meetings, which provide a summary of the proceedings, are circulated to Board members for notation and discussion.

AFFINBANK has an established Internal Audit & Compliance division who reports functionally to the Audit & Examination Committee and administratively to the President/Chief Executive Officer. The division is responsible for conducting independent audit on all the auditable entities in the Bank as per the approved 2004 Audit Plan.

#### RELATIONSHIP WITH AUDITORS

A professional relationship continues to exist between the Board/Audit & Examination Committee and the external auditors. The Audit & Examination Committee is authorized to communicate directly with both the external and internal auditors. A full Audit & Examination Committee report outlining its role in relation to the Auditors is set out in pages 29.

#### ASSURANCE

The Board through the Audit & Examination Committee has satisfactorily performed its oversight role in ensuring there is a sound internal control system and regular review on its adequacy and integrity of the system. Assurance on the effectiveness of risk management, control and governance process is obtained from the Management and Auditors (internal and external).

Bank Negara Malaysia auditors, internal auditors and external auditors conduct independent audit on AFFINBANK's business operations, support activities and financial records and statements respectively to derive an opinion on the adequacy and integrity of AFFINBANK's overall internal control framework.

Finally, with the benefit of the above assurances and the external auditor's comments incorporated in their audit report on the financial statements for the financial year ended December 2004, the Board is able to conclude that AFFINBANK conducts its business prudently and in line with good governance practices.

YBHG. DATO' ABDUL AZIZ ABDUL RAHMAN  
Chairman



YM DR. RAJA ABDUL MALEK  
RAJA JALLALUDIN  
Member



YBHG. DATO' DR. LEE CHEE KUON  
Member

#### TENURE OF MEMBERSHIP

The Board shall appoint the members for a two-year term.

# PRECISION CONTROLLERS

# COMMITTEE

AUDIT & EXAMINATION COMMITTEE

## TERMS OF REFERENCE OF THE AUDIT AND EXAMINATION COMMITTEE

### SIZE AND COMPOSITION

The Committee shall consist of at least three (3) members but not more than five (5) members, appointed by the Board from amongst the non-executive directors of the Bank.

### MEETINGS

Meeting shall be held at least once a month at a frequency to be decided by the Audit & Examination Committee. At the request of the Auditors, the Chairman shall convene a meeting to consider any matters that the Auditors may wish to bring to the attention of the Directors or shareholders.

A quorum shall consist of at least two (2) members. The Chief Internal Auditor shall be the Secretary to the Audit and Examination Committee.

### AUTHORITY

The Committee shall have unlimited access to all records, information and documents relevant to its activities, to the Internal and External Auditors, and to senior management of the Bank and its subsidiaries.

The Internal and External Auditors shall have free access to the Audit and Examination Committee and be allowed to attend and to be heard at the Committee meetings.

The Committee is authorised by the Board to obtain outside independent professional advice as it considers necessary.

### DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit and Examination Committee shall be:

1. To review AFFINBANK's financial statements for submission to the Board and to ensure compliance with disclosure requirements and any adjustments as suggested by the Auditors.
2. To review the reports of the Internal Audit & Compliance Division, the External Auditors, Bank Negara Malaysia examiners or any other relevant parties and decide on actions to be taken on relevant issues raised in the reports.
3. To review the effectiveness and performance of the internal audit functions from time to time.
4. To review with External Auditors, the scope of their audit plan, the system of internal accounting controls, the audit reports, the assistance given by the management and its staff to the auditors, and any findings and action to be taken.
5. To make recommendations to the Board on the appointment of External Auditors.
6. To review any significant related party transactions that may arise within the Bank's group or associate companies and report to the Board any areas of concern.
7. To review and approve the annual audit plan and budget of the Internal Audit & Compliance Division.
8. To be directly responsible for the role and performance of the Chief Internal Auditor and the operations of the Internal Audit & Compliance Division and their remuneration package.
9. To ensure that the Internal Audit & Compliance Division has adequate resources and support services to carry out its functions.
10. To report to the Board via minutes of meetings or special reports on the findings of its activities.
11. To carry out such other responsibilities as may be delegated by the Board from time to time.



AFFINBANK's Risk Management function focuses on both the strategic and operational dimensions. It plays an active role in setting and maintaining sound risk management policies, strategies and procedures for the conduct of the Bank's risk-taking business within a defined risk appetite and a commensurate reward level.

The Risk Management function, operating in an independent capacity, is a part of the Bank's senior management structure which works closely as a team in managing risks to enhance stakeholders' value.

The Risk Management function provides support to the Asset and Liability Management Committee (ALCO) and the Board Risk Management Committee (BRMC).

Its responsibilities extend to cover market, credit and operational risks. The risks underlying the Bank's business, including new activities and product lending programmes, are identified, quantified wherever possible and managed.

The risks inherent in the financial business of AFFINBANK are managed in the manner described below under the different headings.

# TOWER

## RADAR PLAN

STATEMENT ON INTERNAL CONTROL



## MARKET RISK

The Bank is mainly exposed to risk on interest rates and foreign exchange rates. The interest rate risk arises mainly from differences in timing between the maturities or repricing of assets, liabilities and derivatives. The Bank is also exposed to basis risk, when the pricing characteristics of two instruments change at different times or by different amounts. Foreign exchange rate risk arises from unhedged positions arising from customers' requirements.

The Bank employs a comprehensive approach to managing market risk. For the trading portfolios, market risk is measured and managed daily by the Market Risk Management Department, which is part of the Bank's Risk Management Division.

Market Risk is primarily controlled via a series of cut-loss limits and potential loss limits (Value-at-Risk) approved by the Asset Liability Management Committee in accordance with the Bank's risk appetite. These limits are set and reviewed regularly according to a number of factors, including the market trading liquidity of the instruments and the Bank's business strategy. In addition, the Bank also conducts periodic stress testing analysis of its respective portfolios to ascertain and manage the level of market risks under abnormal market conditions.

For the asset liability mismatch position in the Balance Sheet, the Bank employs a software to measure the risk. The risk is measured monthly through Net Interest Income simulations against various interest rate scenarios and managed through compliance with an Overall Risk Tolerance Limit approved by ALCO.

The market risk management infrastructure in place is adequate for the Bank's present scale of operations, exposures and business range.

## LIQUIDITY RISK

Liquidity risk is the risk of loss due to failure to access funds at reasonable cost to fund the Bank's operations and meet its liabilities as and when they come due. Liquidity risk arises from the Bank's general funding activities on an on-going basis and the management of its assets.

The Board is responsible for the Bank's liquidity performance although the strategic management of liquidity has been delegated to the ALCO. The Board is however, informed regularly of the liquidity situation in the Bank.

ALCO executes the Bank's liquidity strategy including ensuring that appropriate policies and procedures are established to control and limit liquidity risk. It is also responsible for ensuring that the Bank has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

To measure and manage net funding requirements, the Bank adopts the BNM's New Liquidity Framework (NLF). The NLF ascertains the liquidity condition based on the contractual and behavioural cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of the eligible liquefiable assets.

The Bank's Liquidity policy also covers diversification of liabilities, relationship establishment with liability holders and development of markets for asset sales.

As a matter of prudence, the Bank has in place a Contingency Funding Plan.

The Bank also measures and monitor its liquidity position in respect of the major currencies in which it is active.

## CREDIT RISK

Credit Risk is the potential of financial loss resulting from the failure of the customer or counterparty to settle the financial and contractual obligations to the Bank. Credit risk arises mainly from our lending activities and the Bank's posture on risk management is summed up as follows:

**“RISK IS AT THE CORE OF OUR BUSINESS. OUR AIM IS TO ENSURE THE LONG TERM QUALITY AND PROFITABILITY OF AFFINBANK’S BUSINESS ACTIVITIES THROUGH AN ESTABLISHED, INDEPENDENT RISK MANAGEMENT CAPABILITY.”**

The management of credit in the Bank is governed by a set of credit policies approved by the Board of Directors. Approval authorities are delegated to individual approvers who are independent of the business and in the case of the larger and higher risk loans, to the Management Loan Committee, to ensure sound and consistent credit standards. Importance is placed on the development of the annual business and credit plan.

Portfolio management is put in place to evaluate the credit risk exposures, the portfolio's risk profiles, and to identify any adverse trends or risk concentration patterns. The focus of portfolio management is to ensure that the risk concentration areas and unacceptable risk factors are managed and mitigated early.

A credit risk grading system is implemented for corporate and business loans. The grading is based on credit worthiness of the borrower, i.e. the ability to service and repay debt obligation based on the borrower's current condition, with regard to its management capacity and its market position.

The Bank has established a credit risk management framework which is consistent with Bank Negara Malaysia's guidelines on “Best Practices for the Management of Credit Risk”.

## BOARD RISK MANAGEMENT COMMITTEE

The main function of Board Risk Management Committee is to assist the Board in its supervisory role in the management of risk in the Bank. It has responsibility for approving and reviewing the credit risk strategy, credit risk framework and credit policies of the Bank.

## BOARD LOAN REVIEW & RECOVERY COMMITTEE

Board Loan Review Committee critically reviews loans and other credit facilities with higher risk implications, after due process of checking, analysis, review and recommendation by the Credit Risk Management function, and if found necessary, exercise the power to veto loan applications that have been accepted by the Management Loan Committee. The Committee is also responsible to provide review on the non performing loans report presented by the Management.

## MANAGEMENT LOAN COMMITTEE

Management Loan Committee approves complex and larger loans and workout/recovery proposals beyond the delegated authority of the concerned individual senior management personnel of the Bank.

## INDIVIDUAL APPROVERS

Below the Committee approval level, a dual sign-off approval system is in place, independent of business imperatives.

## OPERATIONAL RISK MANAGEMENT

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. As such, operational risk is inherent in each of the Bank's business and operational activities. Such risks result in breakdowns, errors and can potentially result in financial loss or other losses (e.g. reputation loss) to the Bank.

Hitherto, the Bank monitors and controls such risk through policies and procedures at individual business or operational activities level. These were designed taking into consideration the individual unit's business activities, the market in which it is operating and any regulatory requirement in force.

In the year 2004, the Bank's Operational Risk Management Department embarked upon preparing and collating the MIS required for effective Operational Risk Management.

The initiatives will be further enhanced in 2004 with the developments of risk measurement tools and risk management processes.

At the operational level, Internal Audit & Compliance Division conducts annual audits and limited reviews on selected branches. The selection of branches is determined through a risk-based assessment process. Audits/reviews are also conducted on Head Office Divisions/Departments as well as the Bank's own subsidiaries. The focus of the audits is to provide assurance to Management on the compliance with statutory requirements, laws, company policies and internal guidelines.

## BASEL II COMPLIANCE

The Bank has initiated proactive plans to achieve full adoption of the Standardized Approach for Credit Risks by 2007. Some significant work will be carried out in 2005 on enhancing the Bank's Operational Risk Management capability.

The Audit and Examination Committee has been established to assist in overseeing the operational risk management:

- **Audit and Examination Committee**

This Committee comprises of the Bank's Board of Directors whose primary function is to assist the Board of Directors in its supervision over:

- The reliability and integrity of accounting policies and financial reporting and disclosure practices,
- The provision of advice to the Board on matters of the financial statement and business risks to enable the Board to fulfil its fiduciary duties and obligations, and
- The establishment and maintenance of processes to ensure that they:
  - i. are complaint to all applicable laws, regulations and company policies and
  - ii. have adequately addressed the risk relating to internal controls and systems, management of inherent and business risks, and ensuring that the assets are properly manages and safeguarded.

**AS WE STAND IN THE  
INDUSTRY, WE CAN  
BEST DESCRIBE  
OURSELVES AS A  
PROMINENT MEDIUM  
SIZED BANK.  
HOWEVER, WE  
CONSIDER THAT  
BEING MEDIUM SIZED  
IS THE BANK'S  
COMPETITIVE EDGE.**

AFFINBANK is moving on. The winds of change set in motion by the impending liberalisation of the financial sector are changing the financial landscape of Malaysia. While the Bank continues to be a profitable enterprise, we plan to be in the business for the long haul. So as not to be left behind, the past year was an opportune moment for the Bank to pause, take stock of its position and chart a new corporate direction and destiny. Far-reaching changes were introduced in 2004 impacting almost every aspect of the organisation, and demanding a paradigm shift in perceptions, mindsets, corporate culture and behaviour.



It was a bold, yet positive new direction for the Bank. Basically, we restructured and reorganised ourselves internally, rebuilt core competencies, adopted a new business model, shed some non-core assets and essentially improved the quality of our balance sheet. The result is a more streamlined entity in terms of organisation, capital assets and human resources.

With a responsibility to our shareholders and investors clearly in mind, we have placed the Bank on a firmer more productive path for future growth and profitability. The new direction taken has also awakened a renewed sense of mission and refreshing purpose. More intensely focused than ever, we are moving forward to set the Bank on course towards its longer-term goal: to be a key players in the industry, growing from strength to strength to finally expand regionally.

AFFINBANK looks forward to the future with confidence and much anticipation. It will be an exciting future, marking the start of a new chapter in the Bank's corporate history. The changes put in place during 2004 have positioned the Bank for a new phase of growth. In moving forward, the Bank has shed its image of old. The AFFINBANK of today has reinvented itself, with a more aggressive approach in its operations, business and market positioning.

As we stand in the industry, we can best describe ourselves as a prominent medium sized bank. However, we consider that being medium sized is the Bank's competitive edge. It allows the Bank to leverage on its position to strategically grow its assets through the right business models. We have already identified potential sectors and business areas that will boost loan growth and revenue going forward. Despite the challenging environment, we believe we can continue to deliver profit in a sustainable manner without sacrificing our loan principal or capital.

We will adopt a two-pronged approach to achieve profit growth through revenue earnings and by effective cost management. Through good risk management, we will protect our loan assets and improve non-interest income. At the same time, we will continue to manage and reduce costs, thereby enhancing our efficiency. For the foreseeable future, the Bank will continue to expand its loans growth, targeting consumers, small and medium industries and corporate banking. In the longer term, consumer banking will provide the sustainable profit base, but corporate banking, which constitutes 60% of AFFINBANK's total banking business, will generate immediate income.

The Bank's next focus will be the establishment of an Islamic banking business. AFFINBANK has already applied to Bank Negara Malaysia to set up such a subsidiary, and is hopeful that approval can be obtained by first half of 2005. As part of the ongoing restructuring programme, AFFINBANK is in the midst of integrating its finance company, Affin-ACF Finance Bhd, under its wing. The Bank's branch network would also be rationalised, an exercise that would involve rightsizing of the existing 84 branches and Affin-ACF Finance's 40 branches.

Looking to the longer term, AFFINBANK plans to operate beyond national boundaries, finding its niche as a regional player. In preparing ourselves for this eventuality, we are exploring the possibility of having a foreign partnership. This will be a win-win situation for both parties concerned. With the expected liberalisation of the industry by 2007, the foreign partner will gain immediate entry into the Malaysian market and access to AFFINBANK's corporate and government clients. On our part, the Bank will be able to tap the knowledge, experience and resources of its foreign shareholder, which will come in useful when we eventually expand regionally.

AFFINBANK remains very much an unfolding story. Because of its remarkable transformation over the last year and a cogent strategy for growth put in place, the best years for AFFINBANK are yet to come.



## Beyond the limits

We are not going to be content.

We are going to find ways to move forward.

We are never going to stop.

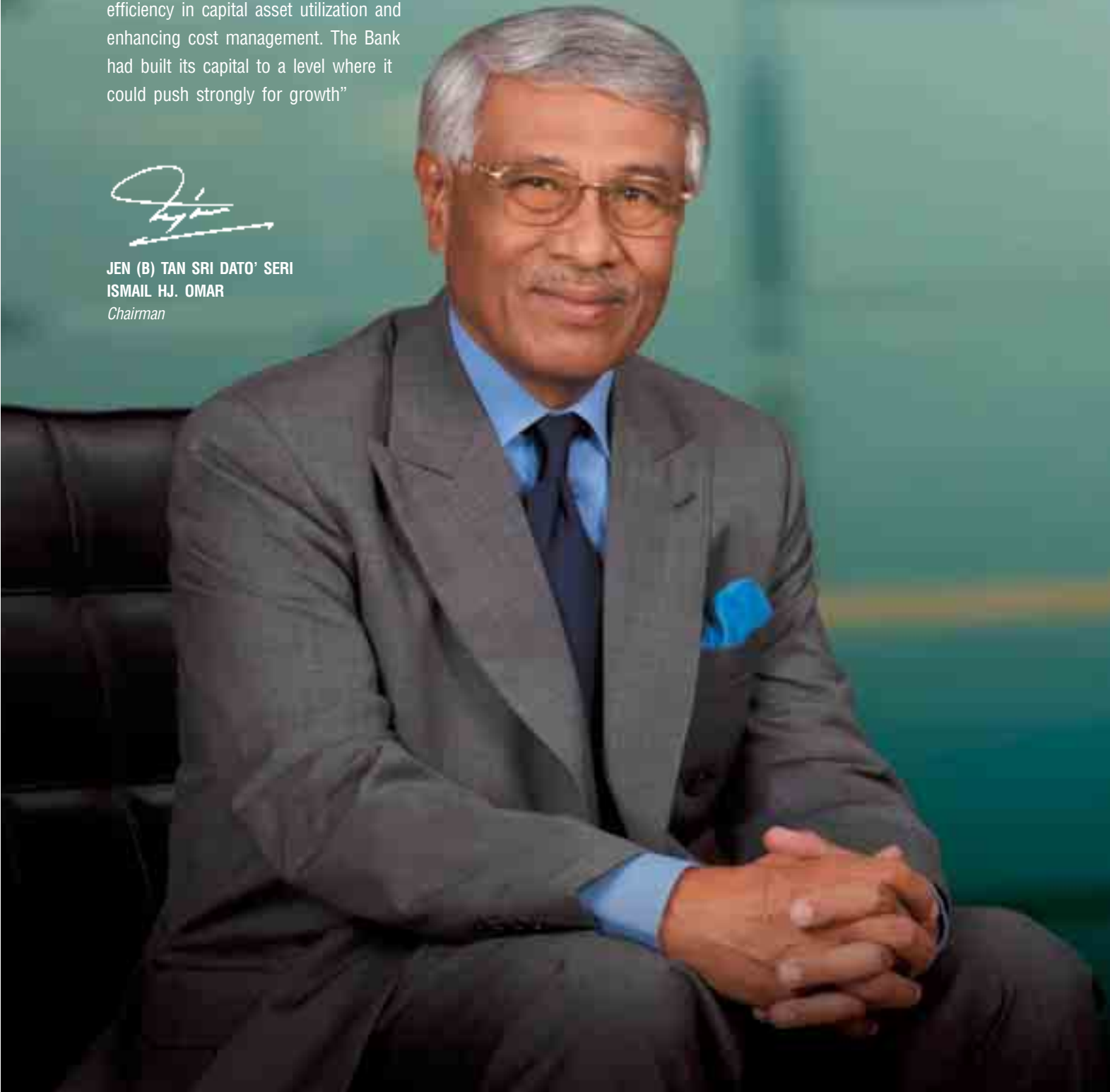
Come fly with us.



“AFFINBANK has all the ingredients for growth after streamlining its processes, operation competency, increasing efficiency in capital asset utilization and enhancing cost management. The Bank had built its capital to a level where it could push strongly for growth”



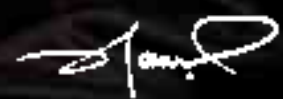
**JEN (B) TAN SRI DATO' SERI  
ISMAIL H.J. OMAR**  
*Chairman*





A portrait of Dato' Abdul Hamidy Abdul Hafiz, President/CEO, smiling and wearing a dark suit and tie. He is seated in a dark chair against a blurred background of a modern building with glass windows.

“We took a bold move to concentrate on our internal restructuring, reorganization, reviewing of debt recovery, reducing our non-performance loans (NPLs) as well as reengineering our processes to ensure better performance and improved services. We have rebuilt our core competencies in terms of physical infrastructure, capital assets and human resources”

A handwritten signature in white ink, appearing to read 'Dato' Abdul Hamidy Abdul Hafiz'.

**DATO' ABDUL HAMIDY ABDUL HAFIZ**  
*President/CEO*



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On behalf of the Board of Directors of Affin Bank Berhad, it is our pleasure to present to you the Annual Report and financial account for the year ended 31st December 2004.

## 2004 THE YEAR THAT WAS

At the dawn of 2004, the world was expecting the year to be an eventful one. Indeed, an eventful year it was but not as many had anticipated it to be. On 26 December 2004 we were reminded that our lives are subject to forces that are beyond our control. The infamous Tsunami took a staggering toll of lives. But for those who are left behind, from Aceh to Galle to the shores of east Africa, it also destroyed their livelihood. Ironically, despite the long-drawn wars, terrorism, and indifferences, the world population scrambled to aid the victims.

**“2004 was another year of accomplishment for AFFINBANK. Notwithstanding the economic scenarios, the Bank had again managed to achieve excellent results”**

During the year, the volatile oil prices that soared to its high threatened the global economic recovery but fortunately we dealt with it well. The year also witnessed the General Elections when Prime Minister YAB Datuk Seri Abdullah Ahmad Badawi consolidated his authority and popularity with Barisan Nasional's landslide victory. In neighbouring Indonesia and India new governments were also appointed, while in the United States, President George W. Bush was re-elected for his second term.

Looking at the economic scenario, the health of our economy continued to improve as evidenced by the 7.1% growth in gross domestic products (GDP) from the previous year's results of 5.3%. The growth was broad-based with both domestic demand and export registering a steadier expansion. Inflation stayed moderate at below 2.0%. Meanwhile, monetary policy remained accommodative in 2004 with interest rates continued to be at a low level amidst flushed liquidity and low inflation. All sectors of the economy charted positive growth in 2004. The manufacturing sector grew by 9.8% while the services sector expanded by 6.7%.

The country's international reserves had also expanded to RM253.5 billion or USD66.7 billion as at end December 2004 – an increase of almost 48% from RM170.5 billion or USD44.9 billion the year before.

**PILOT**IN

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**COMMAND'S** ADDRESS  
LETTER TO SHAREHOLDERS

The Malaysian economy had performed better in 2004 and the firmer base would be able to support growth through 2005 and 2006. Although the global economy is expected to moderate, Malaysians would remain accommodative to support domestic demand and overall economic activities.

The year 2004 was also a favourable one for the investors with the stock market gaining 15.5% over the year. At the same time, Affin Holdings' price trend was excellent. As at 31 December 2004, the share price had increased to RM1.75 compared to around RM1.00 a year ago.

### AFFINBANK IN 2004

2004 was another year of accomplishment for AFFINBANK. Notwithstanding the economic scenarios, the Bank had again managed to achieve excellent results. For this, we would like to express our utmost gratitude to our valued customers and shareholders for their unwavering support, members of the board for their guidance and the staff for their full commitment and hard work.

We proudly announce that the Bank recorded a profit before tax and zakat of RM180.20 million for the financial year ended 31 December 2004, representing a record growth of 1,249% from last year's result of RM13.35 million.

At the group level, the Group posted a profit before tax and zakat of RM174.64 million compared to RM15.12 million attained in the previous year. In 2004, shareholder's equity expanded to RM1.55 billion from RM1.38 billion in 2003 – an increase of 11.67%. Share capital remained at RM1.02 billion.

Both the Group and the Bank had managed to gain earnings per share (EPS) of 15.4 sen and 15.9 sen respectively, compared to EPS of 7.8 sen and 7.7 sen respectively in 2003. This was achieved due to a measured strategy undertaken by the Bank in addressing all the key areas that previously impaired its financial performance.

The Bank had undergone a comprehensive balance sheet restructuring programme that saw its total assets declined by RM3.11 billion to RM18.03 billion in the period under review from RM21.14 billion the previous year. This was achieved through the disposal of non-core and low yielding assets. Correspondingly, there was a decline on the liabilities to match the Bank's new and more efficient asset profile. In terms of deposit mobilization, the Bank's total deposits had shrunk from RM15.25 billion in 2003 to RM12.95 billion in 2004. We are also pleased to note that the Bank had addressed the issue of declining loan assets which in 2004 saw only a marginal contraction of 0.09% to RM10.69 billion from RM10.70 billion in 2003. Going forward in 2005, the Bank is confident of registering stronger growth.

Thanks to stronger recovery efforts, the Bank had managed to improve further its non-performing loans (NPLs) level to 23.63% from 24.56% registered in 2003 even though it is still more than double the industry's average. In addition, the Bank had also reduced its overhead expenses by 11.52% to RM341.0 million from RM385.39 million recorded in 2003. Its cost to income ratio improved to 65.7% in 2004 from 81.4% in 2003.

