

A blurred background image of two business professionals, a woman and a man, in a meeting. The woman is on the left, looking towards the man on the right. They are both dressed in dark business attire. The background is a bright, out-of-focus blue and white, suggesting a modern office or conference room.

Moving Forward

annual report 2004

At Southern Bank, we are committed to service excellence in markets we seek to serve, creating and maximising value for all our customers and shareholders.



Corporate Profile

Building and strengthening customer relationships while continuing to leverage on technology and strategic alliances are hallmarks of Southern Bank's solid reputation as a leading financial services partner in Malaysia.

With over four decades of banking experience and an unbroken track record of consistent profitability, Southern Bank has positioned itself for leadership in niche markets such as retail banking, wealth management and SME financing where it has the greatest competitive advantage.





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Five Year Group Financial Highlights

	2000	2001	2002	2003	2004
Results (RM'000)					
Profit before taxation and zakat	240,030	315,793	417,016	488,587	486,804
Profit after taxation, zakat and minority interest	130,408	209,980	290,162	342,312	350,135
Balance Sheet (RM'000)					
Total assets	24,073,253	24,711,999	26,128,261	29,814,669	31,466,099
Net tangible assets	1,563,466	1,717,062	1,874,809	2,068,909	2,697,685
Loans, advances and financing	16,771,558	17,491,102	19,137,278	20,562,197	21,506,801
Total deposits	18,990,133	19,805,039	20,337,730	22,735,687	22,200,276
Paid-up capital	1,122,825	1,122,825	1,122,826	1,122,852	1,447,682
Shareholders' funds	2,098,122	2,283,842	2,549,759	2,756,940	3,472,310
Ratio:					
Gross dividend rate (%)	3	3	9	25	23
Net tangible assets per RM1 share (RM)	1.39	1.53	1.67	1.84	1.86
Net return on average shareholders' funds (%)	6.4	9.6	12.0	12.9	11.2
Basic earnings per share (sen)	11.6	18.7	25.8	30.5	27.7
Net return on average assets (%)	0.6	0.9	1.1	1.2	1.1
Loans and advances to total deposits (%)	88.3	88.3	94.1	90.4	96.9

Certain comparative figures have been adjusted for the effect of the following changes in accounting policy:

FY 2004 – Change of accounting treatment in respect of hire purchase handling fees.

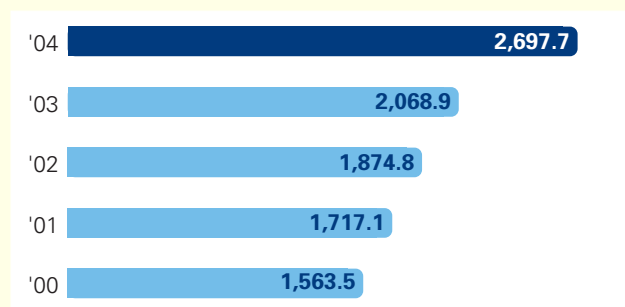
FY 2003 – Change of accounting policy in compliance with MASB 25: Income Taxes.

FY 2002 – Change of accounting policy in respect of dividend proposed subsequent to Balance Sheets dates.

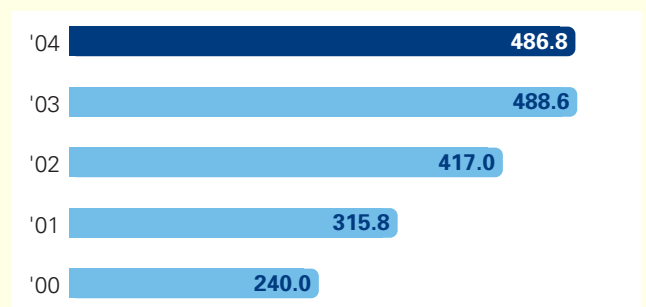
FY 2001 – Change of accounting treatment for loans sold to Cagamas.

Performance Charts

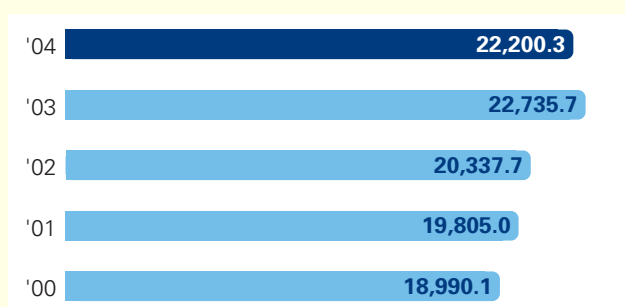
Group's net tangible assets (RM million)



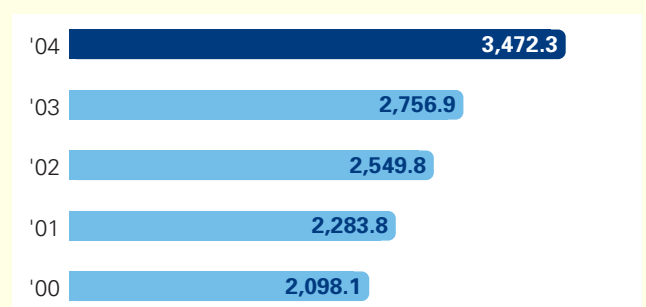
Group's profit before tax (RM million)



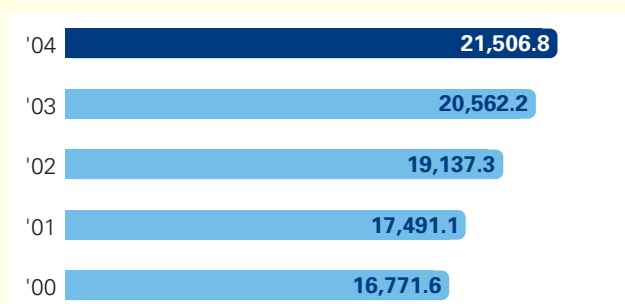
Group's total deposits (RM million)



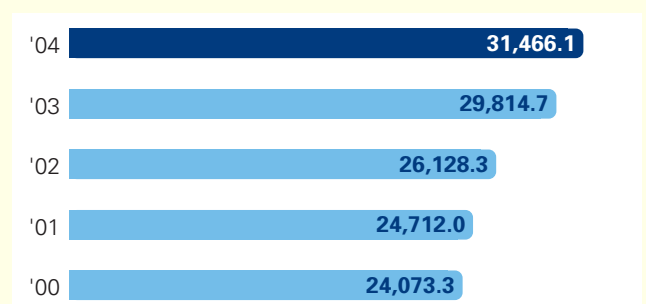
Group's shareholders' funds (RM million)



Group's loans, advances and financing (RM million)



Group's total assets (RM million)



Message to

Southern Bank made significant strides during the year with a steady financial performance, while investing substantially in the future with a sharper focus on profitable growth, to differentiate and strengthen its leadership in chosen niches.



Shareholders

CONSISTENT PERFORMANCE, STRATEGIC CLARITY

Southern Bank made significant strides during the year with a steady financial performance, while investing substantially in the future with a sharper focus on profitable growth, to differentiate and strengthen its leadership in chosen niches.

In a year of intense change, action and challenge, focus was never lost in our efforts to balance the implementation of long term strategy. A balance that demands that we reinvest in areas to better position the business for the future although, short term earnings will be immediately impacted, with the need to run the business and to deliver growth with consistency in performance.

During the year, several key Group wide imperatives were accomplished. These were a Special Bumiputera Issue, the acquisitions of stock-broking business, the raising of a USD 200 million as Tier 2 capital and the creation of an efficient and scalable operating platform - all of which were integral to support both organic and inorganic growth. These initiatives, integration efforts, restructuring and platform optimisation initiatives brought forth cost savings and business benefits. They underline the Bank's commitment to reinvest in our core businesses to strengthen our franchise, to respond proactively to the changing industry landscape needs and expectations of our customers; and to secure and to position the Group for the next stage of the journey.

Last but not the least, shareholders will be pleased to note that all these positive changes and developments in the capital and businesses of the Group have been recognised and favourably received by the financial markets. Notably, without share repurchases, the market capitalisation of the Bank rose 67% to RM4.8 billion from a year ago, ranking the Bank as 28th amongst the largest 100 businesses listed on Bursa Malaysia.

The year 2004 will also be remembered for drawing the world closer, bringing countries, and people together in remembrance and compassion in response to a natural catastrophe that wrought unimaginable devastation in many countries including Malaysia. The tsunami that struck the Asia Pacific on 26 December evinced a fresh spirit of unity and giving, and a coming together regardless of culture and religious divides, to alleviate suffering, to help and to share the burden of rebuilding a future.

Recognising that aside from financial performance, there is a corporate social responsibility, the Bank made three donations of RM250,000, RM500,000 and RM400,000 to help the victims especially traumatised children in support of the tsunami disaster relief efforts. The magnitude of this tragedy makes any response meagre by comparison, but these donations were made with the belief, that any assistance, if only modest, can help ease the pain of the loss we all share.

CHALLENGES AND GROWTH

Financial Performance of the Bank

At RM576 million, earnings for the Group were up 18% although profit before tax remained flat at RM487 million compared to a year ago, due chiefly to a new aggressive credit provisioning approach.

During the year, the Group changed its credit provisioning methodology for all non-performing loans of seven years and beyond. Under this change, zero value was assigned to the collaterals of all non-performing loans of seven years and beyond with full provisioning thereon.

This change has resulted in an additional charge to the income statement of RM57 million for the Bank and RM89 million for the Group respectively. Following this change, net earnings per share also had to be revised from 32.8 sen to 27.7 sen.

Nevertheless, we are pleased to report that Group income grew 15% to RM1.4 billion on the back of an 11% jump in revenue to RM2.1 billion. Group profit before tax was marginally higher by 2% at RM350 million compared to the previous year with return on equity slightly lower at 11% due to an enlarged capital base.

Non-interest income for the Group grew by 42% due primarily to higher contributions from credit cards, unit trust, asset management and stock-broking operations. Net interest income also increased by 9% while net interest margins remained stable at 3% although there was greater competitive intensity and continued pressure on margins. The cost to income ratio improved to 40% from 43% the previous year. Asset quality improved with the net NPL ratio declining from 7.2% to 6.7% at the Bank and from 10.4% to 9.0% at the Group.

Message to Shareholders

STRENGTHENING THE BANK'S CAPITAL BASE

Special Bumiputera Issue

During the year, a Special Bumiputera Share Issue (SBI) was completed increasing Bumiputera participation in the equity of the Bank to 30.18%. As a result, the Bank's capital base was enlarged from RM1.79 billion, to RM2.28 billion. Net proceeds were raised by nearly RM500 million which further lifted the Risk Weighted Capital Adequacy Ratio (RWCR).

The SBI raised the Issued Capital of the Bank to 1.40 billion shares from 1.12 billion shares in issue in 2003. Following the acquisitions of minority interests in SBB Securities and Mohaiyani Securities and the conversion of warrants during the year, the issued capital was further increased to 1.45 billion shares.

The SBI was followed by the issuance of a USD200 million Subordinated Debt (sub-debt), a milestone and the Bank's debut international issue involving Subordinated Notes. The issue raised the Bank's profile globally, particularly in Europe, Asia and Australia by attracting wide and diversified overseas interest in the Bank from market participants.

In conjunction with this issue, the Bank was awarded Baa2 long term foreign currency deposit rating and a Baa3 foreign currency subordinated rating by Moody's Investors Service, while Fitch Ratings assigned the Bank ratings of BBB long term senior debt and BBB - long term subordinated debt.

This sub debt issue further raised acquisition currency and funds for general banking and working capital purposes, and as it also qualified as Tier 2 Capital, the capital base was further strengthened, lifting the RWCR to almost 18.5% at the year end, a level which now makes the Bank one of the best capitalised financial institutions in the industry with the Group standing well capitalised with a strong RWCR of 16% and 18% at the Bank. Meanwhile, total shareholders' funds increased by 26% to RM3.5 billion.

Finally, the Bank received the approval of Bank Negara Malaysia for its share buy-back proposal. This proposal is part of the Bank's wider capital management strategy of maximising shareholders value, through returning capital that is in excess to the demands of the business to shareholders when appropriate. Approval from shareholders for this proposal will be sought at a shareholders meeting on 27 June 2005.

DIVIDEND

A first interim dividend of 6%, a second interim dividend of 10% and a final dividend of 7%, brings the total dividend to 23% or 23 sen per share on the enlarged capital of 1.45 billion shares in issue at the year end. On an absolute basis, this will absorb RM240 million which compares with a total net dividend paid in 2003 of RM205 million.

BANK OPERATIONS

Building on foundations set in earlier years, 2004 saw continuing re-invention, in closer strategic realignment and in progress towards higher levels of operational performance. The Bank together with Southern Finance, underwent further re-invention of its operations and branch distribution. At the finance company, branches were further rationalised, including a successful implementation of a business model that better captures scale economies with centralisation as a theme. Following this, 13 Southern Finance independent service centres were established and duplication of Bank and Southern Finance branches were further eliminated to raise customer service levels and to cut costs. Branches were also transformed into sales and service centres by removing their back-office operations to centralised hubs, thereby improving service by freeing up more branch personnel to deal with customers.

Service functions such as cheque clearing, remittances, trade finance and accounting previously carried out in the branches were also consolidated. Three centralised cheque processing centres, six trade finance centres and the Bank's call centre, the first in the country which was established in 1995, was expanded and has now grown ten-fold over the past decade. In alternate channels, self service systems were expanded with greater delivery and were heavily promoted. Utilisation of cash ATMs and cheque deposit machines were improved, increasing customer migration to these more convenient channels. Sales and service measurements underwent further refinements and these facilitated better customer experiences and increased efficiency in services.

TALENT AND PERFORMANCE MANAGEMENT

Knowledge and talent are especially critical in today's environment, and as we move into the next phase of banking consolidation and market liberalisation. During the year, the Bank focused on

Building on foundations set in earlier years, 2004 saw continuing re-invention, in closer strategic realignment and in progress towards higher levels of operational performance.

recruiting diverse top talent with wide banking experience. Moving forward, the thrust of our human capital development will continue to emphasise people, staff development and reward-based performance. The Performance Management Framework, with clear value oriented Key Performance Indicators (KPIs) and clear job-based delivery criteria was also enhanced and refined. The Group's talent management strategy that targets and recruits the best potential employees into the Group, the development of multiple career ladders and development programmes as well as an integrated performance focus and accountability were also further redefined.

Following the platform optimisation and process redesign in 2004, the Bank and Southern Finance both undertook a Voluntary Separation Scheme (VSS) in the last quarter of 2004. The aim of this VSS, the fifth over the past five years, was designed to correct functional and geographic distortions in staff deployment, that arose not only from the restructured delivery channels rationalisation, but also from changes in business growth patterns. This meant assigning more employees where business growth was needed as well as conversely reducing employee numbers in regions where business growth had been less robust.

HEALTHY CORE BUSINESSES

As shareholders are aware, the Bank's balance sheet is predominantly biased towards loan assets. As at the year end, out of nearly RM32 billion of total assets, almost RM22 billion or about 70% of the assets on balance sheet comprises loan assets. Spread banking was and remains the primary focus of the Bank. Shareholders will be pleased to note that as a Niche Bank, the core business segments have enjoyed healthy growth in keeping with the established credit stance of aggressive conservatism.

Of the Bank's RM22 billion in loan assets, almost 90% of these are with the SMEs and mid markets where the Bank has always had a historically strong franchise; and Consumer Banking in credit cards for instance, where the Bank has had nearly 20 years of history in these markets, and in wealth management where it is an industry pioneer.

Building new businesses has been a source of strength and growth for the Group. Going forward, we will work towards increasing differentiation to deliver value to our customers as we do not believe in competing purely on the basis of price.

Small and Medium Enterprises (SMEs)

SMEs make up nearly 30% of the Bank's balance sheet. Accordingly, supporting and providing improved services to SMEs has always been a long standing priority for the Bank. There are now six revamped specialised trade finance centres at strategic locations across the country augmenting the existing Commercial Banking Centres, providing specialised trade advisory services to SME customers. With this segment drawing unusually high attention in the financial sector particularly from larger intermediaries that hitherto were not prominent in SME financing, the Bank has made specific efforts to focus more substantively on these smaller enterprises which have become an increasingly important backbone of Malaysia's economic growth. Special priority was also given to the SME businesses run by women. This was underscored by the fact that this year, under the Innovative Woman Entrepreneur of the Year Award organised by the National Association of Woman Entrepreneurs of Malaysia, two recipients of this award were SBB customers.

Consumer Banking

Innovative value added products and services were introduced in 2004 such as the Cash Back Mortgage Plan, the first such product in the industry. Home loan receivables grew 8% in 2004 buttressed by the launching of two other new products, the SBB Affordability Scheme, simplifying home ownership, and the SBB Developers' Packages, with special rates to selected developers' projects. On the fee-based products front, several bancassurance products were rolled out such as the Regular Savings Plan, Single Premium Products or the Guaranteed Income Endowment, sales of which exceeded targets substantially.

In Wealth Management, it has been a productive year. The Bank for many years has been distributing both proprietary, as well as the non-proprietary wealth management products. Today, the Bank distributes the products of eleven fund houses selling over 70 funds, through the Bank's branches, giving our customers a wider choice. Unit trusts sales through the Bank increased by 182% over the 2003 sales.

The Financial Advisory Services (FAS) continued to be popular, effectively meeting both customer needs and the Bank's expectations. As a result, nine more FAS branches were established bringing the total of financial advisory centres in the country from five to fourteen in 2004.

Message to Shareholders

Credit Cards

In the credit card business, the Bank strengthened and solidified its number two position in loans receivables and merchant-acquiring among domestic banks in the country. Credit cards issue grew 22%, with Direct Access taking the lead with a growth rate of 74%. Card billings volume for both retail and cash transactions grew 34%, while the loan portfolio increased by 19%. With the economy remaining strong and increasingly consumer driven, merchant sales volume soared 39%.

All SBB and Direct Access magnetic stripe MasterCard and Visa credit cards have now been converted to chip-based cards making the Bank EuropayMasterCardVisa (EMV) compliant. These conversions further enhanced the Bank's lead in these markets. It also reflects investments in past years in building a better acquiring infrastructure and assets. These developments augur well for besides being customer touch-points, EMV migration also provides the enabling technology for deeper customer relationships for SBB and Direct Access credit card holders while improving payment system efficiency and enhancing card security.

Islamic Banking

Islamic Banking posted a growth of 8% despite facing increasing intensified competition. The Cash Line Facility-i registered a triple digit growth for the year. Total deposits, meanwhile, grew a hefty 37% contributed by all deposit segments. With a new computerisation of the Islamic Trade Finance System, trade finance can be expected to make an even larger contribution to the Bank in the future.

SUCCESSFUL RISK MANAGEMENT

Risk Management has always been central to the Bank's success and to remaining profitable since its founding 43 years ago and even during the recession years. Therefore, strengthening a robust credit culture to improve asset quality always ranks high among the Bank's priorities. We know we will stay true to the earnings philosophy established in its early years since we are strongly underpinned by a stringent three-month loan classification, a prudent provisioning policy and a continually fine-tuned risk control process and an online superior risk scoring system that facilitates key performance indicators, recovery tracking and more reliable databases.

In line with the liberalisation of the financial sector, Basel II proposes to change the methodologies used in measuring the Bank's minimum capital requirement. The Bank given its credit underwriting and risk management history will be favoured by the forthcoming risk adjusted capital allocation formula. The Bank and Southern Finance in preparation for the implementation of Basel II have risk management initiatives well underway, focusing on timely compliance with the Basel II requirements as spelled out by Bank Negara Malaysia.

CONTRIBUTION BY THE SUBSIDIARIES

SBB Mutual Berhad (SBB Mutual)

As Malaysia's second biggest unit trust company, SBB Mutual maintained its strong growth lifting assets under management to RM5.0 billion in 2004, from RM4.0 billion in 2003 with record-breaking sales of RM2.67 billion.

As financial planning takes off in the financial services industry, SBB Mutual is well positioned to maximise its first mover advantage in providing such services. In this regard, one notable development in 2004 was the commitment to upgrade the SBB Mutual agency force with better knowledge and skills in financial planning such as the Certified Financial Planning programmes.

After two years of preparation and planning, SBB Mutual was granted a License from the Securities Commission to be an Investment Adviser, the first unit trust management company to attain this status in Malaysia.

SBB Mutual established a Financial Care Centre (FCC), breaking new ground with this pioneering effort aimed at raising standards of professionalism and leadership in financial advisory and planning services.

Southern Finance Berhad (SFB)

In an environment that is increasingly competitive, loans grew 5%. Return on Assets (ROA) stood at 2% while the Return on Equity (ROE) was 16%. Profitability was lower when compared with a year ago due chiefly to the change in the methodology of provisioning for NPLs of seven years and above, the intense competition over financing rates in auto financing, fewer used vehicles sales, deterioration of investment assets and also higher operating costs. Competition in automobile financing is expected to increase with the emergence of new players in Islamic Banking as well as the potential new entrants in the market by non-Banks.

Recognising corporate governance as integral and critical in creating and sustaining growth in shareholder value, we are committed to greater transparency and accountability to all owners.

SBB Asset Management Sdn Bhd (SBBAM)

SBBAM had an excellent year. Funds under management increased RM1.1 billion. The largest contributors to the increase were unit trust funds, which were boosted by RM859 million. Institutional funds rose by RM271 million due to net inflow and capital appreciation. Total assets under management at year end reached RM7.3 billion which ranks SBBAM as the second largest asset management business in Malaysia. SBBAM was ranked number two over three years by Watson Wyatt based on the return/risk ratio. The Median Fund managed by SBBAM was ranked number one for 2004. Unit trust funds on the Lipper Table (1-year rankings) ended the year mostly in the first and second Quartiles.

SBB Securities Sdn Bhd (SBBS)

SBBS completed the acquisition of Mohaiyani Securities and minority interest in SBBS, with both becoming wholly-owned subsidiaries of the Bank. The merger of these two businesses under SBBS increased the geographic footprint of the business, resulting in the relocation of the principal office to Petaling Jaya, with Ipoh remaining a branch.

This strategic move not only tapped into a larger institutional and retail business base in the Klang Valley but it also enabled a better response to increasing competition, heightened by the entry of foreign participants and further on, the introduction of cross trading between Bursa Malaysia and the Singapore Stock Exchange.

In an increasingly competitive environment, this merger will besides complying with the requirements of the Capital Market Master Plan also raise the level of efficiency in our stock-broking business through scale economies, with wider benefits, especially in our asset management, unit trust and investment banking businesses to create and deliver better value to our clients.

Southern Investment Bank Berhad (SIBB)

Leveraging on the strength of the Group, SIBB increased its profits by focusing on the small and medium size companies. Profits in 2004 before taxation jumped 178% to RM13.9 million from RM5.0 million in 2003. SIBB was active in the debt restructuring market advising several financially distressed companies as well as two financial institutions on the acquisition of stock-broking companies. SIBB also acted as a Joint Managing Underwriter for the AirAsia

retail offering of shares to the Malaysian public and listed companies on the Main Board and the MESDAQ of Bursa Malaysia and successfully structured and placed funds of Commercial Real Estate Backed Debt Securities for a Special Purpose Vehicle.

CORPORATE GOVERNANCE

The Bank remains committed to adopting global best-fit practices in business and in corporate governance. Recognising corporate governance as integral and critical in creating and sustaining growth in shareholder value, we are committed to greater transparency and accountability to all owners.

Consonant with these beliefs, the Bank appointed new independent directors with a diversity of experience, and skills at the Bank's Board as well as on the Boards of its key subsidiaries.

DIRECTORATE

At the Bank, we welcome Mr Ian Craig Buchanan, Dr. Sieh Mei Ling and Tengku Zaitun Tengku Mahadi onto the Board. Mr. Buchanan and Dr. Sieh are independent directors while Tengku Zaitun is a non-independent executive director of the Bank.

Dato' Syed Mohd Yusof bin Tun Syed Nasir was appointed Chairman of the Bank upon the retirement of Tan Sri Osman S Cassim. Dato' Yeap Leong Huat and Mr. James B. Bemowski were appointed Chairman of Southern Investment Bank and SBB Mutual respectively.

IN APPRECIATION

On 18 February 2005, Tan Sri Osman S Cassim retired from the Board after having served as Chairman of the Bank since 1 October 1990. Tan Sri Osman rendered invaluable service to the Bank during his tenure as Chairman and we wish to record our deep appreciation and gratitude to him.

We are also indebted and we wish to record our appreciation to Dato' Dr. Yahya bin Ismail who was appointed a Director on 1 October 1983 and who also retired from the Bank's Board on 18 February 2005, after having served with distinction for over two decades.

Message to Shareholders

We wish both these directors who over their many years on the Board provided such unselfish, dedicated and committed service; good health, prosperity and the very best in their future endeavours.

Board members participated in a Directors' Forum, a specialised three day event teaming up with the International Centre for Leadership Finance, and INSEAD to review and reflect on current Industry as well as global corporate governance issues and their relevance to Malaysia.

Raising the bar in performance has and is always a mantra enterprise-wide and this is exemplified by the Audit Committee, Risk Management Committee, the Remuneration Committee and the Nominating Committee diligently performing their respective duties and responsibilities during the year under review.

FUTURE ASPIRATIONS

We will continue efforts to create an efficient and scalable operating platform, to support both organic and inorganic growth.

We will review and seek businesses that are consistent with the Bank's niche strategy leveraging on our strengths to better serve our changing customers' needs.

The Bank's leadership in the industry in post merger integration, mergers and acquisitions, alliances and in new business build has been amply demonstrated in past years. In an increasingly market-driven environment, we want to underscore that the future banking landscape will be defined by those financial intermediaries that best serve the interests of their owners and customers. The future we recognise will belong to those who are agile and adaptable. We know the race is not necessarily, beholden to the successful and we accept that our strengths today indeed, may well be less relevant for success tomorrow. Moving ahead, we will raise the Group's profile and visibility with the investment community, particularly foreign and institutional investors.

Consistent with our operating philosophy, balance sheet growth will not be at the expense of asset quality as our belief in

aggressive conservatism has served us well in past decades and it remains a cornerstone since our founding, of our unbroken record of profitability.

We expect margins to remain largely flat as competition remains keen and loan growth modest. We will stay focused on delivering increasing value to our customers and continue to realign our resources to support the strategic directions we have set and to consolidate our industry position.

The Bank is well able to thrive and compete in an intensely competitive environment and we look forward to the next phase of our journey with confidence.

Meanwhile, competition is intensifying. Market conditions in our industry are favourable and the Malaysian economy remains robust. With a solid foundation in place and a cohesive and focused management team, we approach 2005 with further expansion in mind.

ACKNOWLEDGEMENT

This has been a significant year for the Bank and the Group. A year characterised by a financial landscape that is fast changing, and intensifying competition. To achieve and to execute successfully all the key goals laid out in our internal agenda demands leadership and teamwork.

We thank the people of Southern Bank for their adaptability and achievements and we are grateful and recognise their efforts, dedication and support.

We thank our valued customers without whose support our quest to be a leader in the financial services industry would be meaningless. We thank our shareholders, business associates, alliance partners and board directors for their commitment and support.

We also express our appreciation to Bank Negara Malaysia, the Ministry of Finance, Bursa Malaysia and the Securities Commission and other relevant authorities for their invaluable advice and guidance throughout the year.

Corporate Information

BOARD OF DIRECTORS

Chairman

**YBhg Dato' Syed Mohd Yusof
bin Tun Syed Nasir**

DPMS, JP

Chief Executive Director

YBhg Dato' Tan Teong Hean

SIMP, DSIS, DSAP, DIMP, FIBM, FMID

Directors

YBhg Dato' Yeap Leong Huat

DSPN, DJN, PJK, LLD (Hon)

YBhg Datuk Nicholas Spiro Zefferys

PJN

Mr Yeap Lam Yang

YM Tengku Zaitun binti Tengku Mahadi

Dr Sieh Lee Mei Ling

Mr Ian Craig Buchanan

CORPORATE INFORMATION

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Mr Tan Ghee Kay

Mr Kong Sooi Peng

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Listing

Main Board

Bursa Malaysia Securities Berhad

Board of Directors

Seated, from left:

YBhg Dato' Yeap Leong Huat

**YBhg Dato' Syed Mohd Yusof
bin Tun Syed Nasir**

Chairman

YBhg Dato' Tan Teong Hean

Chief Executive Director

Standing, from left:

**YM Tengku Zaitun
binti Tengku Mahadi**

**YBhg Datuk Nicholas
Spiro Zefferys**

Mr Ian Craig Buchanan

Dr Sieh Lee Mei Ling

Mr Yeap Lam Yang





Directors' Profile



Dato' Syed Mohd Yusof bin Tun Syed Nasir DPMS, JP
Chairman/Non-Independent Non-Executive Director

*Bachelor of Economics (University of Tasmania, Australia, 1975)
Malaysian, Age 57 years*

Dato' Syed Mohd Yusof bin Tun Syed Nasir was appointed to the Board of Southern Bank on 28 October 2003 as a Non-Independent Non-Executive Director. On 23 February 2005, Dato' Syed Mohd Yusof was appointed Chairman of Southern Bank Berhad. He is also a Director of the Bank's finance subsidiary, Southern Finance Berhad.

After graduating with a Bachelor of Economics majoring in Accountancy, Dato' Syed Mohd Yusof started his career with Petronas. He served in various positions there, rising to Head of Northern Region, before leaving Petronas to venture into business. Currently, Dato' Syed Mohd Yusof sits on the Boards of several private limited companies.

Dato' Syed Mohd Yusof is a Director and Chairman of Killinghall (Malaysia) Bhd. He also sits on the Board of AM Trustee Berhad.

Dato' Syed Mohd Yusof does not have any family relationship with any director and/or major shareholders of the Bank or any personal interest in any business arrangement involving the Bank. He has no convictions for any offences within the past ten years.

Dato' Syed Mohd Yusof attended all of the thirteen Board Meetings held during the financial year ended 31 December 2004.

Dato' Syed Mohd Yusof bin Tun Syed Nasir currently sits on the Nominating Committee and Remuneration Committee of the Bank.



Dato' Tan Teong Hean SIMP, DSIS, DSAP, DIMP, FIBM, FMID
Chief Executive Director/Non-Independent Director

*Bachelor of Arts (Economics) (Hons) (University of Malaya, Malaysia, 1966)
Malaysian, Age 61 years*

Dato' Tan Teong Hean was appointed to the Board of Southern Bank in 1975. He became Chief Executive Director on 1 October 1983. Dato' Tan is also the Chairman of the Bank's stockbroking subsidiary, SBB Securities Sdn Bhd. He also sits on the Boards of Southern Finance Berhad and Southern Investment Bank Berhad.

A Fellow and Council Member of the Institute of Bankers Malaysia and Fellow of the Malaysian Institute of Directors, Dato' Tan is a Member of the Board of Trustees of the Malaysian Institute of Economic Research.

He is the Chairman of the Asia Pacific Board of MasterCard International-Asia Pacific and a member of the Nominating and Corporate Governance Committee of the MasterCard Global Board. He is also a Global Counsellor to The Conference Board and a Board Member of the Malaysian Industry-Government Group for High Technology.

Dato' Tan also sits on the Board of the following companies: Cagamas Berhad, Asean Finance Corporation Limited and Asean Supreme Fund Limited.

Dato' Tan does not have any family relationship with any director and/or major shareholders of Southern Bank and has no convictions for offences within the past ten years.

Dato' Tan attended all of the thirteen Board Meetings held during the financial year ended 31 December 2004.

Dato' Tan Teong Hean is currently the Chairman of the Bank Credit Committee and a Member of the Nominating Committee of the Bank.



Dato' Yeap Leong Huat DSPN, DJN, PJK, LLD (Hon)
Non-Independent Non-Executive Director

Malaysian, Age 58 years

Dato' Yeap Leong Huat was appointed to the Board of Southern Bank on 18 October 2000. He sits on the Boards of the following public companies within the Southern Bank Group: Southern Finance Berhad, BHL Venture Berhad, SBB Mutual Berhad, BHLB Trustee Berhad and is the Chairman of Southern Investment Bank Berhad. Dato' Yeap is also the Chairman of SBB Asset Management Sdn Bhd.

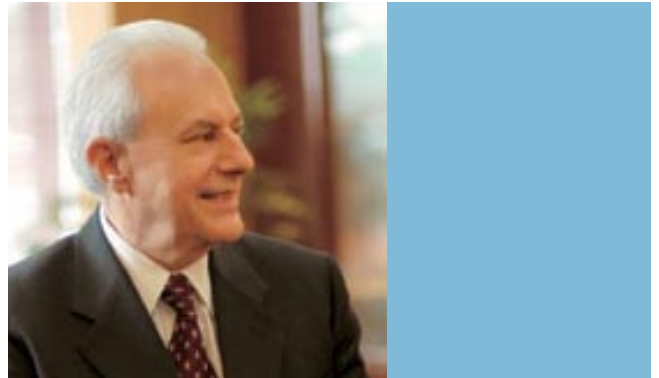
Dato' Yeap is currently the Executive Chairman of Heng Lee & Company Sdn Bhd.

Dato' Yeap was admitted to the Degree of Doctor of Laws (honoris causa) of Deakin University, Australia, on 20 September 1997 for distinguished service to education.

Dato' Yeap is the uncle of Mr. Yeap Lam Yang, a Director and shareholder of the Bank. He does not have any personal interest in any business arrangement involving the Bank and has no convictions for offences within the past ten years.

Dato' Yeap attended all of the thirteen Board Meetings held during the financial year ended 31 December 2004.

Dato' Yeap Leong Huat currently sits on the Credit Risk Management Committee as Chairman and is a Member of the Nominating Committee, Audit Committee, Risk Management Committee and Remuneration Committee of the Bank.



Datuk Nicholas Spiro Zefferys PJN
Independent Non-Executive Director

*Master of Business Administration (MBA) (State University of New York at Buffalo, 1966); Bachelor of Electrical Engineering (BEE) (Rensselaer Polytechnic Institute, Troy, New York, 1961)
American, Age 66 years*

Datuk Nicholas Spiro Zefferys was appointed to the Board of Southern Bank on 20 August 2003 as an Independent Non-Executive Director.

Datuk Nicholas has over 35 years experience in business and government leadership positions related to business development, strategic planning, finance, capital acquisition, marketing, operations and total quality management. He has worked, inter alia, in Vietnam, Thailand, Malaysia, Singapore, Russia, England, Canada and the United States. He is currently President and CEO of Applied Consulting & Engineering Sdn Bhd and has resided in Malaysia for the past ten years.

Datuk Nicholas was the President of the American Malaysian Chamber of Commerce in 1999-2002 and is presently its Governor.

Datuk Nicholas does not have any family relationship with any director and/or major shareholders of the Bank or any personal interest in any business arrangement involving the Bank. He has no convictions for any offences within the past ten years.

Datuk Nicholas attended all of the thirteen Board Meetings held during the financial year ended 31 December 2004.

Datuk Nicholas Spiro Zefferys is currently the Chairman of the Nominating Committee, Audit Committee, Remuneration Committee and Risk Management Committee of the Bank.

Directors' Profile



Mr Yeap Lam Yang

Non-Independent Executive Director

*Bachelor of Science Economics (Hons) (London School of Economics, United Kingdom, 1978)
Singaporean, Age 51 years*

Mr Yeap Lam Yang was appointed to the Board of Southern Bank on 18 October 2000.

Mr Yeap has been the Resident Director and Chief Executive of Ban Hin Lee Bank, Singapore Branch since 1986 and then after the merger, holding a similar position at the Singapore Branch of Southern Bank. He also sits on the Boards of BHL Venture Bhd, BHLB Trustee Bhd and Heng Lee & Company Sdn Bhd. He does not hold any other directorships of public companies.

Mr Yeap is the nephew of Dato' Yeap Leong Huat, a Director and shareholder of the Bank. He does not have any personal interest in any business arrangement involving the Bank and has no convictions for offences within the past ten years.

Mr Yeap attended all of the thirteen Board Meetings held during the financial year ended 31 December 2004.

Mr Yeap Lam Yang currently sits on the Bank Credit Committee of the Bank.



Tengku Zaitun binti Tengku Mahadi

Non-Independent Executive Director

*Bachelor of Science in Economics (University of Malaya, Malaysia, 1973)
Malaysian, Age 56 years*

Tengku Zaitun binti Tengku Mahadi was appointed to the Board of Southern Bank on 25 August 2004.

Tengku Zaitun was previously the Executive Vice President of Southern Bank responsible for its Branch Distribution Group. She is a well proven executive with over 30 years of experience in bank operations and credit with Southern Bank.

Tengku Zaitun does not have any family relationship with any director and/or major shareholders of the Bank or any personal interest in any business arrangement involving the Bank. She has no convictions for offences within the past ten years.

Tengku Zaitun attended all of the seven Board Meetings held for the financial year since the date of her appointment.

Tengku Zaitun binti Tengku Mahadi is currently a Member of the Bank Credit Committee of the Bank.



Dr Sieh Lee Mei Ling

Independent Non-Executive Director

Doctor of Philosophy (Ph.D) (1978), Master of Arts (Business Studies) (1972) (University of Sheffield, United Kingdom), Bachelor of Social Science (Economics Honours) (University of Singapore, 1970) Singaporean, Age 57 years

Dr Sieh Lee Mei Ling was appointed to the Board on 25 August 2004 as an Independent Non-Executive Director. She is currently Chairman of the Investment Committee of SBB Mutual Bhd, the unit trust arm of the Bank.

Dr Sieh was Chair Professor of Business Administration at the University of Malaya. She has extensive research experience and numerous publications. She has been a consultant to government and inter-government agencies, professional bodies, industries, multinational and Malaysian corporations. Her advisory and honorary positions include those with the Palm Oil Research Institute of Malaysia, the Master Builders Association of Malaysia, the Board of Employees Provident Fund and the National Accreditation Board.

Dr Sieh does not have any family relationship with any director and/or major shareholders of the Bank or any personal interest in any business arrangement involving the Bank. She has no convictions for offences within the past ten years.

Dr Sieh attended all of the seven Board Meetings held for the financial year since the date of her appointment.

Dr Sieh Lee Mei Ling is currently a Member of the Nominating Committee, Audit Committee and Risk Management Committee of the Bank.



Mr Ian Craig Buchanan

Independent Non-Executive Director

Master of Business Administration (Wharton Graduate School of Business, University of Pennsylvania, 1972), Master of Arts in Chemistry/Quantum Chemistry (Oxford University, 1970) British, Age 58 years

Mr Ian Craig Buchanan was appointed to the Board on 25 August 2004 as an Independent Non-Executive Director. He also sits on the Board of Southern Investment Bank Berhad.

Mr Buchanan is Senior Executive Adviser to, and former Regional Chairman of, leading international management and technology consulting firm, Booz Allen Hamilton. He has over 30 years of consulting and venture capital experience throughout the region.

He is a regular guest speaker/lecturer on Asian Strategy at Harvard and other business schools as well as at a wide range of leading business forums and is Chairman of the Centre for Corporate Change at Australia's leading business school, the Australian Graduate School of Management.

Mr Buchanan does not have any family relationship with any director and/or major shareholders of the Bank or any personal interest in any business arrangement involving the Bank. He has no convictions for offences within the past ten years.

Mr Buchanan attended six of the seven Board Meetings held for the financial year since the date of his appointment.

Management



Seated, from left:

Chan Hon Thiam

*Executive Vice President,
Corporate / Commercial Banking Group*

Teh Beng Hooi

*Executive Vice President,
Chief Executive Planning Group*

Chew Hoy Ping

Chief Financial Officer

Standing, from left:

N. Selvarajah

Executive Vice President, Internal Audit Group

Seah Chong Leng

Executive Vice President, Corporate Office Group

Tan Ghee Kay

*Executive Vice President & Company Secretary,
Corporate Advisory Group*

James B. Bemowski

Senior Executive Vice President, Group Development & Subsidiaries

Tan Hui Khim

Executive Vice President, Information Technology Group

Tengku Zaitun binti Tengku Mahadi

Executive Director

of the Bank



Seated, from left:

Jean Yap Yoke Yuen

Senior Vice President, Consumer Banking Group

Tom Van Tighem

Executive Vice President, Consumer Banking Group

Standing, from left:

Tan Leng Hock

Senior Vice President, Commercial Banking Group

Robert Lim

Executive Vice President, Human Resources Group

David C. Alfred

*Senior Vice President & Deputy General Counsel,
Corporate Advisory Group*

Nordin Yahaya

Executive Vice President, Islamic Banking Group

Kamal Batcha Dawood

*Executive Vice President,
Management Development & Corporate Affairs,
Acting Head of Treasury & International Group*

Management



Seated, from left:

Ong Poh Ean

Senior Vice President, Risk Management Group

Ng Gek Siu

Senior Vice President, Financial Control Group

Standing, from left:

Lee Bee Suan

*Executive Vice President,
Administration & Properties Group*

Chin Toh Wong

Senior Vice President, Corporate Finance

Winston Lai Tak Kong

Senior Vice President, Corporate Banking Group

Christopher Kong Sooi Peng

*Executive Vice President & Company Secretary,
Corporate Advisory Group*

Alan Wee Mun Seng

Senior Vice President, Consumer Banking Group

of the Bank



Seated, from left:

Mawardy Edi

Senior Vice President, E-Bank Group

Celina May Benjamin

Senior Vice President, Corporate Communications

Standing, from left:

Lim Peng Leong

Senior Vice President, Operations Group

Yew Teik Jin

Senior Vice President, Group Finance

Ng Kok Hoe

Vice President & Head, Credit Performance Division

Aaron Loo

Senior Vice President, Program Managers Office

Corporate Social Responsibility

Southern Bank's firm commitment to corporate social responsibility extends beyond a sole focus on financial performance, in order to do social good and add value to the community, bearing in mind the interest of our future generation.

