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Financial Statements

(Expressed In Ringgit Malaysia)

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of **AmMerchant Bank Berhad** for the financial year ended 31 March 2004 which have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989 and the applicable approved accounting standards in Malaysia.

Principal Activities

The Bank and its subsidiary companies, as listed in Note 11 to the Financial Statements, provide a wide range of merchant banking and related financial services which also includes the Islamic Banking Business, investment advisory and asset, property and unit trusts management.

There have been no significant changes in the nature of the activities of the Bank and its subsidiary companies during the financial year.

Significant Events

1. On 2 April 2003, the Bank entered into a conditional sale and purchase agreement with Symphony House Berhad (Symphony House) to dispose of its entire 25.5% equity interest comprising 637,500 ordinary shares of RM1.00 each in Malaysian Issuing House Sdn Bhd (MIH), to Symphony House for a cash consideration of RM624,272.

The purchase consideration was arrived at on a willing-buyer and willing-seller basis, based on the adjusted pro-forma unaudited net tangible assets of MIH as at 31 December 2002.

The disposal was completed on 30 July 2003. The final cash consideration in respect of the disposal was revised from RM624,272 to RM637,500 based on the pro-forma audited net tangible assets of MIH as at 30 June 2003 of RM2,500,000 (after adjusting for the final dividend paid to all the shareholders of MIH, including AmMerchant Bank Berhad, for the year ended 30 June 2003).

2. On 10 April 2003, Frasers International Pte Ltd (FIPL) completed a capital reduction exercise wherein all redeemable convertible cumulative preference shares and irredeemable convertible cumulative preference shares were converted to ordinary shares in FIPL. This exercise resulted in a capital reduction of 9.8 million ordinary shares and repayment of S\$9.8 million to all shareholders in proportion to their respective equity interests in FIPL, of which capital repayment to the Bank amounted to S\$4,844,032.
3. On 10 May 2003, the ultimate holding company, AMMB Holdings Berhad (AHB), had received the approval of Bank Negara Malaysia (BNM) to commence negotiations with EON Capital Berhad for a possible merger between the two banking groups. However, the discussions were mutually terminated on 25 June 2003.
4. On 29 December 2003, the associated company, AmAssurance Berhad (AmAssurance) entered into four (4) separate sale and purchase agreements (SPAs) with Melawangi Sdn. Bhd. (MSB), a wholly-owned subsidiary of Arab-Malaysian Corporation Berhad (AMCORP) for the proposed acquisition of four (4) units of office premises (Office Premises) located at the AMCORP Trade Centre (ATC) for a total cash consideration of RM7,239,210 (the Proposed Acquisition).

The Office Premises have a leasehold term of 99 years which will be expiring on 11 September 2088. The Office Premises are currently tenanted. Upon the completion of the Proposed Acquisition, MSB will assign all its rights under the tenancy agreements with the existing tenants to AmAssurance.

The Proposed Acquisition would provide an opportunity for AmAssurance to receive better returns on its investments as compared to the prevailing low fixed deposit rate and take advantage of the potential capital appreciation in properties in the medium to long term.



Directors' Report *(Cont'd)*

5. On 27 February 2004 and 31 May 2004, AHB announced the following proposals:
- (i) The Proposed (AMFB Privatisation) involves a scheme of arrangement pursuant to Section 176 of the Act between AMFB, AHB and the shareholders of AMFB other than AHB (AMFB Minority Shareholders) whereby AHB will acquire all the AMFB Minority Shares, amounting up to 189,113,911 Shares in AMFB representing up to 35.75% equity interest in AMFB, for a total purchase consideration of up to RM1,361,620,159, equivalent to RM7.20 per AMFB Minority Share (Proposed Consideration Price), to be satisfied through a combination of an issuance of Shares in AHB and cash on the following basis:-
 - (a) the amount of RM771,584,757 by way of the issuance of up to 189,113,911 New AHB Shares on the basis of one (1) New AHB Share valued at RM4.08 per New AHB Share for every one (1) existing AMFB Minority Share held; and
 - (b) the balance of RM590,035,402 in cash on the basis of RM3.12 for every one (1) existing AMFB Minority Share held.

The entitlement date on which the names of the AMFB Minority Shareholders must be entered into the Record of Depositors of AMFB in order to participate in the Proposed AMFB Privatisation will be determined and announced at a later date after receipt of all relevant approvals for the Proposed AMFB Privatisation, including the sanction of the Court for the Proposed AMFB Privatisation (Entitlement Date).

The number of New AHB Shares to be issued will depend on the actual number of AMFB Minority Shares to be acquired as at the Entitlement Date, taking into consideration the new Shares in AMFB that may be issued by AMFB pursuant to the exercise of options under AMFB's employees share option scheme (AMFB ESOS Options) prior to the Entitlement Date. As at 31 March 2004, the number of unexercised AMFB ESOS Options stood at 345,000.

Upon the scheme of arrangement becoming effective, all AMFB Minority Shareholders are bound to exchange their AMFB Shares on the basis of one (1) New AHB Share and RM3.12 in cash for every one (1) existing AMFB Minority Share held as at the Entitlement Date.

Pursuant to the Proposed AMFB Privatisation, AMFB will become a wholly-owned subsidiary company of AHB. As AMFB would then no longer meet the public shareholding spread requirements of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad)(Bursa Malaysia), the Bursa Malaysia could de-list AMFB's Shares from the Official List of the Bursa Malaysia as provided under Section 16.09 of the Bursa Malaysia's Listing Requirements. It is the intention of AHB to seek the approval of the Bursa Malaysia to hold AMFB's listing status in abeyance.

- (ii) Proposed listing of AHB's Investment Banking Group, via a newly incorporated company (Newco), on the Main Board of the Bursa Malaysia.

The Proposed Listing of Newco entails the following:-

- (a) the incorporation of Newco to act as the listing vehicle/holding company, to be a wholly-owned subsidiary company of AHB initially;
- (b) an internal reorganisation involving the transfer of AHB's entire interests in the component companies of AHB involved in the investment banking operations to Newco (Proposed Internal Reorganisation);



Directors' Report *(Cont'd)*

- (c) an offer for sale/restricted issue of an aggregate of 40% of the enlarged issued and paid-up share capital of Newco (Proposed Offer) to be undertaken upon completion of the Proposed Internal Reorganisation to the following:-
 - (i) Shareholders of AHB (Entitled AHB Shareholders); and
 - (ii) The following persons who meet the criteria for eligibility for participation in the Proposed Offer (Eligible Employees):-
 - (a) Directors and employees of Newco and/or its Malaysian-incorporated subsidiary and associated companies;
 - (b) Directors of AHB; and
 - (c) Business associates of AHB; and
 - (d) the listing of the entire proposed issued and paid-up share capital of Newco on the Main Board of the Bursa Malaysia.
- (iii) The proposed Share Split involves the reduction of the par value of AHB's Shares from RM1.00 each to RM0.50 each by way of the subdivision of every one (1) existing Share held in AHB into two (2) new ordinary shares in AHB of RM0.50 each. Shareholders of AHB, whose names appear on the Record of Depositors at the close of business on a date to be determined and announced later upon obtaining all relevant approvals, will be entitled to the Proposed Share Split. The Proposed Share Split is expected to be undertaken after the completion of the Proposed AMFB Privatisation.

On 25 March 2004 the Securities Commission (SC) has approved AHB's application for a waiver from complying with Paragraph 5 of Guidance Note 8A of the SC Guidelines subject to a condition whereby AHB will be required to implement the proposed share split within three (3) months upon the completion of the proposed privatisation of AMFB.

The Proposed Subdivided Shares to be issued shall, upon issue and allotment, rank pari passu in all respects amongst themselves.

The Proposed Share Split will result in a reduction in the existing market price of AHB's shares thus making AHB's shares more affordable for shareholders and investors. The Proposed Share Split will also improve the liquidity and marketability of AHB's shares by virtue of the increase in the number of AHB's shares.

The Proposed AMFB Privatisation, Newco Listing and Share Split are subject to the approvals of SC, Minister of Finance, Bank Negara Malaysia, High Court of Malaya, shareholders of AHB and AMFB and other relevant authorities.

The Proposed AMFB Privatisation and the Proposed Listing of Newco Group are inter-conditional with each other. The Proposed Share Split is not conditional upon the Proposed AMFB Privatisation and the Proposed Listing of Newco Group.

6. On 3 March 2004, AmAssurance entered into:
- a) A Sale and Purchase Agreement with Arab-Malaysian Credit Berhad (AMCB) for the acquisition of the podium block of a freehold building identified as Menara Liang Court located at 37, Jalan Sultan Ahmad Shah, 10050 Penang, for a total cash consideration of RM7,800,000;
 - b) A Sale and Purchase Agreement with Taifab Properties Sdn Bhd (TPSB), a wholly-owned subsidiary of AMDB Berhad (AMDB), for the acquisition of three (3) units of freehold office premises located at the Arab-Malaysian Business Centre (AMBC), Jalan Pasar, 70000 Seremban, for a total cash consideration of RM1,997,707; and
 - c) A Sale and Purchase Agreement with Medan Delima Sdn Bhd (MDSB), a wholly-owned subsidiary of AMDB, for the acquisition of seven (7) units of freehold office premises located at the AMBC, Jalan Pasar, 70000 Seremban, for a total cash consideration of RM2,477,293.

Directors' Report *(Cont'd)*

The Office Premises are currently tenanted. Upon the completion of the Proposed Acquisitions, AMCB, TPSB and MDSB will assign all their rights under the tenancy agreements with the existing tenants to AmAssurance.

The Proposed Acquisitions would provide an opportunity for AmAssurance to receive better returns on its investments as compared to the prevailing low fixed deposit rate and take advantage of the potential capital appreciation in properties in the medium to long term.

7. AHB has sought the approval of Bank Negara Malaysia (BNM) for the commencement of discussions, pursuant to Section 67 of the Insurance Act 1996, in relation to the following proposed acquisitions (the Proposed Acquisitions):-
 - (a) with the Bank in relation to the Proposed Acquisition by AHB of the 47,116,000 ordinary shares of RM1.00 each in AmAssurance representing 47.12% equity interest in AmAssurance from the Bank. AHB presently has a shareholding of 18.82% in AmAssurance.
 - (b) with ABH Holdings Sdn. Bhd (ABH Holdings) in relation to the Proposed Acquisition by AmBank Berhad, the wholly owned subsidiary of AHB, of the 20,000,000 ordinary shares of RM1.00 each in AmAssurance representing 20% equity interest in AmAssurance.

ABH Holdings has interest of 34.06% in AmAssurance, in which Dato' Azlan Hashim (DAH) is a substantial shareholder. DAH is the Deputy Chairman of AHB, and brother of Tan Sri Dato' Azman Hashim, a substantial shareholder of AHB.

Pursuant to the Insurance Act, the prior approval of the Minister of Finance is required for the signing of the Sale and Purchase Agreement.

Financial Results

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

	The Group RM'000	The Bank RM'000
Profit before share in results of associated companies and taxation	174,926	162,228
Share in results of associated companies	18,294	-
Profit before taxation	193,220	162,228
Taxation	(54,681)	(49,492)
Profit before minority interests	138,539	112,736
Minority shareholders' interests in results of subsidiary companies	(3,453)	-
Net profit attributable to the shareholder of the Bank	135,086	112,736
Unappropriated profit at beginning of year as restated	614,443	599,171
Profit available for appropriation	749,529	711,907
Proposed preference dividends	(7,200)	(7,200)
Interest on ICULS	(7,220)	(7,220)
Dividends paid	(21,600)	(21,600)
Unappropriated profit at end of year	713,509	675,887



Directors' Report *(Cont'd)*

Business Plan And Strategy

The Bank's strategy can be seen as consistent with that of the AmBank Group, which aspires to become a leading financial services provider and consequently, the Bank would reaffirm its position as the leading investment bank in Malaysia.

To achieve this goal, the Bank has launched a series of initiatives to strengthen its organisation structure, improve its asset quality, address human resource challenges, and upgrade its information technology. The organisation structure links five major business units, namely corporate banking, corporate finance, debt capital markets, treasury and funds management much more closely along the issuer-investor pipeline, and has redefined each unit's role in marketing and execution.

Concurrently, the Bank has developed an integrated risk management framework and organisation structure to ensure that there is an effective system for identifying, evaluating and managing all types of financial and operational risk, as well as improving operational efficiency.

Outlook For Next Financial Year

Malaysia's economy is expected to strengthen further in year 2004, with Real Gross Domestic Products to expand by 6.0% - 6.5% from 5.2% in year 2003. The positive outlook for year 2004 would be driven by the expected recovery in the manufacturing and services sectors, higher domestic aggregate demand and reinforced by brighter global economic prospects.