2004 also registered a strengthening in the Bank's capital position. The Bank's core capital improved further to 9.37% in 2004 from 7.40% in 2003. Meanwhile, risk weighted capital ratio (RWCR) increased to 14.55% in the period under review from 12.32% in 2003.

**“We proudly announce that the Bank recorded a profit before tax and zakat of RM180.20 million for the financial year ended 31 December 2004, representing a record growth of 1,249% from last year's result of RM13.35 million.”**

The Islamic banking operation recorded a slower growth. Profit before zakat contracted by 4.6% to RM41.05 million in 2004 from RM43.02 million the year before. Total assets decreased by 7.37% to RM3.25 billion in the period under review and the Bank's net income also declined by RM1.82 million to RM42.90 million from RM44.72 million in 2003. The Bank nonetheless aims to accelerate its participation in the Islamic banking area and in this light had submitted an application to Bank Negara Malaysia (BNM) for a licence to establish a standalone Islamic banking subsidiary. With the establishment of the Islamic banking subsidiary, AFFINBANK will be able to fully promote the growth of Islamic banking in line with Bank Negara's vision of seeing Islamic banking compete on level terms with its conventional counterpart.

## 2004 ACHIEVEMENTS

For the whole year, AFFINBANK took itself out of the market to escape from the negative perspectives that people have on the Bank. The time was spent on recuperating, strategizing and rebuilding its internal strengths.

We took a bold move to concentrate on our internal restructuring, reorganisation, reviewing of debt recovery, reducing our non-performing loans (NPLs) as well as reengineering our processes to ensure better performance and improved services. We have rebuilt our core competencies in terms of physical infrastructure, capital assets and human resources. We have also identified potential sectors and business areas that could boost our loans growth.

AFFINBANK has all the ingredients for growth after streamlining its processes, operation competency, increasing efficiency in capital asset utilization and enhancing cost management. The Bank had built its capital to a level where it could push strongly for growth.

In 2004, the Bank's capital adequacy ratio (CAR) was higher at 14.5% compared to the industry's average of 12%.

In the last five years, the Bank's profit had never touched the RM100 million mark. But in 2004, we managed to rake in RM180.20 million in profit. Such excellent results are the fruits of our labour.

## 2005 THE YEAR AHEAD

In 2005, we expect to see sustainable growth in the economy that will largely be driven by continued positive growth across all sectors, aided by a fairly favourable external environment. The government envisages better economic prospects as it aims to provide a strong and stable macroeconomic foundation, improve corporate governance, fight corruption, streamline the public service delivery system and collaborate effectively with the private sector.

Malaysia must be ready to face the challenges ahead, especially challenges that are brought about by globalisation and other issues such as the volatility in oil prices, performance of the US and Chinese economies as well as tightening of monetary policies across all major economies. Nonetheless, we are confident that the government will be able to come up with effective strategies in order to face these challenges.





On the banking front, the industry will witness further reorganizations as finance companies consolidate themselves into their banking entities. This would enhance the financial & banking services to the public, increase the number of branches and strengthen their networks. Not to be left out, AFFINBANK is also in the midst of a merger exercise with sister company Affin-ACF Finance Berhad. Once completed, the merger would add significant value to the Bank's business in terms of profit and capital and would help improve its NPL ratio. As part of the exercise, the Bank's network of 84 and Affin-ACF Finance's 40 branches would also be optimized to give a wider coverage to the Bank's clients.

AFFINBANK will continue to find ways to improve and leverage on its position as a medium size bank of prominence. It will strive to deliver sustainable profit without sacrificing its loan principal thereby its capital. Risk management will be emphasized to protect loan assets and improve non-interest income through capital market and treasury.

In 2005, the bank will continue to expand its loans growth from individuals, small and medium enterprises (SMEs) and corporate clients. Currently, corporate banking represents 60% of the Bank's total business while the remaining 40% is represented by consumer banking. The focus will also be given on our Islamic banking business as we expect to set up an Islamic banking subsidiary by the second half of 2005.



## BANKING WITHOUT BARRIERS

As part of the Bank's new business model, AFFINBANK is transforming its branches into what is known as Customer Relationship Centres (CRCs) to emphasize on sales and service. Towards this end, we had unveiled a brand new banking concept based on the theme of 'Banking Without Barriers'. To put it simply 'Banking Without Barriers' concept is priority banking for the masses that was developed as the Bank aims to carve a niche and improve relationship as well as enhance value to and from the customers. The barriers go beyond physical obstructions, it is more about removing boundaries in our attitude in dealing with customers. We are willing to move away and not stuck to our desks. We will come out to you and reach out to you. With the introduction of the new concept, branches are currently undergoing a face-lift and being renamed CRCs. The Bank targets to transform all branches into CRCs by the end of 2006. Under this concept, customers can look forward to a more personalized service and will be entitled to what we call the 'Datuk treatment' that will change their perception about a bank.

## OUR APPRECIATION

On behalf of the Board and the Management, we would like to thank our great team of employees for their dedication and our shareholders, Affin Holdings Bhd and LTAT; and the customers for their trust and continuous support for the Bank. Last but not least, our sincere appreciation to Bank Negara Malaysia (BNM) and our Board of Directors for their invaluable assistance and continued guidance.

**JEN (B) TAN SRI DATO' SERI ISMAIL HJ. OMAR**

*Chairman*

**DATO' ABDUL HAMIDY ABDUL HAFIZ**

*President/CEO*



from top:  
15 February 2004  
13 April 2004  
13 April 2004



10 July 2004



15 February 2004  
**Briefing Session: Concept of Service Delivery Centre (SDC)**  
Menara AFFIN

In line with the launch of Bangsar branch as a Service Delivery Centre, Special Projects had organized a briefing session to all AFFINBANK Branch Managers, Deputy Branch Managers and Heads of Credits in the Klang Valley. This was to create awareness and update the staff on the implementation of the Service Delivery Centre concept which was later renamed to Customer Relationship Centre (CRC).



13 April 2004

**Seminar on Foreign Remittances and Regulations**  
Marriot Hotel Putrajaya

The main objective of the one day seminar was to educate participants on foreign remittances in order to help minimize or even eliminate errors in foreign remittance processes at the Bank.

Senior officers from various government bodies namely the Accountant General's Department of Malaysia, Public Service Department, Education Ministry, Ministry of Defence and Prime Minister's Department were involved in the event.

10 July 2004

**AFFIN Educaid Scholarship Awards**  
Menara AFFIN

AFFINBANK presented a total of RM54,600 to 39 students who excelled in their studies under the AFFIN Educaid scheme. The scheme was designed for the welfare and benefits of the children of employees by giving them the recognition for the support extended by their parents towards the success of the Bank. The scholarship offered was for degree programmes in local and foreign educational institutions with priority given to the banking discipline.



## 14-18 August 2004

### Malaysian International Halal Showcase 2004 (MIHAS)

Mines Resort City, KL

AFFINBANK was involved in the Malaysian International Halal Showcase 2004 or MIHAS that was organized by the Islamic Dakwah Foundation (YADIM). This first of its kind event was held to showcase and promote the global halal industries from all sectors and explore greater market opportunities as the country aims to become the global halal hub. Among showcased were financial and investment, food and beverages, pharmaceutical and cosmetic products. AFFINBANK's participation was expected to help boost its Islamic banking business.



## 26-29 August 2004

### Invest Malaysia 2004

PWTC

Invest Malaysia 2004 which was organized by Bursa Malaysia and supported by the Ministry of Finance, Ministry of Domestic Trade & Consumer Affairs and Securities Commission saw AFFINBANK as one of the exhibitors.

The highlight of the four day event was the exhibition where corporate Malaysia showcased their products and services.

The involvement of AFFINBANK Group was seen as an opportunity to draw attention to its field of expertise through the leveraging of combined strengths and resources.

The event intended to enhance market awareness amongst local investors, create opportunities for gathering of information on corporate Malaysia and the markets as well as provide an avenue for the public to gain knowledge and expertise on how to invest in markets successfully.

## 26 August 2004

### Boustead Seals RM200 million Loan Agreement

Prime Minister's Office

Boustead Holdings Berhad sealed a financing package arranged by AFFINBANK. The signing of the financing package saw the Employees Provident Fund Board (EPF) as the lender and Singapore's largest bank DBS Bank Ltd. (DBS) as the guarantor. It marked a closer collaboration between the two financial institutions and Boustead. Under the package, the country's pension fund provided Boustead a RM200 million fixed-rate loan facility. The event was witnessed by Prime Minister Dato' Seri Abdullah Haji Ahmad Badawi.



26 August 2004

from top:  
14-18 August 2004  
14-18 August 2004  
26-29 August 2004  
26-29 August 2004



28 September 2004

**Soft Launch of AFFINCare**

Menara AFFIN

AFFINBANK had the soft launch of its charity society called AFFINCare. Mooted by President/CEO Dato' Abdul Hamidy Abdul Hafiz himself, the setting up of the society was part of the Bank's social obligation towards the community to enhance comradeship amongst the employees as well as position it as a caring bank within the community. Among the area of focus it had identified were health, education, poverty and disaster.



28 September 2004

8-10 October 2004

**Islamic Banking & Takaful Expo 2004 (IBTE)**

Putra World Trade Centre (PWTC)

Along with sister companies Affin-ACF Finance, Affin Merchant, Affin Trust Management and Affin Factors, AFFINBANK took part in the Islamic Banking & Takaful Expo 2004 (IBTE). The expo which was organized by the Association of Islamic Banking Institutions Malaysia (AIBIM) with the support of Bank Negara carried the theme "Your Financial Partnership". It was officiated by Central Bank Governor Dato' Dr. Zeti Akhtar Aziz. The expo aimed to create awareness and enhance public knowledge on Islamic Banking and the Islamic financial services industry.



8-10 October 2004



from top:

1 November 2004

5 November 2004

5 November 2004

1 November 2004

**Zakat Allocation for 2003**

Menara AFFIN

AFFINBANK contributed a sum of RM20,000.00 from its 2003 Zakat allocation to Perkumpulan Perempuan Sabah. The amount collected was distributed to the needy and less privileged in Beaufort, Sabah. President of Perkumpulan Perempuan Sabah Dato' Hajah Azizah Datuk S.P. Hj. Mohd Dun represented the organization to receive the Zakat.

5 November 2004

**Majlis Berbuka Puasa Bersama Anak Yatim & Saudara Baru**

Menara AFFIN

An annual event held during the fasting month.

The joint effort between the Association of Muslim Employees (PERKIWIRA) and the Bank managed to gather some 160 orphans and new Muslim converts, the highest number of invitees to date. The orphans enjoyed the occasion with a sumptuous spread of food served.

5 November 2004

**AFFIN Educaid Scholarship Awards**

Menara AFFIN

AFFINBANK awarded a total of RM34,365.50 in scholarships to three students under the AFFIN Education Aid or AFFIN Educaid Scheme which was launched in July last year. This was the second time such an event was held in 2004. The first award ceremony held in July, saw 39 students receiving a total of RM54,600 in cash under the Academic Excellence Award programme. The AFFIN Educaid scheme is divided into four programmes namely Primary Education Subsidy, Academic Excellence Award, Scholarship and Training. The amount of scholarship offered for each student is a maximum of RM15,000 annually inclusive of tuition fees and estimated personal expenses of RM2,000.



5 November 2004

7-8 December 2004

**Managers' Convention 2004**

Prince Hotel & Residence Kuala Lumpur

The Consumer Banking Division held its Managers' Convention 2004 at Prince Hotel & Residence Kuala Lumpur to internalize the sales and service driven culture at AFFINBANK branches nationwide. The objectives of the convention were to create awareness among the managers on the new look and feel of the Customer Relationship Centre (CRC) concept as well as to update them on the new structure and management, the new remuneration scheme and the Bank's latest products to be rolled out. Some 90 managers from the Peninsular as well as East Malaysia took part in the two-day event.

9 December 2004

**Zakat for Islamic Banking Operations**

Menara AFFIN

AFFINBANK handed over cheques worth a total of RM200,000 to various welfare organisations and schools across the country as its zakat contribution (business tithe) for the Bank's Islamic Banking operations in year 2003. The Bank had consistently and faithfully subscribed to the Syariah principles in setting aside a sum of monies annually by contributing the 'zakat' for the welfare of the poor and needy.



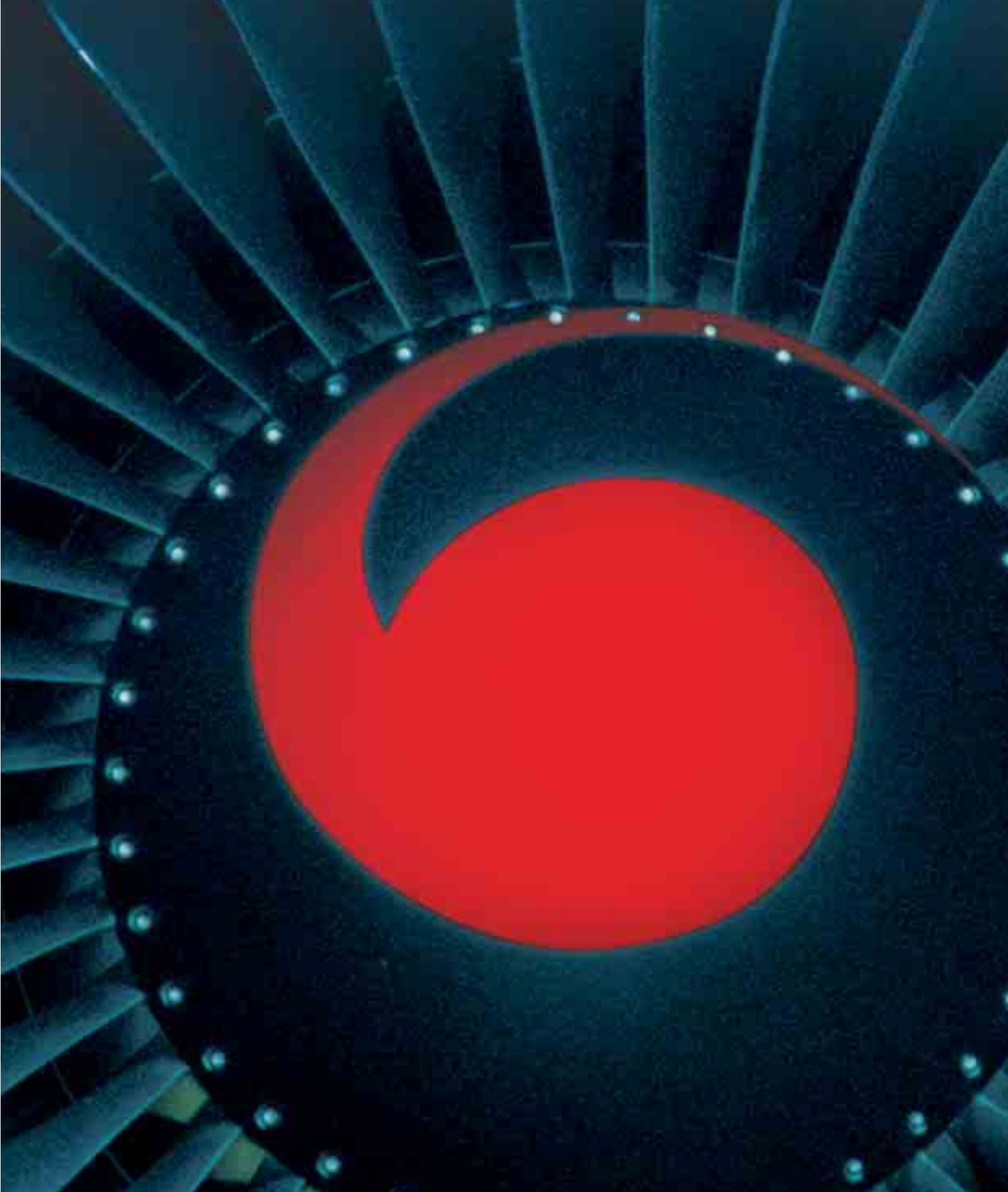
from top:


7-8 December 2004

7-8 December 2004

9 December 2004

9 December 2004





## Generating profits

We have re-engineered ourselves.

We are leaner. We are more innovative.

We can now go where other banks can't.

Come profit with us.



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# AVIATION FLEET INVENTORY

## Directors' Report FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

The Directors submit herewith their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2004.

### PRINCIPAL ACTIVITIES

The principal activities of the Bank during the financial year are banking and related financial services which also include Islamic Banking business. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Syariah principles. The principal activities of the subsidiary companies are factoring of credit facilities, property management services, nominee and trustee services. There were no significant changes in the nature of these activities during the financial year.

### FINANCIAL RESULTS

	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
Profit before taxation and zakat	174,641	180,196
Taxation and zakat	(17,927)	(18,465)
Net profit for the financial year	156,714	161,731

### DIVIDENDS

No dividends have been paid since the end of the Bank's previous financial year.

The Directors do not recommend the payment of any dividend for the current financial year.

### RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

### BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

## Directors' Report FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### CURRENT ASSETS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Bank, have been written down to an amount which they might be expected so to realise.

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

### VALUATION METHODS

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

### CONTINGENT AND OTHER LIABILITIES

At the date of this report there does not exist:

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

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

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, to affect substantially the results of the operations of the Group or the Bank for the current financial year in which this report is made.



# Directors' Report FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## DIRECTORS OF THE BANK

The Directors of the Bank who have held office during the period since the date of the last report are:

Jen (B) Tan Sri Dato' Seri Ismail bin Haji Omar (*Chairman*)  
 Dato' Abdul Hamidy Abdul Hafiz (*President/Chief Executive Officer*)  
 Tan Sri Dato' Haji Lodin bin Wok Kamaruddin  
 Dr. Raja Abdul Malek bin Raja Jallaludin  
 Laksamana Madya (B) Dato' Seri Ahmad Ramli bin Mohd Nor  
 Dato' Razman Md. Hashim bin Che Din Md. Hashim  
 Dato' Dr. Lee Chee Kuon  
 Dato' Abdul Aziz bin Abdul Rahman

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interest of Directors in office at the end of the financial year in shares, warrants and options of related corporations were as follows:

	Ordinary shares of RM1 each			As at 31.12.2004
	As at 1.1.2004	Bought	Sold	
<b>Affin Holdings Berhad</b>				
Tan Sri Dato' Haji Lodin bin Wok Kamaruddin	8,714	—	—	8,714
Dato' Dr. Lee Chee Kuon	7,000	—	—	7,000
Dato' Abdul Aziz Abdul Rahman	—	20,000	—	20,000
<b>Ordinary shares of RM10 each; RM5 uncalled</b>				
	As at 1.1.2004	Bought	Transfer	As at 31.12.2004
<b>PAB Trustee Berhad*</b>				
Jen (B) Tan Sri Dato' Seri Ismail bin Haji Omar	20,000	—	—	20,000
Dr. Raja Abdul Malek bin Raja Jallaludin	20,000	—	—	20,000
Laksamana Madya (B) Dato' Seri Ahmad Ramli bin Mohd Nor	20,000	—	—	20,000
Dato' Razman Md. Hashim bin Che Din Md. Hashim	20,000	—	—	20,000

\*Shares held in trust for the Bank

**DIRECTORS' INTERESTS (CONTINUED)**

	Number of warrants 2000/2010			As at 31.12.2004
	As at 1.1.2004	Bought	Sold	
<b>Affin Holdings Berhad</b>				
Tan Sri Dato' Haji Lodin bin Wok Kamaruddin	1,500	—	—	1,500
Dato' Dr. Lee Chee Kuon	1,214	—	—	1,214

Each warrant ('Affin Warrants 2000/2005') entitles the registered holder to subscribe one new ordinary share of RM1.00 each in Affin Holdings Berhad at any time from the date of issue of 8 July 2000 at the exercise price of RM3.10 per share. The original exercise period of the Affin Warrants 2000/2005 was to expire on 7 July 2005. During the financial year 2004, the Affin Warrants 2000/2005 was extended for another five years and will expire on 7 July 2010 ('Affin Warrants 2000/2010').

	Options over ordinary shares of 50 sen each				As at 31.12.2004
	As at 1.1.2004	Granted	Exercised	Expired	
<b>Boustead Holdings Berhad</b>					
Tan Sri Dato' Haji Lodin bin Wok Kamaruddin	9,500,000	—	3,000,000	—	6,500,000#
	1,000,000	—	600,000	—	400,000##

# This is a five year option granted by LTAT to acquire 9,500,000 Boustead Holdings Berhad shares from LTAT at RM1.61 per share and will expire on 22 November 2005.

## This option was granted by Boustead Holdings Berhad under its Employees' Share Option Scheme at RM0.94 per share and will expire on 22 July 2006.

Other than the above, the Directors in office at the end of the financial year did not have any other interest in shares, warrants and options over shares in the Bank or its related corporations during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than the fees and other emoluments shown in the notes to the financial statements) by reason of a contract made by the Bank or by a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest except that certain Directors received remuneration as directors/executives of related corporations, share options granted to Directors of the Bank pursuant to the holding company's Employee Share Option Scheme and share options granted by the ultimate holding corporate body and Boustead Holdings Berhad.

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

## DISCLOSURE OF COMMITTEES

### Nomination Committee

A Nomination Committee was established on 30 June 2003. During the financial year ended 31 December 2004, a total of three meetings were held. The Nomination Committee comprises the following members and the details of attendance of each member at the Nomination Committee meetings held during the financial year are as follows:

Composition of the Nomination Committee	Attendance at the Committee meetings
1. Laksamana Madya (B) Dato' Seri Ahmad Ramli bin Mohd Nor (Chairman/Independent Non-Executive Director)	3 out of 3
2. Tan Sri Dato' Haji Lodin bin Wok Kamaruddin (Member/Non-Independent Non-Executive Director)	3 out of 3
3. Dato' Razman Md. Hashim bin Che Din Md. Hashim (Member/Independent Non-Executive Director)	3 out of 3
4. Dato' Abdul Aziz bin Abdul Rahman (Member/Independent Non-Executive Director)	3 out of 3
5. Dr. Raja Abdul Malek bin Raja Jallaludin (Ceased to become member w.e.f June 2004) (Member/Independent Non-Executive Director)	1 out of 2

The primary responsibility of the Nomination Committee is to provide a formal and transparent procedure for the appointment of directors and President/Chief Executive Officer. The committee also assesses the effectiveness of the Board as a whole, contribution of each director, contribution of the board's various committees and the performance of President/Chief Executive Officer and key senior management officers.

### Remuneration Committee

A Remuneration Committee was established on 30 June 2003. During the financial year ended 31 December 2004, a total of six meetings were held. The Remuneration Committee comprises the following members and the details of attendance of each member at the Remuneration Committee meetings held during the financial year are as follows:

Composition of the Remuneration Committee	Attendance at the Committee meetings
1. Dr. Raja Abdul Malek bin Raja Jallaludin (Joined as Chairman in August 2004) (Chairman/Independent Non-Executive Director)	2 out of 2
2. Tan Sri Dato' Haji Lodin bin Wok Kamaruddin (Member/Non-Independent Non-Executive Director)	6 out of 6
3. Dato' Dr. Lee Chee Kuon (Member/Independent Non-Executive Director)	6 out of 6
4. Laksamana Madya (B) Dato' Seri Ahmad Ramli bin Mohd Nor (Joined as a member in August 2004) (Member/Independent Non-Executive Director)	2 out of 2
5. Dato' Razman Md. Hashim bin Che Din Md. Hashim (Ceased to become member w.e.f August 2004) (Member/Independent Non-Executive Director)	3 out of 4

The primary responsibility of the Remuneration Committee is to evaluate and recommend a framework of remuneration for directors, the chief executive officer and key senior management officers that is competitive and consistent with the Bank's culture, objectives and strategy.