In 2004, the Bank contributed steadfastly to fulfilling its corporate social responsibilities by harnessing its corporate and human resources to devote time and support for a diverse range of charities and organisations besides participating in educational, industry and social programmes.

Broadly, activities and support efforts for the year 2004 ranged from caring for women and the family, to education and promotion of greater leadership and professionalism in the business sector as well as community health and promotion of the arts.

Responding to the plight of victims of the December tsunami disaster which hit the Asia Pacific region December 26, the Bank made two concerted efforts to alleviate suffering and bring relief to the families of victims particularly the children. Southern Bank made separate donations totalling RM750,000. An amount of RM250,000 was allocated to Yayasan Budi Penyayang primarily dedicated to support Malaysian children affected by the disaster. Another sum of RM500,000 was subsequently donated to the Malaysian Tsunami Disaster Fund through a special charity fund raiser held in Kuala Lumpur while RM400,000 was channelled to the Forces of Nature charity concert in early 2005.

In the area of health and community well-being, the Bank supported a special carnival launched by the Prime Minister YAB Dato' Seri Abdullah bin Haji Ahmad Badawi in June 2004. This special event was part of the nation-wide "Wholesome Families are the Pulse of the Nation" campaign.

The Bank through its unit trust management company, SBB Mutual, donated generously to the Malaysian Liver Foundation while Southern Finance organised a Blood Donation Drive with the National Blood Centre, engaging employees of the finance company to come forward and participate in this campaign. The Bank through its credit card division carried out a fund raiser with card members and donated to the Heart Patients' Fund of the Penang Adventist Hospital. Southern Bank and Direct Access card members also joined hands with the Bank in the MPH Bookstores Share-A-Gift Programme for the purchase of books for 23 childrens' homes in the Klang Valley.

In support of the Bukit Damansara House Owners' Association, the Bank played its role as a good neighbour by assisting with the construction of a Police Beat Base. The Bank also participated in the Annual Rat Race, a charity run organised by The Edge financial weekly in cooperation with Yayasan BSKL, the charity foundation of the Malaysian Stock Exchange.

The Bank's partnership with the World Wide Fund for Nature (WWF) has continued to reflect a commitment to preserve Malaysia's natural environment with mutual benefits for customers and the community. Since forming a strategic alliance with WWF in 1999 and launching the Eco Corporate MasterCard, the Bank has contributed the first year annual fee and a percentage of cardholders' spending towards the preservation of Malaysian nature.



Dato' Tan Teong Hean was a keynote speaker at the Asli/Malaysian Banking Summit 2004.



Dato' Tan Teong Hean, Chief Executive Director of SBB with the Deputy Prime Minister YAB Dato' Seri Najib Tun Razak at the opening of the ASEAN Economic Summit 2004.



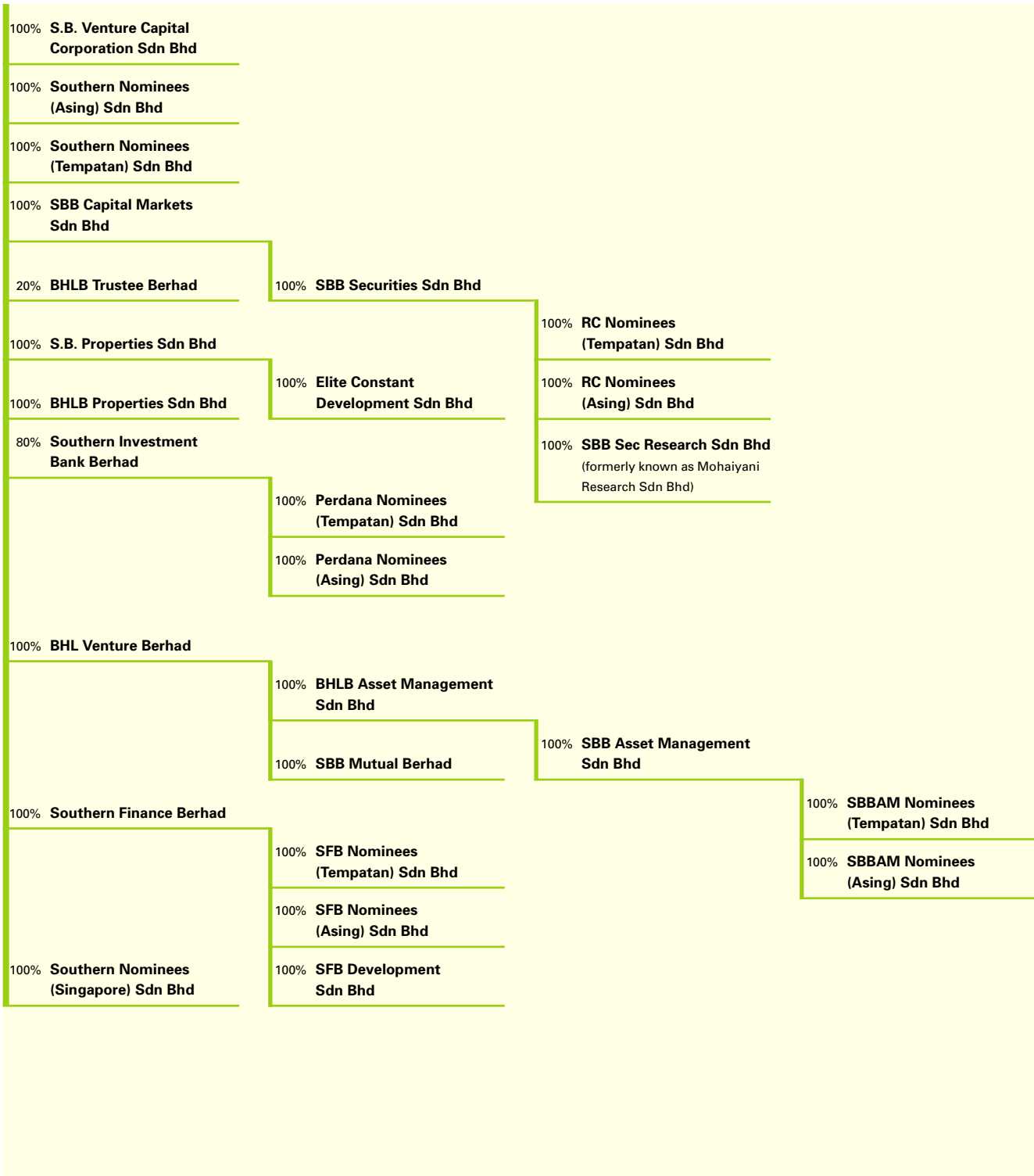
In recognition of the special and important role of women in Malaysian society, the Bank has continued its active support of the Women's Institute of Management (WIM). In the area of culture and the arts, the Bank contributed to the promotion of Malaysian Batik and craftsmanship via a donation for the Piala Seri Endon annual batik design competition. In Penang, the Bank assisted in fund raising efforts for the staging of a poetic dance drama, "The First Leaf of Dream Song", in collaboration with the Chief Minister's Office and various charitable organisations.

On the industry front, Southern Bank was involved in the NEAC/PM's Dialogue with captains of industries, professionals and academicians and the Asli/ICT and Venture Capital Financing Forum 2004 where the Bank's Chief Executive Director moderated the session on "The Status and Trends of the ICT Industry in Malaysia - An Audit and Evaluation." The Chief Executive Director also spoke at the CEO Forum of Asli/The Malaysian Banking Summit 2004 on the topic, "Gearing Up for Further Consolidation, Deregulation and Liberalisation of the Financial Sector." The Bank was also a corporate sponsor for the ASEAN Economic Summit 2004.

The Bank continued with its active support of government national programmes such as the 7th Langkawi International Dialogue – Global 2004 in Langkawi, Kedah. In an effort to assist Intan, the National Institute of Public Administration, the Chief Executive Director delivered five lectures throughout the year to top government officials on Economic Growth and Employment Generation, Enhancing Graduates Employability in a Globalised Economy and Creating Organisational Excellence: Lessons Learnt.

At an international level, the Bank's Chief Executive Director was a keynote speaker at The Conference Board/The 2004 Asia Pacific Leadership Development Conference: Strategy Development and Execution for Building World-Class Leaders in Asia. He also participated in the ICLIF/Global Leadership Development Programme for banking leaders and senior executives.

Corporate Structure



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Striving Towards Operational



The Bank launched an ambitious group-wide initiative in 2003 designated as the SBB 1 Project to improve operational efficiency and customer service. Full-time personnel were drawn from departments across the Group and organised into a number of teams to manage different components of the project. These included Southern Bank and Southern Finance back-office centralisation teams; a migration and teller staffing team; a call centre team; a branch network team and a support unit consolidation team.

The objective of the SBB 1 teams was to simplify, clarify and consolidate distribution; transform branches into sales and customer service centres; make processes more efficient, simple and scalable; and to consolidate back-office processes into centres.

The overall goals of SBB 1 were improved customer service; potential for more growth improved productivity; a better cost-to-income ratio; increased staff satisfaction levels; and a more streamlined and accountable organisation structure.

The initial results of this important SBB 1 transformation project have been strong and a solid platform is in place today for greater operational effectiveness for the Group and the highest standards of customer service.

Excellence



Consumer Banking

To remain a competitive player within the industry, the Bank will continue to introduce more value-added products and services to meet the discerning needs of today's sophisticated consumer base in Malaysia.

It has been another stellar year for the Bank's consumer banking business with strong performance in loans and interest-based product earnings.

2004 saw the introduction of several value-added innovative products and services such as the Cash Back Mortgage Plan, an industry first with 100% premium return upon loan maturity. The Consumer Banking Group also launched a successful broad based tactical sales and marketing campaign; the SBB Value 1 Promotion across all product groups from March to July, generating good response from customers.

Processes and operations were streamlined to increase efficiency and improve turnaround time. Together with our strategic alliance partner, American International Group (AIG), Bancassurance Insurance Sales Specialists were deployed as supplementary distribution channels, to complement the existing channels, with the aim of delivering superior customer service to customers.



Continued efforts and investments were also made in the Customer Relationship Management (CRM) unit to better understand and identify consumer needs. The use of Life Stage Marketing was piloted to deepen relationships and increase product holdings with both newly acquired and existing customers.



CUSTOMER PROFILE

Anakku Baby Connections Sdn Bhd

Anakku is a household name in baby products. Fast growing, Anakku Baby Connections has over 70 retail outlets throughout Malaysia.



Consumer Banking



INTEREST-BASED PRODUCTS

Interest based products such as Home Loans and Consumer Loans remain a significant contributor of earnings. The overall 2004 loan receivables grew by 8% over the previous year.

Home Loans – Home Loans play a significant role in SBB's earnings. Home loan receivables (including the Direct Access portfolio) grew 11.4% over 2003. Two home loan products were launched – the SBB Affordability & SBB Developer's Package, which helped maintain SBB's competitiveness and innovativeness within the mortgage industry. SBB also participated in various property roadshows and exhibitions nationwide.

SBB Affordability launched in March, was designed to make home ownership simpler and a reality for many Malaysians. Customers need only to service the interest portion of their home loan for the first three years.

SBB Developer's Package launched in January is catered for selected developer housing projects by offering specially tailored home loan packages.

Consumer Loans – The Term Loan portfolio grew further with the introduction of the SBB Uncompleted Commercial Property Loan Package in April. Enhancements to the terms and revision of pricing of the loan packages will be carried out on an on-going basis to ensure that such packages remain competitive. An unsecured overdraft credit facility (FlexiCash) was introduced at the end of the year to capitalise on consumer needs for quick, affordable credit.

FEE-BASED PRODUCTS

Earnings from fee-based products, such as Bancassurance and Unit Trust, continue to remain strong through the bank's strategic business partnerships.

Bancassurance – Several new bancassurance products were jointly developed with our partner American International Assurance (AIA) – Regular Savings Plans such as His/Hers & Child and the AAA Care medical card. Single Premium products such as the AIA Capital Builder & the Guaranteed Income Endowment, exceeded our sales target by 33%. Two other products Cash Back Mortgage Plan & Mortgage Protector were designed to complement Home Loans.





In May, the Bank launched the Bancassurance Specialists channel as a supplementary distribution channel, at selected SBB branches. A team of well-trained dedicated Bancassurance Consultants are available to attend and provide wealth management advisory services.

Wealth Management – The Wealth Management division performed well. Its strategic alliances of 11 fund houses is currently selling over 70 funds. There was continuous emphasis to ensure that the sale of both proprietary and third party unit trusts were sound with minimal risk. Assets under management in 2004 grew by 106% over the previous year. Fee Base products are crucial to the overall revenue contribution to compensate the narrow margin spread for credit based products.

In March, a promotional campaign was launched – the SBB Super Bonus Bonanza, giving customers a chance to win weekly prizes and monthly bonus prizes such as household appliances, home theatre systems, air tickets plus accommodation to France, gold nuggets and the Grand Prize of a Nissan X-Trail, 2.5L Luxury Edition worth over RM200,000.



FINANCIAL ADVISORY SERVICES

Financial Advisory Services branches continued their expansion journey with 9 new branches added in 2004. These branches offer personalised financial advice to help customers fulfill their financial goals at each stage of their professional career and maximise investment returns.

Customer Service – In recognising the importance of superior customer service, the Service Recovery Unit was formed in October to coordinate customer queries and complaints in a more efficient manner.

The Consumer Banking business continues to be the key focus and source of revenue for the Group. To remain a competitive player within the industry, the Bank will continue to introduce more value-added products and services to meet the discerning needs of today's sophisticated consumer base in Malaysia.



Credit Cards



SBB & DIRECT ACCESS EMV CHIP-BASED CARDS

In line with the payment industry's objectives for improved system efficiency and to enhance card security, all SBB and Direct Access magnetic stripe MasterCard and Visa credit cards have been converted to chip-based cards. The conversion into the Europay MasterCard Visa (EMV) chip cards was completed in end 2004, with card readers upgraded or replaced to accept EMV chip-based cards. This initiative has resulted in an improved new look for both the SBB and Direct Access credit cards. Cardmembers can now continue to enjoy the many special rewards and privileges with greater peace of mind.

SPONSORSHIP OF SATURDAY NIGHT FEVER

For the first time, Direct Access gave cardmembers a chance to win tickets to watch the Bee Gees' Broadway & West-End Hit Musical, Saturday Night Fever in May 2004. All cardmembers had to do was to spend a minimum of RM100 and answer a questionnaire.

SBB & DIRECT ACCESS MASTERCARD "I DREAM OF CASH" CONTEST

Two cardmembers won RM100,000 cash each in the SBB & Direct Access MasterCard "I Dream of Cash" Contest. While, another 30 cardmembers won Sony electric appliances.

To participate in the "I Dream of Cash" contest, SBB and Direct Access cardmembers had to spend a minimum of RM200 on their MasterCard.



CUSTOMER PROFILE

UCSI Education Sdn Bhd
University College Sedaya International
 Private University College providing tertiary education for local and international students.



DIRECT ACCESS OPEN HOUSE

The Direct Access “Free for Life” cards continued to be well received by graduates and professionals through the innovative and successful “Direct Access Open House” promotion campaign. This “Open House” held at Menara Southern Bank, offered the Direct Access Gold & Platinum cards to graduates and professionals and the Direct Access Platinum card to affluent individuals with instant approval and a gift.

EXCLUSIVE PROPERTY PREVIEW : FLORA MURNI CONDOMINIUMS

Direct Access Platinum cardmembers were given the opportunity to preview a distinctive property development project - the Flora Murni Duplex Condominiums, by developer Tian Global Sdn Bhd. This was the first time a property preview was held in the bank’s headquarters at Menara Southern Bank. Cardmembers enjoyed a 2% discount and a leather passport holder was given to the first 100 cardmembers who visited.



SBB BONUS POINTS FIESTA

Southern Bank organised its third Bonus Points Fiesta in three consecutive years to reward loyal SBB and Direct Access cardmembers. More than 12,000 cardmembers turned up for the two-day event. Menara Southern Bank became a hive of activity, with great fun-filled activities, games, bonus points redemptions, lucky draws and special buys.



Lending Activities

The Bank embarked on an initiative targeting smaller SMEs, which was part of an overall strategy to focus specially on under-served segments of the market.

COMMERCIAL BANKING DIVISION

Supporting Small and Medium Enterprises (SMEs) continued to remain a priority of the Bank. Against a backdrop of major global and regional economic challenges during 2004, the Bank recorded SME loan growth of 6% in this vibrant and resilient SME market segment.

In 2004, the Bank embarked on an initiative targeting smaller SMEs, which was part of an overall strategy to focus specially on under-served segments of the market. Another segment singled out for special attention included business enterprises managed by women.

Southern Bank's financial solutions for women in business won further acclaim when two customers were given recognition under the Innovative Woman Entrepreneur of the Year Awards 2004 organised by the National Association of Women Entrepreneurs of Malaysia (NAWEM).

In support of the business and marketing units, the Commercial Banking Division (CMD) continued to work on and refine various Risk Management Models and Assessment Formats in order to avail credit to customers and meet their financing needs in a more structured and efficient manner.

The Bank established six specialised Trade Finance Centres strategically located nationwide to complement existing Commercial Banking Centres by providing specialised trade advisory services to customers. This move had an immediate and direct impact on the Bank's trade facility utilisation which in 2004 grew by a significant 28%.

As part of the Bank's continuing efforts to raise public awareness of our continued intention to support Malaysian SMEs, CMD participated in the SMI One-Stop Solutions trade exhibition.

CMD also continued to actively participate in funding programmes sponsored by Bank Negara Malaysia, capturing a market share of 10% of funds allocated under the Fund for Small and Medium Enterprises 2 (FSMI 2).

CORPORATE LENDING

Notwithstanding the Bank's overall strategy whereby the key focus of growth remains consumer lending, wealth management and SME financing, the Corporate Banking Division posted moderate loan growth in 2004. This was achieved despite the intense competition in corporate lending and the growing trend of corporations resorting to the issuance of Private Debt Securities to fund long term and working capital financing.

The Corporate Banking Division continued to focus on the mid-size listed and manufacturing companies for balance sheet growth in return for better interest margins. Another major focus for the Division was on higher yield products as well as fee based activities which encompass cross-selling of wealth management products or advisory services via the Group's investment bank to the large corporations.

Although there was lower demand for conventional loans, the Corporate Banking Division participated in a number of notable syndication deals as well as bilateral corporate lending. These included the following:-

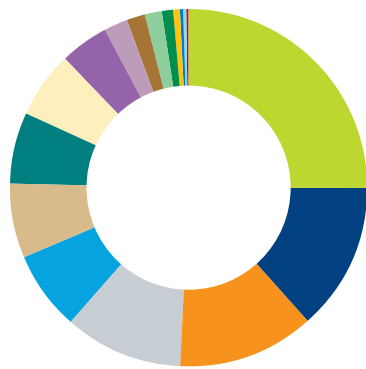
- Refinancing a Government of Malaysia loan
- Refinancing an offshore loan for a leading company in the provision of direct-to-home ("DTH") satellite broadcasting
- Financing the construction of the second phase development of an existing shopping mall in the Klang Valley



Lending Activities

LOAN COMPOSITION AND 10 LARGEST "SINGLE CUSTOMERS"

The Bank continued to grow its loans portfolio by lending to a wide range of customers in different industries to minimise over-exposure in any one particular economic sector. The Bank's well-diversified customer base is shown in the accompanying graph.

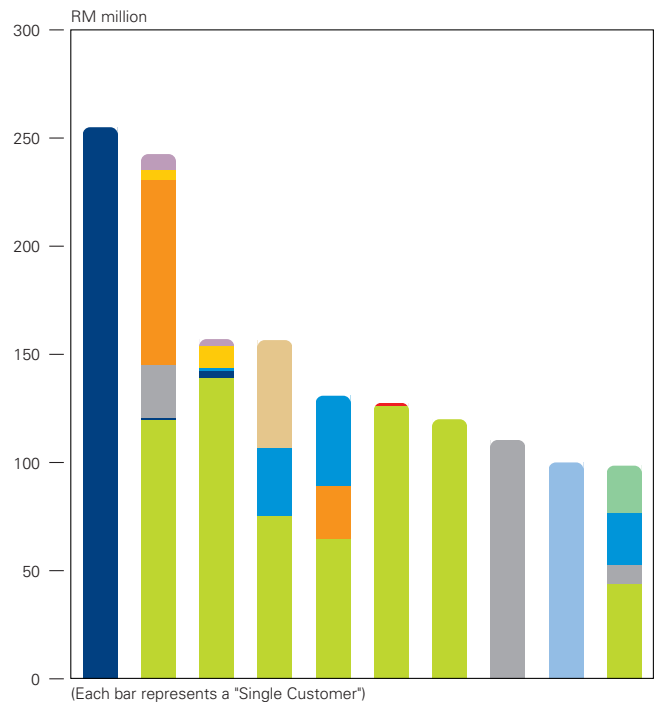


Composition of Gross Loans by Sectors
(as at 31 December 2004)

■	26.03%	Purchase of Residential Properties
■	13.35%	Manufacturing
■	12.37%	Wholesale & Retail, Restaurants & Hotels
■	10.72%	Finance, Insurance, Real Estate & Business Services
■	7.15%	Construction
■	6.74%	Credit Card Advances
■	6.45%	Purchase of Non-Residential Properties
■	6.03%	Purchase of Securities
■	4.40%	Personal Loans
■	2.14%	Agriculture, Hunting, Forestry & Fishing
■	1.67%	Community, Social & Personal Services
■	1.54%	Transport, Storage & Communications
■	0.82%	Electricity, Gas & Water Supply
■	0.41%	Mining & Quarrying
■	0.09%	Purchase of Transport Vehicles
■	0.08%	Other Sectors
■	0.01%	Purchase of Consumer Durable Goods

The Bank's exposure to the 10 largest "single customers" stood at approximately RM1.5 billion or almost 10% of the total gross loans as at 31 December 2004. This exposure was marginally lower than the previous year despite an overall increase in total gross loan assets indicating the diversity of the Bank's loans portfolio. The principal activities of these 10 largest "single customers" are wide ranging as highlighted in the following graph.

Exposure to the Ten Largest "Single Customers"
(as at 31 December 2004)



■	Business Services	45.89%	■	Financial Services	17.22%
■	Manufacturing	9.64%	■	Real Estate	7.35%
■	Electricity, Gas & Water Supplies	6.67%	■	Construction	6.62%
■	Agriculture & Hunting	3.34%	■	Mining & Quarrying	1.45%
■	Wholesale & Retail Trade	0.98%	■	Hotels & Restaurants	0.73%
■	Insurance	0.11%			

ASSET QUALITY

Non-Performing Loans (“NPLs”)

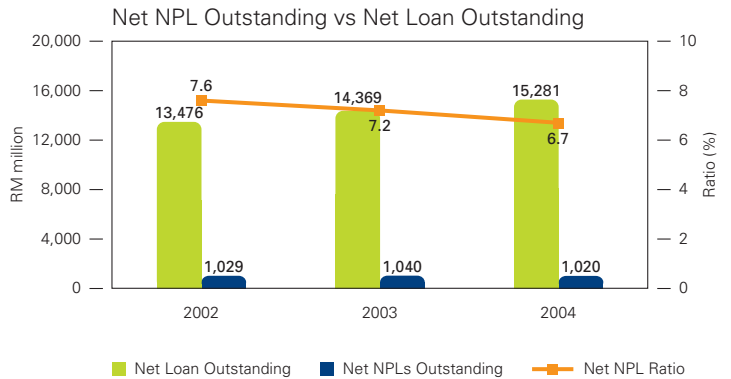
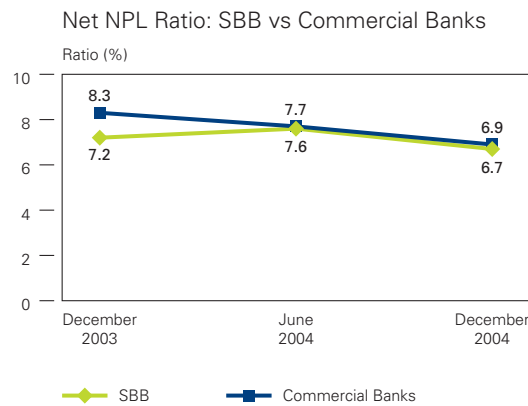
The Bank with resoluteness has overcome the challenges of 2004 to increase business volume and improve loan asset quality. The Bank has reduced its Gross and Net NPL ratios to 10.0% and 6.7% from 11.0% and 7.2% at the end of 2004 and 2003 respectively.

In line with the Bank’s objective of strengthening its loan asset quality, an integrated risk management system incorporating more effective risk-return management was implemented.

For 2005, the Bank will continue to enhance the risk management infrastructure and capabilities. Concurrently, proactive and timely rehabilitation of accounts and expeditious recovery efforts of NPLs will remain as the main focus. The Bank anticipates the current NPL level to be reduced, further aided by the robust economic outlook of the country.

Loan Loss Provision Ratio

The Bank continues to maintain its prudent provisioning policies. The Loan Loss Provision to Gross NPL ratio is currently at 51.9%.



CUSTOMER PROFILE

KVC Electric (M) Sdn Bhd
Part of Atis Corporation Bhd, the company is the largest distributor and supplier of industrial electrical and electronic products in Peninsular Malaysia.



Lending Activities

GROSS NPL POSITION BY SECTORS (as at 31 December 2004)

Loan Purpose Codes	Loan Assets	Gross NPL	Default Rate Within Sector	Default Rate Against Loan Assets
	RM Million	RM Million	%	%
Agriculture, Hunting, Forestry & Fishing	333	8	2.40	0.05
Mining & Quarrying	63	5	7.94	0.03
Manufacturing	2,099	279	13.29	1.76
Electricity, Gas & Water Supplies	127	–	–	–
Construction	1,105	109	9.86	0.69
Real Estate	1,173	239	20.38	1.51
Purchase of Landed Properties	5,016	512	10.21	3.23
of which : i) Residential Property	4,020	353	8.78	2.23
ii) Non-Residential Properties	996	159	15.96	1.00
Wholesale & Retail Trade and Restaurants & Hotels	2,068	165	7.98	1.04
Transport, Storage & Communication	269	12	4.46	0.08
Finance, Insurance and Business Services	563	29	5.15	0.18
Purchase of Securities	970	45	4.64	0.28
Purchase of Transport Vehicles	14	12	85.71	0.08
Consumption Credit	1,763	137	7.77	0.86
Others	277	27	9.75	0.17
Total	15,840	1,579	9.97	9.97



CUSTOMER PROFILE

Kenrich Chemical Sdn Bhd

The company specialises in contract manufacturing of toiletries for established brands.

Islamic Banking

With the computerisation of Islamic trade finance, this business has been earmarked as a key revenue earner.

The Bank's Islamic Banking Group continued to register steady strong profit before tax and zakat, exceeding the previous year by 16%. The Bank recorded RM15.1 million profit before tax for 2004 compared to RM13.0 million for 2003. Income for the year expanded in all sectors with treasury and money market activities recording a commendable 47% growth.

Total financing recorded a positive growth, increasing by 7.5%, largely through contributions by Home Financing, Commercial/Corporate Financing and Cash Line Facility-i.

The Cash Line Facility-i has tripled in growth and is expected to expand further in line with the Bank's focus on the consumer and SME sectors.

The Islamic Banking Group will continue to expand its business in its chosen financing sectors. With the computerisation of Islamic trade finance, this business has been earmarked as a key revenue earner.

Deposits continue to show strong growth, recording an increase of 37% in 2004. Growth was mainly attributed to an increase in the Wadiah savings, current accounts and Mudharabah investment accounts. Efforts will be made in 2005 to attract more savings and current account deposits through the promotion and introduction of new products to the market.

The Bank actively participated in 2004 in several major expositions including the successful Islamic Banking and Takaful Week held in October and Malaysian property shows aimed at promoting Islamic Banking products and services.

Moving forward, the Bank will further strengthen its capability in strategic areas of Islamic Banking to better serve customer needs. This includes the adoption of the new Guidelines on the Syariah framework issued by Bank Negara Malaysia.



Treasury Management

The Bank improved returns on investments and arbitrage activities, which helped in reducing the impact of lower margins.

MARKET CONDITIONS

In the domestic money market, the ample liquidity scenario prevailed throughout 2004. Bank Negara Malaysia maintained an accommodative monetary policy to help sustain the robust economic growth and provide a conducive environment for doing business. The domestic inter-bank interest rates continued to remain low and stable in 2004.

In April 2004, Bank Negara Malaysia implemented a new interest rate framework where the Overnight Policy Rate had replaced the three-month intervention rate as the policy rate. The new framework was implemented, amongst others, to enhance the effectiveness of the monetary policy transmission process.

In the bond market, domestic bond yields rose from the second quarter of 2004, resulting in a lower trading volume. However, in the last quarter of 2004, yields of domestic bonds declined quite significantly arising from increased demand from foreign buyers following a huge inflow of offshore funds into the domestic money market on persistent rumours of a possible Ringgit re-peg.

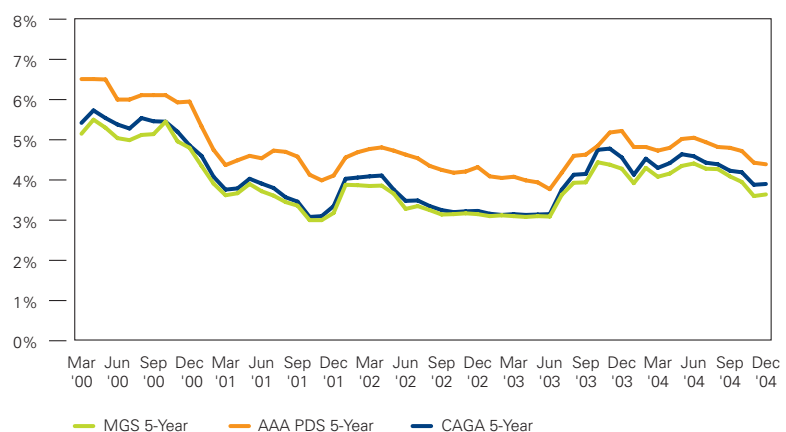
On the currency market, the Ringgit peg remained intact despite pressure for it to be revalued throughout the year. The slide of the USD, especially in the later half of the year and the call for the Chinese Yuan to be unpegged, maintained pressure for a Ringgit revaluation.

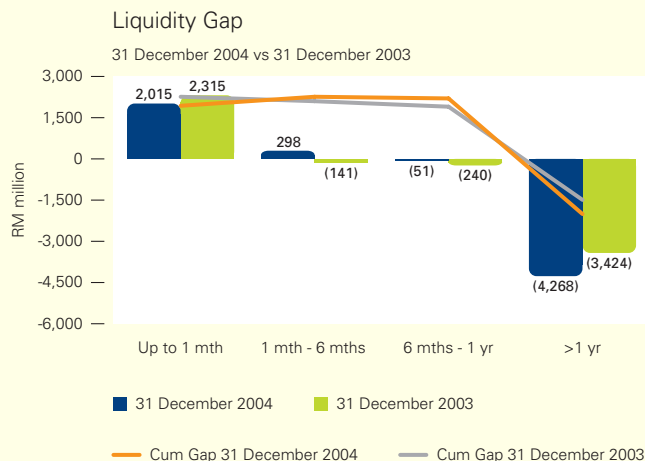
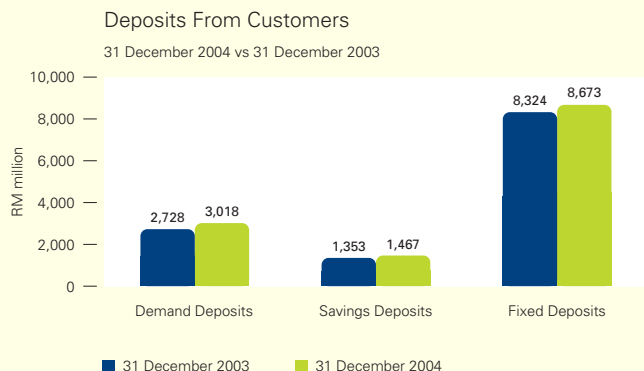
TREASURY ACTIVITIES

The SBB Group's Treasury functions were concentrated primarily on three key areas:-

- Treasury funding, which ensures adequate liquidity and funding requirements,
- Trading activities, which generate non-interest income through proprietary trading and,
- Treasury services to the Group's wide range of customers with products in areas such as foreign exchange, investment instruments in both money and capital markets and hedging of various risks.

Securities Indicative Yield Curve





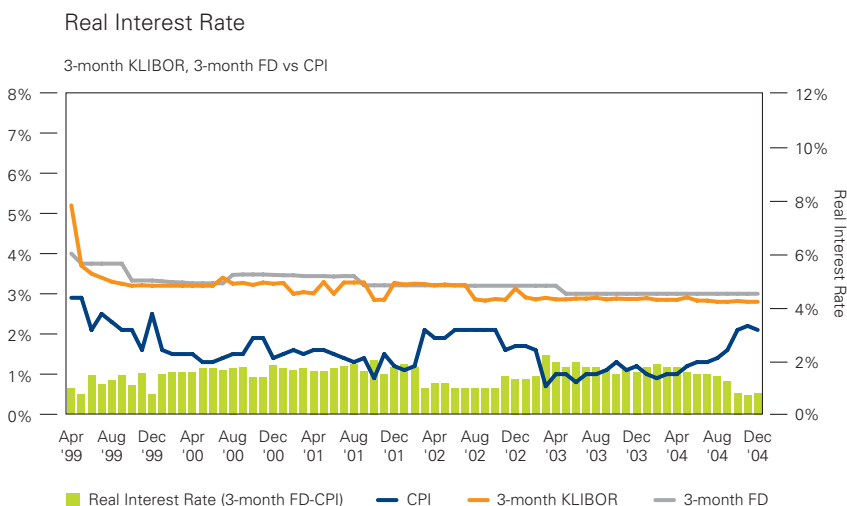
The increased volatility of the major currencies, especially EUR, JPY and SGD, resulted in the improvement of margin income for foreign exchange transactions. The call for Ringgit revaluation and the reversal of the Ringgit forward market from premium to discount has resulted in the increase of hedging activities, especially from the exporters. Income from foreign exchange activities rose 73%, as a result of increased business volume.

Against the backdrop of low interest rates, the Bank's main focus was to ensure reasonable returns from surplus funds, achieved within acceptable level of risk, enabling the Bank's liquidity and funding positions to strengthen. As a result, the Bank improved returns on investments and arbitrage activities, which helped in reducing the impact of lower margins from clients due to stiff competition.

ASSET AND LIABILITY MANAGEMENT

In 2004, the oversight of the Bank's asset liability management and market risk management processes were functionally subsumed under the Asset Liability and Market Risk Management Committee (ALMRC). The ALMRC, headed by the Chief Executive Director, includes the senior management personnel of all business groups, risk management and group finance. The committee continues to manage the Bank's risk level through identification, measurement, monitoring and control processes to ensure a balanced risk-return profile and to optimise shareholders' returns.

The Asset Liability and Market Risk Management Department continues to support the ALMRC through simulations/scenario studies and stress testing. In addition, through the funds transfer pricing system, the Bank continues to enhance the margin management through adequate pricing of assets and liabilities relative to interest rate risk.



Risk Management

Initiatives to enhance risk-return management infrastructure and capabilities, ensuring adherence to standards and best practices, have always been accorded the highest priority.

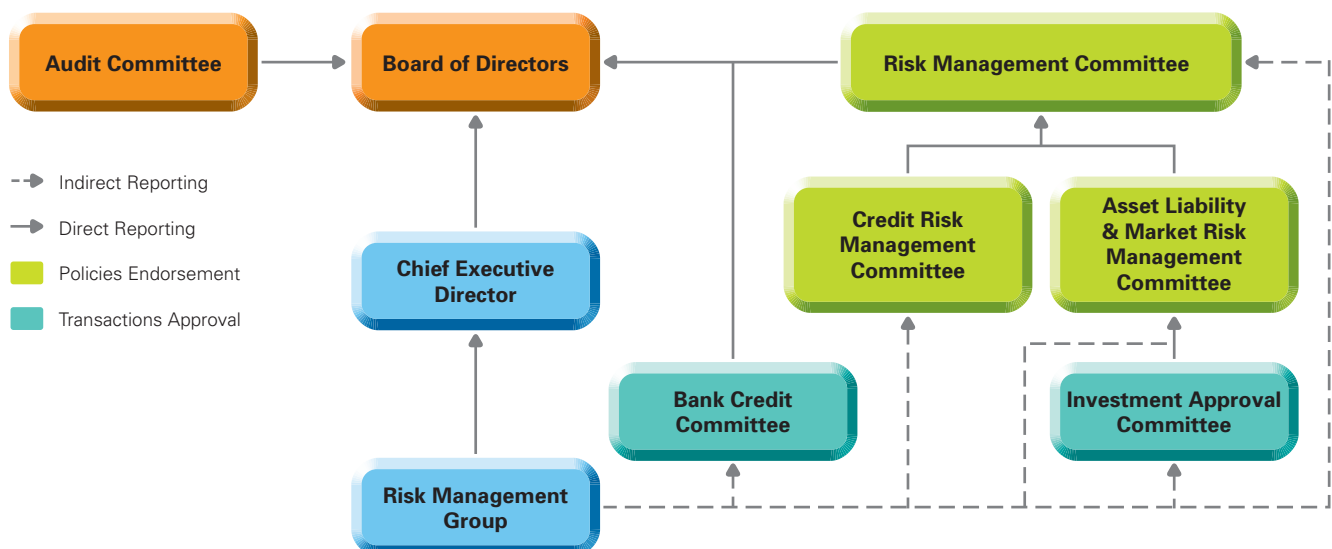
Effective risk management is critical for the enhancement of shareholder value achieved through sustained asset and profitability growth of the Bank without sacrificing asset quality. It enables the Bank to achieve appropriate return on capital invested and to weather economic and business downturns.

In Southern Bank, the Risk Management Committee, Credit Risk Management Committee and Asset Liability & Market Risk Management Committee are charged to oversee strategy development, approve policies and set directions for enterprise-wide risk management. The Bank Credit Committee assists the Board in credit decision making while the Investment Approval Committee assists in treasury and investment decision making.

Initiatives to enhance risk-return management infrastructure and capabilities, ensuring adherence to standards and best practices, have always been accorded the highest priority.

The Risk Management Group (RMG), which is independent from business and treasury/trading units, comprises the following departments: Credit Risk Management, Risk Measurement and Methodology, Credit Portfolio and Management Information, Operational Risk Management, Market Risk Management and Treasury Operations. The RMG supports the supervisory roles of the Board of Directors and Board Committees in ensuring sound risk management policies, processes and procedures are in place.

RISK MANAGEMENT FRAMEWORK - GOVERNANCE & REPORTING STRUCTURE





Following the re-engineering of the credit organisation and processes in 2002 and 2003, the RMG has, together with the business units, reviewed and updated policies and procedures on asset liability and market risk management, credit underwriting, management and administration. Automation of the statistically validated credit risk rating models for retail loans was implemented in 2004 with automation of the rating tools for corporate customers underway. These initiatives are geared towards improving credit risk management capabilities, asset quality and at the same time preparing the Group towards Basel II compliance. Coupled with the improved economy, the net NPL ratio (based on 3-months classification) continued to move lower to 6.7% as at December 2004 as compared to 7.2% in December 2003.

Regular credit reports and industry updates are submitted to the Credit Risk Management Committee, the Risk Management Committee and the Board of Directors. These reports include concentration of credits by industry, product, maturity, security, borrower or counter-party limit and rating class and analysis of loans growth, delinquency trends and stress test results. They also provide vital information to senior management and Board for prudent and sound strategic and decision making.

A proposed implementation of a new treasury management system, will enable the Bank to automate enterprise-wide market risk management functions and facilitate on-line monitoring to promote dynamic and proactive market risk management. Through the funds transfer pricing system, the Bank will continue to enhance profit margin management through adequate pricing of assets and liabilities relative to interest rate risk.

Management of operational risk continues to be the responsibility of the risk taking business units where stringent checks and balances are put in place. These strong systems of internal controls are regularly audited by internal and external auditors to ensure system integrity and strong adherence to policies and procedures.

New products, services and centralisation processes introduced are subject to rigorous risk review, with relevant risks identified and assessed by the risk-taking and supporting units. Mitigating and control processes are independently reviewed by the RMG and endorsed by the Product Evaluation Committee prior to the Board's approval.

Plans are underway for 2005 to improve quantitative measurement capability starting with the consolidation and development of a comprehensive database to capture fraud and loss data for better operational risk management, reporting and control.