Monetary policy would remain accommodative on the back of price stability and absence of inflationary pressures. Nonetheless, given the stable environment, Bank Negara Malaysia (BNM) suggested a timely transition to the new interest rate framework aimed at maintaining monetary and financial stability to achieve sustained long-term growth. Meanwhile, BNM's monetary and exchange policy would remain unchanged.

Malaysia's strong economic fundamentals will continue to enable the Government with policy flexibility to enhance domestic sources of growth.

The banking sector is expected to remain competitive in year 2004 with net interest margins continuing to be under pressure given the competition and excess liquidity in the banking system.

The Bank will continue to focus on transactional and fee based activities, such as debt capital markets, corporate finance, treasury and fund management. The Bank is confident that it is well positioned to benefit from the improved economic environment to further improve on its performance.

Items Of An Unusual Nature

In the opinion of the directors, the results of operations of the Group and the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

Dividends

During the financial year, the Bank paid a first and final ordinary dividend of 15.0%, less tax, and a preference dividend of 10.0%, less tax, in respect of the previous financial year amounting to RM21,600,000 and RM7,200,000 for the ordinary and preference shares, respectively, which amount has been dealt with in the directors' report for that financial year.

In respect of the current financial year, the directors now recommend the payment of a first and final ordinary dividend of 25.0%, less tax, and a preference dividend of 10.0%, less tax, amounting to RM36,000,000 and RM7,200,000 for the ordinary and preference shares, respectively. The financial statements for the current financial year do not reflect the proposed ordinary dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholder's funds as an appropriation of unappropriated profit in the next financial year ending 31 March 2005.



Directors' Report *(Cont'd)*

Reserves And Allowances

The following material transfers to/(from) reserves, and allowances and provisions were made during the financial year:

	Note to the Financial Statements	The Group RM'000	The Bank RM'000
Allowances/(Reversal of allowances):			
Net interest suspended	27	40,542	37,865
Net income suspended	50 (v)	3,950	3,950
Loan and financing (recoveries)/loss and (reversal of allowances)/allowances:			
General allowance	29	(5,791)	(4,238)
Specific allowance - net	29	157,193	155,043
Allowance for value impairment on amount recoverable from Danaharta	29	4,360	-
Allowance for diminution in value of investments - net (Write back of allowances)/Allowance for doubtful sundry receivables - net		45,098	41,010
Transfer from profit equalisation reserve		(8,968)	2,676
		(970)	(970)

Bad And Doubtful Debts And Financing

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

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

Current Assets

Before the income statements and balance sheets of the Group and the Bank were made out, the directors took reasonable steps to ascertain that current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Bank, had been written down to their estimated realisable values.

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

Valuation Methods

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



Directors' Report *(Cont'd)*

Contingent And Other Liabilities

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

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

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

Change Of Circumstances

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

Issue Of Shares And Debentures

The Bank has not issued any new shares or debentures during the financial year.

Share Options

There are no options granted by the Bank to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As at the end of the financial year, there were no unissued shares of the Bank under options.

Interest Bearing Irredeemable Convertible Unsecured Loan Stocks (ICULS) 2002/2007

The salient features of the ICULS 2002/2007 issued to the ultimate holding company, AMMB Holdings Berhad (AHB), are as follows:

- (a) The ICULS 2002/2007 bear interest at 6.0% per annum payable semi-annually or such other interval as may be determined by AHB.
- (b) The ICULS 2002/2007 are convertible into new ordinary shares at any time on the basis of one new ordinary share of RM1.00 each for every RM4.00 nominal amount of ICULS held.
- (c) The ICULS 2002/2007 were for an initial period of five calendar years and has been extended for a further period of five years to mature on 15 January 2007.
- (d) All new ordinary shares issued upon conversion of the ICULS 2002/2007 shall rank parri passu with the then existing ordinary shares of the Bank except for any dividend, rights, allotments or other distributions, the entitlement date of which is before the relevant conversion date.



Directors' Report *(Cont'd)*

There was no movements in the Company's ICULS 2002/2007 during the financial year and the balances are as follows:

	Nominal amount of ICULS			Balance at 31.3.2004
	Balance at 1.4.2003	Issued	Converted	
ICULS 2002/2007	120,000,000	-	-	120,000,000

Directors

The directors who served on the Board since the date of the last report are:

Tan Sri Dato' Azman Hashim
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba (Independent director)
Cheah Tek Kuang
Kok Tuck Cheong
Dato' Izham Bin Mahmud (Independent Director: appointed on 16 October 2003)
Tan Sri Datuk Dr Aris Osman @ Othman (Independent Director: appointed on 1 April 2004)
Tan Sri Datuk Clifford Francis Herbert (Independent Director: appointed on 16 April 2004)
Dato' Azlan Hashim (resigned on 19 December 2003)
Dato' Mohd Tahir Haji Abdul Rahim (resigned on 19 December 2003)
Dato' Malek Merican (resigned on 6 May 2004)

In accordance with Article 95 of the Bank's Articles of Association, Dato' Izham Bin Mahmud, Tan Sri Datuk Dr Aris Osman @ Othman and Tan Sri Datuk Clifford Francis Herbert who were appointed to the Board since the last Annual General Meeting, retire and, being eligible, offer themselves for re-election.

Directors' Interests

None of the directors as at 31 March 2004 held any shares in the Bank during the financial year. Under the Bank's Articles of Association, the directors are not required to hold shares in the Bank.

The interests in shares, debentures and share options of related companies, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholding kept by the Bank under Section 134 of the Companies Act, 1965, are as follows:

Direct Interests

In the Bank

Redeemable Unsecured Subordinated Bonds	Nominal value of RM1.00 each			Balance at 31.3.2004
	Balance at 1.4.2003/ Date of appointment	Bought	Sold	
Dato' Izham Bin Mahmud	250,000	-	-	250,000



Directors' Report *(Cont'd)*

Direct Interests

In the ultimate holding company, AMMB Holdings Berhad

Shares	No. of ordinary shares of RM1.00 each				
	Balance at 1.4.2003	Bought	Bonus & Rights Issues	Sold	Balance at 31.3.2004
Tan Sri Dato' Azman Hashim	1,188,422	-	594,211	1,782,633	-
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	125,381	-	100,690	-	226,071
Cheah Tek Kuang	217,200	140,000	178,600	50,000	485,800
Kok Tuck Cheong	50,000	-	40,000	70,000	20,000

Warrants 1997/2007	No. of Warrants				
	Balance at 1.4.2003	Bought	Bonus & Rights Issues	Exercised/ Sold	Balance at 31.3.2004
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	12,000	-	7,795	-	19,795

Warrants 2003/2008	No. of Warrants				
	Balance at 1.4.2003	Bought	Bonus & Rights Issues	Exercised/ Sold	Balance at 31.3.2004
Tan Sri Dato' Azman Hashim	149,000	-	96,793	-	245,793
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	16,000	-	-	16,000	-
Cheah Tek Kuang	28,000	-	18,189	-	46,189
Kok Tuck Cheong	7,000	-	4,547	-	11,547

Share Options	No. of ordinary shares of RM1.00 each				
	Balance at 1.4.2003	Granted	Bonus & Rights Issues	Exercised	Balance at 31.3.2004
Cheah Tek Kuang	140,000	-	-	140,000	-
Kok Tuck Cheong	40,000	-	25,984	-	65,984

In the related finance company, AMFB Holdings Berhad

Shares	No. of ordinary shares of RM1.00 each				
	Balance at 1.4.2003/ Date of appointment	Bought	Bonus & Rights Issues	Sold	Balance at 31.3.2004
Tan Sri Dato' Azman Hashim					
Held directly	211,505	-	-	-	211,505
Held through nominees	522,985	-	-	-	522,985
Dato' Izham Bin Mahmud	4,670	-	-	-	4,670
Cheah Tek Kuang	38,000	-	-	-	38,000

Directors' Report (Cont'd)

Deemed Interests

In the ultimate holding company, AMMB Holdings Berhad

Shares	Name of Company	No. of ordinary shares of RM1.00 each				Balance at 31.3.2004
		Balance at 1.4.2003	Bought	Bonus & Rights Issues	Sold	
Tan Sri Dato' Azman Hashim	Arab-Malaysian Corporation Berhad	343,884,550	-	275,107,640	13,165,365	605,826,825
	AMDB Equipment Trading Sdn Bhd	110,000	-	88,000	-	198,000
	Azman Hashim Holdings Sdn Bhd	9,408,876	-	6,918,343	10,613,314	5,713,905
	Slan Sdn Bhd	398,316	-	199,158	597,474	-
	Ginagini Sdn Bhd	17,330,749	-	7,525,374	12,671,314	12,184,809
	Regal Genius Sdn Bhd	-	14,500,000	11,600,000	4,350,000	21,750,000

Warrants 1997/2007	Name of Company	No. of Warrants				Balance at 31.3.2004
		Balance at 1.4.2003	Bought	Bonus & Rights Issues	Exercised/ Sold	
Tan Sri Dato' Azman Hashim	Arab-Malaysian Corporation Berhad	16,231,498	-	-	16,231,498	-

Warrants 2003/2008	Name of Company	No. of Warrants				Balance at 31.3.2004
		Balance at 1.4.2003	Bought	Bonus & Rights Issues	Exercised/ Sold	
Tan Sri Dato' Azman Hashim	Arab-Malaysian Corporation Berhad	45,594,942	-	29,619,386	-	75,214,328
	AMDB Equipment Trading Sdn Bhd	13,750	-	8,932	-	22,682
	Azman Hashim Holdings Sdn Bhd	2,026,109	-	1,316,200	-	3,342,309
	Slan Sdn Bhd	49,789	-	32,343	-	82,132
	Ginagini Sdn Bhd	2,391,734	-	1,553,717	-	3,945,451
	Indigenous Capital Sdn Bhd	-	170,000	110,435	-	280,435
	Regal Genius Sdn Bhd	-	1,812,500	1,177,436	-	2,989,936

In the related finance company, AMFB Holdings Berhad

Shares	Name of Company	No. of ordinary shares of RM1.00 each			Balance at 31.3.2004
		Balance at 1.4.2003	Bought	Sold	
Tan Sri Dato' Azman Hashim	AMDB Equipment Trading Sdn Bhd	241,047	-	-	241,047



Directors' Report *(Cont'd)*

The share options in the ultimate holding company, which had an option period of five calendar years were granted pursuant to AMMB Holdings Berhad Employees' Share Option Scheme II (Scheme) and the persons to whom the options are granted under the Scheme have no right to participate in any staff share option scheme of any other company in the Group.

By virtue of their shareholdings as mentioned above, the above directors are deemed to have an interest in the shares of the Bank and its related companies.

Directors' Benefits

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the Financial Statements, or the fixed salary as 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 in which the director is a member, or with a company in which the director has a substantial financial interest except for :

- (a) the lease of office space in a building owned by a property trust in which the AMDB Group has substantial interest. Tan Sri Dato' Azman Hashim is deemed to have an interest by virtue of his shareholding in Arab-Malaysian Corporation Berhad which has a substantial interest in AMDB; and
- (b) AmBank Berhad, a related commercial bank has entered into a tenancy agreement with a company in which Troost Sdn Bhd has a substantial interest. Tan Sri Dato' Azman Hashim is deemed to have an interest by virtue of his shareholding in Troost Sdn Bhd.

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate except for the share options granted to directors pursuant to the ultimate holding company's Employees' Share Option Scheme as disclosed above.


Ultimate Holding Company

The Bank is a wholly-owned subsidiary company of AMMB Holdings Berhad, a company incorporated in Malaysia and quoted on the Main Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad), which is also regarded as its ultimate holding company.

Auditors

The auditors, Messrs. Deloitte KassimChan, have indicated they would not be seeking re-appointment at the forthcoming Annual General Meeting of the Bank.

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



TAN SRI DATO' AZMAN HASHIM



CHEAH TEK KUANG

Kuala Lumpur
31 May 2004

Report of the Auditors to the Member

We have audited the accompanying balance sheets as at 31 March 2004 and the related statements of income, changes in equity and cash flows 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 misstatements. 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 financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 with such modifications and exceptions as have been determined by Bank Negara Malaysia pursuant to Sub-section (19) of Section 169 of the Act 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 Group and the Bank as at 31 March 2004 and of the results and the cash flows of the Group and the Bank 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 by the subsidiary companies, of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.

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.

