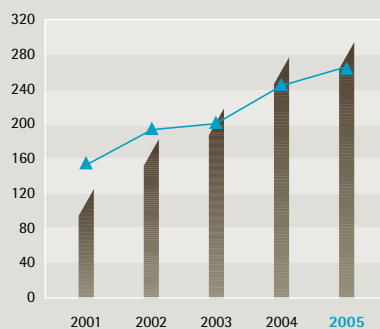


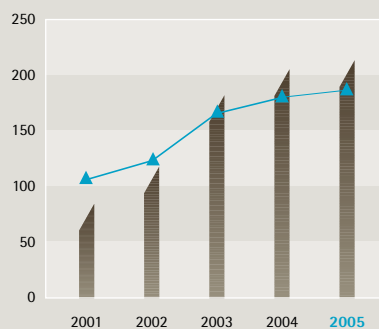
FINANCIAL HIGHLIGHTS Key Data, Five-Year History

12 mths to	15 mths to				
RM Million	31/03/2005	31/03/2004	31/03/2003	31/03/2002	31/03/2001
Profit Before Tax					
• Bank	262.4	242.8	200.3	185.7	156.3
• Group	296.2	277.6	226.3	180.1	127.4
Profit After Tax					
• Bank	187.4	177.9	165.0	123.0	108.0
• Group	213.4	204.6	182.5	117.4	82.6
Shareholders' Funds (SF)					
• Bank	1,873.6	1,741.0	1,600.4	1,422.5	896.5
• Group	1,929.4	1,771.3	1,604.4	1,392.4	872.2
Loans & Advances					
• Bank	13,964.3	12,424.1	10,912.8	10,606.8	10,296.6
• Group	14,644.0	14,556.5	13,249.5	12,989.9	12,948.8
Customers' Deposits					
• Bank	15,521.3	14,539.1	12,438.6	12,154.3	11,138.4
• Group	16,940.4	17,073.1	15,218.4	14,902.9	14,171.3
Assets (excluding contras)					
• Bank	21,550.6	20,027.1	16,812.8	15,872.3	14,016.2
• Group	23,552.0	23,262.1	20,133.3	18,965.1	17,595.0

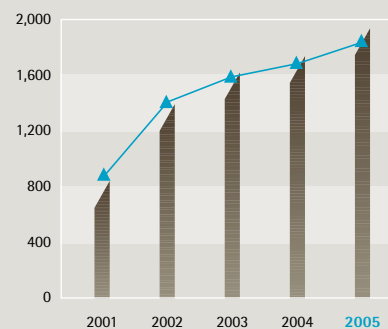
Profit Before Tax
RM Million



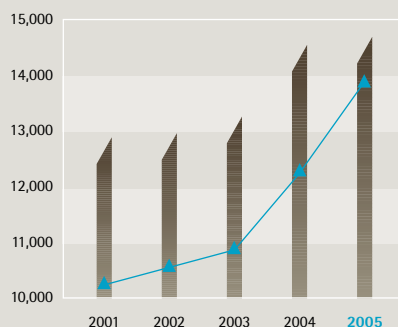
Profit After Tax
RM Million



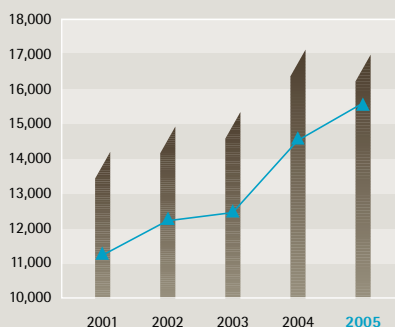
Shareholders' Funds (SF)
RM Million



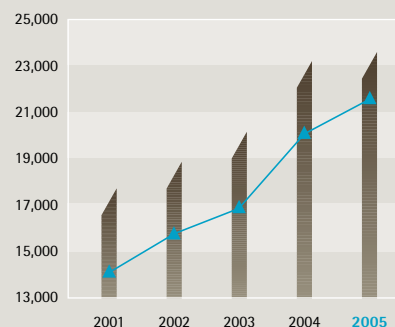
Loans & Advances
RM Million



Customers' Deposits
RM Million



Assets (excluding contras)
RM Million



Group Bank

FINANCIAL HIGHLIGHTS Financial Ratios, Five-Year History

12 mths to

15 mths to

31/03/2005

31/03/2004

31/03/2003

31/03/2002

31/03/2001

Return on Assets (after tax)

• Bank	0.9%	0.9%	1.0%	0.8%	0.8%
• Group	0.9%	0.9%	0.9%	0.6%	0.5%

Return on SF (after tax)

• Bank	10.4%	10.2%	10.3%	8.6%	12.0%
• Group	11.5%	11.6%	11.4%	8.4%	9.5%

Loans – Deposits Ratio

• Bank	90.0%	85.5%	87.7%	87.3%	92.4%
• Group	86.4%	85.3%	87.1%	87.2%	91.4%

Capital Adequacy Ratio

• Bank	12.9%	11.0%	11.2%	10.0%	3.6%
• Group	14.5%	13.8%	13.9%	12.8%	5.2%

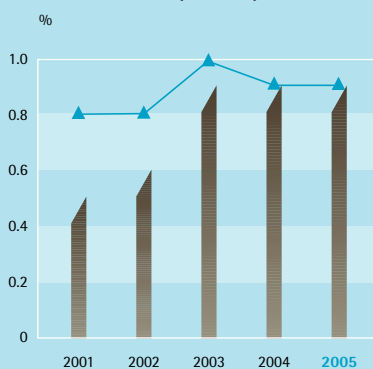
Earnings Per Share (sen)

• Bank	31.4	29.8	29.8	23.7	44.0
• Group	35.7	34.2	32.9	22.6	33.0

Net Tangible Asset Backing

• Bank	RM2.81	RM2.56	RM2.29	RM2.17	RM1.59
• Group	RM2.69	RM2.54	RM2.21	RM2.02	RM1.31

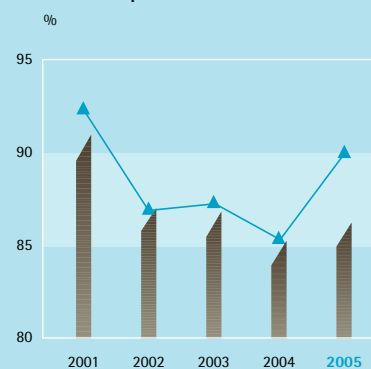
Return on Assets (after tax)



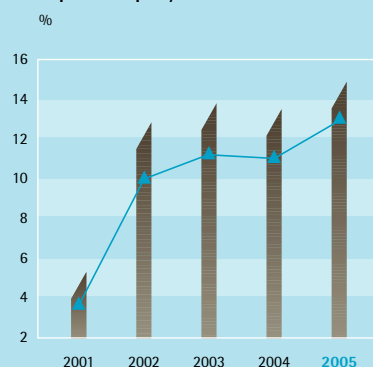
Return on SF (after tax)



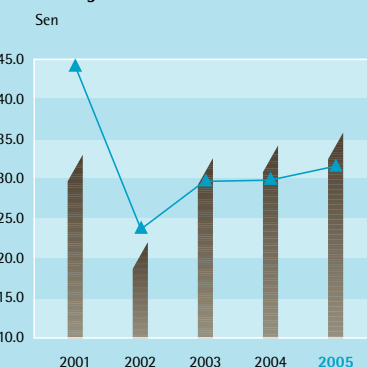
Loans – Deposits Ratio



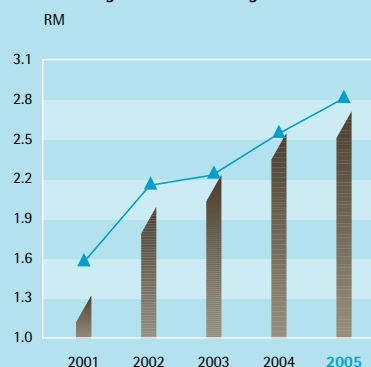
Capital Adequacy Ratio



Earnings Per Share



Net Tangible Asset Backing

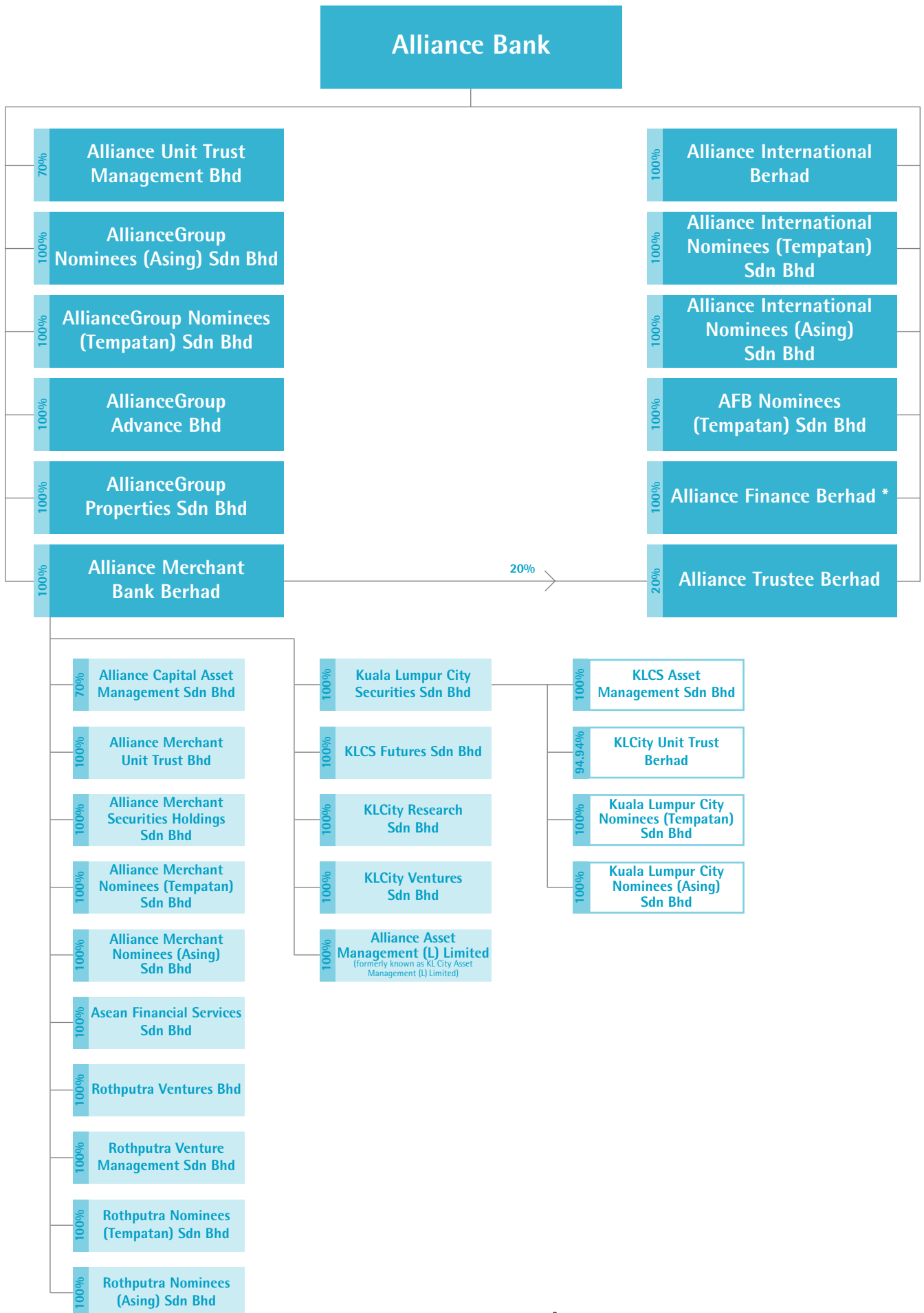


Group



Bank





* Under members' voluntary liquidation



LUTFIAH BINTI ISMAIL

Chairman | Pengerusi

**TO OUR STAKEHOLDERS,
ON BEHALF OF THE BOARD OF DIRECTORS, IT GIVES ME GREAT PLEASURE TO PRESENT THE ANNUAL
REPORT AND AUDITED ACCOUNTS OF ALLIANCE BANK MALAYSIA BERHAD FOR THE FINANCIAL YEAR
ENDED 31 MARCH 2005.**

*PARA PEMEGANG KEPENTINGAN SEKALIAN,
SAYA BAGI PIHAK LEMBAGA PENGARAH DENGAN BANGGANYA MEMBENTANGKAN LAPORAN TAHUNAN DAN
AKAUN ALLIANCE BANK MALAYSIA BERHAD YANG TELAH DIAUDIT BAGI TAHUN KEWANGAN BERAKHIR
31 MAC 2005.*

FY2004/05 marked another milestone of growth, profitability and innovation for the Bank. The Bank expanded and streamlined operational and organisational capabilities to improve performance and efficiency. We showcased new products and services which were well-received by our customers. New IT systems were brought on-line while existing ones were upgraded, thereby helping us maintain a strong competitive edge utilising the latest technological resources. FY2004/05 was a year that saw continued enhancements in customer service and in the provision of a responsive, customer-driven interface. Most importantly, the Bank continued to forge strong bonds of trust and commitment with its consumers, corporate clients and the community at large, positioning us as a significant player in Malaysia's financial services sector.

GROUP FINANCIAL PERFORMANCE

I am pleased to announce that for the year ended 31 March 2005, the Group's pre-tax profit rose to RM296.2 million, up 6.7% from last year's RM277.6 million. This was attributable to broad-based growth across the Commercial Bank and Merchant Bank businesses. Revenue was up marginally from the previous year, at RM1.443 billion from RM1.409 billion.

ALLIANCE BANK'S FINANCIAL PERFORMANCE

Alliance Bank continued its strong earnings momentum from the previous year by posting an increase in profit before tax of 8.1% in FY2004/05, from RM242.8 million to RM262.4 million, despite the additional specific allowances of RM22 million contributed by the change in the method of provisioning for long outstanding NPLs. Revenue grew a healthy 10.5% from the previous year, to RM1.268 billion from RM1.148 billion, contributed primarily from the merger with Alliance Finance, particularly on hire purchase interest income, as well as an increase in Islamic business and other non-interest income.

Interest income climbed a robust 12.9% to RM998 million this financial year compared to RM884 million last year, due to increased lending activities resulting from the merger with Alliance Finance as well as higher returns from investment securities.

The Bank also registered a gross loans growth of RM14.692 billion from last year's RM13.264 billion, a gain of 10.8%. Absorption of the Alliance Finance business as well as a significant increase in Islamic loans contributed to the loans growth. Consumer loans led the way, with home loans and hire purchase posting a net growth of 6.5% and 9.5% respectively.

TK2004/05 melambangkan satu lagi mercutanda yang menampilkan pertumbuhan, keuntungan dan inovasi bagi Bank. Bank telah meluas dan melancarkan keupayaan operasi serta organisasi yang membolehkan kami mencapai tahap prestasi dan kecekapan yang semakin baik. Bank berjaya menampilkan pelbagai produk dan perkhidmatan baru yang menerima sambutan yang memberangsangkan daripada pelanggan. Sistem IT baru telah dilaksanakan, sementara sistem yang sedia ada pula dinaiktaraf bagi membantu mengekalkan keteguhan daya saing Bank dengan menggunakan sumber teknologi terkini. TK2004/05 merupakan satu tahun yang memaparkan peningkatan taraf perkhidmatan pelanggan secara berterusan serta penyediaan perantaramuka berteraskan pelanggan yang berciri responsif. Melalui semua langkah ini, Bank mampu mengukuhkan lagi hubungan erat yang sedia terjalin berasaskan kepercayaan dan komitmen dengan para penggunanya, pelanggan korporat serta masyarakat umum. Ini telah membolehkan Bank menampilkan imejnya sebagai sebuah peneraju utama dalam sektor perkhidmatan kewangan Malaysia.

PRESTASI KEWANGAN KUMPULAN

Saya dengan sukacitanya mengumumkan bahawa bagi tahun berakhir 31 Mac 2005, keuntungan sebelum cukai Kumpulan meningkat sebanyak 6.7% kepada RM296.2 juta berbanding RM277.6 juta pada tahun sebelumnya. Pencapaian ini mampu dicatatkan berikutan pertumbuhan meluas yang dinikmati oleh perniagaan Bank Komersial dan Bank Saudagar. Hasil mencatatkan peningkatan kecil daripada RM1.409 bilion pada tahun sebelumnya kepada RM1.443 pada tahun ini.

PRESTASI KEWANGAN ALLIANCE BANK

Alliance Bank terus mencatatkan momentum pendapatan yang teguh berbanding dengan tahun sebelumnya kerana ia berjaya mencatatkan peningkatan keuntungan sebanyak 8.1% pada TK2004/05, iaitu daripada RM242.8 juta kepada RM262.4 juta walaupun terdapat elau khusus tambahan sebanyak RM22 juta yang disebabkan oleh perubahan dalam kaedah penyediaan peruntukan pinjaman tidak berbayar (NPL) yang telah lama tertunggak. Hasil mencatatkan pertumbuhan mantap sebanyak 10.5%, daripada RM1.148 bilion pada tahun sebelumnya kepada RM1.268 bilion pada tahun ini. Sebahagian besar pencapaian ini adalah kesan daripada penggabungan dengan Alliance Finance, terutamanya pendapatan faedah daripada sewa beli serta peningkatan perniagaan secara Islam serta pendapatan bukan faedah yang lain.

Pendapatan faedah mencatatkan peningkatan ketara sebanyak 12.9% kepada RM998 juta pada tahun ini berbanding RM884 juta pada tahun yang lepas. Ini adalah disebabkan oleh peningkatan aktiviti pemberian pinjaman berikutan penggabungan dengan Alliance Finance serta pulangan yang lebih tinggi daripada sekuriti pelaburan.

Total assets climbed to RM21.550 billion, an increase of 7.6% over last year's RM20.027 billion, again mostly arising from loans and advances from the Alliance Finance merger and the upturn in Islamic Banking business. Concomitantly, customer deposit totals achieved 6.8% growth, recorded at RM15.521 billion from RM14.539 billion. Shareholders' funds also rose from RM1.741 billion to RM1.874 billion, or 7.6%. The Bank's risk-weighted capital ratio (RWCR) as at financial year end increased from 10.85% to 12.81% over FY2003/04. The Bank's net NPL ratio improved from 8.8% to 7.8% thanks to heightened recovery efforts and improved loans quality in the year.

We are extremely encouraged by the strides made by our Islamic Banking business during FY2004/05, which registered an impressive 81.3% rise in net income from RM25 million to RM46 million over the past financial year. The Bank's Islamic loan base increased dramatically by RM457 million, primarily from Bai Bithaman Ajil (BBA) term financing, hire purchase and trading profits from Islamic investment securities. On 1 April 2005, a Shariah Committee was established to reinforce the Bank's compliance on Shariah related matters and greater development of Islamic products for the public.

MERCHANT BANK GROUP'S FINANCIAL PERFORMANCE

Alliance Merchant Bank Group posted a profit before tax of RM45.6 million for FY2004/05, or 14.9% lower than last year's RM53.6 million pre-tax profit. Higher loan provisioning accounted for reduced profitability.

Shareholders' funds rose 4.7%, totalling RM486 million for FY2004/05, compared to RM464 million the year before. Merchant Bank Group's net NPL ratio continued to outperform the industry average (13.4% versus 14.9%), while its RWCR continued to be better than the industry average (24.9% versus 20.2%).

In furtherance of its business strategy to become a full-fledged investment bank, the Merchant Bank completed the acquisition of Kuala Lumpur City Securities Sdn. Bhd. (KLCS) and its subsidiaries on 31 December 2004, thereby making the KLCS Group of Companies, the subsidiaries of the Merchant Bank. With the inclusion of KLCS, the Merchant Bank is now poised to provide a full range of investment banking and value-added services in all its 13 branches in major cities within Malaysia. On 1 July 2005, the Guidelines on Investment Banks was jointly issued by Bank Negara Malaysia and the Securities Commission, which requires existing Merchant Banks and stockbroking companies which have complied with the Framework on Consolidation of Stockbroking Companies issued by the Securities Commission on 21 April 2000, to be merged. With this Guideline, the Merchant Bank is now set for the creation of a successful Investment Bank within the Alliance Banking Group and for future expansion of its investment banking activities. With the full integration of the Merchant Bank and KLCS, we are poised to transform these companies into a full service Investment Bank and to provide a wide array of products and enhance operational efficiency in the implementation of its strategic business plans, thereby maximising value for our clients and other stakeholders.



STRATEGIC BUSINESS DIRECTION

FY2004/05 was a year that witnessed both challenges and opportunities in the local financial services industry. A continued stable and strong economy combined with Bank Negara's more accommodative monetary policy and strengthened regulatory and supervisory environment fuelled overall growth in the banking and financial services sector. This has had a salutary and stimulative effect on the industry, while at the same time making it more competitive.

The Bank's strategic business initiative was launched in order to take full advantage of this new "playing field" while at the same differentiating our products, services and brand from the competition. The initiative has continued to unfold, gaining strength and momentum as we build a reputation as a financial services specialist with a dynamic, innovative, flexible and personalised approach. Our diversified portfolio of products and services is further leveraged by our ongoing commitment to a customer-centric service environment, one that is both responsive and timely. And our strategy is given its ultimate impetus by continuing to achieve strong financial results, coupled with astute management, sound corporate governance, due diligence, accountability and transparency all of which have become an innate and integral component of how we conduct business.

In line with the Government's recommendations in the second phase of the Financial Sector Masterplan, the Bank has implemented and completed the legal merger with Alliance Finance. The rationalisation of the branch network has resulted in enhanced performance and efficiency, as well as offering more convenience and a higher level of service satisfaction to our customers.

FY2005/06 will see a continuation of this specialisation exercise, reinforced with an ever-improving suite of products, services and delivery systems in tandem with a committed, customer-driven approach.

Bank juga mencatatkan pertumbuhan pinjaman kasar daripada RM13.264 bilion pada tahun lepas kepada RM14.692 bilion, iaitu peningkatan sebanyak 10.8%. Penyerapan perniagaan Alliance Finance serta lonjakan ketara dalam pinjaman secara Islam telah menyumbang kepada pertumbuhan pinjaman. Pinjaman pengguna menjadi penyumbang utama, dengan pinjaman perumahan dan sewa beli masing-masing mencapai pertumbuhan bersih sebanyak 6.5% dan 9.5%.

Jumlah aset meningkat kepada RM21.550 bilion, iaitu 7.6% lebih tinggi berbanding tahun yang lepas sebanyak RM20.027 bilion. Ini disebabkan kenaikan pinjaman dan pendahuluan daripada penggabungan Alliance Finance dan kemajuan dalam perniagaan perbankan Islam. Pada masa yang sama, jumlah deposit pelanggan mencapai pertumbuhan 6.8%, pada tahap RM15.521 bilion berbanding RM14.539 bilion pada tahun sebelumnya. Dana pemegang saham turut meningkat daripada RM1.741 bilion kepada RM1.874 bilion, atau peningkatan sebanyak 7.6%. Nisbah modal berwajaran risiko (RCWR) Bank pada akhir tahun kewangan ini meningkat daripada 10.85% kepada 12.81% berbanding TK2003/04. Nisbah NPL Bank semakin menurun daripada 8.8% kepada 7.8% hasil sumbangan usaha pemulihan yang giat dan kualiti pinjaman yang semakin baik pada tahun kewangan ini.

Kami amat bangga dengan kecemerlangan prestasi yang dicapai oleh perniagaan Perbankan Islam pada TK2004/05, yang menampilkan lonjakan besar sebanyak 81.3% dalam pendapatan bersih daripada RM25 juta kepada RM46 juta sepanjang tahun kewangan lepas. Asas pinjaman secara Islam Bank bertambah dengan mendadak iaitu sebanyak RM457 juta, yang diperolehi terutamanya daripada pembiayaan berjangka Bai Bithaman Ajil (BBA), sewa beli dan keuntungan perdagangan daripada sekuriti pelaburan secara Islam. Pada 1 April 2005, Jawatankuasa Syariah telah ditubuhkan untuk memantapkan pematuhan Bank terhadap perkara-perkara berkaitan hukum Syariah dan mendorong pembangunan produk perbankan Islam untuk orang ramai.

PRESTASI KEWANGAN KUMPULAN BANK SAUDAGAR

Kumpulan Alliance Merchant Bank mencatatkan keuntungan sebelum cukai berjumlah RM45.6 juta bagi TK2004/05, atau 14.9% lebih rendah daripada keuntungan sebelum cukai tahun yang lepas berjumlah RM53.6 juta. Penurunan tahap keuntungan ini disebabkan oleh peruntukan pinjaman yang lebih tinggi.

Bagi TK2004/05, dana pemegang saham meningkat sebanyak 4.7% kepada RM486 juta berbanding RM464 juta pada tahun sebelumnya. Nisbah NPL bersih Kumpulan Alliance Merchant Bank terus mengatasi purata industri (13.4% berbanding 14.9%), sementara nisbah modal berwajaran risiko (RWCR) terus berada pada tahap yang lebih baik daripada purata industri (24.9% berbanding 20.2%).

Dalam melaksanakan strategi perniagaannya untuk menjadi sebuah bank pelaburan yang lengkap, Alliance Merchant Bank telah mengambil alih Kuala Lumpur City Securities Sdn. Bhd. (KLCS) dan anak-anak syarikatnya pada 31 Disember 2004, menjadikan Kumpulan KLCS sebagai anak syarikat Alliance Merchant Bank. Dengan penyertaan KLCS ini, Alliance Merchant

Bank kini bersedia untuk menyediakan perkhidmatan perbankan pelaburan dan perkhidmatan yang lebih bernilai di semua 13 cawangannya di bandar-bandar utama di Malaysia. Pada 1 Julai 2005, Garis Panduan berhubung Bank Pelaburan telah diterbitkan bersama oleh Bank Negara Malaysia dan Suruhanjaya Sekuriti yang memerlukan Bank-Bank Saudagar dan syarikat-syarikat pembrokeran saham sedia ada yang telah mematuhi Rangka Kerja Penggabungan Syarikat-Syarikat Pembrokeran Saham yang diterbitkan oleh Suruhanjaya Sekuriti pada 21 April 2000, supaya bergabung. Dengan Garis Panduan ini, Alliance Merchant Bank kini bersedia untuk mewujudkan Bank Pelaburan yang berjaya dalam Kumpulan Perbankan Alliance dan untuk meningkatkan aktiviti perbankan pelaburannya pada masa hadapan. Berikutan penyatuan sepenuhnya Alliance Merchant Bank dan KLCS, kami bersedia untuk mengubah syarikat ini menjadi sebuah Bank Pelaburan yang menyediakan perkhidmatan penuh dan menawarkan produk serba lengkap serta mempertingkatkan kecekapan operasi dalam melaksanakan rancangan perniagaan strategiknya, yang seterusnya akan memaksimumkan nilai bagi para pelanggan dan juga pemegang kepentingan yang lain.

HALA TUJU PERNIAGAAN STRATEGIK

TK2004/05 merupakan tahun yang menyaksikan cabaran dan peluang dalam industri perkhidmatan kewangan tempatan. Keadaan ekonomi yang stabil dan teguh berserta dengan dasar kewangan Bank Negara yang menggalakkan pertumbuhan serta persekitaran peraturan dan pemantauan yang kukuh, mendorong pertumbuhan keseluruhan dalam sektor perkhidmatan perbankan dan kewangan. Ini memberi kesan yang membantu dan memberangsangkan industri, dan pada masa yang sama menjadikannya lebih kompetitif.

Inisiatif perniagaan strategik Bank telah dilancarkan untuk memanfaatkan sepenuhnya "kawasan perniagaan baru" ini, sambil kami melaksanakan strategi untuk membezakan produk, perkhidmatan dan jenama kami daripada pesaing yang lain. Usaha ini terus dilakukan, kian bertambah giat dan mencapai momentum untuk kami membina reputasi sebagai sebuah pakar perkhidmatan kewangan dengan pendekatan yang dinamik, inovatif, fleksibel dan mesra. Portfolio produk dan perkhidmatan kami yang pelbagai dikukuhkan lagi oleh komitmen berterusan kami terhadap persekitaran perkhidmatan yang mengutamakan pelanggan, dengan ciri-ciri pantas bertindak balas dan menepati masa. Strategi kami mendapat dorongan paling berharga apabila terus mencapai keputusan kewangan yang teguh, berserta dengan pengurusan yang bijak, tadbir urus korporat yang berkesan, usaha wajar, akauntabiliti dan ketelusan yang kesemuanya menjadi tunggak dan komponen penting berhubung cara kami mengendalikan perniagaan.

Selaras dengan saranan Kerajaan dalam fasa kedua Pelan Induk Sektor Kewangan, Bank telah melaksana dan menyelesaikan penggabungan sah dengan Alliance Finance. Rasionalisasi rangkaian cawangan telah meningkatkan lagi prestasi dan kecekapan, serta menyediakan keselesaan dan tahap kepuasan perkhidmatan yang lebih tinggi kepada para pelanggan kami.

PROMOTING A STRONG BRAND

As we seek to become Malaysia's financial services provider of choice, brand management will play an increasingly vital role in our overall strategy.

More than merely an amalgamation of advertising, marketing and PR exercises, corporate branding must project both a strong, positive brand image and message, and a differentiating proposition. Therefore, we place great emphasis on building unique, credible, and long-term brand values amongst both consumers and businesses and the industry. Growing the brand requires not only a strong message but a good ear. We continue to gain valuable consumer insights and feedback through focus groups to test new campaigns and measure communication efficacy. In the past year we have continued to maintain a strong presence in print advertising, promoting various product campaigns such as SaveLink Home Loan, MasterCard Fairytale No More, as well as the credit card co-brands via ads, collaterals and on-ground acquisition. We will also continue co-branding efforts with our key partners on select projects within the Klang Valley.



COMMUNITY APPROACH, COMMUNITY SPIRIT

The Bank has long acted on the belief that businesses do not exist in isolation among their communities, but are an integral part of them. In that spirit, we have worked to contribute, through both individual and collective efforts, to strengthening those community bonds.

Our goal in the past year has been to organise and implement a more coherent and pro-active framework for our community programmes, one which would effectively deliver positive, sustainable and long-term outcomes. After careful evaluation, Alliance Banking Group decided to intensify and extend its community service efforts via a new volunteer programme for its staff.

During the year under review, a total of ten staff volunteer programmes were implemented. A key initiative was the nationwide Alliance Charity Sale, which raised RM124,276 for five beneficiaries: the Paediatric Intensive Care Unit of Universiti Malaya Medical Centre, the Heart Patients' Fund of the Penang Adventist Hospital, Spastic Children's Association in Johor and the Cheshire Homes in Sarawak and Sabah. We salute the efforts and dedication of our staff who wholeheartedly volunteered their time, and raised funds for various charity organisations by selling used books, toys, handicrafts and cakes.

The Bank continued its community outreach via the Timeless Bonus Points Festive Charity Drive by encouraging credit cardmembers to donate their loyalty points to the programme. The loyalty points were then converted to cash and donated to the Stepping Stones Home in Taman Seputeh, KL to purchase educational supplies for over 90 homeless children. The Bank topped up the donation to a total of RM20,000.

In the coming year, we will endeavour to extend the good work done by these various programmes to other communities. We are also seeking to align our community outreach programmes more closely to our business objectives with new philanthropic initiatives.

PROSPECTS

2004 witnessed a continued though moderate rise in the Malaysian economy. This was the result of several factors, including a strong export sector, healthy consumer demand, and an upsurge in tourism after the disruptive effects of the preceding financial year's Severe Acute Respiratory Syndrome (SARS) epidemic.

Malaysia's economy continued to maintain strong growth momentum, registering 7.1% in GDP in 2004 compared with the previous year's 5.2%. Financial markets in 2004 also saw an upsurge, with Bursa Malaysia's Composite Index posting an increase of nearly 120 points, or 13%, to 907 at year's end.

The latest projections indicate a continuation of the favourable growth trends of the past two years, with the economy growing by 6% in 2005, in line with forecast world growth. The Government's current monetary stance and the country's strong macroeconomic fundamentals have combined to keep interest rates low and liquidity high, whilst moderating inflationary pressures, all of which will continue to spur business activity and consumer spending.

TK2005/06 akan menyaksikan kesinambungan pelaksanaan usaha khas ini, yang diperkukuhkan dengan gabungan produk, perkhidmatan dan sistem penghantaran yang sesuai, sejajar dengan pendekatan yang komited dan mengutamakan pelanggan.

MEMPROMOSI JENAMA YANG KUKUH

Selaras dengan usaha kami untuk menjadi penyedia perkhidmatan kewangan pilihan ramai di Malaysia, pengurusan jenama akan memainkan peranan yang semakin penting dalam strategi keseluruhan kami.

Usaha ini tidak terhad kepada gabungan pengiklanan, pemasaran dan perhubungan awam, malah penjenamaan korporat perlu menampilkan imej dan mesej jenama yang mantap dan menonjolkan perbezaan. Justeru, kami memberi penekanan utama untuk membina nilai jenama yang unik, berwibawa dan untuk jangka panjang di kalangan pengguna dan perniagaan serta industri. Kami terus menerima pandangan dan maklum balas pengguna melalui kumpulan fokus untuk menguji kempen baru dan mengukur keberkesanan program komunikasi yang dijalankan. Pada tahun kewangan lepas, kami mengekalkan kehadiran yang ketara dalam pengiklanan bercetak, bagi mempromosi pelbagai kempen produk seperti SaveLink Home Loan, MasterCard Fairy Tale No More, serta jenama bersama kad kredit melalui iklan, bahan-bahan bercetak dan aktiviti-aktiviti promosi. Kami juga akan meneruskan usaha penjenamaan bersama dengan rakan kongsi utama kami untuk projek-projek terpilih di Lembah Klang.

MENDEKATI MASYARAKAT, SEMANGAT MASYARAKAT

Bank telah lama berpegang kepada kepercayaan bahawa perniagaan tidak boleh terasing daripada masyarakat, malah ia merupakan sebahagian penting masyarakat. Dalam menyokong semangat tersebut, kami gigih menyumbang ke arah mengukuhkan ikatan kemasyarakatan tersebut, sama ada melalui usaha individu mahupun kolektif.