## DISCLOSURE OF COMMITTEES (CONTINUED)

### Risk Management Committee

A Risk Management Committee was established on 18 June 2002. During the financial year ended 31 December 2004, a total of ten meetings were held. The Risk Management Committee comprises the following members and the details of attendance of each member at the Risk Management Committee meetings held during the financial year are as follows:

Composition of the Risk Management Committee	Attendance at the Committee meetings
1. Dato' Razman Md. Hashim bin Che Din Md. Hashim <i>(Joined as a Chairman in October 2004)</i> <i>(Member/Independent Non-Executive Director)</i>	10 out of 10
2. Dato' Dr. Lee Chee Kuon <i>(Joined as a member in September 2004)</i> <i>(Chairman/Independent Non-Executive Director)</i>	5 out of 5
3. Dr. Raja Abdul Malek bin Raja Jallaludin <i>(Member/Independent Non-Executive Director)</i>	7 out of 10
4. Dato' Abdul Aziz bin Abdul Rahman <i>(Joined as a member in September to December 2004)</i> <i>(Member/Independent Non-Executive Director)</i>	4 out of 4
5. Laksamana Madya (B) Dato' Seri Ahmad Ramli bin Mohd Nor <i>(Ceased to become member w.e.f June 2004)</i> <i>(Member/Independent Non-Executive Director)</i>	4 out of 5

The primary responsibility of the Risk Management Committee is to provide oversight and management of all risks in the Bank. The committee also ensures that the procedures and framework in relation to identifying, measuring, monitoring and controlling risk are operating effectively. The Bank's risk management framework is set out in Note 2 to the financial statements.

## OVERALL BUSINESS STRATEGIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

The year 2004 has seen the Bank undertake various initiatives to put itself on a stronger footing. These initiatives address the key infrastructural areas of the Bank including the changing of the Bank's core banking system, the centralisation of backroom processes, restructuring of the Bank's balance sheet and the rationalisation of the Bank's operating premises.

At the same time on the business side, the Bank has managed to address the declining loans growth which saw a bottoming up of the Bank's gross loans in the third quarter of 2004.

In addition, the Bank has also been successful in resolving its non-performing loan assets with recoveries contributing significantly to the Bank's profitability.

## BUSINESS PLAN AND OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2005

2005 is the year that the Bank intends to re-launch itself. With the infrastructure in place, the Bank aims to grow aggressively in both its traditional stronghold, namely contract financing and corporate banking, whilst at the same time introduce innovative consumer banking products and packages. This will be augmented further with the acquisition of Affin-ACF Finance's assets and liabilities, which brings additional dimension to the Bank's offerings.

In addition, the Bank will also re-launch itself through an aggressive branding campaign aimed at re-positioning the Bank to align with its new vision and business model.

## RATING BY EXTERNAL AGENCIES

The Bank has been rated by the following external rating agency:

Name of rating agency:	RATING AGENCY MALAYSIA BERHAD (RAM)
Date of rating:	3 November 2004 (Reaffirmed)
Rating classifications	
– Long term:	BBB <sub>2</sub>
– Short term:	P <sub>2</sub>

A BBB rating is defined by RAM as being able to offer moderate safety for timely payment of interest and principal, and lacking in certain protective elements. Changes in circumstances are more likely to lead to weakened capacity to pay interest and principal than debts in higher rated categories. The subscript 2 in this category indicates a mid-ranking in the BBB category. A P<sub>2</sub> rating is defined by RAM as obligations which are supported by a strong ability with regards to timely payment of obligations.

## HOLDING COMPANY AND ULTIMATE HOLDING CORPORATE BODY

The holding company of the Bank is Affin Holdings Berhad, a public listed company incorporated in Malaysia and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 24 February 2005.

### **JEN (B) TAN SRI DATO' SERI ISMAIL BIN HAJI OMAR**

*Chairman*

### **DATO' ABDUL HAMIDY ABDUL HAFIZ**

*President/Chief Executive Officer*

## Balance Sheets AS AT 31 DECEMBER 2004

	Note	The Group		The Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	2,214,072	3,701,147	2,206,070	3,701,139
Deposits and placements with financial institutions	4	115,210	283,000	115,210	283,000
Dealing securities	5	272,776	330,000	272,776	330,000
Investment securities	6	3,569,737	4,622,191	3,550,652	4,603,046
Loans, advances and financing	7	10,708,147	10,744,032	10,689,274	10,698,851
Other assets	8	96,251	321,050	95,899	320,217
Tax recoverable		39,286	35,989	38,250	35,900
Deferred taxation assets (net)	9	183,734	201,435	189,396	207,123
Statutory deposit with Bank Negara Malaysia	10	453,500	453,000	453,500	453,000
Subsidiary companies	11	—	—	41,011	52,850
Associated company	12	30	30	30	30
Property, plant and equipment	13	235,443	304,913	228,036	297,179
Goodwill	14	142,585	151,740	146,478	155,633
<b>Total assets</b>		<b>18,030,771</b>	21,148,527	<b>18,026,582</b>	21,137,968
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Deposits from customers	15	12,948,829	15,249,040	12,952,948	15,252,926
Deposits and placements of banks and other financial institutions	16	471,010	1,777,147	471,010	1,777,147
Obligation on securities sold under repurchase agreements		875,942	492,954	875,942	492,954
Bills and acceptances payable		613,208	695,468	613,208	695,468
Amount due to Cagamas	17	343,635	405,440	343,635	405,440
Other liabilities	18	729,433	536,478	722,663	528,588
Subordinated bonds	19	—	100,000	—	100,000
Subordinated term loan	19	500,000	500,000	500,000	500,000
<b>Total liabilities</b>		<b>16,482,057</b>	19,756,527	<b>16,479,406</b>	19,752,523
Share capital	20	1,017,281	1,017,281	1,017,281	1,017,281
Reserves	21	531,433	374,719	529,895	368,164
<b>Shareholders' equity</b>		<b>1,548,714</b>	1,392,000	<b>1,547,176</b>	1,385,445
<b>Total liabilities and shareholders' equity</b>		<b>18,030,771</b>	21,148,527	<b>18,026,582</b>	21,137,968
<b>Commitments and contingencies</b>	31	<b>26,189,509</b>	35,715,273	<b>26,000,344</b>	35,542,180

The accounting policies on pages 65 to 71 and the accompanying notes on pages 72 to 146 form an integral part of these financial statements.

# Income Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	The Group		The Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest income	22	776,817	886,823	775,798	885,031
Interest expense	23	(398,387)	(446,467)	(398,403)	(446,504)
Net interest income		378,430	440,356	377,395	438,527
Islamic Banking income	42(k)	73,826	79,943	73,826	79,943
		452,256	520,299	451,221	518,470
Loan and financing loss and provision	24	(74,731)	(261,991)	(56,984)	(260,891)
Transfer from profit equalisation reserve (Note 41(i))		—	6,645	—	6,645
		377,525	264,953	394,237	264,224
Non-interest income	25	184,900	137,104	171,167	134,518
Net income		562,425	402,057	565,404	398,742
Impairment losses on property, plant and equipment	13	(44,207)	—	(44,207)	—
Overhead expense	26	(343,577)	(386,941)	(341,001)	(385,389)
Profit before taxation and zakat		174,641	15,116	180,196	13,353
Taxation	29	(17,189)	64,036	(17,727)	65,325
Zakat		(738)	(100)	(738)	(100)
Profit after taxation and zakat		156,714	79,052	161,731	78,578
Earnings per share (sen)	30	15.4	7.8	15.9	7.7

The accounting policies on pages 65 to 71 and the accompanying notes on pages 72 to 146 form an integral part of these financial statements.

# Statement of Changes in Equity FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Retained earnings RM'000	Total RM'000
<b>THE GROUP</b>					
<b>At 1 January 2003</b>	1,017,281	190,735	49,426	55,506	1,312,948
Net profit for the financial year	—	—	—	79,052	79,052
Transfer to statutory reserve	—	—	39,289	(39,289)	—
<b>At 31 December 2003</b>	1,017,281	190,735	88,715	95,269	1,392,000
<b>At 1 January 2004</b>	<b>1,017,281</b>	<b>190,735</b>	<b>88,715</b>	<b>95,269</b>	<b>1,392,000</b>
Net profit for the financial year	—	—	—	156,714	156,714
Transfer to statutory reserve	—	—	80,866	(80,866)	—
<b>At 31 December 2004</b>	<b>1,017,281</b>	<b>190,735</b>	<b>169,581</b>	<b>171,117</b>	<b>1,548,714</b>

	Non-Distributable		Distributable		Total
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Retained earnings RM'000	RM'000
<b>THE BANK</b>					
<b>At 1 January 2003</b>	1,017,281	190,735	49,426	49,425	1,306,867
Net profit for the financial year	—	—	—	78,578	78,578
Transfer to statutory reserve	—	—	39,289	(39,289)	—
<b>At 31 December 2003</b>	1,017,281	190,735	88,715	88,714	1,385,445
<b>At 1 January 2004</b>	<b>1,017,281</b>	<b>190,735</b>	<b>88,715</b>	<b>88,714</b>	<b>1,385,445</b>
Net profit for the financial year	—	—	—	161,731	161,731
Transfer to statutory reserve	—	—	80,866	(80,866)	—
<b>At 31 December 2004</b>	<b>1,017,281</b>	<b>190,735</b>	<b>169,581</b>	<b>169,579</b>	<b>1,547,176</b>

The accounting policies on pages 65 to 71 and the accompanying notes on pages 72 to 146 form an integral part of these financial statements.



# Cash Flow Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	The Group		The Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Profit before taxation</b>		<b>174,641</b>	15,116	<b>180,196</b>	13,353
Adjustments for items not involving the movement of cash and cash equivalents:					
Depreciation of property, plant and equipment		45,219	57,134	44,891	56,808
Interest income from Investment securities		(104,241)	(116,740)	(104,241)	(116,740)
Amortisation of premium less accretion of discount		12,374	10,778	12,374	10,778
Provision for amount recoverable from Danaharta		—	11,601	—	9,935
Amortisation of goodwill		9,155	9,155	9,155	9,155
Provision for diminution in value of investment securities		8,960	9,141	12,470	9,212
Provision for impairment losses in subsidiaries		—	—	—	(1)
Gain on sale of investment securities		(56,349)	(26,106)	(58,216)	(26,106)
Write back on diminution of subsidiaries		—	—	(164)	—
Loss/(profit) from dealing securities		5,802	(1,148)	5,802	(1,148)
Specific provision for bad and doubtful debts		172,026	335,500	153,819	335,366
Provision for impairment losses in foreclosed properties		—	1,951	—	1,951
Write back of general provision		(108)	(702)	—	—
Interest-in-suspense/income-in-suspense		102,256	145,857	96,200	139,360
Gain on sale of property, plant and equipment		(2,648)	(362)	(2,648)	(362)
Impairment losses of property, plant and equipment		44,207	—	44,207	—
Property, plant and equipment written off		455	33	456	33
Operating profit before working capital changes		411,749	451,208	394,301	441,594
Decrease in deposits and placements with financial institutions		167,790	9,100	167,790	7,600
Net sale of dealing securities		51,422	69,330	51,422	69,330
(Increase)/decrease in loans, advances and financing		(238,289)	1,181,424	(240,443)	1,191,514
(Increase)/decrease in tax recoverable		(548)	—	(113)	—
Decrease/(increase) in other assets		222,563	(24,960)	222,081	(32,917)
(Increase)/decrease in statutory deposits with BNM		(500)	10,000	(500)	10,000
Decrease in investment in subsidiary		—	—	12,004	13,413
Decrease in deposits from customers		(2,300,211)	(124,144)	(2,299,978)	(138,167)
(Decrease)/increase in deposits and placements of banks and other financial institutions		(1,306,137)	648,779	(1,306,137)	648,779
Increase in obligation on securities sold under repurchase agreements		382,988	130,144	382,988	130,144
Decrease in bills and acceptances payable		(82,260)	(195,667)	(82,260)	(195,667)
Decrease in amount due to Cagamas		(61,805)	(55,330)	(61,805)	(55,330)
Increase/(decrease) in other liabilities		192,584	(23,668)	193,705	(15,117)

## Cash Flow Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

		The Group		The Bank	
	Note	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>					
Cash (used in)/generated from operations		(2,560,654)	2,076,216	(2,566,945)	2,075,176
Tax refund		—	36,230	—	36,230
Tax paid		—	(1,056)	—	—
Zakat paid		(368)	(100)	(368)	(100)
Net cash (utilised in)/generated from operating activities		(2,561,022)	2,111,290	(2,567,313)	2,111,306
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received from investment securities		104,241	116,740	104,241	116,740
Proceeds from disposal of property, plant and equipment		5,135	767	5,135	767
Purchase of property, plant and equipment		(22,898)	(29,856)	(22,898)	(29,799)
Subsidiary written off		—	—	—	(10)
Purchase of investment securities		1,087,469	4,108	1,085,766	4,037
Net cash generated from investing activities		1,173,947	91,759	1,172,244	91,735
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of subordinated debt		(100,000)	—	(100,000)	—
Net cash utilised in financing activities		(100,000)	—	(100,000)	—
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,487,075)</b>	<b>2,203,049</b>	<b>(1,495,069)</b>	<b>2,203,041</b>
<b>Cash and cash equivalents at beginning of the financial year</b>		<b>3,701,147</b>	<b>1,498,098</b>	<b>3,701,139</b>	<b>1,498,098</b>
<b>Cash and cash equivalents at end of the financial year</b>		<b>2,214,072</b>	<b>3,701,147</b>	<b>2,206,070</b>	<b>3,701,139</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>					
Cash and short-term funds	3	2,214,072	3,701,147	2,206,070	3,701,139

The accounting policies on pages 65 to 71 and the accompanying notes on pages 72 to 146 form an integral part of these financial statements.

## Summary of Significant Accounting Policies FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

### A BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The financial statements of the Group and of the Bank comply with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines, Syariah requirements and the provisions of the Companies Act, 1965. The financial statements incorporate those activities relating to Islamic Banking business which have been undertaken by the Bank. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

The accounting policies of the Group and the Bank are consistent with the policies adopted in the previous financial year.

### B BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Bank and all its subsidiary companies made up to the end of the financial year.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation.

All intercompany transactions and balances between group companies are eliminated and the consolidated financial statements reflect external transactions only. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition.

A listing of the Group's subsidiaries is set out in Note 11 to the financial statements.

### C GOODWILL

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired at the date of acquisition. The amount is amortised on a straight line basis over 20 years from the date of acquisition. At each balance sheet date, the Group assesses whether the carrying amount of goodwill is recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Capital reserve on consolidation represents the excess of the fair value of the Group's share of net assets over the purchase price. The amount is retained in the consolidated balance sheet until the disposal of the subsidiaries.

## Summary of Significant Accounting Policies FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### D RECOGNITION OF INTEREST INCOME

Interest/financing income is recognised on an accrual basis. Where an account is classified as non-performing, interest/income is suspended until it is realised on a cash basis.

Customers' accounts are classified as non-performing when repayments are in arrears for six months or more from first day of default for loans and financing and overdrafts, and after 14 days from maturity date for trade bills, trust receipts and other instruments of similar nature, and immediately after maturity date for bankers' acceptances.

The Bank's policy on suspension of interest/income on loans and financing and overdrafts is in conformity with Bank Negara Malaysia's 'Guidelines on the Classification of Non-Performing Loans and Provision for Sub-standard, Bad and Doubtful Debts, BNM/GP3', while the policy on suspension of interest/income on trade bills, trust receipts and bankers' acceptances is more stringent than that laid down in the guidelines.

### E RECOGNITION OF FEES AND OTHER INCOME

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

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

Dividends from subsidiaries are recognised when the shareholders' right to receive payment is established.

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

Income from Islamic Banking business is recognised on an accrual basis in accordance with the principles of Syariah.

### F PROVISION FOR BAD AND DOUBTFUL DEBTS AND FINANCING

Specific provisions are made for doubtful debts and financing based on management's evaluation of the collectibility and the status of the loans, advances and financing and their related underlying securities.

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

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

The provision for bad and doubtful debts and financing is in conformity with the minimum requirements of Bank Negara Malaysia's 'Guidelines on the Classification of Non-Performing Loans and Provision for Sub-standard, Bad and Doubtful Debts, BNM/GP3'.

## Summary of Significant Accounting Policies FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### G DEALING SECURITIES

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

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

### H INVESTMENT SECURITIES

Investment securities are securities that are acquired and held for yield or capital growth, or to meet minimum liquid assets requirement pursuant to the new liquidity framework, and are usually held to maturity.

Malaysian Government securities, Malaysian Government investment certificates, Government investment issues, Cagamas bonds, other Government securities and Bank Guaranteed Private Debt Securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount to maturity date. Other Private Debt Securities are valued at lower of cost and market value. Other investment securities are stated at cost and provision is made in the event of any permanent diminution in value.

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

### I REPURCHASE AGREEMENTS

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

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

### J INVESTMENT IN SUBSIDIARY COMPANIES

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

Investment in subsidiary companies are stated at cost less any impairment losses. At each balance sheet date, the Bank assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment is recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

### K INVESTMENT IN ASSOCIATED COMPANY

An associated company is a company in which the Bank has a long term equity interest of between 20% to 50% and where the Bank can exercise significant influence through management participation. Investment in associated companies are stated at cost less any impairment losses.

At each balance sheet date, the Bank assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment is recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

## Summary of Significant Accounting Policies FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### L PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land and capital work in progress are not depreciated. Depreciation of other property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates of depreciation are as follows:

Buildings	2%
Leasehold land and buildings	Amortised over the remaining life
Renovation and leasehold premises	20% or the period of the lease whichever is greater
Office equipment and furniture	10%
Computer equipment and software	20%
Motor vehicles	20%

At each balance sheet date, the Bank assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

### M ASSETS UNDER LEASE

Assets under lease which in substance transfer the risks and benefits of ownership of the assets to the Bank are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms. Such leased assets are subject to depreciation consistent with that for depreciable assets which are owned.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statement as incurred.

### N BILLS AND ACCEPTANCES PAYABLE

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

### O FORWARD EXCHANGE CONTRACTS

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

## Summary of Significant Accounting Policies FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### P CURRENCY TRANSLATIONS

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

The principal closing rates used in translation of foreign currency amounts were as follows:

Foreign currency	2004 RM	2003 RM
– USD 1	3.80	3.80
– GBP 1	7.32	6.77
– AUD 1	2.96	2.85
– EUR 1	5.18	4.79
– SGD 1	2.33	2.23

### Q DEFERRED TAXATION

#### (i) Current taxation

The taxation charged in the income statement which comprise income tax is calculated at the current tax rate based on the estimated chargeable income for the financial year.

#### (ii) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, general provision for loans, advances and financing and unused tax losses carried forward. Tax enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilised.

### R AMOUNTS RECOVERABLE FROM DANAHARTA

This relates to the loans sold to Danaharta where the total consideration is received in two portions, i.e. upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the Bank's pre-determined share of the surplus over the initial consideration upon recovery of the loans. The difference between the carrying value of the loans and initial consideration is recognised as "Amounts recoverable from Danaharta" within the "Other assets" component of the balance sheet. Provisions against these amounts are made in accordance with Bank Negara Malaysia's 'Guidelines on the sale of Non-performing Loans to Pengurusan Danaharta Nasional Berhad' issued on 30 April 1999 and reflect the Directors' assessment of the realisable value of the final consideration as at the balance sheet date.

## Summary of Significant Accounting Policies FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### S DERIVATIVE FINANCIAL INSTRUMENTS

#### **Hedging Transactions**

Foreign exchange and interest rate forwards, futures, swaps and options entered into for hedging purposes are accounted for on the same basis as the accounting treatment of the hedged item. Interest income and interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swaps agreement as a component of interest income or interest expense. To be classified as a designated hedge, the hedging instrument must be effective in reducing a significant portion of the market risk in the assets, liabilities, or other position being hedged. Where the underlying assets, liabilities or other position are terminated prior to the maturity of the hedging instrument, the hedging instrument is restated at fair value and the change in value is taken to the income statement.

#### **Trading Transactions**

Derivative transactions which do not meet the criteria to be designated as hedges are deemed as trading transactions. Derivatives entered into as trading transactions are measured at fair value in the balance sheet and the gains and losses are taken directly to the income statement.

Foreign exchange and interest rate futures entered into for trading purposes are valued at prevailing market rates based on quoted and observable market prices. Interest rate swap agreements are valued at their net present value based on discounted cash flow models. Currency option contracts are valued using options pricing models.

### T OTHER PROVISIONS

Provisions other than provision for bad and doubtful debts and financing are recognised by the Group and Bank when all of the following conditions have been met:

- (i) the Group and Bank has a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

### U CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash and bank balances and short-term funds.

### V ZAKAT

This represents business zakat payable by the Bank to comply with the principles of Syariah and as approved by the Syariah Supervisory Council. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is calculated based on 2.5% of the net asset method.



## Summary of Significant Accounting Policies FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### W FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of cost and net realisable value.

### X PROFIT EQUALISATION RESERVE

Profit equalisation reserve ('PER') is a mechanism to reduce the fluctuations in the profit rates payable to depositors. It is provided based on the Framework of the Rate of Return issued by Bank Negara Malaysia. The amount of PER is appropriated from and written back to the total gross income. PER is reflected under "Other Liabilities" of the Bank.

### Y EMPLOYEE BENEFITS

#### **Short term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### **Defined contribution plan**

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ('EPF') and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### **Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

### Z REPORTING CURRENCY

The financial statements are presented in Ringgit Malaysia.

## 1 GENERAL INFORMATION

The Bank is principally engaged in all aspects of banking and related financial services which also include Islamic Banking business. The principal activities of the Bank's subsidiary companies are factoring of credit facilities, property management services, nominee and trustee services. There have been no significant changes in these principal activities during the financial year.

The number of employees in the Group at the end of the financial year was 2,624 (2003: 3,120), and the Bank was 2,605 (2003: 3,100).

The holding company of the Bank is Affin Holdings Berhad, a public listed company incorporated in Malaysia and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

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

## 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### **Market Risk**

The Bank is mainly exposed to risk on interest rates and foreign exchange rates. The interest rate risk arises mainly from differences in timing between the maturities or repricing of assets, liabilities and derivatives. The Bank is also exposed to basis risk, when the pricing characteristics of two instruments change at different times or by different amounts. Foreign exchange rate risk arises from unhedged positions arising from customers' requirements and proprietary positions.

For the trading portfolios, market risk is measured and managed daily by the Market Risk Management Department, which is part of the Bank's Risk Management Division.

Market Risk is primarily controlled through the imposition of cut-loss limits and potential loss limits (Value-at-Risk (VaR)) which are approved by the Asset Liability Committee (ALCO) in accordance with the Bank's risk appetite. These limits are set and reviewed regularly according to a number of factors, including the trading liquidity of the instruments and the Bank's business strategy. In addition, the Bank also conducts periodic stress testing analysis of its respective portfolios to ascertain the market risk under abnormal market conditions.

For the asset liability mismatch position in the Balance Sheet, the Bank employs a software to measure the risk. The risk is measured monthly using Net Interest Income simulations involving various interest rate scenarios and managed through an Overall Risk Tolerance Limit approved by ALCO.

The Bank's management, ALCO and Board Risk Management Committee are regularly kept informed of the risk profile and performance of the trading portfolios.

The market risk management infrastructure in place is adequate for the Bank's present scale of operations, exposures and business range.

### **Credit risk**

Credit Risk is the potential financial loss resulting from the failure of the customer or counterparty to settle the financial and contractual obligations to the Bank. Credit risk arises mainly from our lending activities.

The management of credit in the Bank is governed by a set of credit policies approved by the Board of Directors. Approval authorities are delegated to the Management Loan Committee to approve large and higher risk loans in order to ensure sound credit granting standards.

## 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### **Credit risk (continued)**

A credit risk grading system is implemented for corporate and business loans. The grading is based on credit worthiness of the borrower, i.e. the ability to service and repay debt obligations based on the borrower's current condition, with regard to its management capacity and its market position.

Portfolio management is put in place to evaluate the credit risk exposures, the portfolio's risk profiles, and to identify any adverse trends or risk concentration patterns. The focus of portfolio management is to ensure that the risk concentration areas and unacceptable risk factors are managed and mitigated early.

### **Liquidity risk**

Liquidity risk is the risk of loss due to failure to access funds at reasonable cost to fund the Bank's operations and meet its liabilities as and when they fall due. Liquidity risk arises from the Bank's general on-going funding activities and the management of its assets.

The Board is responsible for the Bank's liquidity performance although the strategic management of liquidity has been delegated to the ALCO. The Board is however, informed regularly of the liquidity situation in the Bank.

ALCO executes the Bank's liquidity strategy including ensuring that appropriate policies and procedures are established to control and limit liquidity risk. It is also responsible for ensuring that the Bank has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

To measure and manage net funding requirements, the Bank adopts BNM's New Liquidity Framework (NLF). The NLF ascertains the liquidity condition based on the contractual and behavioral cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of the eligible liquefiable assets. The Bank has been in compliance with the NLF throughout the current financial year.

As a matter of prudence, the Bank has in place a Contingency Funding Plan.