Our auditors' reports on the financial statements of the subsidiary companies 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



LAI CAN YIEW
2179/09/05(J)
Partner

Kuala Lumpur
31 May 2004



Balance Sheets

As At 31 March 2004

	Note	2004		2003	
		The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
ASSETS					
Cash and short-term funds	4	2,635,157	2,159,236	1,314,331	1,289,066
Securities purchased under resale agreement		2,288	-	6,837	-
Deposits with financial institutions	5	249,727	628,500	401,256	567,530
Dealing securities	6	3,150,922	3,131,922	5,909,901	5,890,854
Investment securities	7	3,407,340	3,117,166	2,113,098	2,001,074
Loans, advances and financing	8	5,274,910	5,102,410	5,582,323	5,386,404
Other assets	9	377,397	358,102	491,734	474,893
Deferred tax assets	35	22,176	22,176	23,898	23,898
Statutory deposit with Bank Negara Malaysia	10	324,404	324,404	339,827	339,827
Investments in subsidiary companies	11	-	38,617	-	38,617
Investments in associated companies	12	145,960	112,598	147,054	123,631
Property and equipment	13	54,168	52,036	53,692	51,943
TOTAL ASSETS		15,644,449	15,047,167	16,383,951	16,187,737
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	14	5,929,859	5,382,465	5,302,273	4,887,811
Deposits of banks and other financial institutions	15	5,484,253	5,647,005	7,173,206	7,452,965
Securities sold under repurchase agreements	16	1,484,551	1,470,044	1,530,403	1,530,403
Acceptances payable	17	7,145	7,145	16,822	16,822
Amount due to Cagamas Berhad	18	153,104	153,104	243,757	243,757
Other liabilities	19	93,238	83,815	109,544	100,460
Term loans	20	304,000	190,000	380,000	380,000
Subordinated certificates of deposits	21	197,418	197,418	196,064	196,064
Redeemable unsecured subordinated bonds	22	460,000	460,000	-	-
Total Liabilities		14,113,568	13,590,996	14,952,069	14,808,282
Minority interests	23	4,655	-	4,722	-
Share capital	24	300,000	300,000	300,000	300,000
Interest Bearing Irredeemable Convertible Unsecured Loan Stocks 2002/2007	25	120,000	120,000	120,000	120,000
Reserves	26	1,106,226	1,036,171	1,007,160	959,455
Shareholder's funds		1,526,226	1,456,171	1,427,160	1,379,455
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		15,644,449	15,047,167	16,383,951	16,187,737
COMMITMENTS AND CONTINGENCIES	41	9,720,691	9,704,828	8,367,399	8,382,301
NET TANGIBLE ASSETS PER SHARE (RM)	44	7.53	7.28	7.02	6.90
NET TANGIBLE ASSETS PER SHARE, AFTER DEDUCTING THE NOMINAL AMOUNTS OF ICULS 2002/2007 AND PREFERENCE SHARE CAPITAL (RM)	44	6.43	6.18	5.92	5.80

The accompanying Notes form an integral part of the Financial Statements.

Income Statements

For The Year Ended 31 March 2004

	Note	2004		2003	
		The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Interest income	27	582,602	573,545	591,856	591,355
Interest expense	28	(435,233)	(433,530)	(369,505)	(372,566)
Net interest income		147,369	140,015	222,351	218,789
Net income from Islamic Banking Business	50 (xxiii)	52,176	52,176	45,080	45,080
Loan and financing loss and allowances	29	(109,307)	(103,104)	(243,235)	(232,334)
Non-interest income	30	90,238	89,087	24,196	31,535
Allowance for diminution in value of investments – net		(45,098)	(41,010)	(2,425)	(1,788)
Write back of allowance/(Allowance) for doubtful sundry receivables – net		8,968	(2,676)	(8,257)	842
Transfer from/(to) profit equalisation reserve		970	970	(970)	(970)
Non-interest expense	31	(129,467)	(106,216)	(122,125)	(102,826)
Profit before share in results of associated companies and taxation		174,926	162,228	165,870	181,893
Share in results of associated companies		18,294	-	2,813	-
Profit before taxation		193,220	162,228	168,683	181,893
Taxation	34	(54,681)	(49,492)	(46,915)	(43,539)
Profit before minority interests		138,539	112,736	121,768	138,354
Minority shareholders' interests in results of subsidiary companies	23	(3,453)	-	(2,954)	-
NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDER OF THE BANK		135,086	112,736	118,814	138,354
EARNINGS PER SHARE (SEN)	37				
Basic		60.3	49.2	52.2	62.0
Fully Diluted		40.3	33.5	35.4	41.3
GROSS DIVIDEND PER SHARE (SEN)					
Proposed first and final ordinary dividend		25.0	25.0	15.0	15.0
Proposed preference dividend		10.0	10.0	10.0	10.0

The accompanying Notes form an integral part of the Financial Statements.



Statements of Changes in Equity

For The Year Ended 31 March 2004

	Share capital RM'000	ICULS RM'000	Non-distributable			Distributable		Total RM'000	
			Capital reserve RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	General reserve RM'000		Unappropriated profit RM'000
The Group									
As at 1 April 2002									
As previously stated	300,000	-	2,815	60,284	300,000	29,618	7,000	475,225	1,174,942
Prior year's adjustments	-	-	-	-	-	-	-	49,404	49,404
As restated	300,000	-	2,815	60,284	300,000	29,618	7,000	524,629	1,224,346
Profit for the year	-	-	-	-	-	-	-	118,814	118,814
Reclassification	-	120,000	-	-	-	-	(7,000)	7,000	120,000
Interest on ICULS	-	-	-	-	-	-	-	(7,200)	(7,200)
Proposed preference dividends	-	-	-	-	-	-	-	(7,200)	(7,200)
Ordinary dividends paid	-	-	-	-	-	-	-	(21,600)	(21,600)
As at 31 March 2003	300,000	120,000	2,815	60,284	300,000	29,618	-	614,443	1,427,160
As at 1 April 2003									
As previously stated	300,000	120,000	2,815	60,284	300,000	29,618	-	591,474	1,404,191
Prior year's adjustments	-	-	-	-	-	-	-	22,969	22,969
As restated	300,000	120,000	2,815	60,284	300,000	29,618	-	614,443	1,427,160
Profit for the year	-	-	-	-	-	-	-	135,086	135,086
Interest on ICULS	-	-	-	-	-	-	-	(7,220)	(7,220)
Proposed preference dividends	-	-	-	-	-	-	-	(7,200)	(7,200)
Ordinary dividends paid	-	-	-	-	-	-	-	(21,600)	(21,600)
As at 31 March 2004	300,000	120,000	2,815	60,284	300,000	29,618	-	713,509	1,526,226

Statements of Changes in Equity (Cont'd)

For The Year Ended 31 March 2004

	Share capital RM'000	ICULS RM'000	Non-distributable		Distributable		Total RM'000
			Share premium RM'000	Statutory reserve RM'000	General reserve RM'000	Unappropriated profit RM'000	
The Bank							
As at 1 April 2002							
As previously stated	300,000	-	60,284	300,000	7,000	447,444	1,114,728
Prior year's adjustments	-	-	-	-	-	42,373	42,373
As restated	300,000	-	60,284	300,000	7,000	489,817	1,157,101
Profit for the year	-	-	-	-	-	138,354	138,354
Reclassification	-	120,000	-	-	(7,000)	7,000	120,000
Interest on ICULS	-	-	-	-	-	(7,200)	(7,200)
Proposed preference dividends	-	-	-	-	-	(7,200)	(7,200)
Ordinary dividends paid	-	-	-	-	-	(21,600)	(21,600)
As at 31 March 2003	300,000	120,000	60,284	300,000	-	599,171	1,379,455
As at 1 April 2003							
As previously stated	300,000	120,000	60,284	300,000	-	576,202	1,356,486
Prior year's adjustments	-	-	-	-	-	22,969	22,969
As restated	300,000	120,000	60,284	300,000	-	599,171	1,379,455
Profit for the year	-	-	-	-	-	112,736	112,736
Interest on ICULS	-	-	-	-	-	(7,220)	(7,220)
Proposed preference dividends	-	-	-	-	-	(7,200)	(7,200)
Ordinary dividends paid	-	-	-	-	-	(21,600)	(21,600)
As at 31 March 2004	300,000	120,000	60,284	300,000	-	675,887	1,456,171

The accompanying Notes form an integral part of the Financial Statements.



Cash Flow Statements

For The Year Ended 31 March 2004

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	193,220	162,228	168,683	181,893
Add/(Less) adjustments for:				
Loan and financing loss and allowances, net of recoveries	109,307	103,104	243,235	232,334
Allowance for diminution in value of investments - net	45,098	41,010	2,425	1,788
Net interest suspended	40,542	37,865	86,412	73,570
Amortisation of premiums less accretion of discounts - net	23,837	25,592	117	117
Depreciation of property and equipment	14,105	13,173	14,368	13,350
Net income suspended	3,950	3,950	933	933
Amortisation of premium on acquisition	1,274	-	1,274	-
Sundry bad debts written off - net	332	321	1,148	1,714
Property and equipment written off	104	96	184	184
Gross dividend income from investments	(37,473)	(53,697)	(3,757)	(19,321)
Gain on sale of quoted securities - net	(25,334)	(25,295)	(11,859)	(11,572)
Share in results of associated companies	(18,294)	-	(2,813)	-
Gain on sale of unquoted investments - net (Write back of allowance)/Allowance for doubtful sundry receivables - net	(9,143)	(9,143)	-	-
Transfer (from)/to profit equalisation reserve	(970)	(970)	970	970
Gain on disposal of property and equipment	(314)	(314)	(607)	(554)
Operating Profit Before Working Capital Changes	331,273	300,596	508,970	474,564
Decrease/(Increase) In Operating Assets				
Securities purchased under resale agreement	4,549	-	880	-
Deposits with financial institutions	151,529	(60,970)	75,344	450,606
Dealing securities	2,758,979	2,758,932	(3,490,400)	(3,471,940)
Loans, advances and financing	153,614	139,075	913,988	742,370
Other assets	115,420	110,763	(5,449)	(4,966)
Statutory deposit with Bank Negara Malaysia	15,423	15,423	(3,276)	(3,277)
Increase/(Decrease) In Operating Liabilities				
Deposits from customers	627,586	494,654	(54,191)	(307,873)
Deposits of banks and other financial institutions	(1,688,953)	(1,805,960)	2,232,705	2,354,264
Securities sold under repurchase agreements	(45,852)	(60,359)	452,822	452,822
Acceptances payable	(9,677)	(9,677)	(21,781)	(21,781)
Amount due to Cagamas Berhad	(90,653)	(90,653)	9,022	9,022
Other liabilities	(19,326)	(21,521)	20,674	20,318
Cash Generated From Operations	2,303,912	1,770,303	639,308	694,129
Taxation paid	(33,936)	(31,382)	(56,601)	(54,869)
Net Cash Generated From Operating Activities	2,269,976	1,738,921	582,707	639,260

Cash Flow Statements (Cont'd)

For The Year Ended 31 March 2004

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital repayment by an associated company	10,395	10,395	-	-
Dividends received from other investments	28,657	28,657	2,777	2,746
Dividends received from associated companies	2,571	2,571	765	765
Proceeds from disposal of associated company	638	638	-	-
Proceeds from disposal of property and equipment	331	331	608	555
Purchase of investment securities – net	(1,328,700)	(1,148,256)	(124,752)	(71,620)
Purchase of property and equipment	(14,702)	(13,379)	(30,264)	(30,060)
Dividends received from subsidiary companies	-	9,112	-	10,463
Proceeds from disposal of commercial services business (Note 2)	-	-	78,142	78,142
Acquisition of additional shares in subsidiary company (Note 1)	-	-	328	(56)
Net Cash Used In Investing Activities	(1,300,810)	(1,109,931)	(72,396)	(9,065)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Redeemable Unsecured Subordinated Bonds	460,000	460,000	-	-
(Repayment of)/Proceeds from term loans	(76,000)	(190,000)	189,998	189,998
Dividends paid by the Bank to its shareholder	(21,600)	(21,600)	(28,800)	(28,800)
Interest paid	(7,220)	(7,220)	(7,200)	(7,200)
Dividends paid to minority interests	(3,520)	-	(1,775)	-
Repayment of subordinated term loans	-	-	(100,000)	(100,000)
Net Cash From Financing Activities	351,660	241,180	52,223	53,998
Net Increase In Cash And Cash Equivalents	1,320,826	870,170	562,534	684,193
Cash And Cash Equivalents At Beginning Of Year	1,314,331	1,289,066	751,797	604,873
Cash And Cash Equivalents At End Of Year (Note 3)	2,635,157	2,159,236	1,314,331	1,289,066



Cash Flow Statements (Cont'd)

For The Year Ended 31 March 2004

Note 1: Acquisition of MVMl

The fair values of assets and liabilities assumed arising from the acquisition of the 10% equity interest in Malaysian Ventures Management Incorporated Sdn Bhd (MVMl), during the financial year ended 31 March 2003 were as follows:

	Audited 31 December 2001 RM'000
Net assets acquired:	
Property and equipment	8
Other assets	246
Cash and short - term funds	384
Other liabilities	(74)
	<hr/>
Net assets acquired	564
Less : Minority interest	(232)
	<hr/>
	332
Less : Amount accounted for as an associate	(276)
	<hr/>
	56
Less : Cash and short-term funds	(384)
	<hr/>
Cash flow on acquisition, net of cash acquired	(328)

Note 2: Disposal of commercial services business

The fair values of assets and liabilities disposed arising on the disposal of commercial services business to AmBank Berhad, a related commercial bank during the financial year ended 31 March 2003 were as follows:

	Unaudited 31 October 2002 RM'000
Net assets disposed:	
Property and equipment	70
Other assets	154
Loans, advances and financing	79,934
Other liabilities	(2,016)
	<hr/>
Net assets disposed	78,142

Note 3: Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds net of bank overdraft. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Cash and short-term funds	2,635,157	2,159,236	1,314,331	1,289,066

The accompanying Notes form an integral part of the Financial Statements.