Matlamat kami pada tahun lepas adalah untuk menganjur dan melaksanakan lebih banyak rangka kerja wajar dan proaktif bagi program kemasyarakatan kami, yang mampu menghasilkan keputusan yang positif, mantap dan jangka panjang. Selepas membuat penilaian dengan berhati-hati, Kumpulan Perbankan Alliance membuat keputusan untuk menggiat dan memperluaskan usaha perkhidmatan kemasyarakatannya melalui program sukarela baru untuk kakitangannya. Pada tahun yang ditinjau ini, sebanyak sepuluh program sukarela kakitangan telah diadakan. Inisiatif utama yang dianjurkan adalah Jualan Amal Alliance di seluruh negara yang berjaya mengumpul sebanyak RM124,276 untuk lima benefisiari; Unit Penjagaan Rapi Paediatric Pusat Perubatan Universiti Malaya, Tabung Pesakit Jantung, Hospital Adventist Pulau Pinang, Persatuan Kanak-Kanak Spastik Johor dan Rumah Kebajikan Cheshire di Sarawak dan Sabah. Kami amat menghargai usaha dan dedikasi kakitangan kami yang telah meluangkan masa mereka secara sukarela untuk menjual buku-buku terpakai, permainan, kraftangan dan kek bagi mengumpul sumbangan untuk pelbagai pertubuhan amal.



Bank meneruskan usaha kemasyarakatan melalui Timeless Bonus Points Festive Charity Drive dengan menggalakkan ahli kad kredit menderma mata loyalti mereka kepada program tersebut. Mata tersebut kemudiannya ditukar kepada tunai dan didermakan kepada Rumah Kebajikan Stepping Stones di Taman Seputeh, KL untuk membeli barangan pendidikan bagi lebih 90 orang kanak-kanak yang tidak mempunyai tempat tinggal. Bank menambah derma tersebut untuk menjadikan jumlahnya RM20,000.

Pada tahun hadapan, kami akan melipat gandakan usaha untuk meluaskan manfaat yang diperolehi daripada pelbagai program ini kepada anggota masyarakat yang lain pula. Kami juga akan menyesuaikan program kemasyarakatan kami supaya lebih menggambarkan objektif perniagaan kami dengan inisiatif kebajikan yang baru.

PROSPEK

Tahun 2004 menyaksikan ekonomi Malaysia terus mencatat pertumbuhan walaupun pada kadar yang sederhana. Ini disebabkan oleh beberapa faktor, termasuk sektor eksport yang teguh, permintaan pengguna yang kukuh dan peningkatan industri pelancongan selepas kesan wabak Severe Acute Respiratory Syndrome (SARS).

Momentum mantap pertumbuhan ekonomi Malaysia berjaya dikekalkan, dengan KDNK mencatat 7.1% pada tahun 2004 berbanding 5.2% pada tahun sebelumnya. Pasaran kewangan pada tahun 2004 mengalami lonjakan dengan Indeks Komposit Bursa Malaysia mencatat kenaikan hampir 120 mata, atau 13% kepada 907 pada akhir tahun.

Unjuran terkini menunjukkan arah aliran meningkat ini berterusan sejak dua tahun yang lepas, dengan ekonomi meningkat pada kadar 6% pada tahun 2005, selaras dengan ramalan pertumbuhan ekonomi dunia. Pendirian kewangan semasa Kerajaan dan fundamental makroekonomi negara yang teguh buat masa ini bergabung untuk mengekalkan kadar faedah pada tahap yang rendah dan kecairan yang tinggi, sambil meredakan tekanan inflasi, yang kesemuanya akan terus menggalakkan aktiviti perniagaan dan perbelanjaan pengguna.

Petunjuk sekarang menjangka sektor perbankan yang menggalakkan dan berdaya tahan pada TK2005/06. Ini menggambarkan peningkatan dalam kualiti aset serta pertumbuhan asas modal. NPL, berasaskan perbandingan pengkelasan enam bulan yang terbaru, terus menurun sementara nisbah modal berwajaran risiko dan nisbah modal teras kekal tinggi.

Present indicators point to a robust and resilient banking sector in FY2005/06. This is reflected both in improved asset quality as well as a growing capital base. NPLs, based on a comparison of the latest six-month classification, continue to decline, while risk-weighted capital ratios and core capital ratios remain high.

Islamic Banking is also poised for rapid growth as more domestic and international institutions enter the market, and in tandem with the government's goal to make Malaysia a regional hub for international Islamic Banking and financial services.

Against this backdrop, Alliance Banking Group remains confident in its ability to maintain and expand market share and enhance competitive advantage in the coming years. Our strategy will continue to focus on consumer financing and on broad-based real estate financing in various key sectors in order to maximise profitability and revenue streams. Our track record of improving asset quality management, strong liquidity and financing capability, and innovative products and services, combined with best practices and transparent leadership will keep the Group on a strong and sustainable growth path.

ACKNOWLEDGEMENTS

During the first quarter of year 2005, Vertical Theme Sdn Bhd became a major shareholder of Malaysian Plantations Berhad, the ultimate holding company of the Bank. The shareholders of Vertical Theme Sdn Bhd are Langkah Bahagia Sdn Bhd and Duxton Investments Pte Ltd, an indirect wholly-owned subsidiary of Temasek Holdings (Private) Ltd. Arising therefrom, Mr Peter Seah Lim Huat, Mr Jimmy Phoon Siew Heng, Ms Bridget Lai, Dato' Michael Lim Heen Peok and Mr Michael Tay Tong Tai have joined the Board. On behalf of the Board of Directors, I would like to welcome them and look forward to their contributions towards the continued growth of the Bank.

Mr Keong Poh Theng, who joined the Board on 18 October 2004, will not be seeking re-election as Director at the Bank's forthcoming Annual General Meeting. The Board would also like to express its appreciation to him for his invaluable contributions during his tenure.

We would like to thank our Shariah advisors, Dr Zainal Azam bin Abdul Rahman, Associate Professor Dr Ashraf Md Hashim and Associate Professor Dr Abdul Rahman bin Awang for their advice and guidance on Shariah and Islamic Banking issues.

On behalf of the Board of Directors, I would like to thank our valued shareholders, customers and clients for their continued trust, support and patronage. In addition, the Board of Directors would like to convey its appreciation to our strategic and financial partners, and to the relevant governmental authorities and agencies.

Let me also express my heartfelt gratitude to our Management and staff for their outstanding contributions in FY2004/05, and for their skills, dedication, and teamwork in making Alliance Banking Group a significant player in our industry, while continuing to deliver high standards of corporate efficiency, dynamism and innovation. The management and staff's undivided commitment, energy and enthusiasm are vital to ensuring the Group's continued success and I look forward for their continued dedication and hardwork for the forth coming years.

LUTFIAH BINTI ISMAIL

Chairman

Perbankan Islam juga bersedia untuk menghadapi pertumbuhan pesat berikutan lebih banyak institusi kewangan antarabangsa dan tempatan memasuki pasaran dan seiring dengan matlamat kerajaan untuk menjadikan Malaysia hub serantau bagi perbankan dan perkhidmatan kewangan Islam antarabangsa.

Berasaskan keadaan ini, Kumpulan Perbankan Alliance Bank kekal yakin bahawa ia mampu mengekal dan memperluaskan bahagian pasaran serta memperbaiki kelebihan daya saingannya pada tahun-tahun yang akan datang. Strategi kami akan terus berfokus terhadap pembiayaan pengguna dan pembiayaan hartanah yang menyeluruh dalam sektor-sektor utama bagi memaksimumkan keuntungan dan aliran hasil. Pencapaian kami dalam mempertingkatkan pengurusan aset berkualiti, kecairan yang teguh dan kemampuan pembiayaan serta produk dan perkhidmatan yang inovatif berserta dengan amalan terbaik dan kepimpinan yang telus akan mengekalkan Kumpulan pada landasan pertumbuhan yang kukuh dan mantap.

PENGHARGAAN

Pada suku pertama tahun 2005, Vertical Theme Sdn Bhd telah menjadi pemegang saham utama Malaysian Plantations Berhad iaitu syarikat pegangan muktamad Bank. Para pemegang saham Vertical Theme Sdn Bhd adalah Langkah Bahagia Sdn Bhd dan Duxton Investments Pte Ltd, syarikat subsidiari milik penuh secara tidak langsung Temasek Holdings (Private) Ltd. Berikutan itu, Encik Peter Seah Lim Huat, Encik Jimmy Phoon Siew Heng, Puan Bridget Lai, Dato' Michael Lim Heen Peok dan Encik Michael Tay Tong Tai telah menyertai Lembaga Pengarah. Bagi pihak Lembaga Pengarah, saya ingin mengalu-alukan penyertaan dan sumbangan mereka ke arah pertumbuhan Bank yang berterusan.

Encik Keong Poh Theng yang mula menganggotai Lembaga Pengarah pada 18 Oktober 2004 tidak akan menawarkan diri untuk pemilihan semula sebagai Pengarah di Mesyuarat Agung Tahunan Bank yang akan datang. Lembaga Pengarah juga ingin menyampaikan setinggi-tinggi penghargaan atas sumbangan tidak ternilai sepanjang tempoh perkhidmatan beliau.

Kami ingin mengucapkan terima kasih kepada para penasihat Syariah kami, Dr Zainal Azam bin Abdul Rahman, Profesor Madya Dr Ashraf Md Hashim dan Profesor Madya Dr Abdul Rahman bin Awang atas khidmat nasihat dan panduan yang telah diberikan berhubung isu-isu berkaitan Syariah dan Perbankan Islam.

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada para pemegang saham yang dihargai dan pelanggan di atas kepercayaan berterusan, sokongan dan kesudian mereka menggunakan perkhidmatan kami. Di samping itu, Lembaga Pengarah juga ingin menyampaikan penghargaan kepada rakan perniagaan strategik dan kewangan kami dan juga kepada pihak berkuasa dan agensi kerajaan yang berkaitan.

Saya ingin menyampaikan ucapan setinggi-tinggi penghargaan kepada pihak Pengurusan dan kakitangan atas sumbangan cemerlang, kemahiran, dedikasi dan semangat berpasukan yang diberikan sepanjang TK2004/05. Ini telah membolehkan Kumpulan Perbankan Alliance muncul sebagai sebuah syarikat perkhidmatan kewangan yang penting dalam industri sambil mempamerkan kecekapan korporat, ciri-ciri dinamik dan inovasi yang tinggi. Komitmen tidak berbelah bahagi, sumbangan tenaga dan kecenderungan pihak Pengurusan dan kakitangan menjadi tunjang bagi memastikan Kumpulan terus mencapai kejayaan dan saya sangat mengharapkan dedikasi dan kegigihan yang berterusan daripada mereka pada tahun-tahun yang akan datang.

LUTFIAH BINTI ISMAIL

Pengerusi



NG SIEK CHUAN
Chief Executive Director
Ketua Pengarah Eksekutif

**TO OUR STAKEHOLDERS,
FY2004/05 WITNESSED CONTINUING GROWTH IN ALL OF THE BANK'S CORE BUSINESS ACTIVITIES,
REFLECTING THE EFFICACY OF OUR BUSINESS INITIATIVE STRATEGY. OUR FOCUS IN THE LAST TWELVE
MONTHS HAS BEEN AND WILL CONTINUE TO BE THE TANDEM GROWTH OF OUR CONSUMER BANKING
ARM ON ONE HAND, AND CORPORATE AND COMMERCIAL BUSINESS ON THE OTHER, WITH A STRONG
EMPHASIS ON REAL ESTATE FINANCING.**

*KEPADA PARA PEMEGANG KEPENTINGAN KAMI SEKALIAN,
TK2004/05 MENYAKSIKAN PERTUMBUHAN BERTERUSAN DALAM SEMUA AKTIVITI PERNIAGAAN TERAS BANK,
MENGGAMBARAKAN KEBERKESANAN STRATEGI INISIATIF PERNIAGAAN KAMI. FOKUS KAMI DALAM TEMPOH DUA
BELAS BULAN LEPAS TERTUMPU DAN AKAN TERUS SELARAS DENGAN PERTUMBUHAN BAHAGIAN PERBANKAN
KONSUMER KAMI DAN JUGA PERNIAGAAN KORPORAT DAN KOMERSIAL KAMI, DENGAN MEMBERI PENEKANAN
UTAMA TERHADAP PEMBIAYAAN HARTA TANAH.*

BUSINESS INITIATIVE STRATEGY

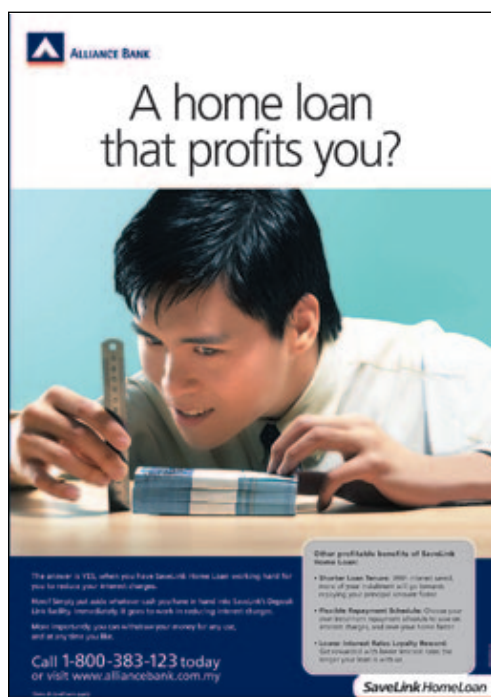
Whilst continuing to provide a full spectrum of innovative financial products and services at competitive rates to individuals, families, businesses, entrepreneurs and investors, the Bank's business initiative strategy has targeted four primary sectors for aggressive development. This portfolio of housing, infrastructure, plantations and services is at the core of a broad based, long-term growth strategy that will further define and differentiate Alliance Bank in the marketplace as the specialist in these sectors. It has already proven instrumental in helping the Bank create and enhance shareholder value, and will continue to underpin our efforts to make Alliance Bank the financial services provider of choice in Malaysia.

CONSUMER BANKING

Consumer Banking activities constituted 39% of the Bank's total interest income for FY2004/05, an increase of 7% over the previous financial year. This included interest on all consumer loans (except for hire purchase), share margin financing, credit cards and wealth management instruments, which together constitute Consumer Banking's core product areas, of which home loans still comprise the largest portion.

HOUSING LOANS

The home loan sector reported a net growth of 6.5% for the year under review, during which time a total of RM968 million in home mortgage loans was processed, compared with RM908.9 million in the previous year. As at 31 March 2005, our GNPL for residential properties stood at 7.4%, which is below industry's average of 8.5%.



STRATEGI INISIATIF PERNIAGAAN

Di samping menyediakan spektrum penuh produk dan perkhidmatan kewangan yang inovatif pada kadar yang berdaya saing untuk individu, keluarga, perniagaan, usahawan dan pelabur, strategi inisiatif perniagaan Bank menetapkan sasaran kepada empat sektor utama untuk dibangunkan secara agresif. Portfolio tersebut adalah perumahan, infrastruktur, perladangan dan perkhidmatan yang merupakan teras untuk strategi pertumbuhan meluas dan jangka panjang yang akan mentakrif dan membezakan Alliance Bank di pasaran sebagai pakar dalam sektor-sektor ini. Ia telah terbukti penting dalam membantu Bank mencipta dan mempertingkatkan nilai pemegang saham, dan akan terus menjadi tumpuan dalam usaha untuk menjadikan Alliance Bank sebagai penyedia perkhidmatan kewangan pilihan di Malaysia.

PERBANKAN KONSUMER

Aktiviti Perbankan Konsumer mewakili 39% daripada jumlah pendapatan faedah Bank bagi TK2004/05, peningkatan sebanyak 7% berbanding tahun kewangan sebelumnya. Ini meliputi faedah ke atas semua pinjaman pengguna (kecuali bagi sewa beli) pembiayaan margin saham, kad kredit dan instrumen pengurusan kekayaan, yang kesemuanya membentuk bidang produk teras Perbankan Konsumer, yang mana pinjaman perumahan masih merupakan bahagian terbesar.

PINJAMAN PERUMAHAN

Bagi tahun yang ditinjau, sektor pinjaman perumahan mencatatkan pertumbuhan bersih sebanyak 6.5% di mana pada tempoh tersebut, RM968 juta pinjaman pajak gadaai perumahan telah diproses, berbanding dengan RM908.9 juta pada tahun sebelumnya. Pada 31 Mac 2005, GNPL bagi hartanah kediaman kami berada pada tahap 7.4%, iaitu lebih rendah daripada purata industri pada 8.5%.

Pertumbuhan pinjaman perumahan pada TK2004/05 telah didorong oleh beberapa faktor, termasuk kadar pembiayaan yang menarik dan pelbagai pakej pinjaman kompetitif yang disesuaikan dengan keperluan individu. Pada bulan Julai 2004, kami telah melancarkan SaveLink Home Loan. Ia merupakan satu pelan pembiayaan perumahan yang unik yang menyediakan penjimatan ke atas pembayaran faedah justeru memendekkan tempoh pinjaman. Dengan ciri-ciri deposit link, para pelanggan boleh mendeposit dana mereka ke dalam akaun dan memendekkan beberapa tahun daripada tempoh pinjaman perumahan. Justeru mereka dapat menjimatkan pembayaran faedah. Ciri-ciri berasaskan deposit yang digabungkan dengan SaveLink menyediakan pengiraan faedah secara harian, dengan dana yang dideposit ke dalam akaun mereka mengurangkan pinjaman yang belum dibayar, yang seterusnya mengurangkan bayaran faedah bagi pelanggan. Dengan keselesaan dan fleksibiliti pembayaran semula, dan deposit berlebihan boleh dikeluarkan tanpa sebarang caj telah menjadikan SaveLink amat terkenal di kalangan pembeli rumah. Sejak produk ini dilancarkan pada bulan Julai tahun lepas sehingga bulan Mac 2005, 80% daripada permohonan pinjaman perumahan telah diluluskan di bawah SaveLink.

Home loan growth in FY2004/05 was attributable to several factors, including attractive financing rates and a range of competitive loan packages tailored to individual needs. In July 2004 our new SaveLink Home Loan was launched, a unique home financing plan which saves on interest payments and shortens loan tenure. With its deposit link feature, customers can deposit their funds into their account and trim years off their housing loan tenure, thereby saving on interest payments. SaveLink's deposit link feature provides daily interest calculation, with funds deposited into the account reducing the outstanding loan, thus saving interest for the customer. This together with convenience and flexibility in repayment, and in allowing withdrawal of excess deposit without charge, has made SaveLink extremely popular with homebuyers. Since its launch in July of last year until March of 2005, 80% of the Bank's home loan applications were approved under SaveLink.

The Bank launched the i-Wish Home Financing-i in February 2005. This innovative hybrid in Islamic financing is one of the most competitive Islamic home loan packages available in the market to date. It offers buyers a floating rate with a capping feature that protects them from the risk of base lending rate upsurges. With it, our Islamic home financing line now affords customers a wider choice of loan financing options.

In partnership with Takaful Ikhlas Sdn Bhd, Alliance Bank launched a Mortgage Reducing Term Takaful (MRTT) in April 2005, complementing its conventional MRTA, for both Islamic and conventional home loan clients.

Through this strategic alliance, the Bank hopes to tap into Takaful Ikhlas' customer base and cross-sell its products and services. MRTT and i-Wish Home Financing-i have also been designed to appeal to non-Muslim Malaysians, as part of our efforts to broaden our Islamic Banking customer base.

Boosting our competitive edge even further, customers are able to take advantage of a number of value-added services and incentives. For example, eligible home loan customers continue to enjoy free Alliance Bank credit cards for the entire loan tenure, as well as other perks such as waiver of processing fees and free House Owner insurance for the first year. Home loan borrowers with an approved limit of RM500,000 or more are eligible for Privilege Banking membership.

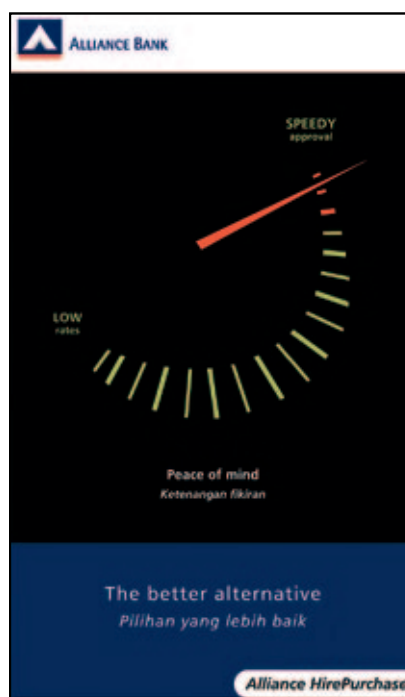
We initiated numerous co-branding exercises and promotions in concert with reputable developers on selected projects, participating in exclusive previews and other on-site events, plus roadshows and exhibitions, and offering special end-financing packages to attendees. During the year in review, we arranged for Alliance Bank credit cardmembers and Privilege Banking customers to be invited to selected project launches and other marketing events by our developer-clients.

Going forward into FY2005/06, we have planned a number of new incentives to ensure we remain competitive in the home loan segment. These include a 0% per annum interest rate plan for the first year for properties currently under construction, and a 1% per annum interest loan for the first year for completed properties from a select list of approved projects and developers.

HIRE PURCHASE

Hire purchase (HP) loans achieved an impressive net growth of 9.5% over the previous year. The legal merger of Alliance Finance and the Bank which was completed on 1 August 2004 has resulted in the integration of hire purchase as one of the Bank's core loan products. As a result, the customer base for hire purchase has been significantly enlarged, and has facilitated cross-selling loans for new and used cars, commercial vehicles and production machinery. New lending guidelines and marketing strategies to tap this new segment have been formulated and will be launched in FY2005/06. "Aitab", an Islamic hire purchase scheme, contributed 80% of total HP loan sales between August 2004 and March 2005.

In conformance with the division's objective of transforming the six HP Business Hub Centres into truly one-stop facilities, operations were revamped to create greater efficiency, and faster processing and approval time for HP applications. For the coming financial year, new vehicle financing schemes, new dealers and distributors will be developed and joint promotions and campaigns with dealers and distributors will be launched. A referral scheme for staff and third parties (strategic partners) as well as an interest subsidy scheme with selected vehicle distributors will be introduced in order to widen the sales channel.



Bank telah melancarkan *i-Wish Home Financing-i* pada bulan Februari 2005. Pinjaman perumahan secara Islam yang inovatif ini menampilkan pakej pinjaman perumahan Islam paling kompetitif di pasaran kini. Ia menawarkan pembeli kadar terapung dengan ciri-ciri di mana kadar maksimum dihadkan untuk melindungi para pembeli daripada risiko lonjakan kadar pinjaman asas. Dengan kemudahan ini, pinjaman perumahan secara Islam kami memberi pilihan pembiayaan pinjaman yang lebih luas kepada para pembeli.

Pada bulan April 2005, Alliance Bank dengan kerjasama Takaful Ikhlas Sdn Bhd telah melancarkan Takaful Pengurangan Tempoh Gadaian (MRTT) yang melengkapkan tawaran MRTA konvensional bagi pelanggan pinjaman perumahan secara Islam dan konvensional.

Melalui permuafakatan strategik, Bank berharap akan dapat menembusi asas pelanggan Takaful Ikhlas dan melaksanakan penjualan bersilang produk dan perkhidmatannya. MRTT dan *i-Wish Home Financing-i* juga telah dibentuk supaya sesuai dengan rakyat Malaysia yang bukan beragama Islam, sebagai sebahagian daripada usaha kami untuk memperluaskan asas pelanggan perbankan Islam kami.

Untuk mempertingkatkan lagi kelebihan daya saingan kami, para pelanggan akan menikmati manfaat dari beberapa perkhidmatan dan insentif tambah nilai. Contohnya, pelanggan pinjaman perumahan yang layak terus menikmati kad kredit Alliance Bank percuma sepanjang tempoh pinjaman, serta pelbagai ganjaran lain seperti pelepasan yuran pemprosesan dan insurans Pemilik Rumah percuma bagi tahun pertama. Pelanggan pinjaman perumahan dengan jumlah pinjaman yang diluluskan sebanyak RM500,000 atau lebih layak untuk mendapat keahlian *Privilege Banking*.

Kami telah mengusahakan beberapa langkah penjenamaan dan promosi bersama dengan pemaaju terkemuka bagi projek-projek terpilih, menyertai prebui eksklusif dan acara-acara di tapak yang lain, menyertai pertunjukan bergerak dan pameran, dan menawarkan pakej pembiayaan istimewa kepada para hadirin. Pada tahun yang ditinjau, kami telah mengundang pemegang kad kredit Alliance Bank dan pelanggan *Privilege Banking* untuk menghadiri pelancaran projek-projek terpilih serta pelbagai acara pemasaran lain oleh pemaaju yang menjadi pelanggan kami.

Melangkah masuk ke TK2005/06, kami telah merancang beberapa insentif baru bagi memastikan kami terus berdaya saing dalam segmen pinjaman perumahan. Ini meliputi rancangan menyediakan 0% kadar faedah setahun bagi tahun pertama kepada hartanah dalam pembinaan, dan 1% kadar faedah setahun bagi tahun pertama untuk hartanah siap dibina daripada senarai projek dan pemaaju yang terpilih.

SEWA BELI

Pinjaman sewa beli (HP) mencatat pertumbuhan bersih yang memberangsangkan sebanyak 9.5% berbanding tahun sebelumnya. Penggabungan sah operasi Alliance Finance dan Bank yang diselesaikan pada 1 Ogos 2004 telah menghasilkan penyatuan operasi sewa beli sebagai salah satu daripada produk pinjaman

utama Bank. Hasilnya, asas pelanggan bagi sewa beli telah meningkat dengan ketara, dan menyediakan platform untuk jualan bersilang pinjaman bagi kereta baru dan terpakai, kenderaan perdagangan dan jentera pengeluaran. Garis panduan dan strategi pemasaran baru untuk memanfaatkan segmen baru ini telah digubal dan akan dilancarkan pada TK2005/06. Antara bulan Ogos 2004 hingga Mac 2005, skim sewa beli secara Islam "Aitab", telah menyumbang 80% daripada jumlah jualan pinjaman HP.

Selaras dengan objektif bahagian ini untuk menukar enam Pusat Perniagaan HP kepada kemudahan "one-stop", operasi telah disusun semula untuk mewujudkan tahap kecekapan yang lebih tinggi, dan masa memproses dan meluluskan permohonan HP yang lebih pantas. Bagi tahun kewangan akan datang, skim pembiayaan baru, wakil penjual dan pengedar baru serta promosi dan kempen bersama dengan wakil penjual dan pengedar baru akan dilancarkan. Skim rujukan bagi kakitangan dan pihak ketiga (rakan kongsi strategik) serta skim subsidi faedah dengan pengedar kenderaan terpilih akan diperkenalkan bagi meluaskan lagi saluran jualan.

KAD KREDIT

Pengeluaran kad kredit baru terus berkembang pada TK2004/05, iaitu meningkat 32% daripada tahun lepas, sementara perbelanjaan belum terima kad meningkat 30% dan perbelanjaan dari tahun ke tahun meningkat sebanyak 37%. Jumlah perniagaan saudagar juga meningkat sebanyak 7.8%. Jumlah NPL untuk kad kredit adalah sebanyak 2.8% pada Mac 2005, jauh lebih rendah daripada purata industri sebanyak 3.6%.

Pada bulan Februari 2005, CNI tampil sebagai rakan penjenamaan bersama selepas menandatangani satu perjanjian persefahaman. Sejak itu, pameran bergerak telah diadakan oleh pasukan kad kredit kami bersama dengan CNI dalam satu kempen pembelian agresif untuk memajukan jenama bersama kad Alliance Bank-CNI Visa.



CREDIT CARDS

Issuance of new credit cards continued to grow in FY2004/05, rising 32% from the previous year, while growth in card receivables was up 30%, and year-on-year spending by 37%. Merchant business volume also grew by 7.8%. Total NPL for credit cards stood at 2.8% as of March 2005, well below the industry average of 3.6%.

CNI came on board as a new co-brand partner in February 2005 with an MOU signing. Since then, road shows were conducted by our credit card team jointly with CNI on an aggressive acquisition campaign to grow the Alliance Bank-CNI Visa co-brand card.

Co-branding activities and promotions with our strategic partners continued to generate new business and increase consumer awareness. Both the eCosway and IKEA Friends card business grew by healthy margins in the year under review, as more consumers took advantage of the many membership benefits such as six-month interest-free and nine-month interest-free instalment payments, value points, attractive discounts, and more. This financial year we introduced payment cards for eCosway, IKEA Friends, and CNI to increase participation by a larger market segment. These payment cards function much like prepaid cards, while at the same time allowing users to enjoy many of the privileges and benefits of our co-brand credit cardmembers.

Another successful campaign aimed both at attracting new cardmembers and retaining existing members' loyalty was the "Fairytale No More" MasterCard campaign, which was launched in November 2004 and ran through January 2005. The promotion's name drew on the emotive and aspirational aspects of card ownership in desiring to enjoy a higher level of rewards and experiences. In helping make these dreams a reality, the Bank gave away prizes totalling more than RM1 million during the promotion, including monthly grand prizes, weekly prizes, and daily prizes upon signing up.



Other upgrades and enhancements introduced during the year in review included an Instant Loyalty Redemption Programme to further encourage credit card usage, whereby cardmembers could redeem products or services on the spot from participating merchants. In addition, an Exclusive Benefits brochure was produced and mailed out to all cardmembers offering an array of special deals, discounts and promotions.

Further processing improvements included outsourcing of personalisation of chip-based credit cards as of April 2004, cutting turnaround time from application approval to dissemination to within ten working days. We also improved service for chip-based card replacement with the introduction of a desktop personalisation machine providing replacement within 24 hours. During the year, we completed the migration of magnetic stripe cards with EMV-compliant credit cards for enhanced cardholder security. In conjunction with this initiative, all merchant terminals were EMV-enabled and the Bank also embarked on implementing line encryption capabilities to enhance security of transactions of our merchants and cardmembers.

Looking ahead, we will continue to proactively review system features, functions and capabilities to ensure we are optimally positioned to support ongoing and planned initiatives and business opportunities. To keep staff abreast of the latest product and IT developments, internal and external courses will be conducted. These will have the added benefit of providing a foundation for staff to take on further responsibilities in an increasingly competitive business environment. Finally, we will maintain our focus on adopting an ever-more customer-centric platform in working to expand and enhance the overall customer experience, hence reinforcing a positive brand association with the Bank.

DEPOSITS

Growth in conventional deposits bankwide slowed down from last year's 17% growth, but still recorded a respectable 7.3% gain, with totals from all conventional deposit accounts (inclusive current accounts, savings accounts and fixed deposit accounts) at RM14.437 billion in the year under review as compared with RM13.458 billion the prior year. Growth this year was partly spurred by success of the Demand Deposit Campaign in promoting new Current Account sign-ups and increasing the balance of existing depositors.

Aktiviti penjenamaan dan promosi bersama dengan rakan kongsi strategik kami terus menjana perniagaan baru dan mempertingkatkan kesedaran pelanggan. Perniagaan kad eCosway dan IKEA Friends meningkat dengan margin yang baik pada tahun yang ditinjau, kerana lebih ramai pelanggan mengambil kesempatan ke atas manfaat keahlian seperti skim pembayaran tanpa faedah selama enam bulan dan sembilan bulan, nilai mata menarik, diskaun menarik, dan pelbagai lagi. Pada tahun kewangan ini, kami telah memperkenalkan kad bayaran eCosway, IKEA Friends dan CNI untuk mempertingkatkan penyertaan di dalam segmen pasaran yang lebih luas. Kad bayaran ini berfungsi seperti kad prabayar, dan pada masa yang sama membolehkan para pengguna menikmati pelbagai keistimewaan dan manfaat yang dinikmati oleh pemegang kad kredit jenama bersama kami.

Satu lagi kempen berjaya yang disasar untuk menarik ahli kad baru sambil mengekalkan kesetiaan ahli yang sedia ada adalah kempen MasterCard "Fairytale No More", yang dilancarkan pada bulan November 2004 sehingga Januari 2005. Nama promosi tersebut dicipta berasaskan aspek emosi dan aspirasi pemilik kad untuk menikmati tahap ganjaran dan pengalaman yang baik. Bagi membantu merealisasikan impian tersebut, Bank menyediakan pelbagai hadiah, yang berjumlah lebih daripada RM1 juta sepanjang promosi ini berlangsung termasuk hadiah utama bulanan, hadiah mingguan dan hadiah harian sebaik sahaja menjadi ahli. Langkah menaik taraf dan peningkatan lain yang diperkenalkan pada tahun yang ditinjau ini termasuk Program Penebusan serta-merta Mata Loyalti untuk menggalakkan lagi penggunaan kad kredit, di mana para pemegang kad boleh menebus produk atau perkhidmatan dengan segera daripada saudagar yang mengambil bahagian dalam program ini. Di samping itu, risalah Manfaat Eksklusif yang menawarkan pelbagai bentuk tawaran, diskaun dan promosi istimewa telah dikeluarkan dan dihantar kepada semua pemegang kad.

Tempoh pemprosesan dipercepatkan dan ini termasuk menghantar kepada pihak luar kad kredit berasaskan cip pada bulan April 2004, justeru memendekkan tempoh permohonan dari kelulusan kepada penghantaran dalam masa sepuluh hari bekerja sahaja. Kami turut mempertingkatkan perkhidmatan bagi penggantian kad berasaskan cip dengan pengenalan mesin berfungsi peribadi yang boleh menggantikan kad dalam tempoh 24 jam. Pada tahun yang ditinjau ini, kami menyelesaikan pemindahan kepada penggunaan kad jalur magnetik dengan kad kredit mematuhi EMV bagi menambah ciri-ciri keselamatan pemegang kad. Sempena dengan inisiatif ini, semua terminal saudagar telah diselaraskan untuk penggunaan EMV dan Bank juga melancarkan pelaksanaan keupayaan jalur enkripsi bagi mempertingkatkan ciri-ciri keselamatan urus niaga peniaga dan pemegang kad kami.

