

Malaysian Plantation Berhad – Anchors Away

“In order to enhance its competitiveness and to retain its customers, Alliance Bank will place more resources on product innovation and increase its range of products and services, whilst improving the speed and user-friendliness of its delivery channels.”

Chairman’s Statement Tan Sri Dato’ Lim Yan Hai

Malaysian Plantations Berhad

In 1979, Malaysian Plantations Berhad was created in a reconstruction exercise when it took over the Malaysian assets of a UK company, Plantations Holdings Ltd (PHL), through a share swap. The company’s shares were floated on the KLSE.

Up until 1992, the company was involved in plantation activities. The plantation operations were divested in 1992. Prior to the restructuring exercise, MPlant was principally an investment holding company with substantial interest in Kamunting Corporation Bhd (KCB), which in turn has a substantial interest in Multi-Purpose Holdings Bhd (MPHB).

The company completed the restructuring exercise in 2001 re-focusing the business activities of the company from stockbroking and property development to financial services. The restructuring exercise involved the disposal of approximately 38% equity interest in KCB, 96% equity interest in JB Securities Sdn Bhd, 62% equity interest in KL Land Development Sdn Bhd and the acquisition of 205.7million shares in Alliance Bank Malaysia Berhad (formerly known as Multi-Purpose Bank Berhad).

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The following table shows the subsidiaries of the company.[1]

Name	Business Activities	%	Incorporated Country
Alliance Trustee Berhad	Provision of trustee and related services	51.2	Malaysia
Cosmoplex Sdn Bhd (under member's voluntary liquidation)	Dormant	100	Malaysia
Hijauan Setiu Sdn Bhd	Dormant	100	Malaysia
Kota Indrapura Development Corporation Berhad	Property investment and development	100	Malaysia
Matrix Core Options & Futures Sdn Bhd	Dormant	100	Malaysia
Pridunia Sdn Bhd	Investment holding	100	Malaysia
Setiu Green Development Sdn Bhd	Property development	100	Malaysia
Setiu Integrated Resort Sdn Bhd	Dormant	100	Malaysia
Setiu Sea Resort Sdn Bhd	Dormant	100	Malaysia
Syabas Sutra Sdn. Bhd.	Investment holding	100	Malaysia

Syabus Sutra Bhd

Syabus Sutra Bhd is a non listed investment holding company that has a 78.1% interest in Alliance Bank Malaysia Berhad.

Alliance Bank Malaysia Berhad

History of Alliance Bank[2]

1958

Banque de L'Indochine commenced operations in Malaysia with its first branch in the Selangor Kwangtung Association Building, Pudu Road, Kuala Lumpur. (The branch was subsequently relocated to Jalan Raja Chulan, Kuala Lumpur in 1975.)

1959

Banque de L'Indochine opened a sub-branch at Batu Road (now known as Jalan Tuanku Abdul Rahman), Kuala Lumpur.

1975

The name of the Bank was changed to Banque de L'Indochine et de Suez or in short, Banque Indosuez. In the same year, Bank Indosuez acquired a building at Jalan Raja Chulan, Kuala Lumpur to serve as its headquarters.

1982

Malaysian French Bank Berhad was incorporated to assume the banking business of the two local branches of Banque Indosuez. The incorporation was the result of the French Government's nationalisation of Banque Indosuez and also the subsequent restructuring of the Bank's businesses in Malaysia to comply with local banking regulations.

1984

Multi-Purpose Capital Holdings Berhad (a wholly-owned subsidiary of Multi-Purpose Holdings Berhad) acquired a 70% stake in Malaysian French Bank Berhad. The remaining 30% stake was held by Banque Indosuez.

1985

After becoming part of the Multi-Purpose Group, the Bank established its "first" branch in Taman Maluri, Kuala Lumpur. In the same year, eight more branches were opened throughout the country.

1986 - 1995 During this time, 16 branches were established nationwide.

1996

Malaysian French Bank Berhad assumed the Multi-Purpose Bank Berhad name to reflect the Bank's parentage, that is Multi-Purpose Holdings Berhad.

