

**DEUTSCHE BANK (MALAYSIA) BERHAD**  
**(Company No. 312552-W)**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARIES**

**UNAUDITED CONDENSED BALANCE SHEET**  
**AT 31 MARCH 2005**

	<b>Group</b>		<b>Bank</b>	
	31 March 2005 RM'000	31 December 2004 RM'000	31 March 2005 RM'000	31 December 2004 RM'000
<b>Assets</b>				
Cash and short term funds	2,253,976	1,891,261	2,253,976	1,891,261
Securities purchased under resale agreements	1,837,543	1,046,470	1,837,543	1,046,470
Deposits and placements with banks and other financial institutions	1,900	3,800	1,900	3,800
Securities held for trading	1,188,856	1,395,271	1,188,856	1,395,271
Securities available-for-sale	3,625	4,865	3,625	4,865
Securities held-to-maturity	1,591	1,591	1,591	1,591
Loans, advances and financing	428,381	323,575	428,381	323,575
Other assets	378,219	327,031	378,219	327,031
Statutory deposit with Central Bank	62,000	61,420	62,000	61,420
Investments in subsidiary companies			20	20
Property, plant and equipment	5,441	5,548	5,441	5,548
Deferred tax assets	24,419	22,358	24,419	22,358
<b>Total assets</b>	<u><u>6,185,951</u></u>	<u><u>5,083,190</u></u>	<u><u>6,185,971</u></u>	<u><u>5,083,210</u></u>
<b>Liabilities and shareholders' funds</b>				
Deposits from customers	1,420,677	1,259,036	1,420,697	1,259,056
Deposits and placements of banks and other financial institutions	3,280,784	2,384,118	3,280,784	2,384,118
Obligations on securities sold under repurchase agreements	402,917	293,863	402,917	293,863
Bills and acceptances payable	10,160	11,481	10,160	11,481
Other liabilities	563,988	667,416	563,988	667,416
Provision for Taxation	33,287	15,036	33,287	15,036
<b>Total liabilities</b>	<u><u>5,711,813</u></u>	<u><u>4,630,950</u></u>	<u><u>5,711,833</u></u>	<u><u>4,630,970</u></u>
<b>Shareholders' Fund</b>				
Share capital	143,043	143,043	143,043	143,043
Reserves	331,095	309,197	331,095	309,197
<b>Shareholders' funds</b>	<u><u>474,138</u></u>	<u><u>452,240</u></u>	<u><u>474,138</u></u>	<u><u>452,240</u></u>
<b>Total liabilities and shareholders' funds</b>	<u><u>6,185,951</u></u>	<u><u>5,083,190</u></u>	<u><u>6,185,971</u></u>	<u><u>5,083,210</u></u>
 Commitments and contingencies	 <u><u>53,459,491</u></u>	 <u><u>37,263,569</u></u>	 <u><u>53,459,491</u></u>	 <u><u>37,263,569</u></u>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2004.*

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**UNAUDITED CONDENSED INCOME STATEMENT**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2005**

	Group and Bank			
	1 <sup>st</sup> Quarter ended 31 March 2005 RM'000	31 March 2004 RM'000	Three months ended 31 March 2005 RM'000	31 March 2004 RM'000
Interest income	46,571	37,912	46,571	37,912
Interest expense	(25,213)	(20,576)	(25,213)	(20,576)
Net interest income	<u>21,358</u>	<u>17,336</u>	<u>21,358</u>	<u>17,336</u>
Other operating income	30,027	16,805	30,027	16,805
Operating income	<u>51,385</u>	<u>34,141</u>	<u>51,385</u>	<u>34,141</u>
Other operating expenses	(19,416)	(14,216)	(19,416)	(14,216)
Profit before allowance	<u>31,969</u>	<u>19,925</u>	<u>31,969</u>	<u>19,925</u>
Allowance for losses on loans and financing	26	666	26	666
Profit before taxation	<u>31,995</u>	<u>20,591</u>	<u>31,995</u>	<u>20,591</u>
Taxation	(9,204)	(5,614)	(9,204)	(5,614)
Profit after taxation	<u><u>22,791</u></u>	<u><u>14,977</u></u>	<u><u>22,791</u></u>	<u><u>14,977</u></u>
Earnings per share (sen)	<u><u>15.9 sen</u></u>	<u><u>10.5 sen</u></u>	<u><u>15.9 sen</u></u>	<u><u>10.5 sen</u></u>