### **Operational Risk Management**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. As such, operational risk is inherent in each of the Bank's business and operational activities. Such risks may result in breakdowns, errors and can potentially result in financial loss or other losses (e.g. reputation loss) to the Bank.

The Bank monitors and controls such risk through policies and procedures at individual business or operational activities level. These were designed taking into consideration the individual unit's business activities, the market in which it is operating and any regulatory requirement in force.

## 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Operational Risk Management (continued)

Commencing 2003, the Bank's Operational Risk Management team has been gathering and reporting of operational loss and "near misses" events to the Board Risk Management Committee. The Bank is currently drawing up a programme for Basel 2 implementation within the regulatory timeframe.

At the operational level, Internal Audit Division conducts annual audits and limited reviews on selected branches. The selection of branches is determined through a risk-based assessment process. Audits/reviews are also conducted on Head Office Divisions/Departments as well as the Bank's own subsidiaries. The focus of the audits is to provide assurance to management on the compliance with statutory requirements, laws, company policies and internal guidelines.

### Audit and Examination Committee (AEC)

The AEC comprises members of the Bank's Board of Directors whose primary function is to assist the Board of Directors in its supervision over:

- (i) The reliability and integrity of accounting policies and financial reporting and disclosure practices,
- (ii) The provision of advice to the Board with regards to the financial statements and business risks to enable the Board to fulfill its fiduciary duties and obligations, and
- (iii) The establishment and maintenance of processes to ensure that they:
  - are in compliance with all applicable laws, regulations and company policies; and
  - have adequately addressed the risk relating to internal controls and systems, management of inherent and business risks, and ensuring that the assets are properly managed and safeguarded.

The AEC is made up of at least three but not more than five members appointed by the Board of Directors from among its non-executive directors.

## 3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and balances with banks and other financial institutions	93,488	274,561	93,486	274,553
Money at call and deposit placements maturing within one month	2,120,584	3,426,586	2,112,584	3,426,586
	<b>2,214,072</b>	3,701,147	<b>2,206,070</b>	3,701,139

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 4 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	75,210	163,000	75,210	163,000
Licensed finance companies	40,000	100,000	40,000	100,000
Other financial institutions	—	20,000	—	20,000
	<b>115,210</b>	<b>283,000</b>	<b>115,210</b>	<b>283,000</b>

## 5 DEALING SECURITIES

	The Group and The Bank	
	2004 RM'000	2003 RM'000
<b>Unquoted securities</b>		
Private debt securities in Malaysia	272,776	330,000
	<b>272,776</b>	<b>330,000</b>

## 6 INVESTMENT SECURITIES

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Money market instruments</b>				
Malaysian Government securities	835,311	1,429,035	835,311	1,429,035
Malaysian Government investment certificates	710,300	710,300	710,300	710,300
Cagamas bonds	402,531	563,002	402,531	563,002
Danaharta bonds	18,908	18,908	18,908	18,908
Negotiable instruments of deposits	—	10,000	—	10,000
Bankers' acceptances and Islamic accepted bills	249,169	118,323	249,169	118,323
Floating rate notes	76,000	76,000	76,000	76,000
Khazanah bonds	121,812	368,369	121,812	368,369
	<b>2,414,031</b>	<b>3,293,937</b>	<b>2,414,031</b>	<b>3,293,937</b>

6 INVESTMENT SECURITIES (CONTINUED)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Quoted securities</b>				
Shares in Malaysia	110,177	125,106	102,302	119,651
Private debt securities in Malaysia	118,426	168,022	116,826	161,327
<b>Unquoted securities</b>				
Shares in Malaysia	53,934	54,193	53,934	54,193
Private debt securities in Malaysia	1,077,600	1,216,832	1,058,454	1,197,854
	3,774,168	4,858,090	3,745,547	4,826,962
Accretion of discount less amortisation of premium	13,836	8,621	13,836	8,621
Provision for diminution in value of investment securities	(218,267)	(244,520)	(208,731)	(232,537)
	3,569,737	4,622,191	3,550,652	4,603,046

(i) Market value of quoted money market instruments and quoted securities:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian Government securities	799,534	1,388,845	799,534	1,388,845
Malaysian Government investment certificates	761,748	726,020	761,748	726,020
Cagamas bonds	401,081	556,508	401,081	556,508
Danaharta bonds	24,205	23,505	24,205	23,505
Shares in Malaysia	48,818	78,561	44,847	74,868
Private debt securities in Malaysia	65,407	90,899	64,959	87,353

(ii) The maturity structure of money market instruments held for investment are as follows:

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Maturing within one year	1,615,079	1,132,596
One to three years	722,952	1,647,015
Three to five years	76,000	514,326
	2,414,031	3,293,937

## Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 6 INVESTMENT SECURITIES (CONTINUED)

- (iii) Included in investment securities is an amount of RM875,942,000 (2003: RM492,954,000) being pledged to third parties in relation to securities sold under repurchase agreements.
- (iv) The Bank has also pledged investment securities amounting to RM369,000,000 (2003: RM240,000,000) in accordance with the Trust Deed of the subordinated term loans (Note 19).

### 7 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Overdrafts	2,370,823	2,753,904	2,370,823	2,753,904
Term loans	7,042,167	7,413,468	7,004,675	7,347,123
Revolving credits	1,037,999	808,360	1,025,707	786,029
Credit cards	104,256	195,673	104,256	195,673
Bills receivables	40,184	49,233	40,184	49,233
Trust receipts	385,629	416,710	385,629	416,710
Claims on customers under acceptances credits	709,310	960,668	709,310	960,668
Staff loans (of which RM Nil to Directors)	127,460	146,407	127,460	146,407
Factoring	43,263	52,600	—	—
	<b>11,861,091</b>	12,797,023	<b>11,768,044</b>	12,655,747
Less:				
Unearned interest and income	(206,505)	(250,897)	(206,505)	(250,897)
Gross loans, advances and financing	<b>11,654,586</b>	12,546,126	<b>11,561,539</b>	12,404,850
Provision for bad and doubtful debts and financing:				
– general	(208,051)	(208,159)	(207,703)	(207,703)
– specific	(460,073)	(1,015,578)	(409,429)	(954,114)
Interest-in-suspense/income-in-suspense	(278,315)	(578,357)	(255,133)	(544,182)
Net loans, advances and financing	<b>10,708,147</b>	10,744,032	<b>10,689,274</b>	10,698,851

Included in term loans are housing loans sold to Cagamas with recourse amounting to RM343,635,000 (2003: RM405,440,000).

- (i) The maturity structure of loans, advances and financing are as follows:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Maturing within one year	7,210,570	6,949,168	7,117,523	6,807,892
One to three years	760,391	747,048	760,391	747,048
Three to five years	321,214	846,932	321,214	846,932
Over five years	3,362,411	4,002,978	3,362,411	4,002,978
	<b>11,654,586</b>	12,546,126	<b>11,561,539</b>	12,404,850

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Agriculture	90,905	150,555	90,905	150,555
Mining and quarrying	16,835	20,903	16,835	20,903
Manufacturing	1,575,824	2,024,765	1,570,777	2,008,557
Electricity, gas and water	18,539	19,532	18,539	19,532
Construction	1,450,748	1,702,358	1,439,587	1,689,633
Real estate	859,698	748,354	824,498	692,849
Purchase of landed property of which:				
I. Residential	2,757,417	2,850,889	2,757,417	2,850,889
II. Non-residential	704,930	865,918	704,930	865,918
General commerce	903,643	1,106,592	884,826	1,085,647
Transport, storage and communication	405,432	507,622	405,432	507,622
Finance, insurance and business services	712,383	121,926	696,419	106,241
Purchase of securities	392,100	531,631	385,628	511,423
Purchase of transport vehicles	23,547	30,977	23,547	30,977
Consumption credit	401,226	641,577	401,226	641,577
Others	1,341,359	1,222,527	1,340,973	1,222,527
	<b>11,654,586</b>	12,546,126	<b>11,561,539</b>	12,404,850

(iii) Movements in the non-performing loans and financing (including interest and income receivable) are as follows:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
As at beginning of the financial year	4,287,997	5,207,777	4,176,778	5,090,807
Non-performing during the financial year (gross)	1,002,775	1,207,109	993,780	1,198,778
Amount reclassified to performing	(159,850)	(529,059)	(159,850)	(529,059)
Amount recovered	(522,243)	(582,259)	(519,957)	(580,453)
Transfer on debt conversion	(144,726)	(283,555)	(123,863)	(283,555)
Amount written off	(1,149,467)	(732,016)	(1,127,103)	(719,740)
As at end of the financial year	<b>3,314,486</b>	4,287,997	<b>3,239,785</b>	4,176,778
Net non-performing loans	<b>2,576,098</b>	2,694,062	<b>2,575,223</b>	2,678,482
% of net non-performing loans to total loans (less SP and IIS)	<b>23.60%</b>	24.60%	<b>23.63%</b>	24.56%



# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iv) Movements in the general provision, specific provision and interest/income-in-suspense are as follows:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>General provision</b>				
As at beginning of the financial year	208,159	208,861	207,703	207,703
Write back of provision during the financial year	(108)	(702)	—	—
As at end of the financial year	208,051	208,159	207,703	207,703
(As % of total loans less SP and IIS)	1.91%	1.90%	1.91%	1.90%
<b>Specific provision</b>				
As at beginning of the financial year	1,015,578	1,184,413	954,114	1,116,181
Provisions made during the financial year	256,564	426,332	237,756	425,805
Amount written back in respect of recoveries	(84,538)	(90,832)	(83,937)	(90,439)
Transfer to provision for diminution in value of investment securities	(20,309)	(48,857)	(5,288)	(48,857)
Amount written off	(707,222)	(455,478)	(693,216)	(448,576)
As at end of the financial year	460,073	1,015,578	409,429	954,114
<b>Interest/income-in-suspense</b>				
As at beginning of the financial year	578,357	779,625	544,182	746,574
Provision made during the financial year	274,754	379,843	266,839	371,554
Amount written back in respect of recoveries	(145,756)	(216,780)	(143,897)	(214,988)
Transfer to provision for diminution in value of investment securities	(6,950)	(22,282)	—	(22,282)
Amount written off	(422,090)	(342,049)	(411,991)	(336,676)
As at end of the financial year	278,315	578,357	255,133	544,182

8 OTHER ASSETS

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Other debtors, deposits and prepayments	29,056	43,464	28,704	42,631
Clearing accounts	6,329	211,648	6,329	211,648
Stocks and stationery	642	749	642	749
Money order and postal order purchased	1,509	1,748	1,509	1,748
Accrued income receivable	31,151	44,056	31,151	44,056
Amount recoverable from Danaharta (a)	—	—	—	—
Foreclosed properties (b)	27,564	19,385	27,564	19,385
	<b>96,251</b>	<b>321,050</b>	<b>95,899</b>	<b>320,217</b>
(a) Amount recoverable from Danaharta				
As at beginning of the financial year	—	12,658	—	10,992
Provision made during the financial year	—	(11,601)	—	(9,935)
Amount converted to debt/recovered	—	(1,057)	—	(1,057)
As at end of the financial year	—	—	—	—
(b) Foreclosed properties				
As at beginning of the financial year	19,385	8,846	19,385	8,846
Amount arising during the financial year	8,179	12,490	8,179	12,490
	<b>27,564</b>	<b>21,336</b>	<b>27,564</b>	<b>21,336</b>
Provision for impairment losses	—	(1,951)	—	(1,951)
As at end of the financial year	<b>27,564</b>	<b>19,385</b>	<b>27,564</b>	<b>19,385</b>

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 9 DEFERRED TAXATION ASSETS (NET)

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 taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are shown in the balance sheet:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deferred tax assets	209,809	232,539	215,337	238,083
Deferred tax liabilities	(26,075)	(31,104)	(25,941)	(30,960)
	<b>183,734</b>	201,435	<b>189,396</b>	207,123
At 1 January	201,435	136,343	207,123	141,798
Transfer from income statement (Note 29)	(17,701)	65,092	(17,727)	65,325
At 31 December	<b>183,734</b>	201,435	<b>189,396</b>	207,123

The movements in deferred tax assets and liabilities during the financial year are as follows:

	Excess of capital allowances over depreciation RM'000	General provision on loans, advances and financing RM'000	Unabsorbed tax losses RM'000	Other temporary differences RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>					
<b>Group</b>					
<b>2004</b>					
As at beginning of the financial year	(10,025)	58,285	161,467	(8,292)	201,435
Credited/(charged) to income statement	(6,733)	(30)	(13,209)	2,271	(17,701)
As at end of financial year	(16,758)	58,255	148,258	(6,021)	183,734
<b>2003</b>					
As at beginning of the financial year	(4,553)	58,481	87,978	(5,563)	136,343
Credited/(charged) to income statement	(5,472)	(196)	73,489	(2,729)	65,092
As at end of financial year	(10,025)	58,285	161,467	(8,292)	201,435

9 DEFERRED TAXATION ASSETS (NET) (CONTINUED)

	Excess of capital allowances over depreciation RM'000	General provision on loans, advances and financing RM'000	Unabsorbed tax losses RM'000	Other temporary differences RM'000	Total RM'000
<b>Deferred tax assets/(liabilities)</b>					
<b>Bank</b>					
<b>2004</b>					
As at beginning of the financial year	(9,883)	58,157	161,467	(2,618)	207,123
Credited/(charged) to income statement	(6,743)	—	(13,209)	2,225	(17,727)
As at end of financial year	(16,626)	58,157	148,258	(393)	189,396
<b>Bank</b>					
<b>2003</b>					
As at beginning of the financial year	(4,448)	58,157	87,978	111	141,798
Credited/(charged) to income statement	(5,435)	—	73,489	(2,729)	65,325
As at end of financial year	(9,883)	58,157	161,467	(2,618)	207,123

10 STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

A non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with requirements of Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amount of which is determined as a set percentage of total eligible liabilities.

11 SUBSIDIARY COMPANIES

	The Bank	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	59,557	59,557
Less: Provision for impairment losses	(20,099)	(20,263)
Amounts due from subsidiary companies	39,458	39,294
	1,553	13,556
	41,011	52,850

Amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

## Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 11 SUBSIDIARY COMPANIES (CONTINUED)

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

Name	Principal activities	Percentage of equity held (%)	
		2004	2003
Affin Factors Sdn Bhd	Factoring credit facilities	100	100
PAB Properties Sdn Bhd	Property management services	100	100
PAB Nominee (Tempatan) Sdn Bhd	Share nominee services	100	100
PAB Nominee (Asing) Sdn Bhd	Share nominee services	100	100
PAB Trustee Berhad*	Trustee management services	100	100
Affin Futures Sdn Bhd	Dormant	100	100
PAB Property Management Services Sdn Bhd	Dormant	100	100
PAB Property Development Sdn Bhd	Dormant	100	100
PAB Venture Capital Sdn Bhd	Dormant	100	100
PAB Property Trust Management Berhad	Dormant	100	100
BSN Information Technologies & Services Sdn Bhd	Dormant	100	100
BSNCB Nominees (Tempatan) Sdn Bhd	Dormant	100	100
BSNC Nominees (Tempatan) Sdn Bhd	Dormant	100	100
BSNC Venture Capital Sdn Bhd	Dormant	100	100
BSNC Asset Management (M) Bhd	Dormant	100	100
Barakah Corporation Sdn Bhd	Dormant	100	100
BSN Merchant Bank Berhad	Dormant	100	100
BSN Merchant Nominees (Tempatan) Sdn Bhd	Dormant	100	100
BSN Merchant Nominees (Asing) Sdn Bhd	Dormant	100	100

\* 80% held by Directors of the Bank, in trust for the Bank.

### 12 ASSOCIATED COMPANY

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	30	30

The associated company of the Bank, which is incorporated in Malaysia, is as follows:

Name	Principal activity	Percentage of equity held (%)	
		2004	2003
BSNC Trustee Berhad	Dormant	20	20

The results of the associated company was not equity accounted for by the Group as the associated company is dormant.

## 13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land 50 years or more RM'000	Less than 50 years RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
<b>The Group</b>											
<b>2004</b>											
<b>Cost</b>											
As at beginning of the financial year	20,857	4,123	1,297	69,456	105,462	87,594	55,487	228,342	4,907	16,727	594,252
- Additions	—	—	—	—	—	843	647	12,953	715	7,740	22,898
- Disposals	—	(27)	—	—	(2,036)	(1,666)	(1,026)	—	(1,057)	—	(5,812)
- Write-off	—	—	—	—	—	(870)	(834)	(2,939)	(343)	—	(4,986)
- Reclassification	—	—	—	—	—	(1)	1	5,731	—	(5,731)	—
As at end of the financial year	20,857	4,096	1,297	69,456	103,426	85,900	54,275	244,087	4,222	18,736	606,352
<b>Accumulated depreciation</b>											
As at beginning of the financial year	—	442	633	10,125	9,684	72,646	32,189	160,731	2,889	—	289,339
- Charge for the financial year	—	30	31	1,389	2,068	8,556	4,603	27,895	647	—	45,219
- Disposals	—	(6)	—	—	(237)	(1,555)	(667)	—	(860)	—	(3,325)
- Write-off	—	—	—	—	—	(870)	(766)	(2,821)	(74)	—	(4,531)
As at end of the financial year	—	466	664	11,514	11,515	78,777	35,359	185,805	2,602	—	326,702
<b>Less: Impairment losses</b>											
As at beginning of the financial year	—	—	—	—	—	—	—	—	—	—	—
- Charge for the financial year	—	—	—	—	—	—	—	(33,358)	—	(10,849)	(44,207)
As at end of the financial year	—	—	—	—	—	—	—	(33,358)	—	(10,849)	(44,207)
<b>Net book value as at end of the financial year</b>	<b>20,857</b>	<b>3,630</b>	<b>633</b>	<b>57,942</b>	<b>91,911</b>	<b>7,123</b>	<b>18,916</b>	<b>24,924</b>	<b>1,620</b>	<b>7,887</b>	<b>235,443</b>

The impairment of property, plant and equipment arose from the replacement of computer equipment and software (including work-in progress) of the Bank.

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land		Buildings on freehold land		Buildings on leasehold land		Renovation RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
	Freehold land RM'000	50 years or more RM'000	50 years or less RM'000	RM'000	RM'000	RM'000						
<b>The Group</b>												
<b>2003</b>												
<b>Cost</b>												
As at beginning of the financial year	20,219	4,123	1,297	69,456	105,504	85,743	54,466	192,057	5,050	29,786	567,701	
- Additions	—	—	—	—	—	952	1,817	12,515	1,557	13,015	29,856	
- Disposals	—	—	—	—	(42)	—	(252)	(44)	(1,694)	(1)	(2,033)	
- Write-off	—	—	—	—	—	(717)	(544)	(5)	(6)	—	(1,272)	
- Reclassification	638	—	—	—	—	1,616	—	23,819	—	(26,073)	—	
As at end of the financial year	20,857	4,123	1,297	69,456	105,462	87,594	55,487	228,342	4,907	16,727	594,252	
<b>Accumulated depreciation</b>												
As at beginning of the financial year	—	410	601	8,736	7,576	60,770	27,952	125,388	3,639	—	235,072	
- Charge for the financial year	—	32	32	1,389	2,108	12,593	4,905	35,389	686	—	57,134	
- Disposals	—	—	—	—	—	—	(154)	(44)	(1,430)	—	(1,628)	
- Write-off	—	—	—	—	—	(717)	(514)	(2)	(6)	—	(1,239)	
As at end of the financial year	—	442	633	10,125	9,684	72,646	32,189	160,731	2,889	—	289,339	
<b>Net book value as at end of the financial year</b>	20,857	3,681	664	59,331	95,778	14,948	23,298	67,611	2,018	16,727	304,913	

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Bank 2004 Cost		Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings freehold land RM'000	Buildings on leasehold land RM'000	Renovation land RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
As at beginning of the financial year		17,860	2,233	67,820	104,271	86,302	55,053	225,370	4,855	16,727	580,491
- Additions		—	—	—	843	—	647	12,953	715	7,740	22,898
- Disposals		—	(27)	—	(2,035)	(1,666)	(1,026)	—	(1,057)	—	(5,811)
- Write-off		—	—	—	—	(855)	(613)	(1,753)	(343)	—	(3,564)
- Reclassification		—	—	—	—	—	—	5,731	—	(5,731)	—
As at end of the financial year		17,860	2,206	67,820	102,236	84,624	54,061	242,301	4,170	18,736	594,014
<b>Accumulated depreciation</b>											
As at beginning of the financial year		—	278	9,465	9,214	71,362	31,846	158,249	2,898	—	283,312
- Charge for the financial year		—	22	1,356	2,045	8,551	4,586	27,704	627	—	44,891
- Disposals		—	(5)	—	(237)	(1,555)	(667)	—	(860)	—	(3,324)
- Write-off		—	—	—	—	(855)	(545)	(1,634)	(74)	—	(3,108)
As at end of the financial year		—	295	10,821	11,022	77,503	35,220	184,319	2,591	—	321,771
<b>Less: Impairment losses</b>											
As at beginning of the financial year		—	—	—	—	—	—	—	—	—	—
- Charge for the financial year		—	—	—	—	—	—	(33,358)	—	(10,849)	(44,207)
As at end of the financial year		—	—	—	—	—	—	(33,358)	—	(10,849)	(44,207)
<b>Net book value as at end of the financial year</b>		17,860	1,911	56,999	91,214	7,121	18,841	24,624	1,579	7,887	228,036

The impairment of property, plant and equipment arose from the replacement of computer equipment and software (including work-in progress) of the Bank.



## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings freehold land RM'000	Buildings on leasehold land RM'000	Renovation land RM'000	Office equipment furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
<b>The Bank</b>										
<b>2003</b>										
<b>Cost</b>										
As at beginning of the financial year	17,222	2,233	67,820	104,313	84,454	54,039	189,090	4,998	29,785	553,954
- Additions	—	—	—	—	949	1,810	12,467	1,557	13,016	29,799
- Disposals	—	—	—	(42)	—	(252)	(1)	(1,694)	(1)	(1,990)
- Write-off	—	—	—	—	(717)	(544)	(5)	(6)	—	(1,272)
- Reclassification	638	—	—	—	1,616	—	23,819	—	(26,073)	—
As at end of the financial year	17,860	2,233	67,820	104,271	86,302	55,053	225,370	4,855	16,727	580,491
<b>Accumulated depreciation</b>										
As at beginning of the financial year	—	256	8,108	7,130	59,489	27,626	123,049	3,670	—	229,328
- Charge for the financial year	—	22	1,357	2,084	12,590	4,888	35,203	664	—	56,808
- Disposals	—	—	—	—	—	(154)	(1)	(1,430)	—	(1,585)
- Write-off	—	—	—	—	(717)	(514)	(2)	(6)	—	(1,239)
As at end of the financial year	—	278	9,465	9,214	71,362	31,846	158,249	2,898	—	283,312
<b>Net book value as at end of the financial year</b>	17,860	1,955	58,355	95,057	14,940	23,207	67,121	1,957	16,727	297,179

## Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 14 GOODWILL

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Cost</b>				
As at beginning/end of the financial year	179,205	179,205	183,098	183,098
<b>Less: Accumulated amortisation</b>				
As at beginning of the financial year	(27,465)	(18,310)	(27,465)	(18,310)
Amortised during the financial year	(9,155)	(9,155)	(9,155)	(9,155)
As at end of the financial year	(36,620)	(27,465)	(36,620)	(27,465)
Net book value as at end of the financial year	142,585	151,740	146,478	155,633

### 15 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Demand deposits	3,085,443	3,264,533	3,088,812	3,267,624
Savings deposits	1,292,236	1,386,117	1,292,236	1,386,117
Fixed deposits	7,079,018	8,934,145	7,079,768	8,934,940
Negotiable instrument of deposits	1,492,132	1,664,245	1,492,132	1,664,245
	12,948,829	15,249,040	12,952,948	15,252,926

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 15 DEPOSITS FROM CUSTOMERS (CONTIINUED)

(i) The maturity structure of fixed deposits and negotiable instrument of deposits are as follows:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Due within six months	8,002,608	7,960,431	8,003,358	7,961,226
Six months to one year	556,174	2,413,187	556,174	2,413,187
One to three years	11,155	222,452	11,155	222,452
Three to five years	1,213	2,320	1,213	2,320
	<b>8,571,150</b>	10,598,390	<b>8,571,900</b>	10,599,185

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

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Business enterprises	4,137,447	4,190,953	4,137,447	4,190,953
Individuals	2,726,973	2,560,699	2,726,973	2,560,699
Others	6,084,409	8,497,388	6,088,528	8,501,274
	<b>12,948,829</b>	15,249,040	<b>12,952,948</b>	15,252,926

## 16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Licensed banks	471,010	1,422,843
Licensed finance companies	—	140,000
Other financial institutions	—	214,304
	<b>471,010</b>	1,777,147

## 17 AMOUNT DUE TO CAGAMAS

In the normal course of banking operations, the Bank sells loans to Cagamas Berhad with recourse to the Bank at values equivalent to the unpaid principal balances of loans and advances due from the borrowers.