1997

Multi-Purpose Holdings Berhad, through another one of its subsidiaries, Multi-Purpose Management Sdn Bhd, bought over the remaining 30% stake in Multi-Purpose Bank from Banque Indosuez. With the 100% ownership by Multi-Purpose Holdings Berhad, the Bank is thus better placed to draw on the synergies of other member companies of the Group, in particular companies under Multi-Purpose Capital Holdings, the banking and financial arm of the Group. They include Multi-Purpose Finance, Multi-Purpose Insurans, Multi-Purpose Credit, Multi-Purpose Trustee and MP Capital Advisory. With this new corporate structure, the Bank is now able to offer its customers a comprehensive range of banking, financing and trust fund management services.

1998

Multi-Purpose Bank received approval from Bank Negara Malaysia and the Ministry of Finance to acquire the entire equity interest of Multi-Purpose Finance. As a result of this, Multi-Purpose Finance became a wholly-owned subsidiary of the Bank during the year.

1999

The Bank completed its merger exercise with Multi-Purpose Finance. It now has an expanded network of 42 branches nationwide.

2000

Multi-Purpose Bank became a subsidiary of Malaysian Plantations Berhad on 28 July 2000 with Malaysian Plantations' acquisition of 70% equity interest in Multi-Purpose Bank. Multi-Purpose Holdings Berhad holds the remaining 30% equity interest. Multi-Purpose Bank was named as one of the ten anchor banking groups in the consolidation exercise for Malaysian financial institutions.

2001

Multi-Purpose Bank successfully completed the merger exercise on 1 January 2001 with International Bank Malaysia, Sabah Bank, Sabah Finance, Bolton Finance, Amanah Merchant Bank and Bumiputera Merchant Bankers.

2002

Alliance Bank was awarded Superbrand status by the Malaysian Superbrands Council. The 'Alliance' brand achieved recognition as a 'Superbrand' as it had scored high points for criteria such as goodwill, customer loyalty and overall market acceptance in Malaysia.

Strategic Business Direction for the Future[3]

Product Innovation

The bank plans to channel resources towards product innovation and increase its range of products and services, while at the same time improving the speed and user friendliness of its delivery channel. The customer centric focus will be nurtured in an environment of prudent risk management, strong credit culture and good corporate governance.

At the same time the bank will differentiate its product and services to meet the changing needs of consumers and enterprises. The bank plans to develop future business in high growth urban and suburban markets, providing excellent sales and services through customer relationship management. A dynamic and strengthened brand identity will be communicated to convey its capabilities.

Selected Niches

The bank will aim to achieve growth in key sectors such as housing, infrastructure, plantations, and service sectors such as education and healthcare.

The bank intends to develop a niche position in these sectors in order to remain competitive, resilient and effective in the face of an increasingly challenging and open global operating environment as outlined in Bank Negara's Financial Sector Masterplan.

Infrastructure Integration

The bank will commence integration of the back office operations and merger with Alliance Finance branch offices so as to maximise the utilisation of resources and synergy within the Alliance Banking Group and intensify group cross-selling activities.

Anchor Bank Status

Alliance Bank was accorded "Anchor Bank" status under the bank merger programme initiated by BNM (Bank Negara Malaysia) where all the financial institutions are consolidated into 10 anchor groups.

There are seven financial institutions under the Alliance Banking Group and they were successfully merged into three business units within the Alliance Banking Group as follows :

- (1) Commercial banking – Alliance Bank Malaysia Berhad, Alliance International Berhad (formerly International Bank Malaysia Berhad); Sabah Brilliant Berhad (formerly Sabah Bank Berhad); Sabah Advance Berhad (formerly Sabah Finance

Berhad).

- (2) (2) Merchant banking – Alliance Merchant Bank Berhad (formerly Amanah Merchant Bank Berhad); Alliance Putra Asset Management Berhad (formerly Bumiputra Merchant Bankers Berhad).
- (3) (3) Finance company business – Alliance Finance Berhad (formerly Bolton Finance Berhad).

The merger was completed in 2001.