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2005**

Group and Bank	<--Non-distributable-->			Distributable	Total reserves RM'000	Proposed dividend RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Retained profits/ (Accumulated losses) RM'000			
<b>At 1 January 2005</b>							
As previously stated	143,043	113,319	128,274	63,892	305,485		448,528
Prior year adjustments			(1,086)	4,797	3,711		3,711
At 1 January 2005, as restated	143,043	113,319	127,188	68,689	309,196		452,239
Net profit for the period	-	-	-	22,791	22,791		22,791
Unrealised net loss on revaluation of securities available for sale			(892)		(892)		(892)
At 31 March 2005	143,043	113,319	126,296	91,480	331,095		474,138
<b>At 1 January 2004</b>							
As previously stated	143,043	113,319	102,461	(13,549)	202,231		345,274
Prior year adjustments			(261)	261	-		-
At 1 January 2004, as restated	143,043	113,319	102,200	(13,288)	202,231		345,274
Net profit for the period	-	-	-	14,977	14,977		14,977
Unrealised net loss on revaluation of securities available for sale			(272)		(272)		(272)
At 31 March 2004	143,043	113,319	101,928	1,689	216,936		359,979

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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2005**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	31,995	20,591
Adjustments for non-operating and non-cash items	424	401
Operating profit before working capital changes	<u>32,419</u>	<u>20,992</u>
Changes in working capital:		
Net changes in operating assets	(739,332)	1,282,047
Net changes in operating liabilities	1,062,612	(980,101)
Income tax refund	7,333	9,924
Net cash generated from / (used in) operations	<u>363,032</u>	<u>332,862</u>
Net cash generated from / (used in) investing activities	(317)	(469)
Net cash generated from / (used in) financing activities	-	-
	<u>(317)</u>	<u>(469)</u>
Net change in cash and cash equivalents	362,715	332,393
Cash and cash equivalents at beginning of the period	1,891,261	1,469,256
Cash and cash equivalents at end of the period	<u>2,253,976</u>	<u>1,801,649</u>
Analysis of cash and cash equivalents		
Cash and short-term funds	<u>2,253,976</u>	<u>1,801,649</u>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2004.*

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**AT 31 MARCH 2005**

**1. Basis of preparation**

The unaudited condensed interim financial statements for the first quarter ended 31 March 2005 should be read in conjunction with the audited annual financial statements of the Group and the Bank for the year ended 31 December 2004.

The unaudited condensed interim financial statements have been prepared in accordance with generally accepted accounting principles in Malaysia and are consistent with those adopted in the previous audited annual financial statements except for the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia which became effective for the current financial year. The adoption of the revised BNM/GP8 has resulted in changes in the accounting policies of the Group and the Bank and the details are disclosed in Note 29.

**2. Audit report**

The audit report on the audited annual financial statements for the financial year ended 31 December 2004 was not subject to any qualification.

**3. Seasonality or Cyclicalities of Operations**

The business operations of the Group and the Bank are not subject to material seasonal or cyclical fluctuations.

**4. Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and the Bank for the first financial quarter ended 31 March 2005.

**5. Changes in Estimates**

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and the Bank for the first financial quarter ended 31 March 2005 other than those disclosed in Note 29.

**6. Issuance and Repayment of Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities during the first financial quarter ended 31 March 2005.

**7. Dividend Paid**

No dividend was paid during the first quarter ended 31 March 2005.

**8. Material Events Subsequent to the Balance Sheet Date**

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial statements.

**9. Changes in the composition of the Group**

There were no changes in the composition of the Group for the first financial quarter ended 31 March 2005.