Meninjau masa hadapan, kami akan terus mengkaji ciri-ciri sistem yang kami miliki, fungsi dan keupayaannya bagi memastikan kami berada pada kedudukan terbaik untuk menyokong inisiatif dan peluang perniagaan yang sedang berlangsung dan yang dirancang. Bagi memastikan kakitangan mengikuti perkembangan produk dan IT yang terkini, kursus dalaman dan luaran akan diadakan untuk mereka. Ini akan memberi manfaat tambahan dengan menyediakan asas kepada kakitangan untuk memikul tanggungjawab yang selanjutnya dalam persekitaran perniagaan yang semakin kompetitif. Akhir sekali, kami akan mengekalkan fokus kami terhadap usaha menerima pakai platform berasaskan pelanggan untuk mengembang dan mempertingkatkan pengalaman keseluruhan para pelanggan, dan seterusnya mempertingkatkan ciri-ciri positif yang dikaitkan dengan Bank.

DEPOSIT

Jumlah deposit konvensional di seluruh Bank menurun daripada pertumbuhan 17% yang dicapai pada tahun lepas, tetapi masih mencatat keuntungan yang membanggakan iaitu 7.3% pada tahun yang ditinjau ini, dengan akaun daripada semua deposit konvensional (termasuk akaun semasa, akaun simpanan dan akaun simpanan tetap) berjumlah RM14.437 bilion berbanding dengan RM13.458 bilion pada tahun lepas. Pertumbuhan pada tahun ini dirangsang sebahagiannya oleh kejayaan Kempen Deposit Permintaan di peringkat cawangan dalam usaha mempromosikan Akaun Semasa baru dan mempertingkatkan keseimbangan pendeposit yang sedia ada.

PENGURUSAN KEKAYAAN

Pengurusan kekayaan merupakan salah satu komponen penting dan sedang berkembang maju dalam aktiviti perniagaan Bank. Kami percaya ia berupaya menyediakan peluang yang besar untuk pertumbuhan selanjutnya khususnya dalam bidang penjualan bersilang dan membina tahap baru sinergi antara produk dan perkhidmatan. Portfolio pengurusan kekayaan kami meliputi tiga kategori utama produk penajaan kekayaan iaitu dana unit amanah, bancassurance, dan dana berkait pelaburan, yang menampilkan campuran pilihan dan tahap boleh menerima risiko. Semua produk pengurusan kekayaan dipilih dengan berhati-hati dan wajar bagi menawarkan hanya dana pelaburan berkualiti tinggi dengan potensi prestasi yang teguh.

Jualan dana unit amanah meningkat sebanyak 53% daripada TK2003/04. Kami berasa sukacita kerana berjaya melancarkan empat dana unit amanah baru: Dana Adib Alliance yang diperkenalkan pada April 2004, KL City SmallCap Fund, yang diperkenalkan pada bulan Jun 2004, Alliance Optimal Income dan Alliance Tactical Growth, yang kedua-duanya dilancarkan pada bulan September 2004. Bank melancarkan dua produk bancassurance baru iaitu MaxiCare (Julai 2004) dan Dana Pendapatan Ekuiti (Februari 2005).

WEALTH MANAGEMENT

Wealth management is an important and growing component of the Bank's aggregate business activities, and we believe it affords significant opportunities for further growth, particularly in the areas of cross-selling and in building new levels of synergy between products and services. Our wealth management portfolio covers three broad categories of wealth generation products, namely unit trust funds, bancassurance, and investment-linked funds, featuring a mix of options and levels of risk tolerance. All of our wealth management products are chosen with great care and diligence in order to offer only high-quality investment funds with solid performance potential.

Sales of unit trust funds improved by 53% from FY2003/04. We were pleased to be able to launch four new unit trust funds: Alliance Dana Adib, introduced in April 2004, KL City SmallCap Fund, introduced in June 2004, Alliance Optimal Income and Alliance Tactical Growth, both launched in September 2004. The Bank launched two new bancassurance products, MaxiCare (July 2004) and Equity Income Fund (February 2005).



ALLIANCE PRIVILEGE BANKING

Alliance Privilege Banking membership in the year under review grew 52%. Membership is by invitation only and must meet certain criteria, which include maintaining deposits or a combination of deposits, unit trusts and investment-linked funds of at least RM200,000, or maintaining a housing loan facility of minimum RM500,000. Members are entitled to highly personalised banking services and are also offered regular wealth management seminars conducted by Bank specialists on various investment tools and strategies, as well as current market trends. These services are provided at eight Alliance Privilege Banking Centres nationwide. The latest Privilege Banking Centre was opened in Klang in April 2004.

A key challenge for wealth management in FY2005/06 will be how to better utilise the Privilege Banking membership as a base for developing new clients for wealth management services. This would logically also entail devising new strategies for enlarging Privilege Banking membership. Looking forward, the Bank also envisages establishment of a dedicated wealth management consultancy set-up.

HIGH PERFORMANCE SALES FORCE

To realise a higher sales performance vision, the Bank launched the High Performance Sales Force (HPSF) project in January 2005 among ten pilot branches in the Central Region. With the key HPSF components in place, our Consumer Banking sales organisation structure has been redefined, streamlined and further augmented with the purified sales-centric roles. Secondly the sales force is empowered with enhanced sales processes and tools. In addition a Credit Processing Hub has been established to aid in the purification of the sales roles. The leaders and sales teams have also been equipped and charged with conducting the essential training programmes. A Sales Management Office has also been founded to manage, track, support and encourage heightened sales force performance. We have achieved increasing sales output from the pilot branches since January 2005 with this new sales framework.

Concurrently, we will work aggressively to expand our sales and distribution channels through outsourcing of the sales function as well as introducing third-party referral schemes. Meanwhile, participation in promotions and campaigns with our property development partners will accelerate.

Consumer Banking, and particularly home loans, will continue to be a core business and strong growth engine. In the coming year, we will work to further improve sales through product enhancement and innovation. Additionally, two challenges will demand particular attention: how to further strengthen and expand our consumer sales structure, and the creation of a loyalty programme to retain and reward our customers.

ENRICHING THE BANKING EXPERIENCE

The Bank prides itself in continuously working to enhance the customer banking experience. As competition intensifies and the many products and services offered in the market are often at or near parity, the avenues available to attract new customers and retain existing ones become more challenging. We realise therefore the value, indeed the necessity, of creating a more customer-friendly and consumer-centric environment. This requires a holistic and hands-on approach, one that not only incorporates all aspects of the customer experience – from point-of-sales to self-service machines to e-banking and other IT-related innovations – but transcends them by instilling a work ethic amongst all staff that emphasises a customer-centric culture.

PERBANKAN ALLIANCE PRIVILEGE

Keahlian Perbankan Alliance Privilege pada tahun yang ditinjau ini meningkat 52%. Keahlian hanya melalui undangan dan perlu memenuhi kriteria tertentu, yang meliputi pengkalan deposit atau kombinasi deposit, unit amanah dan dana berkait pelaburan tidak kurang daripada RM200,000, atau mempunyai kemudahan pinjaman perumahan minimum RM500,000. Ahli-ahli layak untuk menerima perkhidmatan perbankan yang berbentuk peribadi dan juga ditawarkan menghadiri seminar pengurusan kekayaan yang dianjurkan oleh pakar-pakar dari Bank mengenai pelbagai kaedah dan strategi pelaburan, serta arah aliran pasaran semasa. Perkhidmatan ini disediakan di lapan Pusat Perbankan Alliance Privilege di seluruh negara. Pusat Perbankan Privilege terbaru telah dibuka di Klang pada bulan April 2004.

Cabaran utama pengurusan kekayaan pada TK2005/06 adalah untuk mengenalpasti cara menggunakan keahlian Perbankan Privilege dengan lebih berkesan sebagai asas bagi menambah para pelanggan baru untuk memberi perkhidmatan pengurusan kekayaan. Ini secara logiknya juga akan merangkumi pelbagai strategi baru dalam usaha mempertingkatkan keahlian Perbankan Privilege. Pada masa hadapan, Bank juga menjangka pembentukan satu bahagian khusus untuk memberi khidmat rundingan pengurusan kekayaan.

TENAGA JUALAN BERPRESTASI TINGGI

Bagi merealisasikan visi untuk mencapai prestasi jualan yang lebih tinggi, Bank telah melancarkan projek Tenaga Jualan Berprestasi Tinggi (HPSF) pada bulan Januari 2005 di kalangan sepuluh cawangan perintis Kawasan Tengah. Berasaskan kepada komponen HPSF yang tersedia, struktur organisasi jualan Perbankan Konsumer kami telah ditakrif semula, diselaraskan dan diberi dorongan selanjutnya dengan peranan berteraskan jualan sepenuhnya. Kedua, tenaga jualan diberi kuasa untuk menyetujui proses dan alat jualan yang dipertingkatkan. Di samping itu, Hub Pemprosesan Kredit telah ditubuhkan untuk membentuk peranannya supaya lebih berteraskan jualan sepenuhnya. Pemimpin dan pasukan jualan dilengkapi dan diamanahkan untuk menjalankan program latihan penting. Sebuah Pejabat Pengurusan Jualan juga telah diasaskan untuk mengurus, mengesan, menyokong dan menggalakkan supaya tenaga jualan menghasilkan prestasi yang lebih baik. Dengan rangka kerja jualan yang baru ini, kami telah mencapai peningkatan output jualan daripada cawangan perintis ini sejak bulan Januari 2005.

Pada masa yang sama, kami akan berusaha dengan lebih agresif untuk mengembangkan saluran jualan dan pengedaran kami melalui usaha pemberian kepada sumber fungsi jualan dan pengenalan skim rujukan pihak ketiga. Sementara itu, penyertaan aktif dalam promosi dan kempen dengan rakan pemaju hartanah kami juga akan diperhebatkan.

Perbankan Konsumer dan khususnya pinjaman perumahan, akan terus menjadi perniagaan yang teras dan pendorong pertumbuhan utama. Pada tahun hadapan, kami akan berusaha untuk mempertingkatkan jualan melalui peningkatan produk dan inovasi. Selain itu, dua cabaran utama memerlukan perhatian khusus: cara untuk mengukuhkan dan mengembangkan struktur jualan konsumer kami dan mewujudkan program loyalti untuk mengekal dan memberi ganjaran kepada para pelanggan kami.

MEMPERHEBATKAN PENGALAMAN PERBANKAN

Bank berbangga kerana melaksanakan usaha berterusan bagi mempertingkatkan pengalaman perbankannya. Oleh kerana persaingan semakin hebat dan banyak produk dan perkhidmatan yang ditawarkan di pasaran adalah serupa atau hampir sama; peluang untuk menarik para pelanggan baru dan mengekalkan yang sedia ada mungkin lebih mencabar atau sebaliknya. Kami menyedari bahawa nilai dan keperluan untuk mewujudkan persekitaran yang lebih mesra dan mengutamakan pelanggan adalah amat penting. Ini memerlukan pendekatan menyeluruh dan langsung yang bukan sahaja menggabungkan semua aspek pengalaman pelanggan – daripada tempat jualan hinggalah kepada mesin perkhidmatan kepada e-perbankan dan inovasi berkaitan IT yang lain – malah menerapkannya dengan menyuburkan etika kerja terpuji di kalangan kakitangan yang memberi perhatian utama terhadap budaya mengutamakan pelanggan.

Untuk mencapai matlamat tersebut, pada tahun lepas kami meneruskan usaha untuk memperkayakan pengalaman dan memperbaiki tahap perkhidmatan dan penghantaran kami. Rangkaian cawangan Bank juga telah diperkukuhkan lagi melalui penggabungan operasi Alliance Finance dengan Bank, yang menyediakan penyatuan perkhidmatan yang memberi lebih keselesaan kepada para pelanggan sambil menyelaraskan fungsi jualan dan pentadbiran. Pinjaman sewa beli kini disediakan di semua cawangan, dan bayaran ansuran boleh dibuat di semua cawangan melalui Mesin Deposit Tunai (CDM) dan Perkhidmatan Cek Segera (CES). Untuk memperbaiki akses dan keselesaan pelanggan di Bandaraya Kuala Lumpur, sebuah cawangan telah dipindahkan dari UBN Tower ke Menara Prudential di Jalan Sultan Ismail pada bulan Mei 2004. Untuk mewujudkan persekitaran perbankan yang lebih menyenangkan, tujuh cawangan telah diubahsuai antara bulan April 2004 dan Mac 2005: cawangan Holiday Plaza, Permas Jaya, Johor Jaya, Sg Nibong, Kuchai Ent. Park, Puchong Jaya dan Kajang. Dalam tempoh yang sama, empat cawangan – Kahang, Inanam, Kota Belud dan Tamparuli – telah digabungkan dengan cawangan lain untuk menambah daya saingan perniagaan. Bagi keselesaan orang ramai di kawasan terlibat, ATM kekal beroperasi di Kota Belud dan Tamparuli. Dalam melangkah maju ke hadapan, rancangan pengembangan masa depan Bank akan menyaksikan pembukaan beberapa buah cawangan baru dan kiosk jualan & perkhidmatan di pusat pasaran utama pada tahun 2005.

To that end, within the past year we have continued our drive to enrich the customer experience and improve enabling and delivery of services. The Bank's branch network was further strengthened by the merger of Alliance Finance operations with the Bank, providing more convenient service consolidation for customers whilst streamlining sales and administrative functions. Hire purchase loans are now available in all branches, and instalment payments can be made through all branches via Cash Deposit Machine (CDM) and Cheque Express Service (CES). To improve customer access and convenience in downtown KL, one branch was relocated from UBN Tower to Menara Prudential along Jalan Sultan Ismail in May 2004. To create a more pleasant banking environment, seven branches were renovated between April 2004 and March 2005: Holiday Plaza, Permas Jaya, Johor Jaya, Sg Nibong, Kuchai Ent. Park, Puchong Jaya and Kajang. Within the same period, four branches – Kahang, Inanam, Kota Belud and Tamparuli – were consolidated with other branches to enhance business competitiveness. For the convenience of communities affected, ATMs remained operational at Kota Belud and Tamparuli. Moving forward, the Bank's ongoing expansion plan calls for the opening of new branches and sales & service kiosks in major market centres in 2005.

CDM and CES, both of which were introduced in FY2003/04, have been expanded this financial year to a total of 49 CDMs and 48 CESs. In addition, our network now comprises 138 ATM machines. Use of self-service machines overall rose markedly in the year under review, and we will continue to encourage our customers to use these machines for their convenience.

The "Greet – Eye Contact – Thank You (GET) Friendly" Programme which the Bank launched in December 2003 has achieved positive and tangible results. This training initiative was aimed at improving the interpersonal skills of all employees who interfaced directly with customers. Furthermore, the project was designed in such a manner that results could be quantified and training methods assessed. The programme commenced at all branches from December 2003 and continued until September 2004. The GET Friendly Programme has been effective and successful as evidenced in the reduction of complaints relating to customer service, which were down by an impressive 77%, from 56 complaints received in FY2003/04 to just 13 in FY2004/05. Complaints turnaround time has also substantially improved. BNM Benchmarking reports indicate the Bank has bettered its standing in the last four Quarters (January to December 2004) by 100% for both acknowledgements within 2 days and complaints resolution within 14 days.

Other customer service initiatives include the Telephone Touchpoint Standards, inaugurated in FY2003/04 and fully in place as of June 2004. Tracking of the Telephone Touchpoint Standards was done via a Mystery Telephone Shopper on a monthly basis (June to December 2004) and the results were used to initiate service improvement.

CORPORATE BANKING

Corporate Banking loans grew by 6.5% in the financial year under review, with a strong showing by the Islamic financing sector. Corporate loans accounted for 32% of the bank's total loan revenues, up slightly from the 30.8% reported last year.

Corporate Banking is a primary business generator for the Bank's business initiative strategy, targeting preferred lending sectors in residential and commercial property development, infrastructure projects, plantation land and services, particularly education and healthcare. In the agricultural sector, we will continue to focus on the oil palm industry, especially in the financing of new planting. We have also begun expanding into other sectors such as transportation, manufacturing, trade, and telecommunications, in helping businesses meet their working capital requirements such as for new land, plant and equipment acquisition.

Construction sector financing contracted, mirroring a general slowdown in the construction sector for both public and private sectors in FY2004/05. However, we did add several prestigious residential projects to our business portfolio around the country, particularly in the Klang Valley. Our focus will continue to be on co-operating with reputable developers on viable projects in prime locations, and contractors for local and overseas construction projects, devising competitive bridging loans and end-financing packages.

The year in review has also seen an upturn in non-interest income business for the Bank. The major contributors included trade finance, bank guarantee fees and processing fees. We intend to aggressively grow our non-interest income segment by 18% in the new financial year.

CDM dan CDS yang telah diperkenalkan pada TK2003/04 telah dipertingkatkan pada tahun kewangan ini menjadikan CDM berjumlah 49 dan CES, 48. Di samping itu, rangkaian kami kini terdiri daripada 138 buah mesin ATM. Penggunaan mesin layan diri secara keseluruhan meningkat dengan ketara pada tahun ditinjau ini dan kami akan terus menggalakkan para pelanggan kami menggunakan mesin-mesin ini untuk kemudahan mereka.

Program "Greet – Eye Contact – Thank You (GET) Friendly" yang telah dilancarkan oleh Bank pada bulan Disember 2003 telah mencapai keputusan positif dan ketara. Inisiatif latihan ini bermatlamat untuk mempertingkatkan kemahiran komunikasi semua kakitangan yang berhubung secara langsung dengan para pelanggan. Selain itu, projek ini dicipta dengan membolehkan keputusan dikenalpasti dan kaedah latihan ditaksir. Program ini bermula di semua cawangan dari bulan Disember 2003 dan berterusan sehingga September 2004. Program GET Friendly amat berkesan dan mencapai kejayaan seperti yang terbukti dalam penurunan jumlah aduan berkaitan perkhidmatan pelanggan, yang berkurangan dengan ketara sebanyak 77%, iaitu daripada 56 aduan yang diterima pada TK2003/04 kepada hanya 13 sahaja pada TK2004/05. Masa penyelesaian aduan juga meningkat dengan ketara. Laporan Ukurujuk BNM menunjukkan bahawa Bank telah memperbaiki kedudukannya dalam empat suku terakhir (Januari hingga Disember 2004) sebanyak 100% bagi memberi pengenalpastian dalam masa 2 hari dan penyelesaian aduan dalam masa 14 hari.

Inisiatif perkhidmatan pelanggan yang lain termasuk Piawaian Kaedah Perbualan Telefon, yang diperkenalkan pada TK2003/04 dan dilaksanakan sepenuhnya pada Jun 2004. Pengesanan Piawaian Kaedah Perbualan Telefon dilakukan setiap bulan oleh Pelanggan Misteri Melalui Telefon (Jun hingga Disember 2004) dan keputusannya digunakan untuk menginisiatifkan peningkatan tahap perkhidmatan.

PERBANKAN KORPORAT

Pinjaman Perbankan Korporat berkembang pada kadar 6.5% pada tahun kewangan yang ditinjau dengan penampilan kukuh oleh sektor pembiayaan secara Islam. Pinjaman korporat mewakili 32% daripada jumlah pinjaman bank, meningkat sedikit daripada 30.8% yang dilaporkan pada tahun lepas.

Perbankan Korporat yang merupakan penjana perniagaan utama bagi strategi inisiatif perniagaan Bank, dengan menyoar kepada sektor pemberian pinjaman terpilih dalam pembangunan kediaman dan komersial, projek infrastruktur, tanah perladangan dan perkhidmatan, khususnya dalam bidang pendidikan dan penjagaan kesihatan. Dalam sektor perladangan, kami akan terus memberi tumpuan terhadap industri kelapa sawit, khususnya dalam pembiayaan perladangan baru. Kami juga mula memperluaskan aktiviti ke dalam pelbagai sektor lain seperti pengangkutan, perkilangan, perdagangan dan telekomunikasi, bagi membantu perniagaan memenuhi keperluan modal kerja mereka seperti pembelian tanah baru, ladang dan peralatan.

Pembiayaan sektor pembinaan yang dikontrak, menggambarkan penurunan menyeluruh dalam sektor pembinaan bagi sektor awam dan swasta pada TK2004/05. Walau bagaimanapun, kami menambah beberapa projek kediaman berprestij kepada portfolio perniagaan kami di seluruh negara, khususnya di Lembah Klang. Kami akan memberi fokus terhadap usaha menjalin kerjasama dengan pemaju terkemuka untuk projek-projek berdaya maju di lokasi-lokasi bertaraf perdana, dan para kontraktor untuk projek di dalam dan luar negeri, dengan memberikan pinjaman penyambung dan pakej pembiayaan akhir yang kompetitif.

Tahun yang ditinjau ini juga menyaksikan pemulihan dalam perniagaan pendapatan bukan faedah bagi Bank. Penyumbang utama termasuk aktiviti pembiayaan perdagangan, yuran jaminan bank dan yuran pemprosesan. Kami berhasrat untuk memperluaskan dengan agresif segmen pendapatan bukan faedah kami sebanyak 18% pada tahun kewangan yang baru.

PERBANKAN KOMERSIAL

Kumpulan Perbankan Komersial mencatat pertumbuhan pinjaman bersih sebanyak 9.1% pada TK2004/05. Pinjaman yang telah diluluskan dan diterima berjumlah RM1.15 bilion, yang mana 75% daripadanya telah diberi kepada sektor Perusahaan Kecil dan Sederhana (SME). Pada 31 Mac 2005, pinjaman Perbankan Komersial merangkumi 25% daripada jumlah portfolio pinjaman Bank. Pertumbuhan ketara pinjaman telah dicapai di bawah pembiayaan secara Islam yang meningkat sebanyak 100% iaitu daripada RM167 juta pada TK2003/04 kepada RM334 juta pada tahun yang ditinjau.

Sejajar dengan strategi pinjaman Bank yang menjadi pilihan utama dalam sektor perumahan, infrastruktur, perladangan dan perkhidmatan, Kumpulan Perbankan Komersial mempertingkatkan jumlah asas pinjaman sektor-sektor ini kepada 45% daripada portfolio pinjamannya. Bagi mengembangkan perniagaan dalam sektor perumahan, Kumpulan telah memperkenalkan pembiayaan khusus "Bina & Jual" bagi projek pembangunan perumahan terpilih. Pelancaran produk baru ini adalah tepat pada masanya kerana ia mendapat manfaat daripada populariti konsep "Bina & Jual" yang semakin meningkat sejak tahun lepas.

Aktiviti pemberian pinjaman Kumpulan terus memberi fokus terhadap SME. Produk kewangan sedia ada sentiasa dikaji dan dilaraskan untuk memenuhi perubahan permintaan dan keperluan sektor SME. Pada tahun yang ditinjau, Unit Perniagaan SME-Runcit Kumpulan telah melancarkan dua produk kewangan. "SME A-Flex Plus" dan "SME A-Flex Premium" kedua-duanya menawarkan ciri-ciri harga dan pembiayaan fleksibel yang disesuaikan dengan sektor SME. Produk-produk ini merupakan lanjutan daripada SME A-Flex yang sedia ada. Setiap satunya menyediakan pakej pembiayaan lengkap dengan ciri-ciri fleksibel yang memenuhi keperluan pengembangan perniagaan SME seperti pembiayaan pembelian hartanah untuk meningkatkan kapasiti pengeluaran, dan kemudahan perdagangan untuk membiayai keperluan modal kerja tambahan bagi aktiviti perniagaan yang semakin bertambah.

COMMERCIAL BANKING

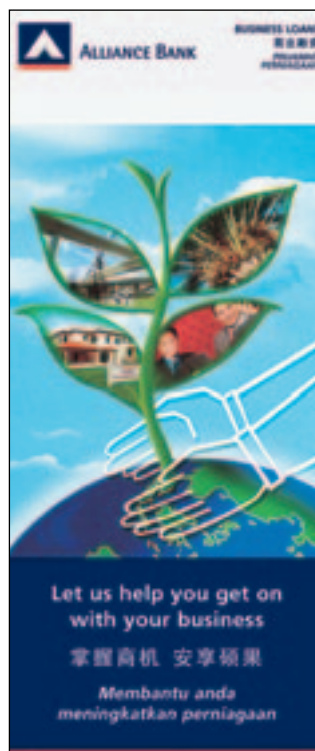
Commercial Banking Group posted a net loan growth of 9.1% during FY2004/05. Total loans approved and accepted amounted to RM1.15 billion, of which 75% was granted to the SME sector. As at 31 March 2005, Commercial Banking loans comprised 25% of the total Bank loan portfolio. Significant loan growth was registered under Islamic financing, which rose from RM167 million in FY2003/04 to RM334 million this year, an increase of 100%.

In line with the Bank's preferred lending strategy in the sectors of housing, infrastructure, plantations and services, the Commercial Banking Group increased the total loan base of these sectors to 45% of its total loan portfolio. To expand business in the housing sector, the Group introduced "Build & Sell" niche financing for select housing development projects. The launch of this new product was timely as it benefited from the increasing popularity of the "Build & Sell" concept over the past year.

The lending activities of the Group remained focused on SMEs. Existing financial products were regularly reviewed and adjusted to meet the changing demands and requirements of the SME sector. During the year, the Group's SME-Retail Business Unit launched two financial products, "SME A-Flex Plus" and "SME A-Flex Premium", both offering competitive pricing and flexible financing features adapted to the SME sector. These products are an extension of the existing SME A-Flex. Each provides a complete financing package with flexibility that caters to SMEs' need for business expansion such as financing for purchase of property to raise production capacity, and trade facilities to finance additional working capital requirements for increased business activities.

In FY2003/04, seven Business Development Centres (BDC) were established in Klang Valley and one in the Southern Region to provide more personalised services to our customers. In FY2004/05, the BDC network had expanded to cover East Malaysia with the opening of our ninth BDC in Kota Kinabalu.

Moving forward to the new financial year 2005/06, Commercial Banking Group will continue to be an active participant in sponsorship of business events in the development of SMEs. The Bank will again be the main sponsor of the Golden Bull Awards to show its support to top SMEs in the country. The Group will also be committed in its marketing efforts to achieve the targeted growth in loan base and fee income as well as growing the Bank's overall earnings through active cross-selling of other departments' products.



TREASURY & CAPITAL MARKETS

The Division's principal activities are in foreign exchange, money market and capital market operations. Treasury recorded another commendable year with contributions from all its principal activities. Overall income rose 65% in the period under review to RM122.2 million. Net interest income from money market and capital operations rose 67% year-on-year to RM99.9 million from proactive management of funding against an enlarged portfolio. Fee income from fixed income securities rose by 63% to RM22.6 million as the Bank capitalised on a drop in long-term bond yields to realise gains on its bond portfolio and also as a result of increased participation in origination activities and disposal of securities. Income from foreign exchange rose 57% year-on-year to RM16.63 million, mainly from increased customer hedging transactions.

During the course of the year, the Bank worked closely with Alliance Merchant Bank on a number of bond mandates with the most notable transaction being the successful issuance of the Kerisma Collateralised Loan Obligation (CLO) of RM1 billion in June 2004.

Going forward, Treasury would continue to place emphasis on client-driven transactions in both traditional products as well as new products, in particular, investment-linked products. In managing the liabilities of the Bank, the main thrust will be on restructuring the deposit profile, aimed at increasing the ratio of low-cost funds such as current accounts and savings accounts over its total deposits. In addition, the capital markets would remain committed to participation in origination activities, particularly in conjunction with Alliance Merchant Bank.

Pada TK2003/04, tujuh Pusat Pembangunan Perniagaan (PPP) telah ditubuhkan di Lembah Klang dan sebuah di Kawasan Selatan untuk menyediakan perkhidmatan yang lebih berbentuk peribadi kepada para pelanggan kami. Pada TK2004/05, rangkaian PPP telah berkembang hingga meliputi Malaysia Timur dengan pembukaan PPP kesembilan kami di Kota Kinabalu.

Melangkah ke tahun kewangan baru 2005/06, Kumpulan Perbankan Komersial akan terus aktif dalam menaja acara-acara perniagaan bagi membangunkan SME. Bank sekali lagi akan menjadi penaja utama Golden Bull Awards untuk membuktikan sokongannya dalam memajukan SME di negara ini. Kumpulan juga akan komited terhadap usaha pemasarannya bagi mencapai pertumbuhan pinjaman dan pendapatan yuran yang disasar serta menambah pendapatan keseluruhan Bank melalui penjualan bersilang produk jabatan lain secara aktif.

PASARAN PERBENDAHARAAN & MODAL

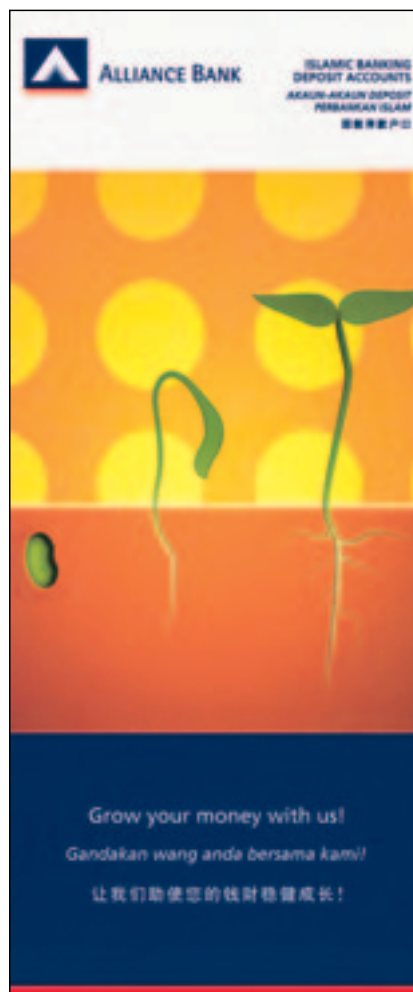
Aktiviti utama Bahagian ini yang meliputi operasi urus niaga tukaran matawang asing, pasaran wang dan pasaran modal telah mencatat peningkatan selanjutnya. Pendapatan keseluruhan meningkat sebanyak 65% dalam tempoh yang ditinjau kepada RM122.2 juta. Pendapatan faedah bersih daripada operasi pasaran wang dan pasaran modal melonjak 67% dari tahun ke tahun kepada RM99.9 juta hasil pengurusan pembiayaan yang proaktif daripada portfolio yang semakin besar. Pendapatan yuran daripada sekuriti pendapatan tetap meningkat sebanyak 63% kepada RM22.6 juta. Ini hasil usaha Bank untuk memanfaatkan kejatuhan hasil bon jangka panjang bagi merealisasi keuntungan daripada portfolio bonnya dan juga hasil daripada penambahan penyertaan dalam aktiviti penerbitan dan penjualan sekuriti. Pendapatan daripada tukaran matawang asing meningkat 57% dari tahun ke tahun kepada RM16.63 juta, terutamanya berikutan penambahan urus niaga lindung nilai para pelanggan.

Sepanjang tahun kewangan yang ditinjau, Bank bekerjasama erat dengan Alliance Merchant Bank mengenai beberapa mandat bon dengan urus niaga paling penting adalah kejayaan penerbitan Obligasi Hutang Bercagar (CLO) Kerisma bernilai RM1 bilion pada Jun 2004.

Melangkah maju ke hadapan, Bahagian Perbendaharaan akan terus memberi tumpuan terhadap urus niaga berteraskan pelanggan dalam produk tradisi serta produk baru, khususnya produk berkait pelaburan. Dalam menguruskan liabiliti Bank, usaha utama adalah berkaitan dengan penyusunan semula profil produk, yang bermatlamat untuk mempertingkatkan nisbah dana kos rendah seperti akaun semasa dan akaun simpanan daripada deposit keseluruhannya. Selain itu, pasaran modal akan terus komited terhadap penyertaan dalam aktiviti penerbitan, terutamanya berhubung dengan Alliance Merchant Bank.

PERBANKAN ISLAM

Tahun yang ditinjau menyaksikan Bank mencapai pengembangan luar biasa dalam aktiviti Perbankan Islam. Keadaan ini memastikan Bank berada pada kedudukan yang kompetitif di pasaran Malaysia berikutan langkah kerajaan untuk menjadikan negara ini pusat perbankan Islam. Pada TK2004/05, jumlah aset Perbankan Islam meningkat sebanyak 26% kepada RM1.55 bilion, sementara pembiayaan pula berjumlah RM1.08 bilion, peningkatan membanggakan iaitu sebanyak 68% berbanding tahun sebelumnya. Keputusan tersebut disumbang terutamanya oleh Pinjaman Berjangka-i yang merupakan 57% daripada jumlah portfolio pembiayaan. Aktiviti utama Perbankan Islam terus berfokus terhadap pembiayaan komersial, yang meliputi kira-kira 75% daripada asas pembiayaan secara Islam. Pembiayaan komersial disasar terutamanya terhadap sektor-sektor yang mana Bank mempunyai kepakaran.



ISLAMIC BANKING

The year in review witnessed exceptional expansion in the Bank's Islamic Banking activities, ensuring a highly competitive position in the Malaysian market as the government intensifies its efforts to make the country a regional Islamic Banking centre. In FY2004/05, Islamic Banking's total assets grew by 26% to RM1.55 billion, whilst total financing stood at RM1.08 billion, recording a commendable growth of 68% as compared with the preceding year, contributed mainly by Term Financing-i, which accounted for 57% of the total financing portfolio. Islamic Banking principal activities continued to be focused on commercial financing, which comprised roughly 75% of the Islamic financing base. Commercial financing is principally targeted towards sectors within the Bank's specialised sectors.

Islamic Banking's contribution in terms of gross income to the overall Bank's total income has increased 81%, which amounted to RM46.2 million as at 31 March 2005 from RM25.5 million the preceding year. In tandem with the increase in income, Islamic Banking's net profitability increased from RM15.8 million to RM19.8 million in the financial year. Similarly, the share of Islamic financing over the Bank's total loan base increased to 7.7% from 5.2%. At the same time, Islamic Banking's customer base expanded by 46% in terms of number of accounts for both financing and deposit products.

With the launching of Hire Purchase-i in August 2004, financing to retail sectors increased considerably, from 4% of the financing base in the previous year, to record a total of 25% as at end of FY2004/05, where total outstanding HP-i stood at RM225 million. The encouraging growth in Islamic Banking business reflects wider acceptance of Islamic Banking as an alternative to conventional banking. With a focus on growing consumer loans, we launched a number of new products, including an innovative house financing package, "i-Wish Home Financing-i" in January 2005, which offered a floating rate with an interest rate cap to provide competitive pricing. This, in addition to the Bank's existing fixed rate home financing, provided more options for our customers to choose from. The Bank has also widened the range of Islamic financing products through introduction of Floating Rate Term Financing-i to our valued corporate and commercial customers, with financing rates comparable to conventional products. In addition, the Bank offers a full range of Trade Financing-i, which is now operated fully on-system as of June 2004, in our continuous effort to provide greater efficiency and enhance customer service.