The RMG has been designated as the project owner to lead the Bank's preparation and progress towards BASEL II implementation and compliance. Therefore, attention will be especially focused to enhance the Bank's risk management, organisational capability and capacity in response to the constantly evolving international business and operational conditions.

Information Technology

A fully integrated state-of-the-art and Interactive Voice Response system was set-up at the Bank's Call Centre.

The Information Technology Group played an important role in the business transformation process to streamline branch operations via customer migration to alternative channels, centralising back room operations and automating branch workflow.

A major IT initiative entailed a bank-wide deployment of Cash Deposit and Cheque Deposit Machines to branches in conjunction with a publicity campaign to encourage customers to use the machines in order to reduce waiting time at counters.

A fully integrated state-of-the-art and Interactive Voice Response system was set-up at the Bank's Call Centre. This reduced the branch support needed for customer queries over the counter and telephone. The Call Centre workflow system was also enhanced to provide support to a wider customer and transaction coverage.

Centralised Processing Centres (CPC) were set up in Kuala Lumpur, Penang and Johor Bahru to process cheque deposits at branches. An automated image-based system with high-speed scanning and encoding machines was introduced in Kuala Lumpur to ensure faster processing of cheques.

A centralised Remittance System was set up to enable branches to capture Cashier's Order and Local Demand Draft information centrally and automate accounting and reporting processes.

Account Opening, Fixed Deposit placement and Account Closing processes were improved with the creation of a new Branch Delivery System. This improved efficiency by reducing data entry time besides ensuring better data quality. Transactions at the Branch Delivery System were also streamlined to improve efficiency and to automate accounting entries, that further reduced branch efforts devoted to accounting functions.

Hire Purchase operations at the finance company branches such as approvals, administration and collection have been streamlined and moved to centralised operations centres.

In preparing the Bank to be in compliance with Basel II, various projects were initiated. Among these were:

- Implementation of an integrated loans origination system with credit scoring
- Implementation of a comprehensive Collateral System to enhance data quality

Significant resources were also allocated to keep the credit card operations at the technological forefront. Among the major initiatives were:

- Migration of magnetic stripe card and terminals to chip-based cards and chip-based terminals
- Automation of Installment Payment Plan scheme for cardholders
- Implementation of a new Recurring Payment System for merchants

The Bank also upgraded its IT capacity and infrastructure to support business growth through the following:

- Replacement of the host mainframe system with the latest IBM z890 series together with disk storage ESS 800
- Broader bandwidth digital lines for higher resilience and performance





SOUTHERN Bank Berhad

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CUSTOMER PROFILE

NEC Computers Asia Pacific Sdn Bhd

The company manufactures a wide range of computers for the home, office, education sector and multimedia markets.

E-Banking

With increasing acceptance of Internet Banking among retail customers, value transacted over the SBB Direct Internet Banking system grew 70%.

The electronic banking products of the Bank - SBB Direct Internet Banking and Enterprise Banking System both registered solid growth. Revenue generated from fee based income, grew by 17% in 2004 against the previous year. The Enterprise Banking System (EBS) continued to be the main delivery channel in the Bank for corporate and commercial customers particularly crucial in supporting the growth of the SMI and SME market in the Bank. Main customers like Bursa Malaysia and information technology company, MIMOS, continue to actively support the system. EBS throughput for 2004 reached RM 50 billion. In line with the Bank's objective of IT supporting business, plans are underway for 2005 to include more services to cater to and support the SMI and SME markets.

On the retail banking front, SBB Direct Internet Banking maintained its position as one of the most interactive and personalised Internet Banking systems in the market. The number of active customers

grew by 51% in 2004 as compared to 2003. With increasing acceptance of Internet Banking among retail customers, value transacted over the system grew 70%. Plans are underway in 2005 to upgrade the system to keep it at the cutting edge of consumer market banking needs.

The Bank has also set up a payment processing centre for performing payment services for SBB and non-SBB customers.

Emphasis will be maintained on the continuous growth and development of the Bank's state-of-the-art financial portal. In 2005, more e-services will be placed in the portal to enhance marketability.

For 2005, EBG is committed to retain the lead to support the Bank business groups by implementing even more technology driven products and services.



Strategic Alliances

The Bank has always viewed partnerships and strategic alliances as crucial in the race for greater competitive advantage.

The Bank has always viewed partnerships and strategic alliances as crucial in the race for greater competitive advantage. Strategic alliances have over the years enabled the Bank gain access to a wider range of product capabilities in technology, best practices, intellectual capital or more effective distribution arrangements.

The Bank adopts a proactive approach to strengthening and expanding alliances with partners to enhance operational efficiency and add value to customers, shareholders and the community in an ever competitive and fast-changing business environment.

The following highlights spell out some of the benefits of the Bank's foreign and domestic partnerships and alliances in 2004.

MASTERCARD INTERNATIONAL (MCI)

By leveraging on MCI's global capabilities, the alliance strengthened the Bank's competitiveness to achieve sustainable growth and profitability in its credit card business. Due to this partnership, the Chief Executive Director has been serving as the Chairman of the Asia Pacific Board of MCI, enabling the Bank to continue playing an influential role in the shaping of a broader payments industry policy in the Asia Pacific Region.

The Bank and MCI teamed up with Dewan Filharmonik Petronas in February 2005 to bring to Malaysian audiences, jazz sensation Harry Connick Jr, with "live concert" performances in Kuala Lumpur. This strategic tie-up proved an ideal avenue for the Bank to strengthen its network of Platinum MasterCard members and demonstrate good value and privileges to existing cardmembers.

AMERICAN INTERNATIONAL GROUP (AIG)

The Bank has continued to benefit from its formal Bancassurance Agreement with this leading international insurance company. In working closely with AIG's two local companies, American International Assurance (AIA) and American Home Assurance (AHA), the Bank was exposed to best international practices in sales, marketing and product development. Fee income from bancassurance in 2004 grew 10% compared to the previous year via the sale of financial insurance products for automotive, home ownership, income, education and health or travel.

THE CONFERENCE BOARD

The Conference Board based in New York City is the world's leading business membership and research organisation. As an allied member company of the Board, the Bank has enjoyed a valuable strategic partnership and access to the Board's cutting edge data and research capabilities. The Bank's Chief Executive Director is a "Global Counsellor" and provides strategic regional guidance to the Board on Malaysia and the Asia Pacific for the planning of its research and conference programmes. As a result of this alliance, the Bank was able to keep the Conference Board abreast of achievements in the Malaysian financial sector as well as regional developments while benefiting from the Board's research and advisory capabilities on a wide array of business issues and best international practices. The Bank also benefited from participation in regional seminars exclusively designed for Conference Board members focusing on issues such as corporate governance and marketing strategies.

JAPAN CREDIT BUREAU (JCB)

This strategic alliance forged in 2000 positioned Southern Bank as a leading player in the credit card industry by being the first bank in Malaysia to offer the choice of three major credit cards – MasterCard, Visa and JCB. In early 2004, the alliance with JCB was further strengthened with another partnership forged between JCB and the UDA Ocean Group, an established retail chain in Johor Bahru with branches in Ipoh and Kuala Lumpur.

The SBB-JCB UO Credit Card offers benefits and privileges specially packaged for UDA Ocean customers ranging from free card membership to double or triple reward points, from free gifts upon usage of card to special buys during sales at its outlets.

MALAYSIA AIRLINES ENRICH PROGRAMME

The Bank continues its partnership with Enrich, the Frequent Flyer Programme of Malaysia Airlines by offering MAS Enrich members free for life Direct Access Platinum Cards. Exclusive invitations were sent to these members who were also awarded with 1,000 Enrich Award Points upon activation of their Direct Access Platinum cards.

PERSATUAN ALUMNI UNIVERSITI MALAYA (PAUM)

The Bank established in 2004 a strategic alliance with the Universiti Malaya Alumni Association (PAUM) for the launch of the Direct

Dato' Tan Teong Hean, Chief Executive Director of SBB presenting the first Direct Access PAUM MasterCard to the Prime Minister YAB Dato' Seri Abdullah Ahmad Badawi.



Dato' Syed Mohd Yusof Tun Syed Nasir, Chairman of SBB and Dato' Tan Teong Hean, Chief Executive Director of SBB with Harry Connick Jr in Kuala Lumpur.



Access PAUM MasterCard, an affinity card programme. The card launch also coincided with the centenary celebrations of Universiti Malaya. The Direct Access PAUM MasterCard card doubles up as an association membership card for billing of fees and charges at the association's clubhouse. It also offers cardmembers exclusive benefits and privileges including free life membership for card holders and an interest free instalment plan.

The Bank and PAUM celebrated the card launch by presenting the first Direct Access PAUM MasterCard to the Prime Minister YAB Dato' Seri Abdullah Ahmad Badawi, an alumnus of the university.

KURNIA INSURANS

The Bank established an alliance with Kurnia Insurans providing credit card acceptance and issuing Southern Bank credit cards to its agents and policyholders. At the end of the year, more than 8,000 Kurnia policyholders and agents were holding the SBB Kurnia MasterCard.

JOBSTREET.COM

Direct Access initiated an exclusive partnership with JobStreet.com, the no.1 job website in Malaysia to penetrate and expand the IT savvy segment of customers. A series of successful campaigns were developed and lunched specifically to drive acquisition from new graduates who have just joined the work

force as well as mature professionals from the upper income group, enabling the partnership to substantially raise the customer acquisition level for the Bank.

SECURITIES CLEARING AUTOMATED NETWORK SERVICES (SCANS)

SCANS, as a subsidiary of Bursa Malaysia, has been operating as a cutting edge, real time clearing house for member securities companies. In partnership with SCANS, the Bank acts as one of the select clearing institutions for Bursa Malaysia, reducing costs, improving efficiency and benefiting all partners with a more efficient management of the payment relationship between the Exchange and the securities companies.

WOMEN'S INSTITUTE OF MANAGEMENT (WIM)

The Bank's eighth year partnership underlines the importance of women customers to Southern Bank. The unique special drive-in-branch established by Southern Bank at the WIM premises for convenience and security has continued to be a popular innovation. As a partner in WIM's Nationwide ICT Programme, the SBB/WIM alliance has enabled the Bank to introduce women to banking products and services essential for entrepreneurs and how technology makes it possible for women to conduct banking transactions from the home through Internet banking and enterprise banking.

CUSTOMER PROFILE

Tanah Sepadat Sdn Bhd
Century Pines Resort, Cameron Highlands
 Originally the Eastern Hotel, Century Pines is the oldest hotel in Cameron Highlands operating today with upgraded facilities and services.



Subsidiaries of the Bank



SBB Mutual Berhad

SBB Mutual approved fund size increased by 40%, from 11.45 billion units in 2003 to 16.05 billion units in 2004. Assets under management recorded a 25% growth, an increase from RM4.06 billion in 2003 to RM5.07 billion in 2004. SBB Mutual has a total of 31 regional and sales offices throughout Malaysia.

Despite intense competition in the financial services industry, SBB Mutual remains the second largest private Syariah funds provider and as the second largest unit trust management company in the country with a market share of 13.41%.

Strategic plans are in place to enhance the company's leadership position. Professional training is a chief priority and the company achieved another first in 2005 with establishment of a Financial Care Centre, an extended arm of SBB Mutual providing professional financial advisory services and development of innovative products.

SBB Mutual had nine income distributions throughout 2004, with gross distributions ranging from 3.5 sen to 10.0 sen for a wide variety of unitholders of SBB funds.

Two funds received approval to increase their sizes. These were the SBB Crystal Equity Fund which expanded from 500 million to 700 million units and the SBB Equity Income Fund which increased its fund size from 300 million to 500 million units.

SBB Mutual expanded its strategic alliance network by forming a partnership with UOB to distribute SBB Mutual funds, while implementing agreements to include TA unit trust funds for distribution through the SBB Mutual network.

SBB Mutual closed the year on a winning note with an award from Edge-Lipper Malaysia for the SBB Retirement Balanced Fund, rating SBB Mutual No.1 in mixed asset growth fund, for the 5-year period that ended 31 December 2003.



SBB Asset Management Sdn Bhd

SBB Asset Management (SBBAM) is a fully integrated asset management company providing fund management services to institutional clients such as pension funds, insurance funds, foundations, statutory funds, corporate funds and unit trust funds. The company is committed to managing funds with the highest degree of prudence without compromising returns. Core competencies lie in the provision of equity, fixed income management as well as advisory services to third parties.

The company started operations in 1992 and now has a 13-year profitable track record. As at 31 December 2004, total funds under management were RM7.3 billion, an increase of 24% from RM5.9 billion as at 31 December 2003. The largest contributor to the increase were unit trust funds, which jumped RM859 million during the period or by 21%. Institutional funds rose by RM271 million due to net inflows and capital appreciation.

For the institutional funds under its management, SBBAM was ranked number two (over three years) by Watson Wyatt based on the risk/return ratio as at 31 December 2004.

The restructuring of the SBB Mutual funds in the early part of the year resulted in improvement of performance. Funds on the Lipper Table (1-year rankings) ended the year mostly in the First and Second Quartiles as at 31 December 2004.

Subsidiaries of the Bank



Southern Finance Berhad

The continuing price war over hire purchase financing rates and slower demand particularly in the used motor vehicle sector, saw Southern Finance Berhad (SFB) faced with a more than a challenging year in 2004.

Profit after tax/zakat for SFB totalled RM94.3 million, 9.6% lower than the previous year's profit of RM104.4 million largely due to the change in the methodology of provisioning for NPLs of 7 years and above. Consequently, Return on Equity declined to 16% from 24.2% in 2003.

Net Interest in Suspense (IIS) and Specific Provision (SP) charged registered a total sum of RM171 million in 2004, as compared to RM169 million in the previous year. Bad debts recovery improved to RM21 million as at 31 December 2004 as compared to RM8.5 million in 2003.

Gross loans before sale of Cagamas reached RM7.22 billion by end 2004 with year-to-date growth of 3.1% as compared to RM7.03 billion in 2003. Apart from the slower used car market business, the lower loan growth was also due to higher car prices following duties imposed on new cars and a loans write off exercise carried out by SFB in 2004.

The NPL ratio has been on a steady decline. SFB managed to reduce the NPL ratio from 16.9% in December 2003 to 14.1% in December 2004.

SFB's loans growth was 5% as compared to 7% for the industry. Return on Assets (ROA) was also in line with the industry at 2% while Return on Equity (ROE) was at 16%.

Employee training and retraining programmes continued to take priority with emphasis on management and skills building to meet future challenges.

SFB undertook a number of strategic initiatives to optimise delivery platforms and rationalise and streamline operations and processes. Improved customer service and operational efficiency through centralisation of the back-office operations and streamlining of our human resource capabilities were some of the initiatives implemented to boost efficiency and productivity of the company.

In this respect, Centralised Processing Centres (CPCs) were set up in Kuala Lumpur as part of the effort to consolidate and streamline business processing activities.

The operating environment in 2005 is expected to remain positive with sustained domestic aggregate demand. However, the emergence of new players in Islamic banking with the granting of Islamic banking licences in 2004, heralds still greater competition ahead in the finance business.



SBB Securities Sdn Bhd

SBB Securities is the Group's stockbroking arm. The Company provides a wide portfolio of investment and stockbroking services including retail and institutional research, domestic and foreign custodian and nominee services. SBB Securities relocated its operation in 2004 moving its principal office to Damansara Utama and added a branch office in Ipoh following the Group's acquisition and merger of Mohaiyani Securities Sdn Bhd and SBB Securities.

Business conditions in 2004 were generally bullish underpinned by the strong economic recovery and rating upgrades. Sentiments, however, weakened in the second quarter on concerns over rising crude oil prices, uptick in US interest rates and sporadic cases of terrorism. These concerns receded in Q3 and following the tabling of Budget 2005, the local market recovered strongly with the benchmark index, the KLCI, reaching a 4½ year high of 920.60 points on 2 December 2004.

Demand for local equities was strong following the US presidential election, falling crude oil prices and continuing speculation over the Ringget peg. The KLCI closed the year at 907.43, 14.3% higher compared to the previous year.

Against this backdrop of positive economic expansion, total market turnover on Bursa Malaysia in 2004 increased 18.2% compared to the year before, while at the company level net brokerage income increased 58.3 % over the same period last year.

In August 2004, the Group completed the acquisition of Mohaiyani Securities Sdn Bhd and the minority interests of SBB Securities, with both companies now becoming wholly-owned subsidiaries of SBB. The merger of the respective businesses was completed on 13 December 2004, from which date the stockbroking operations were carried out under SBB Securities and Mohaiyani Securities ceased to be a dealer under the Securities Industry

Act, 1983. With the merger SBB Securities now has a physical presence in the strategic Klang Valley and a larger institutional and retail business base.

Key business objectives of SBB Securities post merger include increasing market share in the retail and institutional segments and deriving greater business synergies across the Group.

The company sees the year 2005 as one of increased competition in view of further challenges. Initiatives to be carried will be aimed at expanding the distribution channels, particularly broking services via the Group's branch network, expanding the range of products and services; and improving competitiveness and efficiency by way of upgrading research and backroom operations facilities.

These moves will strengthen the position of SBB Securities for the challenging operating conditions and greater competition given the entry of foreign brokers into the local market and implementation of cross trading with the Singapore Stock Exchange. Pressures are expected to be felt particularly on commission rates and recruitment/retention of remisiers and dealers. Research cost is also expected to increase in line with market demand for high quality analyses.

While competition will intensify, the issue of up to five dealer's licenses and five fund management licenses to foreign stockbrokers and fund management companies respectively and the introduction of cross trading with the Singapore Stock Exchange can be expected to increase liquidity and bring greater depth to the market. Together with the expected bullish IPO market and the Government's commitment to restructure its Government Linked Companies (GLC's), the market in 2005 is likely to remain active.

Subsidiaries of the Bank



Southern Investment Bank Berhad

Southern Investment Bank Berhad (SIBB), the Group's merchant banking arm, provides a wide range of specialised corporate finance advisory services including mergers and acquisitions, initial public offerings, corporate restructuring, independent advice and issuance of both Islamic and non-Islamic debt securities.

In 2004, AirAsia Berhad appointed SIBB as a Joint Managing Underwriter for its retail offering of shares to the Malaysian public in conjunction with the company's initial public offering of shares and listing of AirAsia Berhad on the Main Board of Bursa Malaysia.

SIBB successfully listed Oceancash Pacific and Sersol Holdings on the MESDAQ Market of Bursa Malaysia. SIBB completed the restructuring of several financially distressed companies. SIBB was the principal advisor for the take-over of Long Huat Group Berhad by the Lee Swee Kiat Group; Berjantai Tin Dredging Berhad by Comfort Rubber Gloves Industries Berhad; and the restructuring of Sin Heng Chan (Malaya) Berhad and Aokam Perdana Berhad.

Alliance Merchant Bank, a subsidiary of Malaysian Plantations, appointed SIBB as the principal advisor for its acquisition of Kuala Lumpur City Securities Sdn Bhd and its related companies. SIBB was also the main advisor for the acquisitions of Mohaiyani Securities Sdn Bhd and the remaining 30% stake in SBB Securities by Southern Bank.

In the Debt Securities market, SIBB structured and successfully placed out RM157.4 million nominal value of Commercial Real Estate-Backed Debt Securities for a Special Purpose Vehicle and was appointed as the corporate advisor by Killinghall (M) Berhad for the issuance of RM220.5 million nominal value of Irredeemable Convertible Unsecured Loan Stocks.

In line with the enhanced corporate governance framework, SIBB provided independent advice to the minority shareholders of a number of listed companies pertaining to related-party transactions including the acquisitions of properties, rationalisation of businesses, voluntary take-over and general offer of shares.

Leveraging on the strengths of the Group and backed by an experienced team, SIBB continues to focus on SMEs by providing them with an array of value added corporate finance and advisory services.

The merchant banking business was very competitive in 2004. Despite the challenges, SIBB achieved a profit before tax of RM14 million, substantially higher than the RM5.0 million recorded in 2003.



SB Venture Capital Corporation Sdn Bhd

SB Venture Capital Corporation (SBVCC) is a wholly-owned subsidiary of Southern Bank. It is a registered venture capital corporation under the guidelines of the Securities Commission.

SBVCC participates in development activities to help bring awareness of the importance of venture capital as an alternative form of finance to promote entrepreneurship and innovation.

SBVCC was reelected in 2004 to be part of the management committee of the Malaysian Venture Capital Association (MVCA). Accordingly, SBVCC was involved in various educational programmes and road shows in 2004. These included talks by entrepreneurs and captains of ICT industries, judging for the finalists of the venture accelerate showcase in August 2004 and promoting the Asian Venture Forum held in Kuala Lumpur in October 2004 organised by the MVCA, the Asia Pacific Venture Capital Alliance (APVCA) and the Asian Venture Capital Journal.

Meetings were also held with the relevant authorities and the Ministry of Finance through MVCA to provide input on the need for a more vibrant venture capital industry in Malaysia, the key challenges faced by venture capitalists and recommendations that need to be implemented to succeed. In this regard, SBVCC has helped to devise a blue print for the venture capital industry in support of the initiatives and efforts undertaken by the government to take this industry to its next level.

Subsidiaries of the Bank



S.B. Properties Sdn Bhd BHLB Properties Sdn Bhd

S.B. Properties Sdn Bhd and BHLB Properties Sdn Bhd are wholly-owned subsidiaries of the Bank managing the properties and premises of the Bank.

In support of the Bank's continuing focus on consumer banking and to customer service excellence, more branches were remodeled to incorporate the Financial Advisory Services Centres and the Bank's teller migration and front office programmes were enhanced.

In line with the restructuring of processes by the Bank, renovation work was carried out to establish Credit Sales Centres, Trade Finance Centres and Back Office Processing Centres.

In 2004, S.B. Properties Sdn Bhd and BHLB Properties Sdn Bhd recorded a profit before tax of RM3.08 million and RM1.49 million respectively.

Corporate Governance

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Corporate Governance Statement

CORPORATE GOVERNANCE

In compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Malaysia), Southern Bank has taken further steps in 2004 to ensure that the Group's operations are managed with greater transparency, integrity and accountability. During the year, along with the restructuring of the core businesses of the Bank, internal control systems were strengthened to enhance the checks and balances that have always been an integral part of the Bank's business plan and operations.

A statement on how Southern Bank has applied the principles of, and complied with the best practice provisions of the Malaysian Code on Corporate Governance of March 2000 (the Code) is appended below.

THE BOARD OF DIRECTORS

The Bank has at its helm an eight-member Board which meets monthly to review the financial performance and credit operations of the Bank and to ensure that disclosures are in accordance with accounting standards and regulatory guidelines. Besides considering strategic and policy issues, greater attention is being focussed on establishing an integrated framework to manage risk as the Bank grows.

Approval of matters which have financial, organizational and strategic implications for the Bank are vested with the Board.

Board Composition and Balance

The eight-member Board comprises five Non-Executive Directors (including the Chairman) and three Executive Directors (including the Chief Executive Director). Of the five Non-Executive Directors, three are independent. The profiles of the Board members, reflecting their diverse backgrounds and experience including academia and different areas of the corporate sector, and thus their knowledge, skills and aptitude appear on pages 14 to 17 of this Report.

The Non-Independent Non-Executive Chairman presides over the meetings of the Board of Directors. His role and function are clearly separated from those of the Chief Executive Director. The Chief Executive Director is responsible for the making and implementation of operational decisions and for providing the leadership in setting the strategic direction for the growth of the Bank. This includes managing risks within the framework set by the Board and keeping the Board fully informed of developments

in the organization. The Independent and other Non-Executive Directors play important roles in ensuring that the strategies and policies proposed by management both safeguard and enhance the long term interests of shareholders, other stakeholders and the Bank's constituents. They do so by expressing their views, by exercising independent judgment and more importantly by acting as significant restraints upon any potential internal abuses or excesses.

Appointment and Re-election

As a matter of good practice under the Code, the Nominating Committee of the Board, identifies, assesses and recommends, the nominees for directorships, to the Board.

The appointment of the nominees on to the Board are subject to the prior consent of the regulatory authorities.

Members of the Board, retire from office at due intervals by rotation. Being eligible, they may offer themselves for re-election, a process that enables shareholders/proxy holders to vote them back into office.

Directors who have attained the age of seventy years retire at every annual general meeting and shall be eligible for re-appointment to hold office until the next annual general meeting pursuant to Section 129 of the Companies Act 1965.

Board Committees

The Board has an Audit Committee to support it in ensuring that the integrity of the Bank's financial procedures and internal control systems are preserved in order to safeguard assets, manage risks and provide sound and profitable business operations.

In line with the Bank's commitment to enhance corporate governance and best practices that are the ideal fit for the Bank, the Nominating Committee, the Remuneration Committee and the Risk Management Committee are all carrying out their allotted responsibilities.

Nominating Committee

The Nominating Committee has the objective of providing a formal and transparent procedure for the appointment of Directors and the Chief Executive Director, as well as the assessment of their effectiveness and that of key senior management officers. Its recommendations are escalated to the Board for decision.

Corporate Governance Statement

MEMBERSHIP

Chairman

Datuk Nicholas Spiro Zefferys
(Independent Non Executive Director)

Members

Dato' Syed Mohd Yusof Bin Tun Syed Nasir
(Non-Independent Non-Executive Director)

Dato' Tan Teong Hean
(Non-Independent Executive Director)

Dato' Yeap Leong Huat
(Non-Independent Non-Executive Director)

Dr. Sieh Lee Mei Ling
(Independent Non-Executive Director)

DUTIES & RESPONSIBILITIES

The chief duties and responsibilities of this Committee include the following:-

- To establish minimum requirements for the Board after taking into account the required mix of skills, experience, qualification and other core competencies required of a Director, and for the Chief Executive Director.
- To consider, assess and recommend to the Board for approval of nominees for Directors, Board Committee members and the Chief Executive Director, the extension of appointment of Directors and the re-election of Directors.
- To annually oversee the overall composition of the Board in terms of the appropriate size and skills and the balance between Executive Directors, Non-Executive Directors and Independent Directors.
- To report to the Board once a year with an assessment of the performance of the Board and its Committees.
- To oversee the appointment, management succession planning and performance evaluation of key senior management officers.

Remuneration Committee

The Remuneration Committee's objective is to provide a formal and transparent procedure for formulating the remuneration policies for Directors, the Chief Executive Director and key senior management officers, in consonance with the Bank's culture, objectives and strategy.

MEMBERSHIP

Chairman

Datuk Nicholas Spiro Zefferys
(Independent Non-Executive Director)

Members

Dato' Syed Mohd Yusof Bin Tun Syed Nasir
(Non-Independent Non-Executive Director)

Dato' Yeap Leong Huat
(Non-Independent Non-Executive Director)

DUTIES & RESPONSIBILITIES

The principal duties and responsibilities of this Committee include the following:-

- To recommend the remuneration structure for Directors, the Chief Executive Director and key senior management officers for the Board's approval.
- To review, determine and recommend their remuneration levels on an annual basis.
- To conduct an annual review of the Committee's performance and the adequacy of its charter and to recommend changes to the Board if necessary.

Risk Management Committee

The Bank has established the Risk Management Committee to oversee the activities of the senior management in the management of the Bank's credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and properly functioning.

MEMBERSHIP

Chairman

Datuk Nicholas Spiro Zefferys
(Independent Non-Executive Director)

Members

Dr. Sieh Lee Mei Ling
(Independent Non-Executive Director)

Dato' Yeap Leong Huat
(Non-Independent Non-Executive Director)

Corporate Governance Statement

DUTIES & RESPONSIBILITIES

The principal duties and responsibilities of the Committee include the following:-

- To review and recommend risk management strategies, policies and risk tolerance for the Board's approval.
- To review and assess the adequacy of risk management policies and framework.
- To ensure infrastructure, resources and systems are in place for risk management.

Bank Credit Committee

The Bank Credit Committee has the responsibility for the approval, review or consideration of major loans and temporary facilities. The Committee presently consists of three Executive Directors and one senior management staff. Decisions of this Committee are noted by the Board which has a right of review and veto in certain specified cases.

Credit Risk Management Committee

This Committee was set up to assist the Risk Management Committee and is tasked with the reviewing and establishing of the appropriate risk appetite and strategies for the Bank. The members of the Committee currently comprise one Non-Executive Director and three senior management staff.

Remuneration of Directors

The remuneration of Non-Executive Directors is by way of fixed annual fees, based on recommendations by the Remuneration Committee to the Board and approved by shareholders at the annual general meeting. In addition, Non-Executive Directors draw an allowance for attendance at meetings. Reasonable expenses incurred by the Directors in the course of their duties are also reimbursed. A revision of the fees was effected in 2004. The Remuneration Committee has recommended to the Board that the fees be increased and this recommendation has been accepted by the Board. The Board's recommendation for the increase in the fees will be submitted to the shareholders for approval at the forthcoming Annual General Meeting.

The aggregate remuneration of the Directors, including the Chief Executive Director, for the financial year ended 31 December 2004 are disclosed in Note 29 to the Financial Statement on page 115.

Directors' Attendance of Board Meetings

In the financial year 2004, there were a total of 13 Board Meetings. All the current Directors complied with the minimum number of attendance at Board Meetings prescribed by the regulatory authorities.

Directors' Continuing Training

All Board Members have attended the Mandatory Accreditation Programme conducted by Bursatra Sdn Bhd (formerly known as Bursa Malaysia Training Sdn Bhd), pursuant to Bursa Malaysia's guidelines on Training for Directors. They also attended the seminars and conferences organized by Bank Negara. In March 2005, all directors attended the ICLIF-INSEAD Directors Forum held in Kuala Lumpur. All directors have met the requirements of the Continuing Education Programme pursuant to Practice Note No. 15/2003 issued by Bursa Malaysia.

SUPPLY OF INFORMATION TO THE BOARD

The Board meets every month to consider and discuss an extensive agenda covering the latest financial and operational developments as well as strategic and policy issues. The monthly meetings serve as the principal forum for the Board to obtain reports and seek information and clarification from the Chief Executive Director and senior management on all aspects of the business.

Two Company Secretaries are on hand at all times as well as during Board Meetings to serve and provide support to the Directors.

The Bank has a Steering Committee, chaired by the Chief Executive Director, comprising ten senior Bank personnel and backed up by a Project Management Office. This Committee has a strategic role and meets at least once every two weeks or whenever else required, to formulate strategy, to approve new initiatives, to monitor the implementation of ongoing projects and to assist in shaping those proposals that require Board approval.

ACCOUNTABILITY AND AUDIT

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to ensure that the financial statements for each financial year give a true and fair view of the state of affairs of the Bank and of the Group as at the end of the financial year and of their results and cash flows for the financial year.

Corporate Governance Statement

In the preparation of the financial statements, the Directors have considered the applicable approved accounting standards of the Malaysian Accounting Standards Board and BNM/GP8: Guidelines on the Specimen Financial Statements for the Banking Industry modified to comply with the Principles of Syariah for activities relating to the Islamic Banking Scheme, adopted and consistently applied appropriate accounting policies and made judgments and estimates that were prudent and reasonable.

The Directors are also responsible for ensuring that the Bank and the Group maintain accounting records which disclose with reasonable accuracy the financial position of the Bank and of the Group.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and of the Group and to prevent and detect fraud and other irregularities.

STATEMENT ON INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management. In view of the limitations inherent in any system of internal control, such systems are designed to manage the Group's risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, these systems can only provide reasonable, but not absolute, assurance against material misstatement and loss.

The Board is also pleased to disclose that there is an on-going process for identifying, evaluating and managing key commercial, financial and significant risks faced by the Group throughout the financial year as well as a structured approach to reviewing the adequacy and integrity of the system of internal controls. Measures will be taken as appropriate to update the system of internal controls in response to changes in the business environment and regulatory guidelines.

The Board is supported by the Board Audit Committee in the exercise of its oversight responsibility. An independent Internal Audit Group carries out regular evaluation and reporting of control weaknesses and a Risk Management Group undertakes risk

management activities. The Board Risk Management Committee (RMC) further strengthens the risk management process. The RMC is responsible for oversight of the senior management's responsibilities to assess and manage the Bank's credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and properly functioning. Besides the RMC, the Bank Credit Committee and the Credit Risk Management Committee assist the RMC and the Board in its supervision of credit risk. The Bank also has other relevant Board Committees, all of which have clearly defined terms of reference. These committees have the authority to examine all matters within their scope of responsibility and to report back to the Board with their recommendations for the final decision of the Board.

There is a clearly defined framework and empowerment approved by the Board for acquisition and disposal of fixed assets as well as for the award of tenders, applications for capital expenditure, writing off of operational and credit items and approval of general expenses, including donations and operational excesses.

The Directors and Senior Management of the Group are committed to maintaining a culture of corporate risk awareness in all areas of operations and promoting good corporate governance.

During the financial year, audits conducted by the Internal Audit Department did not reveal weaknesses that resulted in any material losses, contingencies or uncertainties that would require disclosure in the Bank's annual report.

RELATIONSHIP WITH AUDITORS

The appointment of the external auditors is recommended by the Audit Committee. The external auditors meet with the Committee to present their Audit Planning Memorandum before the commencement of the audit.

There are independent procedures for both the internal auditor and the external auditors to report their conclusions and recommendations to the management and the Audit Committee.

The Bank's business and operations are also subject to regular examination by Bank Negara Malaysia.

Corporate Governance Statement

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Secretariat is the principal office where shareholders and stakeholders are able to access information or seek assistance. The Management Directory of this Report sets out the key personnel of the Bank whom shareholders/stakeholders can contact.

Dissemination by the Bank of its financial performance reports and information on other significant developments affecting its business are by way of mailed announcements. Electronic deliveries through the Bank's financial portal www.southernbank.com.my as well as announcements through the media serve as additional channels to disseminate information promptly to constituents.

The formal fora for the Bank and where its shareholders/proxy holders can engage in open, free and full dialogue are at the Annual General Meetings and the Extraordinary General Meetings of the Bank where the Board of Directors is always receptive to frank and interactive dialogue during which any concerns or queries may be raised by minority shareholders.

In a further effort to fulfill the Bank's commitment to the fullest and widest disclosure of information relating to the Bank's up to date performance, regular briefings are scheduled with fund managers, analysts and the media. The Bank is also a regular participant in "Corporate Day" events organised by Bursa Malaysia, which schedule sessions where selected companies and analysts have a series of full day bilateral meetings with each other.

COMPLIANCE WITH THE CODE

In the following areas substantive steps have been taken to attain more effective compliance with the Principles and Best Practices of the Malaysian Code on Corporate Governance:

Composition of the Board of Directors

The eight-member Board has three Independent Non-Executive Directors and therefore fully complies with the best practices that one-third of the Board should comprise Independent Directors.

Appointments to the Board

Three new appointments were made to the Board in 2004. These were initiated by the Nominating Committee and approved by the Board with the prior consent of Bank Negara.

Board Committees

Apart from the Audit Committee, the Board has delegated some of its duties to specific committees, including the Nominating Committee, the Remuneration Committee, the Risk Management Committee and the Bank Credit Committee.

The Audit Committee is chaired by an Independent Non-Executive Director and the majority of its members are Independent Directors, as recommended by the Code.

The Board of Directors are satisfied that in carrying out their responsibilities there has always been availability and transparency of information to individual Board members to enable them to consider and to exercise their independent judgment in the best interests of the Bank and that this practice of good corporate governance in the running of the Bank has resulted in its continued growth and an unbroken track record of profitability.

Audit Committee Report

The Audit Committee's mandate is to assist the Board in ensuring the integrity of the Bank's financial procedures and internal control systems to safeguard assets, manage risks and promote sound and profitable business operations.

MEMBERSHIP

The members of the Audit Committee are appointed by the Board from amongst its Directors. During the financial year 2004, the Audit Committee comprised five Non-Executive Directors.

Chairman

Tan Sri Osman S Cassim
(Independent Non-Executive Director)

Members

Dato' Dr Yahya bin Ismail
(Non-Independent Non-Executive Director)

Datuk Nicholas Spiro Zefferys
(Independent Non-Executive Director)

Mr Lim Pak Tow
(Independent Non-Executive Director)

Dr Sieh Lee Mei Ling
(Independent Non-Executive Director)

TERMS OF REFERENCE

Authority

The Audit Committee is authorised by the Board to review all matters relating to the external and internal audit of the Bank as well as its financial procedures and risk management systems. It is authorised to seek any information from any director or member of management and all employees are directed to co-operate with any request made by the Committee. Where necessary, the Committee is also authorised by the Board to obtain independent legal and other professional advice.

In all important matters under its terms of reference, the Committee makes it a practice to report its actions to the Board for information or for approval.

DUTIES AND RESPONSIBILITIES

Financial Procedures and Financial Reporting

Review the financial statements of the Bank and the consolidated financial statements of the Group to ensure compliance with appropriate accounting policies, accounting standards and disclosure requirements before submitting them to the Board.

External Audit

- Review the scope and audit programme of the external auditors.
- Review the external auditors' report and to evaluate their findings and recommendations for action to be taken.
- Recommend to the Board the appointment of external auditors and any other matter relating to the role of the external auditors.

Internal Audit

- Review the scope and audit programme of the internal auditor.
- Examine the internal audit findings and ensure that appropriate action is taken by Management on the recommendations of the internal auditor.
- Review the performance of the internal audit team to ensure that they have the standing to exercise independence and professionalism in discharging their duties.

MEETINGS

During the financial year ended 31 December 2004, sixteen Audit Committee meetings were held. A record of the attendance of these Audit Committee meetings is as follows:

	No. of Meetings Attended
Tan Sri Osman S Cassim	12/16
Dato' Dr Yahya bin Ismail	12/16
Datuk Nicholas Spiro Zefferys	16/16
Dr Sieh Lee Mei Ling (Appointed on 29 November 2004)	4/4

Mr Lim Pak Tow who retired from the Board with effect from 27 May 2004 was unable to attend any of the Audit Committee meetings held prior to his retirement due to health reasons.

Audit Committee Report

ACTIVITIES

In accordance with its terms of reference, the following activities were undertaken by the Audit Committee:

1. Reviewed with the external auditors their Audit Planning Memorandum for the year 2004 to ensure adequate scope and coverage.
2. Reviewed the adequacy and scope of the Internal Audit Plan for the Bank and its subsidiary, SBB Securities Sdn Bhd for year 2005 and approved the Plans.
3. Discussed a total of 38 internal audit reports and 19 investigation audit reports and reviewed the action taken by Management in response to the recommendations of these reports.
4. Reviewed the status reports of Internal Audit which provide an update of the progress of activities throughout the year as well as pertinent matters of concern on internal control, investigation and governance standards.
5. Reviewed the results of the audit reports of Bank Negara Malaysia and other regulatory authorities and the status of the remedial actions taken in respect of the findings.
6. Provided independent evaluation of the performance and approval of the remuneration package of the Chief Internal Auditor.
7. Made recommendation to the Board on the appointment of the external auditors.
8. Reviewed the quarterly and year-end financial statements.
9. Reviewed and endorsed the manuals of the Internal Audit Group.

INTERNAL AUDIT FUNCTION

The Bank has an effective Internal Audit Department with appropriate standing to conduct independent operational, risk management and management audits. The internal audit function is guided by the Audit Charter and reporting to the Audit Committee of Directors, it plays a key role in assisting the Audit Committee to oversee that Management has in place a sound system of risk management, internal control and governance.

The Audit Committee approves the Audit Plan at the beginning of each year. Internal audit adopts a risk-based approach in the planning and conduct of audits and takes cognizance of the Bank Group's objectives and policies in the selection of the audit units giving priority to areas of higher risk.

The audit reports are submitted to the Audit Committee for review and the implementation progress of audit recommendations are closely monitored to enhance the audit review process.

Internal Audit also plays a consultative role by reviewing and recommending improvements to current risk management, internal control and governance processes, where applicable. With a view to ensuring that audit processes are in line with recommended best practices in internal auditing, the internal audit function is subject to continual self-assessment.

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Directors' Report

The directors have pleasure in submitting their annual report and the audited financial statements of the Bank and of the Group for the financial year ended December 31, 2004.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of the banking business and the provision of related services, which also include Islamic banking services.

The principal activities of the Bank's subsidiary companies are disclosed in Note 11 to the financial statements.

Other than as mentioned in Note 11 to the financial statements, there have been no significant changes in the nature of the activities of the Bank and of its subsidiary companies during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Bank and of the Group for the financial year are as follows:

	The Bank RM'000	The Group RM'000
Profit before taxation and zakat	394,779	486,804
Taxation and zakat	(106,175)	(130,493)
Profit after taxation and zakat	288,604	356,311
Minority interest	–	(6,176)
Net profit for the year	288,604	350,135

DIVIDENDS

Since the end of the previous financial year, the Bank paid the following dividends:

- (i) A special interim dividend of 15% less 28% tax in respect of the previous financial year amounting to RM121,267,999 on March 19, 2004.
- (ii) A final dividend of 6% less 28% tax in respect of the previous financial year amounting to RM48,507,199 on June 4, 2004.
- (iii) An interim dividend of 6% less 28% tax in respect of the current financial year amounting to RM62,138,364 on September 21, 2004.

The directors declared a special interim dividend of 10% less 28% tax amounting to RM104,357,201 and propose a final dividend of 7% less 28% tax amounting to RM73,050,041 in respect of the current financial year based on the issued and fully paid-up capital of 1,447,682,465 ordinary shares of RM1.00 each. The final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Bank.