The Bank is liable in respect of housing loans sold directly to Cagamas Berhad, under the condition that the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on agreed prudential criteria. Such financing transactions and the obligations to buy back the loans are reflected as a liability on the balance sheet.

## 18 OTHER LIABILITIES

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	240,878	86,877	240,878	86,877
Margin and Collateral deposits	12,884	14,490	12,884	14,490
Accrued interest payable	95,878	111,606	95,878	111,606
Sundry creditors	109,925	117,608	103,155	109,718
Clearing accounts	265,116	203,362	265,116	203,362
Defined contribution plan (Note a)	4,005	1,066	4,005	1,066
Accrued employee benefits (Note b)	747	1,469	747	1,469
	<b>729,433</b>	<b>536,478</b>	<b>722,663</b>	<b>528,588</b>

- (a) The Group and the Bank contribute to the Employee Provident Fund ('EPF') the national defined contribution plan. Once the contributions have been paid, the Group and the Bank has no further payment obligations.
- (b) This refers to the accruals for short-term employee benefits for leave entitlement. Under employment contract, employees earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period. Accruals are made for the estimated liability for unutilised annual leave.

## 19 SUBORDINATED TERM LOAN

The subordinated Bonds 2002/2006 ('The Bonds') were issued at a nominal value of RM500 million in multiples of RM1,000,000, which is subordinated to all other liabilities. The Bonds were constituted by Trust Deeds dated 28 December 2001 and was issued on 31 December 2001. The Bonds are unsecured and redeemable in full on 31 December 2006, five years from the issue date.

On 31 December 2003, the Bank restructured the Bonds into a new 10 year subordinated term loan of the same value, with a revised coupon rate. The principal terms and conditions of the subordinated term loan remain similar to the Bonds. The new subordinated term loan will have a prepayment option after the end of Year 5, giving the Bank the right, subject to BNM approval, to repay the subordinated term loan after the end of Year 5.

19 SUBORDINATED TERM LOAN (CONTINUED)

The nominal value and coupon rate of the subordinated term loan, payable semi-annually, are as follows:

Value:	RM500 million
Coupon rate:	7.3% per annum for a period of thirty six months from the issue date, 6.5% per annum for the next twenty four months and thereafter the higher of 5 year Malaysian Government Securities interest rate plus 300 basis points or
Year 6	7.0%
Year 7	7.5%
Year 8	8.0%
Year 9	8.5%
Year 10	9.0%

In respect of the subordinated term loan, the Bank has undertaken to pledge the Bank's securities of RM10,000,000 every month beginning from one month after the issue date (31 January 2004) till the end of the third year after the issue date. These securities may only be used to fund the payment of any monies under the Trust Deed and/or the subordinated term loan which is due and unpaid.

20 SHARE CAPITAL

	<b>The Group and The Bank</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised ordinary shares of RM1 each:</b>		
As at beginning/end of the financial year	<b>2,000,000</b>	2,000,000
<b>Issued and fully paid:</b>		
As at beginning/end of the financial year	<b>1,017,281</b>	1,017,281

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 21 RESERVES

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Share premium	190,735	190,735	190,735	190,735
Statutory reserves	169,581	88,715	169,581	88,715
Retained profits	171,117	95,269	169,579	88,714
	<b>531,433</b>	374,719	<b>529,895</b>	368,164
<b>Statutory reserves</b>				
As at beginning of the financial year	88,715	49,426	88,715	49,426
Transfer from retained profits	80,866	39,289	80,866	39,289
As at end of the financial year	<b>169,581</b>	88,715	<b>169,581</b>	88,715

## 22 INTEREST INCOME

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Loans, advances and financing	704,216	865,683	697,141	857,394
Money at call and deposit placements with financial institutions	67,682	45,738	67,682	45,738
Investment securities	104,241	116,740	104,241	116,740
Dealing securities	15,308	15,297	15,308	15,297
	<b>891,447</b>	1,043,458	<b>884,372</b>	1,035,169
Amortisation of premium less accretion of discount	(12,374)	(10,778)	(12,374)	(10,778)
Net interest suspended	(102,256)	(145,857)	(96,200)	(139,360)
	<b>776,817</b>	886,823	<b>775,798</b>	885,031

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 23 INTEREST EXPENSE

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits and placements of banks and other financial institutions	20,769	33,073	20,769	33,073
Deposits from other customers	284,914	311,533	284,930	311,570
Subordinated term loan/bonds	39,162	46,726	39,162	46,726
Others	53,542	55,135	53,542	55,135
	<b>398,387</b>	446,467	<b>398,403</b>	446,504

## 24 LOAN AND FINANCING LOSS AND PROVISION

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Provision for/(write back of) bad and doubtful debts:				
– specific provision (net of recoveries)	172,026	335,500	153,819	335,366
– general provision	(108)	(702)	—	—
Bad debts and financing:				
– written off	3,314	12,719	3,314	12,717
– recovered	(100,501)	(97,127)	(100,149)	(97,127)
Provision for amount recoverable from Danaharta:				
– charge for the financial year	—	11,601	—	9,935
	<b>74,731</b>	261,991	<b>56,984</b>	260,891

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 25 NON-INTEREST INCOME

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Fee income</b>				
Commission	17,193	16,850	17,193	16,850
Service charges and fees	40,063	37,753	40,063	37,753
Guarantee fees	19,466	13,223	19,466	13,223
Other fee income	1,114	1,684	1,114	1,684
	<b>77,836</b>	69,510	<b>77,836</b>	69,510
<b>Investment income</b>				
Gain on sale of investment securities	56,349	26,106	58,216	26,106
(Loss)/profit from dealing securities	(5,802)	1,148	(5,802)	1,148
Provision for diminution in value of investment securities (net of write back)	(8,960)	(9,141)	(12,470)	(9,212)
Gross dividends from Malaysia: – investment securities	3,209	9,589	3,017	9,399
	<b>44,796</b>	27,702	<b>42,961</b>	27,441
<b>Other income</b>				
Foreign exchange (loss)/profit – realised	(2,223)	(2,592)	(2,223)	(2,592)
– unrealised	33,254	34,834	33,254	34,834
Rental income	1,365	885	1,314	837
Gain on sale of property, plant and equipment	2,648	362	2,648	362
Other non-operating income	27,224	6,403	15,377	4,126
	<b>62,268</b>	39,892	<b>50,370</b>	37,567
	<b>184,900</b>	137,104	<b>171,167</b>	134,518



# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 26 OVERHEAD EXPENSE

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Personnel costs	163,090	179,919	162,053	178,832
Establishment costs	118,283	138,886	118,058	138,886
Marketing expenses	6,078	8,932	6,019	8,867
Administration and general expenses	56,126	59,204	54,871	58,804
	<b>343,577</b>	386,941	<b>341,001</b>	385,389

Personnel costs comprise the following:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Wages, salaries and bonus	112,762	125,366	111,907	124,459
Defined contribution plan ('EPF')	20,249	20,005	20,113	19,862
Termination benefits (see below)	15,751	18,388	15,751	18,388
Other personnel costs	14,328	16,160	14,282	16,123
	<b>163,090</b>	179,919	<b>162,053</b>	178,832

Termination benefits mainly comprise the payment made for Voluntary Separation Scheme ('VSS'). The VSS was carried out to optimise the resources and remain competitive in the industry.

## 26 OVERHEAD EXPENSE (CONTINUED)

The expenditure includes the following statutory disclosure:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Directors' remuneration (Note 28)	2,109	1,953	2,109	1,953
Rental of premises	15,489	16,249	15,395	16,835
Hire of equipment	4,651	3,545	4,617	3,533
Lease rental	67	68	—	—
Auditors' remuneration				
– statutory audit fees	458	466	419	417
– non audit fees	82	56	82	56
Depreciation of property, plant and equipment	45,219	57,134	44,891	56,808
Property, plant and equipment written off	455	33	456	33
Provision for impairment losses in subsidiaries	—	—	—	(1)
Writeback on diminution of subsidiaries	—	—	(164)	—
Provision for impairment losses on foreclosed properties	—	1,951	—	1,951
Goodwill amortisation	9,155	9,155	9,155	9,155

## 27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties and their relationship with the Bank are as follows:

Lembaga Tabung Angkatan Tentera	Ultimate holding corporate body
Affin Holdings Berhad	Holding company
Affin-ACF Holdings Bhd	Subsidiary of holding company
Affin Discount Berhad	Subsidiary of holding company
Affin Merchant Bank Berhad	Subsidiary of holding company
Affin-Capital Holdings Sdn Bhd	Subsidiary of holding company
Affin Moneybrokers Sdn Bhd	Subsidiary of holding company
Affin Corporate Services Sdn Bhd	Subsidiary of holding company
Affin Fund Management Sdn Bhd	Subsidiary of holding company
Indolight Sdn Bhd	Subsidiary of holding company
AXA-Affin Assurance Bhd	Associated company of holding company

The subsidiary companies of the Bank are those as disclosed in Note 11 to the financial statements.

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Other related parties comprise of related companies, being subsidiaries of the ultimate holding corporate body.

	Ultimate holding corporate body RM'000	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<b>2004</b>				
<b>Income</b>				
Interest on placements	—	—	—	15,642
Other income	—	—	523	—
	—	—	523	15,642
<b>Expenditure</b>				
Rental	397	—	480	—
Interest on advances and deposits	5,241	586	16	915
Interest on borrowing	—	—	—	11,678
Interest on repo	682	—	—	—
Interest on subordinated bond	2,562	—	—	—
Brokerage fee	—	—	—	262
Others	—	—	—	259
	8,882	586	496	13,114
<b>Amount due to</b>				
Short term advances	—	78	6,071	—
Demand and fixed deposits	195,237	33,120	4,119	91,135
Bankers' acceptances	—	—	—	67,615
	195,237	33,198	10,190	158,750
<b>Amount due from</b>				
Short term advances	—	—	7,624	—
Term placement	—	—	—	919
	—	—	7,624	919

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The significant related party transactions and balances described above were carried out on terms and conditions obtainable on transactions with unrelated parties except for amount due from subsidiaries of RM1.6 million (2003: RM13.6 million) which is interest free. All short term advances have no fixed terms for repayments.

	Ultimate holding corporate body RM'000	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<b>2003</b>				
<b>Income</b>				
Interest on placements	—	—	—	1,599
Other income	—	—	2,929	3,519
	—	—	2,929	5,118
<b>Expenditure</b>				
Rental	334	—	688	—
Interest on advances and deposits	6,447	1,273	37	1,367
Interest on bankers' acceptances	—	—	—	634
Interest on repo	26	—	—	—
Interest on subordinated bond	8,500	—	—	—
Brokerage fee	—	—	—	294
Other	—	—	—	1,517
	15,307	1,273	725	3,812
<b>Amount due to</b>				
Short term advances	—	—	5,095	39
Term placement	—	—	—	100,351
Negotiable instruments of deposit	—	—	—	20,383
Demand and fixed deposits	243,600	20,970	3,886	85,730
Bankers' acceptances	—	—	—	7,546
Subordinated bond	100,000	—	—	—
Others	—	2	—	—
	343,600	20,972	8,981	214,049
<b>Amount due from</b>				
Short term advances	—	—	37,130	—
Rental deposit	—	—	—	23,612
	—	—	37,130	23,612

## 28 DIRECTORS' REMUNERATION

The Directors of the Bank in office during the financial year are as follows:

### Executive Director

Dato' Abdul Hamidy Abdul Hafiz

### Non-Executive Directors

Jen (B) Tan Sri Dato' Seri Ismail bin Haji Omar

Tan Sri Dato' Haji Lodin bin Wok Kamaruddin

Dr. Raja Abdul Malek bin Raja Jallaludin

Dato' Razman Md. Hashim bin Che Din Md. Hashim

Dato' Abdul Aziz bin Abdul Rahman

Laksamana Madya (B) Dato' Seri Ahmad Ramli bin Mohd Nor

Dato' Dr. Lee Chee Kuon

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

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Executive Director:				
– Salary	1,200	977	1,200	977
– Bonuses	216	178	216	178
– Defined contribution plan (EPF)	170	132	170	132
– Other employee benefits	—	200	—	200
– Benefits-in-kind	22	17	22	17
Non Executive Directors:				
– Fees	523	466	523	466
– Benefits-in-kind	22	22	22	22
	<b>2,153</b>	1,992	<b>2,153</b>	1,992

The remuneration attributable to the current and former President/Chief Executive Officer of the Bank, including benefits-in-kind during the financial year amounted to RM1,608,000 (2003: RM1,504,000).

29 TAXATION

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
The taxation charge arising in Malaysia for the financial year				
– Current taxation	(512)	1,056	—	—
– Deferred taxation (Note 9)	17,701	(65,092)	17,727	(65,325)
	17,189	(64,036)	17,727	(65,325)

No provision for taxation is required in respect of the Bank's earnings for the current financial year due to the offset of its taxable profits with its unutilised capital allowances brought forward from the previous financial year of RM22,228,926 and unabsorbed business losses brought forward from previous year of RM764,644,080.

Subject to agreement of the Inland Revenue Board, the Bank has unabsorbed tax losses of approximately RM529,491,635 (2003: RM764,644,080) and no unutilised capital allowances (2003: RM22,228,926) available for set-off against future taxable income.

The reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and the Bank are as follows:

	The Group		The Bank	
	2004 %	2003 %	2004 %	2003 %
Statutory tax rate in Malaysia	28.00	28.00	28.00	28.00
Tax effect in respect of				
– Non allowable expenses	12.74	38.95	11.73	44.04
– Non taxable income	(0.60)	(3.82)	(0.68)	(10.90)
Utilisation of previously unrecognised				
Tax losses:-				
– current tax	—	(0.62)	—	—
– deferred tax	(30.30)	(486.14)	(29.21)	(550.36)
Average effective tax rate	9.84	(423.63)	9.84	(489.22)

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 29 TAXATION (CONTINUED)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax savings during the year arising from previously unrecognised tax losses	52,909	94	52,634	—
Unutilised tax losses for which no deferred tax asset is recognised	119,252	294,776	—	186,095

## 30 EARNINGS PER SHARE

The earnings per share for the financial year have been calculated based on the net profit after taxation and zakat of the Group of RM156,714,000 (2003: RM79,052,000), and of the Bank of RM161,731,000 (2003: M78,578,000) divided by the weighted average number of ordinary shares of RM1 each in issue during the financial year of 1,017,281,000 (2003: 1,017,281,000).

## 31 COMMITMENTS AND CONTINGENCIES

- (i) In the normal course of business, the Group and the Bank make various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies consist of:

	The Group		The Group	
	2004	2003	2004	2003
	Principal amount RM'000	Credit equivalent amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000
Direct credit substitutes	176,526	176,526	252,611	252,611
Transaction-related contingent items	2,592,905	1,296,453	2,582,820	1,291,410
Short-term self-liquidating trade-related contingencies	6,023,476	1,204,695	6,329,234	1,265,847
Irrevocable commitments to extend credit:	4,648,848	1,683,737	4,287,071	1,584,580
– maturity more than one year	3,367,474	1,683,737	3,169,159	1,584,580
– maturity less than one year	1,281,374	—	1,117,912	—

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	The Group		The Group	
	2004		2003	
	Principal amount RM'000	Credit equivalent amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000
Foreign exchange related contracts:	644,554	9,921	1,240,587	5,972
– less than one year	644,554	9,921	1,240,587	5,972
Interest rate related contracts:	12,103,200	25,865	21,022,950	36,853
– less than one year	6,578,800	3,705	9,337,150	2,280
– one year to less than five years	5,524,400	22,160	11,685,800	34,573
	<b>26,189,509</b>	<b>4,397,197</b>	<b>35,715,273</b>	<b>4,437,273</b>
	The Bank		The Bank	
	2004		2003	
	Principal amount RM'000	Credit equivalent amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000
Direct credit substitutes	176,526	176,526	252,611	252,611
Transaction-related contingent items	2,592,905	1,296,453	2,582,820	1,291,410
Short-term self-liquidating trade-related contingencies	6,023,476	1,204,695	6,329,234	1,265,847
Irrevocable commitments to extend credit:	4,459,683	1,683,737	4,113,978	1,584,580
– maturity more than one year	3,367,474	1,683,737	3,169,159	1,584,580
– maturity less than one year	1,092,209	—	944,819	—
Foreign exchange related contracts:	644,554	9,921	1,240,587	5,972
– less than one year	644,554	9,921	1,240,587	5,972
Interest rate related contracts	12,103,200	25,865	21,022,950	36,853
– less than one year	6,578,800	3,705	9,337,150	2,280
– one year to less than five years	5,524,400	22,160	11,685,800	34,573
	<b>26,000,344</b>	<b>4,397,197</b>	<b>35,542,180</b>	<b>4,437,273</b>

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



### 31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### **Financial Derivatives**

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following outlines the nature and terms of the most common types of derivatives used by the Bank:

#### Exchange rate contracts

**Forward foreign exchange** contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

**Cross currency swaps** are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

**Currency futures** are typically exchange-traded agreements to buy or sell standard amounts of a specified currency at an agreed exchange rate on a standard future date.

**Currency options** give the buyer on payment of a premium the right, but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

#### Interest rate contracts

**Interest rate swaps** involve the exchange of interest obligations with counterparties for a specified period without exchanging the underlying (or notional principal).

**Interest rate caps and floors** give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds; instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of an interest rate cap and floor is known as an interest rate collar.

**Forward rate agreements** give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is calculated by reference to the difference between the contracted rate and the market rate prevailing on the settlement date.

**Swaptions** give the buyer the right, but not the obligation, to enter an interest rate swap as either the payer or receiver of the fixed side of the swap.

The table on the next page analyses the contractual or underlying principal amounts of derivative financial instruments held or issued. In addition, they also set out the corresponding gross positive credit equivalent of the derivative financial instruments.

31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	The Group and The Bank		The Group and The Bank	
	2004		2003	
	Principal Amount RM'000	Credit equivalent amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000
<b>Foreign exchange contracts</b>				
– forward contracts	644,554	9,921	1,240,587	5,972
<b>Interest rate contracts</b>				
– futures contracts	10,470,000	—	19,088,000	—
– swaps	1,633,200	25,865	1,934,950	36,853

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2004, the notional amount of foreign exchange exposure which were not hedged and hence, exposed to market risk was RM6.1 million (2003: RM0.2 million), while the notional amount of interest rate exposures in KLIBOR futures equivalent terms was RM164.1 million (2003: RM297.7 million).

**Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. As at 31 December 2004, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, were RM9.9 million (2003: RM6.0 million) and RM25.9 million (2003: RM36.9 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

- (ii) Pursuant to clause 2.1.5. of the Acquisition of Business Agreement dated 30 August 2000 between the Bank, the holding company, BSN Commercial Bank (Malaysia) Berhad ('BSNC') and Bank Simpanan Nasional ('BSN') in respect of the acquisition of certain assets and liabilities of BSNC by the Bank, BSNC and BSN undertakes to the Bank that debts other than those reflected as bad or doubtful debts in the audited financial statements of BSNC will be recoverable in the ordinary course of business.

For the debts not recoverable, BSNC undertakes to pay the Bank within 30 days from the date of receipt of the Bank's letter of demand, the amounts claimed subject to a limit of 30% of the purchase price.

On 6 April 2001, the Bank exercised the warranty and issued a letter of demand for RM101,694,000, equivalent to 30% of the original purchase price of RM338,980,000 as a result of doubtful or bad debts arising during the year. Arising from the above, the Bank is now required to reassign all the rights and benefits of the said bad or doubtful debts to BSNC or its nominee.

As at the date of the financial statements, the Bank has yet to comply with this requirement. As the bad or doubtful debts would have been fully provided or written off, the Directors are of the opinion that there would not be any material financial impact on the Bank.

### 31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### Credit risk (continued)

(iii) On 18 November 2002, the Bank had entered into a primary collateralised loan obligations ('Primary CLO') programme amounting to RM1 billion. The Primary CLO involved the sale, transfer and assignment of a loan portfolio facility to a special purpose vehicle, Aegis One Bhd ('Aegis'), an unrelated party, which is funded through the issuance of RM900 million AAA rated asset backed senior fixed rate bonds maturing in 2007 and 100 million BB rated asset backed subordinated variable rate bonds maturing in 2007 (the 'Bonds').

The terms of the Bonds stipulate that in the event of a loss by Aegis, losses would be absorbed first by the subordinated bondholders and then by the senior bondholders. The principal amount will be settled in full upon maturity depending on the repayment of the loans by the borrowers. As at 31 December 2004, the Bank holds RM272.8 million of the senior bonds and RM1.5 million of the subordinated bonds issued by Aegis which is recorded under 'Dealing securities' and 'Investment securities' in Notes 5 and 6 respectively.

The Bank does not guarantee the payment of interest nor the repayment of principal due on the Bonds. The Bank has no obligation to repurchase any of the loans except to the extent of any warranties given as provided in the sale and purchase agreement between the Bank and Aegis.

At the date of these financial statements, there is no indication of any losses incurred by Aegis and the Directors are of the opinion that there has not been any breach of the warranties provided for by the Bank.

### 32 INTEREST RATE RISK

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of the assets and their corresponding liability funding. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with Group policy guidelines.

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at 31 December 2004.

The Group 2004	Up to 1 month RM'000	1-3 months RM'000	3-6 months RM'000	6-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	SPI related items RM'000	Total RM'000
<b>Assets</b>									
Cash and									
short-term funds	1,173,785	—	—	—	—	—	102,634	937,653	2,214,072
Deposits and									
placements with									
financial institutions	—	—	19,760	—	—	—	—	95,450	115,210
Dealing securities	—	—	—	—	272,776	—	—	—	272,776
Investment securities	132,888	270,656	582,525	235,286	788,033	215,560	355,504	989,285	3,569,737
Loans, advances									
and financing	9,092,685	544,778	469,478	33,173	104,118	111,170	(817,880)*	1,170,625	10,708,147
Others (1)	—	—	—	—	—	—	1,093,545	57,284	1,150,829
<b>Total assets</b>	<b>10,399,358</b>	<b>815,434</b>	<b>1,071,763</b>	<b>268,459</b>	<b>1,164,927</b>	<b>326,730</b>	<b>733,803</b>	<b>3,250,297</b>	<b>18,030,771</b>

## 32 INTEREST RATE RISK (CONTINUED)

The Group 2004	Up to 1 month RM'000	1-3 months RM'000	3-6 months RM'000	6-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	SPI related items RM'000	Total RM'000
<b>Liabilities</b>									
Deposits from customers	4,405,622	2,349,461	1,254,580	1,123,997	9,323	—	1,518,481	2,287,365	12,948,829
Deposits and placements of banks and other financial institutions	265,810	121,600	83,600	—	—	—	—	—	471,010
Obligations on securities sold under repurchase agreements	825,942	50,000	—	—	—	—	—	—	875,942
Bills and acceptances payable	179,911	274,370	107,041	—	—	—	50,409	1,477	613,208
Amount due to Cagamas	4,023	—	166,152	—	173,460	—	—	—	343,635
Subordinated term loan	—	—	—	—	—	500,000	—	—	500,000
Other liabilities	—	—	—	—	—	—	59,080	670,353	729,433
<b>Total liabilities</b>	<b>5,681,308</b>	<b>2,795,431</b>	<b>1,611,373</b>	<b>1,123,997</b>	<b>182,783</b>	<b>500,000</b>	<b>1,627,970</b>	<b>2,959,195</b>	<b>16,482,057</b>
On balance sheet									
– interest rate gap	4,718,050	(1,979,997)	(539,610)	(855,538)	982,144	(173,270)			
Off balance sheet									
– interest rate gap(2)	(30,000)	200,200	(148,000)	257,200	(279,400)	—			
<b>Net interest rate gap</b>	<b>4,688,050</b>	<b>(1,779,797)</b>	<b>(687,610)</b>	<b>(598,338)</b>	<b>702,744</b>	<b>(173,270)</b>			

\* The negative balance represents specific provisions, interest in-suspense and general provision for loans, advances and financing in accordance with the Group's accounting policy on provision for bad and doubtful debts.

