

AmMerchant Bank Berhad
(23742-V)(Incorporated in Malaysia . Licensed Merchant Bank)
and its subsidiary companies
(A Member of the AmBank Group)

AUDITED BALANCE SHEETS AS AT 30 SEPTEMBER 2004

	The Group		The Bank	
	30.9.2004 RM'000	31.3.2004 RM'000	30.9.2004 RM'000	31.3.2004 RM'000
ASSETS				
Cash and short-term funds	2,912,581	2,635,157	2,677,162	2,159,236
Securities purchased under resale agreements	3,816	2,288	-	-
Deposits and placements with banks and other financial institutions	527,513	249,727	1,057,700	628,500
Dealing securities	2,786,480	3,150,922	2,767,480	3,131,922
Investment securities	3,552,964	3,407,340	2,708,691	3,117,166
Loans, advances and financing	4,502,404	5,274,910	4,255,383	5,102,410
Other assets	319,575	377,397	299,433	358,102
Deferred tax assets	75,036	22,176	75,036	22,176
Statutory deposits with Bank Negara Malaysia	227,304	324,404	227,304	324,404
Investments in subsidiary companies	-	-	38,617	38,617
Investments in associated companies	144,880	145,960	112,592	112,598
Property and equipment	50,590	54,168	48,103	52,036
TOTAL ASSETS	15,103,143	15,644,449	14,267,501	15,047,167
LIABILITIES AND SHAREHOLDER'S FUNDS				
Deposits from customers	6,150,532	5,929,859	4,785,364	5,382,465
Deposits and placements of banks and other financial institutions	4,789,509	5,484,253	5,528,421	5,647,005
Obligations on securities sold under repurchase agreements	1,295,247	1,484,551	1,295,247	1,470,044
Acceptances payable	4,186	7,145	4,186	7,145
Amount due to Cagamas Berhad	154,516	153,104	154,516	153,104
Other liabilities	172,758	93,238	155,311	83,815
Term loans	304,000	304,000	190,000	190,000
Subordinated certificates of deposit	198,095	197,418	198,095	197,418
Redeemable unsecured subordinated bonds	460,000	460,000	460,000	460,000
Total Liabilities	13,528,843	14,113,568	12,771,140	13,590,996
Minority interests	5,761	4,655	-	-
Interest Bearing Irredeemable Convertible Unsecured Loan Stocks 2002/2007	120,000	120,000	120,000	120,000
Share capital	300,000	300,000	300,000	300,000
Reserves	1,148,539	1,106,226	1,076,361	1,036,171
Shareholders' funds	1,568,539	1,526,226	1,496,361	1,456,171
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	15,103,143	15,644,449	14,267,501	15,047,167
COMMITMENTS AND CONTINGENCIES	12,913,511	9,720,691	12,900,491	9,704,828
NET TANGIBLE ASSETS PER SHARE (RM)	7.74	7.53	7.49	7.28
CAPITAL ADEQUACY				
Core capital ratio	13.10%	12.62%	13.02%	12.70%
Risk-weighted capital ratio	16.82%	16.26%	16.39%	16.11%

AmMerchant Bank Berhad
(23742-V)(Incorporated in Malaysia . Licensed Merchant Bank)
and its subsidiary companies
(A Member of the AmBank Group)
AUDITED INCOME STATEMENTS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2004

	The Group		The Bank	
	30.9.2004	30.9.2003	30.9.2004	30.9.2003
	RM'000	RM'000	RM'000	RM'000
Interest income	263,825	278,422	255,570	278,485
Interest expense	(200,573)	(205,431)	(195,354)	(204,847)
Net interest income	63,252	72,991	60,216	73,638
Net income from Islamic Banking Business	27,691	27,267	27,691	27,267
Non-interest income	100,248	157,155	89,217	137,250
Operating Income	191,191	257,413	177,124	238,155
Non-interest expense	(63,474)	(61,916)	(53,219)	(51,216)
Profit before allowance	127,717	195,497	123,905	186,939
Loan and financing loss and allowances	(11,985)	(80,477)	(10,054)	(76,029)
Allowance for doubtful sundry receivables,net	(1,182)	(1,334)	(1,182)	(1,930)
Write back of allowance/(Allowance) for diminution in value of investments	1,180	(84,054)	1,570	(80,745)
Transfer to profit equalisation reserve	(3,073)	(577)	(3,073)	(577)
Profit before share in results of associated companies and taxation	112,657	29,055	111,166	27,658
Share in results of associated companies	3,193	8,072	-	-
Profit before taxation	115,850	37,127	111,166	27,658
Taxation	(32,821)	(7,161)	(31,366)	(5,078)
Profit after taxation before minority interests	83,029	29,966	79,800	22,580
Minority shareholders' interests in results of subsidiary companies	(1,106)	(1,768)	-	-
Profit attributable to Shareholder's	81,923	28,198	79,800	22,580
EARNINGS PER SHARE (SEN)				
Basic	39.2	12.3	38.1	9.5
Fully Diluted	24.5	8.2	23.9	6.5