As part of our effort to create greater public awareness and knowledge on Islamic Banking products and services, we participated in the Islamic Banking and Takaful Expo held in Kuala Lumpur in September 2004, and the roadshow at Shah Alam in February 2005, organised by the Association of Islamic Banking Institutions of Malaysia.



Looking ahead, the Group's future Islamic Banking prospects are promising, and we will work vigorously to take advantage of our present position to expand market share further. We will also be undertaking strategic measures in accordance with Bank Negara Malaysia's target in this sector to form 20% of the Bank's total assets, deposits and financing by 2010. The Bank will also continue to implement various initiatives which include product development and enhancement, training and promotions.

eCHANNELS

In line with the migration towards more efficient and convenient electronic and online banking servicing, our eChannels division continued to demonstrate strong servicing performance in this financial year, recording 160% growth in transaction volume from the previous year, and 20% growth in transaction value. These were the result of wider acceptance by consumers and businesses at large in internet-based banking services, primarily due to improved security features and acceptance of the conveniences offered by this technology. The Bank's MEPS IBG services also posted significant gains, with transaction volume growing by 472%; whilst transaction value increased by 484% over FY2003/04.

Sumbangan Perbankan Islam dari segi pendapatan kasar kepada jumlah pendapatan Bank meningkat sebanyak 81%, bertambah daripada RM25.5 juta pada tahun lepas kepada RM46.2 juta pada 31 Mac 2005. Seajar dengan peningkatan dalam pendapatan tersebut, tahap keuntungan bersih Perbankan Islam meningkat daripada RM15.8 juta kepada RM19.8 juta pada tahun kewangan yang ditinjau ini. Bahagian pembiayaan secara Islam berbanding jumlah asas pinjaman Bank juga telah meningkat daripada 5.2% kepada 7.7%. Pada masa yang sama, asas pelanggan Perbankan Islam berkembang sebanyak 46% dari segi bilangan akaun bagi produk pembiayaan dan deposit.

Dengan pelancaran Sewa Beli-i pada bulan Ogos 2004, pembiayaan kepada sektor runcit turut meningkat dengan ketara, iaitu 4% daripada asas pembiayaan pada tahun lepas, kepada 25% pada akhir TK2004/05, di mana jumlah HP-i yang tertunggak berjumlah RM225 juta. Pertumbuhan menggalakkan dalam perniagaan Perbankan Islam menggambarkan penerimaan yang semakin meluas terhadap sistem Perbankan Islam sebagai alternatif kepada perbankan konvensional. Dengan fokus terhadap pinjaman konsumen yang semakin meningkat, kami telah melancarkan beberapa produk baru, termasuk pakej pinjaman perumahan yang inovatif "i-Wish Home Financing-i" pada bulan Januari 2005 yang menawarkan kadar terapung dengan kadar faedah di mana kadar maksimumnya dihadkan untuk memberi harga yang lebih kompetitif. Berserta dengan pinjaman perumahan kadar tetap sedia ada Bank, pakej ini memberi lebih banyak pilihan kepada para pelanggan kami. Bank juga telah memperluaskan jenis produk pembiayaan secara Islam melalui pengenalan Kadar Terapung Pinjaman Berjangka-i kepada para pelanggan korporat dan komersial kami yang dihargai, dengan kadar pembiayaan setara dengan produk konvensional. Di samping itu, Bank juga menawarkan Pembiayaan Perdagangan-i lengkap yang kini dikendalikan sepenuhnya dalam sistem bermula Jun 2004, dalam usaha berterusan kami untuk menyediakan kecekapan dan mempertingkatkan perkhidmatan pelanggan.

Sebagai sebahagian daripada usaha kami untuk mewujudkan kesedaran awam dan pengetahuan yang lebih mendalam mengenai produk dan perkhidmatan Perbankan Islam, kami telah menyertai Ekspo Perbankan Islam dan Takaful yang diadakan di Kuala Lumpur pada September 2004, dan pameran bergerak di Shah Alam pada bulan Februari 2005, yang telah dianjurkan oleh Persatuan Institusi Perbankan Islam Malaysia.

Meninjau ke masa hadapan, prospek Perbankan Islam Kumpulan kelihatan amat cerah, dan kami akan berusaha gigih untuk memanfaatkan kedudukan semasa kami untuk mengukuhkan lagi bahagian pasaran. Kami juga akan melaksanakan pelbagai langkah strategik selaras dengan sasaran Bank Negara Malaysia supaya sektor ini membentuk 20% daripada jumlah aset, deposit dan pembiayaan Bank secara keseluruhan menjelang tahun 2010. Bank juga akan terus melaksanakan pelbagai inisiatif yang meliputi pembangunan dan peningkatan produk, latihan dan promosi.

eSALURAN

Selaras dengan peralihan tumpuan kami untuk menjadi lebih cekap dan memberi kemudahan perkhidmatan perbankan elektronik dan online, bahagian eSaluran kami terus menampilkan prestasi perkhidmatan yang teguh pada tahun kewangan ini, dengan mencatatkan pertumbuhan 160% dalam jumlah urus niaga berbanding tahun lepas, dan pertumbuhan 20% dalam nilai urus niaga. Ini adalah hasil daripada penerimaan yang semakin meluas oleh para pengguna dan perniagaan secara keseluruhannya terhadap perkhidmatan perbankan berasaskan internet, terutamanya disebabkan oleh peningkatan ciri-ciri keselamatan dan penerimaan terhadap kemudahan yang ditawarkan oleh teknologi ini. Perkhidmatan MEPS IBG Bank juga mencatatkan keuntungan ketara, dengan jumlah urus niaga meningkat sebanyak 472%, sementara nilai urus niaga bertambah 484% berbanding TK2003/04.

Kami juga memberi keutamaan untuk menyedia dan mempertingkatkan konsep layan diri kepada semua perkhidmatan elektronik kami untuk memberi platform perbankan elektronik yang tidak terhad kepada pengguna dan perniagaan. Ini meliputi penyediaan lebih banyak ATM yang beroperasi 24 jam di lokasi-lokasi luar tapak yang terpilih, pengenalan CDM 24 jam dan peningkatan keupayaan perkhidmatan CES. Di samping itu, kami turut memperkenalkan pembayaran kad kredit melalui MEPS Interbank Giro (IBG), perkhidmatan bayaran pukal elektronik untuk kredit dalaman dan antara bank dan perkhidmatan mendebit automatik layan diri bagi perniagaan untuk memudahkan pengutipan bayaran yang berulang-ulang.

We have also given top priority in providing and enhancing our self-service concept to all electronic services to provide consumers and businesses with a seamless and integrated electronic banking platform. These included installation of more 24-hour ATMs at selective offsite locations, introduction of 24-hour CDMs, and enhancing the CES machines servicing capabilities; in addition, we introduced credit card payments with MEPS Interbank Giro (IBG), electronic bulk payment services for both intra - and inter-bank crediting, and self-service auto debiting service for businesses to facilitate recurring payments collection.

Looking ahead to FY2005/06, we expect further growth in this area of banking service as more and more consumers and businesses appreciate the convenience offered by electronic banking. Transaction volume growth is forecast to rise by 50% in FY2005/06. Our key goal within the next financial year is to provide all our Bank customers with full 24-hour electronic-based online banking services at all electronic channels. At the same time, we intend to enhance and simplify our existing online banking experience further, introducing more products and services with valued-added straight-through capabilities, whilst constantly improving delivery channels. We plan to expand our inter-bank servicing by growing our transactions via the MEPS IBG infrastructure and the MEPS eDebit services. We will inaugurate SMS banking services to extend the reach of our internet banking's capability to mobile devices and provide our customers with on-demand account information and account management in line with their evolving lifestyle.

HUMAN RESOURCE

With over 3,000 employees, as of 31 March 2005, the importance of human resource (HR) cannot be overstated. As in previous years, the HR Group continues to partner and support the Bank's goals by embarking on initiatives that will improve efficiency, enhance employee skills and improve the operational and organisational structure. The Bank remains committed to training and will continue to invest an average of three training days per employee per annum.

We are committed to promoting and nurturing talent within the organisation. The Bank will provide staff members who demonstrate the drive and ability to excel, avenues to channel their energies to advance in their careers whilst enriching the Group's human capital base.

Among the key learning initiatives undertaken during the financial year were the Assistant Branch Managers (ABM) Development Programme, sales training to support the High Performance Sales Force Project pilot roll out to ten branches in the Central Region, Anti-Money Laundering Awareness to all staff members, the Officer and Clerical Development Programmes and Management Trainee Programme which is currently into its third intake. The ABM Development Programme, launched in November 2004, aims at grooming promising Assistant Branch Managers to build up their core competencies for an expanded job scope. This is part of the Bank's succession plan to ensure that there is a ready pool of potential Branch Managers.

During the year, we also introduced the use of a profiling tool in our recruitment process which links behavioural tendencies to job requirements. By doing so, we were able to assign candidates to positions that matched their behaviours.

In addition we also kick-started the Human Resource Information System Project (HRIS) which will enable the Bank to keep a comprehensive and accurate database of its staff information. The HRIS will also automate HR's many processes.

In the area of industrial relations, the Bank will continue to focus on improving communication with the various Unions in order to maintain industrial harmony. Regular meetings and discussions will be held with the various Unions and Banks' Associations on matters of common interest such as the welfare of our staff.

Lastly, to ensure that we are able to attract, retain and motivate staff, the Bank will continue to benchmark itself with other financial institutions to ensure that we remain competitive.

INFORMATION SYSTEMS

With advances in Information and Communication Technology (ICT), the Bank is committed to maintaining its competitive advantage in harnessing proven ICT solutions to improve services to our customers as well as streamlining operational workflow and improved system security. ICT enhancements introduced in FY2004/05 included implementation of a COLD system (Computer-Output on Laser Disc), automating Bank-wide Budgeting function, implementing a biometrics identification system for officers' transaction overriding, as well as upgrading network bandwidth to regional centres and branches. To support business growth, the Bank has enhanced the Trade Finance System to offer Islamic Trade Finance products and implemented TIPS (Tools for Incentive and Performance Scoring) System for motivating and evaluating sales personnel performance. For the above projects, the total capital expenditures in ICT for the year under review totalled over RM30 million, up from RM16 million the year before.

Meninjau ke TK2005/06, kami menjangka akan mencapai pertumbuhan selanjutnya dalam bidang perkhidmatan perbankan ini kerana lebih ramai pengguna dan perniagaan yang menghargai keselesaan yang ditawarkan oleh perbankan elektronik. Pertumbuhan jumlah urus niaga diramal akan meningkat sebanyak 50% pada TK2005/06. Matlamat utama kami pada tahun kewangan akan datang adalah untuk menyediakan perkhidmatan perbankan dalam talian berasaskan elektronik 24 jam sehari kepada semua pelanggan kami di semua saluran elektronik. Pada masa yang sama, kami berhasrat untuk mempertingkatkan dan mempermudah pengalaman perbankan dalam talian kami yang sedia ada, sambil sentiasa mempertingkatkan saluran penghantaran. Kami merancang untuk mengembangkan penyediaan perkhidmatan antara bank kami dengan memperluaskan lagi urus niaga melalui infrastruktur MEPS IBG dan perkhidmatan MEPS eDebit kami. Kami akan memulakan perkhidmatan perbankan SMS untuk meluaskan liputan keupayaan perbankan internet kami kepada alat mudah alih dan memberi maklumat mengenai akaun kepada para pelanggan apabila diminta dan pengurusan akaun seiring dengan perubahan gaya hidup mereka.

SUMBER MANUSIA

Dengan lebih 3,000 kakitangan pada 31 Mac 2005, kepentingan sumber manusia (HR) sememangnya tidak boleh dinafikan. Seperti juga pada tahun-tahun lepas, HR Kumpulan terus mengiring dan menyokong matlamat Kumpulan dengan melaksanakan inisiatif yang akan mempertingkatkan kecekapan, meninggikan kemahiran pekerja dan memperbaiki struktur operasi dan organisasi. Bank kekal komited terhadap latihan dan akan terus menyalurkan pelaburan bagi menyediakan tiga hari latihan pada puratanya kepada setiap kakitangan setahun.

Kami beriltizam untuk memaju dan mengasuh bakat dalam organisasi kami. Bank akan memberi kakitangan yang mempamerkan semangat dan keupayaan untuk cemerlang pelbagai cara untuk menyalurkan kemampuan mereka bagi membantu mereka mencapai kemajuan dalam kerjaya sambil memperkayakan asas sumber manusia Kumpulan.

Antara inisiatif pembelajaran utama yang dilaksanakan pada tahun kewangan yang ditinjau ini adalah Program Pembangunan Penolong Pengurus Cawangan, yang merupakan latihan jualan untuk menyokong Projek Perintis Tenaga Jualan Berprestasi Tinggi yang diperkenalkan di sepuluh cawangan di Kawasan Tengah, Kesedaran Pencegahan Wang Haram kepada semua kakitangan, Program Pembangunan Pegawai dan Perkeranian dan Program Pelatih Pengurusan yang buat masa ini telah mencapai pengambilan ketiga. Program Pembangunan Penolong Pengurus Cawangan, yang dilancarkan pada bulan November 2004,

bertujuan untuk membentuk Penolong Pengurus Cawangan yang berpotensi untuk membina kecekapan teras mereka bagi skop kerja yang lebih luas. Ini merupakan sebahagian daripada pelan penggantian Bank bagi memastikan bahawa Bank memiliki kumpulan Penolong Pengurus Cawangan yang berpotensi.

Pada tahun ini, kami juga telah memperkenalkan penggunaan alat memprofil dalam proses pengambilan pekerja yang mengaitkan kecenderungan tingkahlaku dengan keperluan kerja. Dengan berbuat demikian, kami dapat menugaskan calon-calon untuk jawatan yang sesuai dengan tingkahlaku mereka.

Selain itu, kami juga telah memulakan Projek Sistem Maklumat Sumber Manusia (HRIS) yang akan membolehkan Bank menyimpan pangkalan data yang lengkap dan tepat mengenai maklumat kakitangannya. HRIS ini juga akan mengautomasi pelbagai proses HR.

Dalam bidang perhubungan perindustrian, Bank akan terus berfokus terhadap usaha mempertingkatkan komunikasi dengan Kesatuan Sekerja bagi mengekalkan keharmonian dalam industri. Mesyuarat dan perbincangan akan diadakan secara kerap dengan Kesatuan dan Persatuan Pekerja-Pekerja Bank berhubung perkara kepentingan bersama seperti kebajikan kakitangan kami.

Untuk memastikan kami mampu menarik, mengekal dan memberi dorongan kepada kakitangan kami, Bank akan terus mengukur kedudukannya dengan institusi kewangan lain bagi memastikan kami kekal berdaya saing.

SISTEM MAKLUMAT

Seiring dengan kemajuan Teknologi Maklumat dan Komunikasi (ICT), Bank bertekad untuk mengekalkan kelebihan daya saingan dalam memanfaatkan penyelesaian ICT yang terbukti bagi mempertingkatkan tahap perkhidmatannya kepada para pelanggan serta melancarkan aliran kerja operasi dan mempertingkatkan sistem jaminan keselamatan. Usaha menaiktaraf ICT yang dilakukan pada TK2004/05 termasuk pelaksanaan sistem COLD (Computer Output On Laser Disc), mengautomasi fungsi Belanjawan Seluruh Bank, pelaksanaan sistem pengenalan biometrik bagi pegawai yang mengendalikan urus niaga, serta menaiktaraf jalur rangkaian kepada kawasan wilayah dan cawangan. Bagi menyokong pertumbuhan perniagaan, Bank telah mempertingkatkan Sistem Pembiayaan Perdagangan untuk menawarkan produk Pembiayaan Perdagangan secara Islam dan melaksanakan Sistem TIPS (Tools for Incentive and Performance Scoring) untuk mendorong dan menilai prestasi personel jualan. Bagi projek-projek di atas, jumlah perbelanjaan modal ICT bagi tahun yang ditinjau melebihi RM30 juta, meningkat daripada RM16 juta pada tahun lepas.

Moving forward, the Bank will maintain its commitment to deploy ICT to support business requirements which will include expanded and new system capabilities, enhanced system and network security, faster network bandwidth and consolidation of IT infrastructure. The Bank has also initiated a project to put into place system architecture to support Basel 2 compliance, starting with the implementation of the Standardised Approach.



CREATING VALUE – AND MOMENTUM

As we move forward to another year, I am encouraged by the progress we have made and continue to make in creating value for our customers and our shareholders. The results we have achieved, and the growth we have realised are indicative of the strength of our people, our business strategy and our corporate culture. Furthermore, I see these on-going efforts gaining in momentum, which will surely contribute not only to maintaining our competitive edge, but in enhancing our position as one of Malaysia's leading financial services providers. Our constant quest to improve products, services and delivery systems should go hand in hand with nurturing energy, enthusiasm and creativity among management and staff. This dynamism will provide the impetus for further progress and innovation. Let us continue to embrace these values as we meet the challenges and opportunities the future brings.

NG SIEK CHUAN

Chief Executive Director

Melangkah maju ke hadapan, Bank akan mengekalkan komitmennya untuk menggunakan ICT bagi menyokong keperluan perniagaan yang akan meliputi keupayaan sistem yang dipertingkatkan dan yang terbaru, mempertingkatkan keselamatan sistem dan rangkaian, jalur rangkaian yang lebih pantas dan pepaduan infrastruktur IT. Bank juga telah mengusahakan sebuah projek untuk mempunyai susunan sistem yang menyokong pematuhan Basel 2, bermula dengan pelaksanaan Pendekatan Standard.

MENCIPTA NILAI DAN MOMENTUM

Dalam melangkah masuk ke tahun kewangan yang baru, saya berasa bangga terhadap kemajuan yang telah kami capai dan terus mencapai dalam mencipta nilai bagi para pelanggan dan pemegang saham kami. Keputusan yang kami telah perolehi ini, dan pertumbuhan yang kami realisasi merupakan petunjuk kepada kekuatan sumber manusia kami, strategi perniagaan kami dan juga budaya korporat kami. Tambahan pula, saya melihat usaha berterusan ini mula mendapat momentum, yang pasti akan menyumbang bukan sahaja untuk mengekalkan kelebihan daya saingan kami malah mengukuhkan kedudukan kami sebagai salah sebuah penyedia perkhidmatan kewangan yang terulung di Malaysia. Usaha berterusan kami untuk memperbaiki produk, perkhidmatan dan sistem penghantaran kami bergerak seiring dengan usaha memupuk kekuatan, minat dan daya kreativiti di kalangan pengurusan dan kakitangan. Ciri-ciri dinamik ini akan menjadi pencetus kepada kemajuan dan inovasi selanjutnya. Marilah kami mendokong nilai ini dan bersama-sama mengharungi pelbagai cabaran dan memanfaatkan peluang yang tersedia pada masa akan datang.

NG SIEK CHUAN

Ketua Pengarah Eksekutif

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Alliance Bank Malaysia Berhad ("the Bank") fully appreciates the importance of adopting high standards of corporate governance in all areas of its activities towards enhancing business prosperity and corporate accountability with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholders' value. The Board is committed to ensure that the highest standards of corporate governance are practised and in compliance with the guidelines on Best Practices in Corporate Governance as set out in the Malaysian Code on Corporate Governance.

BOARD OF DIRECTORS

1 Responsibilities

The Board is principally responsible for the overall performance of the Bank. It provides stewardship to the Bank's strategic direction and operations in order to maximise shareholders' value.

The principal functions of the Board are as follows:

- reviews and adopts the Management's proposals on long term strategic plans of the Bank as well as the strategic business activities of the various business units;
- approves the annual budget for the Bank and conducts quarterly business review of achievement against the annual budget, as well as reviews the Management's business strategies and action plans;
- provides regular oversight of the Bank's business operations and performance from time to time;
- ensures the implementation of effective internal controls and processes to measure and manage business risks, including but not limited to reviewing the adequacy and integrity of internal control systems and operations; establishing relevant policies on the management of business risks covering inter alia operational, credit, market and liquidity risks and other key areas of the Bank's operations.

2 Composition

As at the date of this report, the Board comprises seven (7) members of whom one (1) is holding executive office. There are five (5) independent non-executive directors on the Board thereby bringing independent judgement and objective participation in the deliberations of the Board.

The Board is constituted of individuals of calibre and diverse experience and have the necessary skills and qualifications. The current board size of seven (7) provides an effective composition in terms of academic background in law, banking, accounting, economics, and business management. Together, the Directors bring a broad range of skills, experience and knowledge required for the effective functioning and the discharge of the responsibilities of the Board.

The role of the Chairman and the Chief Executive Director ("CED") are distinct and separate; the Chairman being non-executive, is not involve in the management and day-to-day operations of the Bank.

The brief profile of each Director is presented on page 8 of this Annual Report.

3 Meetings and Supply of Information

The Board meets on a scheduled basis at least once a month to review progress reports on the Bank's financial performance, minutes of meetings of the various Board Committees and to discuss areas of operations as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings are also held to deliberate and assess corporate proposals or business issues that require the Board's immediate consideration/decision.

All Directors are supplied with information on a timely manner. The agenda for each Board meeting, together with detailed reports and proposal papers to be tabled, are circulated to the directors for their perusal well in advance of the date of the Board meeting. Senior Management staff are invited to attend Board meetings to provide the Board with detailed explanations and clarifications on proposals that are tabled to enable the Board to make an informed decision.

The Directors have unrestricted access to all levels of Senior Management staff in the Bank including the services of the Company Secretary, to enable them to discharge their duties effectively and efficiently.

For the financial year ended 31 March 2005, 12 monthly Board meetings and 6 ad-hoc Board meetings were held. The details of attendance of each member during the financial year ended 31 March 2005 are as follows:

Board Members	Meetings attended/held
i) Lutfiah binti Ismail	* 15/18
ii) Ng Soon Lai @ Ng Siek Chuan	* 17/18
iii) Tan Soo Soon	18/18
iv) Chua Eng Kee	* 17/18
v) Chia En Tet, Joseph	18/18
vi) Lim Teong Liat	* 17/18
vii) Keong Poh Theng <i>(Appointed on 18.10.2004)</i>	* 8/9
viii) Tan Sri Abu Talib bin Othman <i>(Resigned on 15.7.2004)</i>	* 4/5

* Not able to attend all Board meetings as he/she was overseas.

4 Appointments

The proposed appointment of new Director(s) to the Board as well as proposed re-appointment of existing Director(s) are submitted to the Nominating Committee ("NC") for assessment prior to making recommendation to the Board for approval and application made to Bank Negara Malaysia ("BNM") for its final approval.

The NC takes into consideration among others, the academic qualification, working experience, skills and core competencies of the proposed new Director(s) as well as the existing Director(s) who are subject to re-appointment to facilitate the assessment process.

The Terms of Reference of the NC are as follows:

- To establish minimum requirements for the board i.e. required mix of skills, experience, qualification and other core competencies required of a director. The committee is also responsible for establishing minimum requirements for the chief executive officer. The requirements and criteria should be approved by the Board of Directors.
 - To recommend and assess the nominees for directorship, board committee members as well as nominees for the chief executive officer. This includes assessing directors for re-appointment, before an application for approval is submitted to BNM. The actual decision as to who shall be nominated should be the responsibility of the Board of Directors.
 - To oversee the overall composition of the board, in terms of the appropriate size and skills, and the balance between executive director, non-executive directors and independent directors through annual review.
 - To recommend to the board the removal of a director/ chief executive officer from the board/ management if the director/ chief executive officer is ineffective, errant and negligent in discharging his responsibilities.
 - To establish a mechanism for the formal assessment on the effectiveness of the board as a whole and the contribution of each director to the effectiveness of the board and the contribution of the board's various committees. Annual assessment should be conducted based on an objective performance criterion. Such performance criteria should be approved by the Board of Directors.
 - To ensure that all directors receive an appropriate continuous training program in order to keep abreast with the latest development in the industry.
- To assess, on an annual basis, that the directors and key senior management officers are not disqualified under Section 56 of the Banking and Financial Institutions Act, 1989.
 - To make recommendation to the board for the appointment of members of the Shariah Committee or other Board Committees as may be required by BNM or other relevant authorities from time to time.

The NC comprises five (5) members, of whom four (4) are Non-Executive Directors. The details of attendance of each member during the financial year ended 31 March 2005 are as follows:

Members	Meetings attended/held
i) Chia En Tet, Joseph (<i>Chairman</i>)* (Appointed as member on 23.4.04)	6/6
ii) Lutfiah binti Ismail #	8/8
iii) Ng Siek Chuan (<i>CED</i>)	6/8
iv) Chua Eng Kee *	6/8
v) Keong Poh Theng * (Appointed as member on 22.10.2004)	2/3
vi) Tan Soo Soon * (Served as member till 21.10.2004)	4/5

* Independent Non-Executive Director

Non-Independent Non-Executive Director

5 Remuneration

The Bank acknowledges the importance to attract and retain the right calibre of Directors with the necessary skills, qualification and experience for effective Board oversight of the Bank's business activities and affairs.

The Bank also considers it important to attract and retain executives of calibre in an increasingly competitive environment and at the same time, link rewards to corporate and individual performance. The performance management system implemented by the Bank known as TOPs (Towards Optimising Performance) is applicable to all executives in the Bank including the CED.

The Management Development and Remuneration Committee ("MDRC") is primarily responsible to review and develop remuneration framework for Directors, CED and Senior Management for Board's approval. It also reviews and develops disciplinary and recruitment policies and assessing the performance of its CED and Senior Management annually and ensuring that compensation stays competitive and consistent with the Bank's culture, objectives and strategy.

Currently, the Directors are paid Directors' fees and sitting allowances for Board/Board Committee meetings that they attend. In recognition of the added responsibilities carried out by Directors who are Chairman of Board Committees and members of Board Committees, the Directors concerned are also paid a monthly allowance/fees.

The Terms of Reference of the MDRC are as follows:

- Recommending a framework of remuneration for Directors, CED / Executive Director(s) / Chief Executive Officer and Senior Management for the full board's approval. This framework shall reflect the responsibility and commitment which goes with the responsibilities of the position. There shall be a balance in determining the remuneration package i.e. sufficient to attract and retain the performers. The framework shall cover all aspects of remuneration including director's fees, salaries, allowances, bonuses, options and benefits-in-kind.
- Recommending specific remuneration packages for the CED / Executive Director(s) / Chief Executive Officer and the Senior Management, structured in such a way, that it is competitive and consistent with the Bank's culture, objectives and strategy. As for non-executive directors and independent directors, the level of remuneration shall be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board.
- Reviewing the Bank's succession plan to ensure orderly transition and succession of Senior Management positions.
- Approving new Senior Management appointments and remuneration package, transfers and promotions of Senior Management and assessing the performance of CED/Executive Director/Chief Executive Officer and Senior Management.
- Serving as a panel member (any one member) in the Bank's Disciplinary Panel for employees on job grade A7 and above. The full committee hears appeals from employees of this category.
- Recommending to the Board the removal of Senior Management Officers if they are ineffective, errant and negligent in discharging their responsibilities.
- Reviewing and recommending all Human Resource policies including inter alia recruitment, disciplinary, remuneration and succession planning for the Bank.

The MDRC comprises three (3) members all of whom are Non-Executive Directors. The details of attendance of each member during the financial year ended 31 March 2005 are as follows:

Members	Meetings attended/held
i) Chia En Tet, Joseph (Chairman) *	14/14
ii) Lutfiah binti Ismail #	14/14
iii) Keong Poh Theng * (Appointed as member on 22.10.2004)	4/4
iv) Chua Eng Kee * (Served as member till 21.10.2004)	10/10

* Independent Non-Executive Director

Non-Independent Non-Executive Director

6 Training

The Directors acknowledge that continuous education is vital for them to gain insight and keep abreast with the development in the banking and finance industry to further enhance their skills and knowledge in discharging their responsibilities. Towards this end, the Directors have attended conferences and seminars organised by BNM from time to time as well as various training programmes as deemed relevant and appropriate. Throughout the year, the Directors also received regulatory updates and policy guidelines issued by BNM as well as other information concerning new developments in the business environment and industry.

7 Re-election

In accordance with the Articles of Association of the Bank, one-third of the Directors shall retire from office at every Annual General Meeting and be eligible for re-election.

8 Board Committees

In discharging its fiduciary duties, the Board has set up and delegated specific tasks to several Board Committees as well as various Management Committees which operate within specific delegated authority and functions to assist the Board in the execution of its responsibilities.

The broad functions of the Board Committees are as follows:

i) Executive Committee ("EXCO")

The EXCO is principally entrusted to review loan applications approved by Management Credit Committee and approve other operational matters in the normal business of the Bank which are within its approving limits delegated by the Board. It also oversees the implementation of strategic business and policies as approved by the Board. The EXCO meets twice a month.

The composition of the EXCO is set out under Corporate Information on page 4 of this Annual Report.

ii) Audit Committee

The Terms of Reference and activities of the Audit Committee are set out under the Audit Committee Report on page 40 of this Annual Report. The Audit Committee meets on a bi-monthly basis with additional meetings being held on an ad-hoc basis as and when required.

iii) MDRC

The Terms of Reference of the MDRC are set out under paragraph "Remuneration" on page 36. The MDRC meets on a quarterly basis. Ad-hoc MDRC meetings are also held as and when required. For the financial year ended 31 March 2005, 14 MDRC meetings were held.

iv) NC

The Terms of Reference of the NC are set out under paragraph "Appointments" on page 36. The NC meets as and when required and at least once a year. For the financial year ended 31 March 2005, 8 NC meetings were held.

v) Risk Management Committee ("RMC")

The RMC's main functions and responsibilities are set out under the Risk Management Report on page 42 of this Annual Report. The RMC meets on a monthly basis.

The broad functions of the major Management Committees are as follows:

i) Management Credit Committee ("MCC")

The MCC is responsible to approve all loan applications which are beyond the individual discretionary powers of senior officers of the Bank. However, in respect of loan applications which are beyond the MCC's approving authority limits, such loan applications shall require endorsement of EXCO/Board, as the case may be. The MCC meets at least once a week with additional meetings being held on an ad-hoc basis, if necessary.

ii) Credit Risk Management Committee ("CRMC")

The CRMC is responsible to promote the adoption and implementation of sound credit risk management framework/practices in line with the best practices. The CRMC meets on a monthly basis.

iii) Operational Risk Management Committee ("ORMC")

The ORMC is responsible to promote the development and implementation of operational risk management policies, including all business activities as well as adequacy of controls in managing the associated operational risks with the business activities. The ORMC meets on a monthly basis.

iv) Assets and Liabilities Committee ("ALCO")

The ALCO is responsible to promote the development and implementation of prudent asset and liability management policies, business direction and strategies in managing market risks and liquidity risk besides ensuring that these risks are identified promptly, measured, contained and monitored in line with the risk tolerance limits of the Bank. The ALCO meets once a month.

The minutes of all the above Board Committees and Management Committees are tabled to the Board for notation at the next available Board meetings.

ACCOUNTABILITY AND AUDIT

1 Financial Reporting

The Board is assisted by the Audit Committee to oversee the Bank's financial reporting processes including the review of the Bank's annual financial statements to ensure accuracy, adequacy and completeness as well as to ensure that the financial report is prepared in accordance with accounting policies and standards and the guidelines of BNM, prior to tabling to the Board for approval.

2 Internal Control

The Board has overall responsibility for maintaining a system of internal controls covering not only financial controls but also controls relating to operational, compliance and risk management. However, such systems can only provide reasonable but not absolute assurance against the risk of material misstatement, fraud or losses occurring. The rationale of the system of internal controls is to enable the Bank to achieve its corporate objectives within acceptable risk profile and it is not expected to eliminate all the risks but are aimed at minimising and managing them.

On-going reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls.

The Bank's Audit Committee also reviews the internal control system of the Bank. In this regard, all findings on control issues raised by the Internal Auditor, external Auditors and also BNM inspection team are tabled and discussed at the Bank's Audit Committee. All agreed recommendations to enhance the control system are also reviewed by the Audit Committee until they are fully implemented.

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal control include, among others, the following:

- The Board receives and reviews monthly progress report from the Management covering financial performance and key business indicators which enables the Board to effectively monitor any significant variances between actual performance and budget.
- The Bank's annual business plan and budget are submitted to the Board for approval. In addition, variances between actual and targeted results are also presented on monthly basis which allows for timely responses and corrective actions to be taken to mitigate risks.
- The Bank has established dedicated risk management functions to oversee specific areas of risks and implement various risk management policies and procedures.
- The Bank has also implemented a comprehensive set of internal policies and procedures which govern the various operations and activities of the Bank. These policies and procedures are constantly updated to reflect changing risks and/or improve operational deficiencies.
- The Board has clearly defined the framework and responsibilities delegated to the various Board as well as Management Committees with appropriate authority levels and written terms of reference.
- The Internal Auditor which reports directly to the Audit Committee performs regular reviews of the business processes to assess the effectiveness of internal control and highlight significant risks which would impact the Bank.
- The professionalism and competence of the Bank's human resources are maintained through proper recruitment process, training and re-skilled programs as well as a performance appraisal system.

- The Information Systems Committee chaired by the CED provides strategic directions with regard to IT management and is responsible for approving and monitoring system initiatives to support the business needs of the Bank.

3 Relationship with the Auditors

Through the Audit Committee, the Bank has established a transparent and professional relationship with the Auditors, both internal and external. The Audit Committee meets with the external auditors at least twice a year to discuss the audit plan, annual financial statements and their audit findings. It also meets with the external auditors whenever it deems necessary. The Audit Committee meets on a bi-monthly basis where the Internal Auditor and the Management of the Bank are present.

COMMUNICATION WITH SHAREHOLDERS AND PUBLIC/CUSTOMER RELATIONS

The Bank is a wholly-owned subsidiary of Syabas Sutra Sdn Bhd, which in turn is a wholly-owned subsidiary company of Malaysian Plantations Berhad ("MPlant"), a company listed on the Main Board of Bursa Malaysia Securities Berhad.

The substantial shareholder of MPlant is represented on the Board of the Bank and there is a common director on the Board of MPlant and the Bank. Hence, the main forum for dialogue and interaction between the Bank and its shareholders is through its Board meetings which are held at least once a month. Other than through Board meetings, regular discussions are also held by the Management to keep the shareholders informed of any major development as well as to seek shareholders' views on major issues concerning the Bank. The CED of the Bank also briefed the Board of MPlant on the Bank's financial performance on a quarterly basis.