- Others include property, plant and equipment, statutory deposits with BNM, associated company, goodwill, tax recoverable, net deferred taxation and other assets.
- The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments.

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 32 INTEREST RATE RISK (CONTINUED)

<b>The Bank 2004</b>	<b>Up to 1 month RM'000</b>	<b>1-3 months RM'000</b>	<b>3-6 months RM'000</b>	<b>6-12 months RM'000</b>	<b>1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>SPI related items RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>									
Cash and short-term funds	1,165,783	—	—	—	—	—	102,634	937,653	2,206,070
Deposits and placements with financial institutions	—	—	19,760	—	—	—	—	95,450	115,210
Dealing securities	—	—	—	—	272,776	—	—	—	272,776
Investment securities	132,888	270,656	582,525	235,286	784,634	199,873	355,505	989,285	3,550,652
Loans, advances and financing	8,999,639	544,778	469,478	33,173	104,118	111,170	(743,707)*	1,170,625	10,689,274
Others (1)	—	—	—	—	—	—	1,135,316	57,284	1,192,600
<b>Total assets</b>	<b>10,298,310</b>	<b>815,434</b>	<b>1,071,763</b>	<b>268,459</b>	<b>1,161,528</b>	<b>311,043</b>	<b>849,748</b>	<b>3,250,297</b>	<b>18,026,582</b>
<b>Liabilities</b>									
Deposits from customers	4,409,741	2,349,461	1,254,580	1,123,997	9,323	—	1,518,481	2,287,365	12,952,948
Deposits and placements of banks and other financial institutions	265,810	121,600	83,600	—	—	—	—	—	471,010
Obligations on securities sold under repurchase agreements	825,942	50,000	—	—	—	—	—	—	875,942
Bills and acceptances payable	179,911	274,370	107,041	—	—	—	50,409	1,477	613,208
Amount due to Cagamas	4,023	—	166,152	—	173,460	—	—	—	343,635
Subordinated term loan	—	—	—	—	—	500,000	—	—	500,000
Other liabilities	—	—	—	—	—	—	52,310	670,353	722,663
<b>Total liabilities</b>	<b>5,685,427</b>	<b>2,795,431</b>	<b>1,611,373</b>	<b>1,123,997</b>	<b>182,783</b>	<b>500,000</b>	<b>1,621,200</b>	<b>2,959,195</b>	<b>16,479,406</b>
On balance sheet									
– interest rate gap	4,612,883	(1,979,997)	(539,610)	(855,538)	978,745	(188,957)			
Off balance sheet									
– interest rate gap(2)	(30,000)	200,200	(148,000)	257,200	(279,400)	—			
<b>Net interest rate gap</b>	<b>4,582,883</b>	<b>(1,779,797)</b>	<b>(687,610)</b>	<b>(598,338)</b>	<b>699,345</b>	<b>(188,957)</b>			

## 32 INTEREST RATE RISK (CONTINUED)

\* The negative balance represents specific provisions, interest in-suspense and general provision for loans and advances in accordance with the Group's accounting policy on provision for bad and doubtful debts.

- Others include property, plant and equipment, statutory deposits with BNM, subsidiary companies, associated company, goodwill, tax recoverable, net deferred taxation and other assets.
- The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments.

The Group 2003	Up to 1 month RM'000	1-3 months RM'000	3-6 months RM'000	6-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	SPI related items RM'000	Total RM'000
<b>Assets</b>									
Cash and short-term funds	2,848,500	—	—	—	—	—	114,947	737,700	3,701,147
Deposits and placements with financial institutions	—	168,000	105,000	—	—	—	—	10,000	283,000
Dealing securities	—	—	—	—	330,000	—	—	—	330,000
Investment securities	45,364	136,285	742,930	29,617	1,834,020	411,867	88,181	1,333,927	4,622,191
Loans, advances and financing	10,281,171	391,876	162,121	71,604	176,445	15,545	(1,676,250)*	1,321,520	10,744,032
Others (1)	—	—	—	—	—	—	1,362,240	105,917	1,468,157
<b>Total assets</b>	<b>13,175,035</b>	<b>696,161</b>	<b>1,010,051</b>	<b>101,221</b>	<b>2,340,465</b>	<b>427,412</b>	<b>(110,882)</b>	<b>3,509,064</b>	<b>21,148,527</b>
<b>Liabilities</b>									
Deposits from customers	4,471,973	2,208,878	1,394,179	2,554,058	220,022	—	1,633,068	2,766,862	15,249,040
Deposits and placements of banks and other financial institutions	633,184	392,800	178,000	—	—	—	151,163	422,000	1,777,147
Obligations on securities sold under repurchase agreements	409,218	83,736	—	—	—	—	—	—	492,954
Bills and acceptances payable	201,377	276,323	89,621	—	—	—	86,450	41,697	695,468
Amount due to Cagamas	—	—	—	—	405,440	—	—	—	405,440
Subordinated bonds	—	—	—	—	100,000	—	—	—	100,000
Subordinated term loan	—	—	—	—	—	500,000	—	—	500,000
Other liabilities	—	—	—	—	—	—	508,761	27,717	536,478
<b>Total liabilities</b>	<b>5,715,752</b>	<b>2,961,737</b>	<b>1,661,800</b>	<b>2,554,058</b>	<b>725,462</b>	<b>500,000</b>	<b>2,379,442</b>	<b>3,258,276</b>	<b>19,756,527</b>

## 32 INTEREST RATE RISK (CONTINUED)

<b>The Group 2003</b>	<b>Up to 1 month RM'000</b>	<b>1-3 months RM'000</b>	<b>3-6 months RM'000</b>	<b>6-12 months RM'000</b>	<b>1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>SPI related items RM'000</b>	<b>Total RM'000</b>
On balance sheet									
– interest rate gap	7,459,283	(2,265,576)	(651,749)	(2,452,837)	1,615,003	(72,588)			
Off balance sheet									
– interest rate gap(2)	366	294	(470)	116	(287)	(19)			
<b>Net interest rate gap</b>	<b>7,459,649</b>	<b>(2,265,282)</b>	<b>(652,219)</b>	<b>(2,452,721)</b>	<b>1,614,716</b>	<b>(72,607)</b>			

\* The negative balance represents specific provisions, interest in-suspense and general provision for loans, advances and financing in accordance with the Group's accounting policy on provision for bad and doubtful debts.

- Others include property, plant and equipment, statutory deposits with BNM, associated company, goodwill, tax recoverable, net deferred taxation and other assets.
- The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments.

<b>The Bank 2003</b>	<b>Up to 1 month RM'000</b>	<b>1-3 months RM'000</b>	<b>3-6 months RM'000</b>	<b>6-12 months RM'000</b>	<b>1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>SPI related items RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>									
Cash and short-term funds	2,848,500	—	—	—	—	—	114,939	737,700	3,701,139
Deposits and placements with financial institutions	—	168,000	105,000	—	—	—	—	10,000	283,000
Dealing securities	—	—	—	—	330,000	—	—	—	330,000
Investment securities	45,364	136,285	742,930	29,617	1,830,789	396,180	87,954	1,333,927	4,603,046
Loans, advances and financing	10,154,745	391,876	162,121	71,604	161,595	15,545	(1,580,155)*	1,321,520	10,698,851
Others (1)	—	—	—	—	—	—	1,416,015	105,917	1,521,932
<b>Total assets</b>	<b>13,048,609</b>	<b>696,161</b>	<b>1,010,051</b>	<b>101,221</b>	<b>2,322,384</b>	<b>411,725</b>	<b>38,753</b>	<b>3,509,064</b>	<b>21,137,968</b>

## 32 INTEREST RATE RISK (CONTINUED)

The Bank 2003	Up to 1 month RM'000	1-3 months RM'000	3-6 months RM'000	6-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	SPI related items RM'000	Total RM'000
<b>Liabilities</b>									
Deposits from customers	4,475,859	2,208,878	1,394,179	2,554,058	220,022	—	1,633,068	2,766,862	15,252,926
Deposits and placements of banks and other financial institutions	633,184	392,800	178,000	—	—	—	151,163	422,000	1,777,147
Obligations on securities sold under repurchase agreements	409,218	83,736	—	—	—	—	—	—	492,954
Bills and acceptances payable	201,377	276,323	89,621	—	—	—	86,450	41,697	695,468
Amount due to Cagamas	—	—	—	—	405,440	—	—	—	405,440
Subordinated bonds	—	—	—	—	100,000	—	—	—	100,000
Subordinated term loan	—	—	—	—	—	500,000	—	—	500,000
Other liabilities	—	—	—	—	—	—	500,871	27,717	528,588
<b>Total liabilities</b>	<b>5,719,638</b>	<b>2,961,737</b>	<b>1,661,800</b>	<b>2,554,058</b>	<b>725,462</b>	<b>500,000</b>	<b>2,371,552</b>	<b>3,258,276</b>	<b>19,752,523</b>
On balance sheet									
– interest rate gap	7,328,971	(2,265,576)	(651,749)	(2,452,837)	1,596,922	(88,275)			
Off balance sheet									
– interest rate gap(2)	366	294	(470)	116	(287)	(19)			
<b>Net interest rate gap</b>	<b>7,329,337</b>	<b>(2,265,282)</b>	<b>(652,219)</b>	<b>(2,452,721)</b>	<b>1,596,635</b>	<b>(88,294)</b>			

\* The negative balance represents specific provisions, interest in-suspense and general provision for loans and advances in accordance with the Group's accounting policy on provision for bad and doubtful debts.

- Others include property, plant and equipment, statutory deposits with BNM, subsidiary companies, associated company, goodwill, tax recoverable, net deferred taxation and other assets.
- The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments.



### 32 INTEREST RATE RISK (CONTINUED)

The table below summarises the effective average interest rate by major currencies for each class of financial assets and financial liabilities:

	<b>The Group and The Bank</b>			
	<b>2004</b>		<b>2003</b>	
	<b>RM %</b>	<b>USD %</b>	<b>RM %</b>	<b>USD %</b>
<b>Financial Assets</b>				
Cash and short-term funds	2.75	2.25	2.86	1.10
Deposits and placements with financial institutions	—	3.08	3.86	7.32
Dealing securities	5.18	—	5.18	—
Investment securities	2.86	6.79	3.48	6.55
Loans, advances and financing	7.09	—	7.38	—
<b>Financial Liabilities</b>				
Deposits from customers	2.29	—	2.43	1.15
Deposits and placements of banks and other financial institutions	2.77	2.44	2.90	3.02
Obligations on securities sold under repurchase agreements	2.65	—	2.74	—
Bills and acceptances payable	3.21	—	3.23	—
Amount due to Cagamas	4.18	—	4.15	—
Subordinated bonds	—	—	8.50	—
Subordinated term loan	7.30	—	7.30	—

### 33 LIQUIDITY RISK

The maturities of on-balance sheets assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group. The table below provides analysis of assets and liabilities into relevant maturity tenures based on their behavioural profile:-

Maturities of assets and liabilities of the Group and the Bank by behavioural maturity profile are as follows:

<b>Group 2004</b>	<b>Up to 3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1-3 years RM'000</b>	<b>&gt;3-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	2,214,072	—	—	—	—	—	2,214,072
Deposits and placements with financial institutions	95,450	19,760	—	—	—	—	115,210
Dealing securities	272,776	—	—	—	—	—	272,776
Investment securities	625,132	509,446	1,038,166	972,030	191,367	233,596	3,569,737
Loans, advances and financing	1,550,743	582,631	624,841	3,469,280	1,108,445	3,372,207	10,708,147
Other assets	59,727	1,036	—	5,910	—	—	66,673
<b>Total assets</b>	<b>4,817,900</b>	<b>1,112,873</b>	<b>1,663,007</b>	<b>4,447,220</b>	<b>1,299,812</b>	<b>3,605,803</b>	<b>16,946,615</b>

## Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 33 LIQUIDITY RISK (CONTINUED)

<b>Group 2004</b>	<b>Up to 3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1-3 years RM'000</b>	<b>&gt;3-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>							
Deposits from customers	3,976,983	736,593	1,163,034	7,072,219	—	—	12,948,829
Deposits and placements of banks and other financial institutions	387,410	83,600	—	—	—	—	471,010
Obligations on securities sold under repurchase agreements	875,942	—	—	—	—	—	875,942
Bills and acceptances payable	506,167	107,041	—	—	—	—	613,208
Amount due to Cagamas	4,023	166,152	—	173,460	—	—	343,635
Subordinated term loan	—	—	—	—	—	500,000	500,000
Other liabilities	445,450	—	40,298	537	243,148	—	729,433
<b>Total liabilities</b>	<b>6,195,975</b>	<b>1,093,386</b>	<b>1,203,332</b>	<b>7,246,216</b>	<b>243,148</b>	<b>500,000</b>	<b>16,482,057</b>
On balance sheet gap	(1,378,075)	19,487	459,675	(2,798,996)	1,056,664	3,105,803	464,558
Off balance sheet credit commitments	160,333	—	—	7,477,893	—	—	7,638,226
Derivatives	12,717	(91,588)	—	—	—	—	(78,871)
<b>Net maturity mismatch</b>	<b>(1,205,025)</b>	<b>(72,101)</b>	<b>459,675</b>	<b>4,678,897</b>	<b>1,056,664</b>	<b>3,105,803</b>	<b>8,023,913</b>

The behavioural assumptions adopted are as per Bank Negara Malaysia guidelines.

<b>Bank 2004</b>	<b>Up to 3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1-3 years RM'000</b>	<b>&gt;3-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	2,206,070	—	—	—	—	—	2,206,070
Deposits and placements with financial institutions	95,450	19,760	—	—	—	—	115,210
Dealing securities	272,776	—	—	—	—	—	272,776
Investment securities	625,132	509,279	1,038,166	972,030	188,136	217,909	3,550,652
Loans, advances and financing	1,532,398	582,631	624,841	3,469,280	1,108,445	3,371,679	10,689,274
Other assets	59,375	1,036	—	5,910	—	—	66,321
<b>Total assets</b>	<b>4,791,201</b>	<b>1,112,706</b>	<b>1,663,007</b>	<b>4,447,220</b>	<b>1,296,581</b>	<b>3,589,588</b>	<b>16,900,303</b>

## 33 LIQUIDITY RISK (CONTINUED)

<b>Bank 2004</b>	<b>Up to 3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1-3 years RM'000</b>	<b>&gt;3-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>							
Deposits from customers	3,981,102	736,593	1,163,034	7,072,219	—	—	12,952,948
Deposits and placements of banks and other financial institutions	387,410	83,600	—	—	—	—	471,010
Obligations on securities sold under repurchase agreements	875,942	—	—	—	—	—	875,942
Bills and acceptances payable	506,167	107,041	—	—	—	—	613,208
Amount due to Cagamas	4,023	166,152	—	173,460	—	—	343,635
Subordinated term loan	—	—	—	—	—	500,000	500,000
Other liabilities	438,680	—	40,298	537	243,148	—	722,663
<b>Total liabilities</b>	<b>6,193,324</b>	<b>1,093,386</b>	<b>1,203,332</b>	<b>7,246,216</b>	<b>243,148</b>	<b>500,000</b>	<b>16,479,406</b>
On balance sheet gap	(1,402,123)	19,320	459,675	(2,798,996)	1,053,433	3,089,588	420,897
Off balance sheet credit commitments	160,333	—	—	7,477,893	—	—	7,638,226
Derivatives	12,717	(91,588)	—	—	—	—	(78,871)
<b>Net maturity mismatch</b>	<b>(1,229,073)</b>	<b>(72,268)</b>	<b>459,675</b>	<b>4,678,897</b>	<b>1,053,433</b>	<b>3,089,588</b>	<b>7,980,252</b>

The behavioural assumptions adopted are as per Bank Negara Malaysia guidelines.

<b>Group 2003</b>	<b>Up to 3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1-3 years RM'000</b>	<b>&gt;3-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	3,701,147	—	—	—	—	—	3,701,147
Deposits and placements with financial institutions	168,000	115,000	—	—	—	—	283,000
Dealing securities	330,000	—	—	—	—	—	330,000
Investment securities	122,767	802,864	240,173	2,153,833	847,497	455,057	4,622,191
Loans, advances and financing	1,472,189	491,384	104,156	3,761,458	1,628,054	3,286,791	10,744,032
Other assets	212,397	45,804	42,047	—	—	—	300,248
<b>Total assets</b>	<b>6,006,500</b>	<b>1,455,052</b>	<b>386,376</b>	<b>5,915,291</b>	<b>2,475,551</b>	<b>3,741,848</b>	<b>19,980,618</b>

## 33 LIQUIDITY RISK (CONTINUED)

Group 2003	Up to 3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	>3-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Liabilities</b>							
Deposits from customers	4,050,295	440,048	39,647	10,719,050	—	—	15,249,040
Deposits and placements of banks and other financial institutions	1,527,147	240,000	10,000	—	—	—	1,777,147
Obligations on securities sold under repurchase agreements	492,954	—	—	—	—	—	492,954
Bills and acceptances payable	604,745	90,723	—	—	—	—	695,468
Amount due to Cagamas	—	—	—	405,440	—	—	405,440
Subordinated bonds	—	—	—	100,000	—	—	100,000
Subordinated term loan	—	—	—	—	—	500,000	500,000
Other liabilities	203,362	111,606	2,535	—	218,975	—	536,478
<b>Total liabilities</b>	<b>6,878,503</b>	<b>882,377</b>	<b>52,182</b>	<b>11,224,490</b>	<b>218,975</b>	<b>500,000</b>	<b>19,756,527</b>
On balance sheet gap	(872,003)	572,675	334,194	(5,309,199)	2,256,576	3,241,848	224,091
Off balance sheet credit commitments	142,998	—	—	6,806,411	—	—	6,949,409
Derivatives	(10,292)	(9,269)	—	—	—	—	(19,561)
<b>Net maturity mismatch</b>	<b>(739,297)</b>	<b>563,406</b>	<b>334,194</b>	<b>1,497,212</b>	<b>2,256,576</b>	<b>3,241,848</b>	<b>7,153,939</b>

The behavioural assumptions adopted are as per Bank Negara Malaysia guidelines.

Bank 2003	Up to 3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	>3-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	3,701,139	—	—	—	—	—	3,701,139
Deposits and placements with financial institutions	168,000	115,000	—	—	—	—	283,000
Dealing securities	330,000	—	—	—	—	—	330,000
Investment securities	122,767	802,697	240,173	2,153,773	844,266	439,370	4,603,046
Loans, advances and financing	1,442,132	491,384	104,156	3,761,458	1,628,054	3,271,667	10,698,851
Other assets	212,397	45,804	41,214	—	—	—	299,415
<b>Total assets</b>	<b>5,976,435</b>	<b>1,454,885</b>	<b>385,543</b>	<b>5,915,231</b>	<b>2,472,320</b>	<b>3,711,037</b>	<b>19,915,451</b>

**33 LIQUIDITY RISK (CONTINUED)**

<b>Bank 2003</b>	<b>Up to 3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1-3 years RM'000</b>	<b>&gt;3-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>							
Deposits from customers	4,054,181	440,048	39,647	10,719,050	—	—	15,252,926
Deposits and placements of banks and other financial institutions	1,527,147	240,000	10,000	—	—	—	1,777,147
Obligations on securities sold under repurchase agreements	492,954	—	—	—	—	—	492,954
Bills and acceptances payable	604,745	90,723	—	—	—	—	695,468
Amount due to Cagamas	—	—	—	405,440	—	—	405,440
Subordinated bonds	—	—	—	100,000	—	—	100,000
Subordinated term loan	—	—	—	—	—	500,000	500,000
Other liabilities	203,362	111,606	2,535	—	211,085	—	528,588
<b>Total liabilities</b>	<b>6,882,389</b>	<b>882,377</b>	<b>52,182</b>	<b>11,224,490</b>	<b>211,085</b>	<b>500,000</b>	<b>19,752,523</b>
On balance sheet gap	(905,954)	572,508	333,361	(5,309,259)	2,261,235	3,211,037	162,928
Off balance sheet credit commitments	142,998	—	—	6,806,411	—	—	6,949,409
Derivatives	(10,292)	(9,269)	—	—	—	—	(19,561)
<b>Net maturity mismatch</b>	<b>(773,248)</b>	<b>563,239</b>	<b>333,361</b>	<b>1,497,152</b>	<b>2,261,235</b>	<b>3,211,037</b>	<b>7,092,776</b>

The behavioural assumptions adopted are as per Bank Negara Malaysia guidelines.

**34 CREDIT RISK CONCENTRATIONS**

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

## Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 34 CREDIT RISK CONCENTRATIONS (CONTINUED)

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables:

<b>Group 2004</b>	<b>Cash and short term funds RM'000</b>	<b>Deposits and placements with financial institutions RM'000</b>	<b>Dealing securities RM'000</b>	<b>Investment securities RM'000</b>	<b>Loans and advances RM'000</b>	<b>Other assets RM'000</b>	<b>On balance sheet total RM'000</b>	<b>Commitments and contingencies RM'000</b>
Agricultural	—	—	—	—	89,755	—	89,755	4,595
Mining and quarrying	—	—	—	—	14,586	—	14,586	1,071
Manufacturing	—	—	—	432,900	1,337,409	1,382	1,771,691	320,057
Electricity, gas and water	—	—	—	66,400	5,731	153	72,284	1,898
Construction	—	—	—	139,080	1,356,331	588	1,495,999	393,496
Real estate	—	—	—	166,025	784,570	—	950,595	18,953
General commerce	—	—	—	—	375,158	—	375,158	3,009
Transport, storage and communication	—	—	—	167	378,466	—	378,633	53,326
Finance, insurance and business services	1,063,534	115,210	272,776	692,409	675,975	10,495	2,830,399	84,045
Government and Government Agencies	1,076,503	—	—	1,860,185	592,583	11,079	3,540,350	1,962,553
Purchase of residential, landed property, security and transport vehicle	—	—	—	—	3,811,575	—	3,811,575	230,147
Wholesale and retail trade, restaurant and hotel	—	—	—	94,080	807,671	—	901,751	412,539
Others	—	—	—	59,832	686,388	42,976	789,196	911,508
<b>Total assets</b>	<b>2,140,037</b>	<b>115,210</b>	<b>272,776</b>	<b>3,511,078#</b>	<b>10,916,198*</b>	<b>66,673</b>	<b>17,021,972</b>	<b>4,397,197</b>

\* Excludes general provision amounting to RM208 million

# Excludes equity instruments amounting to RM59 million

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 31.

## 34 CREDIT RISK CONCENTRATIONS (CONTINUED)

<b>Bank 2004</b>	<b>Cash and short term funds RM'000</b>	<b>Deposits and placements with financial institutions RM'000</b>	<b>Dealing securities RM'000</b>	<b>Investment securities RM'000</b>	<b>Loans and advances RM'000</b>	<b>Other assets RM'000</b>	<b>On balance sheet total RM'000</b>	<b>Commitments and contingencies RM'000</b>
Agricultural	—	—	—	—	89,755	—	89,755	4,595
Mining and quarrying	—	—	—	—	14,586	—	14,586	1,071
Manufacturing	—	—	—	432,900	1,334,289	1,382	1,768,571	320,057
Electricity, gas and water	—	—	—	66,400	5,731	153	72,284	1,898
Construction	—	—	—	139,080	1,356,291	588	1,495,959	393,496
Real estate	—	—	—	166,025	784,570	—	950,595	18,953
General commerce	—	—	—	—	361,775	—	361,775	3,009
Transport, storage and communication	—	—	—	167	378,466	—	378,633	53,326
Finance, insurance and business services	1,055,532	115,210	272,776	692,409	674,034	10,495	2,820,456	84,045
Government and Government Agencies	1,076,503	—	—	1,841,267	592,583	11,079	3,521,432	1,962,553
Purchase of residential, landed property, security and transport vehicle	—	—	—	—	3,811,224	—	3,811,224	230,147
Wholesale and retail trade, restaurant and hotel	—	—	—	94,080	807,671	—	901,751	412,539
Others	—	—	—	59,832	686,002	42,624	788,458	911,508
<b>Total assets</b>	<b>2,132,035</b>	<b>115,210</b>	<b>272,776</b>	<b>3,492,160#</b>	<b>10,896,977*</b>	<b>66,321</b>	<b>16,975,479</b>	<b>4,397,197</b>

\* Excludes general provision amounting to RM208 million

# Excludes equity instruments amounting to RM58 million

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 31.