RESERVES AND PROVISIONS

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

Directors' Report

ISSUE OF SHARES

During the financial year, the issued and paid-up ordinary share capital of the Bank was increased from RM1,122,851,840 to RM1,447,682,465 by way of:

- (a) a Special Bumiputera Issue (SBI) of 280,200,000 new ordinary shares of RM1.00 each to approved Bumiputera investors at an issue price of RM1.74 per ordinary share.
- (b) issue of 9,899,845 new ordinary shares of RM1.00 each by virtue of the exercise of 9,899,845 warrants at an exercise price of RM1.74 per ordinary share.
- (c) issue of 12,659,754 new ordinary shares of RM1.00 each at an issue price of RM2.57 per ordinary share pursuant to the acquisition of the remaining 30% equity interest in SBB Securities Sdn Bhd.
- (d) issue of 22,071,026 new ordinary shares of RM1.00 each at an issue price of RM2.57 per ordinary share pursuant to the acquisition of the entire equity interest in Mohaiyani Sdn Bhd (formerly known as Mohaiyani Securities Sdn Bhd).

The new shares issued rank pari passu in all respect with the then existing ordinary shares of the Bank.

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

Before the financial statements of the Bank and of the Group were made out, the directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to realise their value as shown in the accounting records of the Bank and of the Group 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 METHODS

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

Directors' Report

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent or other liability of the Bank and 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 substantially 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

The results of operations of the Bank and of the Group for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

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

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 39 to the financial statements.

BOARD COMMITTEES

Nominating Committee

The members of the Nominating Committee during the financial year ended December 31, 2004 were as follows:

YBhg Tan Sri Osman S. Cassim (Chairman)	– Independent Non-Executive Director
YBhg Dato' Tan Teong Hean	– Chief Executive Director
YBhg Dato' Syed Mohd Yusof bin Tun Syed Nasir	– Non-Independent Non-Executive Director
YBhg Dato' Yeap Leong Huat	– Non-Independent Non-Executive Director
YBhg Datuk Nicholas Spiro Zefferys	– Independent Non-Executive Director

The composition of the Nominating Committee is in compliance with the following regulatory requirements and best practices:

- (i) The Chairman should be an independent director
- (ii) A minimum of 5 members, of whom at least 4 must be non-executive directors

The Nominating Committee was established to provide a formal and transparent procedure for the appointment of directors and Chief Executive Director as well as assessment of the effectiveness of individual directors, the Board as a whole and the performance of the Chief Executive Director and key senior management officers. The Nominating Committee is to escalate all its findings and recommendations to the Board of Directors for approval.

Directors' Report

The Nominating Committee held four meetings during the year under review and the attendance of the members was as follows:

Members	Attendance
YBhg Tan Sri Osman S. Cassim	2/4
YBhg Dato' Tan Teong Hean	4/4
YBhg Dato' Syed Mohd Yusof bin Tun Syed Nasir	4/4
YBhg Dato' Yeap Leong Huat	4/4
YBhg Datuk Nicholas Spiro Zefferys	4/4

Remuneration Committee

The members of the Remuneration Committee during the financial year ended December 31, 2004 were as follows:

YBhg Datuk Nicholas Spiro Zefferys (Chairman)	– <i>Independent Non-Executive Director</i>
YBhg Dato' Dr Yahya Ismail	– <i>Non-Independent Non-Executive Director</i>
YBhg Dato' Yeap Leong Huat	– <i>Non-Independent Non-Executive Director</i>

The above composition of the Remuneration Committee is in compliance with the following requirements:

- (i) The Chairman should be an independent director
- (ii) Members shall all be non-executive directors with a minimum of 3 members

The Remuneration Committee was established to provide a formal and transparent procedure for developing the remuneration policy for directors, Chief Executive Director and key senior management officers and to ensure that their compensation is competitive and consistent with the Bank's culture, objectives and strategy. In this respect, the Remuneration Committee is to escalate all its findings and recommendations to the Board of Directors for approval.

The Remuneration Committee held eight meetings during the financial year ended December 31, 2004 and appended below is the attendance of the members:

Members	Attendance
YBhg Datuk Nicholas Spiro Zefferys	8/8
YBhg Dato' Dr Yahya Ismail	2/8
YBhg Dato' Yeap Leong Huat	8/8

Risk Management Committee

The members of the Risk Management Committee (RMC) during the financial year ended December 31, 2004 were as follows:

YBhg Datuk Nicholas Spiro Zefferys (Chairman)	– <i>Independent Non-Executive Director</i>
YBhg Dato' Dr Yahya Ismail	– <i>Non-Independent Non-Executive Director</i>
YBhg Dato' Seri Goh Eng Toon	– <i>Non-Independent Non-Executive Director</i>
Dr Sieh Lee Mei Ling	– <i>Independent Non-Executive Director</i>

The above composition of the RMC is in compliance with the following requirements:

- (i) The Chairman should be an independent director
- (ii) Members shall all be non-executive directors with a minimum of 3 members

Directors' Report

The RMC is responsible for the oversight of senior management's responsibilities to assess and manage the Bank's credit, market, liquidity, operational, legal and other risks and for ensuring that the risk management process is in place and functioning properly. In assisting the Board's oversight function, the RMC is to review and recommend risk management strategies, policies and risk tolerance for approval by the Board of Directors.

The RMC held eight meetings during the year under review and the attendance of the members is as follows:

Members	Attendance
YBhg Datuk Nicholas Spiro Zefferys	8/8
YBhg Dato' Dr Yahya Ismail	6/8
YBhg Dato' Seri Goh Eng Toon	5/5 ^{*1}
Dr Sieh Lee Mei Ling	2/2 ^{*2}

*1 Retired on May 27, 2004.

*2 Appointed on November 29, 2004.

Besides the RMC, the Bank has also established the following two management committees to assist the RMC and the Board in its supervision of credit risk:

- (i) Bank Credit Committee (BCC)
- (ii) Credit Risk Management Committee (CRMC)

The BCC is empowered to approve, review or consider large loans while the CRMC oversees the development and review of credit policies, reviewing and establishing the appropriate risk appetite and strategies.

With the chartering of the RMC, the establishment of the BCC and the CRMC, the Bank's Risk Management framework has been revamped such that there is clearer co-ordination of risk initiatives throughout the Bank.

DIRECTORS AND THEIR INTERESTS IN SHARES

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:

YBhg Tan Sri Osman S. Cassim (*Chairman*) (*retired on February 18, 2005*)
 YBhg Dato' Syed Mohd Yusof bin Tun Syed Nasir (*Chairman*) (*appointed on February 23, 2005*)
 YBhg Dato' Tan Teong Hean (*Chief Executive Director*)
 YBhg Dato' Dr. Yahya bin Ismail (*retired on February 18, 2005*)
 Mr. Lim Pak Tow (*retired on May 27, 2004*)
 YBhg Dato' Seri Goh Eng Toon (*retired on May 27, 2004*)
 YBhg Dato' Yeap Leong Huat
 YBhg Datuk Nicholas Spiro Zefferys
 Mr. Yeap Lam Yang
 YM Tengku Zaitun binti Tengku Mahadi (*appointed on August 25, 2004*)
 Dr Sieh Lee Mei Ling (*appointed on August 25, 2004*)
 Mr. Ian Craig Buchanan (*appointed on August 25, 2004*)

YBhg Dato' Tan Teong Hean and YBhg Dato' Yeap Leong Huat retire by rotation under Article 111 of the Bank's Articles of Association and, being eligible, offer themselves for re-election.

YM Tengku Zaitun binti Tengku Mahadi, Dr Sieh Lee Mei Ling and Mr. Ian Craig Buchanan retire under Article 115 of the Bank's Articles of Association and, being eligible, offer themselves for re-election.

Directors' Report

According to the Register of Directors' Shareholdings maintained by the Bank in accordance with Section 134 of the Companies Act, 1965, the directors' beneficial interests in the shares and warrants of the Bank and its related corporations were as follows:

Number of ordinary shares of RM1 each of the Bank				
	As of 1.1.2004 / 25.8.2004*	Addition	Disposal	As of 31.12.2004
YBhg Tan Sri Osman S. Cassim				
– direct	899,437	–	–	899,437
– indirect	–	–	–	–
YBhg Dato' Syed Mohd Yusof bin Tun Syed Nasir				
– direct	–	62,500,000	–	62,500,000
– indirect	239,291,344	32,819,918	4,200,000	267,911,262
YBhg Dato' Tan Teong Hean				
– direct	3,330,856	–	–	3,330,856
– indirect	298,977,787	32,819,918	4,200,000	327,597,705
YBhg Dato' Dr. Yahya bin Ismail				
– direct	576,839	17,600,000	16,700,000	1,476,839
– indirect	283,710	–	–	283,710
YBhg Dato' Yeap Leong Huat				
– direct	14,210,298	–	4,000,000	10,210,298
– indirect	2,786,511	–	–	2,786,511
Mr. Yeap Lam Yang				
– direct	6,461,723	–	–	6,461,723
– indirect	2,786,511	–	–	2,786,511
YM Tengku Zaitun binti Tengku Mahadi				
– direct	1,902	–	–	1,902
– indirect	–	–	–	–

By virtue of their shareholdings in the Bank, the above directors are deemed to have beneficial interests in the shares of the subsidiary companies of the Bank.

* *Date of appointment of YM Tengku Zaitun binti Tengku Mahadi*

Directors' Report

	Number of warrants of the Bank			As of 31.12.2004
	As of 1.1.2004 / 25.8.2004*	Addition	Disposal	
YBhg Tan Sri Osman S. Cassim				
– direct	1,579,012	–	–	1,579,012
– indirect	–	–	–	–
YBhg Dato' Syed Mohd Yusof bin Tun Syed Nasir				
– direct	–	–	–	–
– indirect	48,732,117	–	1,825,000	46,907,117
YBhg Dato' Tan Teong Hean				
– direct	643,961	–	–	643,961
– indirect	62,132,830	–	1,825,000	60,307,830
YBhg Dato' Dr. Yahya bin Ismail				
– direct	250,890	–	–	250,890
– indirect	82,273	–	–	82,273
YM Tengku Zaitun binti Tengku Mahadi				
– direct	547	–	–	547
– indirect	–	–	–	–

Each warrant entitles the holder to subscribe for one new ordinary share of RM1 each in the Bank at any time during the exercise period. The exercise period is from June 18, 1997 to June 17, 2006 (extended).

* *Date of appointment of YM Tengku Zaitun binti Tengku Mahadi*

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in 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 other than as disclosed in Note 28 to the financial statements.

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangements to which the Bank was 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 other than as may arise from the allotment of new shares in the Bank pursuant to the Special Bumiputra Issue to YBhg Dato' Syed Mohd Yusof bin Tun Syed Nasir and YBhg Dato' Dr Yahya bin Ismail and to Ramuda Sdn Bhd, a company in which certain directors of the Bank are substantial shareholders.

Directors' Report

BUSINESS STRATEGY AND OUTLOOK

Although competition is intensifying, market conditions in our industry are favorable at present and the Malaysian economy is strong. The momentum we have built is expected to continue. With a solid foundation in place, a cohesive and focused management team, we approach 2005 with further expansion in mind.

The Group will maintain the organic growth achieved over the past few years while improving risk management, controls and retaining cost discipline. We will continue to re-invest in core businesses to strengthen our franchise, to evolve and respond to our customers' changing needs and expectations, proactively and in cost efficient ways.

Consistent with the Group's operating philosophy, balance sheet growth will not be at the expense of asset quality as our belief in aggressive conservatism has served us well in past decades and it remains the cornerstone since our founding, of our unbroken record of profitability.

The Group expects the current favorable economic conditions to continue in the year ahead. Against this backdrop, the Group remains committed to lift its operating performance and further consolidate its industry position in chosen markets.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

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

YBhg Dato' Syed Mohd Yusof bin Tun Syed Nasir

Chairman

YBhg Dato' Tan Teong Hean

Chief Executive Director

Kuala Lumpur

March 15, 2005

Balance Sheets

as of December 31, 2004

	Note	The Bank		The Group	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000 Restated
ASSETS					
Cash and short term funds	4	2,131,009	2,537,651	2,984,264	3,468,005
Deposits and placements with banks and other financial institutions	5	112,155	10,221	342,952	20,594
Dealing securities	6	161,356	270,229	172,371	284,661
Investment securities	7	3,649,113	2,305,096	3,619,361	3,163,913
Loans, advances and financing	8	15,018,509	14,118,864	21,506,801	20,562,197
Other assets	9	663,287	352,888	788,411	439,324
Statutory deposits with Central Banks	10	535,486	437,406	775,591	685,167
Investment in subsidiary companies	11	1,257,024	1,257,023	–	–
Investment in associated company	12	350	350	471	454
Property, plant and equipment	13	222,062	206,608	397,460	391,660
Deferred tax assets	14	48,735	53,501	103,792	110,663
Goodwill / Intangible assets	15	27,435	12,947	774,625	688,031
TOTAL ASSETS		23,826,521	21,562,784	31,466,099	29,814,669
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	16	14,172,425	13,641,688	19,551,600	18,941,478
Deposits and placements of banks and other financial institutions	17	1,583,994	2,186,216	2,648,676	3,794,209
Obligations on securities sold under repurchase agreements		1,529,040	652,335	1,019,682	711,345
Bills and acceptances payable		945,647	834,779	945,647	834,779
Amount due to Cagamas		777,879	958,811	1,817,226	1,788,565
Other liabilities	18	501,195	320,946	887,381	519,895
Provision for taxation and zakat	19	3,341	19,239	21,257	33,874
Subordinated obligations	20	1,085,381	375,000	1,085,381	387,000
TOTAL LIABILITIES		20,598,902	18,989,014	27,976,850	27,011,145
MINORITY INTEREST		–	–	16,939	46,584
Share capital	21	1,447,682	1,122,852	1,447,682	1,122,852
Reserves	22	1,602,530	1,281,143	1,847,221	1,464,313
Declared / Proposed dividend	32	177,407	169,775	177,407	169,775
SHAREHOLDERS' FUNDS		3,227,619	2,573,770	3,472,310	2,756,940
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		23,826,521	21,562,784	31,466,099	29,814,669
COMMITMENTS AND CONTINGENCIES					
(UNSECURED)	33	11,302,372	10,315,542	11,727,257	10,866,003

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

Income Statements

for the year ended December 31, 2004

	Note	The Bank		The Group	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000 Restated
Revenue	3(c)	1,430,473	1,242,544	2,107,233	1,895,120
Interest income	23	1,034,800	973,690	1,536,823	1,436,699
Interest expense	24	(466,222)	(450,433)	(678,575)	(650,937)
Net interest income		568,578	523,257	858,248	785,762
Islamic banking income	38 (xxi)	26,367	24,302	98,574	116,770
		594,945	547,559	956,822	902,532
Non-interest income	25	349,193	226,900	415,697	292,294
		944,138	774,459	1,372,519	1,194,826
Overhead expenses	26	(350,778)	(324,919)	(546,469)	(515,719)
Operating profit		593,360	449,540	826,050	679,107
Loan and financing loss and provision	27	(198,581)	(63,015)	(339,423)	(190,740)
– Provisions before the change in method of provisioning for non-performing loans of 7 years and beyond		(142,024)	(63,015)	(250,511)	(190,740)
– Additional provisions arising from the change		(56,557)	–	(88,912)	–
		394,779	386,525	486,627	488,367
Share in results of associated company		–	–	177	220
Profit before taxation and zakat		394,779	386,525	486,804	488,587
Taxation and zakat	30	(106,175)	(108,047)	(130,493)	(144,465)
Profit after taxation and zakat		288,604	278,478	356,311	344,122
Minority interest		–	–	(6,176)	(1,810)
Net profit for the year		288,604	278,478	350,135	342,312
Earnings per share (sen)	31				
– Basic		22.8	24.8	27.7	30.5
– Fully diluted		21.6	23.8	26.3	29.2
Dividend per share – net (sen)	32	16.56	18.28	16.56	18.28

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

Statements of Changes in Equity

for the year ended December 31, 2004

	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profit RM'000	Declared / Proposed Dividend RM'000	Total RM'000
The Bank						
2004						
Balance at beginning of year	1,122,852	472,542	578,308	230,293	169,775	2,573,770
Net profit for the year	-	-	-	288,604	-	288,604
Transfer to statutory reserves	-	-	144,302	(144,302)	-	-
Currency translation differences	-	-	3,319	-	-	3,319
Issue of shares	324,830	269,201	-	-	-	594,031
Dividend paid	-	-	-	(62,138)	(169,775)	(231,913)
Dividend declared / proposed (Note 32)	-	-	-	(177,407)	177,407	-
Share issue expenses	-	(192)	-	-	-	(192)
Balance at end of year	1,447,682	741,551	725,929	135,050	177,407	3,227,619
2003						
Balance at beginning of year	1,122,826	472,522	437,713	296,310	101,054	2,430,425
Net profit for the year	-	-	-	278,478	-	278,478
Transfer to statutory reserves	-	-	139,239	(139,239)	-	-
Currency translation differences	-	-	1,356	-	-	1,356
Issue of shares	26	20	-	-	-	46
Dividend paid	-	-	-	(35,481)	(101,054)	(136,535)
Dividend declared / proposed (Note 32)	-	-	-	(169,775)	169,775	-
Balance at end of year	1,122,852	472,542	578,308	230,293	169,775	2,573,770

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

Statements of Changes in Equity

for the year ended December 31, 2004

	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profit RM'000	Declared / Proposed Dividend RM'000	Total RM'000
The Group						
2004						
Balance at beginning of year						
– As previously reported	1,122,852	472,542	700,070	323,830	169,775	2,789,069
– Prior year adjustment (Note 44)	–	–	–	(32,129)	–	(32,129)
– As restated	1,122,852	472,542	700,070	291,701	169,775	2,756,940
Net profit for the year	–	–	–	350,135	–	350,135
Transfer to statutory reserves	–	–	146,346	(146,346)	–	–
Currency translation differences	–	–	3,309	–	–	3,309
Issue of shares	324,830	269,201	–	–	–	594,031
Dividend paid	–	–	–	(62,138)	(169,775)	(231,913)
Dividend declared / proposed (Note 32)	–	–	–	(177,407)	177,407	–
Share issue expenses	–	(192)	–	–	–	(192)
Balance at end of year	1,447,682	741,551	849,725	255,945	177,407	3,472,310
2003						
Balance at beginning of year						
– As previously reported	1,122,826	472,522	558,007	322,114	101,054	2,576,523
– Prior year adjustment (Note 44)	–	–	–	(26,764)	–	(26,764)
– As restated	1,122,826	472,522	558,007	295,350	101,054	2,549,759
Net profit for the year	–	–	–	342,312	–	342,312
Transfer to statutory reserves	–	–	140,705	(140,705)	–	–
Currency translation differences	–	–	1,358	–	–	1,358
Issue of shares	26	20	–	–	–	46
Dividend paid	–	–	–	(35,481)	(101,054)	(136,535)
Dividend declared / proposed (Note 32)	–	–	–	(169,775)	169,775	–
Balance at end of year	1,122,852	472,542	700,070	291,701	169,775	2,756,940

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

Cash Flow Statements

for the year ended December 31, 2004

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation, zakat and minority interest	394,779	386,525	486,804	488,587
Adjustments for:				
Interest income from investment securities	(82,108)	(48,971)	(87,345)	(70,683)
Accretion of discount less amortisation of premium	6,708	(8,878)	2,324	(19,274)
Amortisation of discount and ancillary cost on the issuance of USD200 million subordinated notes	844	–	844	–
Transfer to / (from) profit equalisation reserve	524	400	975	(4,929)
Net profit from investment securities	(18,079)	(6,404)	(38,794)	(8,386)
Dividend income	(145,816)	(69,098)	(8,954)	(11,949)
Provision / (Write back of provision) for diminution in value of investment securities	–	1,984	(4,311)	(4,623)
Net gain on disposal of property, plant and equipment	(1,969)	(2,440)	(6,819)	(2,991)
Depreciation of property, plant and equipment	30,908	27,862	43,133	39,807
Property, plant and equipment written off	35	9	306	795
Amortisation of goodwill and deferred assets	4,321	2,303	42,593	36,130
Net loss on disposal of foreclosed properties	8	44	8	334
Loan and financing loss and provision	231,865	103,283	394,962	241,930
Bad debts written off	5,073	3,697	5,073	3,697
Write back of provision for commitments and contingencies	(2,716)	(72)	(2,716)	(72)
Share in results of associated company	–	–	(177)	(220)
Exchange fluctuation	(4,578)	(3,580)	(4,578)	(3,605)
Operating profit before working capital changes	419,799	386,664	823,328	684,548
(Increase) / Decrease in operating assets:				
Securities purchased under resale agreements	–	–	–	1,402
Deposits and placements with banks and other financial institutions	(101,510)	(425)	(311,272)	7,428
Dealing securities	108,873	101,474	111,753	93,953
Loans, advances and financing	(1,122,528)	(1,035,285)	(1,389,462)	(1,766,056)
Other assets	(204,744)	(89,110)	(329,645)	(161,388)
Statutory deposits with Central Banks	(97,615)	94,286	(89,959)	79,994

Cash Flow Statements

for the year ended December 31, 2004

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000 Restated
Increase / (Decrease) in operating liabilities:				
Deposits from customers	519,258	1,376,182	598,643	1,310,668
Deposits and placements of banks and other financial institutions	(607,212)	639,204	(1,150,523)	1,079,704
Obligations on securities sold under repurchase agreements	876,705	466,336	308,337	525,346
Bills and acceptances payable	110,853	(24,535)	110,853	(24,535)
Amount due to Cagamas	(180,932)	573,540	28,661	850,724
Other liabilities	173,281	66,899	350,783	148,267
Cash (used in) / generated from operations	(105,772)	2,555,230	(938,503)	2,830,055
Income tax and zakat paid	(100,514)	(96,225)	(176,542)	(149,928)
Net cash (used in) / generated from operating activities	(206,286)	2,459,005	(1,115,045)	2,680,127
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(7,980,679)	(3,156,450)	(8,559,090)	(4,174,917)
Proceeds from sale of investment securities	6,652,348	2,477,134	8,161,781	3,715,424
Interest received from investment securities	77,821	41,097	85,547	64,948
Dividends received	112,299	53,256	24,689	11,253
Purchase of property, plant and equipment	(47,100)	(40,471)	(57,677)	(48,211)
Proceeds from disposal of property, plant and equipment	2,750	2,473	15,978	5,124
Proceeds from disposal of foreclosed properties	–	159	–	519
Acquisition of Mohaiyani Sdn Bhd, net of cash and cash equivalent acquired	–	–	4,774	–
Purchase of remaining equity shares in SBB Securities Sdn Bhd from minority shareholders	–	–	(14,277)	–
Net cash used in investing activities	(1,182,561)	(622,802)	(338,275)	(425,860)

Cash Flow Statements

for the year ended December 31, 2004

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000 Restated
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from the issuance of shares	504,581	46	504,581	46
Dividends paid	(231,913)	(136,535)	(231,913)	(136,535)
Net proceeds from the issuance of USD 200 million subordinated notes	743,113	–	743,113	–
Repayment of subordinated certificates of deposits	(33,576)	(400,000)	(33,576)	(400,000)
Repayment of term loans	–	–	(626)	–
Repayment of unsecured subordinated loan	–	–	(12,000)	(3,000)
Net cash generated from / (used in) financing activities	982,205	(536,489)	969,579	(539,489)
Net increase in cash and cash equivalents	(406,642)	1,299,714	(483,741)	1,714,778
Cash and cash equivalents at beginning of year	2,537,651	1,237,937	3,468,005	1,753,227
Cash and cash equivalents at end of year	2,131,009	2,537,651	2,984,264	3,468,005
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and short term funds (Note 4)	2,131,009	2,537,651	2,984,264	3,468,005

	The Group	
	2004 RM'000	2003 RM'000
ANALYSIS OF NET ASSETS OF MOHAIYANI SDN BHD ACQUIRED DURING THE YEAR		
Cash and short term funds	29,707	–
Deposits and placements with banks and other financial institutions	10,662	–
Investment securities	6,477	–
Loans, advances and financing	13,097	–
Other assets	21,725	–
Property, plant and equipment	643	–
Other liabilities	(28,712)	–
Goodwill on consolidation	28,057	–
Purchase consideration	81,656	–
Satisfied by issuance of shares	(56,723)	–
Satisfied by cash	24,933	–
Less: Cash and cash equivalent acquired	(29,707)	–
Net cash from acquisition of Mohaiyani Sdn Bhd	(4,774)	–

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

Notes to the Financial Statements

December 31, 2004

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in all aspects of the banking business and the provision of related services, which also include Islamic banking services.

The principal activities of the Bank's subsidiary companies are disclosed in Note 11 to the financial statements.

Other than as mentioned in Note 11 to the financial statements, there have been no significant changes in the nature of the activities of the Bank and of its subsidiary companies during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Bank is Level 3, Menara Southern Bank, 83, Medan Setia 1, Plaza Damansara, Bukit Damansara, 50490 Kuala Lumpur, Malaysia.

The number of employees of the Bank and of the Group at the end of the financial year was 3,012 (2003 : 3,033) and 4,657 (2003 : 4,650) respectively.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on March 15, 2005.

2. BASIS OF PREPARATION

The financial statements of the Bank and of the Group have been prepared in compliance with the Companies Act, 1965, the applicable approved accounting standards of the Malaysian Accounting Standards Board and BNM/GP8: Guidelines on the Specimen Financial Statements for the Banking Industry modified to comply with the Principles of Syariah for activities relating to Islamic Banking Scheme.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements of the Bank and of the Group have been prepared under the historical cost convention unless indicated otherwise in the accounting policies below.

(b) Basis of Consolidation

The consolidated financial statements of the Group comprise the audited financial statements of the Bank and all its subsidiary companies listed under Note 11 made up to the end of the financial year.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant inter-company transactions and balances are eliminated on consolidation.

(c) Revenue

Revenue of the Bank comprises interest, commissions, fees and other income derived from banking operations.

Revenue of the Group comprises all types of revenue derived from banking, financing, merchant banking, stock broking, fund management and other related services provided by the Group.

Notes to the Financial Statements

December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Interest and Financing Income Recognition

Interest on loans and advances is recognised on an accrual basis. Interest from hire-purchase, block discounting and leasing transactions is recognised on the 'sum-of-the-digits' method.

Profit from the Islamic Banking Scheme (SPI) is recognised on an accrual basis in compliance with Bank Negara Malaysia's guidelines.

Where a customer account is classified as non-performing, interest is suspended with retroactive adjustment made to the first day of default. Thereafter, interest on these accounts are recognised on a cash basis until such time when the accounts are no longer classified as non-performing. Customers' accounts of the Bank are classified as non-performing where repayments are in arrears for 3 months or more for all loans, advances and financing. This policy of classifying non-performing accounts is more stringent than the requirement of Bank Negara Malaysia (BNM) guidelines, BNM/GP3 (Revised 1999) "Guidelines on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts and Financing", which require that accounts be classified as non-performing where repayments are in arrears for 6 months or more for all loans and advances.

Customers' accounts of the local finance and merchant bank subsidiary companies, Southern Finance Berhad and Southern Investment Bank Berhad, are classified as non-performing where repayments are in arrears for 6 months or more for all loans, advances and financing in compliance with BNM/GP3 (Revised 1999).

(e) Fees and Other Income Recognition

Commitment fees are recognised on accrual basis. Loan arrangement fees, management and participation fees, acceptance and underwriting commissions are recognised as income when all conditions precedent are fulfilled.

Fees from advisory and corporate finance activities are recognised on the completion of each stage of the assignment.

Dividend income is recognised on cash basis except for dividend income from subsidiary companies which is recognised when the right to receive payment is established.

Revenue from sales of unit trusts is recognised upon the approval of a unitholder's application. Management fees from the management of unit trusts and other funds is recognised on accrual basis.

Brokerage fees are recognised on contract date.

(f) Interest, Financing and Related Expenses Recognition

Interest expense and attributable profit (in respect of SPI) on deposits and borrowings are recognised on accrual basis.

Handling fees paid to motor vehicle dealers by the finance subsidiary company for hire purchase loans secured are charged to income statement in the period in which they are incurred in compliance with Bank Negara Malaysia Circular of August 8, 2003 "The Accounting Treatment of Handling Fees for Hire Purchase Loans". Prior to the adoption of the above BNM's circular, handling fees were capitalised and amortised over the tenure of the loans using the "sum-of-the-digit" method. This change in accounting treatment has been accounted for retrospectively and the impact of the prior year adjustments is disclosed in Note 44 to the financial statements.

Notes to the Financial Statements

December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Provision for Bad and Doubtful Debts and Financing

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

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

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

(h) Repurchase Agreements

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

Conversely, obligation 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 obligation to repurchase the securities are reflected as a liability on the balance sheet.

(i) Dealing Securities

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

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

(j) Investment Securities

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

Malaysian government securities, Malaysian government investment issues, Cagamas, Danaharta and Khazanah bonds, KLIA Islamic primary notes, other government securities and bank guaranteed private debt securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount to maturity date. Other private debt securities are valued at the lower of cost and market value. Long term investments in quoted shares and unquoted shares are stated at cost less provision for any permanent diminution in value. Provision is made for any permanent diminution in value of such investments as determined on an individual basis.

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

Notes to the Financial Statements

December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Investment in Subsidiary Companies

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

Investment in subsidiary companies is stated at cost in the financial statements of the Bank and a provision for diminution in value is made when the directors consider that there is a permanent diminution in the value of such investment.

(l) Investment in Associated Company

An associated company is a company in which the Bank has a long term equity interest of between 20% to 50% and where the Bank is in a position to exercise significant influence in its management.

Investment in associated company is stated at cost less provision for any permanent diminution in value of the investment in the financial statements of the Bank. In the consolidated financial statements, the results of associated company is accounted for under the equity method based on the audited financial statements whereby the Group's share of post acquisition profits of associated company is included in the consolidated results and the Group's interest in the associated company is stated in the consolidated balance sheet at cost plus adjustments to reflect changes in the Group's share of the net assets of the associated company.

(m) Property, Plant and Equipment and Depreciation

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

Freehold land and construction work-in-progress are not depreciated. Leasehold land is depreciated on a straight line basis over the period of the lease. Other property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. The principal annual depreciation rates are:

Buildings	0.5% – 2.5%
Office equipment, furniture, fittings and renovations	6.0% – 20.0%
Computer equipment and software	10.0% – 20.0%
Motor vehicles	15.0% – 20.0%

(n) Bills and Acceptances Payable

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

(o) Forward Exchange Contracts

Unmatured forward exchange contracts are stated at their original contracted forward rates applicable to the respective dates of maturity and unrealised losses and gains are taken up in the income statements for the year on a time-apportionment basis over the individual life of the contracts.

Notes to the Financial Statements

December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Interest Rate Swaps and Futures Contracts

The Bank uses interest rate swaps and futures contracts in its trading account activities and as part of overall interest rate risk management.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rate futures 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 expense.

Gains and losses on interest rate swaps and futures contracts that do not qualify as hedges are recognised in the current year using the mark-to-market method, and are included in the income statements.

(q) Currency Translations

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

For the purpose of consolidation, the financial statements of foreign branch and foreign subsidiary company expressed in foreign currency are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. Gains or losses arising on translation into Ringgit Malaysia are taken up in the exchange fluctuation reserve.

The closing rate used in translation is as follows:

SGD RM2.3273 (2003 : RM2.2345)

(r) Income Tax

The charge for current tax is based on the taxable profit for the year and is calculated using the tax rates that have been enacted at the balance sheet date.

Deferred tax assets and liabilities are provided for under the liability method for all temporary differences between the carrying amounts of the assets and liabilities in the balance sheet and their tax base. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the related deductible temporary differences, unutilised tax losses and unutilised tax credits can be utilised.

(s) Goodwill

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of the subsidiary companies at the date of acquisition and is amortised over twenty-five years based on the recommendation in Malaysian Accounting Standard No. 6, "Accounting For Goodwill".

Notes to the Financial Statements

December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Amount Recoverable from Danaharta

This relates to the loans sold to Pengurusan Danaharta Nasional Berhad 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's and the Group's pre-determined share of the surplus over the initial consideration upon recovery of the loans.

The difference between the carrying value of the loans and the initial consideration is recognised as 'Amounts recoverable from Danaharta' within the 'Other Assets' component of the balance sheets. 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.

(u) Deferred Assets

Deferred asset resulting from the acquisition of Common Forge Berhad by the Group in year 2000 is reduced annually by an amount which is computed in accordance with the guidelines of BNM in respect of a scheme of arrangement based on net loan recoveries as provided for under the scheme.

Deferred asset in respect of capitalised development costs is amortised on a straight line basis over a period of between three and five years.

(v) Cash Flow Statement

The Bank and the Group adopt the indirect method in the preparation of cash flow statements. Cash equivalents are short term, highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

4. CASH AND SHORT TERM FUNDS

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and balances with banks and other financial institutions	243,046	171,091	263,833	193,399
Money at call and deposit placements maturing within one month	1,887,963	2,366,560	2,720,431	3,274,606
	2,131,009	2,537,651	2,984,264	3,468,005

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	31,431	4,002	219,124	9,142
Licensed finance companies	–	–	–	2,290
Licensed merchant banks	58,079	–	38,028	–
Central banks	22,645	6,219	31,645	6,219
Other financial institutions	–	–	54,155	2,943
	112,155	10,221	342,952	20,594

Notes to the Financial Statements

December 31, 2004

6. DEALING SECURITIES

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Money market instruments:				
Malaysian government securities	4,998	–	4,998	–
Bankers' acceptances and Islamic accepted bills	131,347	216,161	131,347	216,161
Cagamas bonds and notes	–	14,877	–	14,877
	136,345	231,038	136,345	231,038
Quoted securities in Malaysia:				
Shares, warrants and private debt securities	–	–	11,015	14,432
Unquoted securities in Malaysia:				
Private debt securities	25,011	39,191	25,011	39,191
	161,356	270,229	172,371	284,661

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(i) Market value of quoted securities in Malaysia:				
Shares, warrants and private debt securities	–	–	11,683	14,803
(ii) Indicative value of unquoted securities:				
Money market instruments:				
Malaysian government securities	5,018	–	5,018	–
Bankers' acceptances and Islamic accepted bills	131,494	217,610	131,494	217,610
Cagamas bonds and notes	–	14,877	–	14,877
	136,512	232,487	136,512	232,487
Other unquoted securities:				
Private debt securities	25,308	39,411	25,308	39,411
	161,820	271,898	161,820	271,898

Notes to the Financial Statements

December 31, 2004

7. INVESTMENT SECURITIES

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Money market instruments:				
Malaysian government securities	565,672	509,374	718,908	693,996
Government investment certificates	37,392	36,445	37,392	36,445
Cagamas bonds and notes	131,609	20,029	201,962	20,029
Khazanah bonds	108,292	80,217	108,292	183,438
Danaharta bonds	–	171,658	9,200	248,961
KLIA bonds	–	–	103,854	137,000
Bankers' acceptances and Islamic accepted bills	–	–	–	122,202
Negotiable instruments of deposits	1,662,407	1,086,021	1,141,575	1,151,021
Singapore treasury bills	72,129	61,584	72,129	61,584
Singapore government securities	–	7,730	–	7,730
	2,577,501	1,973,058	2,393,312	2,662,406
Quoted securities:				
In Malaysia				
Shares, unit trusts and warrants	825,431	71,365	860,333	121,214
Private debt securities	7,373	7,520	34,912	71,655
	832,804	78,885	895,245	192,869
Unquoted securities:				
In Malaysia				
Shares	31,339	36,210	53,174	45,090
Private debt securities	210,664	240,762	308,782	300,221
Outside Malaysia				
Shares	531	511	531	511
	242,534	277,483	362,487	345,822
Total investment securities at cost	3,652,839	2,329,426	3,651,044	3,201,097
Accretion of discount less amortisation of premium	1,589	5,078	(3,324)	3,390
Provision for diminution in value of investment securities	(5,315)	(29,408)	(28,359)	(40,574)
	3,649,113	2,305,096	3,619,361	3,163,913

Notes to the Financial Statements

December 31, 2004

7. INVESTMENT SECURITIES (CONT'D)

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(i) Market value of quoted securities:				
In Malaysia				
Shares, unit trusts and warrants	786,620	53,187	813,687	92,999
Private debt securities	5,426	8,598	29,442	68,049
	792,046	61,785	843,129	161,048
(ii) Indicative value of unquoted securities:				
Money market instruments:				
Malaysian government securities	566,470	493,004	721,158	671,351
Government investment certificates	37,898	37,998	37,898	37,998
Cagamas bonds and notes	131,797	19,899	202,624	19,899
Khazanah bonds	110,196	82,793	110,196	187,836
Danaharta bonds	–	182,535	9,344	270,822
KLIA bonds	–	–	96,056	131,879
Bankers' acceptances and Islamic accepted bills	–	–	–	122,475
Negotiable instruments of deposits	1,663,300	1,086,260	1,142,662	1,151,262
Singapore treasury bills	72,129	61,583	72,129	61,583
Singapore government securities	–	7,887	–	7,887
	2,581,790	1,971,959	2,392,067	2,662,992
Other unquoted securities:				
In Malaysia				
Shares	65,629	65,483	94,269	81,497
Private debt securities	216,303	217,077	314,765	276,426
Outside Malaysia				
Shares	554	559	554	559
	2,864,276	2,255,078	2,801,655	3,021,474

Notes to the Financial Statements

December 31, 2004

7. INVESTMENT SECURITIES (CONT'D)

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(iii) The maturity structure of money market instruments held for investment is as follows:				
Maturing within one year	1,733,283	1,494,857	1,226,933	2,045,091
One year to three years	547,236	430,404	720,945	446,757
Three years to five years	296,982	47,797	341,579	66,703
Over five years	–	–	103,855	103,855
	2,577,501	1,973,058	2,393,312	2,662,406
(iv) Included in the investment securities are the following securities sold under repurchase agreements:				
Negotiable instruments of deposits	1,544,450	675,900	1,035,092	735,200

8. LOANS, ADVANCES AND FINANCING

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Overdrafts	3,068,167	3,072,586	3,068,167	3,072,586
Term loans	10,178,847	9,747,995	12,519,760	12,468,162
– Fixed rate	3,889,365	4,013,654	4,188,791	4,318,001
– Floating rate	6,289,482	5,734,341	8,330,969	8,150,161
Lease receivables	13,220	52,081	18,353	57,851
Hire-purchase	32,647	37,465	5,974,442	5,495,180
Block discounting	–	–	14,506	16,122
Credit/charge card receivables	1,043,064	877,440	1,043,064	877,440
Bills receivable	80,067	114,614	80,067	114,614
Trust receipts	379,379	313,153	379,379	313,153
Claims on customers under acceptance credits	1,239,955	917,599	1,239,955	917,599
Staff loans	74,782	75,644	99,528	105,295
Other loans	25,111	17,249	78,344	57,785
	16,135,239	15,225,826	24,515,565	23,495,787
Unearned interest and income	(295,582)	(241,639)	(1,461,598)	(1,345,112)
Gross loans, advances and financing	15,839,657	14,984,187	23,053,967	22,150,675
Provision for bad and doubtful debts and financing				
– General	(229,665)	(216,156)	(331,740)	(317,820)
– Specific	(338,674)	(339,814)	(694,974)	(662,050)
Interest-in-suspense/income-in-suspense	(252,809)	(309,353)	(520,452)	(608,608)
Net loans, advances and financing	15,018,509	14,118,864	21,506,801	20,562,197

Notes to the Financial Statements

December 31, 2004

8. LOANS, ADVANCES AND FINANCING (CONT'D)

- (a) For non-performing loans of less than 7 years, specific provisions for doubtful debts and financing made by the Bank and the Group are in compliance with Bank Negara Malaysia's guidelines, BNM/GP3 (Revised 1999), "Guidelines on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts and Financing" (GP3).
- (b) For non-performing loans of 7 years and beyond, specific provisions for doubtful debts and financing made by the Bank and the Group are more stringent than GP3 which require the assignment of realisable values to the collaterals of non-performing loans when making provision. Under this method of provisioning, which was changed during the financial year by the Bank and the Group, no value was assigned to the collaterals of all non-performing loans of 7 years and beyond and accordingly, full provisioning was made thereon. However, the underlying collaterals of the non-performing loans still carry substantial recoverable values.