Notes to the Financial Statements

1. Principal Activities

The Bank and its subsidiary companies, as listed in Note 11, provide a wide range of merchant banking and related financial services which also includes the Islamic Banking Business, investment advisory and asset, property and unit trusts management.

There have been no significant changes in the nature of the activities of the Bank and its subsidiary companies during the financial year.

The registered office and the principal place of business of the Bank is located at 22nd Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

2. Basis Of Preparation Of The Financial Statements

The financial statements of the Group and the Bank have been approved by the Board of Directors for issuance on 31 May 2004.

The Financial Statements of the Group and the Bank have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989 and the applicable approved accounting standards of the Malaysian Accounting Standards Board. The financial statements incorporate those activities relating to Islamic Banking Business which have been undertaken by the Bank. Islamic Banking Business refers generally to the acceptance of deposits and granting of financing under the Syariah Principles.

3. Significant Accounting Policies

The following accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following new Malaysian Accounting Standards Board (MASB) Standards which become operative in the current financial year:

- (i) MASB 25, Income Taxes which is applied retrospectively. Comparative figures have been restated to reflect the effect of the change in accounting policy.
- (ii) MASB 27, Borrowings Costs. The adoption does not have any impact on the financial statements as the previous accounting policy was in line with this standard.
- (iii) MASB 28, Discontinuing Operations. The adoption does not have any impact on the financial statements.
- (iv) MASB 29, Employee Benefits which is applied prospectively. The adoption does not have any material impact on the financial statements as the previous accounting policy was in line with this standard.
- (v) MASB i-1, Presentation of financial statements of Islamic Financial Institutions. The adoption resulted in extended disclosures for the Group's Islamic Banking Business.

MASB 30, Accounting and Reporting by Retirement Benefit Plans is not adopted as it is not applicable to the Group and the Bank.

The effect of adopting MASB 25, Income Taxes, the opening balances of the Group's and the Bank's unappropriated profits are summarised as prior year's adjustments in the Statement of Changes in Equity and further information is disclosed in Note 49 to the financial statements.



Notes to the Financial Statements *(Cont'd)*

Basis Of Accounting

The financial statements of the Group and the Bank have been prepared under the historical cost convention.

Basis Of Consolidation

Financial statements of subsidiary companies are consolidated using acquisition method of accounting and the Group's financial statements include the financial statements of the Bank and all its subsidiary companies listed in Note 11 made up to the end of the financial year, except for Malaysian Ventures Management Incorporated Sdn Bhd, the financial statements of which were made up to 31 December 2003 with adjustments, where appropriate, made for any significant transactions that occurred between 1 January 2004 to 31 March 2004.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed of during the financial year are included in the Group financial statements from the effective date of acquisition or to the effective date of disposal, as applicable. All significant intercompany transactions and balances have been eliminated on consolidation.

Repurchase Agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with commitments to resell at future dates. The commitments to resell the securities are reflected as assets in the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank had sold from its portfolio, with commitments to repurchase at future dates for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts while the obligations to repurchase such securities at agreed prices on a specified future dates are accounted for as a liability in the balance sheet.

Dealing Securities

Dealing securities are marketable securities that are acquired and held with the intention of reselling them in the short term.

Money market securities, debt equity conversion securities, quoted securities and private debt securities are stated at the lower of cost and market value on a portfolio basis.

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

Investment Securities

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

Malaysian Government Securities, Malaysian Government Investment Certificates, Cagamas bonds and other government securities and bank guaranteed private debt securities are stated at cost adjusted for amortisation of premium or accretion of discount. Other private debt securities are valued at lower of cost and market value.

Other investment securities are stated at cost and allowance is made in the event of any permanent diminution in value.

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



Notes to the Financial Statements *(Cont'd)*

Allowance For Doubtful Debts And Financing

Based on management's evaluation of the portfolio of loans, advances and financing, specific allowances for doubtful debts and financing are made when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

A general allowance based on set percentages of the net increase in receivables is also made. These percentages are reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowance, if necessary.

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.

Trade And Other Receivables

Trade and other receivables are stated at book value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less allowance for diminution in value, if any, of such properties.

Amount Recoverable From Pengurusan Danaharta Nasional Berhad (Danaharta)

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

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

Goodwill/Premium On Consolidation

Goodwill on consolidation represents the excess of the purchase consideration over the share of the fair values of the identifiable net assets of a subsidiary company at the date of acquisition.

Goodwill on consolidation is recognised as an asset and generally amortised evenly over a period of twenty to fifty years.

Premium on consolidation on the acquisition of associated companies is included within the carrying amount of the associated companies and represents the excess of the purchase consideration over the Group's interest in the fair values of the identifiable net assets of associated companies at the date of acquisition. The premium on consolidation on the acquisition of associated companies is amortised over a period of twenty five years.

When an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.



Notes to the Financial Statements (Cont'd)

Investments In Subsidiary Companies

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Bank's financial statements at cost and are written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments in the Bank's financial statements. The impairment loss is charged to the income statement.

Investments In Associated Companies

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

Investments in associated companies are stated at cost and are written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments in the Bank's financial statements. The impairment loss is charged to the income statement. In the consolidated financial statements, the results of associated companies are accounted for under the equity method whereby the Group's share of post-acquisition profits less losses of associated companies is included in the consolidated income statement and the Group's interest in associated companies is stated at cost plus adjustments to reflect changes in the Group's share of the net assets of the associated companies in the consolidated balance sheet.

Property And Equipment And Depreciation

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

Gain or loss arising from disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Freehold land is not depreciated. Leasehold land is amortised over the shorter of the lease period or fifty years. Depreciation of other property and equipment is calculated using the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates for the various classes of property and equipment are as follows:

Freehold building	2%
Leasehold buildings	2%
Motor vehicles	20%
Leasehold improvements	20%
Computer hardware and software	20% - 33 1/3%
Office and residential equipment, furniture and fittings	10% - 33 1/3%

Assets Purchased Under Lease

Assets purchased under leases which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms.

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

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.



Notes to the Financial Statements *(Cont'd)*

Impairment Of Assets

The carrying values of assets are reviewed for impairment when there is an indication that the asset might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows, if applicable. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit.

An impairment loss is charged to the income statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statements, a reversal of that impairment loss is recognised as income in the income statements.

Profit Equalisation Reserve (PER)

PER refers to the amount appropriated, under the Islamic Banking Business, out of the total gross income in order to maintain a certain level of return for depositors. PER is deducted from the total gross income (in deriving the net gross income) as approved and endorsed by the National Advisory Council for Islamic banking and takaful of Bank Negara Malaysia.

Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of a past event and a reliable estimate can be made of the amount.

Employee Benefits

(i) Short-Term Benefits

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

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred. Once the contribution has been paid, the Group has no further payment obligations.

(iii) Equity Compensation Benefits

The employees' share option scheme of the ultimate holding company, AMMB Holdings Berhad (AHB), allows the Group's eligible directors and employees, except for executive directors who represent the Government or Government institutions/agencies and Government employees who are serving in the public service schemes defined under Article 132 of the Federal Constitution to acquire shares of AHB when the granted options are exercised, equity is increased by the amount of the proceeds received.



Notes to the Financial Statements *(Cont'd)*

Forward Exchange Contracts

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

Interest Rate Swaps, Futures And Forward Rate Contracts

The Bank acts as an intermediary with counterparties who wish to swap their interest obligations. The Bank also uses interest rate swaps, futures and forward rate contracts in its trading activities and in 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 and forward rate 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, futures and forward rate contracts that do not qualify as hedges are recognised using the mark-to-market method and is shown as trading gain or loss from derivatives.

Sell And Buy Back Agreements

These are obligations of the Group to perform its commitment to buy back specified Islamic Securities at maturity. Gains and losses are recognised upon sale and shown as trading gain or loss from dealing securities.

Interest And Financing Income And Expense Recognition

Interest and financing income is generally accrued on the straight-line basis based on balances outstanding for all interest bearing assets. Interest and financing income includes the amortisation of premium or accretion of discount. Interest and financing income on dealing and investment securities are recognised on an effective yield basis.

The Group and the Bank follow the financing method of accounting for income from leasing activities. Under the financing method, the excess of aggregate rentals over the cost (reduced by estimated residual value at the end of the lease) of the leased property is taken as income over the term of the lease in decreasing amounts proportionate to the declining balance of the unrecovered sum using the 'sum-of-digits' method.

While it is the Group's and the Bank's policy to recognise interest and financing income on the accrual basis, interest and financing income on non-performing accounts is not recognised as income and is suspended unless received in cash or realisation in cash is assured.

An account is classified as non-performing where repayment is in arrears for more than six months and after maturity dates for trade bills, bankers' acceptances and trust receipts.

The classification of non-performing loans and financing is in conformity with Bank Negara Malaysia's Guideline on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts.

Interest expense and attributable income on deposits and borrowings (pertaining to activities relating to Islamic Banking Business) of the Group and the Bank are accrued on a straight-line basis.

Notes to the Financial Statements *(Cont'd)*

Fee And Other Income Recognition

Loan arrangement, management and participation fees, acceptance and factoring commissions and underwriting commissions, are recognised as income upon execution of contracts.

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

Asset, property and unit trusts management, agency and commitment fees are recognised as income based on time apportionment.

Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold. Profits and losses on disposal of investments, are taken to the income statements.

Guarantee fees are recognised as income upon issuance and, where the guarantee periods are longer than one year, over the duration of the guarantee period.

Equipment and property rental are recognised on an accrual basis.

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

Income Taxes

Tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statements except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based on the taxable profits.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Temporary differences are not recognised for goodwill or negative goodwill or from the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Prior to the adoption of MASB 25 Income Taxes, the tax effects of transactions are generally recognised, using the 'liability' method, in the year such transactions are entered into the determination of net income, regardless of when they are recognised for tax purposes. However, where temporary differences result in deferred tax assets, the tax effects are generally recognised only when the realisation is reasonably assured. The changes in accounting policies have been accounted for retrospectively and the effects of the changes are disclosed in Note 49.



Notes to the Financial Statements *(Cont'd)*

Foreign Exchange

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange prevailing at transaction dates or, if covered by foreign exchange contracts, at contracted rates. Where settlement has not taken place at balance sheet date, translation into Ringgit Malaysia is at the approximate exchange rates prevailing at that date or at contracted rates. All foreign exchange gains or losses are taken up in the income statements.

For the purpose of consolidation, assets and liabilities of subsidiary and associated companies expressed in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date while income statement is translated into Ringgit Malaysia at the average exchange rate for the year. Gains or losses arising on translation into Ringgit Malaysia are taken up in the exchange fluctuation reserve. Translation losses in excess of amounts in the exchange fluctuation reserve, if any, are taken up in the income statement.

The exchange rates ruling at balance sheet date used for translation are as follows:

	31.3.2004	31.3.2003
Singapore Dollar (SGD)	2.26	2.15
United States Dollar (USD)	3.80	3.80

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Operating Revenue

Operating revenue of the Group and the Bank comprise net interest and financing income after interest and income suspended or recovered but before amortisation of premiums less accretion of discounts, fee income, net trading income from money market securities, net trading income from derivatives, net gain/loss on sale of quoted investments, gross dividend income from quoted investments, income from Islamic Banking Business before income attributable to depositors, foreign exchange gain and net allowance or writeback for diminution in value of investments.