Alliance Banking Group has a network of 89 branches, of which 74 are commercial bank branches, and 15 finance company branches. Automated Teller Machines are available at these locations, and an additional 20 locations across Malaysia. Five of the branch locations offer Sunday banking.[4]

Consumer Banking[5]

Personal Banking

As part of their branch network expansion program, the bank launched four new Privilege Banking Centers. Through the centers the bank is able to offer a full suite of wealth management services and greater levels of personalized service to their high net worth customers. The bank plans to increase their Privilege Customer base by 50% in the fiscal year 2003-2004.

Strategic Alliances

The bank is committed to tie up with strategic partners to launch more co-brand cards. For example, the bank has tied with AirAsia to allow the airline's customers to make ticket booking and payment at the bank's branches, and *allianceonline*, their Internet banking channel.

Mortgage Loans

Various mortgage loan promotions for new and completed properties to refinancing of properties were held in conjunction with new branch openings in an effort to promote higher growth in the area. In addition, all Alliance home loan customers were given a free credit card during the tenure of their mortgage with the bank.

The bank has launched a Loan Originator and Tracking System to improve customer service. The system provides the customer with a faster and more convenient loan application approval.

The bank plans to continue building their market share of the mortgage loan industry.

Cards

The credit card business remains an important business area for the bank. The bank has launched new co-brand cards such as the IKEA Friends Visa card, and the ICSM Visa Gold card.

The bank has recorded an impressive card spending of more than 100% year on year. The merchant business also recorded an impressive growth of more than 50%.

Deposits

The bank's deposit structure is expected to improve further as the ratio of savings and current accounts to the Bank's total deposits are expected to increase.

To increase their deposit growth, the bank has participated in several government-initiated programmes such as the direct credit payment of EPF withdrawals and pension payments into bank accounts.

Fee-based Products

Fee-based income generation came mainly from wealth management. Wealth management encompasses the accumulation, management, and protection of customers' assets. The bank has been active in marketing co-branded insurance products and unit trust funds.

Bancassurance

The bank's bancassurance products range from endowment, whole life, critical illness to hospitalisation and surgical policies. In 2002, the bank collected RM4.6 million in premiums. The bank's bancassurance partner is Allianz Life.

Unit Trust

To provide a wider range of investment products to their customers, the bank marketed and distributed third party unit trust funds such as Alliance Trust Management, Pacific Mutual funds, KL City Unit trust Management, and OSK-UOB Unit Trust Management.

ATM System

The system is operating on a 24 hour basis and provides convenience to their customers.

Corporate and Commercial Banking[6]

The bank's lending was directed to the following sectors:

- contractors for infrastructure works;
- residential property development;
- oil palm plantation and its related downstream activities;
- the services industries with emphasis on healthcare, tourism, and bereavement care;
- transportation focusing on ship and airplane financing;
- wholesale trading and international trade.

A significant part of the bank's lending was under the Islamic concept of financing.

New financial products were developed for trade finance, contract financing and asset financing for their SME/SMI customers.

Islamic Banking[7]

The Bank's accelerated expansion of Islamic financial activity accounted for 5.7% of the Bank's total. The Islamic deposit base accounts for 7% of the total Bank's deposits.

The Bank conducted training programmes to broaden the staff's knowledge of Islamic banking products.

The Bank will continue to expand the Islamic banking business to meet Bank Negara's target of 11.0% and 20.0% of total asset base by year 2005 and 2010 respectively.

Treasury and International Banking[8]

The Bank acquired a new treasury system in October 2002 to serve the requirements of their Alliance Group's merchant and commercial bank operations.

The Bank worked synergistically with Alliance merchant bank in the stapled bonds issue for the Road Builder Group which was completed by the Merchant Bank, through the Bank's key participation as Primary Subscriber for the bonds.

ebanking[9]

The Bank's Internet banking service was launched in June 2001.

In business banking, the Bank introduced a wide range of self-service payment capabilities and cash management services: a one-step multi-bank payroll cheque payment facility; multi channels for receivables collections; and disbursement of bulk payments.

In consumer banking, services were enhanced to include: credit card statement and transaction inquiries; audit trail for *allianceonline* enabled transactions; and confirmation receipts for electronic transactions.

The eBanking group plans to double their transaction activities by:

- Implementing more service awareness campaigns to increase acceptance of Internet-based service for consumer banking and business banking;
- Introducing a wider range of innovation electronic channel payment and servicing solutions to targeted industries;
- Revamping and enhancing existing consumer service features to meet the current market needs.