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Within one year	8,516,682	7,948,201	9,703,655	9,357,344
One year to three years	994,865	739,437	1,975,539	1,739,081
Three years to five years	567,995	962,107	2,516,655	2,772,536
Over five years	5,760,115	5,334,442	8,858,118	8,281,714
	15,839,657	14,984,187	23,053,967	22,150,675

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Agriculture, hunting, forestry and fishing	332,994	270,182	355,860	319,398
Mining and quarrying	63,094	57,450	88,257	83,397
Manufacturing	2,098,988	1,936,519	2,325,796	2,214,241
Electricity, gas and water	126,661	115,196	133,702	122,220
Construction	1,104,914	1,072,680	1,653,958	1,673,479
Real estate	1,173,309	1,255,001	1,500,932	1,619,842
Purchase of landed properties	5,016,277	4,571,914	6,012,987	5,631,818
(of which :				
i. Residential	4,020,521	3,631,190	4,679,417	4,308,939
ii. Non-residential)	995,756	940,724	1,333,570	1,322,879
General commerce	2,068,566	1,910,713	2,380,868	2,248,614
Transport, storage and communication	268,336	225,584	374,934	326,316
Finance, insurance and business services	562,970	513,806	735,788	737,914
Purchase of securities	969,906	1,154,995	1,107,803	1,337,417
Purchase of transport vehicles	13,606	13,954	4,212,425	3,809,529
Consumption credit	1,762,842	1,509,453	1,812,967	1,574,197
Others	277,194	376,740	357,690	452,293
	15,839,657	14,984,187	23,053,967	22,150,675

Notes to the Financial Statements

December 31, 2004

8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Balance at beginning of year	1,654,665	1,655,141	3,402,462	3,724,799
Non-performing during the year	916,864	970,317	1,423,565	1,515,345
Recoveries	(172,649)	(158,077)	(425,304)	(419,600)
NPL reclassified as performing	(472,183)	(629,822)	(632,598)	(823,322)
Loans converted to investment securities	(254)	(7,586)	(24,650)	(22,167)
Amount written off	(349,096)	(176,155)	(609,738)	(573,440)
Currency translation difference	1,617	847	1,617	847
Balance at end of year	1,578,964	1,654,665	3,135,354	3,402,462
% of NPL to total loans	6.7	7.2	9.0	10.4

(iv) Movements in provision for bad and doubtful debts and financing and interest-in-suspense /income-in-suspense accounts are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
General Provision (GP)				
Balance at beginning of year	216,156	202,639	317,820	292,846
Provisions made during the year	13,222	13,386	13,633	24,843
Currency translation difference	287	131	287	131
Balance at end of year	229,665	216,156	331,740	317,820
% of total loans less SP and IIS	1.5	1.5	1.5	1.5

Specific Provision (SP)

Balance at beginning of year	339,814	386,819	662,050	820,486
Provisions made during the year	196,303	182,497	406,684	412,571
Additional provisions arising from				
the change in method of provisioning for				
non-performing loans of 7 years and beyond	56,557	–	88,912	–
Amount written back in respect of recoveries	(34,217)	(98,378)	(114,267)	(201,262)
Amount written off	(219,843)	(124,048)	(406,159)	(376,772)
Amount transferred to provision for diminution				
in value of investment securities	(254)	(7,289)	(9,256)	(13,097)
Provision transferred to deferred assets	–	–	65,946	19,911
Amount transferred from interest- in-suspense	–	–	750	–
Currency translation difference	314	213	314	213
Balance at end of year	338,674	339,814	694,974	662,050

Notes to the Financial Statements

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8. LOANS, ADVANCES AND FINANCING (CONT'D)

(iv) Movements in provision for bad and doubtful debts and financing and interest-in-suspense/income-in-suspense accounts are as follows: (Cont'd)

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest-in-Suspense/Income-in-Suspense (IIS)				
Balance at beginning of year	309,353	282,094	608,608	642,316
Provisions made during the year	146,347	162,213	244,340	292,915
Amount written back in respect of recoveries	(89,550)	(84,120)	(128,224)	(136,178)
Amount written off	(113,479)	(50,196)	(195,766)	(189,035)
Amount transferred to provision for diminution in value of investment securities	–	(664)	(7,894)	(1,436)
Amount transferred to specific provision	–	–	(750)	–
Currency translation difference	138	26	138	26
Balance at end of year	252,809	309,353	520,452	608,608

9. OTHER ASSETS

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade debt receivable	319,096	140,812	562,769	206,456
Interest receivable	21,842	15,794	25,729	22,544
Prepayment and deposits	15,894	16,357	13,820	12,824
Balances due from subsidiary companies	164,803	27,164	–	–
Tax recoverable	31,739	15,053	42,486	16,713
Other debtors and receivable	109,913	137,708	130,689	167,869
Foreclosed properties – net of provision for diminution in value	–	–	12,918	12,918
	663,287	352,888	788,411	439,324

Movements in amount recoverable from Danaharta

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Balance at beginning of year	–	6,547	–	6,547
Provisions made during the year	–	(6,547)	–	(6,547)
Balance at end of year	–	–	–	–

The amount recoverable from Danaharta is net of provision for impairment loss of RM86.2 million for the Bank and the Group (2003: Bank – RM83.5 million; Group – RM93.7 million).

Notes to the Financial Statements

December 31, 2004

10. STATUTORY DEPOSITS WITH CENTRAL BANKS

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits placed with:				
Bank Negara Malaysia	524,800	426,200	764,905	673,961
Other central bank	10,686	11,206	10,686	11,206
	535,486	437,406	775,591	685,167

The non-interest bearing statutory deposits with Bank Negara Malaysia are maintained in compliance with Section 37(1) (c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as set percentages of total eligible liabilities. The non-interest bearing statutory deposit of the foreign branch is maintained with its respective central bank in compliance with the applicable legislation.

11. INVESTMENT IN SUBSIDIARY COMPANIES

	The Bank	
	2004 RM'000	2003 RM'000
Unquoted shares at cost		
In Malaysia	1,410,001	1,410,001
Outside Malaysia	23	22
	1,410,024	1,410,023
Less: Provision for diminution in value	(153,000)	(153,000)
	1,257,024	1,257,023

During the financial year, the Group completed the following acquisitions through SBB Capital Markets Sdn. Bhd., a wholly owned subsidiary company of the Bank:

- (i) The acquisition of the remaining 30% equity interest in SBB Securities Sdn. Bhd. not already owned by the Group, comprising 27,000,000 ordinary shares of RM1.00 for a total consideration of RM46,479,382.
- (ii) The acquisition of the entire equity interest in Mohaiyani Sdn. Bhd. (MS) (formerly known as Mohaiyani Securities Sdn. Bhd.) comprising 20,000,000 shares for a total consideration of RM81,032,195.

The effect of the acquisition of MS on the financial results of the Group for the current financial year ended December 31, 2004 is as follows:

Post-acquisition results of MS	RM'000
Revenue	2,347
Overhead expenses	(2,951)
Net loss	(604)

Notes to the Financial Statements

December 31, 2004

11. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The effect of the acquisition of MS on the financial position of the Group as at December 31, 2004 is as follows:

	RM'000
Cash and short term funds	130
Other assets	53,244
Goodwill on consolidation	27,683
Other liabilities	(5)
Net assets	81,052

The subsidiary companies of the Bank are as follows:

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Percentage of Equity	
			2004 %	2003 %
Direct				
Southern Nominees (Tempatan) Sdn. Bhd.	Providing nominee services	Malaysia	100	100
Southern Nominees (Asing) Sdn. Bhd.	Providing nominee services	Malaysia	100	100
S.B. Properties Sdn. Bhd.	Property ownership and management	Malaysia	100	100
S.B. Venture Capital Corporation Sdn. Bhd.	Investment holding and provision of management services	Malaysia	100	100
SBB Capital Markets Sdn. Bhd.	Investment holding	Malaysia	100	100
SBB Futures Sdn. Bhd.	Dormant	Malaysia	100	100
BHL Venture Berhad	Investment holding	Malaysia	100	100
BHLB Properties Sdn. Bhd.	Property ownership and management	Malaysia	100	100
SBB Nominees (Tempatan) Sdn. Bhd. (formerly known as BHLB Nominees (Tempatan) Sdn. Bhd.)	Providing nominee services	Malaysia	100	100

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11. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Percentage of Equity	
			2004 %	2003 %
Direct (Cont'd)				
SBB Nominees (Asing) Sdn. Bhd. (formerly known as BHLB Nominees (Asing) Sdn. Bhd.)	Providing nominee services	Malaysia	100	100
Southern Nominees (Singapore) Sdn. Bhd. *	Providing nominee services	Singapore	100	100
Southern Finance Berhad	Accepting deposits and advancing loans	Malaysia	100	100
Common Forge Berhad	Dormant	Malaysia	100	100
Premier Fidelity Berhad	Dormant	Malaysia	100	100
Southern Investment Bank Berhad	Merchant banking business	Malaysia	80	80
Indirect				
SBB Securities Sdn. Bhd.	Stock and share broking	Malaysia	100	70
RC Nominees (Tempatan) Sdn. Bhd.	Providing nominee services	Malaysia	100	70
RC Nominees (Asing) Sdn. Bhd.	Providing nominee services	Malaysia	100	70
BHLB Asset Management Sdn. Bhd.	Investment holding	Malaysia	100	100
BAM Nominees (Tempatan) Sdn. Bhd.	Providing nominee services – Dormant	Malaysia	100	100
BAM Nominees (Asing) Sdn. Bhd.	Providing nominee services – Dormant	Malaysia	100	100
SBB Unit Trust Management Berhad	Dormant	Malaysia	100	100
SBB Asset Management Sdn. Bhd.	Providing portfolio management and investment advisory services	Malaysia	100	100
SBBAM Nominees (Tempatan) Sdn. Bhd.	Providing nominee services – Dormant	Malaysia	100	100

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11. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Percentage of Equity	
			2004 %	2003 %
Indirect (Cont'd)				
SBBAM Nominees (Asing) Sdn. Bhd.	Providing nominee services – Dormant	Malaysia	100	100
SBB Mutual Berhad	Establishment, management and distribution of unit trust funds	Malaysia	100	100
Elite Constant Development Sdn. Bhd.	Construction of building	Malaysia	100	100
Cempaka Nominees (Tempatan) Sdn. Bhd.	Providing nominee services – Dormant	Malaysia	100	100
Perdana Visi Hartanah Sdn. Bhd.	Property investment	Malaysia	100	100
SFB Development Sdn. Bhd.	Property investment	Malaysia	100	100
Seal Line Trading Sdn. Bhd.	Property investment	Malaysia	100	100
SFB Nominees (Tempatan) Sdn. Bhd.	Providing nominee services	Malaysia	100	100
SFB Nominees (Asing) Sdn. Bhd.	Providing nominee services	Malaysia	100	100
Perdana Nominees (Tempatan) Sdn. Bhd.	Providing nominee services	Malaysia	80	80
Perdana Nominees (Asing) Sdn. Bhd.	Providing nominee services	Malaysia	80	80
Perdana Mutual Fund Berhad	Dormant	Malaysia	80	80
Mohaiyani Sdn. Bhd. (formerly known as Mohaiyani Securities Sdn. Bhd.)	Investment holding	Malaysia	100	–
Mohaiyani Nominees Sdn. Bhd.	Share registration	Malaysia	100	–
Mohaiyani Nominees (Tempatan) Sdn. Bhd.	Providing nominee services	Malaysia	100	–
Mohaiyani Nominees (Asing) Sdn. Bhd.	Providing nominee services	Malaysia	100	–
Mohaiyani Research Sdn. Bhd.	Providing research and management services	Malaysia	100	–

* The financial statements of this subsidiary company were audited by a member firm of Deloitte & Touche in Singapore.

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12. INVESTMENT IN ASSOCIATED COMPANY

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares at cost	350	350	120	120
Share of post-acquisition profits	–	–	351	334
	350	350	471	454
Represented by:				
Share of net tangible assets			471	454

The associated company of the Bank is as follows:

Name of Company	Principal Activity	Country of Incorporation	Effective Percentage of Equity	
			2004 %	2003 %
BHLB Trustee Berhad	Trust company	Malaysia	20	20

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM'000	Leasehold land and buildings ← less than 50 years or more → RM'000		Office equipment, furniture, fittings and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
		less than 50 years	50 years or more					
The Bank								
2004								
Cost								
Balance at beginning of year	84,107	1,475	26,692	103,499	198,434	15,747	–	429,954
Additions	–	–	12	9,959	35,796	1,136	197	47,100
Disposals	(775)	–	–	(81)	(3,782)	(1,804)	–	(6,442)
Write-offs	–	–	–	(14)	(4,543)	–	–	(4,557)
Reclassification	–	–	–	–	(205)	–	205	–
Currency translation difference	–	–	–	109	119	36	–	264
Balance at end of year	83,332	1,475	26,704	113,472	225,819	15,115	402	466,319

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land and buildings RM'000	Leasehold land and buildings less than 50 years RM'000	50 years or more RM'000	Office equipment, furniture, fittings and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
The Bank (Cont'd)								
2004								
Accumulated Depreciation								
Balance at beginning of year	9,985	236	1,722	77,833	122,027	11,543	–	223,346
Additions	1,429	30	305	6,894	20,959	1,291	–	30,908
Disposals	(36)	–	–	(70)	(3,751)	(1,804)	–	(5,661)
Write-offs	–	–	–	(14)	(4,508)	–	–	(4,522)
Currency translation difference	–	–	–	95	84	7	–	186
Balance at end of year	11,378	266	2,027	84,738	134,811	11,037	–	244,257
Net Book Value								
As of December 31, 2004	71,954	1,209	24,677	28,734	91,008	4,078	402	222,062
As of December 31, 2003	74,122	1,239	24,970	25,666	76,407	4,204	–	206,608
Depreciation charge for 2003	1,427	44	292	8,352	16,714	1,033	–	27,862

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land and buildings RM'000	Leasehold land and buildings less than 50 years or more RM'000	50 years or more RM'000	Office equipment, furniture, fittings and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
The Group								
2004								
Cost								
Balance at beginning of year	218,142	5,107	52,612	156,208	236,130	23,732	–	691,931
Acquisition of Mohaiyani Sdn Bhd	–	–	–	6,960	3,219	1,521	–	11,700
Additions	–	–	12	13,628	41,001	2,839	197	57,677
Disposals	(8,974)	–	–	(121)	(6,317)	(3,431)	–	(18,843)
Write-offs	–	–	–	(2,445)	(5,584)	(19)	–	(8,048)
Reclassification	(8,453)	–	–	8,453	(205)	–	205	–
Currency translation difference	–	–	–	109	119	36	–	264
Balance at end of year	200,715	5,107	52,624	182,792	268,363	24,678	402	734,681
Accumulated Depreciation								
Balance at beginning of year	20,150	1,646	5,600	107,167	148,940	16,768	–	300,271
Acquisition of Mohaiyani Sdn Bhd	–	–	–	6,708	3,078	1,271	–	11,057
Additions	3,315	188	638	11,810	24,917	2,265	–	43,133
Disposals	(870)	–	–	(82)	(5,746)	(2,986)	–	(9,684)
Write-offs	–	–	–	(2,188)	(5,535)	(19)	–	(7,742)
Currency translation difference	–	–	–	95	84	7	–	186
Balance at end of year	22,595	1,834	6,238	123,510	165,738	17,306	–	337,221
Net Book Value								
As of December 31, 2004	178,120	3,273	46,386	59,282	102,625	7,372	402	397,460
As of December 31, 2003	197,992	3,461	47,012	49,041	87,190	6,964	–	391,660
Depreciation charge for 2003	3,287	145	684	13,315	20,604	1,772	–	39,807

Notes to the Financial Statements

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14. DEFERRED TAXATION

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deferred tax assets (net)	48,735	53,501	106,975	114,082
Deferred tax liabilities (net)	–	–	(3,183)	(3,419)
	48,735	53,501	103,792	110,663

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

	Provision on loans, advances and financing RM'000	Provision on investments, premium amortisation, and discount accretion RM'000	Excess of capital allowances over depreciation RM'000	Other temporary differences RM'000	Total RM'000
The Bank					
2004					
Balance at beginning of year	68,056	3,365	(19,847)	1,927	53,501
Recognised in income statement (Note 30)	4,557	(2,961)	(4,440)	(1,994)	(4,838)
Currency translation differences	76	4	(10)	2	72
Balance at end of year	72,689	408	(24,297)	(65)	48,735
2003					
Balance at beginning of year	62,316	585	(16,476)	1,496	47,921
Recognised in income statement (Note 30)	5,713	2,779	(3,366)	431	5,557
Currency translation differences	27	1	(5)	–	23
Balance at end of year	68,056	3,365	(19,847)	1,927	53,501

Notes to the Financial Statements

December 31, 2004

14. DEFERRED TAXATION (CONT'D)

	Provision on loans, advances and financing RM'000	Provision on investments, premium amortisation, and discount accretion RM'000	Excess of capital allowances over depreciation RM'000	Tax losses and unutilised capital allowances RM'000	Other temporary differences RM'000	Total RM'000
The Group						
2004						
Balance at beginning of year						
As previously reported	110,928	2,684	(24,197)	7,847	906	98,168
Prior year adjustment (Note 44)	-	-	-	-	12,495	12,495
As restated	110,928	2,684	(24,197)	7,847	13,401	110,663
Recognised in income statement (Note 30)	4,075	4,110	(4,256)	(7,847)	(3,025)	(6,943)
Currency translation differences	76	4	(10)	-	2	72
Balance at end of year	115,079	6,798	(28,463)	-	10,378	103,792
2003						
Balance at beginning of year						
As previously reported	99,177	187	(20,740)	9,258	227	88,109
Prior year adjustment (Note 44)	-	-	-	-	10,408	10,408
As restated	99,177	187	(20,740)	9,258	10,635	98,517
Recognised in income statement (Note 30)	11,724	2,496	(3,451)	(1,411)	2,766	12,124
Currency translation differences	27	1	(6)	-	-	22
Balance at end of year	110,928	2,684	(24,197)	7,847	13,401	110,663

15. GOODWILL / INTANGIBLE ASSETS

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Goodwill on consolidation	-	-	488,182	472,006
Deferred assets	27,435	12,947	286,443	216,025
	27,435	12,947	774,625	688,031

Notes to the Financial Statements

December 31, 2004

15. GOODWILL / INTANGIBLE ASSETS (CONT'D)

Deferred assets of the Bank comprise mainly the capitalised development costs incurred on projects which are expected to generate future economic benefits. Deferred assets of the Group comprise mainly the carrying value of the excess of liabilities over assets of Common Forge Berhad taken over by the Group in year 2000 pursuant to a scheme of arrangement sponsored by Bank Negara Malaysia (BNM).

Movements in goodwill and deferred assets during the year are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Goodwill				
Balance at beginning of year	–	–	472,006	494,123
Amount arising from acquisition of equity interest in subsidiary companies	–	–	38,805	–
Amortisation during the year	–	–	(22,629)	(22,117)
Balance at end of year	–	–	488,182	472,006
Deferred assets				
Balance at beginning of year	12,947	3,662	216,025	180,827
Increase during the year	18,809	11,588	90,382	49,211
Amortisation during the year	(4,321)	(2,303)	(19,964)	(14,013)
Balance at end of year	27,435	12,947	286,443	216,025

16. DEPOSITS FROM CUSTOMERS

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Demand deposits	3,017,593	2,727,752	3,015,208	2,725,579
Savings deposits	1,466,819	1,352,796	1,705,123	1,607,135
Fixed deposits	8,673,351	8,324,363	13,281,164	13,370,191
Negotiable instruments of deposits	1,011,650	1,233,650	1,545,600	1,233,650
Others	3,012	3,127	4,505	4,923
	14,172,425	13,641,688	19,551,600	18,941,478

Notes to the Financial Statements

December 31, 2004

16. DEPOSITS FROM CUSTOMERS (CONT'D)

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Due within six months	7,498,668	7,657,713	10,778,839	10,505,447
Six months to one year	2,073,574	1,773,017	3,878,757	3,868,501
One year to three years	111,307	125,297	165,071	224,733
Three years to five years	1,160	1,959	3,805	5,133
Over five years	292	27	292	27
	9,685,001	9,558,013	14,826,764	14,603,841

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Business enterprises	3,541,539	3,148,817	6,197,637	4,835,477
Individuals	9,041,887	8,749,035	10,259,617	9,952,523
Others	1,588,999	1,743,836	3,094,346	4,153,478
	14,172,425	13,641,688	19,551,600	18,941,478

17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	223,908	834,849	870,248	1,833,849
Licensed finance companies	188,969	267,076	65,117	325,044
Licensed merchant banks	3,747	–	95,660	175,869
Central banks	355,695	240,359	720,695	605,359
Other financial institutions	811,675	843,932	896,956	854,088
	1,583,994	2,186,216	2,648,676	3,794,209

Notes to the Financial Statements

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18. OTHER LIABILITIES

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Provision for commitments and contingencies	296	3,012	296	3,012
Term loan obtained by subsidiary companies	–	–	744	1,370
Trade payable	339,818	157,797	618,987	256,723
Interest payable	97,088	104,528	133,498	147,397
Profit equalisation reserve	1,504	980	1,955	980
Other payable and accrual	62,489	54,629	131,901	110,413
	501,195	320,946	887,381	519,895

Movements in provision for commitments and contingencies are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Balance at beginning of year	3,012	3,084	3,012	3,084
Provision no longer required written back during the year	(2,716)	(72)	(2,716)	(72)
Balance at end of year	296	3,012	296	3,012

19. PROVISION FOR TAXATION AND ZAKAT

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Taxation payable	3,320	19,207	21,141	33,734
Zakat payable	21	32	116	140
	3,341	19,239	21,257	33,874

20. SUBORDINATED OBLIGATIONS

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Subordinated certificates of deposits	41,424	75,000	41,424	75,000
RM300 million subordinated bonds	300,000	300,000	300,000	300,000
USD200 million subordinated notes	743,957	–	743,957	–
Unsecured subordinated loan	–	–	–	12,000
	1,085,381	375,000	1,085,381	387,000

Notes to the Financial Statements

December 31, 2004

20. SUBORDINATED OBLIGATIONS (CONT'D)

- (i) The subordinated certificates of deposits (CDs) comprise ten-year certificates of deposits which bear interest of 8.125% and 8.50% per annum payable semi-annually in arrears for the first 5 years. After which, interest is accrued in the form of preset redemption price.

On each anniversary falling on and after five years from the issue date, the CDs will, subject to the prior approval of Bank Negara Malaysia, be redeemed at the option of the Bank.

The issue dates and amounts of the CDs are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Issue date				
30/12/1994	–	33,576	–	33,576
28/03/1995	16,424	16,424	16,424	16,424
08/03/1996	25,000	25,000	25,000	25,000
Total	41,424	75,000	41,424	75,000

The CDs are subordinated to all other liabilities of the Bank and qualify as Tier-2 Capital for the purpose of the Risk Weighted Capital Ratio (RWCR) computation.

- (ii) The RM300 million 10-year non-callable 5-year subordinated bonds (the Bonds) were issued by the Bank on November 29, 2002. The Bonds bear interest at 8.0% per annum payable semi-annually in arrears for the first 5 years from the issue date. After which, interest rate will be reset to 10.25% per annum until maturity date. The Bonds qualify as Tier-2 Capital for the purpose of the RWCR computation.

On each anniversary subsequent to 5 years from the issue date, the Bank may redeem the Bonds in full or in part subject to the approval from Bank Negara Malaysia.

- (iii) The USD200 million 10-year subordinated notes (the Notes) were issued by the Bank on June 30, 2004. The Notes were issued at a price of 99.028% of the principal amount and are callable with step-up in 2009. The Notes bear an interest rate of 6.125% per annum payable semi-annually in arrears for the first 5 years and thereafter, will be reset at a rate per annum equal to the 5-year US Treasury Rate plus 3.925%.

The Bank may at its option, subject to the prior approval from Bank Negara Malaysia, redeem the Notes in whole but not in part, on June 30, 2009 at their principal amount plus accrued interest.

The Notes were listed on the Luxembourg Stock Exchange on June 30, 2004 and qualify as Tier-2 Capital for the purpose of the RWCR computation.

- (iv) The unsecured subordinated loan (USL) was taken by a subsidiary company, Southern Investment Bank Berhad (SIBB) from Advance Synergy Capital Berhad, a corporate shareholder of SIBB then, to repay its then existing RM50 million Exchangeable Subordinated Capital Loan granted by Danamodal Nasional Berhad. The USL bears interest at 7.0% per annum and qualifies as Tier-2 Capital for the purpose of the RWCR computation. The USL was fully redeemed by SIBB on December 21, 2004.

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21. SHARE CAPITAL

	The Bank and The Group	
	2004	2003
	RM'000	RM'000
Authorised:		
<i>Ordinary shares of RM1.00 each</i>		
At January 1 and December 31	10,000,000	10,000,000
Issued and fully paid:		
<i>Ordinary shares of RM1.00 each</i>		
At beginning of year	1,122,852	1,122,826
Special bumiputera issue	280,200	–
Shares issued for the acquisition of the remaining 30% equity interest in SBB Securities Sdn. Bhd.	12,660	–
Shares issued for the acquisition of the entire equity interest in Mohaiyani Sdn. Bhd. (formerly known as Mohaiyani Securities Sdn. Bhd.)	22,071	–
Shares issued by virtue of exercise of warrants	9,899	26
At end of year	1,447,682	1,122,852

Pursuant to a trust deed dated June 13, 1996, the Bank issued RM300 million nominal value of 5.5% redeemable unsecured subordinated bonds 1996-2001 with 53,292,750 detachable warrants at 100% of the nominal value of the bonds to a primary subscriber on a bought deal basis. The detachable warrants were offered for sale by the primary subscriber to the shareholders of the Bank at an offer price of RM0.767 per warrant on the basis of one warrant for every four ordinary shares held in the Bank. The redeemable unsecured subordinated bonds were redeemed by the Bank on April 23, 2001.

The salient features of the warrants are as follows:

- (a) Each warrant carries the right to subscribe for one new ordinary share of RM1.00 each in the Bank at the subscription price of RM5.70, payable in cash at anytime within the subscription period commencing from the first anniversary date of issue of the warrants and expiring on June 17, 2001, being a period of 4 years from the date of issue of the rights to allotment of the warrants.

As approved by the shareholders at the Extraordinary General Meeting and by the warrant holders at the Warrants Holders Meeting on September 23, 1999, the exercise period of the warrants was extended for another five years to expire on June 17, 2006.

- (b) After the expiry of the subscription period, any subscription rights represented by the warrants which have not been exercised and delivered to the Registrar will lapse and every such warrant will cease thereafter to be valid for any purposes.
- (c) The warrants were listed and quoted on Bursa Malaysia Securities Berhad with effect from September 2, 1996.

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December 31, 2004

21. SHARE CAPITAL (CONT'D)

Consequential to the Bank's bonus and rights issues since the date of issue of the warrants, the number and exercise price of the then unexercised warrants have been adjusted in accordance with the applicable condition 3A(ii) and (iv) of the Second Schedule of the Deed Poll as follows:

Year	Condition for adjustment	Number of warrants		Exercise Price	
		Adjusted from	To	Adjusted from	To
1996	Bonus issue	53,292,750	79,939,125	RM5.70	RM3.80
1997	Bonus and rights issues	79,939,125	139,423,286	RM3.80	RM2.18
2000	Bonus issue	139,321,719	174,152,149	RM2.18	RM1.74

The movements in the number of warrants during the financial year are as follows:

	The Bank	
	2004 RM'000	2003 RM'000
Balance of units at beginning of year	174,122,169	174,148,442
Exercised during the year	(9,899,845)	(26,273)
Balance of units at end of year	164,222,324	174,122,169

22. RESERVES

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Share premium	741,551	472,542	741,551	472,542
Statutory reserves	721,254	576,952	829,824	683,478
Capital reserves	–	–	18,001	18,001
Exchange fluctuation reserves	4,675	1,356	1,900	(1,409)
Retained profit	135,050	230,293	255,945	291,701
	1,602,530	1,281,143	1,847,221	1,464,313

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22. RESERVES (CONT'D)

Movements of statutory, capital and exchange fluctuation reserves during the financial year are as follows:

	Statutory reserves RM'000	Capital reserves RM'000	Exchange fluctuation reserves RM'000	Total RM'000
The Bank				
Balance as of January 1, 2003	437,713	–	–	437,713
Transfer from income statements	139,239	–	–	139,239
Currency translation differences	–	–	1,356	1,356
As of December 31, 2003	576,952	–	1,356	578,308
Transfer from income statements	144,302	–	–	144,302
Currency translation differences	–	–	3,319	3,319
As of December 31, 2004	721,254	–	4,675	725,929
The Group				
Balance as of January 1, 2003	542,773	18,001	(2,767)	558,007
Transfer from income statements	140,705	–	–	140,705
Currency translation differences	–	–	1,358	1,358
As of December 31, 2003	683,478	18,001	(1,409)	700,070
Transfer from income statements	146,346	–	–	146,346
Currency translation differences	–	–	3,309	3,309
As of December 31, 2004	829,824	18,001	1,900	849,725

Statutory Reserve represents amounts transferred from the income statements in accordance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

Capital Reserve represents post-acquisition profits of subsidiary companies which have been capitalised by way of bonus issues. This reserve is not distributable as cash dividends.

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the distribution of its entire retained profit as of December 31, 2004 by way of cash dividend.

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23. INTEREST INCOME

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Loans, advances and financing	951,182	947,622	1,467,922	1,447,492
Money at call and deposit placement with financial institutions	65,067	42,704	96,221	61,502
Dealing securities	3,508	5,146	3,508	5,368
Investment securities	77,169	44,256	83,802	62,222
Others	279	118	1,810	1,261
	1,097,205	1,039,846	1,653,263	1,577,845
Amortisation of premium less accretion of discount	(7,963)	10,061	(6,698)	12,922
Net interest suspended	(54,442)	(76,217)	(109,742)	(154,068)
	1,034,800	973,690	1,536,823	1,436,699

24. INTEREST EXPENSE

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits and placements of banks and other financial institutions	21,570	21,449	66,297	65,034
Deposits from other customers	331,419	338,056	468,051	466,199
Subordinated certificates of deposits	11,263	29,263	11,263	29,263
Subordinated bonds	24,066	24,000	24,066	24,000
Subordinated notes	8,388	–	8,388	–
Unsecured subordinated loans	–	–	638	860
Amount due to Cagamas	35,208	22,101	64,972	49,371
Others	34,308	15,564	34,900	16,210
	466,222	450,433	678,575	650,937

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25. NON-INTEREST INCOME

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Fee income:				
Commissions	32,502	23,464	27,197	23,135
Service charges and fees	113,036	93,520	115,577	97,279
Underwriting fees	9	29	1,157	554
Stockbroking income	–	–	25,255	15,065
Fund management fees	–	–	67,962	58,929
Guarantee fees	8,572	10,514	8,721	10,725
Other fee income	9,444	550	10,085	10,984
	163,563	128,077	255,954	216,671
Investment income:				
Net profit from dealing securities	5,928	5,813	8,167	6,227
Net profit from investment securities	16,206	6,404	30,207	8,386
Gross dividends:				
In Malaysia:				
Investment securities	7,052	7,208	7,480	11,921
Dealing securities	–	–	1,437	–
Subsidiary companies	138,587	61,722	–	–
Associated company	140	140	–	–
Outside Malaysia:				
Investment securities	37	28	37	28
	167,950	81,315	47,328	26,562
(Provision)/Write back of provision for diminution in value of investment securities	–	(1,984)	4,311	4,623
	167,950	79,331	51,639	31,185
Other income:				
Foreign exchange gain	6,767	5,142	6,798	5,167
Rental income	1,285	1,311	2,176	2,109
Gain on disposal of property, plant and equipment	1,970	2,442	6,920	3,051
Net profit on sale of unit trust	–	–	76,487	10,179
Gain on disposal of foreclosed properties	–	21	–	21
Other operating income	7,658	10,576	15,723	23,911
	17,680	19,492	108,104	44,438
	349,193	226,900	415,697	292,294

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26. OVERHEAD EXPENSES

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Personnel				
Salaries and wages	111,093	106,825	161,062	153,567
Allowances and bonuses	27,228	22,613	37,809	32,322
EPF and Socso	18,561	17,330	27,472	25,625
Executive directors' remuneration (Note 29)	4,235	2,029	5,727	3,264
Others	15,549	10,218	21,088	15,440
	176,666	159,015	253,158	230,218
Establishment				
Rental of premises	16,168	15,189	18,693	16,546
Depreciation of property, plant and equipment	30,908	27,862	43,133	39,807
Hire of equipment	753	570	797	653
Loss on disposal of property, plant and equipment	1	2	101	60
Property, plant and equipment written off	35	9	306	795
Others	35,512	32,957	50,225	46,978
	83,377	76,589	113,255	104,839
Promotion and marketing	24,534	22,922	64,867	63,396
General				
Auditors' fees: audit work	335	335	593	610
Auditors' fees: non-audit work	185	244	324	419
Non-executive directors' remuneration (Note 29)	1,272	701	1,941	1,267
Amortisation of goodwill	-	-	22,629	22,117
Loss on disposal of foreclosed properties	8	65	8	355
Others	64,401	65,048	89,694	92,498
	66,201	66,393	115,189	117,266
	350,778	324,919	546,469	515,719

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27. LOAN AND FINANCING LOSS AND PROVISION

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Provision for bad and doubtful debts and financing:				
– Specific provision (net)	218,643	84,119	381,329	211,309
– Provisions before the change in method of provisioning for non-performing loans of 7 years and beyond	162,086	84,119	292,417	211,309
– Additional provisions arising from the change	56,557	–	88,912	–
– General provision (net)	13,222	13,386	13,633	24,843
	231,865	97,505	394,962	236,152
Bad debts and financing:				
– written off	5,073	3,697	5,073	3,697
– recovered	(34,934)	(43,893)	(57,189)	(54,815)
	(29,861)	(40,196)	(52,116)	(51,118)
Provision on amounts recoverable from Danaharta:				
– Provision for value impairment during the year	–	6,547	–	6,547
– Write back on final settlement	(707)	(769)	(707)	(769)
	(707)	5,778	(707)	5,778
Write back provision for commitments and contingencies no longer required	(2,716)	(72)	(2,716)	(72)
	198,581	63,015	339,423	190,740

During the financial year, the method of provisioning for long outstanding non-performing loans of the Bank and of the Group was changed. Under this change, no value was assigned to the collaterals of all non-performing loans of 7 years and beyond. This method of assigning zero value to the collaterals of 100% non-performing loans of 7 years and beyond is more stringent than Bank Negara Malaysia (BNM) guidelines, BNM/GP3 (Revised 1999) "Guidelines on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts and Financing", which require the assignment of realisable values to the collaterals of non-performing loans when making provision.

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28. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) The Bank's significant transactions and balances with subsidiary companies are as follows:

	Subsidiary Companies	
	2004	2003
	RM'000	RM'000
Income		
Interest on deposits and placements	757	431
Interest on advances	670	853
Interest on negotiable instruments of deposits	6,800	–
Dividend income	138,587	61,722
Management fees	9,444	301
Commissions, fees and other charges	6,894	2,166
	163,152	65,473
Expenditure		
Interest on deposits and placements	1,044	863
Interest on negotiable instruments of deposits	501	–
Management fees	1,604	1,310
Rental of premises	8,879	8,381
Others	2,641	2,871
	14,669	13,425
Amount due from		
Loans and advances	6,321	7,792
Deposits and placements	100,050	23,170
Negotiable instruments of deposits	650,000	–
Lease and tenancy deposits	9,379	10,380
Interest receivable	2,805	2
Others	164,803	28,047
	933,358	69,391
Amount due to		
Deposits and placements	272,221	77,502
Interest payable	270	56
Others	–	882
	272,491	78,440

(b) The Bank and its subsidiary companies' significant transactions with companies in which certain directors of the Bank have substantial interest are as follows:

- (i) SBB Capital Markets Sdn Bhd, a wholly owned subsidiary company of the Bank, completed the acquisition of 10% equity interest in SBB Securities Sdn Bhd for a purchase consideration of RM15,493,127 from Ramuda Sdn Bhd, a company in which certain directors of the Bank are substantial shareholders.
- (ii) the Bank incurred Smart Card Loyalty management fee and set up costs of RM613,370 (2003: RM577,600) payable to Cassis Sdn Bhd, a company in which a director of the Bank is a shareholder.

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29. DIRECTORS' REMUNERATION

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Directors of the Bank:				
Executive directors				
– Salaries and other remuneration	1,726	1,528	1,726	1,528
– Bonuses	2,509	501	2,509	501
– Benefits-in-kind	147	95	147	95
Non-executive directors				
– Fees	625	625	792	951
– Other remuneration	647	76	703	220
– Benefits-in-kind	24	20	24	60
	5,678	2,845	5,901	3,355
Directors of the subsidiary companies:				
Executive directors				
– Salaries and other remuneration	–	–	1,374	1,060
– Bonuses	–	–	118	175
– Benefits-in-kind	–	–	43	–
Non-executive directors				
– Fees	–	–	286	84
– Other remuneration	–	–	160	12
– Benefits-in-kind	–	–	26	–
	–	–	2,007	1,331
Total	5,678	2,845	7,908	4,686

The remuneration attributable to the Chief Executive Director of the Bank and a resident director of a foreign branch, including benefits-in-kind, during the year amounted to RM3,549,151 and RM636,509 (2003: RM1,478,686 and RM645,266) respectively.

The number of directors of the Bank whose remuneration fall into the following bands are as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	–	2
RM50,001 – RM100,000	–	3
RM100,001 – RM150,000	–	3
RM150,001 – RM200,000	1	–
RM200,001 – RM250,000	–	1
RM600,001 – RM650,000	1	–
RM3,500,001 – RM4,000,000	1	–
Total	3	9

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30. TAXATION AND ZAKAT

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current tax expense:				
– Malaysian tax	99,300	111,500	120,434	151,596
– Overseas tax	2,027	2,041	2,027	2,041
	101,327	113,541	122,461	153,637
Deferred taxation (Note 14)	4,838	(5,557)	6,943	(12,124)
Underprovision in respect of prior years	–	37	961	2,765
Share in tax of associated company	–	–	59	53
	106,165	108,021	130,424	144,331
Zakat	10	26	69	134
	106,175	108,047	130,493	144,465

Income tax is calculated at the Malaysian and Singaporean tax rates of 28% (2003: 28%) and 20% (2003: 22%) respectively.

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 is as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit before taxation	394,779	386,525	486,804	488,587
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	110,538	108,227	136,305	136,804
Effect of different tax rate for small and medium scale companies and in other jurisdiction	(661)	(394)	(749)	(394)
Effect of reduction in tax rate in other tax jurisdiction	164	–	164	–
Effect of non taxable income	(7,368)	(4,367)	(20,173)	(9,162)
Effect of non deductible expenses	4,341	2,911	13,074	12,650
Underprovision in respect of prior years	–	37	961	2,765
Others	(849)	1,607	842	1,668
	106,165	108,021	130,424	144,331

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31. EARNINGS PER SHARE (EPS)

Earnings per ordinary share are calculated as follows:

	The Bank		The Group	
	2004	2003	2004	2003
Basic:				
Net profit for the year after taxation, zakat and minority interest (RM'000)	288,604	278,478	350,135	342,312
Weighted average number of shares in issue ('000)	1,263,291	1,122,829	1,263,291	1,122,829
Basic earnings per share (sen)	22.8	24.8	27.7	30.5
Fully diluted:				
Net profit for the year after taxation, zakat and minority interest (RM'000)	288,604	278,478	350,135	342,312
Weighted average number of shares in issue ('000)	1,263,291	1,122,829	1,263,291	1,122,829
Shares issuable by virtue of exercise of warrants at end of year ('000)	164,222	174,122	164,222	174,122
Shares issuable by virtue of exercise of warrants at end of year if exercised at fair value ('000)	(94,306)	(125,715)	(94,306)	(125,715)
Adjusted weighted average number of shares in issue ('000)	1,333,207	1,171,236	1,333,207	1,171,236
Fully diluted earnings per share (sen)	21.6	23.8	26.3	29.2

The adjusted weighted average number of ordinary shares in issue has been arrived at based on the assumption that all outstanding warrants are exercised at the beginning of the respective years.

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32. DIVIDENDS

	The Bank and The Group		Net Dividend Per Share	
	2004 RM'000	2003 RM'000	2004 Sen	2003 Sen
Dividend paid				
Interim dividend of 6% less 28% tax (2003: 3% less 28% tax and a special tax exempt dividend of 1%)	62,138	35,481	4.32	3.16
Dividend declared				
Special interim dividend of 10% less 28% tax (2003: 15% less 28% tax)	104,357	121,268	7.20	10.80
Dividend proposed				
Final dividend of 7% less 28% tax (2003: 6% less 28% tax)	73,050	48,507	5.04	4.32
	239,545	205,256	16.56	18.28

The directors declared a special interim dividend of 10% less 28% tax amounting to RM104,357,201 and propose a final dividend of 7% less 28% tax amounting to RM73,050,041 in respect of the current financial year based on the issued and fully paid-up capital of 1,447,682,465 ordinary shares of RM1.00 each. The proposed final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Bank and is shown as part of the equity of the Bank and the Group. Upon approval by the shareholders, the proposed dividend will be accounted for as a liability and appropriation of retained profits in the next financial year ending December 31, 2005.