Cash Flow Statements

The Group and the Bank adopt the indirect method in the preparation of the cash flow statements.

Cash And Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds net of bank overdraft.

Notes to the Financial Statements (Cont'd)

4. Cash And Short-Term Funds

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Cash and bank balances	6,375	3,906	25,524	20,633
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	-	-	152,353
Related	2,105	-	29,395	26,980
Others	868,747	397,400	269,100	100,000
Licensed finance companies:				
Related	-	-	44,182	43,300
Others	-	-	20,330	20,000
Bank Negara Malaysia	1,700,500	1,700,500	925,800	925,800
Other financial institutions	57,430	57,430	-	-
	2,635,157	2,159,236	1,314,331	1,289,066

Included in the above are interbank lending of RM2,628,782,000 (RM1,288,807,000 in 2003) and RM2,155,330,000 (RM1,268,433,000 in 2003) for the Group and the Bank, respectively.

5. Deposits With Financial Institutions

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Licensed banks:				
Subsidiary company	-	380,000	-	323,000
Related	1,227	-	35,126	-
Others	30,000	30,000	140,600	19,000
Other financial institutions	218,500	218,500	225,530	225,530
	249,727	628,500	401,256	567,530

The deposits with financial institutions mature within one year.

Included in the above are interbank lending of RM248,500,000 (RM366,130,000 in 2003) and RM628,500,000 (RM567,530,000 in 2003) for the Group and the Bank, respectively.



Notes to the Financial Statements (Cont'd)

6. Dealing Securities

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Money Market Securities:				
Treasury bills	28,463	28,463	357,224	357,224
Bank Negara Malaysia bills	150,011	150,011	789,754	789,754
Malaysian Government Securities	19,941	19,941	404,818	404,818
Malaysian Government Investment Certificates	127,728	127,728	141,321	141,321
Cagamas notes	87,442	87,442	29,796	29,796
Cagamas bonds	190,155	190,155	170,072	170,072
Negotiable Islamic Debt Certificates	381,447	381,447	13,655	13,655
Khazanah bonds	327,003	327,003	26,204	26,204
Islamic Bank Negara Malaysia bills	139,202	139,202	37,258	37,258
Cagamas Mudharabah Bearer bonds	83,500	83,500	68,500	68,500
Danaharta bonds	19,162	19,162	65,507	65,507
Danamodal bonds	-	-	1,084	1,084
Negotiable instruments of deposits	-	-	378,683	378,683
	1,554,054	1,554,054	2,483,876	2,483,876
Securities Quoted In Malaysia:				
Shares	156,893	156,893	89,434	89,387
Trust units	2,049	2,049	2,049	2,049
Transferable Subscription Rights/Warrants	112	112	10,511	10,511
Loan stocks	4,258	4,258	4,418	4,418
Corporate bonds	19,000	-	19,000	-
	182,312	163,312	125,412	106,365
Unquoted Debt Equity Conversion Of Companies Incorporated In Malaysia:				
Corporate bonds	18,261	18,261	18,261	18,261
Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:				
Islamic corporate bonds	698,044	698,044	1,297,118	1,297,118
Corporate notes	95,428	95,428	37,806	37,806
Corporate bonds	465,316	465,316	714,830	714,830
Islamic corporate bonds	33,012	33,012	21,316	21,316
	1,291,800	1,291,800	2,071,070	2,071,070
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:				
Corporate bonds	67,825	67,825	116,676	116,676
Corporate notes	49,601	49,601	1,094,606	1,094,606
Islamic corporate notes	5,491	5,491	-	-
	122,917	122,917	1,211,282	1,211,282
	3,169,344	3,150,344	5,909,901	5,890,854
Allowance for diminution in value of dealing securities	(18,422)	(18,422)	-	-
Total/Net	3,150,922	3,131,922	5,909,901	5,890,854

Notes to the Financial Statements (Cont'd)

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Market Value:				
Money Market Securities:				
Treasury bills	28,578	28,578	359,000	359,000
Bank Negara Malaysia bills	150,863	150,863	792,523	792,523
Malaysian Government Securities	19,708	19,708	404,667	404,667
Malaysian Government Investment Certificates	127,341	127,341	141,357	141,357
Cagamas notes	88,470	88,470	29,868	29,868
Cagamas bonds	188,874	188,874	170,219	170,219
Negotiable Islamic Debt Certificates	398,072	398,072	13,759	13,759
Khazanah bonds	327,227	327,227	26,557	26,557
Islamic Bank Negara Malaysia notes	139,636	139,636	37,331	37,331
Cagamas Mudharabah Bearer bonds	82,693	82,693	68,560	68,560
Danaharta bonds	19,580	19,580	66,891	66,891
Danamodal bonds	-	-	1,095	1,095
Negotiable instruments of deposits	-	-	382,615	382,615
Securities Quoted In Malaysia:				
Shares	156,205	156,205	65,155	65,155
Trust units	1,727	1,727	1,426	1,426
Transferable Subscription Rights/Warrants	123	123	10,000	10,000
Loan stocks	2,329	2,329	2,474	2,474
Corporate bonds	19,380	-	19,143	-
Unquoted Debt Equity Conversion Of Companies Incorporated In Malaysia:				
Corporate bonds	18,261	18,261	18,261	18,261
Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:				
Islamic corporate bonds	675,454	675,454	1,310,858	1,310,858
Corporate notes	95,822	95,822	37,986	37,986
Corporate bonds	453,401	453,401	728,489	728,489
Islamic corporate bonds	33,432	33,432	21,345	21,345
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated in Malaysia:				
Corporate bonds	68,909	68,909	119,424	119,424
Corporate notes	49,915	49,915	1,092,684	1,092,684
Islamic corporate notes	5,461	5,461	-	-

Certain money market securities held have been sold under repurchase agreements for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts while the obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as shown in Note 16.



Notes to the Financial Statements (Cont'd)

7. Investment Securities

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Money Market Securities:				
Negotiable instruments of deposits	867,350	867,350	988,242	988,242
Bank Negara Malaysia bills	148,771	-	-	-
Khazanah bonds	40,525	-	-	-
	1,056,646	867,350	988,242	988,242
Quoted Securities:				
In Malaysia				
Shares	3	-	3	-
Corporate bonds	38,000	-	38,000	-
Outside Malaysia				
Corporate bonds	19,000	-	41,800	-
	57,003	-	79,803	-
Debt Equity Conversion:				
Quoted in Malaysia				
Shares - <i>with options</i>	26,697	26,697	32,328	32,328
Shares	4,871	-	5,057	-
Loan stocks - <i>collateralised</i>	13,901	-	13,000	-
Loan stocks	181,005	181,005	191,710	189,599
Quoted outside Malaysia				
Shares	3,189	-	3,029	-
Unquoted securities of companies incorporated:				
In Malaysia				
Shares	87,477	85,798	87,477	85,798
Corporate bonds	392,615	342,642	471,646	410,749
Outside Malaysia				
Shares	3,128	-	-	-
	712,883	636,142	804,247	718,474
Unquoted Private Debt Securities Of Companies Incorporated:				
In Malaysia				
Corporate bonds	30,000	30,000	30,000	30,000
Corporate bonds and notes denominated in USD	144,670	144,670	216,965	216,965
Outside Malaysia				
Corporate bonds and notes denominated in USD	123,073	123,073	123,073	123,073
	297,743	297,743	370,038	370,038
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:				
Corporate bonds	977,857	977,857	-	-
Investment In Related Licensed Commercial Bank				
Unsecured subordinated term loan	460,000	460,000	-	-

Notes to the Financial Statements (Cont'd)

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Unquoted Securities Of Companies Incorporated:				
In Malaysia				
Corporate bonds	100	100	100	100
Shares	60,634	60,634	60,338	60,338
Outside Malaysia				
Shares	9,893	9,893	7,675	7,675
	70,627	70,627	68,113	68,113
Total	3,632,759	3,309,719	2,310,443	2,144,867
Allowance for diminution in value of investments for companies incorporated:				
In Malaysia				
Outside Malaysia	(74,615)	(55,999)	(55,043)	(37,401)
Outside Malaysia	(123,310)	(109,060)	(140,056)	(104,146)
Amortisation of premium less accretion of discount				
	(27,494)	(27,494)	(2,246)	(2,246)
Total/Net	3,407,340	3,117,166	2,113,098	2,001,074
Market Value:				
Money Market Securities:				
Negotiable instruments of deposits	936,528	936,528	1,038,975	1,038,975
Bank Negara Malaysia bills	148,754	-	-	-
Khazanah bonds	40,496	-	-	-
Quoted Securities:				
In Malaysia				
Shares	3	-	3	-
Corporate bonds	38,354	-	38,387	-
Outside Malaysia				
Corporate bonds	4,750	-	6,774	-
Debt Equity Conversion:				
Quoted in Malaysia				
Shares - <i>with options</i>	18,375	18,375	21,815	21,815
Shares	999	-	1,899	-
Loan stocks - <i>collateralised</i>	12,988	-	13,000	-
Loan stocks	108,715	107,954	287,729	284,804
Quoted outside Malaysia				
Shares	3,441	-	3,270	-
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:				
Corporate bonds	937,549	937,549	30,000	30,000



Notes to the Financial Statements (Cont'd)

The maturity structure of money market securities held for investment by the Group and the Bank is as follows:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Maturing within one year	421,308	232,012	120,892	120,892
One year to three years	412,219	412,219	232,012	232,012
Three to five years	201,540	201,540	613,759	613,759
Over five years	21,579	21,579	21,579	21,579
	1,056,646	867,350	988,242	988,242

Certain money market securities held have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while the obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as shown in Note 16.

The investment in related licensed commercial bank is in respect of a RM460 million 10-year unsecured subordinated term loan (subloan) to AmBank Berhad (AmBank) to refinance its RM460 million exchangeable subordinated capital loan granted by Danamodal Nasional Berhad. In order to provide the refinancing arrangements to AmBank, the Bank has issued RM460 million redeemable unsecured subordinated bonds (SubBonds) as explained in Note 22. The subloan bears interest at 0.375% above the Bank's cost of SubBonds.

8. Loans, Advances And Financing

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Loans and financing:				
Customers	5,588,867	5,393,947	5,881,900	5,619,415
Related companies	292,110	281,470	272,137	261,497
Staff	26,569	25,879	26,941	26,289
Claims on customers under acceptance credits	9,746	9,746	18,775	18,775
Lease receivables	-	-	5,547	5,547
Gross loans, advances and financing	5,917,292	5,711,042	6,205,300	5,931,523
Less:				
Allowance for bad and doubtful debts and financing:				
General	80,404	77,788	86,186	82,026
Specific	378,375	362,969	339,333	308,111
	458,779	440,757	425,519	390,137
Interest/Income-in-suspense	183,603	167,875	197,458	154,982
	642,382	608,632	622,977	545,119
Net loans, advances and financing	5,274,910	5,102,410	5,582,323	5,386,404

Claims on customers under acceptance credits represent the Bank's own acceptances created and discounted. Own acceptances discounted and held in hand by the Group and the Bank as at 31 March 2004 amounted to RM2,601,000 (RM1,953,000 in 2003).

Notes to the Financial Statements *(Cont'd)*

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

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Maturing within one year	3,602,273	3,451,912	2,831,350	2,610,778
One year to three years	991,196	975,311	1,904,946	1,895,185
Three to five years	726,762	687,237	871,840	828,819
Over five years	597,061	596,582	597,164	596,741
	5,917,292	5,711,042	6,205,300	5,931,523

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

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Investment holdings	931,676	931,676	1,137,039	1,137,039
Construction	913,725	886,499	1,257,608	1,191,421
Manufacturing	801,596	786,305	644,501	616,264
Purchase of securities	761,863	761,863	902,853	902,853
Transport, storage and communication	583,456	574,111	182,165	171,195
General commerce	444,700	437,707	376,774	369,555
Finance, insurance and business services	433,051	319,889	511,530	400,474
Agriculture	417,800	399,258	480,201	447,603
Real estate	312,524	312,524	310,391	304,332
Electricity, gas and water	125,062	125,062	170,080	170,080
Purchase of landed property:				
(a) Residential	23,804	23,299	23,918	23,385
(b) Non-residential	85,948	74,294	145,732	134,814
Mining and quarrying	1,320	1,320	4,570	4,570
Others	80,767	77,235	57,938	57,938
	5,917,292	5,711,042	6,205,300	5,931,523

Net loans, advances and financing of the Group includes loans relating to the offshore banking company amounting to USD45,275,000 (USD51,436,000 in 2003) and are translated into Ringgit Malaysia at the exchange rate of RM3.80 (RM3.80 in 2003).