NOTES :

1. ACCOUNTING POLICIES AND METHOD OF COMPUTATION

The financial statements of the Group and the Bank have been prepared and presented on a basis consistent with the accounting policies stated in the annual financial statements of the Group for the financial year ended 31 March 2004.

2. EXCEPTIONAL ITEMS

There were no exceptional items during the financial period.

3. EXTRAORDINARY ITEMS

There were no extraordinary items during the financial period.

4. TAXATION

Included in taxation charge for the period are:

	The Group		The Bank	
	Half year ended 30.9.2004	Half year ended 30.9.2003	Half year ended 30.9.2004	Half year ended 30.9.2003
	RM'000	RM'000	RM'000	RM'000
Estimated current tax payable	28,546	6,680	28,009	6,106
Share in taxation of associated companies incorporated in Malaysia	898	1,509	-	-
Transfer from deferred tax assets	(26,431)	-	(26,431)	-
Transfer to deferred tax liabilities	40	(1,028)	-	(1,028)
	3,053	7,161	1,578	5,078
Underprovision of current taxation in respect of prior years	29,768	-	29,788	-
Total	32,821	7,161	31,366	5,078

The total tax charge of the Group and the Bank for the financial period ended 30 September 2004 reflects an effective tax rate which is higher than the statutory tax rate due mainly to certain expenses and allowances which are not allowable for tax purposes.

The total tax charge of the Group and the Bank for the financial period ended 30 September 2003 reflects an effective tax rates which is lower than the statutory tax rate due mainly to income of the Bank Labuan branch is taxed at RM20,000 and loss incurred by the offshore banking subsidiary company, AmInternational (L) Ltd ("AMIL"). The Bank Labuan branch and AmInternational (L) Ltd has elected to be charged an amount of RM20,000 as tax for income derived from offshore trading activities pursuant to Labuan Offshore Business Activity Tax Act, 1990.

5. PRE-ACQUISITION PROFITS

There were no pre-acquisition profits during the financial period.

6. SALES OF INVESTMENTS AND/OR FORECLOSED PROPERTIES

	The Group		The Bank	
	Half year ended 30.9.2004	Half year ended 30.9.2003	Half year ended 30.9.2004	Half year ended 30.9.2003
	RM'000	RM'000	RM'000	RM'000
Gain on sale of investments	29	-	29	-
Write back of allowance/(Allowance) for diminution in value of investments	1,180	(84,054)	1,570	(80,745)

7. QUOTED SECURITIES

This note is not applicable to financial institutions.

8. CHANGES IN THE COMPOSITION OF THE GROUP AND THE BANK

There were no changes in the composition of the Group and of the Bank for the current financial period.

9. STATUS OF CORPORATE PROPOSALS

1. On 27 February 2004 and 31 May 2004, the ultimate holding company, AMMB Holdings Berhad ("AHB") announced the following proposals:

- (i) The Proposed Privatisation of AMFB Holdings Berhad ("AMFB") through the acquisition by AHB of the remaining ordinary shares of RM1.00 each in AMFB not already owned by AHB by way of a scheme of arrangement under Section 176 of the Companies Act 1965 ("Proposed AMFB Privatisation");
- (ii) Proposed listing of AHB's investment banking group, via a newly incorporated company, on the Main Board of the Bursa Securities ("Proposed Newco Listing"); and
- (iii) The proposed share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each held in AHB on a date to be determined after the Proposed AMFB Privatisation, into two (2) new ordinary shares of RM0.50 each ("Proposed Share Split").

AHB had on 25 March 2004 obtained Securities Commission's ("SC") approval for the Proposed Share Split to be implemented within three (3) months of the completion of the Proposed AMFB Privatisation. AHB had on 29 June 2004 obtained the approval of Bursa Malaysia Securities for the Proposed Share Split.