**10. Review of the performance**

Pre-tax profit for the 1st quarter 2005 increased by 55.4% to RM32 million compared to RM21 million in the 1st quarter 2004. We reported a pre-tax return on average equity of 27.0%, an improvement over 23.0 % in the 1st quarter 2004.

Compared to the 1st quarter 2004, total net revenues increased by RM17 million, or 50.5% to RM51 million. Positive revenue factors include improved returns from net interest and trading revenue.

Our operating expenses were RM19 million compared to RM14 million in the 1st quarter 2004 due to higher provisions for performance related compensation reflecting performance improvements in the 1st quarter 2005.

**11. Prospects**

We will continue to focus on Global Markets and Global Banking businesses, with emphasis on trading and sales in foreign exchange, fixed income, interest rate derivatives, structured transactions, money markets, repo, capital market instruments, cash management, securities services and trade finance.

Looking forward, we expect to benefit from the integration of business coverage and product units, including realignment of the sales and trading platforms and streamlining of infrastructures to broaden and strengthen our positions, and at the same time leverage on our global expertise to enhance value-added service to our clients.

**12. Securities held for trading**

At fair value	Group and Bank	
	31 March 2005 RM'000	31 December 2004 RM'000
Money market instruments:		
Malaysian Government Treasury Bills	8,172	48,507
Malaysian Government Securities	606,999	959,600
Bank Negara Malaysia Bills	87,252	34,169
Cagamas bonds	192,302	141,843
Khazanah bonds	18,238	-
Private debt securities	275,893	211,152
	<u>1,188,856</u>	<u>1,395,271</u>

**13. Securities available-for-sale**

At fair value	Group and Bank	
	31 March 2005	31 December 2004
	RM'000	RM'000
Quoted securities:		
Shares and irredeemable convertible unsecured loan stocks ("ICULS") in Malaysia	3,625	4,865
	=====	=====

**14. Securities held-to-maturity**

Unquoted securities:	Group and Bank	
	31 March 2005	31 December 2004
	RM'000	RM'000
Shares	1,591	1,591
	=====	=====

**15. Loans, advances and financing**

**i) By type**

	Group and Bank	
	31 March 2005	31 December 2004
	RM'000	RM'000
Overdrafts	35,275	33,806
Term loans / financing		
Housing loans / financing	26,033	25,320
Other term loans / financing	207,831	182,971
Bills receivable	102,394	27,264
Trust receipts	206	295
Claims on customers under acceptance credits	96,880	97,067
Staff loans / financing of which RM - Nil (Previous interim period: RM - Nil) are to Directors	5,869	5,260
	-----	-----
	474,488	371,983
Less: Unearned interest and income	(494)	(310)
	-----	-----
Gross loans, advances and financing	473,994	371,673
Less: Allowance for bad and doubtful debts and financing:		
- General	(23,946)	(23,946)
- Specific	(21,667)	(24,152)
	-----	-----
Net loans, advances and financing	428,381	323,575
	=====	=====

**15. Loans, advances and financing (continued)****ii) By types of customers**

	<b>Group and Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Domestic banking institutions	1,417	-
Domestic business enterprises		
- Others	322,180	295,674
Individuals	49,368	48,738
Foreign entities	101,029	27,261
	<u>473,994</u>	<u>371,673</u>

**iii) By interest /profit rate sensitivity**

	<b>Group and Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Fixed rate		
Other fixed rate loan / financing	5,869	5,362
Variable rate		
BLR plus	63,875	65,227
Cost-plus	382,073	278,138
Other variable rates	22,177	22,946
	<u>473,994</u>	<u>371,673</u>

**iv) By sector**

	<b>Group and Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Manufacturing	238,058	201,319
Electricity, gas and water	752	1,358
Construction	18,558	21,022
Real estate	12,129	13,212
Purchase of landed property:		
- Residential	32,923	31,057
Wholesale & retail trade and restaurants & hotels	50,390	55,773
Transport, storage and communication	33	-
Finance, insurance and business services	102,485	27,371
Purchase of transport vehicles	308	151
Others	18,358	20,410
	<u>473,994</u>	<u>371,673</u>