Notes to the Financial Statements (Cont'd)

Movements in non-performing loans and financing including interest and income receivables are as follows:-

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Gross				
Balance at beginning of year	1,112,828	930,374	1,767,942	1,498,294
Non-performing during the year	307,076	289,552	372,161	293,840
Amount written off	(158,689)	(108,821)	(315,424)	(308,887)
Recoveries	(132,531)	(115,452)	(193,478)	(109,825)
Reclassification to performing loans and financing	(93,905)	(81,387)	(232,259)	(222,180)
Debt equity conversion	(46,699)	(40,906)	(272,783)	(207,537)
Amount transferred on disposal of commercial services business to related commercial bank	-	-	(12,522)	(12,522)
Foreclosure	-	-	(809)	(809)
Balance at end of year	988,080	873,360	1,112,828	930,374
Less:				
Specific allowance	378,375	362,969	339,333	308,111
Interest/income-in-suspense	183,603	167,875	197,458	154,982
	561,978	530,844	536,791	463,093
Non-performing loans and financing - net	426,102	342,516	576,037	467,281
Ratios of non-performing loans and financing to total loans, advances and financing - Net	7.96%	6.61%	10.16%	8.55%

Movements in allowances for bad and doubtful debts and financing and interest/income-in-suspense accounts are as follows:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
General allowance				
Balance at beginning of the year	86,186	82,026	107,398	99,299
Reversal of allowance during the year (Note 29)	(5,791)	(4,238)	(21,231)	(17,273)
Exchange fluctuation adjustment	9	-	19	-
Balance at end of year	80,404	77,788	86,186	82,026
% of total loans and financing less specific allowances and interest/ income-in-suspense	1.50%	1.50%	1.52%	1.50%

Notes to the Financial Statements (Cont'd)

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Specific allowance				
Balance at beginning of year	339,333	308,111	324,756	303,443
Allowance during the year	195,518	192,359	262,581	252,672
Amount written back in respect of recoveries and reversals	(38,325)	(37,316)	(8,027)	(8,027)
Net charge to income statements (Note 29)	157,193	155,043	254,554	244,645
Amount written off	(127,434)	(106,122)	(229,902)	(229,902)
Debt equity conversion	(32)	(32)	(108)	(108)
Reclassification from sundry receivables	9,315	5,969	-	-
Amount transferred on disposal of commercial services business to related commercial bank	-	-	(9,967)	(9,967)
Balance at end of year	378,375	362,969	339,333	308,111
Interest/Income-in-suspense				
Balance at beginning of year	197,458	154,982	235,870	199,823
Interest/Income suspended during the year	99,240	88,395	134,767	114,622
Amount written back in respect of recoveries	(54,442)	(46,274)	(46,611)	(39,308)
Amount written back in respect of reversal	(306)	(306)	(811)	(811)
Net charge to income statements	44,492	41,815	87,345	74,503
Amount written off	(58,413)	(28,922)	(119,724)	(113,188)
Exchange fluctuation adjustment	66	-	123	-
Debt equity conversion	-	-	(3,959)	(3,959)
Foreclosure	-	-	(809)	(809)
Amount transferred on disposal of commercial services business to related commercial bank	-	-	(1,388)	(1,388)
Balance at end of year	183,603	167,875	197,458	154,982



Notes to the Financial Statements (Cont'd)

9. Other Assets

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM14,088,000 (RM35,663,000 in 2003) and the Bank of RM8,899,000 (RM12,389,000 in 2003)	136,072	118,393	122,860	122,813
Interest/Dividends receivable	55,545	51,154	80,654	66,519
Amount due from Originators	153,104	153,104	243,757	243,757
Amount recoverable from Danaharta	-	-	4,360	-
Amount due from brokers	3,584	3,584	2,944	2,944
Amount due from:				
Holding company	179	179	-	-
Subsidiary companies	-	2,023	-	1,723
Related companies	17,017	17,769	28,534	28,512
Associated companies	123	123	847	847
Assets acquired in exchange of debts	11,773	11,773	7,778	7,778
	377,397	358,102	491,734	474,893

The movements in amount recoverable from Danaharta are as follows:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Balance at beginning of the year	4,360	-	22,414	13,104
Allowance made during the year (Note 29)	(4,360)	-	(18,054)	(13,104)
Balance at end of year	-	-	4,360	-

Amount due from Originators represent loans, hire purchase and leasing receivables acquired from the Originators for onward sale to Cagamas Berhad as mentioned in Note 18.

Amounts due from subsidiary companies are interest-free and represent expenses paid on behalf and interests receivable.

Amounts due from related companies are interest-free and represent expenses paid on behalf and interests receivable.

Amounts due from associated companies are interest-free and represent expenses paid on behalf.

10. Statutory Deposit With Bank Negara Malaysia (Central Bank Of Malaysia)

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amounts of which are determined at set percentages of total eligible liabilities.

Notes to the Financial Statements (Cont'd)

11. Investments In Subsidiary Companies

The subsidiary companies, all unquoted and incorporated in Malaysia, are:

	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2004 RM'000	2003 RM'000	2004 %	2003 %
Direct Subsidiary Companies					
AmInvestment Services Berhad	Management of unit trusts	5,539	5,539	70	70
AMMB Consultant Sdn Bhd	Investment consultant	500	500	100	100
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100	100
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	100	100
AmProperty Trust Management Bhd	Management of property trusts	500	500	100	100
AmInvestment Management Sdn Bhd	Asset management	2,000	2,000	70	70
AMMB Properties Sdn Bhd	Dormant	-**	-**	100	100
Malaysian Ventures Management Incorporated Sdn Bhd	Management of venture capital	500	500	59	59
		US\$'000	US\$'000		
AMMB Labuan (L) Ltd	Dormant	200	200	100	100
AmInternational (L) Ltd	Offshore banking	10,000	10,000	100	100
Indirect Subsidiary Companies					
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-**	-**	70	70
AM Nominees (Asing) Sdn Bhd	Nominee services	-**	-**	70	70

** Subsidiary companies with an issued and paid up ordinary capital of RM2



Notes to the Financial Statements (Cont'd)

12. Investments In Associated Companies

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Unquoted shares, at cost	82,598	82,598	81,295	81,295
Irredeemable convertible cumulative preference shares	-	-	8,144	8,144
Redeemable convertible cumulative preference shares	-	-	4,192	4,192
Share in net post acquisition profits	29,748	-	18,535	-
Exchange fluctuation adjustment	6,162	-	6,162	-
	118,508	82,598	118,328	93,631
Less: Accumulated amortisation of premium	(2,548)	-	(1,274)	-
	115,960	82,598	117,054	93,631
Unsecured subordinated term loan	30,000	30,000	30,000	30,000
	145,960	112,598	147,054	123,631

As at 31 March 2004, the carrying values of the investments in associated companies are represented by:

	The Group	
	2004 RM'000	2003 RM'000
Group's share of aggregate net tangible assets	92,462	92,282
Group's share of aggregate intangible assets	2,541	2,541
Premium on acquisitions, net of amortisation of RM2,548,000 (RM1,274,000 in 2003)	20,957	22,231
	115,960	117,054
Unsecured subordinated term loan	30,000	30,000
	145,960	147,054

The associated companies, all unquoted, are as follows:

	Principal Activities	Issued and Paid-up Ordinary Capital		Equity Interest	
		2004 RM'000	2003 RM'000	2004 %	2003 %
Incorporated in Malaysia					
AmAssurance Berhad (AmAssurance)	Life assurance and general insurance	100,000	100,000	47.12	47.12
Arab-Malaysian Services Berhad (wholly-owned by AmAssurance)	Dormant	6,000	6,000	47.12	47.12
Malaysian Ventures Sdn Bhd*	Venture capital	35	35	27.41	27.41

Notes to the Financial Statements (Cont'd)

	Principal Activities	Issued and Paid-up Ordinary Capital		Equity Interest	
		2004 RM'000	2003 RM'000	2004 %	2003 %
Incorporated in Malaysia					
Malaysian Ventures (Two) Sdn Bhd	Venture capital	19	19	34.67	34.67
AmTrustee Berhad	Trustee services	500	500	20	20
Malaysian Issuing House Sdn Bhd	Public shares issue services	-	2,500	-	25.50
		S\$'000	S\$'000		
Incorporated in Singapore					
Fraser International Pte. Ltd. (FIPL)#	Investment holding	14,856	16,411	49	49
Fraser Securities Pte. Ltd. (FSPL)# (wholly-owned by FIPL)	Stockbroking and futures broker	22,028	22,028	49	49
Fraser Financial Planners Pte. Ltd.# (wholly-owned by FIPL)	Financial planning advisory	1,000	1,000	49	49
Fraser Financial Advisory Pte. Ltd.# (wholly-owned by FIPL)	Insurance brokers	200	150	49	49
Fraser-AMMB Research Pte. Ltd.# (wholly-owned by FSPL)	Research services	500	500	49	49
Fraser Nominees (Private) Limited# (wholly-owned by FSPL)	Nominee services	1	1	49	49

* Associated company under members' voluntary liquidation.

Associated company not audited by Deloitte KassimChan

During the financial year,

- (i) On 2 April 2003, the Bank entered into a conditional sale and purchase agreement with Symphony House Berhad (Symphony House) to dispose of its entire 25.5% equity interest amounting to 637,500 ordinary shares of RM1.00 each in Malaysian Issuing House Sdn Bhd (MIH), to Symphony House for a cash consideration of RM624,272.

The purchase consideration was arrived at on a willing-buyer and willing-seller basis, based on the adjusted pro-forma unaudited net tangible assets of MIH as at 31 December 2002.

The disposal was completed on 30 July 2003. The final cash consideration in respect of the disposal was revised from RM624,272 to RM637,500 based on the pro-forma audited net tangible assets of MIH as at 30 June 2003 of RM2,500,000 (after adjusting for the final dividend paid to all the shareholders of MIH, including the Bank, for the year ended 30 June 2003).



Notes to the Financial Statements (Cont'd)

- (ii) On 10 April 2003, Frasers International Pte Ltd (FIPL) went through a capital reduction exercise of which all redeemable convertible cumulative preference shares and irredeemable convertible cumulative preference shares were converted to ordinary shares in FIPL. This exercise resulted in a capital reduction of 9.8 million ordinary shares and repayment of S\$9.8 million to all shareholders in proportion to their respective equity interests in FIPL, of which capital repayment to the Bank amounted to S\$4,844,032.
- (iii) On 3 March 2004, AmAssurance entered into a Sale and Purchase Agreement with Arab-Malaysian Credit Berhad (AMCB) for the acquisition of the podium block of freehold building identified as Menara Lian Court located at 37, Jalan Sultan Ahman Shah, 10050 Penang, for a total cash consideration of RM7,800,000.

13. Property And Equipment

The Group	Freehold land and building RM'000	Long leasehold land and buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
At beginning of year	280	20,620	4,611	12,549	71,425	17,408	126,893
Additions	-	-	210	7,253	5,713	1,526	14,702
Disposals	-	-	(874)	(1)	-	(88)	(963)
Write offs	-	-	-	(290)	(827)	(356)	(1,473)
Reclassification/ Transfer	-	-	-	(282)	-	282	-
At end of year	280	20,620	3,947	19,229	76,311	18,772	139,159
ACCUMULATED DEPRECIATION							
At beginning of year	68	430	3,524	5,112	52,086	11,981	73,201
Additions	5	414	506	1,183	10,808	1,189	14,105
Disposals	-	-	(874)	(1)	-	(71)	(946)
Write offs	-	-	-	(277)	(815)	(277)	(1,369)
At end of year	73	844	3,156	6,017	62,079	12,822	84,991
NET BOOK VALUE							
As at 31 March 2004	207	19,776	791	13,212	14,232	5,950	54,168
As at 31 March 2003	212	20,190	1,087	7,437	19,339	5,427	53,692
Depreciation charge for the year ended 31 March 2003	9	306	484	1,096	11,134	1,339	14,368

Notes to the Financial Statements (Cont'd)

The Bank	Freehold land and building RM'000	Long leasehold land and buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
At beginning of year	280	20,133	3,870	12,541	65,608	14,355	116,787
Additions	-	-	210	7,253	4,732	1,184	13,379
Disposals	-	-	(874)	(1)	-	(88)	(963)
Write offs	-	-	-	(290)	(367)	(343)	(1,000)
Reclassifications	-	-	-	(282)	-	282	-
At end of year	280	20,133	3,206	19,221	69,973	15,390	128,203
ACCUMULATED DEPRECIATION							
At beginning of year	68	364	2,890	5,103	47,092	9,327	64,844
Additions	5	404	453	1,184	10,172	955	13,173
Disposals	-	-	(874)	(1)	-	(71)	(946)
Write offs	-	-	-	(277)	(361)	(266)	(904)
At end of year	73	768	2,469	6,009	56,903	9,945	76,167
NET BOOK VALUE							
As at 31 March 2004	207	19,365	737	13,212	13,070	5,445	52,036
As at 31 March 2003	212	19,769	980	7,438	18,516	5,028	51,943
Depreciation charge for the year ended 31 March 2003	9	296	433	1,096	10,464	1,052	13,350

The three pieces of long leasehold land, two located in the Federal Territory of Labuan and one located in the Federal Territory of Kuala Lumpur, are for lease periods of 99 years with unexpired lease periods of 54, 86 and 87 years, respectively.