33. COMMITMENTS AND CONTINGENCIES (UNSECURED)

- (i) 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 as of December 31 is as follows:

	2004		2003	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000
The Bank				
Direct credit substitutes	384,546	384,546	357,372	357,372
Certain transaction-related contingent items	324,480	162,240	326,948	163,474
Short term self-liquidating trade-related contingencies	104,742	20,948	104,654	20,931
Obligations under underwriting agreement	36,000	18,000	36,000	18,000
Irrevocable commitments to extend credit:				
– maturity exceeding one year	1,134,759	567,380	1,244,965	622,483
– maturity not exceeding one year	7,256,676	–	7,142,884	–
Foreign exchange related contracts				
– less than one year	956,362	12,554	914,893	18,295
Interest rate related contracts				
– less than one year	92,000	–	52,000	–
– one year to less than five years	851,000	30,400	–	–
Miscellaneous commitments and contingencies	161,807	–	135,826	–
	11,302,372	1,196,068	10,315,542	1,200,555

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33. COMMITMENTS AND CONTINGENCIES (UNSECURED) (CONT'D)

	2004		2003	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000
The Group				
Direct credit substitutes	384,546	384,546	359,672	359,672
Certain transaction-related contingent items	349,822	174,911	348,098	174,049
Short term self-liquidating trade-related contingencies	104,742	20,948	104,654	20,931
Other assets sold with recourse and commitments with certain drawdown	232,014	232,014	173,543	173,543
Obligations under underwriting agreement	44,550	22,275	45,000	22,500
Irrevocable commitments to extend credit:				
– maturity exceeding one year	1,260,493	630,247	1,559,647	779,824
– maturity not exceeding one year	7,289,921	–	7,172,670	–
Foreign exchange related contracts				
– less than one year	956,362	12,554	914,893	18,295
Interest rate related contracts				
– less than one year	92,000	–	52,000	–
– one year to less than five years	851,000	30,400	–	–
Miscellaneous commitments and contingencies	161,807	–	135,826	–
	11,727,257	1,507,895	10,866,003	1,548,814

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

Principal amounts of the foreign exchange and interest rate related contracts are as follows:

	The Bank and The Group	
	2004 RM'000	2003 RM'000
Foreign exchange related contracts		
– Forwards	302,308	454,727
– Swaps	654,054	460,166
Interest rate related contracts		
– Futures	183,000	–
– Swaps	760,000	52,000
	1,899,362	966,893

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33. COMMITMENTS AND CONTINGENCIES (UNSECURED) (CONT'D)

Market Risk

Market risk is the potential change in value caused by movements 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 off-setting on and off-balance sheet positions. As of December 31, 2004, the amounts of contracts of the Bank and of the Group which were not hedged and hence, exposed to market risk were RM38.4 million (2003 : RM47.4 million).

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 or the Group has a gain position. As of December 31, 2004, the amounts of credit risk of the Bank and the Group, measured in terms of the cost to replace the profitable contracts, were RM111.0 million (2003 : RM111.6 million). These amounts will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

- (ii) The Bank has granted an indemnity to Amanah Raya Berhad (ARB) in consideration of ARB agreeing to accept appointment as Trustee under the Deed for SBB Double Growth Fund. Under the indemnity, the Bank undertakes to indemnify ARB against any loss or claims not caused by willful negligence, fraud or lack of care by the Trustee.

34. LEASE COMMITMENTS (UNSECURED)

- (i) Non-cancellable long term operating lease commitments of the Bank and of the Group in respect of rental of premises and equipment are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Expiry of operating lease:				
Within one year	14,491	14,724	15,937	16,857
Between one to two years	10,311	7,462	13,294	9,774
Between two to five years	4,444	2,866	3,284	3,609
After five years	1,286	2,306	1,247	2,306

- (ii) There were no material sublease payments recognised as income during the year or expected to be received in future under non-cancellable subleases. There were no significant leasing arrangements other than normal leasing arrangements and determination on rent payments.

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35. CAPITAL COMMITMENTS (UNSECURED)

Capital expenditure approved by the directors but not provided for in the financial statements are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Contracted for	7,001	9,269	11,775	131,551
Authorised but not contracted for	–	–	2,499	5,392

Included in the capital commitments of the Group as of December 31, 2003 is RM121.4 million pertaining to SBB Capital Markets Sdn Bhd, a wholly owned subsidiary company of the Bank, in respect of the proposed acquisition of the remaining 30% equity interest in SBB Securities Sdn Bhd and the entire equity interest in Mohaiyani Sdn Bhd (formerly known as Mohaiyani Securities Sdn Bhd). The said acquisitions have been completed during the financial year as referred to in Note 39(i) and (ii).

36. CAPITAL ADEQUACY

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tier-1 capital				
Paid-up share capital	1,447,682	1,122,852	1,447,682	1,122,852
Share premium	741,551	472,542	741,551	472,542
Other reserves	1,038,386	978,376	1,283,077	1,161,546
Less: Deferred taxation	(48,735)	(53,501)	(103,792)	(110,663)
Minority interest	–	–	16,939	46,584
	3,178,884	2,520,269	3,385,457	2,692,861
Less: Goodwill on consolidation	–	–	(488,182)	(472,006)
Deferred asset	–	–	(254,951)	(197,888)
Total Tier-1 capital	3,178,884	2,520,269	2,642,324	2,022,967
Tier-2 capital				
Subordinated debt capital	1,065,000	313,285	1,065,000	320,485
General provision for bad and doubtful debts and financing	229,665	216,156	331,740	317,820
Total Tier-2 capital	1,294,665	529,441	1,396,740	638,305
Total capital	4,473,549	3,049,710	4,039,064	2,661,272
Less: Investment in subsidiary companies	(1,257,024)	(1,257,023)	–	–
Capital base	3,216,525	1,792,687	4,039,064	2,661,272

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36. CAPITAL ADEQUACY (CONT'D)

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Capital Ratios:				
<u>Before deducting proposed dividends for the respective financial years</u>				
Core capital ratio	19.22%	12.52%	10.91%	9.58%
Risk-weighted capital ratio	19.45%	12.52%	16.68%	12.60%
<u>After deducting proposed dividends for the respective financial years</u>				
Core capital ratio	18.15%	11.33%	10.18%	8.77%
Risk-weighted capital ratio	18.38%	11.33%	15.95%	11.80%

Breakdown of risk-weighted assets in the various categories of risk-weights:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
0%	2,871,591	3,769,465	4,245,447	5,317,627
10%	132,116	35,128	242,450	75,151
20%	3,152,775	2,173,267	3,080,875	2,687,553
50%	3,855,873	3,526,320	4,446,679	4,148,309
100%	13,959,994	12,112,023	21,346,104	18,495,225
	23,972,349	21,616,203	33,361,555	30,723,865

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37. SEGMENTAL ANALYSIS

The analysis of the Group's operations by business segments for the year ended December 31, 2004 are as follows:

	Banking RM'000	Finance RM'000	Merchant Banking RM'000	Others RM'000	Associated Company RM'000	Eliminations RM'000	Group RM'000
2004							
External revenue	1,267,181	601,735	43,831	194,486	-	-	2,107,233
Inter-segment revenue	163,292	2,224	35	76,925	-	(242,476)	-
Segment revenue	1,430,473	603,959	43,866	271,411	-	(242,476)	2,107,233
Finance and operating costs	(837,113)	(354,066)	(29,527)	(72,954)	-	12,477	(1,281,183)
Operating profit	593,360	249,893	14,339	198,457	-	(229,999)	826,050
Loan and financing loss and provision	(198,581)	(139,155)	(378)	(1,309)	-	-	(339,423)
Share of profits in associated company	-	-	-	-	177	-	177
Segment result before taxation and zakat	394,779	110,738	13,961	197,148	177	(229,999)	486,804
Taxation and zakat	(106,175)	(16,055)	(3,745)	(53,608)	(59)	49,149	(130,493)
Segment result after taxation and zakat	288,604	94,683	10,216	143,540	118	(180,850)	356,311
Segment assets	23,826,171	7,732,509	594,384	979,917	471	(1,667,353)	31,466,099
Segment liabilities	20,598,902	7,052,313	509,794	330,701	-	(514,860)	27,976,850
Capital expenditure	47,100	6,288	349	3,940	-	-	57,677
Depreciation	30,908	4,941	1,049	6,235	-	-	43,133

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37. SEGMENTAL ANALYSIS (CONT'D)

	Banking RM'000	Finance RM'000	Merchant Banking RM'000	Others RM'000	Associated Company RM'000	Eliminations RM'000	Group RM'000
2003							
External revenue	1,176,931	583,018	36,858	98,313	–	–	1,895,120
Inter-segment revenue	65,613	985	346	32,223	–	(99,167)	–
Segment revenue	1,242,544	584,003	37,204	130,536	–	(99,167)	1,895,120
Finance and operating costs	(793,004)	(317,069)	(26,418)	(74,395)	–	(5,127)	(1,216,013)
Operating profit	449,540	266,934	10,786	56,141	–	(104,294)	679,107
Loan and financing loss and provision	(63,015)	(121,455)	(6,476)	206	–	–	(190,740)
Share of profits in associated company	–	–	–	–	220	–	220
Segment result before taxation and zakat	386,525	145,479	4,310	56,347	220	(104,294)	488,587
Taxation and zakat	(108,047)	(39,303)	(1,161)	(14,364)	(53)	18,463	(144,465)
Segment result after taxation and zakat	278,478	106,176	3,149	41,983	167	(85,831)	344,122
Segment assets	21,562,434	8,055,054	662,811	740,201	454	(1,206,285)	29,814,669
Segment liabilities	18,989,014	7,436,910	589,505	182,434	–	(186,718)	27,011,145
Capital expenditure	40,471	2,202	494	5,044	–	–	48,211
Depreciation	27,862	5,026	995	5,924	–	–	39,807

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI)

The state of affairs as of December 31, 2004 and the results for the year ended on that date under the SPI of the Bank and of the Group which are incorporated in the financial statements of the Bank and of the Group are as follows :

BALANCE SHEETS AS OF DECEMBER 31, 2004 (19 ZULKAEDAH 1425H)

	Note	The Bank		The Group	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000 Restated
ASSETS					
Cash and short term funds	i	125,499	66,144	127,955	82,149
Deposits and placements with banks and other financial institutions	ii	10,009	–	10,009	–
Dealing securities	iii	100,639	62,967	100,639	62,967
Investment securities	iv	186,300	136,940	392,455	478,887
Loans, advances and financing	v	601,768	564,208	1,422,770	1,522,411
Other assets	vi	84	112	3,882	3,336
Statutory deposits with Bank Negara Malaysia		21,631	19,736	62,204	74,074
Property, plant and equipment	vii	207	261	242	322
Deferred tax assets	viii	2,645	1,912	12,288	12,051
TOTAL ASSETS		1,048,782	852,280	2,132,444	2,236,197
LIABILITIES AND ISLAMIC BANKING FUNDS					
Deposits from customers	ix	721,855	372,551	1,323,742	1,444,653
Deposits and placements of banks and other financial institutions	x	247,401	339,640	561,741	497,640
Other liabilities	xi	15,416	78,809	42,565	112,935
TOTAL LIABILITIES		984,672	791,000	1,928,048	2,055,228
Funds allocated from Head Office		40,000	40,000	100,000	100,000
Reserves		18,248	15,519	98,534	75,208
Proposed dividend		5,862	5,761	5,862	5,761
ISLAMIC BANKING FUNDS		64,110	61,280	204,396	180,969
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		1,048,782	852,280	2,132,444	2,236,197
COMMITMENTS AND CONTINGENCIES (UNSECURED)	xix	196,754	302,720	433,181	575,039

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

INCOME STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004 (19 ZULKAEDAH 1425H)

	Note	The Bank		The Group	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000 Restated
Income derived from investment of depositors' funds	xii	42,761	34,402	144,280	149,152
Loan and financing loss and provision	xiii	(3,419)	(2,918)	(29,814)	(28,838)
Transfer (to)/from profit equalisation reserve		(524)	(400)	(975)	4,929
Other expenses directly attributable to the investment of the depositors and Islamic Banking Capital Funds		(2,644)	(2,583)	(2,644)	(2,583)
Total attributable income		36,174	28,501	110,847	122,660
Income attributable to depositors	xiv	(19,589)	(17,252)	(55,164)	(54,286)
Income attributable to the Bank/Group		16,585	11,249	55,683	68,374
Income derived from investment of Islamic Banking Capital Funds	xv	3,719	7,552	10,433	16,975
Total net income		20,304	18,801	66,116	85,349
Personnel expenses	xvi	(2,809)	(2,796)	(3,662)	(3,640)
Other overhead and expenditure	xvii	(2,367)	(2,924)	(18,636)	(20,980)
Profit before taxation and zakat		15,128	13,081	43,818	60,729
Taxation and zakat	xviii	(4,266)	(3,711)	(12,359)	(17,162)
Profit attributable to the Bank/Group		10,862	9,370	31,459	43,567

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2004 (19 ZULKAEDAH 1425H)

	Funds allocated from Head Office RM'000	Statutory reserves RM'000	Retained profit RM'000	Proposed dividend RM'000	Total RM'000
The Bank					
2004					
Balance at beginning of year	40,000	4,685	10,834	5,761	61,280
Net profit for the year	—	—	10,862	—	10,862
Transfer to statutory reserves	—	5,431	(5,431)	—	—
Dividend paid	—	—	(2,271)	(5,761)	(8,032)
Dividend proposed	—	—	(5,862)	5,862	—
Balance at end of year	40,000	10,116	8,132	5,862	64,110

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)**STATEMENTS OF CHANGES IN EQUITY****FOR THE YEAR ENDED DECEMBER 31, 2004 (19 ZULKAEDAH 1425H) (CONT'D)**

	Funds allocated from Head Office RM'000	Statutory reserves RM'000	Retained profit RM'000	Proposed dividend RM'000	Total RM'000
The Bank (Cont'd)					
2003					
Balance at beginning of year	40,000	–	13,114	–	53,114
Net profit for the year	–	–	9,370	–	9,370
Transfer to statutory reserves	–	4,685	(4,685)	–	–
Dividend paid	–	–	(1,204)	–	(1,204)
Dividend proposed	–	–	(5,761)	5,761	–
Balance at end of year	40,000	4,685	10,834	5,761	61,280
The Group					
2004					
Balance at beginning of year					
– As previously reported	100,000	25,968	56,988	5,761	188,717
– Prior year adjustment	–	–	(7,748)	–	(7,748)
– As restated	100,000	25,968	49,240	5,761	180,969
Net profit for the year	–	–	31,459	–	31,459
Transfer to statutory reserves	–	5,431	(5,431)	–	–
Dividend paid	–	–	(2,271)	(5,761)	(8,032)
Dividend proposed	–	–	(5,862)	5,862	–
Balance at end of year	100,000	31,399	67,135	5,862	204,396
2003					
Balance at beginning of year					
– As previously reported	100,000	21,283	25,707	–	146,990
– Prior year adjustment	–	–	(8,384)	–	(8,384)
– As restated	100,000	21,283	17,323	–	138,606
Net profit for the years	–	–	43,567	–	43,567
Transfer to statutory reserves	–	4,685	(4,685)	–	–
Dividend paid	–	–	(1,204)	–	(1,204)
Dividend proposed	–	–	(5,761)	5,761	–
Balance at end of year	100,000	25,968	49,240	5,761	180,969

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004 (19 ZULKAEDAH 1425H)

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	15,128	13,081	43,818	60,729
Adjustments for:				
Finance income and hibah from investment securities	(4,939)	(4,715)	(10,176)	(8,461)
Accretion of discount less amortisation of premium	(1,255)	(1,183)	(4,374)	(6,352)
Net profit from investment securities	(1,873)	–	(8,587)	(9,423)
Loan and financing loss and provision	3,419	2,918	31,612	28,899
Transfer to / (from) profit equalisation reserve	524	400	975	(4,929)
Depreciation of property, plant and equipment	66	68	92	94
Operating profit before working capital changes	11,070	10,569	53,360	60,557
(Increase) / Decrease in operating assets:				
Deposits and placements with banks and other financial institutions	(10,009)	–	(10,009)	25,000
Dealing securities	(37,672)	(46,482)	(37,672)	(46,482)
Loans, advances and financing	(40,979)	(61,166)	68,029	11,206
Other assets	27	16	(1,042)	871
Statutory deposits with Bank Negara Malaysia	(1,895)	(2,395)	11,870	(3,593)
Increase / (Decrease) in operating liabilities:				
Deposits from customers	349,304	111,406	(120,911)	(179,418)
Deposits and placements of banks and other financial institutions	(92,239)	(5,092)	64,101	152,908
Other liabilities	(65,295)	(26,135)	(70,704)	(23,492)
Cash generated from / (used in) operations	112,312	(19,279)	(42,978)	(2,443)
Income tax and zakat paid	(3,621)	(4,196)	(12,742)	(26,603)
Net cash generated from / (used in) operating activities	108,691	(23,475)	(55,720)	(29,046)

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)**CASH FLOW STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2004 (19 ZULKAEDAH 1425H) (CONT'D)**

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000 Restated
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(371,955)	(125)	(768,010)	(904,536)
Proceeds from sale of investment securities	325,723	15,729	867,403	922,213
Finance income and hibah received from investment securities	4,940	4,710	10,177	8,456
Purchase of property, plant and equipment	(12)	(16)	(12)	(17)
Net cash (used in) / generated from investing activities	(41,304)	20,298	109,558	26,116
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(8,032)	(1,204)	(8,032)	(1,204)
Net cash used in financing activities	(8,032)	(1,204)	(8,032)	(1,204)
Net increase / (decrease) in cash and cash equivalents	59,355	(4,381)	45,806	(4,134)
Cash and cash equivalents at beginning of year	66,144	70,525	82,149	86,283
Cash and cash equivalents at end of year	125,499	66,144	127,955	82,149
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and short term funds (Note i)	125,499	66,144	127,955	82,149

NOTES TO THE FINANCIAL STATEMENTS

i. Cash and Short Term Funds

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and balances with banks and other financial institutions	4,730	309	27,186	21,244
Money at call and deposit placements maturing within one month	120,769	65,835	100,769	60,905
	125,499	66,144	127,955	82,149

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

ii. Deposits and Placements with Banks and Other Financial Institutions

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	10,009	–	10,009	–

iii. Dealing Securities

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Money market instruments:				
Islamic accepted bills	100,639	62,967	100,639	62,967
Indicative value of money market instruments:				
Islamic accepted bills	100,628	62,966	100,628	62,966

iv. Investment Securities

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Money market instruments:				
Government investment certificates	37,392	36,445	114,429	36,445
Khazanah bonds	90,972	57,422	90,972	129,762
KLIA bonds	–	–	103,854	137,596
Sanadat Mudharabah Cagamas bonds	10,000	10,000	10,000	10,000
Negotiable instruments of deposits	47,407	31,021	76,575	31,021
Bankers acceptances	–	–	–	120,168
	185,771	134,888	395,830	464,992
Unquoted shares in Malaysia	288	288	576	576
Accretion of discounts less amortisation of premium	241	1,764	(3,951)	13,319
	186,300	136,940	392,455	478,887

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

iv. Investment Securities (Cont'd)

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(a) Indicative value of unquoted securities:				
Government investment certificates	37,898	37,998	115,948	37,998
Khazanah bonds	92,394	58,273	92,394	147,166
KLIA bonds	–	–	96,344	131,879
Sanadat Mudharabah Cagamas bonds	10,254	10,054	10,054	10,054
Negotiable instruments of deposits	48,016	31,254	77,727	31,254
Bankers acceptances	–	–	–	122,475
Unquoted shares	25	68	50	136
	188,587	137,647	392,517	480,962
(b) The maturity structure of money market instruments held for investment is as follows:				
Maturing within one year	43,994	69,937	73,162	293,208
One year to three years	76,634	54,951	153,671	54,951
Three years to five years	65,143	10,000	65,143	10,000
Over five years	–	–	103,854	106,833
	185,771	134,888	395,830	464,992

v. Loans, Advances and Financing

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Overdrafts	30,077	7,479	30,077	7,479
Term financing	746,939	679,115	920,805	871,127
Leasing receivables	11,246	50,260	11,246	50,260
Hire purchase receivables	–	–	1,005,628	1,334,195
Bills receivable	900	–	900	–
Trust receipts	1,955	–	1,955	–
Claims on customers under acceptance credits	128,953	85,891	128,953	85,891
Staff loans	23	37	23	200
Other financing	–	–	108	348
	920,093	822,782	2,099,695	2,349,500
Unearned income	(295,466)	(241,489)	(579,262)	(741,993)
Gross loans, advances and financing	624,627	581,293	1,520,433	1,607,507
Provision for bad and doubtful debts and financing				
– General	(9,164)	(8,592)	(32,853)	(34,050)
– Specific	(6,300)	(3,453)	(40,412)	(32,695)
Income-in-suspense	(7,395)	(5,040)	(24,398)	(18,351)
Net loans, advances and financing	601,768	564,208	1,422,770	1,522,411

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

v. Loans, Advances and Financing (Cont'd)

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Al-Bai' Bithaman Ajil	479,038	440,616	585,465	553,862
Al-Murabahah	4,630	4,874	4,630	4,874
Al-Ijarah/Al-Ijarah Thumma Al-Bai	11,246	50,260	800,625	963,228
Other principles	129,713	85,543	129,713	85,543
	624,627	581,293	1,520,433	1,607,507

(b) The maturity structure of loans, advances and financing is as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Maturing within one year	239,622	194,581	263,946	217,725
One year to three years	39,058	9,039	205,965	143,646
Three years to five years	18,295	79,590	349,304	423,672
Over five years	327,652	298,083	701,218	822,464
	624,627	581,293	1,520,433	1,607,507

(c) Loans, advances and financing analysed by types of customers are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Domestic business enterprises	274,198	277,824	351,346	365,896
Individuals	350,429	303,469	1,167,994	1,240,148
Others	–	–	1,093	1,463
	624,627	581,293	1,520,433	1,607,507

(d) Loans, advances and financing analysed by profit rate sensitivity is as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Fixed rate:				
House financing	315,407	273,905	352,610	312,872
Hire purchase receivables	–	–	789,379	912,968
Other fixed rate financing	309,220	307,388	378,444	381,667
	624,627	581,293	1,520,433	1,607,507

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

v. Loans, Advances and Financing (Cont'd)

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Agriculture, hunting, forestry and fishing	28,497	55,720	28,839	56,380
Mining and quarrying	–	–	2	–
Manufacturing	8,479	14,649	12,217	20,047
Electricity, gas and water	100,175	60,005	100,545	60,462
Construction	13,472	13,041	19,618	22,692
Real estate	9,005	20,123	30,989	37,444
Purchase of landed property	336,452	292,634	417,516	381,467
(of which : i Residential	312,723	274,842	365,348	330,711
ii. Non-residential)	23,729	17,792	52,168	50,756
General commerce	33,117	27,491	42,116	41,120
Transport, storage and communication	11,766	20,441	14,902	24,274
Finance, insurance and business services	1,555	223	2,344	2,180
Purchase of securities	59,666	59,684	59,762	59,840
Purchase of transport vehicles	–	–	765,094	879,483
Consumption credits	19,586	16,744	20,533	17,903
Others	2,857	538	5,956	4,215
	624,627	581,293	1,520,433	1,607,507

(f) Movements in non-performing loans and financing (including income receivable), provision for bad and doubtful debts and financing and income-in-suspense are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<u>Non-Performing Loans (NPL)</u>				
Balance at beginning of year	67,331	40,678	170,883	135,391
Non-performing during the year	122,198	119,201	179,408	195,438
Recoveries	(11,444)	(5,815)	(28,062)	(26,321)
NPL reclassified as performing	(106,535)	(86,733)	(126,168)	(113,106)
Amount written off	–	–	(24,944)	(20,519)
Balance at end of year	71,550	67,331	171,117	170,883
% of NPL to total loans & financing	9.5%	10.3%	7.3%	7.7%
<u>General Provision (GP)</u>				
Balance at beginning of year	8,592	7,711	34,050	31,480
Provisions made during the year	572	881	(1,197)	2,570
Balance at end of year	9,164	8,592	32,853	34,050
% of total loans and financing less SP & IIS	1.5%	1.5%	2.2%	2.2%

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

v. Loans, Advances and Financing (Cont'd)

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<u>Specific Provision (SP)</u>				
Balance at beginning of year	3,453	1,415	32,695	25,502
Provisions made during the year	3,476	3,861	46,721	41,814
Amount written back in respect of recoveries	(629)	(1,823)	(13,912)	(15,484)
Amount written off	–	–	(25,092)	(19,137)
Balance at end of year	6,300	3,453	40,412	32,695
<u>Income-in-Suspense (IIS)</u>				
Balance at beginning of year	5,040	3,165	18,351	16,362
Provisions made during the year	5,026	3,810	10,719	6,703
Amount written back in respect of recoveries	(2,671)	(1,935)	(3,302)	(3,150)
Amount written off	–	–	(1,370)	(1,564)
Balance at end of year	7,395	5,040	24,398	18,351

vi. Other Assets

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit receivable	84	85	2,695	3,098
Prepayment and deposits	–	27	1	27
Other debtors and receivable	–	–	1,186	211
	84	112	3,882	3,336

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

vii. Property, Plant and Equipment

	Office equipment, furniture, fittings and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
The Bank				
Cost				
2004				
Balance at beginning of year	325	1,095	567	1,987
Additions	5	7	–	12
Transfer to head office	–	(3)	–	(3)
Balance at end of year	330	1,099	567	1,996
Accumulated Depreciation				
Balance at beginning of year	164	995	567	1,726
Additions	36	30	–	66
Transfer to head office	–	(3)	–	(3)
Balance at end of year	200	1,022	567	1,789
Net Book Value				
As of December 31, 2004	130	77	–	207
As of December 31, 2003	161	100	–	261
Depreciation charge for 2003	38	30	–	68

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

vii. Property, Plant and Equipment (Cont'd)

	Office equipment, furniture, fittings and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
The Group				
Cost				
2004				
Balance at beginning of year	434	1,095	567	2,096
Additions	5	7	–	12
Transfer to head office	–	(3)	–	(3)
Balance at end of year	439	1,099	567	2,105
Accumulated Depreciation				
Balance at beginning of year	212	995	567	1,774
Additions	62	30	–	92
Transfer to head office	–	(3)	–	(3)
Balance at end of year	274	1,022	567	1,863
Net Book Value				
As of December 31, 2004	165	77	–	242
As of December 31, 2003	222	100	–	322
Depreciation charge for 2003	64	30	–	94

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

viii. Deferred Tax Assets

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

	Provision on loans, advances and financing RM'000	Premium amortisation and discount accretion RM'000	Other temporary differences RM'000	Total RM'000
The Bank				
2004				
Balance at beginning of year	2,406	(494)	–	1,912
Recognised in the income statements (Note xviii)	160	426	147	733
Balance at end of year	2,566	(68)	147	2,645
2003				
Balance at beginning of year	2,160	(163)	–	1,997
Recognised in the income statements (Note xviii)	246	(331)	–	(85)
Balance at end of year	2,406	(494)	–	1,912
The Group				
2004				
Balance at beginning of year				
– As previously reported	9,534	(494)	(2)	9,038
– Prior year adjustment	–	–	3,013	3,013
– As restated	9,534	(494)	3,011	12,051
Recognised in the income statements (Note xviii)	(335)	426	146	237
Balance at end of year	9,199	(68)	3,157	12,288
2003				
Balance at beginning of year				
– As previously reported	8,815	(163)	(1)	8,651
– Prior year adjustment	–	–	3,261	3,261
– As restated	8,815	(163)	3,260	11,912
Recognised in the income statements (Note xviii)	719	(331)	(249)	139
Balance at end of year	9,534	(494)	3,011	12,051

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

ix. Deposits From Customers

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-Mudharabah Fund:				
Demand deposits	150,304	115,333	150,304	115,333
Savings deposits	62,567	54,527	68,778	61,322
	212,871	169,860	219,082	176,655
Mudharabah Fund:				
Savings deposits	–	–	31,107	36,913
General investment deposits	508,984	202,691	1,073,553	1,231,085
	721,855	372,551	1,323,742	1,444,653

(a) The maturity structure of general investment deposits is as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Due within six months	339,810	164,094	619,698	870,687
Six months to one year	167,200	34,315	434,782	326,157
One year to three years	1,564	3,742	16,761	31,283
Three years to five years	410	540	2,312	2,958
	508,984	202,691	1,073,553	1,231,085

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Business enterprises	480,659	227,603	665,962	476,947
Individuals	117,885	119,648	174,104	195,025
Others	123,311	25,300	483,676	772,681
	721,855	372,551	1,323,742	1,444,653

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

x. Deposits and Placements of Banks and Other Financial Institutions

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-Mudharabah Fund:				
Licensed finance companies	19,697	–	19,697	–
Other financial institutions	12,223	54,491	12,223	54,491
	31,920	54,491	31,920	54,491
Mudharabah Fund :				
Licensed banks	–	–	176,340	15,000
Licensed finance companies	100	18,135	30,100	78,135
Other financial institutions	215,381	267,014	323,381	350,014
	247,401	339,640	561,741	497,640

xi. Other Liabilities

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Taxation payable	4,989	3,600	4,989	5,606
Zakat payable	21	32	116	140
Profit payable	5,840	5,205	10,656	12,039
Profit equalisation reserve (PER)	1,504	980	1,955	980
Amount due to Head Office	1,652	67,605	2,805	70,349
Other payable and accrual	1,410	1,387	22,044	23,821
	15,416	78,809	42,565	112,935

Zakat payable represents tithes payable by the Bank and the Group to comply with the principles of Syariah as approved by the Syariah Supervisory Council. Zakat is provided at a rate of 2.5%.

PER refers to the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors. The mechanism of PER is approved and endorsed by the National Advisory Council for Islamic Banking and Takaful of Bank Negara Malaysia. PER is deducted from the total gross income in deriving income attributable to the Bank. This appropriated amount is shared by the depositors and the Bank.

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

xii. Income Derived From Investment of Depositors' Funds

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income derived from investment of:				
General investment deposits	28,817	23,913	126,274	134,072
Others	13,944	10,489	18,006	15,080
	42,761	34,402	144,280	149,152

(a) Details of income derived from investment of general investment deposits are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Finance income and hibah:				
Loans, advances and financing	21,254	19,175	109,895	120,136
Money at call and deposit placements with financial institutions	1,766	699	1,766	699
Dealing securities	531	498	531	498
Investment securities	3,062	2,687	8,089	6,283
	26,613	23,059	120,281	127,616
Accretion of discount less amortisation of premium	778	674	3,772	5,636
	27,391	23,733	124,053	133,252
Net profit from investment securities	1,161	–	1,161	–
Service charges and fees	243	180	779	353
Other income	22	–	281	467
	28,817	23,913	126,274	134,072

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

xii. Income Derived From Investment of Depositors' Funds (Cont'd)

(b) Details of income derived from investment of other funds are as follows:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Finance income and hibah:				
Loans, advances and financing	10,284	8,410	13,978	12,617
Money at call and deposit placements with financial institutions	854	307	854	307
Dealing securities	257	219	257	219
Investment securities	1,482	1,179	1,692	1,329
	12,877	10,115	16,781	14,472
Accretion of discount less amortisation of premium	377	296	502	503
	13,254	10,411	17,283	14,975
Net profit from investment securities	562	–	562	–
Service charges and fees	117	78	139	86
Other income	11	–	22	19
	13,944	10,489	18,006	15,080

xiii. Loan and Financing Loss and Provision

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Provision for bad and doubtful debts and financing:				
– Specific (net)	2,847	2,037	32,809	26,329
– General (net)	572	881	(1,197)	2,570
Bad debts and financing:				
– Recovered	–	–	(1,798)	(61)
	3,419	2,918	29,814	28,838

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

xiv. Income Attributable to Depositors

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits from customers				
– Mudharabah fund	15,994	13,142	47,741	46,171
– Non-Mudharabah fund	3,019	2,305	4,182	3,935
Deposits and placements of banks and other financial institutions				
– Mudharabah fund	575	1,803	3,240	4,178
– Non-Mudharabah fund	1	2	1	2
	19,589	17,252	55,164	54,286

xv. Income Derived From Investment of Islamic Banking Capital Funds

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Finance income and hibah:				
Loans, advances and financing	2,743	6,055	2,743	6,055
Money at call and deposit placements with financial institutions	228	221	228	221
Dealing securities	68	157	68	157
Investment securities	395	849	395	849
	3,434	7,282	3,434	7,282
Accretion of discount less amortisation of premium	100	213	100	213
	3,534	7,495	3,534	7,495
Net profit from investment securities	150	–	6,864	9,423
Service charges and fees	32	57	32	57
Other income	3	–	3	–
	3,719	7,552	10,433	16,975

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

xvi. Personnel Expenses

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Salaries and wages	2,071	2,004	2,644	2,614
Allowances and bonuses	220	333	366	435
Others	518	459	652	591
	2,809	2,796	3,662	3,640
Number of employees	23	29	43	44

xvii. Other Overhead and Expenditure

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Establishment				
Rental of premises	164	234	587	430
Depreciation of property, plant and equipment	66	68	92	94
Others	181	221	181	402
	411	523	860	926
Promotion and marketing	1,380	1,660	5,281	6,664
General				
Syariah committee members' remuneration	–	25	–	27
Others	576	716	12,495	13,363
	576	741	12,495	13,390
	2,367	2,924	18,636	20,980

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

xviii. Taxation and Zakat

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current tax expense	4,989	3,600	12,527	17,167
Deferred taxation (Note viii)	(733)	85	(237)	(139)
	4,256	3,685	12,290	17,028
Zakat	10	26	69	134
	4,266	3,711	12,359	17,162

xix. Commitments and Contingencies (Unsecured)

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 as of December 31 is as follows:

	2004		2003	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000
The Bank				
Direct credit substitutes	10,561	10,561	10,798	10,798
Certain transaction-related contingent items	19	10	544	272
Short term self-liquidating trade-related contingencies	235	47	–	–
Irrevocable commitments to extend credits:				
– maturity exceeding one year	39,235	19,618	119,883	59,942
– maturity not exceeding one year	146,704	–	171,495	–
	196,754	30,236	302,720	71,012
The Group				
Direct credit substitutes	10,561	10,561	10,798	10,798
Certain transaction-related contingent items	19	10	544	272
Short term self-liquidating trade-related contingencies	235	47	–	–
Financing sold directly and indirectly to Cagamas with recourse	232,014	232,014	173,543	173,543
Irrevocable commitments to extend credits:				
– maturity exceeding one year	43,648	21,824	218,659	109,330
– maturity not exceeding one year	146,704	–	171,495	–
	433,181	264,456	575,039	293,943

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

xx. Capital Adequacy

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

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tier-1 capital				
Funds allocated from Head Office	40,000	40,000	100,000	100,000
Statutory reserves	10,116	4,685	31,399	25,968
Retained profit	13,994	16,595	72,997	55,001
Less: Deferred taxation	(2,645)	(1,912)	(12,288)	(12,051)
Total Tier-1 capital	61,465	59,368	192,108	168,918
Tier-2 capital				
General provisions for bad and doubtful debts and financing	9,164	8,592	32,853	34,050
Capital Base	70,629	67,960	224,961	202,968

Capital Ratios:Before deducting proposed dividends

Core capital ratio	11.55%	11.50%	11.99%	9.69%
Risk-weighted capital ratio	13.27%	13.16%	14.04%	11.64%

After deducting proposed dividends

Core capital ratio	10.44%	10.38%	11.62%	9.36%
Risk-weighted capital ratio	12.17%	12.05%	13.67%	11.31%

Breakdown of risk-weighted assets in the various categories of risk-weights:

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
0%	163,665	115,676	383,159	393,170
10%	10,085	10,085	10,085	10,085
20%	273,402	159,865	303,612	300,557
50%	324,679	323,348	359,174	366,254
100%	314,064	321,466	1,360,638	1,498,231
	1,085,895	930,440	2,416,668	2,568,297

Notes to the Financial Statements

December 31, 2004

38. ISLAMIC BANKING SCHEME (SPI) (CONT'D)

xxi. Net Income From Islamic Banking Operations

	The Bank		The Group	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income derived from investment of depositors' funds	42,761	34,402	144,280	149,152
Transfer (to) / from profit equalisation reserve	(524)	(400)	(975)	4,929
Income attributable to depositors	(19,589)	(17,252)	(55,164)	(54,286)
Income derived from investment of Islamic Banking Capital Funds	3,719	7,552	10,433	16,975
Net Income from Islamic Banking Operations	26,367	24,302	98,574	116,770

39. SIGNIFICANT EVENTS

The significant events during the financial year are as follows:

- (i) On August 3, 2004, SBB Capital Markets Sdn. Bhd. (SBBCM), a wholly owned subsidiary company of the Group, completed the acquisition of the remaining 30% equity interest in SBB Securities Sdn. Bhd. (SBBS) comprising 27,000,000 ordinary shares of RM1.00 each for a total consideration of RM46,479,382.
- (ii) On August 16, 2004, SBBCM completed the acquisition of the entire equity interest in Mohaiyani Sdn. Bhd. (MS) (formerly known as Mohaiyani Securities Sdn. Bhd.) comprising 20,000,000 shares for a total consideration of RM81,032,195.
- (iii) On September 20, 2004, the Bank completed the Special Bumiputera Issue with the issuance of 280,200,000 new ordinary shares of RM1.00 each to approved Bumiputera investors at an issue price of RM1.74 per ordinary share.
- (iv) On November 4, 2004, the Bank announced that it has obtained approval from Bank Negara Malaysia to commence preliminary negotiations with Idaman Unggul Berhad for the possible acquisition of the entire interest in the life insurance business of Tahan Insurance Malaysia Berhad.

On March 1, 2005, the Bank announced that Idaman Unggul Berhad and the Bank have mutually agreed to end discussions relating to the above matter with immediate effect.

- (v) On December 9, 2004, the Bank announced the signing of a Letter of Intent with AEON Credit Service (M) Sdn Bhd (AEON), a member of Japan's largest retail group (the AEON Group), for the formation of a strategic alliance in the credit card business.
- (vi) On December 13, 2004, the stock and share broking operations, the assets and liabilities of MS, including its research company, Mohaiyani Research Sdn Bhd but excluding MS's investments in other subsidiary companies were completely transferred and merged with SBBS's. MS is now an investment holding company whilst SBBS is the only stock and share broking subsidiary of the Southern Bank Group.

Notes to the Financial Statements

December 31, 2004

40. CREDIT RATING

As of December 31, 2004, the Bank was accorded the following ratings:

Agencies	Date accorded / reaffirmed	Rating
Rating Agency Malaysia Berhad	October 12, 2004 (reaffirmed)	Long term : A1 Short term : P1 RM300 million subordinated bonds : A2
Fitch Ratings Limited	June 15, 2004	USD200 million subordinated notes : BBB-
Moody's Investors Service Limited	June 15, 2004	USD200 million subordinated notes : Baa3

41. FINANCIAL RISK MANAGEMENT

Risk Management

Managing risks is one of the core activities of the Bank to strike a balance between sound practices and risk-return. The financial risk management policies and objectives adopted by the Bank and the Group include incorporating various measures and limits structure to ensure potential risks, whether credit, market and/or operational risks are actively and properly managed.

Market Risk

Market risk is defined as the risk of losses in position on and off balance sheet, arising from movements in market prices. Market risk encompasses adverse changes in interest rates (interest rate risk), asset prices (pricing risk) and foreign exchange rates (currency risk) and cash flow position (liquidity risk). To facilitate the control of these risks, the Bank and the Group monitor the money market and foreign exchange trading limits on a daily basis and set and review counter-party limits regularly. The Bank and the Group also conduct simulations and portfolio stress tests on a regular basis to assess market risk exposures.

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of customers or counter-parties to settle their financial and contractual obligations, as and when they fall due. Credit risk is managed through prudent credit underwriting & rating system, independent credit administration, legal documentation, collections and recovery systems as governed by clear established credit policies, procedures and processes.

Operational Risk

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people or systems, or from external events. The day-to-day management of operational risk exposures is through the maintenance of a robust system incorporating proper internal controls, segregation of duties and authorizations and reporting functions to facilitate close monitoring of transaction positions and documentation. Regular review and audit of the system and processes by the Risk Management Group and Internal Audit Group are paramount to ensuring compliance and integrity of the system.

Liquidity Risk

Liquidity risk arises from mismatches in cash flows. The objective of the liquidity management process is to ensure that the Bank and the Group have sufficient liquidity to meet obligations under normal and adverse circumstances and to take advantages of lending and investment opportunities as they arise. To fulfil this objective, the Bank and the Group measure and forecast their cash commitments, apply controls to cash flow gaps, maintain diversified sources of funding, set prudent limits and ensure immediate access to liquid assets.

Notes to the Financial Statements

December 31, 2004

41. FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk

Financial instruments both on and off balance sheet are entered into by the Bank and the Group in the course of providing financial services to its customers to manage its exposure to risk and for trading purposes. The financial instruments are exposed to the interest rate risk due to effects of fluctuations in the market interest rates on its financial and cash flow position. Sensitivity to interest rates arises from the differences in the maturities and repricing dates of assets, liabilities and off balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Bank's and the Group's policies. The tables below summarise the Bank's and the Group's exposure to interest rate risk. The assets and liabilities at carrying amount as of December 31, 2004 are categorised by the earlier of contractual repricing or maturity dates.