Branding[10]

The Bank believes that branding is built on human nature. Their branding strategy combines a communication plan that connects with the Bank's desired customer and a brand tracking plan that ensures that the Bank understands and communicates what their customers want.

The Bank's trademark tag line is "Get on with life." The Bank spent RM5.3 million to extend their brand awareness initiatives including public relations, advertising and community activities.

In January 2003, the Bank launched a national radio campaign on Hitz FM and Light & Easy FM to highlight their main consumer product offerings of home loans, credit cards and eBanking. Because of the campaign brand awareness levels increased by 15.0%, and the Bank became a major player in using the radio medium to generate and build continuous brand equity.

For the internal brand stakeholders, the staff, the Bank increased budgetary allocations for various sports and recreational activities such as Family Day, Treasure Hunt, and Annual Dinner.

In the future, the Bank is proposing an integrated media campaign encompassing television, radio, print and outdoor medium to distinctively position the Bank within its new niche market in the broad property, plantations, and related services sectors.

Information Systems[11]

During the past year, the Bank worked on a number of improvement projects including the upgrade of the Bank's core banking system, ATM application and treasury system. The Bank also implemented new projects such as: Loans Origination and Tracking system; inAlliance Intranet Project, Cheque Express Service, InterBank Giro, Document Management System and Data Warehousing.

The Bank completed the migration to the new eSwitch system, in which their ATMs were upgraded to accept application of the Government's multi-purpose payment cards such as MyKad and BankCard. The upgrade also increase the ATM capacity and uptime to meet the industry best practice of high availability operations,.

The launch of the inAlliance Intranet enabled the staff to access operation manuals, circulars, and the Bank's latest news.

The Bank's IT infrastructure has been upgraded with a higher bandwidth connectivity.

Human Resources[12]

Two years ago the Bank launched a vision and mission to create a "One Bank, One Vision, One People" culture.

A culture where the staff had a sense of belonging and ownership. A culture where people talked about 'we' rather 'they'. The bank wanted the staff to be empowered to make more decisions and to take responsibility for them.

The first step in creating the one people culture was to embark on development programs to equip the staff with the necessary skills to improve their efficiency, responsiveness, and service levels to achieve optimum customer satisfaction.

A new performance management system named TOP(Towards Optimising Performance), was launched to support the Bank's business objectives. The staff's personal goals are aligned to that of the Bank's.

The Bank actively promotes professional certification and qualification programs for its staff through the auspices of a study subsidy scheme and through tutorials.

The Employee Communication Channel(ECC) encourages openness in communication and to discover issues that are of concern to employees. The channel provides a facility for two way communication between the staff and management.

The Bank's Human Resources department initiated a Human Resource Information System project to increase the efficiency and productivity of the department to better serve the internal stakeholders.

To recognize the contribution and services of long serving staff, there was an upward revision in the value of the long service awards.

Risk Management[13]

The Bank has a comprehensive risk management framework comprising of three separate and dedicated risk committees: Assets and Liabilities Committee(ALCO); Credit Risk Management Committee and Operating Risk Management Committee.

Process

Risk Management is structured in four phases:

- **Risk Identification** – existing risks are identified to establish their impact before any new banking products or services are introduced.

- **Risk Measurement** – appropriate risk indicators are used to measure the size of risk in that particular banking activity.
- **Risk Control and Monitoring** – control and monitoring devices are installed to control and mitigate risks according to the types of risk and methodology used.
- **Risk Reporting** – involve periodical reporting the authorities for appropriate decision-making.

Assets and Liabilities Management(ALM)

The Assets and Liabilities Management Committee undertakes the following main functions: Review the composition of the Bank's Assets and Liabilities regularly in the course of achieving the objectives of the approved Business Plan of the Bank; Approve ALM strategies and policies in line with the needs of the business activities; overview of the strategies; and address any risk issues emerging from the business activities.

Market Risk

The management of Market Risk is geared towards ensuring that potential losses arising from changes in market conditions are minimized. The Bank's market risk management is responsible for the development of policies and framework, the design of risk measurement techniques, and the monitoring of limits compliance on a periodical basis.