The Proposed AMFB Privatisation, Proposed Newco Listing and Proposed Share Split are pending the approvals of, inter alia, SC, Minister of Finance, Bank Negara Malaysia ("BNM"), shareholders of AHB and AMFB, and other relevant authorities.

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

2. On 13 October 2004, AHB and AmBank Berhad ("AmBank"), AHB's 100% owned commercial banking subsidiary, entered into the following agreements (the Proposed Acquisitions):

- (i) Proposed acquisition by AHB of 47,116,000 ordinary shares of RM1.00 each representing 47.116% of the issued and paid-up share capital of AmAssurance Berhad ("AmAssurance") from the Bank for a cash consideration of RM75,762,537 ("Proposed Acquisition by AHB"); and
- (ii) Proposed acquisition by AmBank of 14,062,000 ordinary shares of RM1.00 each representing 14.062% of the issued and paid-up share capital of AmAssurance from ABH Holdings Sdn Bhd ("ABH Holdings") for a cash consideration of RM44,588,774 ("Proposed Acquisition by AmBank").

ABH, a company in which Dato' Azlan Hashim, a director of AHB, is a substantial shareholder, has a 34.06% interest in AmAssurance. Dato' Azlan Hashim is a brother of Tan Sri Dato' Azman Hashim, a substantial shareholder of AHB.

The Proposed Acquisition by AHB and Proposed Acquisition by AmBank are not inter-conditional upon each other and are subject to the terms and conditions of AHB sale and purchase agreement ("SPA") and AmBank SPA, respectively.

The Proposed Acquisitions were approved by the Minister of Finance on 23 September 2004 and the Proposed acquisition by AmBank was approved by the shareholders of AHB at an Extraordinary General Meeting held on 29 September 2004. The Proposed acquisition by AHB does not require the approval of the Company's shareholders as it is an excluded transaction pursuant to Chapter 10.02(j) of the Listing Requirements of Bursa Malaysia Securities Berhad. The Proposed Acquisitions are still subject to the approval of the Foreign Investment Committee.

10. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

11. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

There were no share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares by the Bank during the financial period.

12. BORROWINGS

Deposits and placement of customers and financial institutions and debt securities are as follows:

	The Group		The Bank	
	30.9.2004	31.3.2004	30.9.2004	31.3.2004
	RM'000	RM'000	RM'000	RM'000
(i) Deposits from customers				
Fixed deposits and negotiable instruments of deposits				
Due within one year :				
Others	<u>6,147,053</u>	<u>5,809,559</u>	<u>4,781,885</u>	<u>5,262,165</u>
Due more than one year :				
Others	<u>3,479</u>	<u>120,300</u>	<u>3,479</u>	<u>120,300</u>
Total	<u>6,150,532</u>	<u>5,929,859</u>	<u>4,785,364</u>	<u>5,382,465</u>
(ii) Deposits of banks and other financial institutions				
Due within one year :				
Others	2,749,835	2,831,766	2,750,126	2,779,322
Subsidiary companies	-	-	765,867	215,196
Related companies	<u>863,127</u>	<u>1,264,461</u>	<u>835,881</u>	<u>1,264,461</u>
	3,612,962	4,096,227	4,351,874	4,258,979
Due more than one year :				
Others	<u>1,176,547</u>	<u>1,388,026</u>	<u>1,176,547</u>	<u>1,388,026</u>
Total	<u>4,789,509</u>	<u>5,484,253</u>	<u>5,528,421</u>	<u>5,647,005</u>

	The Group		The Bank	
	30.9.2004	31.3.2004	30.9.2004	31.3.2004
	RM'000	RM'000	RM'000	RM'000
<i>Recap:</i>				
<i>Interbank borrowings</i>	(667,086)	(1,054,744)	(1,405,707)	(1,217,496)
<i>Interbank lendings</i>	3,404,971	2,877,282	3,722,630	2,783,830
<i>Net interbank lendings</i>	2,737,885	1,822,538	2,316,923	1,566,334

(iii) Term loans

Due within one year	<u>304,000</u>	<u>304,000</u>	<u>190,000</u>	<u>190,000</u>
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The term loan of the Bank relates to a structured arrangement between the Bank and a foreign offshore bank. The loan taken by the Bank amounted to USD50,000,000 (equivalent to RM190,000,000) and is collateralised by an amount of RM218,500,000 (2003 : RM218,500,000) placed by the Bank with the counterparty. This placement has been included as the Bank's deposits and placements with other financial institutions and is reflected in Note 5. On the maturity date, the term loan will be settled by the Bank with a payment of USD50,000,000 and the placement with the counterparty will be withdrawn by the Bank. The placement cannot be withdrawn by the Bank unless the term loan is first settled by the Bank. In the interim period prior to the maturity date, the term loan is interest bearing at 1.17% per annum above LIBOR while the Bank's placement with the counterparty will also be interest earning at 2.70% per annum.