The Bank recognises the importance of public and customers relations and has a website at www.alliancebank.com.my whereby customers can conveniently access the relevant information on the Bank's various products and services as well as the corporate information of the Bank. The Bank's website also serves as a channel to receive customers' suggestion to further improve its services.

30 June 2005

AUDIT COMMITTEE REPORT

1 POLICY

It is the policy of Alliance Bank Malaysia Berhad to establish an Audit Committee to ensure an effective and independent internal audit function covering financial as well as management audits, and to recommend appropriate remedial action on a regular basis.

2 MEMBERSHIP AND ATTENDANCE

The Committee comprises the following independent Non-Executive Directors and details of attendance of each member at Committee meetings held during the financial year ended 31 March 2005 are as follows:

Members	Attendance
Mr Tan Soo Soon (<i>Chairman</i>)	10/10
Mr Chua Eng Kee	8/10
Mr Lim Teong Liat (Member from 23/04/04)	9/9
Mr Wu Sor Hwa (Member till 22/04/04)	N/A

3 RESPONSIBILITIES

The primary responsibilities of the Committee are:

- a) i) To ensure that the accounts of the Bank are prepared in a timely and accurate manner.
- ii) To review the adequacy of provisions against contingencies, and bad and doubtful debts.
- iii) To review the balance sheet, and profit and loss account, and thereafter submit them to the Board of Directors of the Bank and ensure the prompt publication of the annual report.
- b) i) To review internal controls including the scope of the internal audit programme, the internal audit findings and recommend actions to be taken by the Management.
- ii) To evaluate the performance and decide on the remuneration package of the internal auditors.

- c) i) To review with the external auditors the scope of their 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 actions to be taken.
- ii) To select external auditors for appointment by the Board of Directors each year.
- d) To review any related party transactions that may arise within the banking institution group.
- e) To review compliance with anti-money laundering policy and procedures.
- f) To approve the use of the appointed external audit firm for non-audit services including the non-audit fees payable.

4 SUMMARY OF ACTIVITIES

During the financial year, the Committee carried out the following activities:

4.1 Financial Results

- a) Reviewed the quarterly and half-yearly financial results (w.e.f. the quarter and half year results ended 30 September 2004) with the External Auditors and the Management before recommending them for approval by the Board of Directors.
- b) Reviewed the annual audited financial statements with the External Auditors and the Management before recommending them for approval by the Board of Directors. The review was, inter-alia, to ensure compliance with:
 - The Companies Act, 1965,
 - The Banking & Financial Institutions Act, 1989,
 - Applicable approved accounting standards in Malaysia, and
 - Other legal, statutory and regulatory requirements.

4.2 External Audit

- a) Reviewed with the External Auditors, their management letter together with Management's responses to the findings for the financial year ended 31 March 2004.
- b) Evaluated the performance of the External Auditors and recommended to the Board for re-appointment of the External Auditors for the financial year ended 31 March 2005.
- c) Reviewed with the External Auditors, their scope of work and audit plan for the financial year ended 31 March 2005.
- d) Reviewed the examination reports issued by Bank Negara Malaysia and the remedial actions taken to address the issues raised therein.

4.3 Internal Audit

- a) Reviewed with the internal auditors the internal audit plan and budget for the financial year ended 31 March 2005 to ensure adequate scope and coverage of the activities of the banking institution group.
- b) Reviewed internal audit reports, audit recommendations made and Management responses to these recommendations. Where appropriate, the Committee has directed action to be taken by Management to rectify and improve the system of internal controls and procedures including anti-money laundering measures, based on the internal auditors' recommendations and suggestions for improvements.
- c) Reviewed the results of the annual internal control self-assessment questionnaire completed by the key departments in the banking institution group.
- d) Monitored the implementation of the audit recommendations to ensure that all the key risks and controls have been addressed.

- e) Monitored the progress of the Internal Audit function in executing the audit plan; adequacy of resources including the competencies of the internal auditors to carry out the audits and assessed the performance of the internal auditors.

5 INTERNAL AUDIT FUNCTION

The Internal Audit's primary role is to assist the Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the system of internal controls.

The authority of the Internal Audit is provided in the Audit Charter, which formally documents the roles, duties and responsibilities of the internal auditors. The Head of the Internal Audit reports directly to the Audit Committee.

The internal audits carried out provide reasonable assurance that the system of internal controls continue to operate satisfactorily and effectively. These audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, computer application systems and management efficiency, amongst others. A risk based approach is adopted for all audits based on the inherent business and control risks in each operating department and their financial significance, rather than solely compliance. These audits also ensure that the instituted controls are appropriate, effectively applied and achieve acceptable risk exposure consistent with the banking institution's risk management policy.

Prior to implementation of new business products and projects, the Internal Audit assists Management in reviewing the control risks involved to ensure that such risks are properly identified and procedures are in place to mitigate these risks.

The Internal Audit also reviews related party transactions entered into by the entities of the Alliance Banking Group.

The internal auditors work closely with the external auditors to resolve any control issues as raised by them to ensure that significant issues are duly acted upon by Management.

The Alliance Banking Group believes that effective risk management is critical to sustain business growth and continued profitability of the Group. Given today's challenging financial and economic environment, adopting a balanced risk-return profile is important to strive for continuing enhancement of shareholders' value. The above principles are endorsed in the implementation of Basel 2 Accord by Year 2008. The said Accord shall be an opportunity for the Group to migrate towards a more robust risk management framework.

The Group will continue to strengthen the existing risk management infrastructure, technical competencies of manpower within its integrated enterprise-wide risk management framework for regulatory purpose, improving operational and financial performance and optimizing the capital efficiency.

A summary of the key initiatives implemented during financial year to strengthen the function of the Bank's risk management are:

1 BASEL 2 ACCORD PROJECTS

The Bank had performed the gap and impact analysis on the existing systems, operations and infrastructure of the Group against the Basel 2 Accord specific requirements, as required by Bank Negara Malaysia (BNM) based on the Standardized Approach. The Bank has decided to adopt the Standardized Approach for credit risk and Basic Indicator for Operational Risk. An implementation plan had been formulated and submitted to Bank Negara Malaysia in December 2004. We have since started implementing the initiatives identified with the objective of a parallel run by January 2007 and adoption by January 2008.

The Bank recognizes the importance of a gradual migration towards the Foundation Internal Ratings Based Approach and the importance of a more robust risk management system. However, such initiatives shall be driven by business needs.

2 FULL-TIME MANAGEMENT APPROVING AUTHORITY

Effective September 2004, the Bank has fully complied with the BNM's Best Practices in the Management of Credit Risk in relation to the approving authority.

Whilst the Management will be responsible to approve all credit facilities within the rules set by the Board of Directors, the EXCO and the Board may exercise their veto authority (as stipulated by the above BNM's Best Practices) within their approval authority limit.

3 INDEPENDENT POST APPROVAL REVIEW FUNCTION

An independent post approval review function was established within the Risk Management department to perform the reviews of approved credits whilst extending an independent assessment on the quality of credit evaluation, adherence to existing credit policies, fair valuation of collaterals, quality of credit portfolio and competency level of credit evaluation personnel.

4 MARKET RISK CAPITAL ADEQUACY FRAMEWORK (MRCF)

The MRCF framework has been adopted since September 2003 using the Asset and Liabilities Committee (ALCO) as the reporting platform. A mandatory regulatory adoption has taken place since April 2005. A Trading Book Policy statement has been prepared and is currently awaiting approval from BNM.

5 OPERATIONAL RISK

The frameworks on Operational Risk Self Assessment (ORSA) and Loss Data Reporting have been established to support the existing Operational Risk Framework within the Bank. At present, training is being conducted at the respective levels at Head Office. The main objective of ORSA is to enable function owners to be able to self-assess risks within their own department and upon identification, to be able to provide risk mitigation action plans.

The Loss Data Reporting framework forms part of the requirements under the Basel 2 Accord principles vis a vis Operational Risk. It focuses on collection of data for the purpose of forming a basis towards improving controls to manage operational risk on a bank-wide basis.

Risk Management Organisation Structure



Risk Management Committee

Membership

Since the previous financial year, fourteen (14) meetings have been convened as at date.

The RMC comprised four (4) non-executive directors namely:

	Appointed	Attendance
1. Mr. Chua Eng Kee <i>(Chairman)</i>	21 November 2003	14/14
2. Puan Lutfiah Ismail	21 November 2003	14/14
3. Mr. Tan Soo Soon	20 January 2004	14/14
4. Mr. Lim Teong Liat	23 April 2004	14/14

Role and Responsibilities

The Risk Management Committee reports directly to the Board of Directors. Whilst the respective working committees oversee their own areas of risk, the Risk Management Committee oversees these committees for the risk oversight on a bank-wide and integrated horizon.

The primary functions of Risk Management Committee include:

- Review and recommend risk management strategies, policies and risk tolerance;
- Review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling and the extent to which these are operating effectively;
- Ensure that infrastructure, resources and systems are in place for risk management ie; ensuring that the staff responsible for implementing risk management systems perform those duties independently of the financial institutions' risk taking activities; and
- Review Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Key Committees Involved In The Bank-Wide Risk Management Process

Committees	Primary Functions
<p>1 Risk Management Committee (RMC) The RMC comprised four (4) non-executive directors.</p>	<p>Assists the Board of Directors to oversee the management of all risks for the Bank and the Group, which includes reviewing and recommending appropriate risk management strategies, policies and risk tolerance on an integrated basis.</p>
<p>2 Credit Risk Management Committee (CRMC) The CRMC is chaired by a non-executive director and the committee comprised a non-executive director, Chief Executive Director, Group Head of Risk Management, Group Head of Recoveries and Head of Credit Risk. Group Heads of business departments would attend the said meeting by invitation.</p>	<p>Promotes the adoption and implementation of sound credit risk management framework / practices in line with the best practices.</p>
<p>3 Assets and Liabilities Management Committee (ALCO) The ALCO comprised the Chief Executive Director as Chairman, the Group Heads of Business Departments and Risk Management.</p>	<p>Promotes the development and implementation of prudent asset and liability management policies, business direction and strategies in managing market risks and liquidity risk besides ensuring that these risks are identified promptly, measured, contained and monitored in line with the risk tolerance limits of the Bank.</p>
<p>4 Operational Risk Management Committee (ORMC) The ORMC comprised the Group Support Services Head as Chairman and the Group Heads of the relevant Support Departments.</p>	<p>Promotes the development and implementation of operational risk management policies, including all business activities as well as adequacy of controls in managing the associated operational risks with the business activities.</p>
<p>5 Audit Committee (AC) The AC comprised three (3) non-executive directors.</p>	<p>Performs an independent assessment of the adequacy of risk management processes and compliance with the internal policies and regulatory guidelines.</p>

RISK MANAGEMENT PROCESS

Within the risk management framework, we have developed a structured approach to achieve an enterprise-wide risk management to balance risk versus return and integrate the risk management processes for all risk areas for an effective risk management approach. The processes can be categorized into the following 4 broad processes:

- **Risk Identification**

This process involves the identification of risks with the objective of understanding the types of risk and sources of risk, the complexities of risk and the potential issues that may impact the Bank from the risk concerned.

- **Risk Measurement**

This process covers the utilization of the appropriate risk indicators to measure the size of risk and its impact to the Bank and its business activities.

- **Risk Control and Monitoring**

This process encompasses the installation of control and monitoring devices required to control and mitigate the impact of risks according to the types of risk, methodology as well as the risk appetite of the Bank. The process of risk monitoring includes compliance with the existing risk management policies and limits to create a more robust control environment.

- **Risk Reporting**

This process involves extensive monitoring and reporting within the risk management policies and limits, to the authorities for the appropriate decision-making.

The above phases are firmly supported by the relevant policies and guidelines and are replicated across each respective working Committee.

ANTI-MONEY LAUNDERING POLICY

The Bank is fully committed to the Government's and BNM's efforts in the prevention of the use of the banking and financial system for illicit and laundering activities. The Bank has in place, an established infrastructure focussed towards the prevention and detection of such illicit and laundering activities.

The anti-money laundering policy is applicable throughout the Head Office and branch network. The policy and procedures of anti-money laundering have been formalised and documented to guide all employees of the Bank and include inter alia, the following:

- The purposes of the anti money laundering policy.
- Expectations of employees affecting the anti-money laundering policy.
- The accountability of each level of employees both in branches and in Head Office.
- Education and staff training to prevent and detect money laundering activities.
- Extensive procedures covering areas such as:
 - Obtaining valid identification documents from customers and taking all necessary measures to determine the true identity of customers requesting the bank's services.
 - Taking particulars to identify the ownership of all accounts.
 - Obtaining evidence of identity from customers seeking to conduct significant business transactions.
 - Vigilance of unusual transaction or client activity that is disproportionate to the client's known business.
 - Observing the trend or pattern of transaction of suspected customers.

Alliance Bank will conduct its business in conformity with high ethical standard in the country and outside the country where it has correspondent relationship with international banks abroad and will adhere to all laws and regulations pertaining to anti money laundering.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Bank and of the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the banking business, including Islamic banking business, finance company business and the provision of related services.

The principal activities of the subsidiary companies are merchant banking including Islamic banking and the provision of related financial services, provision of stockbroking services, nominees services, fund management and investment advisory services.

There have been no significant changes in the nature of these activities during the financial year, other than those arising from the acquisition of the subsidiaries referred to in Note 43 to the financial statements.

RESULTS

	BANK RM'000	GROUP RM'000
Profit before taxation	262,427	296,194
Taxation	(75,036)	(82,823)
Profit after taxation	187,391	213,371
Minority interests	-	(479)
Profit after taxation and minority interests	187,391	212,892

BUSINESS OUTLOOK FOR 2005/6

The outlook for the banking industry in 2005 remains challenging. It is expected to see more banks moving to consolidate their operations, to merge their finance and banking branches as well as witness the entry of foreign institutions as significant shareholders. The entry of Islamic banking players and foreign stockbroking companies will also move the competitive landscape towards the second phase of the Financial Sector Masterplan.

In view of the above, the Bank will remain focussed in its selected lending sectors in order to be a niche player in those sectors. In particular, the Bank expects to achieve growth in home mortgages, hire purchase, Islamic business and SMEs financing.

The acquisition of Kuala Lumpur City Securities Group has paved the way for Alliance Merchant Bank to attain full-fledged Investment Bank status, in line with the Financial Sector Masterplan. This would enable the enlarged Alliance Merchant Group to offer a wider range of integrated investment banking and securities services, and in turn enable the Group to intensify cross-selling of products and further enhance strategically integrated pricing and customer service packaging.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2005/6

For 2005/6, global economy is expected to grow moderately. IMF forecasts global GDP growth to trend around 3.7% from 4.7% in the previous year due to the increasing global oil prices and a reversion of sustainable growth pace. Despite the trend, the Malaysian economy is expected to remain strong; driven by growth, strong fundamentals, low interest rates and prudent fiscal policy.

After registering a strong growth in 2004, domestic demand in 2005 is likely to settle at a more sustainable pace; with the private sector gaining more strength, while public sector spending will stay curbed.

Going forward, the Government is intensively diversifying the economy towards several new growth areas, so as to reduce the vulnerability and strengthen the resilience of the economy. The three main engines of growth will be manufacturing, higher-end knowledge-based industries and activities in the services & agriculture sectors.

Overall, although the prevailing outlook is positive, nevertheless there are some downside risks that the Malaysian economy are likely to encounter; such as the sharper-than-predicted rise in inflation locally, the weaker-than-expected growth in the global electronic industry, and the slower-than-expected growth in the world economy.

RATING BY EXTERNAL AGENCY

The Bank is rated by Rating Agency Malaysia Berhad (RAM). Based on RAM's rating in August 2004, the Bank's short term and long term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

P1 - Financial institutions in this category have superior capacities for timely payments of obligations.

A1 - Financial institutions rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with adequate credit profiles, but which possess one or more problem areas, giving rise to the possibility of future riskiness. Entities rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories.

DIVIDENDS

Since the end of the previous financial year, the Bank paid a final dividend of 5.2% (less 28% taxation) on 596,517,043 ordinary shares amounting to RM22,333,598 (gross dividend: RM31,018,886) on 12 July 2004, in respect of the financial year ended 31 March 2004 as reported in the Directors' Report of that year.

An interim dividend of 7.56% (less 28% taxation) on 596,517,043 ordinary shares amounting to RM32,469,615 (gross dividend: RM45,096,688) in respect of the financial year ended 31 March 2005 was paid on 10 December 2004.

A final dividend of 1.68% (less 28% taxation) on 596,517,043 ordinary shares of the Bank amounting to RM7,215,470 (gross dividend: RM10,021,486) in respect of the current financial year will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2006.

SHARE CAPITAL

There was no change in the issued and paid-up capital of the Bank during the year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year other than those disclosed in these financial statements.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Bank and of the Group were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowances have been made for doubtful debts.

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

CURRENT ASSETS

Before the income statements and balance sheets of the Bank and of the Group were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, have been written down to an amount which they might be expected to realise.

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

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank and of the Group misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

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

CONTINGENT AND OTHER LIABILITIES (cont'd)

No contingent liability or other liability of the Bank or of the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Bank and of the Group to meet their obligations 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 Bank and of the Group, that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

- (i) the results of the operations of the Bank and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the change adopted during the year in the method of arriving at estimates of the collateral values of certain loans and advances referred to in the ultimate and penultimate paragraphs in Note 2 (d) to the financial statements. The Directors are of the view that the treatment adopted is likely to ultimately reflect a more prudent management of the loans, advances and financing; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Bank and of the Group for the financial year in which this report is made.

DIRECTORS

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are:

- Lutfiah binti Ismail (Chairman)
- Ng Soon Lai @ Ng Siek Chuan
- Tan Soo Soon
- Chua Eng Kee
- Chia En Tet, Joseph
- Lim Teong Liat
- Keong Poh Theng (appointed on 18.10.04)
- Tan Sri Abu Talib bin Othman (resigned on 15.07.04)
- Datuk Dr. Joseph Ong Ah Soon (retired on 23.06.04)

None of the Directors who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares of the Bank and its related corporations except as stated below:

	Number of ordinary shares of RM1 each			As at 31.3.2005
	As at 1.4.2004	Bought	Sold	

Lutfiah binti Ismail

Malaysian Plantations Berhad ("MPlant") - Indirect Interest

- held through Langkah Bahagia Sdn Bhd ("LBSB")	178,732,410	-	178,732,410 <i>(Note 1)</i>	-
- held through Vertical Theme Sdn Bhd ("VTSB")	-	350,455,706 <i>(Note 1)</i>	-	350,455,706 <i>(Note 1)</i>

DIRECTORS (cont'd)

	As at 1.4.2004	Number of Warrants		As at 31.3.2005
		Bought	Sold	
MPlant - Indirect interest				
- held through LBSB	59,577,470	-	59,577,470 <i>(Note 1)</i>	-
- held through VTSB	-	116,818,569 <i>(Note 1)</i>	-	116,818,569 <i>(Note 1)</i>

Note 1

Pursuant to a Subscription and Shareholders Agreement between Duxton Investments Pte Ltd, VTSB and LBSB on 7 March 2005, LBSB has transferred 178,732,410 MPlant shares and 59,577,470 MPlant warrants to VTSB, a subsidiary of LBSB. VTSB had on 9 March 2005 acquired an additional 171,723,296 MPlant shares and 57,241,099 MPlant warrants. Arising therefrom, Lutfiah binti Ismail is deemed to have an indirect interest in MPlant held through VTSB by virtue of Section 6A of the Companies Act, 1965.

Lutfiah binti Ismail is deemed to have an interest in the Bank and its subsidiaries to the extent of her indirect interest in MPlant.

In accordance with article 74A of the Company's Articles of Association, Chua Eng Kee and Lutfiah binti Ismail retire by rotation from the board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with article 74B of the Company's Articles of Association, Keong Poh Theng retires from the board at the forthcoming Annual General Meeting and does not wish to seek re-election.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 31 to the financial statements, or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

ULTIMATE HOLDING COMPANY

The Directors regard Malaysian Plantations Berhad, a company incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad, as the ultimate holding company of the Bank.

SIGNIFICANT EVENTS DURING THE YEAR

(i) Merger with Alliance Finance Berhad ("AFB")

In line with the objectives of the Financial Sector Masterplan, and pursuant to a vesting order obtained on 21 November 2000 from the High Court, YAB Minister of Finance via Bank Negara Malaysia (BNM)'s letter dated 25 May 2004 granted approval to the Bank to take over the entire finance company business of AFB. Consequently, approval has been given by YAB Minister of Finance, to issue a new finance company licence to the Bank to carry on finance company business as well as its banking business.

SIGNIFICANT EVENTS DURING THE YEAR (cont'd)

(i) Merger with Alliance Finance Berhad ("AFB") (cont'd)

Accordingly, with effect from 1 August 2004, the entire business of AFB was merged with the Bank. A new Hire Purchase ("HP") department was established within the Bank to market conventional and Islamic HP products. AFB has duly surrendered its finance company licence to BNM for cancellation effective 1 August 2004 and had on 25 February 2005 held an Extraordinary General Meeting which resolved that AFB be voluntarily wound up. A liquidator has since been duly appointed.

(ii) Acquisition of Kuala Lumpur City Securities Sendirian Berhad ("KLCSSB") and its related companies by Alliance Merchant Bank Berhad ("AMBB")

A wholly-owned subsidiary of the Bank, AMBB completed the acquisition of KLCSSB and its related companies on 31 December 2004 for a total cash consideration of RM271 million. With the completion of the acquisition, the subsidiaries of AMBB now include:

- (a) 100% equity interest of Kuala Lumpur City Securities Sdn Bhd;
- (b) 100% equity interest of KLCS Futures Sdn Bhd;
- (c) 100% equity interest of KLCity Research Sdn Bhd;
- (d) 100% equity interest of KLCity Ventures Sdn Bhd; and
- (e) 100% equity interest of Alliance Asset Management (L) Limited (formerly known as KLCity Asset Management (L) Limited).

In addition, the following subsidiaries of Kuala Lumpur City Securities Sdn Bhd are also the indirect subsidiaries of AMBB:

- (f) 100% equity interest of KLCS Asset Management Sdn Bhd;
- (g) 94.94% equity interest of KLCity Unit Trust Berhad;
- (h) 100% equity interest of Kuala Lumpur City Nominees (Tempatan) Sdn Bhd; and
- (i) 100% equity interest of Kuala Lumpur City Nominees (Asing) Sdn Bhd.

(iii) Capital reduction in Alliance International Berhad ("AIB")

On 4 January 2005, AIB a wholly-owned subsidiary of the Bank completed its capital reduction exercise whereby the issued and paid-up share capital of AIB was reduced from RM145,258,000 comprising 145,258,000 ordinary shares of RM1.00 each to RM1,000 comprising 1,000 ordinary shares of RM1.00 each.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors,

LUTFIAH BINTI ISMAIL

Director

NG SOON LAI @ NG SIEK CHUAN

Director

Kuala Lumpur, Malaysia
20 June 2005

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, **LUTFIAH BINTI ISMAIL** and **NG SOON LAI @ NG SIEK CHUAN**, being two of the Directors of **ALLIANCE BANK MALAYSIA BERHAD**, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 61 to 126 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965 and Bank Negara Malaysia Guidelines, so as to give a true and fair view of:

- (i) the financial position of the Bank and of the Group as at 31 March 2005 and of the results of the Bank and of the Group for the year ended on that date; and
- (ii) the cash flows of the Bank and of the Group for the year ended 31 March 2005.

Signed on behalf of the Board in accordance with a resolution of the Directors,

LUTFIAH BINTI ISMAIL

Director

NG SOON LAI @ NG SIEK CHUAN

Director

Kuala Lumpur, Malaysia

20 June 2005

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

I, **CHONG YOU PENG @ GEORGE**, being the officer primarily responsible for the financial management of **ALLIANCE BANK MALAYSIA BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 61 to 126 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **CHONG YOU PENG @ GEORGE** at Kuala Lumpur in the Federal Territory on 20 June 2005

CHONG YOU PENG @ GEORGE

Before me,

T.THANDONEE RAJAGOPAL No. W228

Commissioner for Oath

Kuala Lumpur, Malaysia

REPORT OF THE AUDITORS TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD

We have audited the financial statements set out on pages 61 to 126. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit on the 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 Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia and Bank Negara Malaysia Guidelines so as to give a true and fair view of:
 - (i) the financial position of the Bank and of the Group as at 31 March 2005 and of the results and the cash flows of the Bank and of the Group for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by its subsidiaries of which we have acted as the auditors 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 financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The Auditors' Reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174 (3) of the Companies Act, 1965.

ERNST & YOUNG AF: 0039

Chartered Accountants

CHOONG MEI LING No.1918/09/06 (J)

Partner

Kuala Lumpur, Malaysia

20 June 2005

BALANCE SHEETS AS AT 31 MARCH 2005

	Note	BANK		GROUP	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
ASSETS					
Cash and short-term funds	3	1,969,672	1,843,410	2,180,562	2,249,598
Deposits and placements with financial institutions	4	414,466	441,466	554,446	580,273
Dealing securities	5	640,810	403,271	749,205	524,298
Investment securities	6	2,901,235	2,976,114	3,605,003	3,971,189
Loans, advances and financing	7	13,964,342	12,424,144	14,644,047	14,556,484
Balances due from clients and brokers	8	–	–	430,517	–
Other assets	9	207,945	245,762	235,790	281,353
Goodwill	10	198,949	211,581	322,969	258,910
Statutory deposits with Bank Negara Malaysia	11	565,810	545,540	609,420	621,445
Investment in subsidiaries	12	492,031	740,752	–	–
Investment in an associate	13	230	230	490	480
Property, plant and equipment	14	145,913	154,135	167,232	165,686
Deferred tax assets	15	49,244	40,704	52,315	52,376
TOTAL ASSETS		21,550,647	20,027,109	23,551,996	23,262,092
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	16	15,521,306	14,539,148	16,940,395	17,073,060
Deposits and placements of banks and other financial institutions	17	674,605	473,366	762,268	763,652
Obligations on securities sold under repurchase agreements		1,212,130	1,213,124	1,222,832	1,224,126
Recourse obligations on loans sold to Cagamas	18	534,893	308,615	534,893	623,561
Bills and acceptances payable		584,199	670,942	584,199	671,164
Balances due to clients and brokers	19	–	–	278,821	–
Other liabilities	20	639,530	574,465	783,784	623,299
7.75% Subordinated Bonds	21	510,434	506,487	510,434	506,487
Provision for taxation		–	–	1,348	2,561
Deferred tax liabilities	15	–	–	132	116
TOTAL LIABILITIES		19,677,097	18,286,147	21,619,106	21,488,026
SHARE CAPITAL	22	596,517	596,517	596,517	596,517
RESERVES	23	1,277,033	1,144,445	1,332,850	1,174,761
SHAREHOLDERS' FUNDS		1,873,550	1,740,962	1,929,367	1,771,278
MINORITY INTERESTS		–	–	3,523	2,788
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		21,550,647	20,027,109	23,551,996	23,262,092
COMMITMENTS AND CONTINGENCIES	35	6,661,441	6,501,141	6,826,899	6,679,059

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

INCOME STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

	Note	BANK		GROUP	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Operating Revenue	24	1,268,110	1,147,732	1,443,294	1,409,219
Interest income	25	998,323	884,357	1,123,532	1,104,483
Interest expense	26	(479,702)	(438,195)	(539,591)	(546,648)
Net interest income		518,621	446,162	583,941	557,835
Net income from Islamic banking business	45(k)	46,187	25,478	51,995	32,840
Non-interest income	27	564,808	471,640	635,936	590,675
		179,170	157,898	223,767	157,199
Net income		743,978	629,538	859,703	747,874
Overheads	28	(290,580)	(252,961)	(351,082)	(309,503)
Share of profit in an associate		-	-	10	17
Operating profit		453,398	376,577	508,631	438,388
Allowance for losses on loans and financing	29	(190,971)	(133,732)	(212,437)	(160,761)
Profit before taxation		262,427	242,845	296,194	277,627
Taxation	32	(75,036)	(64,956)	(82,823)	(73,035)
Profit after taxation		187,391	177,889	213,371	204,592
Minority interests		-	-	(479)	(298)
Profit after taxation and minority interests		187,391	177,889	212,892	204,294
EARNINGS PER SHARE (SEN)	33	31	30	36	34
NET DIVIDENDS PER ORDINARY SHARE IN RESPECT OF THE YEAR (SEN)	34	9.18	6.26	9.18	6.26

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2005

		Non-distributable reserves			Distributable reserves		
	Note	Ordinary shares RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	Retained profit RM'000	Total RM'000
BANK							
At 1 April 2003		596,517	201,517	338,865	17	463,523	1,600,439
Dividends paid	34	-	-	-	-	(37,366)	(37,366)
Net profit for the year		-	-	-	-	177,889	177,889
Transfer to statutory reserves		-	-	44,472	-	(44,472)	-
At 31 March 2004		596,517	201,517	383,337	17	559,574	1,740,962
Dividends paid	34	-	-	-	-	(54,803)	(54,803)
Net profit for the year		-	-	-	-	187,391	187,391
Transfer to statutory reserves		-	-	46,848	-	(46,848)	-
AT 31 MARCH 2005		596,517	201,517	430,185	17	645,314	1,873,550
GROUP							
At 1 April 2003		596,517	201,517	339,883	10,035	456,398	1,604,350
Dividend paid	34	-	-	-	-	(37,366)	(37,366)
Profit for the year		-	-	-	-	204,294	204,294
Transfer to statutory reserve		-	-	75,288	-	(75,288)	-
At 31 March 2004		596,517	201,517	415,171	10,035	548,038	1,771,278
Dividend paid	34	-	-	-	-	(54,803)	(54,803)
Profit for the year		-	-	-	-	212,892	212,892
Transfer to statutory reserve		-	-	66,224	-	(66,224)	-
AT 31 MARCH 2005		596,517	201,517	481,395	10,035	639,903	1,929,367

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and minority interests	262,427	242,845	296,194	277,627
Adjustments for:				
Accretion of discount less amortisation of premium of investment securities	(40,914)	(63,489)	(38,974)	(63,768)
Depreciation of property, plant and equipment	29,029	23,923	33,141	27,462
Dividends from investment securities	(1,008)	(613)	(1,272)	(2,507)
Dividends from subsidiaries	(28,410)	(48,051)	-	-
Gain from investment in Staple Bonds	(1,789)	(1,749)	(1,789)	(1,749)
Gain on disposal of property, plant and equipment	(1,666)	(994)	(1,769)	(4,611)
Gain on sale of investment securities	(11,429)	(11,313)	(11,574)	(11,144)
Gain on sale of dealing securities	(14,215)	(5,115)	(23,455)	(16,750)
Interest expense on subordinated bonds	41,462	41,462	41,462	41,462
Interest income from investment securities	(66,304)	(33,197)	(91,246)	(59,804)
Allowance for bad and doubtful debts (net of recoveries)	218,012	149,728	241,619	177,616
Interest/income suspended (net of recoveries)	53,154	72,223	69,494	105,150
Provision for diminution in value of investment securities	7,481	10,126	4,885	11,626
Amortisation/write-off/(write-back) of goodwill	5,942	11,274	(1,058)	14,173
Amortisation of subordinated bond issue expenses and discount	3,947	3,947	3,947	3,947
Profit Equalisation Reserve	4,586	3,098	5,285	3,098
Provision for amount recoverable from Danaharta	-	-	-	3,258
Loss from partial disposal of a subsidiary	-	-	-	90
Investment in subsidiaries	-	(645)	-	-
Share of profit in an associate	-	-	(10)	(17)
Operating profit before working capital changes	460,305	393,460	524,880	505,159
Changes in working capital:				
Deposits from customers	39,635	2,100,518	(132,665)	1,854,653
Deposits and placements of banks and other financial institutions	28,752	88,858	(1,384)	11,194
Obligations on securities sold under repurchase agreements	(994)	501,154	(1,294)	495,146
Bills and acceptances payable	(86,743)	132,445	(86,965)	129,183
Other liabilities	41,262	106,354	5,741	120,558
Dealing securities	(223,323)	(318,759)	(201,452)	(195,293)
Loans, advances and financing	(424,681)	(1,733,267)	(416,798)	(1,589,704)
Other assets	5,241	(113,721)	61,374	(107,281)
Balances due from clients and brokers	-	-	(23,660)	-
Amount due from subsidiaries	1,448	6,913	-	-
Statutory deposits with Bank Negara Malaysia	16,330	(146,240)	12,025	(126,715)
Recourse obligations on loans sold to Cagamas	(68,797)	149,486	(88,668)	353,071
Cash (used in)/generated from operations	(211,565)	1,167,201	(348,866)	1,449,971
Taxes paid	(25,233)	(23,236)	(37,244)	(25,641)
Net cash (used in)/generated from operating activities	(236,798)	1,143,965	(386,110)	1,424,330

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash and cash equivalent vested over	202,422	-	-	-
Acquisition of subsidiaries net of cash acquired	-	-	(118,833)	-
Dividends from investment securities	808	517	1,072	2,411
Dividends from subsidiaries	20,455	34,597	-	-
Interest income from investment securities	66,304	33,197	91,246	59,804
Purchase of property, plant and equipment	(27,460)	(41,467)	(29,636)	(42,658)
Proceeds from sale of indirect subsidiary	-	-	-	750
Purchase of investment securities, net of sale proceeds	159,648	(131,159)	433,077	(365,128)
Proceeds from disposal of property, plant and equipment	10,148	3,595	10,586	18,838
Net cash generated from/(used in) investing activities	432,325	(100,720)	387,512	(325,983)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest on subordinated bonds	(41,462)	(41,462)	(41,462)	(41,462)
Dividends paid to shareholder of the Bank	(54,803)	(37,366)	(54,803)	(37,366)
Dividends paid to minority interests	-	-	-	(173)
Recoveries from loans sold to Danaharta	-	-	-	1,874
Net cash used in financing activities	(96,265)	(78,828)	(96,265)	(77,127)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS				
	99,262	964,417	(94,863)	1,021,220
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
	2,284,876	1,320,459	2,829,871	1,808,651
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	2,384,138	2,284,876	2,735,008	2,829,871
Cash and cash equivalents comprise the following:				
Cash and short-term funds	1,969,672	1,843,410	2,180,562	2,249,598
Deposits and placements with financial institutions	414,466	441,466	554,446	580,273
	2,384,138	2,284,876	2,735,008	2,829,871

As disclosed in Note 43 to the financial statements, the following transactions were completed during the financial year:

- (i) The assets and liabilities of Alliance Finance Berhad ("AFB") were transferred to the Bank as a result of the merger, pursuant to a vesting order obtained on 21 November 2000.
- (ii) Alliance Merchant Bank Berhad, a wholly-owned subsidiary of the Bank completed the acquisition of Kuala Lumpur City Securities Sdn Bhd and its related companies on 31 December 2004.