## 16. Non-performing Loans / Financing (NPL/NPF)

## i) Movements in non-performing loans, advances and financing

	Group and Bank	
	31 March 2005 RM'000	31 December 2004 RM'000
At 1 January	29,070	31,843
Classified as non-performing during the year	707	3,343
Reclassified as performing during the year	(487)	(549)
Amount recovered	(76)	(5,449)
Amounts written off	(2,459)	(118)
Closing balance	<u>26,755</u>	<u>29,070</u>
Specific allowance	(21,667)	(24,152)
Net non-performing loans, advances and financing	<u><u>5,088</u></u>	<u><u>4,918</u></u>
Ratio of net non-performing loans and financing to net loans and financing	<u><u>1.12%</u></u>	<u><u>1.42%</u></u>

## ii) Movements in the allowance for bad and doubtful debts

	Group and Bank	
	31 March 2005 RM'000	31 December 2004 RM'000
General allowance		
At 1 January / Closing balance	<u><u>23,946</u></u>	<u><u>23,946</u></u>
As a % of gross loans, advances and financing less specific allowance	<u><u>5.3 %</u></u>	<u><u>6.9 %</u></u>

	Group and Bank	
	31 March 2005 RM'000	31 December 2004 RM'000
Specific allowance		
At 1 January	24,152	28,998
Allowance made during the year	50	9
Amount recovered	(76)	(4,728)
Amount written off	(2,459)	(127)
Closing balance	<u><u>21,667</u></u>	<u><u>24,152</u></u>

**16. Non-performing Loans / Financing (NPL/NPF)  
(continued)**

**iii) NPL/NPF by sector**

	<b>Group and Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Manufacturing	15,851	14,375
Purchase of landed property:		
- Residential	4,923	4,944
Wholesale & retail trade and restaurants & hotels	4,088	8,118
Others	1,893	1,633
	<u>26,755</u>	<u>29,070</u>

**17. Other assets**

	<b>Group and Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Interest / Income Receivable	23,168	16,451
Margin placed with exchange	9,310	2,805
Derivatives	238,837	287,025
Other debtors, deposits and prepayments	106,904	20,750
	<u>378,219</u>	<u>327,031</u>

**18. Deposits from customers**

**i) By type of deposit**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Demand deposits	278,498	259,744	278,518	259,764
Savings deposits	17,694	10,909	17,694	10,909
Fixed / Investment deposits	1,039,382	903,280	1,039,382	903,280
Negotiable instrument of deposits	85,103	85,103	85,103	85,103
	<u>1,420,677</u>	<u>1,259,036</u>	<u>1,420,697</u>	<u>1,259,056</u>

**18. Deposits from customers (continued)**

**ii) By type of customer**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Business enterprises	915,275	778,014	915,295	778,034
Individuals	103,273	97,430	103,273	97,430
Others	402,129	383,592	402,129	383,592
	<u>1,420,677</u>	<u>1,259,036</u>	<u>1,420,697</u>	<u>1,259,056</u>

**19. Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Licensed banks	<u>3,280,784</u>	<u>2,384,118</u>

**20. Other liabilities**

	<b>Group and Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Allowance for commitments and contingencies	3,241	3,241
Interest Payable	11,990	8,694
Bills Payable	96,320	98,292
Derivatives	350,178	414,112
Employee benefits	11,156	16,831
Other liabilities	91,103	126,246
	<u>563,988</u>	<u>667,416</u>

Movements in allowance for commitments and contingencies are as follows:-

	<b>Group and Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
Balance at 1 January	3,241	3,141
Allowance made during the period	-	100
Closing balance	<u>3,241</u>	<u>3,241</u>