	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	Effective interest rate %
The Bank									
2004									
Assets									
Cash and short term funds	2,006,129	–	–	–	–	–	124,880	2,131,009	2.32
Deposits and placements with banks and other financial institutions	–	111,893	–	–	–	–	262	112,155	1.73
Dealing securities	30,450	100,895	5,000	10,011	15,000	–	–	161,356	3.10
Investment securities	837,069	415,032	205,000	281,353	965,343	60,217	885,099	3,649,113	3.01
Loans, advances and financing									
– Performing	9,358,944	1,957,661	610,340	304,284	1,490,877	538,587	–	14,260,693	6.82
– Non-performing	–	–	–	–	–	–	757,816	757,816	–
Other assets	–	–	–	–	–	–	2,754,379	2,754,379	–
Total assets	12,232,592	2,585,481	820,340	595,648	2,471,220	598,804	4,522,436	23,826,521	
Liabilities									
Deposits from customers	8,482,415	2,067,599	1,370,656	2,153,270	51,415	133	46,937	14,172,425	2.73
Deposits and placements of banks and other financial institutions	618,083	61,760	334,997	249,634	289,078	29,138	1,304	1,583,994	2.21
Obligations on securities sold under repurchase agreements	1,357,203	171,837	–	–	–	–	–	1,529,040	2.64
Bills and acceptances payable	251,261	431,283	121,254	–	–	–	141,849	945,647	2.82
Amount due to Cagamas	–	–	–	–	690,925	86,954	–	777,879	4.07
Subordinated obligations	–	16,424	–	–	25,000	1,043,957	–	1,085,381	4.10
Other liabilities	–	–	–	–	–	–	504,536	504,536	–
Total liabilities	10,708,962	2,748,903	1,826,907	2,402,904	1,056,418	1,160,182	694,626	20,598,902	
Equity	–	–	–	–	–	–	3,227,619	3,227,619	
Total liabilities and equity	10,708,962	2,748,903	1,826,907	2,402,904	1,056,418	1,160,182	3,922,245	23,826,521	
On-balance sheet interest sensitivity gap	1,523,630	(163,422)	(1,006,567)	(1,807,256)	1,414,802	(561,378)			
Off-balance sheet interest sensitivity gap	473,265	251,601	258,560	64,936	851,000	–			
Total interest sensitivity gap	1,996,895	88,179	(748,007)	(1,742,320)	2,265,802	(561,378)			

Notes to the Financial Statements

December 31, 2004

41. FINANCIAL RISK MANAGEMENT (CONT'D)

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	Effective interest rate %
The Bank									
2003									
Assets									
Cash and short term funds	2,418,153	-	-	-	-	-	119,498	2,537,651	2.86
Deposits and placements with banks and other financial institutions	-	4,002	-	-	-	-	6,219	10,221	3.34
Dealing securities	144,343	75,427	11,174	24,408	14,877	-	-	270,229	2.97
Investment securities	835,000	186,573	334,445	131,029	585,088	58,900	174,061	2,305,096	3.31
Loans, advances and financing									
- Performing	9,899,720	1,405,205	596,805	207,124	1,030,338	147,193	-	13,286,385	7.06
- Non-performing	-	-	-	-	-	-	832,479	832,479	-
Other assets	-	-	-	-	-	-	2,320,723	2,320,723	-
Total assets	13,297,216	1,671,207	942,424	362,561	1,630,303	206,093	3,452,980	21,562,784	
Liabilities									
Deposits from customers	8,518,751	1,916,590	1,259,123	1,838,145	62,699	27	46,353	13,641,688	2.80
Deposits and placements of banks and other financial institutions	1,077,558	487,287	172,511	187,980	185,619	74,683	578	2,186,216	2.18
Obligations on securities sold under repurchase agreements	652,335	-	-	-	-	-	-	652,335	2.69
Bills and acceptances payable	253,160	343,854	122,508	-	-	-	115,257	834,779	2.89
Amount due to Cagamas	-	-	15,741	6,304	905,787	30,979	-	958,811	4.11
Subordinated obligations	-	-	-	33,576	41,424	300,000	-	375,000	9.23
Other liabilities	-	-	-	-	-	-	340,185	340,185	-
Total liabilities	10,501,804	2,747,731	1,569,883	2,066,005	1,195,529	405,689	502,373	18,989,014	
Equity	-	-	-	-	-	-	2,573,770	2,573,770	
Total liabilities and equity	10,501,804	2,747,731	1,569,883	2,066,005	1,195,529	405,689	3,076,143	21,562,784	
On-balance sheet interest sensitivity gap	2,795,412	(1,076,524)	(627,459)	(1,703,444)	434,774	(199,596)			
Off-balance sheet interest sensitivity gap	378,065	166,580	196,323	225,925	-	-			
Total interest sensitivity gap	3,173,477	(909,944)	(431,136)	(1,477,519)	434,774	(199,596)			

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December 31, 2004

41. FINANCIAL RISK MANAGEMENT (CONT'D)

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	Effective interest rate %
The Group									
2004									
Assets									
Cash and short term funds	2,772,220	–	–	–	–	–	212,044	2,984,264	2.46
Deposits and placements with banks and other financial institutions	7,159	333,428	–	–	2,103	–	262	342,952	2.48
Dealing securities	30,450	100,895	5,000	10,011	15,000	–	11,015	172,371	3.10
Investment securities	840,422	274,367	84,447	50,390	1,237,567	178,062	954,106	3,619,361	3.13
Loans, advances and financing									
– Performing	9,965,447	2,220,375	861,938	904,580	4,781,676	1,126,949	80,310	19,941,275	7.45
– Non-performing	–	–	–	–	–	–	1,565,526	1,565,526	–
Other assets	–	–	–	–	–	–	2,840,350	2,840,350	–
Total assets	13,615,698	2,929,065	951,385	964,981	6,036,346	1,305,011	5,663,613	31,466,099	
Liabilities									
Deposits from customers	10,465,588	3,107,577	2,563,642	3,298,300	69,417	133	46,943	19,551,600	2.81
Deposits and placements of banks and other financial institutions	862,824	330,040	438,525	332,767	289,078	394,138	1,304	2,648,676	2.33
Obligations on securities sold under repurchase agreements	847,845	171,837	–	–	–	–	–	1,019,682	4.16
Bills and acceptances payable	251,261	431,283	121,254	–	–	–	141,849	945,647	2.88
Amount due to Cagamas	24,096	48,419	113,890	187,717	1,356,150	86,954	–	1,817,226	3.89
Subordinated obligations	–	16,424	–	–	25,000	1,043,957	–	1,085,381	4.10
Other liabilities	–	–	–	–	–	–	908,638	908,638	–
Total liabilities	12,451,614	4,105,580	3,237,311	3,818,784	1,739,645	1,525,182	1,098,734	27,976,850	
Minority interest and equity	–	–	–	–	–	–	3,489,249	3,489,249	
Total liabilities and equity	12,451,614	4,105,580	3,237,311	3,818,784	1,739,645	1,525,182	4,587,983	31,466,099	
On-balance sheet interest sensitivity gap	1,164,084	(1,176,515)	(2,285,926)	(2,853,803)	4,296,701	(220,171)			
Off-balance sheet interest sensitivity gap	473,265	251,601	258,560	64,936	851,000	–			
Total interest sensitivity gap	1,637,349	(924,914)	(2,027,366)	(2,788,867)	5,147,701	(220,171)			

Notes to the Financial Statements

December 31, 2004

41. FINANCIAL RISK MANAGEMENT (CONT'D)

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	Effective interest rate %
The Group									
2003									
Assets									
Cash and short term funds	3,325,641	-	-	-	-	-	142,364	3,468,005	2.89
Deposits and placements with banks and other financial institutions	6,233	8,142	-	-	-	-	6,219	20,594	3.39
Dealing securities	144,343	75,427	11,174	24,408	14,877	-	14,432	284,661	2.97
Investment securities	907,733	340,829	641,621	153,069	655,514	200,062	265,085	3,163,913	3.44
Loans, advances and financing									
- Performing	10,725,337	1,669,712	826,370	674,083	4,056,089	679,143	69,580	18,700,314	7.70
- Non-performing	-	-	-	-	-	-	1,861,883	1,861,883	-
Other assets	-	-	-	-	-	-	2,315,299	2,315,299	-
Total assets	15,109,287	2,094,110	1,479,165	851,560	4,726,480	879,205	4,674,862	29,814,669	
Liabilities									
Deposits from customers	10,117,651	3,489,092	2,404,977	2,806,204	77,157	27	46,370	18,941,478	2.94
Deposits and placements of banks and other financial institutions	1,547,974	925,468	425,818	269,069	185,619	439,683	578	3,794,209	2.31
Obligations on securities sold under repurchase agreements	711,345	-	-	-	-	-	-	711,345	2.69
Bills and acceptances payable	253,160	343,854	122,508	-	-	-	115,257	834,779	2.88
Amount due to Cagamas	16,753	87,326	62,734	131,774	1,458,999	30,979	-	1,788,565	3.96
Subordinated obligations	-	3,000	-	33,576	50,424	300,000	-	387,000	9.16
Other liabilities	-	200	-	-	-	-	553,569	553,769	6.40
Total liabilities	12,646,883	4,848,940	3,016,037	3,240,623	1,772,199	770,689	715,774	27,011,145	
Minority interest and equity	-	-	-	-	-	-	2,803,524	2,803,524	
Total liabilities and equity	12,646,883	4,848,940	3,016,037	3,240,623	1,772,199	770,689	3,519,298	29,814,669	
On-balance sheet interest sensitivity gap	2,462,404	(2,754,830)	(1,536,872)	(2,389,063)	2,954,281	108,516			
Off-balance sheet interest sensitivity gap	378,065	166,580	196,323	225,925	-	-			
Total interest sensitivity gap	2,840,469	(2,588,250)	(1,340,549)	(2,163,138)	2,954,281	108,516			

Notes to the Financial Statements

December 31, 2004

41. FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (Cont'd)

Details of off-balance sheet interest sensitivity gap is as below:

	Principal amount RM'000	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	Margin requirement RM'000
The Bank and The Group								
2004								
Foreign exchange related contracts								
Forwards	302,308	90,449	144,676	66,350	833	–	–	–
Swaps	654,054	382,816	88,925	148,210	34,103	–	–	–
Interest rate related contracts								
Futures	183,000	–	18,000	44,000	30,000	91,000	–	–
Swaps	760,000	–	–	–	–	760,000	–	–
Total	1,899,362	473,265	251,601	258,560	64,936	851,000	–	–
2003								
Foreign exchange related contracts								
Forwards	454,727	139,433	62,604	126,235	126,455	–	–	–
Swaps	460,166	238,632	88,976	33,088	99,470	–	–	–
Interest rate related contracts								
Swaps	52,000	–	15,000	37,000	–	–	–	52
Total	966,893	378,065	166,580	196,323	225,925	–	–	52

42. FAIR VALUE

In accordance with MASB 24 "Financial Instruments : Disclosure and Presentation", the fair value of financial instruments is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

Fair values of principal financial instruments, comprising financial assets and liabilities and off-balance sheet financial instruments as of balance sheet date approximate their carrying values as shown in the balance sheets. The methodologies and assumptions used in arriving at the fair values of such instruments are as follows:

(i) Loans, advances and financing

In the computation of fair values, the instruments are differentiated into performing and non-performing accounts, which are then categorised into homogenous groups by repayment tenors, maturity and pricing. Estimated market interest rates, future expected cash flows and forced sale values of collaterals are then applied.

Notes to the Financial Statements

December 31, 2004

42. FAIR VALUE (CONT'D)

- (ii) *Cash and short term funds, securities purchased under resale agreements, deposits and placements with banks and other financial institutions and statutory deposits with Central Banks*

The fair values are considered to approximate their carrying values as they either carry negligible credit risk or are short term in nature or repayable on demand.

- (iii) *Deposits, including deposits from customers, deposits and placements of banks and financial institutions, bills and acceptances payable*

The fair values of deposits with no stated maturity including non-interest bearing deposits are considered to approximate their carrying values as they are repayable on demand whilst the fair values of other deposits are based on discounted cash flows model using current interest rates.

- (iv) *Subordinated bonds and subordinated certificates of deposits*

The computation of fair values are based on discounted cash flows model using a current yield curve appropriate for the remaining term of maturity.

- (v) *Dealing and investment securities*

Fair values are based on market prices where available. In the absence of market prices, net tangible asset backing are used to estimate the fair values.

- (vi) *Commitments and contingencies*

No fair values have been ascribed to commitments and contingencies on the basis that these financial instruments generate ongoing fees at the Bank's and the Group's current pricing levels, which are in line with market prices for similar arrangements. The fair values are thus considered to be represented by the present value of the fees expected to be received, less associated costs.

Fixed assets, investments in subsidiaries and associates, goodwill and other intangibles, provision for taxation and other assets and liabilities which are outside the definition of financial instruments under MASB 24 "Financial Instruments : Disclosure and Presentation" are thus excluded.

43. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current year's presentation:

	The Bank		The Group	
	As previously reported RM'000	As reclassified RM'000	As previously reported RM'000	As reclassified RM'000
Balance Sheet				
Other assets	294,934	352,888	424,334	483,948
Other liabilities	262,992	320,946	461,941	519,895
Provision for taxation and zakat	19,239	19,239	32,214	33,874

Notes to the Financial Statements

December 31, 2004

44. PRIOR YEAR ADJUSTMENT

During the financial year, the Group changed its accounting treatment on hire purchase handling fees in compliance with Bank Negara Malaysia Circular of August 8, 2003 (BNM's circular on The Accounting Treatment of Handling Fees for Hire Purchase Loans). With the adoption of the BNM circular, the handling fees paid by the finance subsidiary company to motor vehicle dealers for hire purchase loans which were previously capitalised and amortised over the tenure of the loans using the "sum-of-the-digit" method are now charged to income statement in the period in which they are incurred.

The change of the accounting treatment for hire purchase handling fees as mentioned above has been accounted for retrospectively and, accordingly certain comparative figures have been restated as follows:

	As previously reported RM'000	Effect of change in treatment RM'000	As Restated RM'000
The Group			
2003			
<u>Balance Sheet</u>			
Other assets	483,948 *	(44,624)	439,324
Deferred tax assets	98,168	12,495	110,663
Reserves	1,496,442	(32,129)	1,464,313
<u>Income Statement</u>			
Overhead expenses	508,267	7,452	515,719
Profit before taxation and zakat	496,039	(7,452)	488,587
Taxation and zakat	146,552	(2,087)	144,465
Net profit for the year	347,677	(5,365)	342,312
* Reclassified as mentioned in Note 43.			
2002			
<u>Balance Sheet</u>			
Other assets	357,069	(37,172)	319,897
Deferred tax assets	88,109	10,408	98,517
Reserves	1,352,643	(26,764)	1,325,879
<u>Income Statement</u>			
Overhead expenses	471,646	2,232	473,878
Profit before taxation and zakat	419,248	(2,232)	417,016
Taxation and zakat	120,095	(625)	119,470
Net profit for the year	291,769	(1,607)	290,162

Statement by Directors

The directors of SOUTHERN BANK BERHAD state that, in their opinion, the financial statements set out on pages 74 to 154 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Bank and of the Group as of December 31, 2004 and of the results and the cash flows of the Bank and of the Group for the year ended on that date.

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

YBhg Dato' Syed Mohd Yusof bin Tun Syed Nasir

Chairman

YBhg Dato' Tan Teong Hean

Chief Executive Director

Kuala Lumpur
March 15, 2005

Statutory Declaration

I, NG GEK SIU, being the officer primarily responsible for the financial management of SOUTHERN BANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 74 to 154 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 NG GEK SIU,
at KUALA LUMPUR
this 15th day of March 2005.

Before me,

S. Masood Omar

Commissioner for Oaths

Kuala Lumpur

Report of the Auditors

to the Members of Southern Bank Berhad

We have audited the accompanying balance sheets as of December 31, 2004 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These 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 financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Bank and of the Group as of December 31, 2004 and of the results and the cash flows of the Bank and of the Group for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report of the subsidiary company of which we have not acted as auditors as indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies 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 as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies that have been included in the consolidated financial statements were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN

AF 0080

Chartered Accountants

KEK AH FONG

1880/4/06(J)

Partner

Petaling Jaya, Malaysia

March 15, 2005

Analysis of Shareholdings

as at 29 April, 2005

Authorised Share Capital	: RM10,000,000,000 comprising 10,000,000,000 ordinary shares of RM1.00 each
Issued and Paid-up Share Capital	: RM1,452,715,033 comprising 1,452,715,033 ordinary shares of RM1.00 each
Class of Shares	: Ordinary Shares of RM1.00 each
Voting rights	: One vote per shareholder on a show of hands One vote per ordinary share on a poll

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	584	2.94	22,082	*
100 to 1,000	3,930	19.80	3,302,599	0.23
1,001 to 10,000	11,909	60.01	49,147,920	3.38
10,001 to 100,000	2,911	14.67	81,830,402	5.63
100,001 to less than 5% of issued shares	510	2.57	1,090,396,212	75.06
5% and above of issued shares	1	0.01	228,015,818	15.70
Total	19,845	100.00	1,452,715,033	100.00

* Less than 0.01%

TOP 30 MAJOR SHAREHOLDERS as at 29 April 2005

(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Shareholdings	%
1 Killinghall (Malaysia) Bhd	228,015,818	15.70
2 HDM Nominees (Tempatan) Sdn Bhd	62,500,000	4.30
– Dato' Syed Mohd Yusof bin Tun Syed Nasir		
3 HDM Nominees (Tempatan) Sdn Bhd	62,500,000	4.30
– DYMM Sultan Sharafuddin Idris Shah Ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Al Haj		
4 Kumpulan Wang Amanah Pencen	60,000,000	4.13
5 Amalan Istimewa Sdn Bhd	50,644,161	3.49
6 Citicorp Nominees (Asing) Sdn Bhd	47,702,315	3.28
– Oversea-Chinese Banking Corporation Limited		
7 Mayban Securities Nominees (Asing) Sdn Bhd	46,498,751	3.20
– KI Investments (HK) Limited		
8 Citicorp Nominees (Asing) Sdn Bhd	44,817,100	3.09
– Aranda Investments (Mauritius) Pte Ltd		
9 Kuala Lumpur City Nominees (Asing) Sdn Bhd	38,100,000	2.62
– Altima Inc		
10 UOBM Nominees (Tempatan) Sdn Bhd	37,422,000	2.58
– Heng Lee & Company Sdn Bhd		
11 Employees Provident Fund Board	34,709,487	2.39
12 Bumiputera-Commerce Nominees (Tempatan) Sdn Bhd	28,600,000	1.97
– Ramuda Sdn Berhad		

Analysis of Shareholdings

as at 29 April, 2005

TOP 30 MAJOR SHAREHOLDERS as at 29 April 2005

(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Shareholdings	%
13 Malaysia Focus Investment Fund Limited	23,100,000	1.59
14 Yeap Lean Seng Sdn Berhad	19,981,504	1.38
15 Heng Lee And Company Sdn Berhad	16,378,000	1.13
16 Asia Life (M) Berhad	12,010,025	0.83
– As Beneficial Owner (PF)		
17 Bumiputera-Commerce Nominees (Tempatan) Sdn Bhd	10,900,000	0.75
– Syed Sirajuddin Putra Jamalullail		
18 GET Holdings Sdn Berhad	10,085,208	0.69
19 HSBC Nominees (Asing) Sdn Bhd	9,788,900	0.67
– Value Partners “A” Fund		
20 Employees Provident Fund Board	8,836,800	0.61
21 UOBM Nominees (Tempatan) Sdn Bhd	8,539,670	0.59
– Yeap Leong Huat		
22 Capital Properties Berhad	8,483,750	0.58
23 EB Nominees (Tempatan) Sendirian Berhad	8,477,000	0.58
– Heng Lee & Company Sdn Bhd		
24 RC Nominees (Tempatan) Sdn Bhd	8,439,836	0.58
– Raja Noora Ashikin binti Raja Abdullah		
25 Malaysia Nominees (Tempatan) Sdn Bhd	7,637,874	0.53
– Great Eastern Life Assurance (Malaysia) Berhad		
26 Malaysia Nominees (Tempatan) Sendirian Berhad	7,500,000	0.52
– Killinghall (M) Bhd		
27 Kenanga Nominees (Tempatan) Sdn Bhd	6,833,320	0.47
– Lim Siew Lay		
28 Bumiputera-Commerce Nominees (Tempatan) Sdn Bhd	6,739,062	0.46
– Amalan Istimewa Sdn Bhd		
29 HSBC Nominees (Asing) Sdn Bhd	6,621,308	0.46
– BNP Paribas Sec Services Paris-BNP Paribas Paris S.A.		
30 Alliancegroup Nominees (Tempatan) Sdn Bhd	6,335,200	0.44
– PHEIM Asset Mgmt S/B-Employees Provident Fund		
Total	928,197,089	63.89

Analysis of Shareholdings

as at 29 April, 2005

SUBSTANTIAL SHAREHOLDERS

Name	Direct	Indirect	% of Issued Capital
Killinghall (Malaysia) Bhd	243,868,318	–	16.79
Ramuda Sdn Bhd	28,749,206	243,872,056 ¹	18.77
Dato' Tan Teong Hean	3,330,856	336,837,805 ²	23.42
DYMM Sultan Sharafuddin Idris Shah	66,368,750	272,621,262 ³	23.34
Dato' Syed Mohd Yusof bin Tun Syed Nasir	62,500,000	272,621,262 ⁴	23.07
The Straits Trading Company Ltd	–	243,868,318 ⁵	16.79

Notes:

1. By virtue of its direct shareholdings in Killinghall (Malaysia) Bhd and Ramuda Mining Sdn Bhd.
2. By virtue of his direct shareholding in Ramuda Sdn Bhd, direct and indirect shareholdings in Killinghall (Malaysia) Bhd and indirect shareholdings in Ramuda Mining Sdn Bhd and Amalan Istimewa Sdn Bhd.
3. By virtue of his direct shareholding in Ramuda Sdn Bhd, direct and indirect shareholdings in Killinghall (Malaysia) Bhd and indirect shareholding in Ramuda Mining Sdn Bhd.
4. By virtue of his direct shareholding in Ramuda Sdn Bhd and his indirect shareholdings in Killinghall (Malaysia) Bhd and Ramuda Mining Sdn Bhd.
5. By virtue of its shareholding in Killinghall (Malaysia) Bhd.

Dato' Tan Teong Hean, by virtue of his total direct and indirect interests of 340,168,661 shares in the Company, is deemed interested in the shares in all of the Company's subsidiary companies to the extent that the Company has interests.

DYMM Sultan Sharafuddin Idris Shah, by virtue of his total direct and indirect interests of 338,990,012 shares in the Company, is deemed interested in the shares in all of the Company's subsidiary companies to the extent that the Company has interests.

Dato' Syed Mohd Yusof bin Tun Syed Nasir by virtue of his total direct and indirect interests of 335,121,262 shares in the Company, is deemed interested in the shares in all of the Company's subsidiary companies to the extent that the Company has interests.

Analysis of Warrant Holdings

as at 29 April, 2005

No. of Warrants in Issue	: 159,189,756
Exercise Price of Warrants	: RM1.74
Exercise Period of Warrants	: 18 June 1997 - 17 June 2006
Exercise Rights	: Each warrant entitles the holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company at any time during the Exercise Period

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants Held	% of Warrant Holdings
Less than 100	538	9.95	20,127	0.01
100 to 1,000	1,022	18.90	669,977	0.42
1,001 to 10,000	2,893	53.49	11,153,262	7.01
10,001 to 100,000	819	15.14	23,734,868	14.91
100,001 to less than 5% of warrants in issue	134	2.48	75,834,390	47.64
5 % and above of warrants in issue	2	0.04	47,777,132	30.01
Total	5,408	100.00	159,189,756	100.00

TOP 30 MAJOR WARRANT HOLDERS as at 29 April 2005

(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Warrant Holdings	%
1 Southern Nominees (Tempatan) Sdn Bhd – Killinghall (Malaysia) Bhd	30,763,195	19.32
2 Citicorp Nominees (Asing) Sdn Bhd – Oversea-Chinese Banking Corporation Ltd	17,013,937	10.69
3 Citicorp Nominees (Asing) Sdn Bhd – Goldman Sachs International	4,921,200	3.09
4 Public Nominees (Tempatan) Sdn Bhd – Ramuda Mining Sdn Bhd	4,318,747	2.71
5 Alliancegroup Nominees (Tempatan) Sdn Bhd – PHEIM Asset Mgmt S/B-Employees Provident Fund	4,028,000	2.53
6 Mayban Securities Nominees (Asing) Sdn Bhd – OCBC Sec Pte Ltd for KI Investments (HK) Limited	3,863,250	2.43
7 Amalan Istimewa Sdn Bhd	3,592,013	2.26
8 Malaysia Focus Investment Fund Limited	2,630,968	1.65
9 Employees Provident Fund Board	2,000,000	1.26
10 Universal Trustee (Malaysia) Berhad – SBB Crystal Equity Fund	2,000,000	1.26
11 Mayban Securities Nominees (Asing) Sdn Bhd – KI Investments (HK) Limited	1,944,000	1.22
12 Capital Properties Berhad	1,785,705	1.12

Analysis of Warrant Holdings

as at 29 April, 2005

TOP 30 MAJOR WARRANT HOLDERS as at 29 April 2005

(Without aggregating the securities from different securities accounts belonging to the same depositor)

	Warrant Holdings	%
13 Universal Trustee (Malaysia) Berhad – SBB Premium Capital Fund	1,649,200	1.04
14 The Asia Insurance Company Limited	1,645,000	1.03
15 Asia Life (M) Berhad – As Beneficial Owner (PF)	1,639,025	1.03
16 Southern Nominees (Tempatan) Sdn Bhd – Ramuda Mining Sdn Bhd	1,523,738	0.96
17 Glenmarie Estates Sdn Berhad	1,494,225	0.94
18 Southern Nominees (Tempatan) Sdn Bhd – Tan Sri Osman S Cassim	1,405,121	0.88
19 Universal Trustee (Malaysia) Berhad – SBB High Growth Fund	1,400,000	0.88
20 HSBC Nominees (Asing) Sdn Bhd – TNTC for Government of Singapore Investment Corporation Pte Ltd	1,350,000	0.85
21 HSBC Nominees (Asing) Sdn Bhd – HSBC-FS for PHEIM-Aizawa Asia Fund	1,300,000	0.82
22 Ke-Zan Nominees (Asing) Sdn Bhd – Kim Eng Securities Pte Ltd for Law Peng Kwee	1,145,675	0.72
23 Manulife Insurance (Malaysia) Berhad	960,000	0.60
24 Mayban Nominees (Asing) Sdn Bhd – Sword Investments Private Limited	958,677	0.60
25 Syarikat Senky Dredging Sdn Bhd	843,071	0.53
26 Muhammad Abdus Salim bin S Cassim	820,059	0.52
27 HSBC Nominees (Asing) Sdn Bhd – Genesis Malaysia Maju Fund Limited	794,000	0.50
28 Permodalan Nasional Berhad	777,562	0.49
29 Cheah See Han	724,100	0.45
30 BHLB Trustee Berhad – TA Comet Fund	664,000	0.42
Total	99,954,468	62.79

Directors' Direct and Indirect Interests

in Shares and Warrants in the Company

Other than as set forth below, none of the other director of the Company had any interest, in shares and warrants, direct or indirect, in the Company and its related corporations.

SHAREHOLDINGS

	Direct	% of Issued Capital	Indirect	% of Issued Capital
Dato' Syed Mohd Yusof bin Tun Syed Nasir	62,500,000	4.30	272,621,262 ^a	18.77
Dato' Tan Teong Hean	3,330,856	0.23	336,837,805 ^b	23.19
Dato' Yeap Leong Huat	10,210,298	0.70	2,786,511 ^c	0.19
Mr Yeap Lam Yang	6,461,723	0.45	2,786,511 ^d	0.19
Tengku Zaitun binti Tengku Mahadi	1,902	*	–	–

* Less than 0.01%

Notes

- By virtue of his direct shareholding in Ramuda Sdn Bhd and indirect shareholdings in Killinghall (Malaysia) Bhd and Ramuda Mining Sdn Bhd.
- By virtue of his direct shareholding in Ramuda Sdn Bhd, direct and indirect shareholdings in Killinghall (Malaysia) Bhd and indirect shareholdings in Ramuda Mining Sdn Bhd and Amalan Istimewa Sdn Bhd.
- By virtue of his shareholding in Ban Hin Lee Investment Ltd.
- By virtue of his shareholding in Ban Hin Lee Investment Ltd.

WARRANT HOLDINGS

	Direct	% of Warrants in Issue	Indirect	% of Warrants in Issue
Dato' Syed Mohd Yusof bin Tun Syed Nasir	–	–	36,634,117 ^a	23.01
Dato' Tan Teong Hean	643,961	0.40	40,226,130 ^b	25.27

Notes

- By virtue of his direct shareholding in Ramuda Sdn Bhd and indirect shareholdings in Killinghall (Malaysia) Bhd and Ramuda Mining Sdn Bhd.
- By virtue of his direct shareholding in Ramuda Sdn Bhd, direct and indirect shareholdings in Killinghall (Malaysia) Bhd and indirect shareholdings in Ramuda Mining Sdn Bhd and Amalan Istimewa Sdn Bhd.

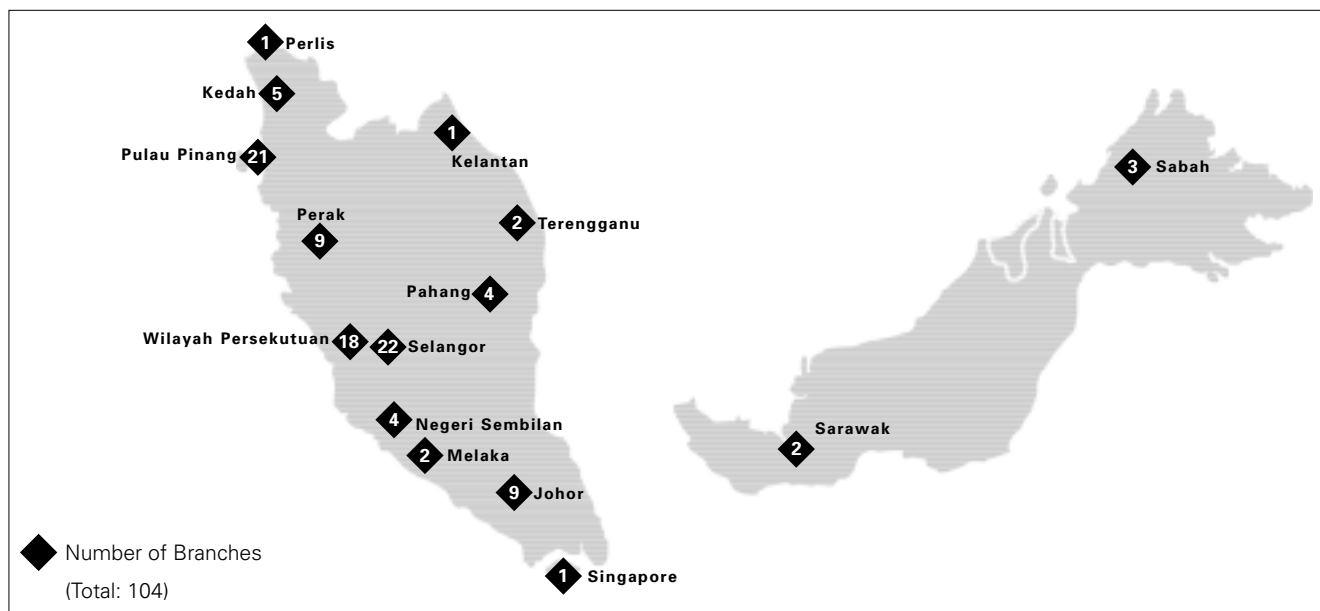
Additional Compliance Information

The following information is presented in compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad):

MATERIAL CONTRACTS

There was no material contract (not being contracts entered into in the ordinary course of business) entered into by the Company, and/ or its subsidiary companies which involve directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2004 or entered into since the end of the previous financial year that have been entered by the Company or its subsidiary companies involving directors and major shareholders in the past two years preceding the date of this annual report.

Southern Bank Branches



WILAYAH PERSEKUTUAN

1. Kuala Lumpur Main

Ground Floor
Wisma Genting
28 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-21636358
Fax: 03-20316320

2. Bangsar

19 Lorong Ara Kiri 1
Taman Lucky Bangsar
59100 Kuala Lumpur
Tel: 03-20935129
Fax: 03-20931913

3. Bukit Tunku

J2 & K1 Taman Tunku
Bukit Tunku
50480 Kuala Lumpur
Tel: 03-62013136
Fax: 03-62013328

4. Jalan Hang Lekiu

49 Jalan Hang Lekiu
50100 Kuala Lumpur
Tel: 03-20700222
Fax: 03-2070 1853

5. Jalan Imbi

43 Jalan Barat
Off Jalan Imbi
55100 Kuala Lumpur
Tel: 03-21426018
Fax: 03-21451329

6. Jalan Kuchai Lama

5 Jalan 2/116 B
Kuchai Entrepreneurs' Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Tel: 03-79803164
Fax: 03-79804286

7. Jalan Pudu

317-319 Jalan Pudu
55100 Kuala Lumpur
Tel: 03-92224372
Fax: 03-92217688

8. Jalan Raja Laut

338 Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-40446306
Fax: 03-40434909

9. Jalan Sentul

704 & 706 Jalan Sentul
51000 Kuala Lumpur
Tel: 03-40412423
Fax: 03-40433787

10. Jalan Sultan

59 Jalan Sultan
50000 Kuala Lumpur
Tel: 03-20722654
Fax: 03-20725758

11. Jinjang

6055 Jalan Jambu Gajus
Jinjang Selatan
52000 Kuala Lumpur
Tel: 03-62571701
Fax: 03-62570179

12. Kampung Pandan

63 & 65 Jalan Kampung
Pandan
Kampung Pandan
55100 Kuala Lumpur
Tel: 03-92846386
Fax: 03-92828043

13. Kepong

47 Jalan 3 / 34 A
Kepong Entrepreneurs' Park
52100 Kuala Lumpur
Tel: 03-62509691
Fax: 03-62514122

14. Plaza Damansara

Menara Southern Bank
83, Medan Setia Satu
Plaza Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel: 03-20873000
Fax: 03-27104830/4840

15. Taman Connaught

197 & 199 Jalan Sarjana
Taman Connaught
Cheras
56000 Kuala Lumpur
Tel: 03-91322051
Fax: 03-91326392

16. Taman Sri Rampai

21 & 23 Jalan 46A / 26
Taman Sri Rampai
Setapak
53300 Kuala Lumpur
Tel: 03-41494677
Fax: 03-41424959

Southern Bank Branches

17. Taman Tun Dr Ismail

1 Jalan 2 / 71
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel: 03-77283686
Fax: 03-77290878

TTDI-Drive-In

Women's Institute of
Management
No. 7, Jalan Abang
Haji Gopeng
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel: 03-77264034
Fax: 03-77264053

18. Wisma Idris

No. 17
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-20266882
Fax: 03-20262604

PULAU PINANG

19. Penang Main

Menara BHL
Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Tel: 04-2274397
Fax: 04-2267822

20. Ayer Itam

21 Jalan Ayer Itam
11400 Pulau Pinang
Tel: 04-8284769
Fax: 04-8299358

21. Balik Pulau

72 Jalan Besar
11000 Balik Pulau
Pulau Pinang
Tel: 04-86627986
Fax: 04-8667992

22. Bayan Baru

90 Jalan Mayang Pasir
Taman Sri Tunas
Bandar Bayan Baru
11950 Bayan Lepas
Tel: 04-6432533
Fax: 04-6438577

23. Batu Ferringgi

No. 2 Jalan Sungai Emas
11100 Batu Ferringgi
Pulau Pinang
Tel: 04-8813471
Fax: 04-8813476

24. Bayan Lepas

1223-4 Jalan Raya
11900 Bayan Lepas
Tel: 04-6436002
Fax: 04-6448426

25. Bukit Mertajam

70 Jalan Stesen
14000 Bukit Mertajam
Tel: 04-5393567
Fax: 04-5390837

26. Butterworth

4992-4993
Jalan New Ferry
12100 Butterworth
Tel: 04-3332873
Fax: 04-3321408

27. Dato Kramat

450 Jalan Dato Kramat
10460 Pulau Pinang
Tel: 04-2292066
Fax: 04-2284207

28. Kampung Gajah

7087 Jalan Kampung
Gajah
12200 Butterworth
Tel: 04-3314987
Fax: 04-3331632

29. Nibong Tebal

2904 High Street
14300 Nibong Tebal
Tel: 04-5933236
Fax: 04-5934800

30. Paya Terubong

1228T Jalan Paya
Terubong
11060 Pulau Pinang
Tel: 04-8275244
Fax: 04-8275242

31. Prai

1284 Jalan Bahru
13700 Prai
Tel: 04-3901212
Fax: 04-3997840

32. Prangin Mall (Komtar)

Lot 33-G-08
Prangin Mall
Jln. Dr. Lim Chwee
Leong
10100 Pulau Pinang
Tel: 04-2620021
Fax: 04-2635716

33. Prima Tanjung

98-G-29&30
Prima Tanjung
Jalan Fettes,
Tanjung Tokong
11200 Pulau Pinang
Tel: 04-8990144
Fax: 04-8990722

34. Pulau Tikus

368-1-14 & 15
Jalan Burmah
10350 Pulau Pinang
Tel: 04-2267426
Fax: 04-2280084

35. Seberang Jaya

D20-638 Gerbang Tuna
Seberang Jaya
13700 Perai
Tel: 04-3906402
Fax: 04-3901157

36. Seri Damai

1-G-2B Medan Batu
Lanchang
11600 Pulau Pinang
Tel: 04-6571458
Fax: 04-6562550

37. Sri Rambai

38 Lebu Nangka Dua
14000 Bukit Mertajam
Tel: 04-5305862
Fax: 04-5305854

38. Sungai Bakap

1308 Jalan Besar
Sungai Bakap
14200 Sungai Jawi
Tel: 04-5824452
Fax: 04-5821373

39. Tanjung

43 Lebu Pantai
10300 Pulau Pinang
Tel: 04-2628173
Fax: 04-2627917

KEDAH

40. Alor Setar

1564 Jalan Kota
05000 Alor Setar
Tel: 04-7319473
Fax: 04-7318058

41. Gurun

18-A Jalan Raya
08300 Gurun
Tel: 04-4689645
Fax: 04-4689606

42. Kulim

201-A Jalan Tunku Putra
09000 Kulim
Tel: 04-4905392
Fax: 04-4901855

43. Mergong

106-A Seberang Jalan
Putra, Mergong,
05150 Alor Setar
Tel: 04-7339122
Fax: 04-7318981

44. Sungai Petani

24-A Jalan Kampung
Baru
08000 Sungai Petani
Tel: 04-4229325
Fax: 04-4229332

PERLIS

45. Kuala Perlis

No. 69 Jalan Besar
02000 Kuala Perlis
Tel: 04-9855861
Fax: 04-9854598

Southern Bank Branches

PERAK

46. Bercham

194 Jalan Bercham
31400 Ipoh
Tel: 05-5452894
Fax: 05-5452899

47. Jalan Kampar

Ground Floor
Plaza Teh Teng Seng
227 Jalan Kampar
30250 Ipoh
Tel: 05-2555450
Fax: 05-2530154

48. Ipoh

45 Jalan Tun
Sambanthan
30000 Ipoh
Tel: 05-2411355
Fax: 05-2535962

49. Kamunting

51 Jalan Taiping Utara
34600 Kamunting
Tel: 05-8058561
Fax: 05-8058564

50. Kampar

99 & 101 Jalan Gopeng
31900 Kampar
Tel: 05-4651157
Fax: 05-4651854

51. Langkap

3104 C & D
Jalan Kampar
36700 Langkap
Tel: 05-6591250
Fax: 05-6592313

52. Menglembu

31 & 33 Jalan Lee Ming
Hin, 31450 Menglembu
Tel: 05-2813657
Fax: 05-2826416

53. Persiaran Greenhill

54, Persiaran Greenhill
Greentown 30450 Ipoh
Tel: 05-2415736
Fax: 05-253 7893

54. Tasik

613 & 615 Jalan Tasik
Taman Sri Tasik
31400 Ipoh
Tel: 05-5465623
Fax: 05-5460632

SELANGOR

55. Ampang

16 & 17 Jalan Besar
68000 Ampang
Tel: 03-42944602
Fax: 03-42934399

56. Bandar Sunway

101, Jalan PJS 11/2
Subang Indah
46000 Petaling Jaya
Tel: 03-56326935
Fax: 03-56366859

57. Cheras

1 & 3 Jalan PCR I
Kawasan Perniagaan
Cheras Raya Off Jalan
Balakong Batu 11
Cheras, 43200 Cheras
Tel: 03-90768375
Fax: 03-90768395

58. Dengkil

195 Jalan Besar
43800 Dengkil
Tel: 03-87686896
Fax: 03-87687670

59. Jalan Barat

3 Jalan Barat
46200 Petaling Jaya
Tel: 03-79550154
Fax: 03-79554428

60. Jalan Gasing

111 & 113 Jalan Gasing
46000 Petaling Jaya
Tel: 03-79546640
Fax: 03-79586422

61. Jalan Klang Lama

14 & 16 Jalan MJ / 7
Medan Maju Jaya Batu 7
Jalan Klang Lama
46000 Petaling Jaya
Tel: 03-77836925
Fax: 03-77836927