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (cont'd)

The fair value of the assets acquired and liabilities assumed from the vesting over of AFB and the acquisition of the subsidiaries are as follows:

	(i) BANK Business vested RM'000	(ii) GROUP Subsidiaries acquired RM'000
Cash and banks balances	194,422	57,695
Deposits and placements with financial institutions	8,000	-
Investment securities	19,996	1,319
Loans and advances	1,404,805	-
Balances due from clients and brokers	-	320,211
Other assets	16,228	63,524
Deferred tax assets	6,665	-
Investment in subsidiary company	10	-
Statutory deposits with Bank Negara Malaysia	36,600	-
Property, plant and equipment	1,829	13,868
Deposits from customers	(942,523)	-
Deposits and placements of banks and other financial institutions	(172,487)	-
Recourse obligation on loans sold to Cagamas Berhad	(295,075)	-
Provision for taxation	(3,840)	-
Balances due to clients and brokers	-	(192,175)
Other liabilities	(19,219)	(55,330)
Deferred tax liabilities	-	(1,202)
Minority interest	-	(256)
Total net assets vested/acquired	255,411	207,654
Reserve arising from net assets vested / goodwill arising on consolidation	(6,690)	63,000
Cost of investment/acquisition	248,721	270,654
Purchase consideration to be satisfied by:		
Cash payable		
- Upon acquisition	-	176,528
- Pursuant to the terms in Note 20(ii) to the financial statements	-	94,126
Amount due to AFB	248,721	-
Total cost of acquisition	248,721	270,654
Cash flow arising from business vested / subsidiaries acquired:		
Purchase consideration satisfied by cash	-	176,528
Less: Cash and cash equivalents vested over / acquired	(202,422)	(57,695)
Net cash vested over / net cash outflow of the Group	(202,422)	118,833

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

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in the banking business, including Islamic banking business and the provision of related financial services. The principal activities of the subsidiaries are merchant banking including Islamic banking and the provision of related financial services, provision of stockbroking service, nominees services, fund management and investment advisory services. There have been no significant changes in the nature of these activities during the financial year, other than those arising from the acquisition of the subsidiaries referred to in Note 43 to the financial statements.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office is located at 29th Floor, Menara Multi-Purpose, Capital Square, 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

The financial statements herein are expressed in Ringgit Malaysia.

The numbers of employees in the Bank and in the Group as at the end of the financial year were 3,163 (2004: 2,896) and 3,727 (2004: 3,351) respectively.

The financial statements were authorised for issue on 20 June 2005 by the Board of Directors.

2 SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Preparation**

The financial statements have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies, and are in compliance with the provisions of the Companies Act, 1965, applicable MASB Approved Accounting Standards and Bank Negara Malaysia Guidelines.

The financial statements incorporate all activities relating to the Islamic banking business which have been undertaken by the Bank and a subsidiary company. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

(b) Basis of Consolidation**(i) Subsidiaries**

The consolidated financial statements for the year ended 31 March 2005 include the financial statements of the Bank and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

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

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

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

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of Consolidation (cont'd)

(ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless costs cannot be recovered.

(c) Goodwill

Goodwill on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Purchased goodwill represents the difference between the cost of acquisition and the fair value of the business acquired at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the respective carrying amounts of these investments.

Goodwill is amortised on a straight-line basis over 20 years, estimated by the Directors to be the useful economical life.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary and associate at the date of acquisition over the cost of acquisition.

Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

To the extent that negative goodwill relates to expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which are not identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

(d) Allowance for Bad and Doubtful Debts and Financing

Specific allowance are made for doubtful debts and financing which have been individually reviewed and specifically identified as bad or doubtful, upon considering the estimated realisable value of the underlying collateral. In line with the practice encouraged in the industry, no value is assigned to properties, which are charged as collateral for loans and advances which have been non-performing for a certain number of years.

A general allowance based on a percentage of total outstanding loans (including unearned interest), net of interest/income-in-suspense and specific allowance for bad and doubtful debts, is maintained by the Bank and the Group against risks which are not specifically identified.

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

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(e) Provisions for Liabilities**

Provisions for liabilities are recognised when the Bank and the Group have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions for restructuring costs are recognised when the Bank and the Group have a detailed formal plan for the restructuring which has been notified to the affected parties.

(f) Amounts Recoverable from Danaharta

This relates to the loans sold to Danaharta where the total consideration is received in two portions; upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the Bank and the Group's predetermined share of the surplus over the initial consideration upon recovery of the loans.

The difference between the carrying value of the loans and the initial consideration is recognised as 'Amounts recoverable from Danaharta' within the 'Other Assets' component of the balance sheet. Provisions against these amounts are made to reflect the Directors' assessment of the realisable value of the final consideration as at the balance sheet date.

(g) Repurchase Agreements

Securities purchased under resale agreements are securities which the Bank and the Group have 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 and the Group have sold from their 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.

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

(i) Investment Securities

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirement pursuant to Section 38 of the Banking and Financial Institutions Act, 1989, and are usually held to maturity.

Malaysian Government Securities, Malaysian Government Investment Certificates, Cagamas Bonds, other Government securities and bank or government guaranteed Private Debt Securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount, where applicable, to maturity dates. Other non-guaranteed private debt securities are stated at the lower of cost adjusted for amortisation of premium or accretion of discount to maturity date and market value determined on a portfolio basis.

Bankers' acceptances are stated at face value less unearned discount. Other investment securities are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). Debt converted securities are stated at the lower of purchase cost and market value determined on an individual basis.

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

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Investments in Subsidiaries and Associates

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

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

(k) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost which comprises their purchase cost and any incidental cost of acquisition, less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

Freehold land are stated at cost and not depreciated.

Leasehold land is stated at cost and amortised over the periods of the leases ranging from 50 to 99 years. Depreciation of other property, plant and equipment is calculated so as to write off the cost of the assets on a straight line basis over their expected useful lives at the following annual rates:

Buildings on freehold and leasehold land	2%
Renovations	20%
Office equipment and furniture	10%
Computer equipment and software	20%
Motor vehicles	20%

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

(l) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than financial instruments to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(m) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Financial leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(m) Leases (cont'd)****(i) Financial leases (cont'd)**

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(k).

(ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(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 the balance sheet date, applicable to their respective dates of maturity, and unrealised losses and gains are recognised in the income statement in the period in which they arise.

(p) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The accounting policies for financial instruments recognised on the balance sheet are disclosed in the individual policy statements associated with each item.

(i) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

When issued shares of the Bank are repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Financial Instruments (cont'd)

(ii) 7.75% Subordinated Bonds

The interest-bearing subordinated bonds are recognised as liability and are recorded at face value less discounts and issue expenses. Discount and issue expenses are amortised on a straight line basis over the tenure of the bonds.

(iii) Other Assets

Other receivables are carried at anticipated realisable values. Bad debts are written-off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Liabilities

Deposits from customers, deposits and placements of banks and other financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Balances due from clients and brokers

In accordance with the Rules of Bursa Malaysia Securities Berhad, clients' accounts are classified as non-performing (doubtful or bad) under the following circumstances:

Types	Criteria for classification as non-performing	
	Doubtful	Bad
Contra losses	When account remains outstanding for 16 to 30 calendar days from the date of contra transaction.	When the account remains outstanding for more than 30 calendar days from the date of contra transaction.
Overdue purchase contracts	When the account remains outstanding from T+5 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.
Margin accounts	-	When the closing market value of the counter(s) so financed has fallen below 130% of the outstanding balance.

Bad debts are written off when identified. Specific provisions are made for balances due from clients and brokers which are considered doubtful or which have been classified as non-performing, net of interest-in-suspense and after taking into consideration collateral held by the Group and deposits of and amounts due to dealer's representative in accordance with the Rules of Bursa Malaysia Securities Berhad. General provision is made based on a certain percentage of balances due from clients and brokers (excluding outstanding purchase contracts which are not due for payment) net of interest-in-suspense and specific provisions already made.

Interest is suspended and credited to the interest-in-suspense account when account is classified as non-performing.

(q) Recognition of Interest Income

Interest income is recognised on an accrual basis. Interest income on housing and term loans is recognised by reference to rest periods which are either monthly or yearly. Interest income on hire purchase, block discounting and leasing business is recognised on the 'Rule of 78' method.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for more than six months for loans and overdrafts, and 3 months after maturity date for trade bills, bankers' acceptances and trust receipts. The policy on suspension of interest is in conformity with Bank Negara Malaysia's (BNM) Guidelines on the suspension of interest on non-performing loans and provision for bad and doubtful debts, BNM/GP3 (Revised).

Income from the Islamic Banking Scheme business is recognised on the accrual basis in compliance with BNM guidelines.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)
(r) Recognition of Fees and Other Income

Loan arrangement fees and commissions, management and participation fees and underwriting commissions are recognised upfront as income when all conditions precedent are fulfilled.

Commitment fees, guarantee fees, portfolio management fees and corporate advisory fees which are material are recognised as income based on time apportionment.

Dividends from dealing and investment securities and investments in subsidiary and associated companies are recognised when the right to receive payment is established.

Handling fee paid to hire purchase dealers for hire purchase loans are expensed off to income statement in the year in which they are incurred, in compliance with Bank Negara Malaysia's Circular dated 8 August 2003.

Brokerage is charged to the clients and is recognised on the day when the contracts are executed.

(s) Interest Rate Swaps, Futures, Forward and Option Contracts

The Bank acts as an intermediary with counterparties who wish to swap their interest obligations. The Bank also uses interest rate swaps, futures, forward and option contracts in its trading account activities and its overall interest rate risk management.

Interest income and interest expense associated with interest rate swaps that qualify as hedges are recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rate futures, forward and option contracts that qualify as hedges are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expenses.

Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the period in which they arise using the mark-to-market method, and are included in net results from dealing securities.

(t) Foreign Currency Translations

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

All exchange rate differences are taken to the income statement.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follow:

Foreign currency	2005	2004
1 US Dollar	RM3.800	RM3.800
1 Euro Dollar	RM4.925	RM4.651
1 Sterling Pound	RM7.143	RM6.977
1 Japanese Yen	RM0.035	RM0.037
1 Australian Dollar	RM2.939	RM2.888
1 Singaporean Dollar	RM2.303	RM2.267
1 Hong Kong Dollar	RM0.487	RM0.487

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognized in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(v) Foreclosed Properties

Foreclosed properties are stated at cost less impairment losses, if any, of such properties. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

(w) Cash and Cash Equivalents

Cash and cash equivalents as stated in the cash flow statements comprise cash and short-term funds and deposits and placements with financial institutions that are readily convertible into cash with insignificant risk of changes in value.

(x) Profit Equalisation Reserve (PER)

PER refers to the amount appropriated out of the total Islamic Banking gross income in order to maintain a certain level of return to depositors in conformity with BNM's "The Framework of the Rate of Return". PER is deducted from the total Islamic Banking gross income in deriving the net distributable gross income. This amount appropriated is shared by the depositors and the Bank.

(y) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred.

3 CASH AND SHORT-TERM FUNDS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and balances with banks and other financial institutions	343,572	322,759	376,831	319,243
Money at call and deposit placements maturing within one month	1,626,100	1,520,651	1,803,731	1,930,355
	1,969,672	1,843,410	2,180,562	2,249,598

4 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	20,000	10,000	109,966	27,623
Licensed finance companies	30,000	-	30,000	16,000
Other financial institutions	364,466	431,466	414,480	536,650
	414,466	441,466	554,446	580,273

5 DEALING SECURITIES

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Money Market Instruments:				
Bankers acceptances	635,641	399,638	635,641	399,638
Quoted securities	-	2,162	1,975	4,137
Unquoted private debt securities	5,169	-	111,589	119,052
	5,169	2,162	113,564	123,189
	640,810	401,800	749,205	522,827
Accretion of discounts less amortisation of premium	-	1,471	-	1,471
Total Dealing Securities	640,810	403,271	749,205	524,298
Market value of money market instruments and quoted securities:				
Bankers acceptances	635,598	401,109	635,598	401,109
Quoted securities	-	3,140	2,506	7,204

6 INVESTMENT SECURITIES

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Money Market Instruments:				
Malaysian Government securities	317,494	317,661	357,377	330,661
Malaysian Government investment certificates	75,912	26,478	75,912	26,478
Cagamas bonds	672,529	356,937	677,401	371,846
Malaysian Government treasury bills	-	260,837	82,969	305,276
Bank Negara Malaysia bills	-	83,940	34,840	288,388
Bankers' acceptances and Islamic accepted bills	821,863	860,095	856,531	881,300
Negotiable instruments of deposits	38,000	155,000	178,000	556,795
Danaharta bonds	-	22,938	-	31,138
Khazanah bonds	245,860	223,599	245,860	223,599
	2,171,658	2,307,485	2,508,890	3,015,481
Quoted securities:				
Shares	53,510	49,080	53,510	52,681
Derivative instruments	322	340	322	662
Private debt securities	16,668	-	88,568	82,758
Unquoted securities:				
Shares	16,948	15,670	21,813	21,025
Warrants	-	-	-	17
Private debt securities	736,002	657,860	1,088,710	921,144
	2,995,108	3,030,435	3,761,813	4,093,768
Accretion of discounts less amortisation of premium	21,189	21,920	23,536	22,154
	3,016,297	3,052,355	3,785,349	4,115,922
Provision for diminution in value of investment securities:				
Quoted shares	(44,420)	(33,516)	(44,420)	(36,518)
Unquoted shares	-	-	(1,829)	(1,492)
Quoted derivative instruments	(322)	(250)	(322)	(572)
Quoted private debt securities	(816)	-	(48,525)	(45,586)
Unquoted private debt securities	(69,504)	(42,475)	(85,250)	(60,565)
	(115,062)	(76,241)	(180,346)	(144,733)
Total Investment Securities	2,901,235	2,976,114	3,605,003	3,971,189

6 INVESTMENT SECURITIES (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
i) Market value of money market instruments and quoted securities:				
Malaysian Government securities	315,905	322,402	356,763	335,775
Malaysian Government investment certificates	77,806	27,286	77,806	27,286
Cagamas bonds	674,064	360,708	679,080	375,628
Malaysian Government treasury bills	–	265,584	84,308	310,023
Bank Negara Malaysia bills	–	84,632	34,874	289,101
Bankers' acceptances and Islamic accepted bills	826,277	864,059	861,075	885,263
Negotiable instruments of deposits	37,997	155,959	177,997	557,754
Danaharta bonds	–	26,933	–	35,077
Khazanah bonds	255,765	226,219	255,765	226,219
Quoted shares	13,082	19,221	13,082	21,297
Quoted derivative instruments	13	37	13	144
Quoted private debt securities	17,038	–	57,631	62,604
ii) The maturity structure of money market instruments held for investment is as follows:				
Maturing within one year	1,291,789	1,536,937	1,584,171	2,237,024
One year to three years	693,594	634,628	693,594	634,628
Three years to five years	178,902	135,920	223,752	143,829
Over five years	7,373	–	7,373	–
	2,171,658	2,307,485	2,508,890	3,015,481

7 LOANS, ADVANCES AND FINANCING

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Overdrafts	2,462,102	2,724,907	2,461,111	2,723,823
Term loans				
- fixed rate	994,209	550,841	995,197	631,188
- floating rate	7,542,007	7,453,222	8,229,005	8,839,883
Bills receivable	401,126	425,464	401,126	425,464
Trust receipts	154,044	159,012	154,044	159,012
Claims on customers under acceptance credits	1,092,345	973,644	1,097,537	976,861
Staff loans [include loan to a Director of RM141,320 (2004: RM262,831)]	95,680	97,820	105,586	113,562
Credit/charge card receivable	208,244	160,615	208,244	160,615
Hire purchase	1,221,613	30,766	1,221,613	1,139,896
Other loans	922,505	863,151	967,711	922,006
	15,093,875	13,439,442	15,841,174	16,092,310
Unearned interest	(401,793)	(175,654)	(401,802)	(351,966)
Gross loans, advances and financing	14,692,082	13,263,788	15,439,372	15,740,344
Allowance for bad and doubtful debts				
- Specific	(344,936)	(417,700)	(384,462)	(623,291)
- General	(214,508)	(189,595)	(224,874)	(224,997)
- Interest/income-in-suspense	(168,296)	(232,349)	(185,989)	(335,572)
	(727,740)	(839,644)	(795,325)	(1,183,860)
Total net loans, advances and financing	13,964,342	12,424,144	14,644,047	14,556,484
i) The maturity structure of loans, advances and financing is as follows:				
Maturing within one year	6,093,436	5,131,138	6,676,410	6,208,256
One year to three years	1,110,080	668,077	1,241,034	1,035,318
Three years to five years	1,635,860	977,920	1,635,860	1,471,058
Over five years	5,852,706	6,486,653	5,886,068	7,025,712
	14,692,082	13,263,788	15,439,372	15,740,344

7 LOANS, ADVANCES AND FINANCING (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
ii) The analysis of loans, advances and financing by economic sectors is as follows:				
Agriculture	778,656	753,805	801,851	810,636
Mining and quarrying	15,042	36,362	19,408	41,065
Manufacturing	2,005,904	2,018,039	2,178,996	2,270,233
Electricity, gas and water	12,569	7,236	74,559	94,643
Construction	923,763	832,016	1,064,481	1,138,068
Real estate	1,331,275	1,100,592	1,359,814	1,316,521
Purchase of landed property	4,780,023	4,522,396	4,788,440	4,686,559
<i>(of which: Residential</i>	3,762,303	3,490,199	3,770,720	3,570,680
<i>Non-residential)</i>	1,017,720	1,032,197	1,017,720	1,115,879
General commerce	1,763,695	1,611,545	1,844,252	1,770,482
Transport, storage and communication	318,957	307,444	357,509	365,017
Finance, insurance and business services	475,929	477,967	523,655	614,649
Purchase of securities	526,239	741,198	579,392	931,401
Purchase of transport vehicles	778,672	18,846	780,161	744,579
Consumption credit	682,766	681,723	682,766	690,581
Others	298,592	154,619	384,088	265,910
	14,692,082	13,263,788	15,439,372	15,740,344

(iii) Movements in the allowance for bad and doubtful debts and interest/income-in-suspense are as follows:

General Allowance

At beginning of year	189,595	165,749	224,997	204,161
Amount vested over from Alliance Finance Berhad	24,302	-	-	-
Allowance made during the year	30,795	35,483	31,471	36,614
Amount written back	(30,184)	(11,637)	(31,594)	(15,778)
At end of year	214,508	189,595	224,874	224,997

(as % of total loans less specific allowance and interest/income-in-suspense)

1.5% 1.5% 1.5% 1.5%

Specific Allowance

At beginning of year	417,700	400,075	623,291	625,387
Amount vested over from Alliance Finance Berhad	81,970	-	-	-
Allowance made during the year	286,289	165,987	318,653	218,167
Amount written back in respect of recoveries	(68,888)	(40,105)	(76,911)	(61,387)
Amount transferred to provision for diminution in value of investment securities	(12,815)	(2,230)	(12,815)	(22,291)
Amount written off	(359,320)	(106,027)	(467,756)	(136,585)
At end of year	344,936	417,700	384,462	623,291

7 LOANS, ADVANCES AND FINANCING (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest/income-in-suspense				
At beginning of year	232,349	322,756	335,572	459,382
Amount vested over from Alliance Finance Berhad	60,970	-	-	-
Interest/income suspended during the year	125,996	147,701	151,133	199,238
Amount written back in respect of recoveries	(72,842)	(75,478)	(81,639)	(94,088)
Amount transferred to provision for diminution in value of investment securities	(14,162)	(737)	(14,162)	(10,389)
Amount written off	(164,015)	(161,893)	(204,915)	(218,571)
At end of year	168,296	232,349	185,989	335,572
(iv) Movements in non-performing loans:				
At beginning of year	1,754,846	1,806,834	2,389,990	2,538,733
Amount vested over from Alliance Finance Berhad	362,002	-	-	-
Non-performing during the year (gross)	747,377	981,700	811,454	1,129,648
Loans converted to investment securities	(26,977)	(2,967)	(26,977)	(44,653)
Recoveries	(359,057)	(476,277)	(384,782)	(540,759)
Reclassified as performing during the year	(341,701)	(286,047)	(353,976)	(337,627)
Amount written off	(523,362)	(268,397)	(672,608)	(355,352)
At end of year	1,613,128	1,754,846	1,763,101	2,389,990
(as % of total loans less specific allowance and interest/income-in-suspense)	7.8%	8.8%	8.0%	9.7%

8 BALANCES DUE FROM CLIENTS AND BROKERS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due from clients	-	-	328,935	-
Due from brokers	-	-	128,571	-
	-	-	457,506	-
Less:				
Interest-in-suspense	-	-	(12,747)	-
Allowance for bad and doubtful debts	-	-	(14,242)	-
	-	-	430,517	-

These represent amount receivable from margin clients and non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Central Depository System has yet to be made, and amount receivable from provision of corporate financial services.

The Group's normal trade credit terms for non-margin clients is 3 market days in accordance with Bursa Malaysia Securities Berhad Fixed Delivery and Settlement System ("FDSS") trading rules. The credit terms of other receivables of the Group are assessed and approved on a case-by-case basis.

8 BALANCES DUE FROM CLIENTS AND BROKERS (cont'd)

Included in the balances due from clients and brokers are non-performing accounts with gross balances (including interest suspended) as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Classified as doubtful	426	-
Classified as bad	26,847	-
	27,273	-
The movements in interest-in-suspense are as follows:		
Amount vested over from subsidiaries acquired	12,744	-
Interest suspended during the year	350	-
Reversal of interest suspended	(41)	-
Bad debts written off against interest suspended	(306)	-
At end of year	12,747	-
The movements in allowance for bad and doubtful debts are as follows:		
Amount vested over from subsidiaries acquired	14,087	-
Allowance made during the year	873	-
Reversal of allowance	(615)	-
Bad debts written off against allowance	(103)	-
At end of year	14,242	-

9 OTHER ASSETS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other debtors, deposits and prepayments (Note (a))	159,478	174,992	198,080	214,018
Interest/income receivable	23,282	18,240	23,291	19,277
Manager's stocks (Note (b))	-	-	1,074	-
Amount due from subsidiary companies	574	2,022	-	-
Tax recoverable	14,145	46,223	18,120	56,979
Foreclosed properties	10,466	4,285	10,466	11,417
Amount recoverable from Danaharta (Note (c))	-	-	-	-
	207,945	245,762	251,031	301,691
Allowance for bad and doubtful debts	-	-	(15,241)	(20,338)
	207,945	245,762	235,790	281,353

(a) Included in other debtors, deposits and prepayments is an amount of RM71,800,025 (2004: RM88,054,712) being the principal balance of housing loans and hire purchase loans acquired by the Bank from a state owned entity and which have been sold to Cagamas Berhad, with recourse obligations.

9 OTHER ASSETS (cont'd)

- (b) The manager's stocks represent units held by the Group in the trust funds it managed and are stated at the lower of cost and market value. Cost is determined using the weighted average method of valuation. Market value of unit trust is determined by the Group as manager of the trust funds based on the underlying value of the trust funds.

	GROUP 2005 RM'000
Manager's stock, at cost	1,242
Market value	1,074

The Group have no significant concentration of credit risk that may arise from the exposure to a single debtor or group of debtors.

- (c) Amount recoverable

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At beginning of year	-	-	-	5,132
Provision made during the year	-	-	-	(3,258)
Amount recovered	-	-	-	(1,874)
At end of year	-	-	-	-

10 GOODWILL

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Goodwill on consolidation / purchased goodwill (net of negative goodwill on consolidation)				
At cost:				
At beginning of year	252,129	264,197	310,185	321,599
Arising from the acquisition of subsidiaries	-	-	63,000	-
Reserve arising from net assets vested over from a subsidiary	(6,690)	-	-	-
Net reversal of provisionally accrued goodwill upon final settlement	-	(12,068)	-	(11,414)
At end of year	245,439	252,129	373,185	310,185
Accumulated amortisation:				
At beginning of year	(40,548)	(29,274)	(51,275)	(37,102)
Amortisation during the year	(12,632)	(11,274)	(16,790)	(14,173)
Reserve/negative goodwill recognised in income statement	6,690	-	17,849	-
	(46,490)	(40,548)	(50,216)	(51,275)
At end of year	198,949	211,581	322,969	258,910

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

12 INVESTMENT IN SUBSIDIARIES

	BANK	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	742,937	888,194
Amounts due to subsidiaries	(250,906)	(147,442)
	492,031	740,752

On 1 August 2004, all assets and business undertakings of Alliance Finance Berhad (AFB) were transferred to the Bank, pursuant to a vesting order obtained on 21 November 2000 from the High Court, pursuant to Section 50 of the Banking and Financial Institutions Act, 1989. During the year, Alliance International Berhad (AIB) completed its capital reduction exercise as disclosed in Note 43 to the financial statements. The Directors are of the opinion that the presentation of the above account shows fairly the Bank's net investment in subsidiaries.

The Bank's subsidiaries, all of which are incorporated in Malaysia, are:

Name	Principal activities	Effective equity interest	
		2005 %	2004 %
AllianceGroup Advance Berhad	Dormant	100	100
AllianceGroup Nominees (Asing) Sdn Bhd	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
AllianceGroup Properties Sdn Bhd	Real property investment	100	100
Alliance Unit Trust Management Berhad	Management of unit trusts funds	70	70
Alliance Finance Berhad	Under members' voluntary liquidation	100	100
Alliance International Berhad	Dormant	100	100
Alliance Merchant Bank Berhad	Merchant banking	100	100
SBB Services Sdn Bhd	Liquidated	-	100
Alliance International Nominees (Tempatan) Sdn Bhd	Dormant	100	100
Alliance International Nominees (Asing) Sdn Bhd	Dormant	100	100
AFB Nominees (Tempatan) Sdn Bhd	Dormant	100	100
Subsidiaries of Alliance Merchant Bank Berhad			
Alliance Merchant Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
Alliance Merchant Nominees (Asing) Sdn Bhd	Nominee services	100	100
Alliance Merchant Unit Trust Berhad	Dormant	100	100
Alliance Merchant Securities Holdings Sdn Bhd	Dormant	100	100
Alliance Capital Asset Management Sdn Bhd	Fund management and investment advisory services	70	70
Asean Financial Services Sdn Bhd	Dormant	100	100
Rothputra Venture Management Sdn Bhd	Dormant	100	100
Rothputra Ventures Berhad	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
Rothputra Nominees (Asing) Sdn Bhd	Nominee services	100	100
Kuala Lumpur City Securities Sdn Bhd ("KLCS")	Stock broking	100	-

12 INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Principal activities	Effective equity interest	
		2005 %	2004 %
KLCity Research Sdn Bhd	Investment advisory	100	-
KLCity Ventures Sdn Bhd	Dormant	100	-
Alliance Asset Management (L) Limited (formerly known as KLCity Asset Management (L) Limited)	Dormant	100	-
KLCS Futures Sdn Bhd	Futures broking	100	-
KLCS Asset Management Sdn Bhd	Fund management and investment advisory services	100	-
KL City Unit Trust Bhd	Management of unit trusts funds	94.94	-
Kuala Lumpur City Nominees (Tempatan) Sdn Bhd	Nominee services	100	-
Kuala Lumpur City Nominees (Asing) Sdn Bhd	Nominee services	100	-

The Group completed the acquisition of KLCS and its subsidiaries referred to in Note 43 to the financial statements. The acquisition had the following effect on the Group's financial result for the year:

	RM'000
Revenue	21,244
Profit from operations	3,063
Net profit for the year	<u>1,328</u>

The acquisition had the following effect on the financial position of the Group as at the end of the year:

	31.3.2005 RM'000
Property, plant and equipment	13,004
Investment securities	1,255
Balances due from clients and brokers	430,517
Other receivables	5,883
Cash and bank balances	72,203
Balances due to clients and brokers	(278,821)
Other payables	(36,396)
Deferred tax liabilities	(1,187)
Minority interests	<u>(176)</u>
Group's share of net assets	<u>206,282</u>

12 INVESTMENT IN SUBSIDIARIES (cont'd)

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	31.12.2004
	RM'000
Property, plant and equipment	13,868
Investment securities	1,319
Balances due from clients and brokers	320,211
Other receivables	63,524
Cash and bank balances	57,695
Balances due to clients and brokers	(192,175)
Other payables	(55,330)
Deferred tax liabilities	(1,202)
Fair value of total net assets	207,910
Less: Minority interests	(256)
Group's share of net assets	207,654
Goodwill on acquisition	63,000
Cost of acquisition	270,654

13 INVESTMENT IN AN ASSOCIATE

	BANK		GROUP	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	230	230	460	460
Share of post acquisition profits and reserves	-	-	30	20
	230	230	490	480
Represented by:				
Share of net tangible assets			490	480

Details of the associated company are as follows:

Name	Principal activities	Effective equity interest	
		2005	2004
		%	%
Alliance Trustee Berhad	Trustee to unit trusts, funds and other corporate trusts	40	40

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings on freehold and			Renovations	Office	Computer	Motor vehicles	Total	
	Freehold land	Long term leasehold land	leasehold land		equipment and furniture	equipment and software		2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK									
COST									
At beginning of year	4,210	3,959	58,123	87,872	62,847	157,940	17,528	392,479	354,776
Amount vested over from									
Alliance Finance Berhad	-	-	-	215	704	910	-	1,829	-
Additions	-	-	-	5,078	7,225	15,051	106	27,460	41,467
Disposals	-	(225)	(4,747)	(1,115)	(937)	(5,575)	(2,713)	(15,312)	(3,764)
At end of year	4,210	3,734	53,376	92,050	69,839	168,326	14,921	406,456	392,479
ACCUMULATED DEPRECIATION									
At beginning of year	-	375	12,132	73,066	43,884	100,961	7,926	238,344	215,584
Charge for the year	-	28	1,134	5,323	3,961	15,472	3,111	29,029	23,923
Disposals	-	(49)	(796)	(113)	(925)	(3,560)	(1,387)	(6,830)	(1,163)
At end of year	-	354	12,470	78,276	46,920	112,873	9,650	260,543	238,344
NET BOOK VALUE									
At 31 March 2005	4,210	3,380	40,906	13,774	22,919	55,453	5,271	145,913	-
At 31 March 2004	4,210	3,584	45,991	14,806	18,963	56,979	9,602	-	154,135
GROUP									
COST									
At beginning of year	4,210	3,959	60,023	92,376	69,018	169,802	25,252	424,640	409,715
Amount arising from									
acquisitions of									
subsidiaries	-	-	-	4,100	3,297	5,475	996	13,868	-
Additions	-	-	-	5,164	7,426	16,940	106	29,636	42,658
Disposals	-	(225)	(4,747)	(1,245)	(993)	(5,638)	(3,209)	(16,057)	(27,733)
At end of year	4,210	3,734	55,276	100,395	78,748	186,579	23,145	452,087	424,640
ACCUMULATED DEPRECIATION									
At beginning of year	-	375	12,902	75,711	47,805	110,795	11,366	258,954	244,998
Charge for the year	-	28	1,172	6,162	4,410	16,767	4,602	33,141	27,462
Disposals	-	(49)	(796)	(208)	(944)	(3,619)	(1,624)	(7,240)	(13,506)
At end of year	-	354	13,278	81,665	51,271	123,943	14,344	284,855	258,954
NET BOOK VALUE									
At 31 March 2005	4,210	3,380	41,998	18,730	27,477	62,636	8,801	167,232	-
At 31 March 2004	4,210	3,584	47,121	16,665	21,213	59,007	13,886	-	165,686

15 DEFERRED TAX

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At beginning of year	40,704	31,217	52,260	43,467
Amount vested over from a subsidiary	6,665	-	-	-
Arising from acquisition of subsidiaries	-	-	(1,202)	-
Recognised in the income statement (Note 32)	1,875	9,487	1,125	8,793
At end of year	49,244	40,704	52,183	52,260
Presented after appropriate offsetting as follows:				
Deferred tax assets	49,244	40,704	52,315	52,376
Deferred tax liabilities	-	-	(132)	(116)
	49,244	40,704	52,183	52,260

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

	Allowance for Loan Loss RM'000	Other Temporary Differences RM'000	Total RM'000
Deferred tax assets of the Bank			
At beginning of year	53,087	2,624	55,711
Amount vested over from Alliance Finance Berhad	6,805	-	6,805
Recognised in income statement	171	(60)	111
At end of the year	60,063	2,564	62,627

	Property, Plant and Equipment RM'000	Other Temporary Differences RM'000	Total RM'000
Deferred tax liabilities of the Bank			
At beginning of the year	14,481	526	15,007
Amount vested over from Alliance Finance Berhad	140	-	140
Recognised in income statement	(1,524)	(240)	(1,764)
At end of the year	13,097	286	13,383

15 DEFERRED TAX (cont'd)

	Allowance for Loan Loss RM'000	Other Temporary Differences RM'000	Total RM'000
Deferred tax assets of the Group			
At beginning of year	64,289	4,079	68,368
Amount arising from acquisition of subsidiaries	406	-	406
Recognised in income statement	(866)	159	(707)
At end of the year	63,829	4,238	68,067

	Property, Plant and Equipment RM'000	Other Temporary Differences RM'000	Total RM'000
Deferred tax liabilities of the Group			
At beginning of the year	15,581	527	16,108
Amount arising from acquisition of subsidiaries	1,609	-	1,609
Recognised in income statement	(1,593)	(240)	(1,833)
At end of the year	15,597	287	15,884

16 DEPOSITS FROM CUSTOMERS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Demand deposits	3,651,886	3,325,051	3,651,886	3,325,051
Savings deposits	1,447,610	1,313,236	1,447,610	1,366,222
Fixed deposits	10,419,836	9,896,932	11,838,925	12,377,812
Others	1,974	3,929	1,974	3,975
	15,521,306	14,539,148	16,940,395	17,073,060

(i) The maturity structure of fixed deposits is as follows:

Due within six months	7,238,130	6,622,187	8,523,942	8,681,706
Six months to one year	2,549,378	2,846,568	2,682,655	3,175,767
One year to three years	306,658	325,069	306,658	405,273
Three years to five years	325,614	103,108	325,614	115,000
Over five years	56	-	56	66
	10,419,836	9,896,932	11,838,925	12,377,812

16 DEPOSITS FROM CUSTOMERS (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(ii) The deposits are sourced from the following customers:				
Business enterprises	5,190,927	5,432,049	6,343,003	6,599,270
Individuals	9,157,973	7,390,170	9,157,973	8,388,236
Others	1,172,406	1,716,929	1,439,419	2,085,554
	15,521,306	14,539,148	16,940,395	17,073,060

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	233,853	191,066	301,382	328,719
Licensed finance companies	–	–	–	5,017
Other financial institutions	440,752	282,300	460,886	429,916
	674,605	473,366	762,268	763,652

18 RECOURSE OBLIGATIONS ON LOANS SOLD TO CAGAMAS

This relates to proceeds received from conventional housing loans and hire purchase loans sold directly to Cagamas Berhad with recourse to the Bank. Under the agreement, the Bank undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed upon prudential criteria.