**21. Interest income**

	<b>Group and Bank</b>			
	<b>1<sup>st</sup> Quarter ended 31 March 2005 RM'000</b>	<b>31 March 2004 RM'000</b>	<b>Three months ended 31 March 2005 RM'000</b>	<b>31 March 2004 RM'000</b>
Loans and advances				
- Interest income other than recoveries from NPL	4,223	4,743	4,223	4,743
- Recoveries from NPLs	82	35	82	35
Money at call and deposit placement with financial institutions	25,846	16,689	25,846	16,689
Securities held for trading	16,423	17,027	16,423	17,027
	<u>46,574</u>	<u>38,494</u>	<u>46,574</u>	<u>38,494</u>
Interest suspended	(3)	(582)	(3)	(582)
	<u><u>46,571</u></u>	<u><u>37,912</u></u>	<u><u>46,571</u></u>	<u><u>37,912</u></u>

**22. Interest expense**

	<b>Group and Bank</b>			
	<b>1<sup>st</sup> Quarter ended 31 March 2005 RM'000</b>	<b>31 March 2004 RM'000</b>	<b>Three months ended 31 March 2005 RM'000</b>	<b>31 March 2004 RM'000</b>
Deposits and placements of banks and other financial institutions	15,173	4,701	15,173	4,701
Deposits from customers	9,833	15,761	9,833	15,761
Others	207	114	207	114
	<u>25,213</u>	<u>20,576</u>	<u>25,213</u>	<u>20,576</u>
	<u><u>25,213</u></u>	<u><u>20,576</u></u>	<u><u>25,213</u></u>	<u><u>20,576</u></u>

**23. Other operating income**

	<b>Group and Bank</b>			
	<b>1<sup>st</sup> Quarter ended 31 March 2005 RM'000</b>	<b>31 March 2004 RM'000</b>	<b>Three months ended 31 March 2005 RM'000</b>	<b>31 March 2004 RM'000</b>
Fee income:				
Commission	696	848	696	848
Service charges and fees	1,646	1,942	1,646	1,942
Guarantee fees	259	277	259	277
Other fee income	400	-	400	-
	<u>3,001</u>	<u>3,067</u>	<u>3,001</u>	<u>3,067</u>
	<u><u>3,001</u></u>	<u><u>3,067</u></u>	<u><u>3,001</u></u>	<u><u>3,067</u></u>

**23. Other operating income (continued)**

	<b>Group and Bank</b>			
	<b>1<sup>st</sup> Quarter ended</b>		<b>Three months ended</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Investment and dealing income:				
Gains/losses arising from sale of securities:-				
Securities held for trading	4,688	24,778	4,688	24,778
Net gains arising from dealing in foreign exchange	30,436	10,896	30,436	10,896
Net gains arising from trading in derivatives	(11,262)	3,032	(11,262)	3,032
Net unrealised gains/losses of trading portfolio (including derivatives)	26,859	(12,797)	26,859	(12,797)
Unrealised gains/(losses) from foreign exchange	(26,976)	(12,886)	(26,976)	(12,886)
Gain on disposal of property, plant and equipment	164	125	164	125
Other operating income	3,117	590	3,117	590
	<u>27,026</u>	<u>13,738</u>	<u>27,026</u>	<u>13,738</u>
	<u>30,027</u>	<u>16,805</u>	<u>30,027</u>	<u>16,805</u>

**24. Other operating expenses**

	<b>Group and Bank</b>			
	<b>1<sup>st</sup> Quarter ended</b>		<b>Three months ended</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel costs				
- Salaries, allowance and bonuses	8,401	5,216	8,401	5,216
- Others	1,544	1,207	1,544	1,207
Establishment costs				
- Rental	501	507	501	507
- Depreciation	588	526	588	526
- Others	472	424	472	424
Marketing expenses	449	207	449	207
Administration and general expenses				
- Intercompany expenses	6,557	4,845	6,557	4,845
- Communication	207	191	207	191
- Others	697	1,093	697	1,093
	<u>19,416</u>	<u>14,216</u>	<u>19,416</u>	<u>14,216</u>

The number of employees of the Bank at the end of the period was 119 (March 2004 - 124).