62. Kajang

21 Jalan S10/2
Section 10 Jalan Bukit
43000 Kajang
Tel: 03-87374209
Fax: 03-87374282

63. Kelana Jaya

A201, Block A,
Glomac Business
Centre, No. 10 Jalan
SS6/1, Kelana Jaya
47301 Petaling Jaya
Tel: 03-78031446
Fax: 03-78037153

64. Kinrara

17 Jalan TK1/11A
Plaza Kinrara
Off Jalan Puchong
47100 Puchong
Tel: 03-80757854
Fax: 03-80757568

65. Pelabuhan Klang

55-59 Jalan Cungah
42000 Pelabuhan Klang
Tel: 03-31670997
Fax: 03-31684021

66. Puchong

12 & 13 Jalan Kenari 1
Bandar Puchong Jaya
47100 Puchong
Tel: 03-58825007
Fax: 03-58825009

67. Rawang

49 Jalan Maxwell
48000 Rawang
Tel: 03-60912775
Fax: 03-60912844

68. Seksyen 14

22 & 24 Jalan 14 / 14
Seksyen 14
46100 Petaling Jaya
Tel: 03-79566241
Fax: 03-79573872

69. Seksyen 17

933 Jalan 17 / 38
Seksyen 17
46400 Petaling Jaya
Tel: 03-79553782
Fax: 03-79568567

70. Selayang

14 Jalan Sri Selayang
Taman Sri Selayang
68100 Batu Caves
Tel: 03-61897766
Fax: 03-61862102

71. Seri Kembangan

26368 Jalan College
43300 Seri Kembangan
Tel: 03-89422734
Fax: 03-89424236

72. Shah Alam

14 Jalan Tengku
Ampuan Zabedah D9/D
Seksyen 9
40100 Shah Alam
Tel: 03-55100633
Fax: 03-55129882

73. Subang Jaya

40 & 42 Jalan SS15 / 4D
Subang Jaya
47500 Petaling Jaya
Tel: 03-56346723
Fax: 03-56352555

74. Sungai Buloh

386 Jalan 1A / 3
Bandar Baru Sungai
Buloh
47000 Sungai Buloh
Tel: 03-61561387
Fax: 03-61561589

Southern Bank Branches

75. Sungai Chua (Kajang)

3 Taman Cahaya
Sungai Chua
43000 Kajang
Tel: 03-87335382
Fax: 03-87369031

76. Taman Intan (Klang)

49 & 51 Jalan Batai
Laut Taman Intan
41300 Klang
Tel: 03-33423476
Fax: 03-33424832

NEGERI SEMBILAN
77. Ampangan

45 Jalan Cempaka
Bandar Baru Ampangan
70400 Seremban
Tel: 06-7622844
Fax: 06-7620351

78. Lukut

Lot 3110 Jalan Besar
Lukut
71010 Port Dickson
Tel: 06-6511946
Fax: 06-6511858

79. Nilai

Jalan BBN 1/1F
Bandar Baru Nilai
71800 Nilai
Tel: 06-8500153
Fax: 06-8500137

80. Seremban

9/G Arab Malaysian
Business Centre
Jalan Tuanku Munawir
70000 Seremban
Tel: 06-7617519
Fax: 06-761 7506

PAHANG
81. Bentong

87 Jalan Loke Yew
28700 Bentong
Tel: 09-2222966
Fax: 09-2226113

82. Jalan Beserah

B-338 Jalan Beserah
25300 Kuantan
Tel: 09-5663387
Fax: 09-5665487

83. Kuantan

34-40 Jalan Telok Sisek
25050 Kuantan
Tel: 09-5163211
Fax: 09-5161927

84. Ringlet

31 Main Road
39200 Ringlet
Tel: 05-4956877
Fax: 05-4957096

MELAKA
85. Air Keroh

36 & 37 Lorong Setia 1
Air Keroh Heights
75450 Melaka
Tel: 06-2322189
Fax: 06-2322190

86. Melaka

110, Jalan Bendahara
75100 Melaka
Tel: 06-2841460
Fax: 06-2841436

JOHOR
87. Batu Pahat

Ground Floor
Kompleks Penggaram
No. 1 Jalan Abdul Rahman
83000 Batu Pahat
Tel: 07-4328201
Fax: 07-4328244

88. Bukit Gambir

167 Jalan Besar
84800 Bukit Gambir Muar
Tel: 06-9762489
Fax: 06-9762606

89. Johor Bahru

75 Jalan Kuning Dua
Taman Pelangi
80400 Johor Bahru
Tel: 07-3312090
Fax: 07-3328032

90. Johor Jaya

2, 4 & 6 Jalan Dedap 20
Taman Johor Jaya
81100 Johor Bahru
Tel: 07-3544501
Fax: 07-3548669

91. Kluang

2 Jalan Haji Manan
86000 Kluang
Tel: 07-7725921
Fax: 07-7715677

92. Perling

382 Jalan Simbang
Taman Perling
81200 Johor Bahru
Tel: 07-2389770
Fax: 07-2380129

93. Senai

18 Jalan Belimbing
81400 Senai
Tel: 07-5992155
Fax: 07-5994855

94. Skudai

48 Jalan Hang Tuah 4
Taman Skudai Baru
81300 Skudai
Tel: 07-5584549
Fax: 07-5583803

95. Tampoi

24 & 26 Jalan Padi 1
Bandar Baru UDA
Tampoi
81200 Johor Bahru
Tel: 07-2379645
Fax: 07-2379653

KELANTAN
96. Kota Bharu

681-J Jalan Che Su
15000 Kota Bharu
Tel: 09-7448789
Fax: 09-7449019

TERENGGANU
97. Kemaman

K3757 Jalan Sulaimani
24000 Kemaman
Tel: 09-8593234
Fax: 09-8593236

98. Kuala Terengganu

104A-B
Jalan Sultan Ismail
20200 Kuala
Terengganu
Tel: 09-6223213
Fax: 09-6229058

SARAWAK
99. Kuching

282 Jalan Rubber
93400 Kuching
Tel: 082-238072
Fax: 082-238069
Manager: 082-239540

100. Miri

945 Jalan Parry
98000 Miri
Tel: 085-437729
Fax: 085-437735

SABAH
101. Kota Kinabalu

Lot No. 62 & 63
Inanam Commercial
Centre
88450 Kota Kinabalu
Tel: 088-439731
Fax: 088-439709

102. Kampung Air

(Kota Kinabalu)
Jalan Kampung Air 4
88000 Kota Kinabalu
Tel: 088-249688
Fax: 088-254388

103. Sandakan

Block B Lot No 2
Bandar Ramai-Ramai
Jalan Leila
90000 Sandakan
Tel: 089-218366
Fax: 089-210175

SINGAPORE
104. Singapore

39 Robinson Road
#01-02 Robinson Point
Singapore 068911
Tel: 02-65321318
Fax: 02-65355366

Southern Finance Service Centres

WILAYAH PERSEKUTUAN Kuala Lumpur Main

Ground Floor, MUI Plaza
Jalan P. Ramlee
50250 Kuala Lumpur
Tel: 03-21453311
Fax: 03-27151454

Mid Valley

Lot No. S-067
2nd Floor, (South Wing)
Mid Valley Megamall
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-22877800
Fax: 03-22878215

Taman Maluri

Ground Floor
No. 27, Jalan Jejaka 7
Taman Maluri
Off Jalan Cheras
55100 Kuala Lumpur
Tel: 03-92069600
Fax: 03-92842327

SELANGOR

Batang Kali

20, Jalan CKC 2
Pekan Baru Batang Kali
44300 Hulu Selangor
Tel: 03-60573688
Fax: 03-60573692

Klang (IBC)

113 & 113A, Jalan Kapar
41400, Klang
Tel: 03-33437486
Fax: 03-33437551

Petaling Jaya

Ground Floor
62, Jalan SS2/60
47300 Petaling Jaya
Tel: 03-78759154
Fax: 03-78758418

Shah Alam

8 Jalan UTAS D15/D
Seksyen 15
40000 Shah Alam
Tel: 03-55196986
Fax: 03-55197380

Sungai Buloh

54, Jalan BRP 1/2
Bukit Rahman Putra
47000 Sungai Buloh
Tel: 03-61573285
Fax: 03-61573280

NEGERI SEMBILAN Bahau

95 & 96, Jalan Gurney
72100 Bahau
Tel: 06-4542611
Fax: 06-4545628

Rembau

30, Jalan Terentang
71300 Rembau
Tel: 06-6851122
Fax: 06-6851287

Seremban

Ground Floor
Wisma Dato' Rashid
161 & 162, Jalan Za'aba
70100 Seremban
Tel: 06-7640231
Fax: 06-7640610

MELAKA

Melaka

Ground Floor
80 & 82, Jalan Bendahara
75100 Melaka
Tel: 06-2823540
Fax: 06-2863727

Alor Gajah

AG 9495, Jalan Simpang Empat
78000 Alor Gajah
Tel: 06-5562935
Fax: 06-5562937

JOHOR

Batu Pahat

Ground Floor
87-88, Jalan Rahmat
83000 Batu Pahat
Tel: 07-4343700
Fax: 07-4321657

Johor Bahru

Ground Floor
61-61C, Jalan Ibrahim
80000, Johor Bahru
Tel: 07-2241988
Fax: 07-2271948

Kluang

7, Persiaran Dato' Haji Ismail
Hassan
86000 Kluang
Tel: 07-7732732
Fax: 07-7732735

Pontian Kecil

Ground Floor
753, Jalan Taib
82000 Pontian Kecil
Tel: 07-6872677
Fax: 07-6868277

PERAK

Bidor

1, Jalan Bidor Raya
Off Jalan Persatuan
35500 Bidor
Tel: 05-4342001
Fax: 05-4344300

Ipoh

54-56, Persiaran Greentown 1
Green Town Business Centre
30450 Ipoh
Tel: 05-2410319
Fax: 05-2410236

Kuala Kangsar

Plot 55, Fasa 2, Bandar Baru
33000 Kuala Kangsar
Tel: 05-7765866
Fax: 05-7765863

Simpang

655, Jalan Taman
Kota Jaya Luar
34700 Simpang
Tel: 05-8472229
Fax: 05-8473406

PULAU PINANG

Bukit Mertajam

Ground Floor
2, Jalan Muthupalaniappa
14000 Bukit Mertajam
Tel: 04-5371237
Fax: 04-5371253

Penang

202A, Jalan Burmah
10350 Penang
Tel: 04-2270641
Fax: 04-2270690

KEDAH

Alor Setar

1st Floor
1302, Jalan Tunku Ibrahim
05000 Alor Setar
Tel: 04-7344889
Fax: 04-7345035

Sungai Petani

90, Jalan Pengkalan Susur Kiri
Taman Pekan Baru
08000 Sungai Petani
Tel: 04-4231590
Fax: 04-4231468

KELANTAN

Kota Bharu

Ground Floor
4262-T, Jalan Kebun Sultan
15350, Kota Bharu
Tel: 09-7445500
Fax: 09-7442837

TRENGGANU

Kuala Trengganu

Ground Floor
1C, Jalan Air Jerneh
20300 Kuala Trengganu
Tel: 09-6231133
Fax: 09-6231135

PAHANG

Kuantan

Ground Floor
B-100, Jalan Tun Ismail
Sri Dagangan
25000 Kuantan
Tel: 09-5162617
Fax: 09-5156530

SARAWAK

Kuching

Ground Floor
Lot 578, Section 10
KTLD Wisma Singh
Jalan Tun Ahmad Zaidi
Adurece
93400 Kuching
Tel: 082-253440
Fax: 082-230382

SARAWAK

Miri

946, Jalan Parry
98000 Miri
Tel: 085-438136
Fax: 085-438072

SABAH

Kota Kinabalu

Ground Floor
4/G1 & F1, Lorong Api-Api 1
Api-Api Centre
Jalan Tun Razak
88000 Kota Kinabalu
Tel: 088-265222
Fax: 088-267858

Bank Group Directory

SOUTHERN BANK BERHAD

Corporate Headquarters

Dato' Tan Teong Hean

Chief Executive Director

Level 3, Menara Southern Bank
83, Medan Setia 1
Plaza Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-20873000
Fax : 03-20933157
<http://www.southernbank.com.my>

SBB SECURITIES SDN BHD

RC NOMINEES (TEMPATAN) SDN BHD

RC NOMINEES (ASING) SDN BHD

James Lau Yew Kong

Chief Executive Officer

3rd Floor, Plaza Damansara Utama
No. 2, Jalan SS 21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-77297345
Fax : 03-77281357

SBB ASSET MANAGEMENT SDN BHD

Pearl Wong

Chief Executive Officer

Level 5, Bangunan Setia 1
Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : 03-20845000
Fax : 03-20845001

S. B. VENTURE CAPITAL CORPORATION SDN BHD

Eu Sim Wai

Executive Vice President

Level 2, Menara Southern Bank
83, Medan Setia 1
Plaza Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-20925128
Fax : 03-20921672

S. B. PROPERTIES SDN BHD

ELITE CONSTANT DEVELOPMENT SDN BHD

Lee Bee Suan

Executive Vice President

2nd Floor, 1, Jalan Ampang
50450 Kuala Lumpur
Tel : 03-20789000
Fax : 03-20729702

SOUTHERN NOMINEES (TEMPATAN) SDN BHD

SOUTHERN NOMINEES (ASING) SDN BHD

Tan Ghee Kay

Executive Vice President & Company Secretary

Level 3, Menara Southern Bank
83, Medan Setia 1
Plaza Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-20873000
Fax : 03-20933157

Bank Group Directory

SBB CAPITAL MARKETS SDN BHD

Kong Sooi Peng

Company Secretary

Level 3, Menara Southern Bank
83, Medan Setia 1
Plaza Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-20873000
Fax : 03-20933157

SOUTHERN FINANCE BERHAD

SFB NOMINEES (TEMPATAN) SDN BHD

SFB NOMINEES (ASING) SDN BHD

Abdul Karim Md Lassim

Chief Executive Officer

18th Floor, MUI Plaza
Jalan P Ramlee
50250 Kuala Lumpur
Tel : 03-21411155
Fax : 03-21456586

SOUTHERN INVESTMENT BANK BERHAD

PERDANA NOMINEES (TEMPATAN) SDN BHD

PERDANA NOMINEES (ASING) SDN BHD

Goh Ching Yin

Chief Executive Officer

16th Floor, Wisma Genting
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-20594188
Fax : 03-20722964

SBB MUTUAL BERHAD

Paul Low Hong Ceong

Chief Executive Officer

50, 52 & 54, Jalan SS21/39
Damansara Utama
47400 Petaling Jaya
Selangor
Tel : 03-77122888
Fax : 03-77265088

BHLB TRUSTEE BERHAD

Joshua Lim Yoke Long

Chief Executive Officer

Ground & First Floor
No. 24, Jalan 14/22
Right Angle, Seksyen 14
46100 Petaling Jaya
Selangor
Tel : 03-79583637/79582761
Fax : 03-79554071

BHLB PROPERTIES SDN BHD

Koay Beng Tin

Vice President

2nd Floor, 1, Jalan Ampang
50450 Kuala Lumpur
Tel : 03-20789000
Fax : 03-20729702

List of Bank Group Properties

as at December 31, 2004

Address	Brief Description	Existing Use	Land/Built-up* Area (Sq. M.)	Tenure & Expiry Date	Age of Building (Years)	Net Book Value (RM'000)	Date of Revaluation*/ Acquisition
OWNED BY SOUTHERN BANK BERHAD							
Wilayah Persekutuan							
No. 34, Jalan Tun Perak, 50050 Kuala Lumpur	4 storey building	Administrative Office	354	Freehold	22	4,231	01-07-2000
Pulau Pinang							
Menara BHL Jalan Sultan Ahmad Shah 10050, Georgetown	11 floors of a 30 storey office building	Branch, Administrative Office & Tenanted	14,480*	Freehold	9	47,752	01-07-2000
No. 43, Lebu Pantai, 10300 Georgetown	5 storey building	Branch & Administrative Office	987	Freehold	Pre 1948	9,904	01-07-2000
No. 1284, Jalan Bahru, 13700 Prai	1 unit 2 storey shophouse	Branch	375	Freehold	30	1,314	01-07-2000
No. 1307,1308 & 1309 Jalan Besar, Sungai Bakap,	3 units 2 storey shophouse	Branch	334	Freehold	27	1,130	01-07-2000
No. 21, Jalan Ayer Itam, 11400	2 storey detached building	Branch	1,708	Freehold	11	2,370	01-07-2000
No. 7086 & 7087, Jalan Kampung Gajah, 12200 Butterworth	2 units 3 storey shophouse	Branch	269	99 Year Lease 30-09-2085	7	1,480	01-07-2000
No. 2, Jalan Sungai Emas, 11100 Batu Feringgi	2 units shoplots on ground floor of commercial complex	Branch	111*	Freehold	9	541	01-07-2000
No. 1228T, Jalan Paya Terubong, 11060	shop unit on ground and first floor of commercial complex	Branch	292*	Freehold	9	705	01-07-2000
G-07 & G-08, Prangin Mall Komtar, Jalan Dr. Lim Chwee Leong, 10100, Georgetown	2 shoplots on ground floor of shopping complex	Branch	670*	99 Year Lease 2096	4	6,254	01-07-2000
No. 98 - 29 & 30, Jalan Fettes Park, Bandar Tanjung Tokong, 11200	2 units 4 storey shophouse	Branch	630*	Freehold	5	2,939	01-07-2000
1-G - 2B, Medan Batu Lanchang, 11600, Georgetown	1 shoplot on ground floor of 3 storey commercial complex	Branch	289*	99 Year Lease 2086	6	2,208	01-07-2000

List of Bank Group Properties

as at December 31, 2004

Address	Brief Description	Existing Use	Land/Built-up* Area (Sq. M.)	Tenure & Expiry Date	Age of Building (Years)	Net Book Value (RM'000)	Date of Revaluation*/ Acquisition
Unit G01 Sub-centre Kompleks, Medan Mayan Pasir, 11950 Bayan Baru	shop unit on ground floor of subcentre complex	Store room	186	99 Year Lease 31-10-2076	26	451	01-07-2000
Kedah							
No. 1571, Jalan Kota, 05000 Alor Setar	2 units 4 storey shophouse	Vacant	203	60 Year Lease 25-03-2029	6	1,209	01-07-2000
Selangor							
No. 14 Jalan Tengku Ampuan Zabedah, D9/D, Seksyen 9, 40100 Shah Alam	1 unit 4 storey shophouse	Branch	167	99 Year Lease 29-08-2094	8	1,184	01-07-2000
No. 2, Jalan PJS 11/2, Subang Indah, 46000 Petaling Jaya	1 unit 2 1/2 storey shophouse	Branch	210	99 Year Lease 2086	9	1,259	01-07-2000
Negeri Sembilan							
No. 9/G, Arab Malaysian Business Centre, Jalan Tunku Munawir, 70000 Seremban	3 units ground & first floor of 6 storey office complex	Branch	850*	99 Year Lease 2082	10	2,925	01-07-2000
Jalan BBN 1/1F, Bandar Baru Nilai, 718000 Nilai	1 unit 3 storey shophouse	Branch	296	Freehold	7	1,067	01-07-2000
Johor							
No. 2, Jalan Haji Manan, 86000 Kluang	2 units 3 storey shophouse	Branch	293	99 Year Lease 2096	8	1,763	01-07-2000
Sabah							
Jalan Kampung Air 4, 88000 Kota Kinabalu	1 unit 4 storey shophouse	Branch	114	99 Year Lease 31-12-2073	28	2,349	01-07-2000
Sarawak							
No. 944 & 945, Jalan Parry, 98000 Miri	2 units 4 storey shophouse	Branch & Tenanted	277	99 Year Lease 06-04-2057	9	2,660	01-07-2000
No. 281 & 282, Jalan Rubber, 93400 Kuching	2 units 3 storey shophouse	Branch	275	875 Year Lease 09-03-2812	10	1,599	01-07-2000

List of Bank Group Properties

as at December 31, 2004

Address	Brief Description	Existing Use	Land/Built-up* Area (Sq. M.)	Tenure & Expiry Date	Age of Building (Years)	Net Book Value (RM'000)	Date of Revaluation*/ Acquisition
OWNED BY SOUTHERN FINANCE BERHAD							
Wilayah Persekutuan							
No. 27, Jalan Jejaka Tujuh, Taman Maluri, Jalan Cheras, 55100 Kuala Lumpur	1 unit 4 storey shophouse	Sales, Service & Collection Centre	205	99 Year Lease 24-05-2076	19	782	27-06-2003*
Kedah							
No. 1302, Jalan Tunku Ibrahim, 06000 Alor Setar	1 unit 3 storey shophouse	Sales, Service & Collection Centre	250	99 Year Lease 22-10-2076	27	720	24-09-2003*
No. 1552, Jalan Kota 05000 Alor Setar	1 unit 3 1/2 storey shophouse	Tenanted	94	99 Year Lease 14-01-2029	34	389	04-09-2003*
Perak							
No. 665, Jalan Kota Jaya Luar, 34700 Simpang, Taiping	1 unit 2 storey shophouse	Service & Collection Centre	393	99 Year Lease 16-11-2065	26	313	04-09-2003*
No. 55, Bandar Baru Fasa 2, 33000 Kuala Kangsar	1 unit 2 storey shophouse	Service Centre	123	99 Year Lease 06-06-2083	13	221	10-09-2003*
Selangor							
No. 54, Jalan BRP 1/2, Bukit Rahman Putra, 47000 Sungai Buloh	1 unit 3 storey shophouse & sub-basement	Service Centre	153	Freehold	7	780	09-09-2003*
Melaka							
No. AG 9495, Jalan Simpang Empat, 78000 Alor Gajah	1 unit 3 storey shophouse	Service Centre	149	Freehold	20	233	01-07-2003*
Johor							
No. 61-62, Jalan Ibrahim 80000 Johor Bharu	2 units 4 storey shophouse	Service & Collection Centre	190	Freehold	14	1,607	04-09-2003*
No. 36, Jalan Padi Satu, Bandar Baru UDA, 81200 Johor Bahru	1 unit 2 storey shophouse	Vacant	164	99 Year Lease 11-08-2078	7	878	27-12-2002*
Pahang							
No. 5, Jalan Dato Bahaman 4, Pusat Komersial Temerloh, Temerloh	1 unit 2 storey shophouse	Vacant	390	99 Year Lease 19-02-2096	6	413	09-09-2003*

List of Bank Group Properties

as at December 31, 2004

Address	Brief Description	Existing Use	Land/Built-up* Area (Sq. M.)	Tenure & Expiry Date	Age of Building (Years)	Net Book Value (RM'000)	Date of Revaluation*/ Acquisition
Trengganu							
No. 1C, Jalan Air Jernih 23000 Kuala Terengganu	1 unit 3 1/2 storey shophouse	Sales, Service & Collection Centre	111	Freehold	20	607	27-06-2003*
OWNED BY SFB DEVELOPMENT SDN. BHD.							
Pulau Pinang							
No. 2, Jalan Muthupalaniappa, 14000 Seberang Prai, Bukit Mertajam	1 unit 4 1/2 storey shophouse	Sales, Service & Collection Centre	521	Freehold	19	3,409	25-06-2003*
No. 202A, Jalan Burmah, 10350 Georgetown	1 unit 4 storey shophouse	Sales, Service & Collection Centre	337	Freehold	11	3,051	04-09-2003*
Perak							
No. 1, Jalan Bidor Raya, Off Jalan Persatuan, 35000 Bidor	1 unit 3 storey shophouse	Service Centre	301	99 Year Lease 23-12-2080	24	634	22-06-2003*
Melaka							
No. 80 & 82, Jalan Bendahara, 75100 Melaka	2 units 4 1/2 storey shophouse	Sales, Service & Collection Centre	569	Freehold	18	2,245	02-07-2003*
Johor							
No. 753, Jalan Taib, 82000 Pontian Kecil	1 unit 3 storey shophouse	Service & Collection Centre	184	Freehold	20	625	15-07-2003*
87-88, Jalan Rahmat, 83000 Batu Pahat	2 units 4 storey shophouse	Sales, Service & Collection Centre	307	Freehold	21	1,129	15-07-2003*
OWNED BY PERDANA VISI HARTANAH SDN. BHD.							
Selangor							
No. 292, Jalan Batu Unjur 7, Bayu Perdana, 41200 Klang	1 unit 3 storey shophouse	Tenanted	139	Freehold	6	634	02-12-2002*
Melaka							
No. 161, Taman Melaka Raya, 75000 Melaka	1 unit 2 storey shophouse	Tenanted	270	99 Year Lease 19-08-0275	23	538	07-01-2003*

List of Bank Group Properties

as at December 31, 2004

Address	Brief Description	Existing Use	Land/Built-up* Area (Sq. M.)	Tenure & Expiry Date	Age of Building (Years)	Net Book Value (RM'000)	Date of Revaluation*/ Acquisition
OWNED BY SEAL LINE TRADING SDN. BHD.							
Wilayah Persekutuan							
Lot 23 & 24, Seksyen 87, Bandar Kuala Lumpur, Jalan Tun Razak, 53200 Kuala Lumpur	Vacant land	Vacant	3,518	Freehold	Pending Devt.	17,923	27-06-1996
OWNED BY S. B. PROPERTIES SDN. BHD.							
Wilayah Persekutuan							
No. 83 , Medan Setia 1, Plaza Damansara Bukit Damansara, 50490 Kuala Lumpur	7 storey building	Corporate Headquarters & Branch	4,025	Freehold	5	50,416	28-09-1994
No. 43, Jalan Barat Off Jalan Imbi, 55100 Kuala Lumpur	4 1/2 storey building	Branch & Administrative Office	374	99 Year Lease 30-01-2073	27	3,144	1993
No. 13, Jalan Barat Off Jalan Imbi, 55100 Kuala Lumpur	1 unit 2 storey shophouse	Tenanted	163	99 Year Lease 30-03-2025	77	249	03-09-1991
Pulau Pinang							
Lot 636-640, Block D 20, Gerbang Tuna Seberang Jaya, 13700 Perai	5 units 2 storey shophouse	Branch & Tenanted	393*	99 Year Lease 28-08-2082	18	350	30-12-1983
No. 98 -21& 22, Jalan Fettes Park, Bandar Tanjung Tokong 11200	2 units 4 storey shophouse	Tenanted	209	Freehold	4	2,485	10-06-1997
No. 33 & 33B, Lebuh Pantai & No. 9 Pengkalan Weld, 10300 Georgetown	2 storey building	Tenanted	3,418	Freehold	67	2,750	1989
Kedah							
No. 1564, Jalan Kota, 05000 Alor Setar	4 1/2 storey building	Branch & Tenanted	393	60 Year Lease 25-11-2023	22	779	1984
Perak							
No. 33, Jalan Lee Ming Hin, 31450 Menglembu	1 unit 2 1/2 storey shophouse	Branch	180	Freehold	18	153	11-04-1986

List of Bank Group Properties

as at December 31, 2004

Address	Brief Description	Existing Use	Land/Built-up* Area (Sq. M.)	Tenure & Expiry Date	Age of Building (Years)	Net Book Value (RM'000)	Date of Revaluation*/ Acquisition
Lot No. 2673 & 2674, Main Road, 36700 Langkap	2 units 2 storey shophouse	Branch	298	99 Year Lease 18-08-2085	15	362	27-12-1985
No. 99 & 101, Jalan Gopeng, 31900 Kampar	2 units 2 storey shophouse	Branch	446	Freehold	80	315	1992
No. 613 & 615, Jalan Tasik, 31400 Ipoh	2 units 2 storey shophouse	Branch	286	88 Year Lease 11-03-2079	19	177	1991
Selangor							
No. 14, Jalan Sri Selayang, Taman Sri Selayang, 68100 Batu Caves	2 units 4 storey shophouse	Branch	334	Freehold	19	1,436	14-08-1985
Negeri Sembilan							
No. 111 & 113, Jalan Yam Tuan, 70000 Seremban	5 storey building	Tenanted	357	Freehold	7	2,070	11-11-1997
Melaka							
No. 110, Jalan Bendahara, 75100 Melaka	2 storey building	Branch	1335	Freehold	77	1,321	1992
Pahang							
Unit 5426, 5th Floor, Kayangan Apartment, Genting Highland	Apartment	Staff Recreation	186*	Freehold	24	223	23-07-1999
OWNED BY BHLB PROPERTIES SDN. BHD.							
Pulau Pinang							
No. 90, 92 & 94, Jalan Mayang Pasir Taman Sri Tunas, Bayan Baru, 11950 Bayan Lepas	3 units 3 storey shophouse	Branch	473	Freehold	12	2,272	01-07-2000
No. 125B, Desa Tanjung Tokong, Jalan Tanjung Tokong, 10470	1 shplot on ground floor of 3 storey commercial block	Vacant	77*	Freehold	11	365	01-07-2000
No. 49, Arked Penang Satu Komtar 10000 Georgetown	3 shplots ground floor of shopping complex	Tenanted	249*	99 Year Lease 06-01-2082	18	2,144	01-07-2000

List of Bank Group Properties

as at December 31, 2004

Address	Brief Description	Existing Use	Land/Built-up* Area (Sq. M.)	Tenure & Expiry Date	Age of Building (Years)	Net Book Value (RM'000)	Date of Revaluation*/ Acquisition
Perlis							
No. 69 & 71, Jalan Besar, 02000 Kuala Perlis	2 units 3 storey shophouse	Branch	297	Freehold	11	683	01-07-2000
Kedah							
No. 106A & B, Jalan Seberang Putra Mergong, 05150 Alor Setar	2 units 2 storey shophouse	Branch	446	99 Year Lease 07-11-2037	23	705	01-07-2000
No. 24A, Jalan Kampung Baru, 08000 Sungai Petani	2 units 3 storey shophouse	Branch	315	Freehold	13	1,269	01-07-2000
Perak							
No. 51 & 53, Jalan Taiping Utara, Taman Taiping Utara, 34600 Kamunting, Taiping	2 units 3 storey shophouse	Branch	315	Freehold	9	531	01-07-2000
Selangor							
No. 3, Jalan Barat, 46200 Petaling Jaya, Selangor	5 storey shophouse and upper ground floor of adjoining shophouse	Branch	1,807*	99 Year Lease 22-06-2069	13	5,966	01-07-2000
No. 5227, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang	1 unit 4 1/2 storey shophouse	Vacant	319	Freehold	13	1,322	01-07-2000
Melaka							
No. 128, Kompleks Munshi Abdullah, Jalan Munshi Abdullah, 75100 Melaka.	2 units 4 1/2 storey shophouse	Vacant	307	99 Year Lease 24-02-2084	14	1,734	01-07-2000
Johor							
No. 75, 77 & 79, Jalan Kuning Dua, Taman Pelangi 80400 Johor Bahru	3 units 3 storey shophouse	Branch	468	Freehold	12	4,535	01-07-2000
Ground Floor, Kompleks Penggaram, No. 1, Jalan Abdul Rahman, 83000 Batu Pahat	part of ground and mezzanine floor of 5 storey commercial complex	Branch	607*	Freehold	12	1,109	01-07-2000
No. 382, Jalan Simbang, Taman Perling, 81200 Johor Bahru	1 unit 2 storey shophouse	Branch	156	Freehold	12	504	01-07-2000

List of Bank Group Properties

as at December 31, 2004

Address	Brief Description	Existing Use	Land/Built-up* Area (Sq. M.)	Tenure & Expiry Date	Age of Building (Years)	Net Book Value (RM'000)	Date of Revaluation*/ Acquisition
OWNED BY SBB SECURITIES SDN. BHD.							
Perak							
No. 51-53, Persiaran Greenhill, 30450 Ipoh	2 units 4 storey shophouse	Securities dealing & offices	445	999 Year Lease 21-09-2894	11	1,463	03-05-1997*
OWNED BY SBB MUTUAL BERHAD							
Selangor							
No. 52 & 54, Jalan SS21/39, Damansara Utama, 47400 Petaling Jaya	2 units 3 1/2 storey shophouse	Head Office	307	Freehold	25	3,262	01-03-1995
No. 50, Jalan SS21/39, Damansara Utama, 47400 Petaling Jaya	1 unit 3 1/2 storey shophouse	Head Office	153	Freehold	25	2,088	28-02-2001
Sabah							
No. 1, Jalan Kampong Pasar, Kampong Air, 88000 Kota Kinabalu	1 unit 3 1/2 storey shophouse	Regional Office	107	99 Year Lease 30-06-2060	43	521	01-07-1995
Sarawak							
No. 5-B, Lot 414, Section 10 KTLD Jalan Rubber, 93400 Kuching	1 unit 3 storey shophouse	Regional Office	133	869 Year Lease 05-03-2806	67	1,292	01-10-1996

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 43rd Annual General Meeting of Southern Bank Berhad will be held in the Emerald Room, Level One, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur on Monday, 27 June 2005 at 9.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY BUSINESS:

1. "That the Report of the Directors and the Audited Financial Statements for the year ended 31 December 2004 of the Bank and of the Group, together with the Report of the Auditors therein as presented be and are hereby received and adopted." **Resolution 1**
2. "That a final dividend of 7.0% less 28% income tax in respect of the financial year ended 31 December 2004, payable to entitled shareholders of the Bank, be and is hereby approved." **Resolution 2**
3. "That YBhg Dato' Tan Teong Hean who retires under Article 111 of the Bank's Articles of Association be and is hereby re-elected as a Director of the Bank." **Resolution 3**
4. "That YBhg Dato' Yeap Leong Huat who retires under Article 111 of the Bank's Articles of Association be and is hereby re-elected as a Director of the Bank." **Resolution 4**
5. "That YM Tengku Zaitun binti Tengku Mahadi who retires under Article 115 of the Bank's Articles of Association be and is hereby re-elected as a Director of the Bank." **Resolution 5**
6. "That Dr Sieh Lee Mei Ling who retires under Article 115 of the Bank's Articles of Association be and is hereby re-elected as a Director of the Bank." **Resolution 6**
7. "That Mr Ian Craig Buchanan who retires under Article 115 of the Bank's Articles of Association be and is hereby re-elected as a Director of the Bank." **Resolution 7**
8. "That the increase in Directors' fees by Ringgit Malaysia Three Hundred Twelve Thousand and Five Hundred (RM312,500) to Ringgit Malaysia Nine Hundred Thirty Seven Thousand and Five Hundred Only (RM937,500) per annum be and is hereby approved." **Resolution 8**
9. "That Deloitte KassimChan, the retiring auditors be and are hereby re-appointed auditors of the Bank to hold office until the conclusion of the next Annual General Meeting of the Bank and that the Directors be authorised to fix their remuneration." **Resolution 9**

SPECIAL BUSINESS:

10. To consider and if thought fit, to pass the following Ordinary Resolution:-
 "That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Bank at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued share capital of the Bank for the time being, subject always to the approvals of all relevant Regulatory Authorities being obtained for such issue and allotment." **Resolution 10**

Notice of Annual General Meeting

NOTICE OF DIVIDEND PAYMENT AND CLOSURE OF BOOKS

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the Annual General Meeting to be held on 27 June 2005, a final dividend of 7.0% less 28% income tax for the year ended 31 December 2004 will be paid on 8 July 2005 to shareholders whose names appear in the Record of Depositors on 30 June 2005.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares transferred to the Depositors' Securities Account on or before 4.00 p.m. on 30 June 2005.
- b. Shares bought on Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Tan Ghee Kay
Kong Sooi Peng
Joint Secretaries

Kuala Lumpur
 3 June 2005

Notes:

The right of Foreigners to vote in respect of their deposited securities is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991 and Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996. The position of such Depositors in this regard will be determined based on the General Meeting Record of Depositors. Such Depositors, whose shares exceed the Company's foreign shareholding limit of 30% as at the date of the General Meeting Record of Depositors, may attend the above Meeting but are not entitled to vote. Consequently, a proxy appointed by such Depositor who is not entitled to vote will also not be entitled to vote at the above Meeting.

A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy to vote on his behalf. A proxy need not be a member of the Company and the provisions of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to the Company. The instrument appointing the proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under its Common Seal or under the hand of its attorney. An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.

Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. In the case of joint holdings, the signatures of all joint holders are required.

The instrument appointing a proxy must be deposited at the Registered Office of the Company, Level 3, Menara Southern Bank, 83, Medan Setia 1, Plaza Damansara, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time set for the Meeting and any adjournment thereof.

Explanatory Note on Special Business:

The Proposed Ordinary Resolution 10 if passed, is to give the Directors of the Bank flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Bank, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Bank.

Statement Accompanying the Notice of Annual General Meeting

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

1. DIRECTORS STANDING FOR RE-ELECTION AT THE 43RD ANNUAL GENERAL MEETING OF THE BANK

(a) Pursuant to Article 111 of the Bank's Articles of Association

- i. YBhg Dato' Tan Teong Hean
- ii. YBhg Dato' Yeap Leong Huat

(b) Pursuant to Article 115 of the Bank's Articles of Association

- i. YM Tengku Zaitun binti Tengku Mahadi
- ii. Dr Sieh Lee Mei Ling
- iii. Mr Ian Craig Buchanan

A total of thirteen Board Meetings were held during the year ended 31 December 2004. The Directors who are standing for re-election and details of their attendance at the Board Meetings are as follows:

Name of Director	Number of Meetings attended
YBhg Dato' Tan Teong Hean	13/13
YBhg Dato' Yeap Leong Huat	13/13
YM Tengku Zaitun binti Tengku Mahadi (Appointed on 25 August 2004)	7/7
Dr Sieh Lee Mei Ling (Appointed on 25 August 2004)	7/7
Mr Ian Craig Buchanan (Appointed on 25 August 2004)	6/7

2. DATE, TIME AND PLACE OF THE ANNUAL GENERAL MEETING

The 43rd Annual General Meeting of Southern Bank Berhad will be held as follows:

Date : Monday, 27 June 2005
 Time : 9.30 a.m.
 Place : Emerald Room, Level 1
 Mandarin Oriental Kuala Lumpur
 Kuala Lumpur City Centre
 50088 Kuala Lumpur

3. FURTHER DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

Profiles and securities holdings in the Bank (if any), of Directors standing for re-election, are set out in pages 14 to 17 and page 162 of the Annual Report respectively. The Directors do not hold any securities in any of the Bank's subsidiaries.

Form of Proxy

Southern Bank Berhad (5303-W) (Incorporated in Malaysia)

43RD ANNUAL GENERAL MEETING

No. of Shares Held

I/We _____ NRIC No. /Co. No. _____
(FULL NAME)

of _____
(ADDRESS)

being a Member of **Southern Bank Berhad** hereby appoint the Chairman of the Meeting*

or _____ NRIC No. _____
(FULL NAME)

of _____
(ADDRESS)

or failing him, _____ NRIC No. _____
(FULL NAME)

of _____
(ADDRESS)

as my/our proxy, to vote for me/us on my/our behalf at the 43rd Annual General Meeting of the Bank, to be held in the Emerald Room, Level One, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, on Monday, 27 June 2005 at 9.30 a.m. and at any adjournment thereof.

Resolutions	Description of Resolutions	For	Against
1	Receive and adopt the Audited Financial Statements for the year ended 31 December 2004 and the Reports of the Directors and Auditors thereon		
2	Declaration of Dividend		
3 and 4	Re-election of Director in accordance with Article 111 of the Bank's Articles of Association: (a) YBhg Dato' Tan Teong Hean (b) YBhg Dato' Yeap Leong Huat		
5, 6 and 7	Re-election of Directors in accordance with Article 115 of the Bank's Articles of Association: (a) YM Tengku Zaitun binti Tengku Mahadi (b) Dr Sieh Lee Mei Ling (c) Mr Ian Craig Buchanan		
8	Approval of Increase in Directors' Fees		
9	Re-appointment of Auditors		
10	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares		

Please indicate with an "X" in the spaces how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy will vote as he thinks fit, or, at his discretion, abstain from voting.

Dated this _____ day of _____, 2005.

Witness

Signature or Common Seal of Member

* Delete the words "Chairman of the Meeting" if you wish to appoint some other person(s) to be your proxy.

NOTES TO FORM OF PROXY:

The right of Foreigners to vote in respect of their deposited securities is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991 and Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996. The position of such Depositors in this regard will be determined based on the General Meeting Record of Depositors. Such Depositors, whose shares exceed the Company's foreign shareholding limit of 30% as at the date of the General Meeting Record of Depositors, may attend the above Meeting but are not entitled to vote. Consequently, a proxy appointed by such Depositor who is not entitled to vote will also not be entitled to vote at the above Meeting.

A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy to vote on his behalf. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. The instrument appointing the proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under its Common Seal or under the hand of its attorney. An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.

Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. In the case of joint holdings, the signatures of all joint holders are required.

The instrument appointing a proxy must be deposited at the Registered Office of the Company, Level 3, Menara Southern Bank, 83, Medan Setia 1, Plaza Damansara, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time set for the Meeting and any adjournment thereof.

fold here

Affix
Postage
Stamp

SOUTHERN BANK BERHAD

Level 3, Menara Southern Bank,
83, Medan Setia 1,
Plaza Damansara,
Bukit Damansara,
50490 Kuala Lumpur.

fold here