(iv) Unsecured negotiable subordinated certificate of deposits

More than one year	<u>198,095</u>	<u>197,418</u>	<u>198,095</u>	<u>197,418</u>
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(v) Redeemable unsecured subordinated bonds

More than one year	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>
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13. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group and the Bank assets.

As at 30 September 2004, commitments and contingencies outstanding are as follows:

	30.9.2004		31.3.2004	
	Principal Amount	Credit Equivalent Amount	Principal Amount	Credit Equivalent Amount
	RM'000	RM'000	RM'000	RM'000
The Group				
Interest rate related contracts:				
Interest rate futures*	299,000	-	685,000	-
Interest rate swaps :				
Related companies	1,230,000	28,121	636,013	13,425
Others	4,771,915	116,106	3,617,928	99,913
Forward purchase commitments	284,858	284,858	363,012	363,012
Irrevocable commitments to extend credit maturing :				
within one year	884,941	-	579,812	-
more than one year	101,227	50,614	153,078	76,539
Certain transaction-related contingent items	605,903	302,952	690,656	345,328
Guarantees given on behalf of customers	748,449	748,449	694,642	694,642
Foreign exchange related contracts:				
Forward exchange contracts	1,524,125	27,467	209,089	3,364
Cross currency swaps	456,000	24,814	304,000	18,525
Underwriting liabilities	349,855	174,928	327,010	163,505
Malaysian Government Securities futures*	1,000	-	9,000	-
Sell and buy back agreements	1,656,238	1,656,238	1,451,451	1,451,451
	<u>12,913,511</u>	<u>3,414,547</u>	<u>9,720,691</u>	<u>3,229,704</u>
The Bank				
Interest rate related contracts:				
Interest rate futures*	299,000	-	685,000	-
Interest rate swaps :				
Related companies	1,234,095	28,372	636,013	13,425
Others	4,771,915	116,106	3,611,915	99,853
Forward purchase commitments	284,858	284,858	363,012	363,012
Irrevocable commitments to extend credit maturing :				
within one year	870,220	-	579,812	-
more than one year	101,227	50,614	134,078	67,039
Certain transaction-related contingent items	605,903	302,952	690,656	345,328
Guarantees given on behalf of Customers	757,599	757,599	703,792	703,792
Foreign exchange related contracts:				
Forward exchange contracts	1,512,581	15,923	209,089	3,364
Cross currency swaps	456,000	24,814	304,000	18,525
Underwriting liabilities	349,855	174,928	327,010	163,505
Malaysian Government Securities futures*	1,000	-	9,000	-
Sell and buy back agreements	1,656,238	1,656,238	1,451,451	1,451,451
	<u>12,900,491</u>	<u>3,412,404</u>	<u>9,704,828</u>	<u>3,229,294</u>

* Principal amount of interest rate futures and Malaysian Government securities futures ("exchange-traded contracts") of same contract month have been reported on a net basis.

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

As required, the Bank has given a continuing guarantee to Bank Negara Malaysia on behalf of its offshore banking subsidiary in Labuan, AMMB International (L) Ltd., to meet all its liabilities and financial obligations and requirements.