Liquidity Risk

The Bank's management of liquidity risk ensures that sufficient liquidity is available to carry out day to day operations. The day to day cash flow monitoring is carried out by the Treasury function of the bank. The global monitoring of liquidity is undertaken using Bank Negara's New Liquidity Framework(NIF).

The Bank uses a combination of cash flow management strategies, maintenance of quality marketable securities easily converted into cash, deposits funding diversification strategies, and the effective management of customer's deposits.

Credit Risk

The Bank's credit risk management function covers essential lending policies such as credit limits, geographical and sectorial distribution, credit concentrations, loan types, maturity profiles, loan pricing, lending authority approval process, security and securitisation, and the management of non-performing loans.

Operating Risk

The Bank's operating risk management identifies the inherent and residual risks in the bank's processes and activities. The following programs were undertaken to manage operating risks:

- Development of key risk indicators for the various business and support groups;
- promote a risk awareness culture by conducting internal workshops and seminars throughout the year;
- Developing guidelines for crisis escalation and disaster management; and
- Reviewing risks for some key and critical activities, processes and procedures.

Corporate Governance

Directors' Benefits[14]

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

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

Board of Directors[15]

TAN SRI ABU TALIB BIN OTHMAN

was appointed to the Board of Alliance Bank Malaysia Berhad on 23 August 1994. He is a Barrister at Law from Lincoln's Inn, United Kingdom. He served as the Attorney General of Malaysia from 1980 to 1993. He also sits on the Board of Alliance Merchant Bank Berhad. He is currently the Chairman of Alliance Bank and Alliance Merchant Bank. He also serves as Non-Executive Director and Chairman of a number of public and private companies.

NG SIEK CHUAN

was appointed to the Board of Alliance Bank Malaysia Berhad on 21 January 1994. Mr Ng is the Chief Executive Director of Alliance Bank. He is presently a Fellow of the Institute of Chartered Accountants in England and Wales and was first admitted as an Associate member in 1977. He had several years of experience in the accounting profession with Coopers & Lybrand in London and Kuala Lumpur before moving on to the financial sector in 1980. Prior to joining Alliance Bank in July 1991 as General Manager of Credit, he had served in various positions in a leading local merchant bank and a finance company. He also sits on the Board of Alliance Merchant Bank Berhad and Alliance Finance Berhad.

DATUK DR JOSEPH ONG AH SOON

was appointed to the Board of Alliance Bank Malaysia Berhad on 8 January 1994. He graduated MBBS from the University of Singapore and obtained his Master of Medicine (M.Med) in Internal Medicine from the same university. He is a Fellow of the Royal Australasian College of Physicians.

He began his career in the Government Service in 1966 and served till 1997 as a Consultant Physician at the General Hospital, Kuala Lumpur. He has been in private practice at Assunta Hospital as a Consultant Physician since 1978.

He sits on the board of Assunta Foundation as well as Institut Jantung Negara. He was previously a Director of Alliance Group Advance Berhad from 1989 till 1993 and is currently an Independent Director of Reka Pacific Berhad as well as Kumpulan Jetson Berhad.

LUTFIAH BINTI ISMAIL

was appointed to the Board of Alliance Bank Malaysia Berhad on 17 October 2001. She holds a Malaysian Plantations Berhad— Anchors Away

Bachelor of Laws (Hons) degree from the University of Malaya and was admitted as an Advocate & Solicitor to the High Court of Malaya in 1982. She has vast experience in the financial sector having worked in Bank Negara Malaysia and other financial institutions. She is also a Director of Kuala Lumpur City Corporation Berhad, Alliance Merchant Bank Berhad, Alliance Finance Berhad and Langkah Bahagia Sdn Bhd.

TAN SOO SOON

was appointed to the Board of Alliance Bank Malaysia Berhad on 13 April 2001. He is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants and has over 20 years of banking experience. Mr Tan, who is a member of the Audit Committee of Alliance Bank, also sits on the Board of Alliance Merchant Bank Berhad and Alliance Finance Berhad.