34 CREDIT RISK CONCENTRATIONS (CONTINUED)

Group 2003	Cash and short term funds RM'000	Deposits and placements with financial institutions RM'000	Dealing securities RM'000	Investment securities RM'000	Loans and advances RM'000	Other assets RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Agricultural	—	—	—	4,150	117,249	275	121,674	12,846
Mining and quarrying	—	—	—	—	20,815	—	20,815	3,042
Manufacturing	—	—	—	401,732	1,645,919	—	2,047,651	334,254
Electricity, gas and water	—	—	—	153,556	19,039	—	172,595	3,268
Construction	—	—	—	172,482	1,417,558	—	1,590,040	311,843
Real estate	—	—	—	206,758	666,244	—	873,002	79,397
General commerce	—	—	—	—	904,217	—	904,217	919
Transport, storage and communication	—	—	—	5,066	479,351	—	484,417	95,376
Finance, insurance and business services	1,359,636	283,000	330,000	732,870	110,941	17,314	2,833,761	130,040
Government and Government Agencies	2,251,110	—	—	2,675,693	413,709	13,808	5,354,320	—
Purchase of residential, landed property, security and transport vehicle	—	—	—	—	3,959,380	—	3,959,380	138,083
Wholesale and retail trade, restaurant and hotel	—	—	—	96,035	525,393	—	621,428	375,675
Others	8,403	—	—	81,811	672,376	268,851	1,031,441	2,952,530
<b>Total assets</b>	<b>3,619,149</b>	<b>283,000</b>	<b>330,000</b>	<b>4,530,153#</b>	<b>10,952,191*</b>	<b>300,248</b>	<b>20,014,741</b>	<b>4,437,273</b>

\* Excludes general provision amounting to RM208 million

# Excludes equity instruments amounting to RM92 million

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 31.



## 34 CREDIT RISK CONCENTRATIONS (CONTINUED)

<b>Bank 2003</b>	<b>Cash and short term funds RM'000</b>	<b>Deposits and placements with financial institutions RM'000</b>	<b>Dealing securities RM'000</b>	<b>Investment securities RM'000</b>	<b>Loans and advances RM'000</b>	<b>Other assets RM'000</b>	<b>On balance sheet total RM'000</b>	<b>Commitments and contingencies RM'000</b>
Agricultural	—	—	—	4,150	117,249	275	121,674	12,846
Mining and quarrying	—	—	—	—	20,815	—	20,815	3,042
Manufacturing	—	—	—	401,732	1,637,260	—	2,038,992	334,254
Electricity, gas and water	—	—	—	153,556	19,039	—	172,595	3,268
Construction	—	—	—	172,482	1,416,066	—	1,588,548	311,843
Real estate	—	—	—	206,758	651,071	—	857,829	79,397
General commerce	—	—	—	—	902,164	—	902,164	919
Transport, storage and communication	—	—	—	5,066	479,351	—	484,417	95,376
Finance, insurance and business services	1,359,636	283,000	330,000	732,870	93,088	17,314	2,815,908	130,040
Government and Government Agencies	2,251,110	—	—	2,675,693	413,709	13,808	5,354,320	—
Purchase of residential, landed property, security and transport vehicle	—	—	—	—	3,958,973	—	3,958,973	138,083
Wholesale and retail trade, restaurant and hotel	—	—	—	96,035	525,393	—	621,428	375,675
Others	8,395	—	—	62,833	672,376	268,018	1,011,622	2,952,530
<b>Total assets</b>	<b>3,619,141</b>	<b>283,000</b>	<b>330,000</b>	<b>4,511,175#</b>	<b>10,906,554*</b>	<b>299,415</b>	<b>19,949,285</b>	<b>4,437,273</b>

\* Excludes general provision amounting to RM208 million

# Excludes equity instruments amounting to RM92 million

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 31.

## Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

### 35 LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases as at 31 December 2004 is as follows:

Year	The Group and The Bank	
	2004 RM'000	2003 RM'000
2004	—	16,370
2005	14,240	16,370
2006	14,240	16,370
2007	14,240	16,370
2008	14,240	—

The lease figures represent minimum rentals not adjusted for operating expenses which the Bank is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future minimum lease commitments will not be less than rental expenses for the year ended 31 December 2004.

### 36 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements amounted to approximately:

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Authorised and contracted for	70,700	32,094
Authorised but not contracted for	37,599	—
	<b>108,299</b>	32,094
Analysed as follows:		
Property, plant and equipment	108,299	32,094

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 37 CAPITAL ADEQUACY

(i) The capital adequacy ratios and components of Tier 1 and Tier 2 capital of the Bank are as follows:

	<b>The Bank</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier 1 capital</b>		
Paid-up share capital	1,017,281	1,017,281
Share premium	190,735	190,735
Retained profit/(Accumulated losses)	60,035	(29,694)
Statutory reserve fund	89,729	—
Goodwill	(146,478)	(155,633)
<b>Total Tier 1 capital</b>	<b>1,211,302</b>	<b>1,022,689</b>
<b>Tier 2 capital</b>		
General provisions for bad and doubtful debts	207,703	207,703
Subordinated term loans/bonds	500,000	511,345
<b>Total Tier 2 capital</b>	<b>707,703</b>	<b>719,048</b>
<b>Total capital</b>	<b>1,919,005</b>	<b>1,741,737</b>
Less: Investment in subsidiary companies	(39,458)	(39,294)
<b>Capital base</b>	<b>1,879,547</b>	<b>1,702,443</b>
<b>Capital ratios</b>		
Core capital ratio	9.37%	7.40%
Risk-weighted capital ratio	14.55%	12.32%

### 37 CAPITAL ADEQUACY (CONTINUED)

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

	The Bank	
	2004 RM'000	2003 RM'000
0%	5,607,557	7,521,825
10%	419,903	704,338
20%	2,449,146	2,025,697
50%	2,825,289	2,907,562
100%	10,969,750	11,894,260
	<b>22,271,645</b>	25,053,682
<b>Risk-weighted assets</b>	<b>12,914,214</b>	13,823,614

Pursuant to Bank Negara Malaysia's circular, 'Recognition of Deferred Tax Asset ('DTA') and Treatment of DTA for RWCR Purposes' dated 8 August 2003, deferred tax income/(expenses) is excluded from the calculation of Tier 1 and DTA is excluded from the calculation of risk-weighted assets.

### 38 LITIGATIONS AGAINST THE BANK

There are legal suits against the Bank in respect of claims and counter claims of approximately RM172.5 million (2003: RM40.1 million).

Based on legal advice, the Directors are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against the Bank is remote.

### 39 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Quoted market prices, when available, are used as the measure of fair values. For financial instruments, without quoted market prices, fair values are estimated using net present value or other valuation techniques. These techniques involve a certain degree of uncertainty depending on the assumptions used and judgements made regarding risk characteristics of various financial instruments, discounts rates, estimates of future cash flows, future expected loss experience and other factors. Changes in these assumptions could materially affect these estimates and the resulting fair value.

39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information for non financial assets and liabilities are excluded as they do not fall within the scope of MASB 24 which requires fair values to be disclosed. This includes property, plant and equipment, subsidiary and associated companies, tax recoverable, deferred taxation and intangibles.

The following table summarises the fair values of those financial assets and liabilities which were presented at carrying value on the Group's and the Bank's balance sheet.

	The Group		The Bank	
	2004	2004	2004	2004
	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000
<b>Financial assets</b>				
Cash and short-term funds	2,214,072	2,214,072	2,206,070	2,206,070
Deposit and placements with financial institutions	115,210	115,210	115,210	115,210
Dealing securities	272,776	272,776	272,776	272,776
Investment securities	3,504,216	3,569,737	3,489,688	3,550,652
Loans and advances	10,660,658	10,708,147	10,641,785	10,689,274
Other assets	66,673	66,673	66,321	66,321
<b>Financial liabilities</b>				
Deposits from customers	12,948,715	12,948,829	12,952,834	12,952,948
Deposits and placements of banks and other financial institutions	471,010	471,010	471,010	471,010
Obligation on securities sold under repurchase agreements	875,942	875,942	875,942	875,942
Bills and acceptances payable	613,208	613,208	613,208	613,208
Amount due to Cagamas	369,396	343,635	369,396	343,635
Subordinated term loan	352,417	500,000	352,417	500,000
Other liabilities	729,433	729,433	722,663	722,663

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		The Bank	
	2003	2003	2003	2003
	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000
<b>Financial assets</b>				
Cash and short-term funds	3,701,147	3,701,147	3,701,139	3,701,139
Deposit and placements with financial institutions	283,000	283,000	283,000	283,000
Dealing securities	330,000	330,000	330,000	330,000
Investment securities	4,497,998	4,622,191	4,480,611	4,603,046
Loans and advances	10,702,300	10,744,032	10,635,659	10,698,851
Other assets	300,248	300,248	299,415	299,415
<b>Financial liabilities</b>				
Deposits from customers	15,254,143	15,249,040	15,258,029	15,252,926
Deposits and placements of banks and other financial institutions	1,777,147	1,777,147	1,777,147	1,777,147
Obligation on securities sold under repurchase agreements	492,954	492,954	492,954	492,954
Bills and acceptances payable	695,468	695,468	695,468	695,468
Amount due to Cagamas	411,120	405,440	411,120	405,440
Subordinated bonds	95,791	100,000	95,791	100,000
Subordinated term loan	341,065	500,000	341,065	500,000
Other liabilities	536,478	536,478	528,588	528,588

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

	The Group and The Bank			The Group and The Bank		
	2004	2004	2004	2003	2003	2003
	Underlying Notional RM'000	Asset RM'000	Liability RM'000	Underlying Notional RM'000	Asset RM'000	Liability RM'000
<b>Foreign exchange contracts</b>						
– Forward contracts	644,554	137	320	1,240,587	310	189
<b>Interest rate contracts</b>						
– Futures contracts	12,103,200	8,805	12,544	21,022,950	8,097	11,046
– Swaps	10,470,000	2,535	372	19,088,000	5,519	1,380
	1,633,200	6,270	12,172	1,934,950	2,578	9,666

### 39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The derivative financial statements become favourable (assets) or unfavourable (liabilities) as a result of fluctuation in market interest rates or foreign exchange rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair value estimates were determined by application of the methods and assumptions described below.

#### **Deposits and Placements with Financial Institutions**

For amounts due from other financial institutions with maturities of six months or more, fair value have been estimated by reference to current rates at which similar advances would be made to banks with a similar credit rating and the same remaining maturities.

Deposit and placement with maturity of less than six months, the carrying amount is a reasonable estimate of fair value.

#### **Dealing and investment securities**

For dealing securities, the estimated fair values, which are also the carrying amounts, are generally based on quoted market prices or dealer quotes. For investment securities, fair values are also based on quoted market prices or dealer quotes, or, where there is no ready market in certain securities, fair values have been assessed by reference to market indicative interest yields.

In respect of the shortfall between the carrying value and fair value of investment securities, the Directors are of the opinion that there is no permanent impairment to the assets and the carrying value of these investments are recoverable. The shortfall was due to the yield on those instruments being lower than the market yield on a similar rated instrument. The Bank monitors the repayment of interest and credit risk is mitigated as some of these investments are adequately secured by collateral or guarantees issued by state governments.

#### **Loans, Advances and Financing**

For performing fixed rate loans, fair values have been estimated by discounting the estimated cash flows using the prevailing market rates of loans and advances with similar credit ratings and maturities.

For floating-rate loans, the carrying amount is generally a reasonable estimate of fair value. Fair value of credit card receivables is based on the carrying value of receivables outstanding which is generally a reasonable estimate.

The fair value of impaired loans, fixed or floating are based on the carrying value less interest in suspense and specific provision, being the expected recoverable amount. In arriving at the fair values for loans on the above bases, the total fair value of the entire loan portfolio has been reduced by RM208 million (Group and the Bank) being the carrying value of the general provision for doubtful debts which covers unidentified losses inherent in the portfolio.

#### **Statutory Deposits with Bank Negara Malaysia**

The group is required by law, to lodge interest free regulatory deposits with the central bank. As the Group's ability to carry on the business of banking is conditional upon the maintenance of these deposits, their fair value is assumed to be equal to their carrying value, notwithstanding no interest being earned thereon.

39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

**Deposits from customers, banks and financial institutions, obligation on securities sold under repurchase agreements, Bills and Acceptances Payable and Amount due to Cagamas**

The fair value of demand deposits is the amounts payable on demand at the reporting date. For other liabilities with maturities of less than 6 months, the carrying amount is a reasonable estimate of fair value.

For liabilities with maturities of 6 months or longer, fair values have been based on quoted market prices, where such prices exist. Otherwise, fair values are estimated using discounted cash flows based on rates currently offered for similar liabilities of similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, approximates carrying amount which represents the amount repayable on demand.

**Subordinated Bonds/Subordinated Term Loan**

The estimate fair value of subordinated bonds/subordinated term loan is based on discounted cash flow model using a current yield curve appropriate for the remaining term to maturity.

**Derivative Financial Instruments**

The fair value of exchange rate and interest rate contracts is the estimated amount the Group would receive or pay to terminate the contracts at the reporting date.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 February 2005.



# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 41 THE OPERATIONS OF ISLAMIC BANKING

### Balance Sheets as at 31 December 2004

		The Group and The Bank	
	Note	2004 RM'000	2003 RM'000
<b>Assets</b>			
Cash and short-term funds	(b)	937,653	737,700
Deposits and placements with financial institutions	(c)	95,450	10,000
Investment securities	(d)	989,285	1,333,927
Loans, advances and financing	(e)	1,170,625	1,321,520
Statutory deposits with Bank Negara Malaysia		56,000	103,386
Other assets	(f)	1,284	2,531
<b>Total assets</b>		<b>3,250,297</b>	3,509,064
<b>Liabilities and shareholders' equity</b>			
Deposits from customers	(g)	2,287,365	2,766,862
Deposits and placements of banks and other financial institutions	(h)	—	422,000
Bills and acceptances payable		1,477	41,697
Accruals and other liabilities	(i)	670,353	27,717
<b>Total liabilities</b>		<b>2,959,195</b>	3,258,276
Islamic Banking funds	(j)	291,102	250,788
<b>Total liabilities and Islamic Banking</b>		<b>3,250,297</b>	3,509,064
<b>Commitments and contingencies</b>	(p)	<b>7,731,410</b>	7,895,016

The accompanying notes on pages 131 to 146 form an integral part of the financial statements.

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### Income statements for the financial year ended 31 December 2004

		The Group and The Bank	
	Note	2004 RM'000	2003 RM'000
Income derived from investment of depositors' funds	(k)	115,002	144,580
Financing loss and provision	(l)	(30,930)	(41,868)
Transfer from profit equalisation reserve	(i)	—	6,645
<b>Income attributable to depositors</b>	(m)	<b>84,072</b> <b>(54,148)</b>	109,357 (75,052)
<b>Income attributable to shareholders</b>		<b>29,924</b>	34,305
Income derived from investment of shareholders' funds	(n)	12,972	10,415
<b>Net income</b>		<b>42,896</b>	44,720
Overhead expense	(o)	(1,844)	(1,697)
<b>Profit before zakat</b>		<b>41,052</b>	43,023
Zakat		(738)	(100)
<b>Profit after zakat</b>		<b>40,314</b>	42,923

The accompanying notes on pages 131 to 146 form an integral part of the financial statements.

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### Statements of changes in equity for the financial year ended 31 December 2004

	<u>Non-distributable</u> Share capital RM'000	<u>Distributable</u> Retained earnings RM'000	Total RM'000
<b>The Group and Bank</b>			
<b>At 1 January 2003</b>	72,000	135,865	207,865
Net profit for the financial year	—	42,923	42,923
<b>At 31 December 2003</b>	72,000	178,788	250,788
<b>At 1 January 2004</b>			
	<b>72,000</b>	<b>178,788</b>	<b>250,788</b>
Net profit for the financial year	—	<b>40,314</b>	<b>40,314</b>
<b>At 31 December 2004</b>	<b>72,000</b>	<b>219,102</b>	<b>291,102</b>

The accompanying notes on pages 131 to 146 form an integral part of the financial statements.

# Notes to the Financial Statements FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

## 41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### Cash flow statements for the financial year ended 31 December 2004

	The Group and The Bank	
	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before zakat</b>	<b>41,052</b>	43,023
Adjustments for items not involving the movement of cash and cash equivalents:		
Income from investment securities	(7,787)	(12,364)
Accretion of discount less amortisation of premium	(30,048)	(37,866)
Loss/(gain) on sale of investment securities	2,296	(63)
Specific provision for bad and doubtful debts	30,927	42,003
Income suspended	26,742	17,206
Profit equalisation reserve	—	(6,645)
Operating profit before working capital changes	<b>63,182</b>	45,294
(Increase)/decrease in deposits and placements with financial institutions	(85,450)	40,000
Decrease/(increase) in loans, advances and financing	93,226	(63,029)
Decrease in other assets	1,247	713,579
Decrease/(increase) in statutory deposits with Bank Negara Malaysia	47,386	(31,386)
Decrease in deposits from customers	(479,497)	(1,107,548)
(Decrease)/increase in deposits and placements of banks and other financial institutions	(422,000)	375,742
(Decrease)/increase in bills and acceptances payable	(40,220)	4,224
Decrease in other liabilities	642,266	7,784
Cash used in operations	<b>(179,860)</b>	(15,340)
Zakat paid	(368)	(100)
Net cash used in operating activities	<b>(180,228)</b>	(15,440)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investment securities	7,787	12,364
Net sale/(purchase) of investment securities	372,394	(272,116)
Net cash generated from/(used in) investing activities	<b>380,181</b>	(259,752)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>199,953</b>	(275,192)
<b>Cash and cash equivalents at beginning of the year</b>	<b>737,700</b>	1,012,892
<b>Cash and cash equivalents at end of the year</b>	<b>937,653</b>	737,700
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and short-term funds	937,653	737,700

The accompanying notes on pages 131 to 146 form an integral part of the financial statements.

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(a) Disclosure of Syariah Advisor

The Bank engages the services of the Syariah Advisory Council of Affin Holdings Group for advice with respect to Islamic Banking products, transactions and business dealings involving the Bank. The council members comprise of three qualified Syariah professionals who meet up with the members of the Islamic Banking Unit of each financial institution in the Group.

The roles and responsibilities of the Syariah Advisory Council are as follows:

- (i) Providing advisory services and as well as certifying and approving Islamic banking products and transactions.
- (ii) Reviewing and endorsing the Islamic Banking Annual Report.

(b) Cash and short-term funds

	The Group and The Bank	
	2004	2003
	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,616	168,010
Money at call and deposit placements maturing within one month	936,037	569,690
	<b>937,653</b>	737,700

(c) Deposits and placements with financial institutions

Licensed bank	55,450	10,000
Licensed finance companies	40,000	—
	<b>95,450</b>	10,000

(d) Investment securities

Money market instruments

Malaysian Government investment certificates	686,957	686,957
Islamic accepted bills	—	17,118
Islamic Khazanah bonds	121,813	348,929
	<b>808,770</b>	1,053,004

Unquoted securities

Shares in Malaysia	575	575
Islamic debt securities	132,349	255,056
	<b>941,694</b>	1,308,635
Accretion of discount less amortisation of premium	50,394	33,265
Provision for diminution in value of investment securities	(2,803)	(7,973)
	<b>989,285</b>	1,333,927

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) Investment securities (continued)

		The Group and The Bank	
		2004	2003
		RM'000	RM'000
(i)	Market value of quoted securities		
	Malaysian Government investment certificates	737,175	726,020
(ii)	The maturity structure of money market instruments held for investment are as follows:		
	Maturing within one year	686,958	244,234
	One year to three years	121,812	808,770
		808,770	1,053,004

(e) Loans, advances and financing

		The Group and The Bank	
		2004	2003
		RM'000	RM'000
	Overdrafts	18,103	12,929
	Term financing	1,379,391	1,530,726
	Bills financing	1,471	1,303
	Trust receipts	44,426	56,862
	Interest-free accepted bills	39,656	73,130
	Staff financing (of which RM Nil to directors)	9,838	10,593
		1,492,885	1,685,543
	Unearned income	(193,702)	(238,179)
		1,299,183	1,447,364
	Gross loans, advances and financing		
	Provision for bad and doubtful debts and financing:		
	– general	(23,539)	(23,539)
	– specific	(67,164)	(72,106)
	Income-in-suspense	(37,855)	(30,199)
		1,170,625	1,321,520

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) Loans, advances and financing (continued)

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

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Al-Bai' Bithaman Ajil	181,519	192,488
Al-Murabahah	1,140	1,224
Other principles	1,116,524	1,253,652
	<b>1,299,183</b>	1,447,364

(ii) The maturity structure of loans, advances and financing are as follows:

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Maturing within one year	276,039	492,101
One to three years	176,277	49,299
Three to five years	17,644	66,956
Over five years	829,223	839,008
	<b>1,299,183</b>	1,447,364

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) Loans, advances and financing (continued)

(iii) Loans, advances and financing according to economic sector are as follows:

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Agriculture, mining and quarrying	8,071	23,613
Manufacturing	30,444	18,301
Construction	157,350	220,002
Real estate	2,252	1,876
Purchase of landed property of which:		
I. Residential	707,763	749,214
II. Non-residential	61,365	123,442
General commerce	82,988	150,780
Transport, storage and communication	95,570	106,981
Finance, insurance and business services	1,040	1,196
Purchase of securities	9,257	11,808
Purchase of transport vehicles	476	939
Consumption credit	4,587	5,439
Others	138,020	33,773
	<b>1,299,183</b>	<b>1,447,364</b>

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

	The Group and The Bank	
	2004 RM'000	2003 RM'000
As at beginning of the financial year	385,834	242,978
Non-performing during the financial year (gross)	328,192	276,991
Amount recovered	(56,495)	(32,394)
Amount reclassified to performing	(36,321)	(95,196)
Amount written off	(108,922)	(6,545)
As at end of the financial year	<b>512,288</b>	<b>385,834</b>
Net non-performing loans	<b>407,269</b>	<b>283,529</b>
% of net non-performing loans to total loans (less SP and IIS)	<b>34.10%</b>	<b>21.08%</b>



41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) Loans, advances and financing (continued)

(v) Movements in the General Provision, Specific Provision and Income-in-suspense are as follows:

	The Group and The Bank	
	2004 RM'000	2003 RM'000
<b>General provision</b>		
As at beginning/end of the financial year	23,539	23,539
(as % of total loans less SP and IIS)	1.97%	1.75%
<b>Specific provision</b>		
As at beginning of the financial year	72,106	37,307
Provisions made during the financial year	37,346	47,202
Amount written back in respect of recoveries	(6,419)	(5,199)
Amount written off	(35,869)	(7,204)
As at end of the financial year	67,164	72,106
<b>Income-in-suspense</b>		
As at beginning of the financial year	30,199	15,607
Provisions made during the financial year	39,617	30,705
Amount written back in respect of recoveries	(12,875)	(13,499)
Amount written off	(19,086)	(2,614)
As at end of the financial year	37,855	30,199

(f) Other assets

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Other debtors, deposits and prepayments	1,284	2,531

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Deposits from customers

	<b>The Group and The Bank</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-Mudharabah Fund:</b>		
Demand deposits	1,315,122	1,347,101
Savings deposits	240,250	261,792
Negotiable Instrument deposit certificate	94,632	458,244
	<b>1,650,004</b>	2,067,137
<b>Mudharabah Fund:</b>		
Demand deposits	65,885	53,363
Savings deposits	9,201	8,792
General investment deposits	562,275	637,570
	<b>637,361</b>	699,725
	<b>2,287,365</b>	2,766,862

(i) The maturity structure of negotiable instrument deposit certificate and investment deposits are as follows:

	<b>The Group and The Bank</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	616,573	995,367
Six months to one year	35,794	94,766
One to three years	3,740	3,653
Three to five years	800	2,028
	<b>656,907</b>	1,095,814

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) Deposits from customers (continued)

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

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Business enterprises	564,633	305,251
Individuals	274,872	278,129
Others	1,447,860	2,183,482
	<b>2,287,365</b>	2,766,862

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

	The Group and The Bank	
	2004 RM'000	2003 RM'000
<u>Mudharabah Fund:</u>		
Licensed banks	—	422,000
	—	422,000

(i) Accruals and other liabilities

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Other liabilities	670,353	27,717
Profit equalisation reserve (see next page)	—	—
	<b>670,353</b>	27,717

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(i) **Accruals and other liabilities (continued)**

Profit Equalisation Reserve

	<b>The Group and The Bank</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
As at beginning of the financial year	—	6,645
Amount provided during the financial year	<b>19,430</b>	17,371
Amount written back during the financial year	<b>(19,430)</b>	(24,016)
As at end of the financial year	—	—