**25. Allowance for losses on loans and financing**

	<b>Group and Bank</b>			
	<b>1<sup>st</sup> Quarter ended</b>	<b>Three months ended</b>		
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance for bad and doubtful debts on loans and financing				
(a) Specific allowance				
- Made in the financial year	(50)	-	(50)	-
- Written back	76	411	76	411
Bad debts on loans and financing				
- Recovered	-	255	-	255
	<u>26</u>	<u>666</u>	<u>26</u>	<u>666</u>
	<u><u>26</u></u>	<u><u>666</u></u>	<u><u>26</u></u>	<u><u>666</u></u>

**26. Commitments and contingencies**

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

The risk-weighted exposures of the Group and the Bank as at the following dates are as follows:

	<b>Group and Bank</b>					
	<b>31 March 2005</b>			<b>31 December 2004</b>		
	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Direct credit substitutes	9,070	9,070	8,150	9,070	9,070	8,150
Transaction-related contingent items	299,833	149,917	60,283	297,775	148,887	54,682
Short-term self-liquidating trade-related contingencies	11,393	2,279	1,517	31,257	6,251	2,129
Irrecoverable commitments to extend credit:						
- Maturity not exceeding one year	253,221	-	-	420,161	-	-
- Maturity exceeding one year	2,863	1,431	1,431	1,849	925	925
Foreign exchange related contracts:						
- Less than one year	18,355,051	288,332	78,755	12,010,628	245,073	80,012
- One year to less than 5 years	150,560	4,616	932	122,109	113,718	23,234
- 5 years and above	2,280,000	399,205	120,881	2,280,000	-	-
Interest rate related contracts:						
- Less than one year	9,877,600	25,317	5,063	6,562,020	21,565	4,389
- One year to less than 5 years	21,579,700	391,230	94,180	14,861,500	374,730	103,724
- 5 years and above	640,200	54,373	10,875	667,200	57,888	11,578
	<u>53,459,491</u>	<u>1,325,770</u>	<u>382,067</u>	<u>37,263,569</u>	<u>978,107</u>	<u>288,823</u>

**27. Capital adequacy**

	<b>Bank</b>	
	<b>31 March 2005 RM'000</b>	<b>31 December 2004 RM'000</b>
<b>Tier I capital</b>		
Paid-up share capital	143,043	143,043
Share premium	113,319	113,319
Statutory reserve	128,274	128,274
Retained profits	68,689	68,689
Less: Deferred tax assets	(22,358)	(22,358)
	<hr/>	<hr/>
Total Tier I capital	430,967	430,967
<b>Tier II capital</b>		
General allowance for bad and doubtful debts and financing	23,946	23,946
	<hr/>	<hr/>
Less: Investments in subsidiaries	454,913 (20)	454,913 (20)
	<hr/>	<hr/>
<b>Capital base</b>	454,893	454,893
	<hr/> <hr/>	<hr/> <hr/>
Core capital ratio	29.92%	37.03%
Risk-weighted capital ratio	31.58%	39.09%
	<hr/> <hr/>	<hr/> <hr/>



28. Interest rate risk

Group and Bank 31 March 2005	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000			
<b>Assets</b>									
Cash and short term funds	2,154,871					99,105		2,253,976	3.34%
Securities purchased under resale agreement							1,837,543	1,837,543	2.76%
Deposits and placement with banks and other financial institutions			1,900					1,900	3.36%
Securities held for trading							1,188,856	1,188,856	5.13%
Securities available for sale						3,625		3,625	
Securities held-to-maturity						1,591		1,591	6.81%
Loans, advances and financing									
- Performing	135,845	80,238	130,969	24,091	30,483			401,626	4.58%
- Non-performing	23,746			3,009				26,755	
Other assets						231,242	238,837	470,079	
<b>Total assets</b>	<b>2,314,462</b>	<b>80,238</b>	<b>132,869</b>	<b>27,100</b>	<b>30,483</b>	<b>335,563</b>	<b>3,265,236</b>	<b>6,185,951</b>	