WU SOR HWA

was appointed to the Board of Alliance Bank Malaysia Berhad on 1 December 2001. Mr Wu holds a Master in Business Management degree from the Asian Institute of Management, Philippines and a Bachelor in Economics degree from the University of Malaya, Malaysia. Mr Wu served in the finance sector from 1971 to 1987 and subsequently worked in a broad range of other industries in Malaysia and Hong Kong. He is currently the Executive Director of Malaysian Plantations Berhad and also sits on the Board of Alliance Merchant Bank Berhad and Alliance Finance Berhad.

CHUA ENG KEE

was appointed to the Board of Alliance Bank Malaysia Berhad on 28 January 2003. Mr Chua holds a Bachelor of Economics (Honours) degree from University of Malaya. He has 29 years of experience in the banking industry having worked in a merchant bank, finance company, commercial banks and as an Appointee of Bank Negara from 1987 to 1991. Mr Chua has held senior positions in various financial institutions including CIMB, MUI Bank and BSN Commercial Bank (ex-Bank Buruh). He has vast experience in corporate and wholesale banking and investment, corporate advisory and retail banking. Mr Chua who is the Chairman of the Audit Committee of Alliance Bank, also sits on the Board of Alliance Merchant Bank Berhad.

Lee Chee Seng

A Malaysian aged 40, was appointed to the Board of Mplant on August 20, 2000. He is a member of the Executive Committee, Remuneration Committee and Nomination Committee. Mr. Lee, a qualified Chartered Financial Analyst, holds a Bachelor of Engineering (First Class Honors) degree from the National University of Singapore.

Article 7A and Article 74B of the Company's Articles of Association

Tan Sri Abu Talib bin Othman, Ng Soon Lai @ Ng Siek Chuan and Liung Cheong Poh retire by rotation from the board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Chua Eng Kee retires from the board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Interest in the shares of the Bank

A couple of the directors have an indirect interest in Malaysian Plantations Berhad, and therefore are deemed to have an interest in the bank. The following table shows their indirect interest.

Director	Shares held
Lee Chee Seng	125,000,729
Lutfiah binti Ismail	178,732,410

Financial Highlights

During the current year, the Bank's NPL percentage was 10.8%, and it's RWCAR percentage was 11.0%. [16] Earnings per share during the past year was 28.6 sen. This was higher than previous year which was 23.7 sen. The loans to deposit ratio has increased to 87.7% from the previous year percentage of 87.3. [17]

The following table shows the five year history of key data for the bank. The reader will notice that since 1999, there has been significant increase on all indicators. [18]

Key Indicators	12 months to 31/03/2003	12 months to 31/03/02	12 months to 31/03/01	12 months to 31/03/1999	12 months to 31/03/1998
Pretax Profit	200.3	185.7	156.5	72.1	36.9
After Tax Profit	158.7	123.0	108.0	72.1	26.1
Shareholder Funds	1,552.6	1,422.5	896.5	623.5	551.4
Loans & Advances	10,912.8	10,606.6	10,256.6	6,401.6	5,532.6
Customers' Deposits	12,438.6	12,154.3	11,138.4	7,785.5	5,727.5
Assets	16,781.6	15,872.3	14,016.2	9,330.2	7,156.1

The following are the financial statements for the Bank as of March 31, 2003.

Balance Sheet as of March 31, 2003(RM000)[19]

Cash and Short term funds	1,035,459	955,966
Deposits and placements with financial institutions	285,000	386,600
Dealing Securities	79,397	39,805
Investment securities	2,778,530	2,164,612

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Loans, advances and financing	10,912,830	10,606,778
Other assets	176,608	143,276
Goodwill	234,923	248,158
Statutory deposits with Bank		
Negara Malaysia	399,300	467,600
Investment in subsidiary companies	740,108	740,118
Investment in associated company	230	230
Property, plant and equipment	<u>139,192</u>	<u>119,134</u>
Total Assets	<u>16,781,577</u>	<u>15,872,277</u>