14. FINANCIAL INSTRUMENTS

As at 30 September 2004, the financial instruments outstanding are as follows:

The Group

Item RM'000	Principal Amount	1 month or less	>1 -3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Margin requirement
Interest rate related contracts:								
Interest rate futures	299,000	-	3,000	52,000	98,000	146,000	-	1,533
Interest rate swaps	6,001,915	30,000	120,000	170,000	783,000	4,898,915	-	2,075
Malaysian Government Securities Futures	1,000	-	1,000	-	-	-	-	40
Foreign exchange related contracts:								
Forward exchange contracts	1,524,125	756,482	190,136	428,119	149,388	-	-	319
Cross currency swaps	456,000	-	-	114,000	76,000	266,000	-	397
Total	8,282,040	786,482	314,136	764,119	1,106,388	5,310,915	-	4,364

The Bank

Item RM'000	Principal Amount	1 month or less	>1 -3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Margin requirement
Interest rate related contracts:								
Interest rate futures	299,000	-	3,000	52,000	98,000	146,000	-	1,533
Interest rate swaps	6,006,010	30,000	120,000	170,000	787,095	4,898,915	-	2,075
Malaysian Government Securities Futures	1,000	-	1,000	-	-	-	-	40
Foreign exchange related contracts:								
Forward exchange contracts	1,512,581	744,938	190,136	428,119	149,388	-	-	319
Cross currency swaps	456,000	-	-	114,000	76,000	266,000	-	397
Total	8,274,591	774,938	314,136	764,119	1,110,483	5,310,915	-	4,364

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

Market risk

Market risk arising from the above interest rate-related and foreign exchange-related derivatives contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. The contractual amounts of these contracts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

The Bank's risk management system uses the value at risk method to assess the market risk from these contracts.

As at 30 September 2004, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM26,498 (RM28,650 as at 31 March 2004) and the Bank was RM26,498 (RM28,650 as at 31 March 2004).

The value at risk of the interest rate related derivatives contracts used for trading purposes was RM4,927,574 (RM2,475,127 as at 31 March 2004) and RM4,924,857 (RM2,471,680 as at 31 March 2004) for the Group and the Bank, respectively.

The use of these instruments to hedge underlying exposures arising from funding or for fixed income instruments acquired for investment purposes are not included in the market risk numbers above.

Credit risk

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of derivatives contract in which the Group has a gain position.

As at 30 September 2004, the amounts of counterparty credit risk, measured in term of the cost to replace the profitable contracts of the Group, was RM11,609,338 (RM8,126,433 as at 31 March 2004) and the Bank was RM11,727,169 (RM8,413,487 as at 31 March 2004) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

The Group limits its credit risk within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

As required, the Bank has given a continuing guarantee to Bank Negara Malaysia on behalf of its offshore banking subsidiary in Labuan, AmInternational (L) Ltd., to meet all its liabilities and financial obligations and requirements.

Related Accounting Policies

Forward Exchange Contracts

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

Interest Rate Swaps, Futures, Options and Forward Rate Contracts

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, options 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, options 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.

15. PENDING LITIGATION

There are no **material litigations**.

16. (A) SEGMENT ANALYSIS

Group	Merchant	Islamic	Offshore	Fund		Total	Elimination/	
30.9.2004	Banking	Banking	Banking	Management	Others	Before	Consolidation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	Elimination	Adjustments	RM'000
						RM'000	RM'000	RM'000
External revenue	326,057	46,598	12,275	13,115	7,716	405,761	(6,449)	399,312
Revenue from other segments	16,911	247	6,243	-	119	23,520	(11,122)	12,398
Operating revenue	342,968	46,845	18,518	13,115	7,835	429,281	(17,571)	411,710
Segments results	99,317	12,492	262	5,433	2,958	120,462	(7,168)	113,294
Amortisation of goodwill on consolidation	-	-	-	-	-	-	(637)	(637)
Profit from operations	99,317	12,492	262	5,433	2,958	120,462	(7,805)	112,657
Share in results of associated companies	-	-	-	-	-	-	3,193	3,193
Profit before taxation	99,317	12,492	262	5,433	2,958	120,462	(4,612)	115,850
Taxation	(29,352)	(2,013)	10	(1,635)	(877)	(33,867)	1,046	(32,821)
Minority interest						-	(1,106)	(1,106)
Net profit for the period	69,965	10,479	272	3,798	2,081	86,595	(4,672)	81,923