## 28. Interest rate risk (continued)

Group and Bank 31 March 2005	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000			
<b>Liabilities and shareholders' funds</b>									
Deposits from customers	767,506	130,381	155,189	22,000	67,103	278,498		1,420,677	2.92%
Deposits and placements of banks and other financial institutions	1,968,572	229,797	903,000			179,415		3,280,784	2.60%
Obligations on securities sold under repurchase agreements	248,298	154,619						402,917	2.15%
Bills and acceptances payable		10,160						10,160	2.50%
Other liabilities						247,097	350,178	597,275	
<b>Total liabilities</b>	<b>2,984,376</b>	<b>524,957</b>	<b>1,058,189</b>	<b>22,000</b>	<b>67,103</b>	<b>705,010</b>	<b>350,178</b>	<b>5,711,813</b>	
<b>Shareholders' funds</b>						<b>474,138</b>		<b>474,138</b>	
<b>Total liabilities and shareholders' funds</b>	<b>2,984,376</b>	<b>524,957</b>	<b>1,058,189</b>	<b>22,000</b>	<b>67,103</b>	<b>1,179,148</b>	<b>350,178</b>	<b>6,185,951</b>	
On-balance sheet interest sensitivity gap	(669,914)	(444,719)	(925,320)	5,100	(36,620)	(843,585)	2,915,058		
<b>Total interest sensitivity gap</b>	<b>(669,914)</b>	<b>(444,719)</b>	<b>(925,320)</b>	<b>5,100</b>	<b>(36,620)</b>	<b>(843,585)</b>	<b>2,915,058</b>		

## 28. Interest rate risk (continued)

Group and Bank 31 December 2004	Non trading book						Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000					
<b>Assets</b>										
Cash and short term funds	1,860,938					30,323		1,891,261	3.27%	
Securities purchased under resale agreement							1,046,470	1,046,470	2.72%	
Deposits and placement with banks and other financial institutions		3,800						3,800	2.14%	
Securities held for trading							1,395,271	1,395,271	5.04%	
Securities available for sale						4,865		4,865		
Securities held-to-maturing						1,591		1,591	6.81%	
Loans, advances and financing										
- Performing	98,608	68,103	75,729	27,898	24,167			294,505	4.49%	
- Non-performing	26,022			3,048				29,070		
Other assets						129,332	287,025	416,357		
<b>Total assets</b>	<b>1,985,568</b>	<b>71,903</b>	<b>75,729</b>	<b>30,946</b>	<b>24,167</b>	<b>166,111</b>	<b>2,728,766</b>	<b>5,083,190</b>		

## 28. Interest rate risk (continued)

Group and Bank 31 December 2004	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000			
<b>Liabilities and shareholders' funds</b>									
Deposits from customers	662,122	142,167	57,900	67,000	70,103	259,744		1,259,036	2.89%
Deposits and placements of banks and other financial institutions	1,845,442	48,399	328,000			162,277		2,384,118	2.20%
Obligations on securities sold under repurchase agreements	179,377	114,486						293,863	1.94%
Bills and acceptances payable		11,481						11,481	3.50%
Other liabilities						268,340	414,112	682,452	
<b>Total liabilities</b>	<b>2,686,941</b>	<b>316,533</b>	<b>385,900</b>	<b>67,000</b>	<b>70,103</b>	<b>690,361</b>	<b>414,112</b>	<b>4,630,950</b>	
<b>Shareholders' funds</b>						<b>452,240</b>		<b>452,240</b>	
<b>Total liabilities and shareholders' funds</b>	<b>2,686,941</b>	<b>316,533</b>	<b>385,900</b>	<b>67,000</b>	<b>70,103</b>	<b>1,142,601</b>	<b>414,112</b>	<b>5,083,190</b>	
On-balance sheet interest sensitivity gap	(701,373)	(244,630)	(310,171)	(36,054)	(45,936)	(976,490)	2,314,654		
<b>Total interest sensitivity gap</b>	<b>(701,373)</b>	<b>(244,630)</b>	<b>(310,171)</b>	<b>(36,054)</b>	<b>(45,936)</b>	<b>(976,490)</b>	<b>2,314,654</b>		