19 BALANCES DUE TO CLIENTS AND BROKERS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due to clients	–	–	156,365	–
Due to brokers	–	–	122,456	–
	–	–	278,821	–

These mainly relate to amounts payable to margin and non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Central Depository System have yet to be made.

The Group's normal trade credit terms for trade payable for non-margin client is 3 market days according to Bursa Malaysia Securities Berhad's FDSS trading rules. The credit terms of other payables are assessed and approved on a case-by-case basis.

20 OTHER LIABILITIES

	Note	BANK		GROUP	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other liabilities		539,836	478,313	565,442	520,346
Remiser's accounts	(i)	-	-	23,822	-
Amount due to vendor	(ii)	-	-	94,126	-
Interest/income payable		89,190	90,234	89,191	97,035
Profit equalisation reserve		10,504	5,918	11,203	5,918
		639,530	574,465	783,784	623,299

Note:

- (i) Included in remiser's accounts are deposits of RM10,169,000 which bear weighted average effective interest rate of 2.72% per annum.
- (ii) The amount due to vendor relates to payments owing for the acquisition of subsidiaries by Alliance Merchant Bank Berhad, as disclosed in Note 43(ii) to the financial statements. This amount is repayable as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Due within 12 months	47,775	-
Due more than 12 months	46,351	-
	94,126	-

21 7.75% SUBORDINATED BONDS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost	535,000	535,000	535,000	535,000
Accumulated unamortised discount and issue expenses	(24,566)	(28,513)	(24,566)	(28,513)
	510,434	506,487	510,434	506,487

The following are the salient points of the said bonds:

- Description: 10 year non-callable 5 year subordinated bonds
- Tenure: 10 years
- Settlement date: 20 June 2001
- Anniversary date: 20 June
- Maturity date: 20 June 2011
- Interest coupon: 7.75% per annum, subject to revision of rate in year six
- Revision of interest: The bonds, unless redeemed at the end of 5 years from the settlement date, shall bear interest of 11% from the sixth year onwards until the final redemption
- Redemption option: The issuer may redeem the bonds in part or in whole, at any anniversary date after 5 years from the settlement date; namely on 20 June in Year 2006 or thereafter
- Final redemption: At par on maturity date

22 SHARE CAPITAL

	BANK/GROUP	
	2005 RM'000	2004 RM'000
Authorised:		
Ordinary shares of RM1 each	4,995,000	4,995,000
Irredeemable convertible preference shares (ICPS) of RM0.01 each	5,000	5,000
	5,000,000	5,000,000
Issued and fully paid:		
Ordinary shares of RM1 each	596,517	596,517

23 RESERVES

	Note	BANK		GROUP	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Non-distributable:					
Statutory reserve	(a)	430,185	383,337	481,395	415,171
Malaysian Government Securities reserve	(b)	17	17	17	17
Capital reserve	(c)	-	-	10,018	10,018
Share premium		201,517	201,517	201,517	201,517
		631,719	584,871	692,947	626,723
Distributable:					
Retained profits	(d)	645,314	559,574	639,903	548,038
		1,277,033	1,144,445	1,332,850	1,174,761

- (a) The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as dividends.
- (b) The Malaysian Government Securities (MGS) reserve is maintained in compliance with the recommendation by Bank Negara Malaysia.
- (c) Capital reserve is in respect of retained profits capitalised for a bonus issue by a subsidiary company.
- (d) The Bank has sufficient tax exempt income and tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of all its retained profits as at 31 March 2005, without incurring additional tax liability.

24 OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from commercial banking, merchant banking, financing, stock broking, Islamic banking and sales of trust units as well as trustee services rendered but excludes all related company transactions.

Operating revenue of the Bank comprises gross interest income, commission and other income derived from banking and finance operations.

25 INTEREST INCOME

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Loans, advances and financing	882,649	818,218	975,103	1,018,986
Money at call and deposit placement with financial institutions	56,254	39,309	70,085	55,033
Investment securities	66,304	33,197	91,246	59,804
Dealing securities	4,114	933	13,286	6,660
Others	879	1,353	3,970	5,300
	1,010,200	893,010	1,153,690	1,145,783
Accretion of discount less amortisation of premium	40,914	63,489	38,974	63,768
Net interest/income suspended	(52,791)	(72,142)	(69,132)	(105,068)
	998,323	884,357	1,123,532	1,104,483

26 INTEREST EXPENSE

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits from customers	383,961	341,658	437,428	433,832
Deposits and placements of banks and other financial institutions	7,462	9,245	9,442	16,320
Interest on subordinated bonds	41,462	41,462	41,462	41,462
Securities sold under repurchase agreements	28,441	26,802	28,441	27,486
Others	18,376	19,028	22,818	27,548
	479,702	438,195	539,591	546,648

27 NON-INTEREST INCOME

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Fee income:				
Commission	38,445	32,618	38,589	32,631
Service charges and fees	18,698	12,237	35,831	18,910
Portfolio management	-	-	-	2,429
Corporate advisory fees	-	-	7,156	12,914
Underwriting commissions	-	-	936	1,866
Guarantee fees	15,918	13,619	16,589	14,293
Gross brokerage income	-	-	14,198	-
Other fee income	30,078	38,877	37,908	42,603
Fee income carried forward	103,139	97,351	151,207	125,646

27 NON-INTEREST INCOME (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Fee income brought forward	103,139	97,351	151,207	125,646
Investment income/(expense):				
Gain from sale of investment securities	11,429	11,313	11,574	11,144
Gain from dealing securities	14,215	5,115	23,455	16,750
Gain from investment in Staple Bonds	1,789	1,749	1,789	1,749
Gross dividends				
- investment securities	1,008	613	1,272	2,507
- subsidiary companies	28,410	48,051	-	-
Provision for diminution in value of investment securities	(7,481)	(10,126)	(4,885)	(11,626)
	49,370	56,715	33,205	20,524
Other income/(expense):				
Foreign exchange profit	16,633	10,613	16,633	10,613
Rental income	495	220	667	944
Gain on disposal of property, plant and equipment	1,666	994	1,769	4,611
Gain of disposal of foreclosed property	-	-	-	1
(Amortisation)/write-back of goodwill				
on consolidation / purchased goodwill	(5,942)	(11,274)	1,058	(14,173)
Management and service fees	-	-	1,573	-
Others	13,809	3,279	17,655	9,033
	26,661	3,832	39,355	11,029
Total Non-Interest Income	179,170	157,898	223,767	157,199

28 OVERHEADS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Personnel costs	170,693	150,579	200,474	180,821
Establishment costs	85,417	72,079	99,175	86,536
Marketing expenses	10,052	8,050	13,621	14,674
Administration and general expenses	24,418	22,253	37,812	27,472
	290,580	252,961	351,082	309,503
Included in the above expenditure are the following:				
Directors' remuneration (Note 31)	1,780	1,452	3,363	3,033
Rental of premises	17,371	16,217	20,812	19,751
Lease rental	6,496	5,035	8,162	6,195
Hire of equipment	1,062	860	1,463	860
Auditors' remuneration				
- Current year	288	268	410	362
- Underprovision in the prior year	-	-	-	5
Depreciation of property, plant and equipment	29,029	23,923	33,141	27,462
Remisers' commission	-	-	2,941	-

28 OVERHEADS (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000

(a) Personnel costs comprise:

Wages and salaries	107,977	101,029	127,923	121,442
Bonuses	27,214	18,053	31,127	21,328
Pension cost - defined contribution plans	18,690	15,037	21,940	18,619
Social security costs	1,121	1,012	1,259	1,170
Other personnel related expenses	15,691	15,448	18,225	18,262
	170,693	150,579	200,474	180,821

29 ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Allowance for bad and doubtful debts				
- specific allowance (net)	217,401	125,882	241,742	156,780
- general allowance (net)	611	23,846	(123)	20,836
- other debts	-	-	1,747	1,361
Bad debts				
- written-off	4,365	13,430	4,378	13,434
- recovered	(31,406)	(29,426)	(35,307)	(34,908)
	190,971	133,732	212,437	157,503
Provision on amounts recoverable from Danaharta	-	-	-	3,258
	190,971	133,732	212,437	160,761

With effect from the current year, no value was assigned to properties which are charged as collateral for loans, advances and financing which have been non-performing for a certain number of years. Arising from this change in the method of estimating the realisable value of the collateral for loans, advances and financing, this year's specific allowance of the Bank and the Group include additional allowance of RM21,483,000 and RM22,536,000 respectively.

30 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the Bank's and the Group's other significant related party transactions and balances:

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Transactions				
Interest income				
- subsidiary companies	(61)	(1)	-	-
- related companies	(599)	(823)	(599)	(823)
- related parties	(65)	(51)	(147)	(133)
Management fees				
- subsidiary companies	(2,394)	(537)	-	-
- associated company	(33)	(56)	(33)	(56)
Interest expenses				
- ultimate holding company	77	34	90	47
- subsidiary companies	56	43	-	-
- related companies	287	6,320	287	6,320
- related parties	1,934	2,301	1,934	2,301
- associated company	6	31	6	31
Rental expense of premises				
- subsidiary companies	216	216	-	-
- substantial corporate shareholder	-	6,582	-	8,589
- related companies	-	-	-	331
- related parties	-	-	2,007	-
Balances				
Amount due to Current accounts and fixed deposits				
- ultimate holding company	(1,308)	(6,190)	(22,434)	(12,698)
- immediate holding company	(37)	(34)	(37)	(34)
- subsidiary companies	(11,683)	(26,223)	-	-
- substantial corporate shareholder	-	(734)	-	(734)
- related parties	(123,171)	(214,459)	(123,171)	(214,459)
- associated company	(1,146)	(1,116)	(1,146)	(1,116)
Amount due from Overdraft accounts				
- subsidiary companies	991	22,200	-	-
- related companies	1,714	9,192	1,714	9,192
- related parties	45	-	45	-
Interbank lending				
- subsidiary companies	-	10,200	-	-

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

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Loans, advances and financing				
- related companies	3,550	-	3,550	-
- related parties	1,061	1,333	1,061	1,333
Other assets				
- ultimate holding company	3	4	3	4
- subsidiary companies	576	-	-	-
- related parties	-	-	549	549
- associated company	-	15,014	-	15,014

Related companies refer to member companies of Malaysian Plantations Berhad, the ultimate holding company of the Bank.

Related parties refer to the Directors of the Bank, its ultimate holding company and/or its subsidiary companies.

Under its commercial banking activities, the Bank also had certain transactions during the year with Directors of the Bank, relating to deposit placements and also a housing loan to an executive Director. The interest rates applied for eligible balances were in accordance with the staff scheme accorded to employees of the Bank.

The Directors of the Bank are of the opinion that the above transactions were entered into in the normal course of business and at terms mutually agreed between the parties.

31 CEO AND DIRECTORS' REMUNERATION

Remuneration in aggregate for all CEOs/Directors charged to the income statement for the year is as follows:

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Executive Directors/CEDs				
- Salary and other remuneration	758	742	1,481	1,720
- Bonuses	193	185	193	185
- Benefits-in-kind	62	32	79	43
	1,013	959	1,753	1,948
Non-executive directors				
- Fees	416	299	845	612
- Other remuneration	334	162	748	441
- Benefits-in-kind	17	32	17	32
	767	493	1,610	1,085
	1,780	1,452	3,363	3,033
CEO who is not a director	-	-	177	164
	1,780	1,452	3,540	3,197

The remuneration attributable to the Chief Executive Director of the Bank, including benefits-in-kind during the year amounted to RM1,013,000 (2004: RM959,000).

32 TAXATION

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysian income tax based on results for the year				
- Current	76,911	76,983	85,387	84,610
- Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	(1,875)	(3,605)	(1,122)	(2,911)
Over provision in prior year (Note 15)	-	(5,882)	(3)	(5,882)
	75,036	67,496	84,262	75,817
Over provision in prior years	-	(2,540)	(1,439)	(2,782)
	75,036	64,956	82,823	73,035

Income tax is calculated at the Malaysian Statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

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

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation	262,427	242,845	296,194	277,627
Taxation at Malaysian Statutory tax rate of 28% (2004: 28%)	73,480	67,997	82,935	77,736
Income not subject to tax	(88)	(76)	(121)	(2,615)
Expenses not deductible for tax purposes	1,644	5,457	1,458	6,578
Utilisation of previously unrecognised tax losses	-	-	(7)	-
Over provision of deferred tax in prior year	-	(5,882)	(3)	(5,882)
Over provision of income tax expenses in prior years	-	(2,540)	(1,439)	(2,782)
Tax expense for the year	75,036	64,956	82,823	73,035

	GROUP	
	2005 RM'000	2004 RM'000
Tax savings during the year arising from utilisation of tax losses	-	2,685

33 EARNINGS PER SHARE

The earnings per share of the Bank and the Group have been calculated based on the profit after taxation and minority interests of RM187,391,000 (2004: RM177,889,000) and RM212,892,000 (2004: RM204,294,000) respectively on the weighted average number of ordinary shares in issue of 596,517,043 (2004: 596,517,043) during the year.

34 DIVIDENDS

	2005		2004	
	RM'000	RM'000	Sen	Sen
			Net Dividends per Ordinary Share	
			2005	2004
			Sen	Sen
Final				
5.1% less 28% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2003 and paid on 25 September 2003	-	21,904	-	3.67
5.2% less 28% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2004 and paid on 12 July 2004	22,333	-	3.74	-
Interim				
3.6% less 28% taxation on 596,517,043 ordinary shares, paid on 15 March 2004	-	15,462	-	2.59
7.6% less 28% taxation on 596,517,043 ordinary shares, paid on 10 December 2004	32,470	-	5.44	-
	54,803	37,366	9.18	6.26

A final dividend of 1.68% (less 28% taxation) on 596,517,043 ordinary shares of the Bank amounting to RM7,215,470 (gross dividend: RM10,021,486) in respect of the current financial year will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2006.

35 COMMITMENTS AND CONTINGENCIES

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

Risk weighted exposure of the Bank and its subsidiary companies as at end of the financial year are as follows:

	2005		2004	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000
BANK				
Direct credit substitutes	378,455	378,455	615,392	615,392
Transaction-related contingent items	975,088	487,544	660,021	330,010
Short-term self-liquidating trade-related contingencies	127,846	25,569	162,323	32,465
Irrevocable commitments to extend credit:				
- maturity exceeding one year	334,204	167,102	468,772	234,386
- maturity not exceeding one year	4,078,973	-	3,781,186	-
Foreign exchange related contracts less than one year	381,389	3,288	495,091	5,181
Other commitments and contingencies	385,486	-	318,356	-
	6,661,441	1,061,958	6,501,141	1,217,434

35 COMMITMENTS AND CONTINGENCIES (cont'd)

	2005		2004	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000
GROUP				
Direct credit substitutes	442,475	442,475	633,119	633,119
Transaction-related contingent items	1,003,640	501,820	690,489	345,244
Short-term self-liquidating trade-related contingencies	127,846	25,569	162,323	32,465
Irrevocable commitments to extend credit:				
- maturity exceeding one year	359,004	179,502	509,040	254,520
- maturity not exceeding one year	4,078,973	-	3,813,396	-
Foreign exchange related contracts less than one year	381,389	3,288	495,091	5,181
Underwriting liabilities	48,086	24,043	57,245	28,623
Other commitments and contingencies	385,486	-	318,356	-
	6,826,899	1,176,697	6,679,059	1,299,152

The credit equivalent amount is arrived at using the credit conversion factor as per BNM guidelines. The foreign exchange related contracts are all forward contracts. Foreign exchange contracts are subject to market risk and credit risk.

Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

As at the end of the financial year, the amount of market risk is as follows:

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Amount of contracts which were not hedged and hence, exposed to market risk	20,415	40,854	20,415	40,854

Credit Risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. This potential loss may increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

As at the end of the financial year, exposure to credit risk is as follows:

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Exposure to credit risk, measured in terms of cost to replace the profitable contracts	409	797	409	797

36 FINANCIAL RISK MANAGEMENT POLICIES

The Group manages risk within clearly defined guidelines that are approved by the Directors. In addition, the Board of Directors of the Group provide an independent oversight to ensure that risk management policies are complied with, through a framework of established controls and reporting process.

The guidelines and policies adopted by the Group to manage the main risks that arise in the conduct of its business activities are as follows:

a) Credit Risk

Credit Risk is the potential loss of revenue and/or principal arising from defaults by borrower or counterparties through business activities in lending, trading, investing and hedging. Exposure to credit risk may be categorised as primary or secondary.

Primary exposure to credit risk arises from loans and advances. The credit exposure amount is represented by the carrying amount of loans and advances in the balance sheet. The lending activities in the Group are guided by the Group's Credit Policies and Guidelines, in line with Best Practices in the Management of Credit Risk issued by Bank Negara Malaysia. These credit policies and guidelines also include an Internal Grading model adopted by the Group to grade its loan accounts according to its risk profile.

On the other hand, secondary credit exposure may arise from financial transactions with counterparties (including interbank market activities, derivative instruments used for hedging and debt instruments) of which the amount of credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. This exposure is monitored on an on-going basis against predetermined counterparty limits.

The credit exposure arising from off-balance sheet activities i.e. commitments and contingencies is set out in Note 35 to the financial statements.

Credit risk arising from Treasury activities are managed by appropriate policies and supported by an Internal Treasury Risk Management Framework.

b) Liquidity Risk

Liquidity risk refers to the Group's ability to maintain adequate liquid assets so as to punctually meet its financial obligations and commitments upon maturity and at a reasonable cost.

Liquidity risk is managed through the New Liquidity Framework issued by Bank Negara Malaysia and other internal policies and ALCO benchmarks. A contingency funding plan is also established by the Group as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.

c) Market Risk

Market risk is the potential loss arising from the movement in the market rates or prices; the main components being the interest rate risk and foreign exchange risk.

The Group has developed an Internal Treasury Risk Management Framework which includes policies and guidelines to manage market risk in general. Market risk arising from the trading activities is controlled by mark-to-market trading positions against pre-determined risk limits.

The Group is also susceptible to exposure to market risk arising from changes in prices of the shares quoted on Bursa Malaysia Securities Berhad, which will directly impact the Group's balances due from clients and brokers. This risk is controlled by application of credit approvals, limits and monitoring procedures.

36 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)**c) Market Risk (cont'd)****i) Interest Rate Risk**

As a subset of market risk, interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

The effects of changes in the levels of interest rates on the market value of investment and dealing securities are monitored closely and mark-to-market valuations are regularly reported to Management.

ii) Foreign Currency Exchange Risk

Foreign exchange risk refers to the adverse movement in the exchange rates on the foreign exchange positions taken by the Group from time to time. Foreign exchange risk is managed using the Value-at-Risk method. The foreign currency exchange open positions are regularly monitored against stop-loss limits.

d) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or resulting from external events.

Operational risk management identifies the inherent and residual risks in the Group's processes and activities, determines the causes of failure, assesses potential loss, and enhances controls to mitigate risk impacts.

While it is the responsibility of the individual business and support departments to manage their day-to-day operational risks, independent support, monitoring and reporting thereof is provided by the Operational Risk Management (ORM) Department.

Among the programs undertaken to manage operational risks are general scoping of bankwide risks, developing key risk indicators for the various business and support groups, operational risk awareness internal workshops and seminars, reviews of documentation of the Bank's processes and procedures and addressing crisis via business continuity plans.

To prepare for its Basel II Year 2007 implementation of capital allocation for operational risk, the Bank is currently gathering loss event data and developing its internal measurement approach formula.

37 INTEREST RATE RISK

In macro terms, interest rate risk refers to the overall sensitivity of the Group's earnings and/or economic values of the Group's portfolio to changes in interest rates. Interest rate risk is managed through various risk management techniques including re-pricing gap, net interest income simulation and stress testing.

The Bank and the Group are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The effect of changes in the levels of interest rates on the market value of both investment and trading securities are monitored regularly and the outcome of mark-to-market valuations are escalated to Management regularly. The table below summarises the effective interest rates at the balance sheet date and the periods in which the financial instruments will reprice or mature, whichever is the earlier.

37 INTEREST RATE RISK (cont'd)

	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	Average interest rate Total RM'000	Average interest rate %
BANK									
2005									
Assets									
Cash and short-term funds	1,855,266	-	-	-	-	-	114,406	1,969,672	2.76
Deposits and placements with financial institutions	-	384,466	30,000	-	-	-	-	414,466	2.77
Dealing securities	315,052	319,295	1,294	-	5,169	-	-	640,810	2.79
Investment securities	278,632	442,679	315,009	313,180	1,414,916	136,819	-	2,901,235	3.51
Loans, advances and financing	12,031,058	5,437	4,996	13,518	980,393	1,656,680	(727,740)*	13,964,342	6.92
Other non interest sensitive balances	-	-	-	-	-	-	1,660,122	1,660,122	-
Total assets	14,480,008	1,151,877	351,299	326,698	2,400,478	1,793,499	1,046,788	21,550,647	
Liabilities									
Deposits from customers	8,998,205	1,625,911	1,482,595	2,782,173	632,366	56	-	15,521,306	2.63
Deposits and placements of banks & other financial institutions	240,364	205,015	1,017	2,852	20,906	204,451	-	674,605	2.88
Obligations on securities sold under repurchase agreements	1,212,130	-	-	-	-	-	-	1,212,130	2.13
Bills and acceptances payable	234,030	223,430	126,739	-	-	-	-	584,199	2.79
Subordinated bonds	-	-	-	-	510,434	-	-	510,434	7.75
Recourse obligations on loans sold to Cagamas	-	-	-	-	534,893	-	-	534,893	3.68
Other non interest sensitive balances	-	-	-	-	-	-	639,530	639,530	-
Total liabilities	10,684,729	2,054,356	1,610,351	2,785,025	1,698,599	204,507	639,530	19,677,097	
Shareholders' funds	-	-	-	-	-	-	1,873,550	1,873,550	-
Total liabilities and shareholders' funds	10,684,729	2,054,356	1,610,351	2,785,025	1,698,599	204,507	2,513,080	21,550,647	
On-balance sheet interest sensitivity gap	3,795,279	(902,479)	(1,259,052)	(2,458,327)	701,879	1,588,992	(1,466,292)	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
Total interest sensitivity gap	3,795,279	(902,479)	(1,259,052)	(2,458,327)	701,879	1,588,992	(1,466,292)	-	

* Specific allowance, interest/income-in-suspense and general allowance of the Bank and the Group are classified under the non interest sensitive column.

37 INTEREST RATE RISK (cont'd)

	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	Average interest Total RM'000	Average interest rate %
GROUP									
2005									
Assets									
Cash and short-term funds	2,076,915	-	-	-	-	-	103,647	2,180,562	2.76
Deposits and placements with financial institutions	-	523,946	30,000	500	-	-	-	554,446	2.77
Dealing securities	315,052	319,295	1,294	-	101,094	12,470	-	749,205	3.43
Investment securities	386,180	593,380	378,325	318,180	1,761,992	166,946	-	3,605,003	3.22
Loans, advances and financing	12,691,288	39,390	17,123	16,580	1,009,894	1,665,097	(795,325)*	14,644,047	6.90
Balances due from clients and brokers	270,709	143,848	-	-	-	-	15,960	430,517	9.33
Other non interest sensitive balances	-	-	-	-	-	-	1,388,216	1,388,216	
Total assets	15,740,144	1,619,859	426,742	335,260	2,872,980	1,844,513	712,498	23,551,996	
Liabilities									
Deposits from customers	9,523,072	2,229,385	1,640,066	2,915,450	632,366	56	-	16,940,395	2.64
Deposits and placements of banks & other financial institutions	292,810	240,232	1,017	2,852	20,906	204,451	-	762,268	2.88
Obligations on securities sold under repurchase agreements	1,222,832	-	-	-	-	-	-	1,222,832	2.13
Bills and acceptances payable	234,030	223,430	126,739	-	-	-	-	584,199	2.79
Subordinated bonds	-	-	-	-	510,434	-	-	510,434	7.75
Recourse obligations on loans sold to Cagamas	-	-	-	-	534,893	-	-	534,893	3.68
Balances due to clients and brokers	278,821	-	-	-	-	-	279	278,821	2.00
Other non interest sensitive balances	-	-	-	-	-	-	785,264	785,264	-
Total liabilities	11,551,286	2,693,047	1,767,822	2,918,302	1,698,599	204,507	785,543	21,619,106	
Shareholders' funds	-	-	-	-	-	-	1,929,367	1,929,367	-
Minority interests	-	-	-	-	-	-	3,523	3,523	-
Total liabilities and shareholders' funds	11,551,286	2,693,047	1,767,822	2,918,302	1,698,599	204,507	2,718,433	23,551,996	
On-balance sheet interest sensitivity gap	4,188,858	(1,073,188)	(1,341,080)	(2,583,042)	1,174,381	1,640,006	(2,005,935)	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
Total interest sensitivity gap	4,188,858	(1,073,188)	(1,341,080)	(2,583,042)	1,174,381	1,640,006	(2,005,935)	-	

* Specific allowance, interest/income-in-suspense and general allowance of the Bank and the Group are classified under the non interest sensitive column.

37 INTEREST RATE RISK (cont'd)

	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	Average interest Total RM'000	rate %
BANK									
2004									
ASSETS									
Cash and short-term funds	1,736,503	-	-	-	-	-	106,907	1,843,410	2.88
Deposits and placements with financial institutions	-	431,466	10,000	-	-	-	-	441,466	2.83
Dealing securities	273,367	124,850	2,892	-	-	-	2,162	403,271	2.83
Investment securities	412,975	673,907	476,301	66,047	1,123,065	214,271	9,548	2,976,114	3.53
Loans, advances and financing	11,907,018	766	4,197	32,073	253,242	1,066,492	(839,644)*	12,424,144	7.52
Other non interest sensitive balances	-	-	-	-	-	-	1,938,704	1,938,704	-
Total assets	14,329,863	1,230,989	493,390	98,120	1,376,307	1,280,763	1,217,677	20,027,109	
Liabilities									
Deposits from customers	8,423,811	1,579,310	1,261,282	2,846,568	428,177	-	-	14,539,148	2.67
Deposits and placements of banks & other financial institutions	162,409	37,100	11,400	33	43,195	219,229	-	473,366	2.07
Obligations on securities sold under repurchase agreements	1,209,824	3,300	-	-	-	-	-	1,213,124	2.66
Bills and acceptances payable	-	-	559,792	111,150	-	-	-	670,942	2.86
Subordinated bonds	-	-	-	-	506,487	-	-	506,487	7.75
Recourse obligations on loans sold to Cagamas	-	-	-	-	220,560	88,055	-	308,615	3.39
Other non interest sensitive balances	-	-	-	-	-	-	574,465	574,465	-
Total liabilities	9,796,044	1,619,710	1,832,474	2,957,751	1,198,419	307,284	574,465	18,286,147	
Shareholders' funds	-	-	-	-	-	-	1,740,962	1,740,962	-
Total liabilities and shareholders' funds	9,796,044	1,619,710	1,832,474	2,957,751	1,198,419	307,284	2,315,427	20,027,109	
On-balance sheet interest sensitivity gap	4,533,819	(388,721)	(1,339,084)	(2,859,631)	177,888	973,479	(1,097,750)	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
Total interest sensitivity gap	4,533,819	(388,721)	(1,339,084)	(2,859,631)	177,888	973,479	(1,097,750)	-	

* Specific allowance, interest/income-in-suspense and general allowance of the Bank and the Group are classified under the non interest sensitive column.

37 INTEREST RATE RISK (cont'd)

	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	Total RM'000	Average interest rate %
GROUP									
2004									
ASSETS									
Cash and short-term funds	2,173,534	-	-	-	-	-	76,064	2,249,598	2.87
Deposits and placements with financial institutions	10,450	519,646	47,457	1,900	-	-	820	580,273	2.84
Dealing securities	273,367	124,850	2,892	-	77,218	43,809	2,162	524,298	3.79
Investment securities	514,313	1,017,746	714,920	105,210	1,349,095	260,357	9,548	3,971,189	3.21
Loans, advances and financing	12,714,361	154,470	97,134	193,910	996,399	1,584,070	(1,183,860)*	14,556,484	7.55
Other non interest sensitive balances	-	-	-	-	-	-	1,380,250	1,380,250	-
Total assets	15,686,025	1,816,712	862,403	301,020	2,422,712	1,888,236	284,984	23,262,092	
Liabilities									
Deposits from customers	9,487,346	2,245,253	1,644,354	3,175,768	520,273	66	-	17,073,060	2.76
Deposits and placements of banks & other financial institutions	229,310	151,269	48,667	53,852	61,325	219,229	-	763,652	2.28
Obligations on securities sold under repurchase agreements	1,220,826	3,300	-	-	-	-	-	1,224,126	2.66
Bills and acceptances payable	222	-	559,792	111,150	-	-	-	671,164	2.86
Subordinated bonds	-	-	-	-	506,487	-	-	506,487	7.75
Recourse obligations on loans sold to Cagamas	-	-	-	-	426,975	196,586	-	623,561	3.61
Other non interest sensitive balances	-	-	-	-	-	-	625,976	625,976	-
Total liabilities	10,937,704	2,399,822	2,252,813	3,340,770	1,515,060	415,881	625,976	21,488,026	
Shareholders' funds	-	-	-	-	-	-	1,771,278	1,771,278	-
Minority interests	-	-	-	-	-	-	2,788	2,788	-
Total liabilities and shareholders' funds	10,937,704	2,399,822	2,252,813	3,340,770	1,515,060	415,881	2,400,042	23,262,092	
On-balance sheet interest sensitivity gap	4,748,321	(583,110)	(1,390,410)	(3,039,750)	907,652	1,472,355	(2,115,058)	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
Total interest sensitivity gap	4,748,321	(583,110)	(1,390,410)	(3,039,750)	907,652	1,472,355	(2,115,058)	-	-

* Specific allowance, interest/income-in-suspense and general allowance of the Bank and the Group are classified under the non interest sensitive column.

38 CAPITAL COMMITMENTS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Capital expenditure:				
Authorised and contracted for	11,843	27,355	11,876	27,355
Authorised but not contracted for	3,310	3,119	8,744	9,217
	15,153	30,474	20,620	36,572

39 LEASE COMMITMENTS

The Bank and the Group have lease commitments in respect of equipment on hire and premises, all of which are classified as operating leases. A summary of the non-cancellable long term commitments is as follows:

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Within one year	13,707	12,621	18,553	14,100
Between one and five years	13,993	9,583	31,840	9,583
More than five years	-	-	6,922	-

The operating lease for the Bank and the Group's other premises typically run for a initial period of three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties. Future minimum lease commitments are anticipated to be not less than the rental expense for 2005.

40 HOLDING AND RELATED COMPANIES

The immediate holding company is Syabas Sutra Sdn Bhd, a company incorporated in Malaysia. The ultimate holding company is Malaysian Plantations Berhad, a company incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

Related companies in these financial statements refer to member companies in the Malaysian Plantations Berhad Group.

41 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank and of the Group are as follows:

	BANK		GROUP	
	2005	2004	2005	2004
Without deducting proposed dividends*				
Core Capital ratios	11.30%	11.02%	9.90%	9.19%
Risk-weighted capital ratios	12.86%	11.02%	14.52%	13.76%
After deducting proposed dividends				
Core Capital ratios	11.25%	10.85%	9.85%	9.06%
Risk-weighted capital ratios	12.81%	10.85%	14.47%	13.62%

* In arriving at the capital base of the Bank and the Group set out below, the proposed dividends as disclosed in Note 34 were not deducted.