Group	Merchant	Islamic	Offshore	Fund	Total	Elimination/	Total	
30.9.2004	Banking	Banking	Banking	Management	Others	Before	Consolidation	
	RM'000	RM'000	RM'000	RM'000	RM'000	Elimination	Adjustments	Total
						RM'000	RM'000	RM'000
Other Information								
Segments assets	15,576,352	1,357,157	2,304,368	38,343	33,717	19,309,937	(4,351,674)	14,958,263
Investments in subsidiary companies	38,617	-	-	-	-	38,617	(38,617)	-
Investments in associated companies	112,592	-	-	-	-	112,592	32,288	144,880
Total assets	15,727,561	1,357,157	2,304,368	38,343	33,717	19,461,146	(4,358,003)	15,103,143
Segment liabilities	11,264,918	1,195,003	2,371,915	19,783	18,099	14,869,718	(1,340,875)	13,528,843
Property and equipment purchases	2,186	-	8	742	256	3,192	(252)	2,940
Depreciation	6,020	10	56	319	275	6,680	(252)	6,428
Goodwill on consolidation	-	-	-	-	-	637	-	637

Group	Merchant	Islamic	Offshore	Fund	Total	Elimination/	Total	
30.9.2003	Banking	Banking	Banking	Management	Others	Before	Consolidation	
	RM'000	RM'000	RM'000	RM'000	RM'000	Elimination	Adjustments	Total
						RM'000	RM'000	RM'000
External revenue	292,710	51,321	12,676	16,657	10,347	383,711	(14,484)	369,227
Revenue from other segments	18,399	191	3,409	-	11	22,010	(9,188)	12,822
Operating revenue	311,109	51,512	16,085	16,657	10,358	405,721	(23,672)	382,049
Segments results	24,035	(1,354)	5,014	8,183	4,713	40,591	(10,899)	29,692
Amortisation of goodwill on consolidation	-	-	-	-	-	-	(637)	(637)
Profit from operations	24,035	(1,354)	5,014	8,183	4,713	40,591	(11,536)	29,055
Share in results of associated companies	-	-	-	-	-	-	8,072	8,072
Profit/(Loss) before taxation	24,035	(1,354)	5,014	8,183	4,713	40,591	(3,464)	37,127
Taxation	(5,460)	382	(10)	(2,291)	(1,515)	(8,894)	1,733	(7,161)
Minority interest	-	-	-	-	-	-	(1,768)	(1,768)
Net profit/(loss) for the period	18,575	(972)	5,004	5,892	3,198	31,697	(3,499)	28,198

Group	Merchant	Islamic	Offshore	Fund		Total	Elimination/	
30.9.2003	Banking	Banking	Banking	Management	Others	Before	Consolidation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	Elimination	Adjustments	RM'000
						RM'000	RM'000	RM'000
Other Information								
Segments assets	14,528,146	1,134,442	1,173,832	26,479	21,052	16,883,951	(861,465)	16,022,486
Investments in subsidiary companies	38,617	-	-	-	-	38,617	(38,617)	-
Investments in associated companies	112,598	-	-	-	-	112,598	27,457	140,055
Total assets	14,679,361	1,134,442	1,173,832	26,479	21,052	17,035,166	(872,625)	16,162,541
Segment liabilities	13,333,959	975,967	1,253,264	8,759	6,237	15,578,186	(851,336)	14,726,850
Property and equipment purchases	7,569	-	36	917	909	9,431	(909)	8,522
Depreciation	6,673	9	135	335	266	7,418	(242)	7,176
Goodwill on consolidation	-	-	-	-	-	637	-	637

(B) SEGMENTAL REPORTING ON LOANS, ADVANCES AND FINANCING ANALYSED BY THEIR ECONOMIC PURPOSES

	The Group		The Bank	
	30.9.2004	31.3.2004	30.9.2004	31.3.2004
	RM'000	RM'000	RM'000	RM'000
Construction	1,169,342	913,725	1,141,229	886,499
Investment holding	701,818	931,676	701,818	931,676
Purchase of securities	595,663	761,863	595,663	761,863
General commerce	477,766	444,700	470,698	437,707
Manufacturing	422,618	801,596	369,346	786,305
Finance, insurance and business services	415,433	433,051	293,177	319,889
Agriculture	382,458	417,800	366,633	399,258
Electricity, gas and water	311,847	125,062	311,847	125,062
Real estate	277,986	312,524	277,986	312,524
Transport, storage and communication	230,553	583,456	186,745	574,111
Purchase of landed property :				
(a) Residential	23,488	23,804	22,881	23,299
(b) Non-residential	73,804	85,948	61,705	74,294
Mining and quarrying	1,022	1,320	1,022	1,320
Others	74,699	80,767	68,642	77,235
	<u>5,158,497</u>	<u>5,917,292</u>	<u>4,869,392</u>	<u>5,711,042</u>