Liabilities and Shareholders' Funds

Deposits from customers	12,438,630	12,154,282
Deposits and placements of books and other financial institutions	384,508	400,401
Obligation on securities and under repurchase agreements	711,970	90,550
Recourse obligations on loans sold to Cagamas	159,129	324,524
Bills and acceptances payable	538,497	586,512
Other liabilities	477,081	383,828
7.75% Subordinated Bonds	502,540	498,652
Provision for taxation		
Deferred Taxation	<u>16,600</u>	<u>11,000</u>
Total Liabilities	<u>15,228,955</u>	<u>14,449,749</u>
Share Capital	596,517	541,392
Reserves	<u>956,105</u>	<u>881,136</u>
Shareholders' Funds	1,552,622	1,422,528
Minority Interest		
Total Liabilities and Shareholders' Funds	16,781,577	15,872,277

Income Statement as of March 31, 2003(RM000)[20]

Operating Revenue	<u>1,127,477</u>	<u>1,094,089</u>
Interest Income	868,299	884,333
Interest Expense	<u>(423,876)</u>	<u>(428,077)</u>
Net Interest Income	444,423	456,256
SPI Income	13,032	9,074
Loan loss and provision	<u>(116,745)</u>	<u>(110,741)</u>
	340,710	354,589
Non-interest Income	<u>121,615</u>	<u>68,497</u>

Net Income	462,325	423,086
Overheads	<u>(262,027)</u>	<u>(237,434)</u>
Profit before taxation	200,298	185,652
Taxation	<u>(41,643)</u>	<u>(62,672)</u>
Profit after Taxation	158,655	122,980

The Malaysian Banking System

The Financial Sector Masterplan[21]

The purpose of the Masterplan is to chart the future direction of the financial system over the next 10 years that will ensure its continued effectiveness, competitiveness and resilience. The plan will be implemented in three phases.[22]

Phase I The main objective of Phase I is to develop a core set of strong domestic banking institutions. Before the beginning of Phase I, there were 31 commercial banks(14 foreign owned), 19 finance companies, 12 merchant banks, and 7 discount houses. After the end of Phase I there would be 10 commercial banks, 10 finance companies, and 9 merchant banks.[23]

Phase II The removal of some restrictions on foreign banks to provide greater competition for the banking industry and greater choice for the consumer. Phase II will begin in 2004.

Phase III The liberalisation of the banking sector, allowing more foreign banking institutions to enter Malaysia. Also, domestic banks would be allowed to enter foreign markets. The final phase will begin in 2007 or 2008.

Future Factors of Success[24]

- √ The ability to leverage on the advancement made in technology, in re-engineering work processes, and offering state of the art products and services.
- √ The employing, retaining, and retraining of a highly skilled work force. A culture of continuous learning is needed.
- √ Specialist providers will emerge providing the following services: specialised products such as mortgages and credit cards; compete in only particular segments of the business system; and the offering of specially tailored services to SMIs and high net worth individuals.

Future Forces Causing Change[25]

- √ Competition is intensifying due to deregulation, consolidation, the entry of non-traditional players and the emergence of the virtual marketplace.
- √ To remain competitive, firms will have to tap the lowest cost and the most stable funds, resulting in a shift from bank lending to the capital market. Some of the larger Malaysian firms will seek to sell their shares on foreign exchanges.

- √ Financial institutions are becoming increasingly global and specialized due to the revolution in communication technology.
- √ New compensation structures will evolve to access external resources through outsourcing and alliances.
- √ Financial institutions are investing more in technology in order to improve key capabilities such as marketing(data mining), credit risk management(control risks better), pricing(price products based on segmentation), and delivery channels(develop phone, internet and electronic banking).

RWCAR

RWCAR, or Risk Weighted Capital Adequacy Ratio is a measure of the amount of the bank's capital expressed as a percentage of its risk weighted credit exposures. The application of a minimum RWCAR serves to protect the interests of depositors, and promote the stability and efficiency of the financial system. Bank Negara stipulates that the minimum RWCAR level should be 8%.