Notes to the Financial Statements (Cont'd)

Details of fully depreciated property and equipment which are still in use are as follows:

2004	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
The Group					
Cost	1,187	3,669	40,901	6,911	52,668
The Bank					
Cost	774	3,669	37,124	5,543	47,110
2003					
The Group					
Cost	2,002	5,782	34,392	6,101	48,277
The Bank					
Cost	1,741	3,407	32,673	5,358	43,179

14. Deposits From Customers

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Term/Investment deposits from:				
Customers	5,246,401	4,699,007	4,383,136	3,968,674
Holding company	-	-	32,100	32,100
Negotiable instruments of deposit	683,458	683,458	887,037	887,037
	5,929,859	5,382,465	5,302,273	4,887,811

The maturity structure of term/investment deposits and negotiable instruments of deposit is as follows:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Due within six months	5,607,001	5,060,226	4,971,045	4,556,583
Six months to one year	202,558	201,939	208,988	208,988
Over one year	120,300	120,300	122,240	122,240
	5,929,859	5,382,465	5,302,273	4,887,811

Notes to the Financial Statements (Cont'd)

The deposits are sourced from the following types of customers:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Business enterprises	5,008,109	4,460,715	4,229,147	3,814,685
Individuals	6,149	6,149	9,780	9,780
Others	915,601	915,601	1,063,346	1,063,346
	5,929,859	5,382,465	5,302,273	4,887,811

15. Deposits Of Banks And Other Financial Institutions

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Licensed banks:				
Subsidiary	-	215,196	-	336,309
Related	143,053	143,053	388,050	388,050
Others	1,452,721	1,400,277	1,698,035	1,641,035
Licensed finance companies:				
Related	1,121,408	1,121,408	1,347,605	1,347,605
Others	-	-	112,553	112,553
Other financial institutions	2,767,071	2,767,071	3,626,963	3,627,413
	5,484,253	5,647,005	7,173,206	7,452,965

Included under deposits of banks and other financial institutions of the Group and the Bank are the following:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Negotiable instruments of deposits	2,027,796	2,027,796	4,084,091	4,084,091
Interbank borrowings	1,054,744	1,217,496	1,739,000	2,075,309

As at 31 March 2004, the net interbank borrowings and lending position of the Group and the Bank are as follows:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Interbank lending (Notes 4 and 5)	2,877,282	2,783,830	1,654,937	1,835,963
Interbank borrowings	(1,054,744)	(1,217,496)	(1,739,000)	(2,075,309)
Net interbank lending/(borrowings)	1,822,538	1,566,334	(84,063)	(239,346)



Notes to the Financial Statements (Cont'd)

16. Securities Sold Under Repurchase Agreements

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Securities sold under repurchase agreements to:				
Customers	1,416,605	1,402,098	1,524,262	1,524,262
Holding company	287	287	150	150
Related companies	9,500	9,500	1,012	1,012
Associated companies	58,159	58,159	4,979	4,979
	1,484,551	1,470,044	1,530,403	1,530,403

17. Acceptances Payable

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

18. Amount Due To Cagamas Berhad

Amount due to Cagamas Berhad represents the proceeds received from loans, hire purchase and leasing receivables acquired from the Originators (excluding Islamic financing) and sold directly and indirectly to Cagamas Berhad with recourse. Under this back to back arrangement with the Originators, the Bank acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the Originators.

19. Other Liabilities

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Trade payables	2,599	-	2,665	-
Other payables and accruals	81,637	76,546	95,125	92,204
Amount due to:				
Holding company	14	13	27	27
Subsidiary companies	-	3	-	21
Related company	28	15	10	-
Associated companies	68	-	-	-
Taxation payable	1,494	-	3,264	-
Zakat payable	38	38	38	38
Profit equalisation reserve	-	-	970	970
Proposed dividend (Note 36)	7,200	7,200	7,200	7,200
Deferred tax liabilities (Note 35)	160	-	245	-
	93,238	83,815	109,544	100,460

Notes to the Financial Statements (Cont'd)

Included under other payables and accruals of the Group and the Bank are the following:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Interest payable	46,531	47,877	55,327	56,834
Lease creditors repayable within 12 months	-	-	11	11
	46,531	47,877	55,338	56,845

Amount due to holding company represents interest payable on subordinated term loans and interest bearing ICULS.

Amount due to subsidiary company and related companies represent interest payable on deposit placements.

The movements in profit equalisation reserve are as follows:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Balance at beginning of year	970	970	-	-
Provision during the year	3,025	3,025	3,114	3,114
Amount written back	(3,995)	(3,995)	(2,144)	(2,144)
Balance at end of year	-	-	970	970

20. Term Loans

The term loans represent unsecured loans obtained from foreign offshore banks at varying interest rates ranging from 0.6% to 1.17% above LIBOR and are repayable in full within one year. The unsecured loan obtained from a foreign offshore bank at interest rate of 0.6% above LIBOR in the amount of RM190,000,000 was fully repaid during the financial year.

21. Subordinated Certificates Of Deposits

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Balance at beginning of year	200,000	200,000	200,000	200,000
Less: Unamortised discount	(2,582)	(2,582)	(3,936)	(3,936)
Balance at end of year	197,418	197,418	196,064	196,064

The Subordinated Certificates of Deposits (SCD) issued by the Bank represents RM200,000,000 nominal amount of unsecured Negotiable Subordinated Certificates of Deposit (NSCD) issued at a discount of RM6,750,600 for a total consideration of RM193,249,400. The accretion of discount of RM6,750,600 will be applied evenly over 5 years. The NSCD has a coupon rate of 8.00 % per annum for the first five years and is redeemable on 1 March 2006 or on each anniversary date thereafter at nominal value. Subsequently, the interest rate for year 6 is 9.00% per annum and will be increased by 0.5% per annum for years 7 to 10.



Notes to the Financial Statements *(Cont'd)*

22. Redeemable Unsecured Subordinated Bonds

Pursuant to a Trust Deed dated 23 September 2003, the Bank issued RM460,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds (SubBonds) to be used to grant a RM460,000,000 10-year unsecured subordinated term loan to AmBank, its related licensed commercial bank for the purpose of refinancing its RM460,000,000 exchangeable subordinated capital loan to Danamodal Nasional Berhad.

The salient features of the SubBonds are as follows:

- (a) The SubBonds bear interest at 6.5% per annum for the first five years and at 7.0% to 9.0% per annum or 3% above the yield of 5-year Malaysian Government Securities, whichever is higher for years 6 to 10. The interest is payable on a semi-annual basis.
- (b) The SubBonds are redeemable on 30 September 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (c) The SubBonds are for a period of ten years maturing on 30 September 2013. However, subject to the prior approval of Bank Negara Malaysia, the Bank may redeem the SubBonds on 30 September 2008 or on each anniversary date thereafter.

23. Minority Interests

Minority interests in the Group represent that part of the net results of operations, or net assets, of subsidiary companies attributable to shares owned other than by the Bank.

The movements in minority interests in subsidiary companies are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Balance at beginning of year	4,722	3,311
Share in net results of subsidiary companies	3,453	2,954
Arising from Malaysian Ventures Management		
Incorporated Sdn Bhd becoming a subsidiary of the Bank	-	232
Dividends received/receivable	(3,520)	(1,775)
Balance at end of year	4,655	4,722

Notes to the Financial Statements *(Cont'd)*

24. Share Capital

	The Group and the Bank	
	2004	2003
	RM'000	RM'000
Authorised:		
Shares of RM1.00 each		
Balance at beginning and end of year	2,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each	200,000	200,000
Non-cumulative convertible preference shares of RM1.00 each	100,000	100,000
	300,000	300,000

Salient features of the Preference Shares are as follows:

- (a) The Preference Shares shall rank in preference to the ordinary shares in issue.
- (b) An annual gross dividend of 10% is payable on the shares.
- (c) The Bank shall at no time be obliged to redeem or purchase the Preference Shares or any part thereof.
- (d) Subject to approvals of the relevant authorities and holder of the Preference Shares, the Preference Shares are convertible into new ordinary shares of RM1.00 each on the basis of one new ordinary share of RM1.00 each for every Preference Share held.

25. Interest Bearing Irredeemable Convertible Unsecured Loan Stocks (ICULS) 2002/2007

	The Group and the Bank	
	2004	2003
	RM'000	RM'000
Balance at beginning and end of year	120,000	120,000

The salient features of the ICULS 2002/2007 issued to the holding company, AMMB Holdings Berhad (AHB), are as follows:

- (a) The ICULS 2002/2007 bear interest at 0.6% - 1.0% per annum above the cost of funds of AHB payable semi-annually or such other interval as may be determined by AHB.
- (b) The ICULS 2002/2007 are convertible into new ordinary shares at any time on the basis of one new ordinary share of RM1.00 each for every RM4.00 nominal amount of ICULS 2002/7 held.
- (c) The ICULS 2002/2007 were for an initial period of five years and has been extended for a further period of five years to mature on 15 January 2007.
- (d) All new ordinary shares issued upon conversion of the ICULS 2002/2007 shall rank pari passu with the then existing ordinary shares of the Bank except for any dividend, rights, allotments or other distributions, the entitlement date of which is before the relevant conversion date.



Notes to the Financial Statements *(Cont'd)*

26. Reserves

Reserves as at 31 March are analysed as follows:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Non-distributable reserves:				
Capital reserve	2,815	-	2,815	-
Share premium	60,284	60,284	60,284	60,284
Statutory reserve	300,000	300,000	300,000	300,000
Exchange fluctuation reserve	29,618	-	29,618	-
Total non-distributable reserves	392,717	360,284	392,717	360,284
Distributable reserves:				
Unappropriated profit	713,509	675,887	614,443	599,171
Total distributable reserves	713,509	675,887	614,443	599,171
Total reserves	1,106,226	1,036,171	1,007,160	959,455

Movements in reserves are shown in the statements of changes in equity.

Capital reserve is in respect of dilution and accretion in net attributable assets of the Group arising from the new shares issued by the associated company to the Group and capitalisation of subsidiary companies' bonus issues.

Share premium is used to record premium arising from new shares issued in the Bank.

The statutory reserve of the Bank is maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

Exchange fluctuation reserve arising on translation of foreign subsidiary and associated companies, as described in the accounting policies.

Distributable reserves are those available for distribution by way of dividends.

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividend out of all its distributable reserves as at 31 March 2004.