## 29. Change in accounting policies and prior year adjustments

### i) Change in accounting policies

During the 1st quarter ended 31 March 2005, the Group and the Bank adopted the revised BNM/GP8 which has resulted in the following new accounting policies:

- 1) The securities portfolio of the Group and the Bank are classified based on the following categories and valuation methods:
  - a) Securities held for trading  
Securities are classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Securities classified as held for trading will be stated at fair value and any gain or loss arising from a change in the fair value will be recognised in income statement.
  - b) Securities held-to-maturity  
Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that a reporting institution has the positive intention and ability to hold to maturity. These investments will be measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the securities are derecognised or impaired and through the amortisation process.
  - c) Securities available-for-sale  
Available-for-sale securities are securities that are not classified as held for trading or held-to-maturity investments and are measured at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost. Any gain or loss arising from a change in the fair value will be recognised directly in equity, net of applicable taxes, except for impairment losses which will be recognised in the income statement.
- 2) Derivatives financial instruments are measured at fair value and are recognised as either assets or liabilities in the balance sheet. Any gain or loss arising from the change in the fair value is recognised in the income statement unless they are a part of hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:
  - a) Fair value hedge  
For hedges of changes in fair value, the gain or loss on the hedged asset or liability is recognised in the income statement along with changes in the fair value of the derivative.
  - b) Cash flow hedge  
For hedges of the variability of cash flows, the gain or loss on the derivative is initially recognised in equity to the extent the hedge is effective and subsequently released to the income statement when the forecast transaction affects earnings. Hedge ineffectiveness is recognised in the income statement.
- 3) Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Subsequently, interest earned on non-performing loans shall be recognised as income on a cash basis.

**29. Change in accounting policies and prior year adjustments (continued)****ii) Prior Year Adjustments**

The changes in accounting policies as described above were applied retrospectively and have the flowing impact on the opening reserves and results of the Group and the Bank:

	<b>Group and Bank</b>			
	<b>Retained profits/ (Accumulated losses)</b>		<b>Other reserves</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Effects on retained profits / other reserves: At 1 January, as previously stated	63,892	(13,549)	128,274	102,461
Effects of adopting the fair value accounting for securities held for trading	3,494	-		
Effects of recognising previously recognised loss on securities available-for-sale to equity	1,303	261	(1,086)	(261)
1 January, as restated	<u>68,689</u>	<u>(13,288)</u>	<u>127,188</u>	<u>102,200</u>

	<b>Group and Bank</b>			
	<b>1<sup>st</sup> quarter ended</b>		<b>Three months ended</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Effects on net profit for the period Net profit before changes in accounting policies	22,143	14,705	22,142	14,705
Effects of adopting the fair value accounting for securities held for trading	(543)	-	(543)	-
Effects of recognising previously recognised loss on securities available-for-sale to equity	1,191	272	1,191	272
Net profit for the period	<u>22,791</u>	<u>14,977</u>	<u>22,790</u>	<u>14,977</u>

29. Change in accounting policies and prior year adjustments (continued)

iii) Comparative figures

The following comparative figures have been restated for the effects of adopting the above change in accounting policies:

	Group and Bank	
	As stated	As previously stated
	RM'000	RM'000
Balance sheet at 31 December 2004		
Dealing securities	-	1,390,154
Investment securities	-	6,157
Securities held for trading	1,395,271	-
Securities available-for-sale	4,865	-
Securities held-to-maturity	1,591	-
Deferred tax assets	22,358	21,936
Provision for taxation	15,036	13,170
Reserves	309,197	305,485
	<u>          </u>	<u>          </u>
Income statement for the 1st quarter ended 31 March 2004		
Net interest income	17,336	14,188
Other operating income	16,805	-
Non-interest income	-	19,577
Taxation	5,614	5,509
	<u>          </u>	<u>          </u>