41 CAPITAL ADEQUACY (cont'd)

Components of Tier-I and Tier-II capital are as follows:

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tier-I capital				
Paid-up share capital	596,517	596,517	596,517	596,517
Reserves	1,277,033	1,144,445	1,332,850	1,174,761
Minority interests	–	–	3,523	2,788
Less: Purchased goodwill/ Goodwill on consolidation	(198,949)	(211,581)	(322,969)	(258,910)
Deferred tax assets	(49,244)	(40,704)	(52,315)	(52,376)
	1,028,840	892,160	961,089	866,263
Total Tier-I capital	1,625,357	1,488,677	1,557,606	1,462,780
Tier-II capital				
Subordinated bonds	502,499	502,499	502,499	502,499
General allowance for bad and doubtful debts	214,508	189,595	224,874	224,997
Total Tier-II capital	717,007	692,094	727,373	727,496
Total capital	2,342,364	2,180,771	2,284,979	2,190,276
Less: Investment in subsidiaries	(492,031)	(740,752)	–	–
Total capital base	1,850,333	1,440,019	2,284,979	2,190,276

Analysis of the Bank's and of the Group's risk-weighted assets in the various categories of risk-weights are as follows:

	2005		2004	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
BANK				
0%	3,550,379	–	3,435,742	–
10%	706,932	70,693	418,777	41,878
20%	2,143,118	428,624	2,175,572	435,114
50%	3,302,764	1,651,382	3,300,766	1,650,383
100%	12,236,875	12,236,875	10,943,810	10,943,810
Total	21,940,068	14,387,574	20,274,667	13,071,185
GROUP				
0%	3,779,172	–	3,806,123	–
10%	711,874	71,187	628,186	62,819
20%	2,968,596	593,719	3,000,274	600,055
50%	3,570,114	1,785,057	3,374,670	1,687,335
100%	13,287,413	13,287,413	13,563,282	13,563,282
Total	24,317,169	15,737,376	24,372,535	15,913,491

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and the fair value of the financial assets and liabilities of the Bank and of the Group are as follows:

	2005		2004	
	Carrying	Fair Value	Carrying	Fair Value
	Amount RM'000	RM'000	Amount RM'000	RM'000
BANK				
Financial assets				
Cash and short-term funds	1,969,672	1,969,672	1,843,410	1,843,410
Deposits and placements with financial institutions	414,466	414,466	441,466	441,466
Dealing securities	640,810	640,767	403,271	404,249
Investment securities	2,901,235	3,028,827	2,976,114	3,063,579
Loans, advances and financing	13,964,342	14,178,681	12,424,144	12,613,715
Financial liabilities				
Deposits from customers	15,521,306	15,450,143	14,539,148	14,496,352
Deposits and placements of banks and other financial institutions	674,605	648,762	473,366	440,903
Obligations on securities sold under repurchase agreements	1,212,130	1,212,130	1,213,124	1,213,124
Recourse obligations on loans sold to Cagamas	534,893	496,242	308,615	278,562
Bills and acceptances payable	584,199	584,199	670,942	670,942
7.75% Subordinated Bonds	510,434	535,000	506,487	535,000
GROUP				
Financial assets				
Cash and short-term funds	2,180,562	2,180,562	2,249,598	2,249,598
Deposits and placements with financial institutions	554,446	554,446	580,273	580,273
Dealing securities	749,205	755,006	524,298	530,774
Investment securities	3,605,003	3,761,093	3,971,189	4,085,160
Loans, advances and financing	14,644,047	14,868,752	14,556,484	14,795,053
Balances due from clients and brokers	430,517	430,517	-	-
Financial liabilities				
Deposits from customers	16,940,395	16,869,231	17,073,060	17,030,758
Deposits and placements of banks and other financial institutions	762,268	736,424	763,652	731,217
Obligations on securities sold under repurchase agreements	1,222,832	1,222,832	1,224,126	1,224,126
Recourse obligations on loans sold to Cagamas	534,893	496,242	623,561	586,004
Bills and acceptances payable	584,199	584,199	671,164	671,164
Balances due to clients and brokers	278,821	278,821	-	-
7.75% Subordinated Bonds	510,434	535,000	506,487	535,000

Note: The fair value of the other assets and other liabilities, which are considered short term in nature, are estimated to be approximately their carrying values.

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (cont'd)

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Cash and short-term funds

The carrying amounts are a reasonable estimate of their fair values, in view of their short-term nature.

(ii) Deposits and placements with financial institutions

The fair values of deposits and placements with remaining maturities of less than one year are estimated to approximate their carrying value. For deposits and placements with maturities of more than one year, the fair values are estimated based on discounted cash flows using the prevailing market rates of similar remaining maturities.

(iii) Dealing and investment securities

The estimated fair values is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flows technique is used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the balance sheet date.

(iv) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual installment payments and discounted at prevailing rates at balance sheet date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of non-performing loans, the fair values are deemed to approximate the carrying values, net of interest-in-suspense and specific allowance for bad and doubtful debts and financing.

(v) Deposits from customers, placements of banks and other financial institutions

The fair values for deposits from customers, placements of banks and other financial institutions with remaining maturities of less than one year are estimated to approximate their carrying values at balance sheet date. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The fair values of Islamic deposits are deemed to approximate their carrying values as at balance sheet date as the profit rates are determined at the end of their holding periods based on the profit generated from the assets invested. For negotiable instrument of deposits, the estimated fair values are based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair values of negotiable instrument of deposits are estimated using the discounted cash flows technique.

(vi) Obligations on securities sold under repurchase agreements and bills and acceptances payable

The carrying amounts are a reasonable estimate of their fair values, in view of their short-term nature.

(vii) Recourse obligations on loans sold to Cagamas

The fair value of recourse obligation on housing loans sold to Cagamas are determined based on the discounted cash flows of future installment payments at prevailing Cagamas rates as at the balance sheet date.

(viii) 7.75% Subordinated Bonds

The fair value of the Subordinated Bonds is estimated based on discounted cash flow techniques using a current yield curve appropriate for the remaining term to maturity.

(ix) Foreign exchange related contracts

The carrying values of the foreign exchange related contracts being mark-to-market values are reasonable estimates of their fair values.

(x) Lending-related commitments

The unfunded portion of commitments to extend credit as well as standby and other letters of credit are stated at their carrying amounts, considering that estimating their fair value is not practicable within the constraints of timeliness or cost to determine with sufficient reliability.

(xi) Balances due from clients and brokers

The carrying amounts are reasonable estimates of the fair values because of their short tenor.

43 SIGNIFICANT EVENTS DURING THE YEAR

i) Merger with Alliance Finance Berhad (AFB)

In line with the objectives of the Financial Sector Masterplan, and pursuant to a vesting order obtained on 21 November 2000 from the High Court, YAB Minister of Finance via Bank Negara Malaysia (BNM)'s letter dated 25 May 2004 granted approval to the Bank to take over the entire finance company business of AFB. Consequently, approval has been given by YAB Minister of Finance, to issue a new finance company licence to the Bank to carry on finance company business as well as its banking business.

Accordingly, with effect from 1 August 2004, the entire business of AFB was merged with the Bank. A new Hire Purchase ("HP") department was established within the Bank to market conventional and Islamic HP products. AFB has duly surrendered its finance company licence to BNM for cancellation effective 1 August 2004 and had on 25 February 2005 held an Extraordinary General Meeting which resolved that AFB be voluntarily wound up. A liquidator has since been duly appointed.

ii) Acquisition of Kuala Lumpur City Securities Sendirian Berhad ("KLCSSB") and its related companies by Alliance Merchant Bank Berhad ("AMBB")

A wholly-owned subsidiary of the Bank, AMBB completed the acquisition of KLCSSB and its related companies on 31 December 2004 for a total cash consideration of RM271 million. With the completion of the acquisition, the subsidiaries of AMBB now include:

- (a) 100% equity interest of Kuala Lumpur City Securities Sdn Bhd;
- (b) 100% equity interest of KLCS Futures Sdn Bhd;
- (c) 100% equity interest of KLCity Research Sdn Bhd;
- (d) 100% equity interest of KLCity Ventures Sdn Bhd; and
- (e) 100% equity interest of Alliance Asset Management (L) Limited (formerly known as KLCity Asset Management (L) Limited).

In addition, the following subsidiaries of Kuala Lumpur City Securities Sdn Bhd are also the indirect subsidiaries of AMBB:

- (f) 100% equity interest of KLCS Asset Management Sdn Bhd;
- (g) 94.94% equity interest of KLCity Unit Trust Berhad;
- (h) 100% equity interest of Kuala Lumpur City Nominees (Tempatan) Sdn Bhd; and
- (i) 100% equity interest of Kuala Lumpur City Nominees (Asing) Sdn Bhd.

iii) Capital reduction in Alliance International Berhad ("AIB")

On 4 January 2005, AIB a wholly-owned subsidiary of the Bank completed its capital reduction exercise whereby the issued and paid-up share capital of AIB was reduced from RM145,258,000 comprising 145,258,000 ordinary shares of RM1.00 each to RM1,000 comprising 1,000 ordinary shares of RM1.00 each.

44 COMPARATIVES

The following comparative amounts at as 31 March 2004 have been reclassified as a result of a reclassification by a subsidiary to conform with current year's presentation:

	As previously reported	Adjustment	As restated
GROUP			
BALANCE SHEET			
ASSETS			
Cash and short-term funds	2,334,835	(85,237)	2,249,598
Deposits and placements with financial institutions	495,036	85,237	580,273

45 THE OPERATION OF ISLAMIC BANKING

BALANCE SHEET AS AT 31 MARCH 2005

	Note	BANK		GROUP	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
ASSETS					
Cash and short-term funds	(a)	48,413	85,500	49,689	86,445
Deposits and placements					
with financial institutions	(b)	–	10,200	–	10,200
Investment securities	(c)	413,121	481,604	554,704	581,672
Loans, advances and financing	(d)	1,079,552	643,763	1,125,152	691,297
Property, plant and equipment	(e)	328	288	328	288
Other assets	(f)	8,619	10,593	9,018	12,410
TOTAL ASSETS		1,550,033	1,231,948	1,738,891	1,382,312
LIABILITIES AND INTEREST-FREE BANKING FUNDS					
Deposits from customers	(g)	1,057,928	1,059,970	1,127,322	1,061,470
Deposits and placements of banks and other financial institutions	(h)	303,719	44,515	391,381	167,466
Other liabilities	(i)	64,278	33,190	74,636	42,616
Provision for taxation		16,833	10,877	18,223	10,880
TOTAL LIABILITIES		1,442,758	1,148,552	1,611,562	1,282,432
Islamic Banking Fund	(j)	107,275	83,396	127,329	99,880
TOTAL LIABILITIES AND INTEREST-FREE BANKING FUNDS		1,550,033	1,231,948	1,738,891	1,382,312
COMMITMENTS AND CONTINGENCIES	(o)	221,189	81,312	236,610	88,948

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	BANK		GROUP	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income from Islamic banking operations	(k)	46,187	25,478	51,995	32,840
Allowance for financing loss	(l)	(21,437)	(7,645)	(22,113)	(7,961)
Net income		24,750	17,833	29,882	24,879
Overheads	(m)	(4,924)	(2,045)	(5,097)	(2,299)
Profit before taxation		19,826	15,788	24,785	22,580
Taxation		(5,947)	(4,421)	(7,336)	(4,304)
Profit after taxation		13,879	11,367	17,449	18,276
Retained profit brought forward		28,396	17,029	38,880	20,604
Retained profit carried forward	(j)	42,275	28,396	56,329	38,880

The accompanying notes form an integral part of the financial statements

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2005

	Funds allocated from HO RM'000	Retained profit RM'000	Total RM'000
BANK			
At 1 April 2003	30,000	17,029	47,029
Additional funds allocated from HO	25,000	-	25,000
Profit for the year	-	11,367	11,367
At 31 March 2004	55,000	28,396	83,396
Additional funds allocated from HO	10,000	-	10,000
Profit for the year	-	13,879	13,879
At 31 March 2005	65,000	42,275	107,275
GROUP			
At 1 April 2003	36,000	20,604	56,604
Additional funds allocated from HO	25,000	-	25,000
Profit for the year	-	18,276	18,276
At 31 March 2004	61,000	38,880	99,880
Additional funds allocated from HO	10,000	-	10,000
Profit for the year	-	17,449	17,449
At 31 March 2005	71,000	56,329	127,329

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	19,826	15,788	24,785	22,580
Adjustments for:				
Accretion of discount less amortisation of premium of investment securities	(9,812)	(4,597)	(9,783)	(4,716)
Depreciation of property, plant and equipment	93	157	93	157
Gain on sale of investment securities	(477)	(27)	(476)	(27)
Income from investment securities	(8,364)	(10,257)	(14,164)	(10,257)
Profit equalisation reserve	4,586	3,098	5,285	3,098
Allowance for bad and doubtful debts (net of recoveries)	362	7,648	362	7,964
Income suspended (net of recoveries)	21,437	100	22,112	100
Operating profit before working capital changes	27,651	11,910	28,214	18,899
Changes in working capital:				
Deposits from customers	(2,042)	186,821	65,852	186,879
Deposits and placements of banks and other financial institutions	259,204	26,515	223,915	97,642
Other liabilities	26,502	7,858	26,735	7,145
Dealing securities	-	-	-	10,303
Loans advances and financing	(457,588)	(490,029)	(456,329)	(511,012)
Other assets	1,974	(8,498)	3,392	(10,249)
Cash used in operations carried forward	(144,299)	(265,423)	(108,221)	(200,393)

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash used in operations brought forward	(144,299)	(265,423)	(108,221)	(200,393)
Tax paid	10	-	7	-
Net cash used in operating activities	(144,289)	(265,423)	(108,214)	(200,393)
CASH FLOWS FROM INVESTING ACTIVITIES				
Income from investment securities	8,364	10,257	14,164	10,257
Purchase of property, plant and equipment	(135)	(441)	(135)	(441)
Purchase of investment securities net of sale proceeds	78,773	168,801	37,229	104,166
Net cash generated from investing activities	87,002	178,617	51,258	113,982
CASH FLOWS FROM FINANCING ACTIVITIES				
Funds allocated to Islamic Banking	10,000	25,000	10,000	25,000
Net cash generated from financing activities	10,000	25,000	10,000	25,000
Net decrease in cash and cash equivalents	(47,287)	(61,806)	(46,956)	(61,411)
Cash and cash equivalents at beginning of year	95,700	157,506	96,645	158,056
Cash and cash equivalents at end of year	48,413	95,700	49,689	96,645
Cash and cash equivalents comprise the following:				
Cash and short-term funds	48,413	85,500	49,689	86,445
Deposits and placements with financial institutions	-	10,200	-	10,200
	48,413	95,700	49,689	96,645

(a) CASH AND SHORT-TERM FUNDS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and balance with banks and other financial institutions	17,013	15,500	18,289	15,845
Money at call and deposit placements maturing within one month	31,400	70,000	31,400	70,600
	48,413	85,500	49,689	86,445

(b) DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	-	10,200	-	10,200
	-	10,200	-	10,200

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(c) INVESTMENT SECURITIES

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Money Market Instruments:				
Malaysian Government investment certificates	75,912	26,478	75,912	26,478
Bank Negara Malaysia bills	-	-	34,876	19,889
Bankers acceptance and Islamic accepted bills	-	123,932	-	123,932
Khazanah bonds	205,009	172,978	205,009	172,978
	280,921	323,388	315,797	343,277
Quoted private debt securities	14,868	-	14,868	-
Unquoted private debt securities	107,648	156,460	212,648	236,460
	403,437	479,848	543,313	579,737
Accretion of discounts less amortisation of premium	9,684	1,756	11,391	1,935
Total Investment Securities	413,121	481,604	554,704	581,672
(i) Market value of Money Market Instruments:				
Malaysian Government investment certificates	77,806	27,286	77,806	27,286
Bank Negara Malaysia bills	-	-	34,874	19,889
Bankers acceptance and Islamic accepted bills	-	124,299	-	124,299
Khazanah bonds	212,756	174,875	212,756	174,875
Quoted private debts securities	16,678	-	16,678	-
(ii) The maturity structure of Money Market Instruments held for investment is as follows:				
Maturing within one year	197,609	175,306	232,485	195,195
One year to three years	75,939	135,799	75,939	135,799
Three years to five years	-	12,283	-	12,283
Over five years	7,373	-	7,373	-
	280,921	323,388	315,797	343,277

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(d) LOANS, ADVANCES AND FINANCING

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bai Bithaman Ajil house financing	88,799	61,638	124,742	89,808
Al-Qadhassan (overdraft)	501	116	501	116
Bai Bithaman Ajil term financing	804,781	520,471	804,781	520,471
Al-Ijarah financing (leasing)	79,879	109,532	79,879	109,532
Murabahah working capital financing	14,482	19,855	23,745	26,119
Murabahah revolving credit	127,217	108,668	127,217	108,668
Trust receipts	356	-	356	-
Staff financing	1,488	-	1,488	-
Islamic Hire Purchase	268,592	-	268,592	-
Bills financing	-	-	1,809	13,842
	1,386,095	820,280	1,433,110	868,556
Unearned income	(274,480)	(166,253)	(274,496)	(166,271)
Gross loans, advances and financing	1,111,615	654,027	1,158,614	702,285
Allowance for bad and doubtful debts and financing				
- general	(16,418)	(9,801)	(17,817)	(10,525)
- specific	(15,143)	(323)	(15,143)	(323)
- income-in-suspense	(502)	(140)	(502)	(140)
Net loans, advances and financing	1,079,552	643,763	1,125,152	691,297
(i) The maturity structure of gross loans, advances and financing are as follows:				
Maturity within one year	169,465	159,373	188,452	189,429
One year to three years	113,930	49,329	141,942	67,531
Three years to five years	241,530	165,317	241,530	165,317
Over five years	586,690	280,008	586,690	280,008
	1,111,615	654,027	1,158,614	702,285

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(d) LOANS, ADVANCES AND FINANCING (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(ii) Gross loans, advances and financing analysed by economic purposes are as follows:				
Agriculture	265,749	215,641	265,749	215,641
Mining and quarrying	244	-	244	-
Manufacturing	72,907	26,562	72,907	26,562
Electricity, gas and water	913	-	5,714	13,824
Construction	45,676	52,066	49,681	56,082
Real estate	202,627	126,018	202,627	126,018
Purchase of landed property	144,399	56,773	144,399	56,773
<i>(of which: Residential</i>	52,831	30,120	52,831	30,120
<i>Non-Residential)</i>	91,568	26,653	91,568	26,653
General commerce	40,901	4,185	40,901	4,185
Transport, storage and communication	120,617	146,543	120,617	146,543
Finance, insurance and business services	25,436	17,852	25,436	17,852
Purchase of securities	6,827	7,047	42,771	35,217
Purchase of transport vehicles	167,703	-	167,703	-
Consumption credit	1,137	472	1,137	472
Others	16,479	868	18,728	3,116
	1,111,615	654,027	1,158,614	702,285
(iii) Movements in the provision for bad and doubtful debts and income-in-suspense are as follows:				
General Allowance				
At beginning of year	9,801	2,389	10,525	2,797
Allowance made during the year	8,384	7,939	9,059	8,255
Amount written back	(1,767)	(527)	(1,767)	(527)
At end of year	16,418	9,801	17,817	10,525
(as % of total loans less specific allowance and income-in-suspense)	1.5%	1.5%	1.5%	1.5%
Specific Allowance				
At beginning of year	323	87	323	87
Allowance made during the year	15,908	290	15,908	290
Amount written back in respect of recoveries	(1,088)	(54)	(1,088)	(54)
At end of year	15,143	323	15,143	323
Income-in-suspense				
At beginning of year	140	40	140	40
Income suspended during the year	464	129	464	129
Amount written back in respect of recoveries	(102)	(29)	(102)	(29)
At end of year	502	140	502	140

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(d) LOANS, ADVANCES AND FINANCING (cont'd)

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(iv) Movements in non-performing loans:				
At beginning of year	2,555	1,030	2,555	1,030
Non-performing during the year (gross)	25,077	2,346	25,077	2,346
Recoveries	(2,427)	(107)	(2,427)	(107)
Reclassified as performing during the year	(1,695)	(714)	(1,695)	(714)
At end of year	23,510	2,555	23,510	2,555
(as % of total loans less specific allowance and income-in-suspense)	0.7%	0.3%	0.7%	0.3%

(e) PROPERTY, PLANT AND EQUIPMENT

	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total	
					2005 RM'000	2004 RM'000
BANK						
COST						
At beginning of year	-	32	140	279	451	10
Additions	46	16	73	-	135	441
Transfer	-	(13)	-	-	(13)	-
At end of year	46	35	213	279	573	451
ACCUMULATED DEPRECIATION						
At beginning of year	-	20	41	102	163	6
Charge for the year	4	2	31	56	93	157
Transfer	-	(11)	-	-	(11)	-
At end of year	4	11	72	158	245	163
NET BOOK VALUE						
At 31 March 2005	42	24	141	121	328	-
At 31 March 2004	-	12	99	177	-	288
GROUP						
COST						
At beginning of year	-	32	140	279	451	10
Additions	46	16	73	-	135	441
Transfer	-	(13)	-	-	(13)	-
At end of year	46	35	213	279	573	451
ACCUMULATED DEPRECIATION						
At beginning of year	-	20	41	102	163	6
Charge for the year	4	2	31	56	93	157
Transfer	-	(11)	-	-	(11)	-
At end of year	4	11	72	158	245	163
NET BOOK VALUE						
At 31 March 2005	42	24	141	121	328	-
At 31 March 2004	-	12	99	177	-	288

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(f) OTHER ASSETS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other debtors, deposits and prepayments	5,499	6,977	5,898	8,794
Income receivable	3,120	3,616	3,120	3,616
	8,619	10,593	9,018	12,410

(g) DEPOSITS FROM CUSTOMERS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Al-Wadiah Demand deposits	393,017	291,663	393,017	291,663
Al-Wadiah Savings deposits	101,378	81,280	101,378	81,280
Al-Mudharabah General Investment deposits	563,533	687,027	632,927	688,527
	1,057,928	1,059,970	1,127,322	1,061,470

(i) The maturity structure of Al-Mudharabah General Investment deposits is as follows:

Due within six months	500,950	542,068	557,302	543,568
Six months to one year	60,169	137,690	73,211	137,690
One year to three years	1,814	6,564	1,814	6,564
Three years to five years	600	705	600	705
	563,533	687,027	632,927	688,527

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

Business enterprises	698,700	688,958	750,028	690,431
Individuals	179,386	163,916	179,386	163,916
Others	179,842	207,096	197,908	207,123
	1,057,928	1,059,970	1,127,322	1,061,470

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

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	135,000	40,000	202,528	157,934
Licensed finance companies	-	-	-	5,017
Other financial institutions	168,719	4,515	188,853	4,515
	303,719	44,515	391,381	167,466

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(i) OTHER LIABILITIES

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other liabilities	48,381	22,820	58,040	32,246
Income payable	5,393	4,452	5,393	4,452
Profit equalisation reserves	10,504	5,918	11,203	5,918
	64,278	33,190	74,636	42,616

The movements in Profit Equalisation Reserves are as follows:

At beginning of year	5,918	2,820	5,918	2,820
Amount arising during the year	5,820	3,188	6,519	3,188
Amount written back	(1,234)	(90)	(1,234)	(90)
At end of year	10,504	5,918	11,203	5,918

(j) ISLAMIC BANKING FUND

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Funds allocated from Head Office	65,000	55,000	71,000	61,000
Retained profit	42,275	28,396	56,329	38,880
	107,275	83,396	127,329	99,880

(k) INCOME FROM ISLAMIC BANKING OPERATIONS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income derived from investment of depositors' funds	75,065	50,658	84,116	60,648
Net income suspended	(463)	(83)	(493)	(83)
	74,602	50,575	83,623	60,565
Income attributable to depositors - other customers	(23,982)	(23,365)	(27,574)	(23,426)
- banks and financial institutions	(2,229)	(451)	(2,229)	(3,018)
Profit equalisation reserve	(4,586)	(3,098)	(5,285)	(3,098)
Income attributable to the Bank	43,805	23,661	48,535	31,023
Other Islamic Banking Income	2,382	1,817	3,460	1,817
	46,187	25,478	51,995	32,840

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(l) ALLOWANCE FOR FINANCING LOSS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Allowance for bad and doubtful debts and financing				
- general allowance (net)	6,617	7,411	7,293	7,727
- specific allowance (net)	14,820	234	14,820	234
	21,437	7,645	22,113	7,961

(m) OVERHEADS

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Personnel costs	1,787	1,386	1,924	1,589
Establishment costs	362	290	362	290
Marketing costs	2,486	113	2,495	145
Administration and general expenses	289	256	316	275
Total overheads	4,924	2,045	5,097	2,299

(n) CAPITAL ADEQUACY

The capital adequacy ratios of the Bank and of the Group are as follows:

	BANK		GROUP	
	2005	2004	2005	2004
Capital Ratios				
Core capital ratios	9.62%	9.88%	9.94%	10.20%
Risk-weighted capital ratios	11.09%	11.04%	11.33%	11.28%

Components of Tier-I and Tier-II capital are as follows:

	BANK		GROUP	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tier-I capital				
Capital funds	65,000	55,000	71,000	61,000
Reserve	42,275	28,396	56,329	38,880
Total Tier-I capital	107,275	83,396	127,329	99,880
Tier-II capital				
General provision for bad and doubtful debts	16,418	9,801	17,817	10,525
Total Tier-II capital	16,418	9,801	17,817	10,525
Total capital base	123,693	93,197	145,146	110,405

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(n) CAPITAL ADEQUACY (cont'd)

Analysis of the Bank's and of the Group's risk-weighted assets in the various categories of risk-weights is as follows:

	2005		2004	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
BANK				
0%	469,139	–	253,582	–
10%	–	–	–	–
20%	31,424	6,285	204,631	40,926
50%	38,874	19,437	28,843	14,422
100%	1,089,267	1,089,267	788,949	788,949
Total	1,628,704	1,114,989	1,276,005	844,297
GROUP				
0%	506,346	–	276,002	–
10%	–	–	–	–
20%	32,598	6,520	205,460	41,092
50%	38,874	19,437	28,843	14,422
100%	1,255,563	1,255,563	923,376	923,376
Total	1,833,381	1,281,520	1,433,681	978,890

(o) COMMITMENTS AND CONTINGENCIES

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

Risk-weighted exposure of the Bank and the Group as at end of the financial year are as follows:

	2005		2004	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000
BANK				
Direct credit substitutes	2,192	2,192	20,526	20,526
Transaction-related contingent items	64,989	32,495	11,092	5,546
Short-term self-liquidating trade-related contingencies	14,589	2,918	5,813	1,163
Irrevocable commitments to extend credit:				
- maturity exceeding one year	73,447	36,723	43,881	21,941
- maturity not exceeding one year	65,211	–	–	–
Other commitment	761	–	–	–
Total	221,189	74,328	81,312	49,176

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(o) COMMITMENTS AND CONTINGENCIES (cont'd)

	2005		2004	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000
GROUP				
Direct credit substitutes	15,613	15,613	26,162	26,162
Transaction-related contingent items	66,989	33,495	13,092	6,546
Short-term self-liquidating trade-related contingencies	14,589	2,918	5,813	1,163
Irrevocable commitments to extend credit:				
- maturity exceeding one year	73,447	36,723	43,881	21,941
- maturity not exceeding one year	65,211	-	-	-
Other commitment	761	-	-	-
	236,610	88,749	88,948	55,812

(p) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and the fair value of the financial assets and liabilities of the Bank and of the Group are as follows:

	2005		2004	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
BANK				
Financial assets				
Cash and short-term funds	48,413	48,413	85,500	85,500
Deposits and placements with financial institutions	-	-	10,200	10,200
Investment securities	413,121	419,085	481,604	487,959
Loans, advances and financing	1,079,552	1,095,838	643,763	653,551
Financial liabilities				
Deposits from customers	1,057,928	1,057,927	1,059,970	1,059,970
Deposits and placements of banks and other financial institutions	303,719	303,329	44,515	44,515
GROUP				
Financial assets				
Cash and short-term funds	49,689	49,689	86,445	86,445
Deposits and placements with financial institutions	-	-	10,200	10,200
Investment securities	554,704	562,548	581,672	589,885
Loans, advances and financing	1,125,152	1,142,837	691,297	701,809
Financial liabilities				
Deposits from customers	1,127,322	1,127,320	1,061,470	1,061,470
Deposits and placements of banks and other financial institutions	391,381	390,991	167,466	167,466

Note: The fair value of the other assets and other liabilities, which are considered short-term in nature, are estimated to be approximately their carrying values.

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(q) INCOME RATE RISK

	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 income sensitive RM'000	Average income Total RM'000	Average income rate %
BANK									
2005									
ASSETS									
Cash and short-term funds	48,413	-	-	-	-	-	-	48,413	2.66
Deposits and placements with financial institutions	-	-	-	-	-	-	-	-	-
Investment securities	-	-	-	204,072	161,114	47,935	-	413,121	1.70
Loans, advances and financing	235,523	1,569	1,080	2,252	355,595	515,596	(32,063)*	1,079,552	7.39
Other non income sensitive balances	-	-	-	-	-	-	8,947	8,947	-
Total assets	283,936	1,569	1,080	206,324	516,709	563,531	(23,116)	1,550,033	
Liabilities									
Deposits from customers	769,117	157,000	68,616	60,687	2,508	-	-	1,057,928	2.16
Deposits and placements of banks & other financial institutions	101,290	195,000	-	-	3,528	3,901	-	303,719	2.77
Other non income sensitive balances	-	-	-	-	-	-	81,111	81,111	-
Total liabilities	870,407	352,000	68,616	60,687	6,036	3,901	81,111	1,442,758	
Shareholders' funds	-	-	-	-	-	-	107,275	107,275	-
Total liabilities and shareholders' funds	870,407	352,000	68,616	60,687	6,036	3,901	188,386	1,550,033	
On-balance sheet income sensitivity gap	(586,471)	(350,431)	(67,536)	145,637	510,673	559,630	(211,502)	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
Total income sensitivity gap	(586,471)	(350,431)	(67,536)	145,637	510,673	559,630	(211,502)	-	

* Specific allowance, income-in-suspense and general allowance of the Bank and the Group are classified under the non income sensitive column.

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(q) INCOME RATE RISK (cont'd)

	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 income sensitive RM'000	Average income Total RM'000	Average income rate %
GROUP									
2005									
ASSETS									
Cash and short-term funds	49,689	-	-	-	-	-	-	49,689	2.59
Deposits and placements with financial institutions	-	-	-	-	-	-	-	-	-
Investment securities	9,990	24,886	-	209,176	262,716	47,936	-	554,704	2.65
Loans, advances and financing	242,539	1,569	9,989	5,314	383,607	515,596	(33,462)*	1,125,152	7.38
Other non income sensitive balances	-	-	-	-	-	-	9,346	9,346	-
Total assets	302,218	26,455	9,989	214,490	646,323	563,532	(24,116)	1,738,891	
Liabilities									
Deposits from customers	795,921	171,421	83,742	73,730	2,508	-	-	1,127,322	2.22
Deposits and placements of banks & other financial institutions	153,736	230,216	-	-	3,528	3,901	-	391,381	2.77
Other non income sensitive balances	-	-	-	-	-	-	92,859	92,859	-
Total liabilities	949,657	401,637	83,742	73,730	6,036	3,901	92,859	1,611,562	
Shareholders' funds	-	-	-	-	-	-	127,329	127,329	-
Minority interests	-	-	-	-	-	-	-	-	-
Total liabilities and shareholders' funds	949,657	401,637	83,742	73,730	6,036	3,901	220,188	1,738,891	
On-balance sheet income sensitivity gap	(647,439)	(375,182)	(73,753)	140,760	640,287	559,631	(244,304)	-	-
Off-balance sheet income sensitivity gap	-	-	-	-	-	-	-	-	-
Total income sensitivity gap	(647,439)	(375,182)	(73,753)	140,760	640,287	559,631	(244,304)	-	

* Specific allowance, income-in-suspense and general allowance of the Bank and the Group are classified under the non income sensitive column.

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(q) INCOME RATE RISK (cont'd)

	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 income sensitive RM'000	Average income Total RM'000	Average income rate %
BANK									
2004									
ASSETS									
Cash and short-term funds	85,500	-	-	-	-	-	-	85,500	2.70
Deposits and placements with financial institutions	-	10,200	-	-	-	-	-	10,200	2.84
Investment securities	66,937	78,016	51,852	-	247,478	37,321	-	481,604	2.81
Loans, advances and financing	223,331	-	-	31,164	214,884	184,648	(10,264)*	643,763	7.71
Other non income sensitive balances	-	-	-	-	-	-	10,881	10,881	-
Total assets	375,768	88,216	51,852	31,164	462,362	221,969	617	1,231,948	
Liabilities									
Deposits from customers	741,763	171,501	89,324	53,529	3,853	-	-	1,059,970	2.30
Deposits and placements of banks & other financial institutions	20,775	20,000	-	-	1,736	2,004	-	44,515	2.75
Other non income sensitive balances	-	-	-	-	-	-	44,067	44,067	-
Total liabilities	762,538	191,501	89,324	53,529	5,589	2,004	44,067	1,148,552	
Shareholders' funds	-	-	-	-	-	-	83,396	83,396	-
Total liabilities and shareholders' funds	762,538	191,501	89,324	53,529	5,589	2,004	127,463	1,231,948	
On-balance sheet income sensitivity gap	(386,770)	(103,285)	(37,472)	(22,365)	456,773	219,965	(126,846)	-	-
Off-balance sheet income sensitivity gap	-	-	-	-	-	-	-	-	-
Total income sensitivity gap	(386,770)	(103,285)	(37,472)	(22,365)	456,773	219,965	(126,846)	-	

* Specific allowance, income-in-suspense and general allowance of the Bank and the Group are classified under the non income sensitive column.

45 THE OPERATION OF ISLAMIC BANKING (cont'd)

(q) INCOME RATE RISK (cont'd)

	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 income sensitive RM'000	Average income Total RM'000	rate %
GROUP									
2004									
Assets									
Cash and short-term funds	86,445	-	-	-	-	-	-	86,445	2.70
Deposits and placements with financial institutions	-	10,200	-	-	-	-	-	10,200	2.84
Investment securities	66,937	97,905	51,852	5,000	317,636	42,342	-	581,672	3.25
Loans, advances and financing	241,171	-	12,216	31,164	233,086	184,648	(10,988)*	691,297	7.60
Other non income sensitive balances	-	-	-	-	-	-	12,698	12,698	-
Total assets	394,553	108,105	64,068	36,164	550,722	226,990	1,710	1,382,312	
Liabilities									
Deposits from customers	743,263	171,501	89,324	53,529	3,853	-	-	1,061,470	2.30
Deposits and placements of banks & other financial institutions	47,650	116,076	-	-	1,736	2,004	-	167,466	2.79
Other non income sensitive balances	-	-	-	-	-	-	53,496	53,496	-
Total liabilities	790,913	287,577	89,324	53,529	5,589	2,004	53,496	1,282,432	
Shareholders' funds	-	-	-	-	-	-	99,880	99,880	-
Minority interests	-	-	-	-	-	-	-	-	-
Total liabilities and shareholders' funds	790,913	287,577	89,324	53,529	5,589	2,004	153,376	1,382,312	
On-balance sheet income sensitivity gap	(396,360)	(179,472)	(25,256)	(17,365)	545,133	224,986	(151,666)	-	-
Off-balance sheet income sensitivity gap	-	-	-	-	-	-	-	-	-
Total income sensitivity gap	(396,360)	(179,472)	(25,256)	(17,365)	545,133	224,986	(151,666)	-	

* Specific allowance, income-in-suspense and general allowance of the Bank and the Group are classified under the non income sensitive column.