Notes to the Financial Statements *(Cont'd)*

27. Interest Income

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Short-term funds and deposits with financial institutions	46,474	53,581	30,450	44,016
Dealing securities	136,647	136,230	153,754	153,127
Investment securities	115,703	114,315	45,471	43,870
Loans and advances	347,520	332,517	448,670	424,007
Others	637	359	40	22
Gross interest income	646,981	637,002	678,385	665,042
Amortisation of premiums less accretion of discounts	(23,837)	(25,592)	(117)	(117)
Total before interest suspension	623,144	611,410	678,268	664,925
Interest suspended	(95,289)	(84,444)	(133,775)	(113,629)
Interest recovered	54,747	46,579	47,363	40,059
Net interest suspension	(40,542)	(37,865)	(86,412)	(73,570)
Total after net interest suspension	582,602	573,545	591,856	591,355

28. Interest Expense

Deposits from customers	270,512	264,844	272,197	269,956
Deposit of banks and other financial institutions	56,835	62,341	40,666	46,069
Securities sold under repurchase agreements	40,888	40,851	31,103	31,148
Subordinated deposits and term loans	23,252	23,048	27,870	27,870
Redeemable unsecured subordinated bonds	14,627	14,627	-	-
Others	29,119	27,819	(2,331)	(2,477)
	435,233	433,530	369,505	372,566



Notes to the Financial Statements (Cont'd)

29. Loan And Financing Loss And Allowances

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
(Reversal of)/Allowance for bad and doubtful debts and financing:				
General allowance	(5,791)	(4,238)	(21,231)	(17,273)
Specific allowance - net	157,193	155,043	254,554	244,645
Bad debts and financing				
Written off	3,670	3,670	4,342	4,342
Recovered	(51,371)	(51,371)	(12,484)	(12,484)
Loss on disposal of loan assets	1,246	-	-	-
Allowance for value impairment on amount recoverable from Danaharta	4,360	-	18,054	13,104
	109,307	103,104	243,235	232,334

30. Non-Interest Income

Fee income:				
Fees on loans and advances	16,120	15,477	19,770	19,440
Corporate advisory fees	21,174	20,712	28,584	28,109
Guarantee fees	15,215	12,217	17,032	12,526
Underwriting commissions	6,296	6,296	5,102	5,102
Portfolio management fees	8,492	-	7,609	-
Unit trust management fees	24,939	-	21,109	-
Property trust management fees	1,951	-	1,865	-
Other fee income	17,573	16,283	16,077	16,793
	111,760	70,985	117,148	81,970
Investment and trading income:				
Net trading income/(loss) from:				
Dealing securities	64,691	64,691	136,414	137,810
Investment securities	1,730	-	(5,638)	(5,638)
Net trading (loss)/income from derivatives	(2,878)	(2,878)	8,965	8,965
Gain on sale of quoted securities - net	25,334	25,295	11,859	11,572
Gain on sale of unquoted investments - net	9,143	9,143	-	-
Gain on futures	63	63	-	-
Gross dividend income from:				
Unquoted subsidiary companies	-	12,654	-	14,532
Unquoted associated company	-	3,570	-	1,063
Quoted investments in Malaysia	2,855	2,855	2,683	2,658
Unquoted investments	34,618	34,618	1,074	1,068
	135,556	150,011	155,357	172,030
Other income:				
Realised foreign exchange gain	601	3	1,001	3
Gain on disposal of property and equipment - net	314	314	607	554
Rental income	760	760	543	543
Other non-operating income	324	-	795	-
	1,999	1,077	2,946	1,100
	249,315	222,073	275,451	255,100

Notes to the Financial Statements *(Cont'd)*

31. Non-Interest Expense

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Personnel costs	74,227	60,595	69,807	58,357
Establishment costs	27,034	22,793	27,074	23,031
Marketing and communication expenses	11,924	9,884	11,412	10,034
Administration and general expenses	16,282	12,944	13,832	11,404
	129,467	106,216	122,125	102,826

Included in the above expenditure are the following statutory disclosures:

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Directors' remuneration (Note 33)	3,340	3,298	2,403	2,177
Rental of premises	8,751	8,305	8,486	8,045
Depreciation of property and equipment (Note 13)	14,105	13,173	14,368	13,350
Amortisation of premium on acquisition	1,274	-	1,274	-
Hire of motor vehicles and office equipment	872	591	591	292
Interest on finance leases	-	-	6	6
Auditors' remuneration:				
Statutory audit				
Current	182	130	182	130
Overprovision in prior years	-	-	35	30
Special audit				
Current	52	52	91	91
Overprovision in prior years	-	-	42	42
Non audit fees	22	5	18	5
Property and equipment written off	104	96	184	184
Sundry bad debts written off	332	321	1,148	1,714

The total number of employees of the Group and of the Bank (including executive directors) as at 31 March 2004 were 1,020 (1,007 in 2003) and 828 (834 in 2003), respectively.

Staff costs include salaries, bonuses, contributions to employees provident fund and all other staff related expenses. Contributions to employees provident fund of the Group and the Bank amounted to RM10,518,969 (RM10,445,865 in 2003) and RM8,793,997 (RM9,076,967 in 2003) respectively.



Notes to the Financial Statements (Cont'd)

32. Related Party Transactions

The Bank is a subsidiary of AMMB Holdings Berhad, a company incorporated in Malaysia and quoted on the Main Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad), which is also regarded as its ultimate holding company.

(a) Transactions and outstanding balances with holding company and related companies.

The significant transactions and outstanding balances of the Bank with its holding company and related companies are as follows:

	2004		2003	
	Holding Company RM'000	Related Companies RM'000	Holding Company RM'000	Related Companies RM'000
<u>Income</u>				
Interest on deposits and placements	-	13,813	-	275
Interest on loans	-	12,995	-	13,691
Recovery of management and other expenses	-	22,447	-	20,356
Rental income	-	96	-	75
Unsecured subordinated term loan	-	15,942	-	-
	-	65,293	-	34,397
<u>Expenditure</u>				
Interest on deposits and placements	1,006	45,767	1,504	26,842
Interest on subordinated term loan	-	-	601	-
Interest on ICULS issued	7,220	-	7,200	-
	8,226	45,767	9,305	26,842
<u>Assets</u>				
Negotiable instrument of deposit	-	-	-	200,002
Loans and advances	-	281,470	-	261,497
Subordinated term loan	-	460,000	-	-
Other assets	-	21,493	81	29,795
	-	762,963	81	491,294
<u>Liabilities/Equity</u>				
Deposits and placements	71,017	1,491,808	32,100	705,255
Securities sold on repurchase agreements	287	67,659	150	531
ICULS 2002/2007	120,000	-	120,000	-
	191,304	1,559,467	152,250	705,786

The above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

Notes to the Financial Statements (Cont'd)

(b) Directors related transactions

The significant non-banking transactions of the Group with companies in which Tan Sri Dato' Azman Hashim is deemed to have a substantial interest, are as follows:

Company	Types of transactions	2004 RM'000	2003 RM'000
<u>Expense</u>			
Arab-Malaysian Property Trust Funds	Rental of premises	8,189	8,626
Bluestar Infotech (M) Sdn Bhd	Computer maintenance	49	1,610
MCM Consulting Sdn Bhd (formerly known as Gamarapi Sdn Bhd)	Computer maintenance	124	-
MCM Systems Sdn Bhd (formerly known as Infotech Project Sdn Bhd)	Computer maintenance	39	-
Harpers Travel (M) Sdn Bhd	Travelling expenses	72	68
<u>Capital expenditure</u>			
Melawangi Sdn Bhd	Purchase of four (4) units of office premises located at the AMCORP Trade Centre	7,239	-
Taifab Properties Sdn Bhd	Purchase of three (3) units of freehold office premises located at the Arab-Malaysian Business Centre (AMBC)	1,998	-
Medan Delima Sdn Bhd	Purchase of seven (7) units of freehold office premises located at AMBC	2,477	-
MCM Consulting Sdn Bhd (formerly known as Gamarapi Sdn Bhd)	Purchase of computer hardware, software and related consultancy services	2,626	3,637
Bluestar Infotech (M) Sdn Bhd	Purchase of computer hardware, software and related consultancy services	290	68
MCM Systems Sdn Bhd (formerly known as Infotech Project Sdn Bhd)	Purchase of computer hardware, software and related consultancy services	701	270

The significant non-banking transactions of the Group with a company in which Mr. Cheah Tek Kuang is deemed to have a substantial interest, are as follows:

Company	Types of transactions	2004 RM'000	2003 RM'000
<u>Expense</u>			
Financial Park (L) Sdn Bhd	Rental of premises	174	239

The significant non-banking transactions of the Group with a company in which Prof. Tan Sri Dato' Dr Mohd Rashdan Haji Baba is deemed to have a substantial interest, are as follows:

Company	Types of transactions	2004 RM'000	2003 RM'000
<u>Expense</u>			
Computer Systems Advisers (M) Berhad	Computer maintenance	3	-
<u>Capital Expenditure</u>			
Computer Systems Advisers (M) Berhad	Purchase of computer hardware, software and related consultancy services	61	61

The above transactions have been entered into in the normal course of business and have been established under terms and conditions not materially different from those arranged with independent third parties.

As at 31 March 2004 and 2003, there are no outstanding balances arising from Directors related transactions.



Notes to the Financial Statements *(Cont'd)*

33. Directors' Remuneration

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

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Executive directors				
Salary and other remuneration	1,451	1,434	1,144	1,144
Bonuses	840	840	78	78
Gratuity payment	300	300	200	200
Benefits-in-kind	160	159	220	220
	2,751	2,733	1,642	1,642
Non-executive directors				
Fees	119	95	120	120
Other remuneration	457	457	614	403
Benefits-in-kind	13	13	27	12
	589	565	761	535
	3,340	3,298	2,403	2,177

The remuneration attributable to the managing director of the Bank, including estimated cash value of benefits-in-kind during the year amounted to RM1,747,648 (RM856,492 in 2003).

Notes to the Financial Statements (Cont'd)

34. Taxation

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Estimated current tax payable	52,704	51,920	46,955	45,380
Share in taxation of associated companies incorporated in:				
Malaysia	4,510	-	1,835	-
Outside Malaysia	-	-	(2)	-
Transfer from deferred tax assets (Note 35)	1,722	1,722	36,513	36,790
Transfer (to)/from deferred tax liabilities (Note 35)	(85)	-	245	-
	58,851	53,642	85,546	82,170
Over provision of current taxation in respect of prior years	(4,170)	(4,150)	(38,631)	(38,631)
Total	54,681	49,492	46,915	43,539

As at 31 March 2004 and 2003, the Group has tax exempt income totalling RM2,797,000 and RM524,000 respectively pertaining to subsidiary companies.

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

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Profit before taxation	193,220	162,228	168,683	181,893
Taxation at Malaysian statutory tax rate of 28% (28% as at 31 March 2003)	54,336	45,424	49,870	50,930
Effect of different tax rates in Labuan	(4,619)	(1,172)	3,199	(804)
Interest expense on ICULS included in statement of changes in equity which is deductible for tax purposes	(2,021)	(2,021)	(2,016)	(2,016)
Income not subject to tax	(3,089)	(2,248)	(8,865)	(8,311)
Tax on dividend income not restated	-	-	252	252
Expenses not deductible for tax purposes	14,244	13,659	43,106	42,119
Tax expense for the year	58,851	53,642	85,546	82,170



Notes to the Financial Statements *(Cont'd)*

35. Deferred Taxation

(a) Deferred tax assets

	2004		2003	
	The Group RM'000	The Bank RM'000	The Group RM'000	The Bank RM'000
Balance at beginning of year				
As previously reported	(23,898)	(23,898)	(32,607)	(32,884)
Prior year's adjustments	-	-	(27,804)	(27,804)
As restated	(23,898)	(23,898)	(60,411)	(60,688)
Net transfer to income statements (Note 34)	1,722	1,722	36,513	36,790
Balance at end of year	(22,176)	(22,176)	(23,898)	(23,898)
The deferred taxation is in respect of the following:				
Temporary differences between depreciation and tax allowances on property and equipment	6,127	6,127	6,703	6,703
Allowance for diminution in value of investments	(6,561)	(6,561)	(7,634)	(7,634)
General allowance for loans, advances and financing*	(21,742)	(21,742)	(22,967)	(22,967)
	(22,176)	(22,176)	(23,898)	(23,898)

(b) Deferred tax liabilities

	The Group	
	2004 RM'000	2003 RM'000
Balance at beginning of year	245	-
Net transfer (from)/to income statements (Note 34)	(85)	245
Balance at end of year	160	245

Deferred tax liabilities of the Group is in respect of temporary differences between tax capital allowances and book depreciation of property and equipment.

Notes to the Financial Statements (Cont'd)

- * There are no prior year's adjustments on deductible temporary differences except for temporary differences arising from general allowance for loans, advances and financing and are as follows:

	The Group and the Bank	
	2004	2003
	RM'000	RM'000
Balance at beginning of year		
- As previously reported	-	-
- prior year's adjustments	-	(22,967)
As restated	-	(22,967)

As mentioned in Note 3, the effects of temporary differences which would give rise to deferred tax assets are recognised only when it is probable that the Bank will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised.

36. Dividends

Dividends paid and proposed by the Bank are as follows:

	RM'000
2004	
First and final ordinary dividend paid – 15.0%, less tax, on 200,000,000 ordinary shares of RM1.00 each in respect of financial year ended 2003	21,600
Preference dividend proposed – 10%, less tax, on 100,000,000 preference shares of RM1.00 each	7,200
	28,800
2003	
First and final ordinary dividend paid – 15.0%, less tax, on 200,000,000 ordinary shares of RM1.00 each in respect of financial year ended 2002	21,600
Preference dividend proposed – 10%, less tax, on 100,000,000 preference shares of RM1.00 each	7,200
	28,800

A proposed first and final ordinary dividend in respect of the financial year ended 31 March 2004 of 25.0% less tax based on the issued and paid-up ordinary share capital of 200,000,000 of RM1.00 each amounting to a total dividend of RM36,000,000 have been proposed by the Directors for shareholder approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in shareholder's funds as an appropriation of retained earnings in the next financial year ending 31 March 2005.