(C) NON-PERFORMING LOANS AND FINANCING

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

	The Group		The Bank	
	30.9.2004	31.3.2004	30.9.2004	31.3.2004
	RM'000	RM'000	RM'000	RM'000
Gross				
Balance at beginning of period/year	988,080	1,112,828	873,360	930,374
Non-performing during the period/year	206,804	307,076	190,737	289,552
Reclassification to performing loans and financing	(135,619)	(93,905)	(131,030)	(81,387)
Recoveries	(17,760)	(132,531)	(15,549)	(115,452)
Amount written off	(26,355)	(158,689)	(26,355)	(108,821)
Debt equity conversion	(67,678)	(46,699)	(67,678)	(40,906)
Balance at end of period/year	<u>947,472</u>	<u>988,080</u>	<u>823,485</u>	<u>873,360</u>
Less:				
Specific allowance	386,544	378,375	366,140	362,969
Interest/income-in-suspense	200,996	183,603	183,066	167,875
	<u>587,540</u>	<u>561,978</u>	<u>549,206</u>	<u>530,844</u>
Non-performing loans and financing - net	<u>359,932</u>	<u>426,102</u>	<u>274,279</u>	<u>342,516</u>
Ratios of non-performing loans and financing to total loans, advances and financing - Net	<u>7.87%</u>	<u>7.96%</u>	<u>6.35%</u>	<u>6.61%</u>

(D) GENERAL ALLOWANCE, SPECIFIC ALLOWANCE AND INTEREST/INCOME-IN-SUSPENSE

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

	The Group		The Bank	
	30.9.2004	31.3.2004	30.9.2004	31.3.2004
	RM'000	RM'000	RM'000	RM'000
General allowance				
Balance at beginning of period/year (Reversal of allowance)/	80,404	86,186	77,788	82,026
Allowance during the period/year	(11,851)	(5,791)	(12,985)	(4,238)
Exchange fluctuation adjustment	-	9	-	-
Balance at end of period/year	68,553	80,404	64,803	77,788
% of total loans and financing less specific allowances and interest/ income-in-suspense	1.5%	1.5%	1.5%	1.5%
Specific allowance				
Balance at beginning of period/year	378,375	339,333	362,969	308,111
Allowance during the period/year	41,117	195,518	40,310	192,359
Amount written back in respect of recoveries and reversals	(4,213)	(38,325)	(4,212)	(37,316)
Net charge to income statements	36,904	157,193	36,098	155,043
Amount written off	(32,927)	(127,434)	(32,927)	(106,122)
Reclassification from sundry receivables	4,192	9,315	-	5,969
Debt equity conversion	-	(32)	-	(32)
Balance at end of period/year	386,544	378,375	366,140	362,969
Interest/Income-in-suspense				
Balance at beginning of period/year	183,603	197,458	167,875	154,982
Interest/Income suspended during the period/year	50,985	99,240	46,571	88,395
Amount written back in respect of recoveries and reversal	(23,889)	(54,748)	(21,678)	(46,580)
Net charge to income statements	27,096	44,492	24,893	41,815
Amount written off	(9,702)	(58,413)	(9,702)	(28,922)
Exchange fluctuation adjustment	(1)	66	-	-
Balance at end of period/year	200,996	183,603	183,066	167,875

(E) AMOUNT RECOVERABLE FROM DANAHARTA

	The Group		The Bank	
	30.9.2004	31.3.2004	30.9.2004	31.3.2004
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of period/year	-	4,360	-	-
Allowance during the period/year	-	(4,360)	-	-
Balance at end of period/year	-	-	-	-

17. PERFORMANCE REVIEW ON THE RESULTS OF THE BANK FOR THE PERIOD

The Group and the Bank reported higher pretax profit of RM115.9 million (RM37.1 million for the period ended 30 September 2003) and RM111.2 million (RM27.7 million for the period ended 30 September 2003), respectively and is attributed to:

- (i) Loan and financing loss and allowances of RM12.0 million (RM80.5 million for the period ended 30 September 2003) for the Group and loan and financing loss and allowances of RM10.1million (RM76.0 million for the period ended 30 September 2003) for the Bank;
- (ii) Write back of allowance for diminution in value of investments of RM1.2 million and RM1.6 million for the Group and Bank, respectively (allowance for diminution in value of investments of RM84.1 million and RM80.7 million for the Group and Bank, respectively, for the period ended 30 September 2003);
- (iii) Higher net income from Islamic Banking Business of RM27.7 million (RM27.3 million for the period ended 30 September 2003) for the Group and the Bank;
- (iv) Lower net interest in suspense of RM27.1 million (RM31.8 million for the period ended 30 September 2003) for the Group and RM24.9 million (RM26.7 million for the period ended 30 September 2003) for the Bank;

reduced by:

- (v) Lower trading gain from dealing and investments securities of RM39.5 million (RM62.9 million for the period ended 30 September 2003) for the Group and RM39.8 million (RM61.2 million for the period ended 30 September 2003) for the Bank;
- (vi) Lower gross dividend income received from unquoted investments of RM12.6 million (RM20.2 million for the period ended 30 September 2003) for the Group and the Bank;
- (vii) Loss on disposal of quoted securities of RM1.1 million (Gain on disposal of quoted securities of RM22.3 million for the period ended 30 September 2003) for the Group and the Bank; and
- (viii) Higher transfer to profit equalization reserve in respect of Islamic Banking Business of RM3.1 million (RM0.6 million for the period ended 30 September 2003) for the Group and the Bank.

Shareholder's funds stood at RM1,568.5 million (RM1,526.2 million as at 31 March 2004) for the Group and RM1,496.4 million (RM1,456.2 million as at 31 March 2004) for the Bank.

In the opinion of the directors, the results of operations of the Group and the Bank for the financial period 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 period 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.

18. CURRENT PERIOD PROSPECTS

The improving global economic prospects and positive Malaysian economic indicators provide the Group with an encouraging landscape for growth this coming year. The economy's resilience and the more positive outlook for year 2004 have led to the upward revision of GDP growth forecast by Malaysian Institute of Economic Research to 7.2%. Growth momentum is expected to pick up as a result of the rebounding corporate investments, sustained consumption, improving external trade and accommodative fiscal and monetary policies by BNM. However, the global economic outlook remains uncertain, with rising oil prices and the impact of US and China on the Malaysian economy, still warranting concern.

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.

Despite the competition and narrowing of interest spreads, the Group is confident that it is well positioned to benefit from the improved economic environment to further improve on its performance.

19. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the current financial period.

20. EARNINGS PER SHARE (SEN)

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholder of the Bank by the number of ordinary shares in issue during the financial period.

	Half year ended 30.9.2004		Half year ended 30.9.2003	
	The Group RM'000/ '000	The Bank RM'000/ '000	The Group RM'000/ '000	The Bank RM'000/ '000
Net profit attributable to shareholder of the Bank	78,313	76,190	24,588	18,970
Number of ordinary shares at beginning of period	200,000	200,000	200,000	200,000
Basic earnings per share (Sen)	39.2	38.1	12.3	9.5

(b) Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the adjusted profit after taxation and minority interests for the financial period by the adjusted weighted average number of ordinary shares in issue and issuable during the financial period.

The Bank has two categories of dilutive potential ordinary shares:

- (i) Preference share capital; and
- (ii) Interest Bearing Irredeemable Convertible Unsecured Loan Stocks ("ICULS").

	Half year ended 30.9.2004		Half year ended 30.9.2003	
	The Group RM'000/ '000	The Bank RM'000/ '000	The Group RM'000/ '000	The Bank RM'000/ '000
Net profit attributable to shareholder of the Bank	78,313	76,190	24,588	18,970
Adjusted for interest on ICULS, less tax	2,599	2,599	2,599	2,599
Adjusted profit after taxation and minority interests	80,912	78,789	27,187	21,569
Weighted average number of ordinary shares in issue	200,000	200,000	200,000	200,000
Effect of ordinary shares issued pursuant to conversion:				
Preference shares	100,000	100,000	100,000	100,000
ICULS	30,000	30,000	30,000	30,000
Adjusted weighted average number of ordinary shares in issue and issuable	330,000	330,000	330,000	330,000
Fully diluted earnings per share (Sen)	24.5	23.9	8.2	6.5

The adjusted weighted average ordinary shares in issue and issuable has been arrived at based on the assumption that all the ICULS and Preference Shares issued and outstanding are converted to ordinary shares at beginning of period.

21. COMPARATIVE FIGURES

The comparative figures in respect of financial year ended 31 March 2004 have been audited by a firm of chartered accountants other than Ernst & Young. The comparative figures in respect of the six months period ended 30 September 2003 have not been audited.