(j) **Islamic Banking funds**

	<b>The Group and The Bank</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Funds allocated from Head Office	<b>72,000</b>	72,000
Retained profit	<b>219,102</b>	178,788
	<b>291,102</b>	250,788

(k) **Income from Islamic banking operations**

For consolidation with conventional operations, net income from Islamic Banking operations comprise the following items:

	<b>The Group and The Bank</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds	<b>115,002</b>	144,580
Income attributable to the depositors	<b>(54,148)</b>	(75,052)
Income derived from the investment of shareholders' funds	<b>12,972</b>	10,415
	<b>73,826</b>	79,943

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Income from Islamic banking operations (continued)

Details of income derived from investment of depositors' funds is as follows:

	The Group and The Bank Depositors' funds	
	2004 RM'000	2003 RM'000
Income derived from investment of:		
(i) General investment deposits	32,890	49,302
(ii) Other depositors' funds	82,112	95,278
	<b>115,002</b>	144,580

(i) Income derived from investment of general investment deposits

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Income from financing	18,563	28,827
Income from investment securities	2,001	3,933
Income from money at call and deposits with financial institutions	2,931	5,911
	<b>23,495</b>	38,671
Amortisation of premium	(101)	—
Accretion of discount	7,822	12,045
	<b>31,216</b>	50,716
<b>Other dealing income</b>		
Net gain from foreign exchange transaction	—	13
<b>Other revenue income</b>		
Net (loss)/gain from sale of investment securities	(590)	20
Write back of/(provision for) diminution in value of investment securities	1,329	(2,386)
	<b>739</b>	(2,366)
<b>Fee and commission income</b>		
Commission	397	566
Service charges and fees	176	152
Guarantee fees	285	147
	<b>858</b>	865
<b>Other income</b>		
Others	77	74
	<b>32,890</b>	49,302

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) Income from Islamic banking operations (continued)

(ii) Income derived from investment of other depositors' funds

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Income from financing	46,344	55,711
Income from investment securities	4,997	7,600
Income from money at call and deposits with financial institutions	7,318	11,425
	<b>58,659</b>	74,736
Amortisation of premium	(253)	—
Accretion of discount	19,527	23,276
	<b>77,933</b>	98,012
<b>Other dealing income</b>		
Net gain from sale of dealing securities	—	25
<b>Other revenue income</b>		
Net (loss)/gain from sale of investment securities	(1,473)	39
Write back of/(provision for) diminution in value of investment securities	3,318	(4,612)
	<b>1,845</b>	(4,573)
<b>Fee and commission income</b>		
Commission	992	1,093
Service charges and fees	440	294
Guarantee fees	711	285
	<b>2,143</b>	1,672
<b>Other income</b>		
Others	191	142
	<b>82,112</b>	95,278

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(l) Financing loss and provision

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Provision for bad and doubtful debts and financing:		
– specific provision (net of recoveries)	30,926	42,003
Bad debts and financing:		
– written off	4	(135)
	<b>30,930</b>	<b>41,868</b>

(m) Income attributable to depositors

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Deposits from customers		
– Mudharabah	20,053	33,413
– Non-mudharabah	22,394	27,198
Deposits and placements of banks and other financial institutions		
– Mudharabah	5,709	13,210
Others	5,992	1,231
	<b>54,148</b>	<b>75,052</b>

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(n) Income derived from investment of shareholders' funds

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Income from financing	7,316	6,090
Income from investment securities	789	831
Income from money at call and deposits with financial institutions	1,155	1,249
	9,260	8,170
Amortisation of premium	(30)	—
Accretion of discount	3,083	2,545
	12,313	10,715
<b>Other dealing income</b>		
Net gain from foreign exchange transaction	—	3
<b>Other revenue income</b>		
Net (loss)/gain from sale of investment securities	(233)	4
Write back of/(provision for) diminution in value of investment securities	524	(504)
	291	(500)
<b>Fee and commission income</b>		
Commission	157	119
Service charges and fees	69	32
Guarantee fees	112	31
	338	182
<b>Other income</b>		
Others	30	15
	12,972	10,415



41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(o) Overhead expense

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Personnel costs	1,568	1,060
Establishment costs	96	117
Marketing expenses	16	123
Administration and general expenses	164	397
	<b>1,844</b>	1,697

Personnel costs comprise the following:

	The Group and The Bank	
	2004 RM'000	2003 RM'000
Wages, salaries and bonus	1,176	887
Defined contribution plan (EPF)	205	148
Other personnel costs	187	25
	<b>1,568</b>	1,060

(p) Commitments and contingencies

	The Group and The Bank			
	2004		2003	
	Principal amount RM'000	Credit equivalent amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000
Direct credit substitutes	10,272	10,272	18,511	18,511
Transaction-related contingent items	122,841	61,420	59,667	29,834
Short-term self-liquidating trade-related contingencies	5,553,333	1,110,667	6,153,636	1,230,727
Irrevocable commitments to extent credit:				
– maturity exceeding one year	2,029,722	1,014,861	1,658,712	829,356
– maturity not exceeding one year	15,242	—	4,490	—
	<b>7,731,410</b>	<b>2,197,220</b>	7,895,016	2,108,428

41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(s) Capital adequacy

(i) The capital adequacy ratios and components of Tier 1 and Tier 2 capital of the Bank are as follows:

	The Bank	
	2004 RM'000	2003 RM'000
<b>Tier 1 capital</b>		
Paid-up share capital	72,000	72,000
Retained profit	219,102	178,788
Total Tier 1 capital	291,102	250,788
<b>Tier 2 capital</b>		
General provision for bad and doubtful debts	23,539	23,539
Total Tier 2 capital	23,539	23,539
<b>Total capital</b>	<b>314,641</b>	<b>274,327</b>
<b>Capital ratios</b>		
Core capital	22.46%	16.87%
Risk-weighted capital ratio	24.28%	18.45%

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

	The Bank	
	2004 RM'000	2003 RM'000
0%	3,173,783	3,264,689
10%	—	10,710
20%	837,042	454,388
50%	717,617	768,385
100%	769,593	1,010,873
	<b>5,498,035</b>	<b>5,509,045</b>
<b>Risk-weighted assets</b>	<b>1,295,810</b>	<b>1,487,015</b>

## 41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

## (t) Liquidity risk

Group and Bank 2004	Up to 3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	>3-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	937,653	—	—	—	—	—	937,653
Deposits and placements with financial institutions	95,450	—	—	—	—	—	95,450
Investment securities	—	—	729,208	259,077	—	1,000	989,285
Loans, advances and financing	54,870	86,237	111,168	212,687	169,643	536,020	1,170,625
Other assets	1,284	—	—	—	—	—	1,284
<b>Total assets</b>	<b>1,089,257</b>	<b>86,237</b>	<b>840,376</b>	<b>471,764</b>	<b>169,643</b>	<b>537,020</b>	<b>3,194,297</b>
<b>Liabilities</b>							
Deposits from customers	1,890,335	28,586	25,414	343,030	—	—	2,287,365
Bills and acceptances payable	1,477	—	—	—	—	—	1,477
Other liabilities	670,353	—	—	—	—	—	670,353
<b>Total liabilities</b>	<b>2,562,165</b>	<b>28,586</b>	<b>25,414</b>	<b>343,030</b>	<b>—</b>	<b>—</b>	<b>2,959,195</b>
On balance sheet gap	(1,472,908)	57,651	814,962	128,734	169,643	537,020	235,102
Off balance sheet credit and commitments	2,418	—	—	2,175,659	—	—	2,178,077
<b>Net maturity mismatch</b>	<b>(1,470,490)</b>	<b>57,651</b>	<b>814,962</b>	<b>2,304,393</b>	<b>169,643</b>	<b>537,020</b>	<b>2,413,179</b>

## 41 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

## (t) Liquidity risk (continued)

Group and Bank 2003	Up to 3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	>3-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	737,700	—	—	—	—	—	737,700
Deposits and placements with financial institutions	—	10,000	—	—	—	—	10,000
Investment securities	17,118	59,767	210,555	915,167	130,745	575	1,333,927
Loans, advances and financing	92,239	105,416	13,177	317,521	281,162	512,005	1,321,520
Other assets	—	2,240	—	—	—	—	2,240
<b>Total assets</b>	<b>847,057</b>	<b>177,423</b>	<b>223,732</b>	<b>1,232,688</b>	<b>411,907</b>	<b>512,580</b>	<b>3,405,387</b>
<b>Liabilities</b>							
Deposits from customers	2,101,022	163,048	19,647	483,145	—	—	2,766,862
Deposits and placements of banks and other financial institutions	350,000	62,000	10,000	—	—	—	422,000
Bills and acceptances payable	40,594	1,103	—	—	—	—	41,697
Other liabilities	17,430	7,031	—	—	3,256	—	27,717
<b>Total liabilities</b>	<b>2,509,046</b>	<b>233,182</b>	<b>29,647</b>	<b>483,145</b>	<b>3,256</b>	<b>—</b>	<b>3,258,276</b>
On balance sheet gap	(1,661,989)	(55,759)	194,085	749,543	408,651	512,580	147,111
Off balance sheet credit and commitments	17,226	—	—	1,724,154	—	—	1,741,380
<b>Net maturity mismatch</b>	<b>(1,644,763)</b>	<b>(55,759)</b>	<b>194,085</b>	<b>2,473,697</b>	<b>408,651</b>	<b>512,580</b>	<b>1,888,491</b>

## Statements by Directors PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, JEN (B) TAN SRI DATO' SERI ISMAIL BIN HAJI OMAR and DATO' ABDUL HAMIDY ABDUL HAFIZ, being two of the Directors of AFFIN BANK BERHAD, state that, in the opinion of the Directors, the financial statements set out on pages 60 to 146 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2004 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965, applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines.

In accordance with a resolution of the Board of Directors dated 24 February 2005.

**JEN (B) TAN SRI DATO' SERI ISMAIL BIN HAJI OMAR**

*Chairman*

**DATO' ABDUL HAMIDY ABDUL HAFIZ**

*President/Chief Executive Officer*

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

I, RAMANATHAN RAJOO being the officer of AFFIN BANK BERHAD, primarily responsible for the financial management of the Group and of the Bank, do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 60 to 146 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**RAMANATHAN RAJOO**

Subscribed and solemnly declared by the abovenamed RAMANATHAN RAJOO at Kuala Lumpur in Malaysia on 24 February 2005, before me,

**AHMAD BIN LAYA**

No. W259

*Commissioner for Oaths*

# Report of the Auditors TO THE MEMBERS OF AFFIN BANK BERHAD (COMPANY NO: 25046T)

We have audited the financial statements set out on pages 60 to 146. These financial statements are the responsibility of the Bank's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and the Bank as at 31 December 2004 and of the results and cash flows of the Group and the Bank for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by the subsidiaries have been properly kept in accordance with the provisions of the Act.

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

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

## **PRICEWATERHOUSECOOPERS**

(AF: 1146)

*Chartered Accountants*

## **MOHAMMAD FAIZ BIN MOHAMMAD AZMI**

(2025/03/06 (J))

*Partner of the firm*

Kuala Lumpur

24 February 2005

## Head Office & Customer Relationship Centres

### HEAD OFFICE

17th Floor, Menara AFFIN  
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50200 Kuala Lumpur  
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03-2055 9020  
Fax : 03-2026 1415  
Hotline: 1-800-88-3883  
Website:  
<http://www.affinbank.com.my>

### REGIONAL OFFICE

Bangunan AFFINBANK  
Lot P3.4  
Jalan Persiaran Perbandaran  
Section 14  
40000 Shah Alam, Selangor

### WILAYAH PERSEKUTUAN

#### Bangsar

No. 4 & 6, Jalan Telawi 3  
Bangsar Baru  
59100 Kuala Lumpur  
Tel : 03-2283 5024  
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#### Batu 3, Jalan Ipoh

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#### Batu Cantonment

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Fax : 03-6251 8214

#### Central

Ground, Mezzanine & 1st Floor,  
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#### Jalan Bunus

No. 135 & 137, Jalan Bunus  
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50100 Kuala Lumpur  
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#### Jalan Ipoh

No. 84 & 86, Jalan Ipoh  
51200 Kuala Lumpur  
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Fax : 03-4042 4912

#### LTAT

Ground Floor, Bangunan LTAT  
Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel : 03-2142 6311  
Fax : 03-2148 0586

#### Putrajaya

Lot 2G1A,  
Kompleks Kementerian Kewangan  
Jabatan Akauntan Negara Malaysia  
62502 Putrajaya, Kuala Lumpur  
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#### Selayang

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68100 Batu Caves  
Kuala Lumpur  
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Fax : 03-6138 7122

#### Seri Petaling

No. 10-12, Jalan Raden Tengah  
Bandar Baru Seri Petaling  
57000 Kuala Lumpur  
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Fax : 03-9058 8513

#### Setapak

No. 159 & 161  
Jalan Genting Kelang  
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53300 Setapak, Kuala Lumpur  
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Fax : 03-4021 3921

#### Taman Midah

No. 38 & 40, Jalan Midah 1  
Taman Midah, Cheras  
56000 Kuala Lumpur  
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Fax : 03-9131 7024

#### Taman Tun Dr. Ismail

No. 47 & 49  
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Taman Tun Dr. Ismail  
60000 Kuala Lumpur  
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#### UTM

Universiti Teknologi Malaysia  
Jalan Semarak  
54100 Kuala Lumpur  
Tel : 03-2698 5171  
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#### Wangsa Maju

No. 2 & 4, Jalan 1/27F  
Kuala Lumpur Sub-Urban Centre  
Wangsa Maju  
53300 Kuala Lumpur  
Tel : 03-4143 3187  
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#### Wisma Pertahanan

G.05, Ground Floor  
Wisma Pertahanan  
Kementerian Pertahanan Malaysia  
Jalan Padang Tembak  
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### SELANGOR

#### Ampang Jaya

No. 11 & 11A  
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Ampang Point  
68000 Ampang, Selangor  
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Fax : 03-4257 8636

#### Ampang New Village

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#### Balakong

No. 8 & 9  
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Off Jalan Balakong  
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## Head Office & Customer Relationship Centres

### **Kajang**

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43000 Kajang, Selangor  
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### **Kelana Jaya**

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Menara Glomac  
Kelana Business Centre  
97, Jalan SS7/2  
47301 Kelana Jaya  
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Fax : 03-7806 1759

### **Kepong**

No. 6, Jalan 54, Desa Jaya  
52100 Kepong, Selangor  
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### **Kinrara**

No. 1, Jalan TK1/11A  
Taman Kinrara, Section 1  
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### **Klang Utara**

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Bandar Baru Klang  
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### **Kompleks PKNS**

Lot G17-20, Ground Floor  
Kompleks PKNS  
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### **Pandamaran**

No. 312, Jalan Batu Unjur 7  
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### **Port Klang**

No. 1, Jalan Berangan  
42000 Port Klang, Selangor  
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### **Puchong**

No. 16 & 18, Jalan Bandar 3  
Pusat Bandar Puchong  
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### **Rawang**

Lot 24, Batu 18, Jalan Ipoh  
48000 Rawang, Selangor  
Tel : 03-6091 3311  
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### **Sea Park**

No. 20-22, Jalan 21/12  
Sea Park, 46300 Petaling Jaya  
Selangor  
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Fax : 03-7876 6020

### **Section 26, Shah Alam**

No. 2, Jalan Hujung Permatang  
Dua (26/25B), Section 26  
40400 Shah Alam, Selangor  
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### **Seri Kembangan**

No. 1, 3 & 5 Jalan SR 6/1  
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### **Shah Alam**

Bangunan AFFINBANK  
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### **Subang Jaya**

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### **Subang New Village**

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### **Sungai Buloh**

No. 31, Jalan Public  
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### **The Curve, Mutiara Damansara**

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The Curve Shopping Complex  
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### **UiTM**

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## NEGERI SEMBILAN

### **Nilai**

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### **Port Dickson**

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Kawasan Penambakan Laut  
71000 Port Dickson  
Negeri Sembilan  
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### **Rasah**

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Negeri Sembilan  
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Fax : 06-763 6125

## MELAKA

### **Bukit Baru**

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Delima Point  
Taman Delima Raya  
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Fax : 06-232 1579

### **Melaka Raya**

No. 100, Taman Melaka Raya  
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P.O.Box 164  
75000 Melaka  
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## Head Office & Customer Relationship Centres

### JOHOR

#### Batu Pahat

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83000 Batu Pahat, Johor  
Tel : 07-433 4210  
Fax : 07-433 3246

#### Johor Bahru

No. 18 & 20, Jalan Serampang  
Taman Pelangi  
80050 Johor Bahru, Johor  
Tel : 07-333 9102  
Fax : 07-332 2202

#### Johor Jaya

No. 130 & 132  
Jalan Rose Merah 2/17  
Taman Johor Jaya  
81100 Johor Bahru, Johor  
Tel : 07-351 8596  
Fax : 07-351 8604

#### Kluang

No. 503, Jalan Mersing  
86000 Kluang, Johor  
Tel : 07-772 4736  
Fax : 07-772 4486

#### Kulai

No. 13 & 14, Jalan Raya  
Taman Sri Kulai Baru  
Batu 21, 81000 Kulai, Johor  
Tel : 07-663 9799  
Fax : 07-663 9800

#### Pasir Gudang

No. 40 & 41  
Pusat Perniagaan Pasir Gudang  
Jalan Bandar  
81700 Pasir Gudang, Johor  
Tel : 07-252 2600  
Fax : 07-251 2800

### Permas Jaya

No. 23 & 25, Jalan Permas 10/2  
Bandar Baru Permas Jaya  
81750 Johor Bahru, Johor  
Tel : 07-386 3703  
Fax : 07-386 5061

### Skudai

No. 59 & 61  
Jalan Kebudayaan 4  
Taman Universiti  
81300 Skudai, Johor  
Tel : 07-521 2401  
Fax : 07-521 2454

### Taman Ungku Tun Aminah

No. 183, Jalan Perwira 8  
Taman Ungku Tun Aminah  
81300 Skudai, Johor  
Tel : 07-557 3061  
Fax : 07-557 3960

### Tampoi

No. 49 & 51  
Jalan Sri Perkasa 2/1  
Taman Tampoi Utama  
81200 Tampoi, Johor  
Tel : 07-241 4946  
Fax : 07-241 4953

### PAHANG

#### Jengka

Nadi Kota  
26400 Bandar Jengka, Pahang  
Tel : 09-466 2233  
Fax : 09-466 2422

#### Kuantan

No. 1, Jalan Tun Ismail  
P.O.Box 354  
25740 Kuantan, Pahang  
Tel : 09-515 7166  
Fax : 09-513 4027

### PERAK

#### Ayer Tawar

No. 184, Main Road  
32400 Ayer Tawar, Perak  
Tel : 05-672 6060  
Fax : 05-672 6182

#### Ipoh

No. 11 & 13, Jalan Kampar  
30250 Ipoh, Perak  
Tel : 05-255 0980  
Fax : 05-255 0976

#### Ipoh Garden

No. 27A & 27A1  
Jalan Sultan Azlan Shah Utara  
31400 Ipoh, Perak  
Tel : 05-549 7277  
Fax : 05-549 7299

#### Lumut

Ground Floor, Kompleks LTAT  
Jalan Nakhoda, Pengkalan TLDM  
32100 Lumut, Perak  
Tel : 05-683 5051  
Fax : 05-683 5579

#### Simpang Empat

No. 18, Taman Melintang Ria  
Jalan Bagan Dato'  
Simpang Empat  
36400 Hutan Melintang  
Hilir Perak, Perak  
Tel : 05-641 5909  
Fax : 05-641 5912

#### Tasek

No. 721 & 721A, Jalan Tasek  
Taman Musim Bunga  
31400 Ipoh, Perak  
Tel : 05-548 5664  
Fax : 05-547 5205

### PULAU PINANG

#### Bayan Baru

No. 124 & 126  
Jalan Mayang Pasir  
Taman Sri Tunas  
11950 Bayan Baru  
Pulau Pinang  
Tel : 04-644 4171  
Fax : 04-645 2709

#### Bukit Mertajam

No. 2 & 4, Jalan Perda Barat  
Bandar Perda  
P.O.Box 135  
14000 Bukit Mertajam  
Pulau Pinang  
Tel : 04-530 9800  
Fax : 04-537 9800

#### Butterworth

No. 55-57, Jalan Selat  
Taman Selat  
P.O.Box 165  
Off Jalan Bagan Luar  
12000 Butterworth  
Pulau Pinang  
Tel : 04-333 3177  
Fax : 04-332 3299

#### Kepala Batas

Lot 1317 & 1318, Lorong Malinja  
Taman Sepakat  
Off Jalan Butterworth  
13200 Kepala Batas  
Seberang Prai Utara  
Pulau Pinang  
Tel : 04-575 1824  
Fax : 04-575 1975

#### Prai

No. 2, Kikik 7th Floor  
Taman Inderawasih  
13600 Prai, Pulau Pinang  
Tel : 04-399 3900  
Fax : 04-397 9243

## Head Office & Customer Relationship Centres

### Seberang Jaya

No. 10, Jalan Todak 1  
Pusat Bandar Seberang Jaya  
13700 Prai, Pulau Pinang  
Tel : 04-399 5881  
Fax : 04-399 2881

### Wisma Pelaut

No. 1A, Light Street  
Wisma Pelaut  
10200 Pulau Pinang  
Tel : 04-263 6633  
Fax : 04-261 9801

## KEDAH

### Alor Setar

No. 1515, Lorong Padi  
05000 Alor Setar, Kedah  
Tel : 04-731 0477  
Fax : 04-731 5796

### Kulim Hi-Tech Park

Suite B4, KHTP Business Centre  
Kulim Hi-Tech Park  
09000 Kulim, Kedah  
Tel : 04-403 3039  
Fax : 04-403 3044

### Langkawi

No. 149-151  
Persiaran Bunga Raya  
Langkawi Mall, 07000 Kuah  
Langkawi, Kedah  
Tel : 04-966 4426  
Fax : 04-966 4717

### Sungai Petani

No. 23E & 23F  
Jalan Kampung Baru  
08000 Sungai Petani, Kedah  
Tel : 04-421 1808  
Fax : 04-422 6675

## TERENGGANU

### Kemaman

K711-713, Wisma Zahid  
Jalan Sulaimani  
24000 Kemaman, Terengganu  
Tel : 09-858 1744  
Fax : 09-859 1572

### Kemaman Supply Base

Ground Floor  
Admin Building Block B  
Kemaman Supply Base  
24007 Kemaman, Terengganu  
Tel : 09-863 1297  
Fax : 09-863 1295

### Kuala Terengganu

Ground & Mezzanine Floor  
Wisma Permint  
Jalan Sultan Ismail  
20200 Kuala Terengganu  
Terengganu  
Tel : 09-622 3725  
Fax : 09-623 6496

## KELANTAN

### Jeli

No. A1 & A2, Block A  
Bandar Baru Bukit Bunga  
17700 Bukit Bunga  
Tanah Merah, Kelantan  
Tel : 09-946 8955  
Fax : 09-946 8954

### Kota Bharu

No. 3788H & 3788I, Section 13  
Jalan Sultan Ibrahim  
15050 Kota Bharu, Kelantan  
Tel : 09-744 5688  
Fax : 09-744 2202

## PERLIS

### Kangar

No. A2, Taman Pengkalan Asam  
Jalan Alor Setar – Kangar  
01000 Kangar, Perlis  
Tel : 04-977 8669  
Fax : 04-977 8566

## SARAWAK

### Bintulu

Sub Lot 13, Off Lot 3299  
Parkcity Commerce Square  
97000 Bintulu, Sarawak  
Tel : 086-314 248  
Fax : 086-314 206

### Kuching

Lot 223 & 224, Jalan Satok  
P.O.Box 3291  
93400 Kuching, Sarawak  
Tel : 082-245 888  
Fax : 082-257 366

### Miri

Lot 2387 & 2388, Block A4  
Jalan Boulevard 1A  
Boulevard Commercial Center  
KM 3, Jalan Miri – Pujut  
98000 Miri, Sarawak  
Tel : 085-437 442  
Fax : 085-437 297

## SABAH

### Kota Kinabalu

Lot 19 & 20, Block K  
Sadong Jaya Complex  
Jalan Ikan Juara 3  
Karamuning  
88300 Kota Kinabalu, Sabah  
Tel : 088-261 515  
Fax : 088-261 414

### Tawau

TB. 281-283  
Fajar Complex  
Jalan Haji Karim  
P.O. Box 630  
91008 Tawau, Sabah  
Tel : 089-778 197  
Fax : 089-762 199