In calculating the RWCAR two types of capital are measured. Tier one capital is the capital that can absorb losses without a bank being required to cease trading. An example of Tier one capital would be ordinary share capital. Tier two capital is the capital that can absorb losses in the event of a winding up and so provides a lesser degree of protection to depositors. An example of Tier two capital would be subordinated debt. The following table examines the RWCAR for the Malaysian Banking System since 1999.[26]

Banking System: Capital Adequacy

	1999	2000	2001	2002	2003(Sept)
Tier 1 capital	46,217.5	50,729.5	54,719.7	58,781.5	61,221.1
Tier 2 capital	15,059.3	14,753.6	14,945.7	16,952.4	18,369.0
Total Capital	61,276.8	65,483.2	69,665.4	75,733.9	79,590.1
Less: Investment	5,536.2	7,662.6	8,923.6	11,029.2	10,589.7
Capital Base	55,740.6	57,820.6	60,741.8	64,704.7	69,000.4
Total risk-weighted assets	434,823.0	457,833.1	462,971.9	490,474.1	514,245.4
RWCAR(%)	12.8	12.6	13.1	13.2	13.4

From the above table the RWCAR has remained stable in the 12-14% range for the last few years after the first round of the bank mergers. This is an indication that the overall capitalisation of the industry has not been comprised by the merger of the banks. In fact the current level is one of the highest in 10 years.

NPL

In Malaysia, a loan is classified as non-performing when the principal or interest is due and unpaid for 6 months or more from the first day of default. Some other countries use 3

months as the benchmark for the classification. The following table examines the NPL ratio(Non performing ratio to total loans) of the Malaysian banking system from 1998 to the present[27].

Year	NPL – 3 month (percent)	NPL – 6 month (percent)
1998	13.6	8.1
1999	11.0	6.4
2000	9.7	6.3
2001	11.5	8.1
2002	10.2	7.5
2003(Sept)	9.0	6.5

From the table, the NPL is lower in 2003 than it is in 1998 regardless of which benchmark is used.

The Remaining Anchor Banks

Maybank[28]

The Bank has 441 branches in the country and 22 overseas branches located in Singapore, Brunei, Hong Kong, London, New York, Phnom Penh, Hanoi, Port Moresby, Yangon, Tashkent, Beijing, Papua New Guinea, Philippines and Jakarta.

In 2001, Maybank completed the exercise to merge with The Pacific Bank Bhd, and PhileoAllied Bank (Malaysia) Bhd a month later. The IT infrastructure of the merged institutions was successfully integrated onto a single platform within a period of about five months.

Maybank's branch network was further rationalised following the integration of the IT infrastructure, and in all a total of 60 additional branches have been added to the network bringing the Group total to 441 branches nationwide. Mayban Securities now also has a branch office in Ipoh as a result of its merger with PhileoAllied Securities. In addition, Maybank has the largest ATM network of over 1000 machines nationwide.

Products/Services[29]

Consumer Services – Online Banking, Online Bill Payment, Online Credit Cards, Online Stocks, Online Loans, Online Insurance, Online Shopping, Online Education, and Investments.

Business Services – Online Banking. Other Business Services include Custody Services, Enterprise Banking, International Banking, Islamic Banking and Insurance.

Bumiputra-Commerce Bank[30]

In 1924, CAHB began as a family bank in Kuching, Sarawak. On December 24, 1956, it was incorporated as Bian Chiang Bank Bhd. The Bank's Head Office was transferred from Kuching to Kuala Lumpur in 1979 and its name changed to Bank of Commerce Bhd.

In January 1988, the bank expanded into stockbroking when its subsidiary, Commerce International Merchant Bankers (CIMB), established a new stockbroking company, CIMB Securities Sdn Bhd.

After a merger between Bank of Commerce Bhd (BCB) and United Asian Bank Bhd (UAB) in June 1991, the commercial banking business of the Company was transferred to UAB. Later, UAB changed its name to Bank of Commerce (M) Bhd (BOC). The Company became an investment holding and management company.

On September 30, 1999 the Company signed a share exchange agreement (SEA) with shareholders of Bank Bumiputra Malaysia Bhd (BBMB), namely MOF and Khazanah Nasional Bhd for the merger and rationalisation of the entire financial businesses of the Group and BBMB. The conventional banking operations of BBMB were subsequently merged with Bank of Commerce to form the merged bank, Bumiputra-Commerce Bank Bhd.

In November 2000, CAHB proposed an internal restructuring scheme involving subsidiaries Bumiputra-Commerce Discount Bhd (BCD), Commerce Trust Bhd (CTB) and Commerce Asset Fund Managers Sdn Bhd (CAFM). Under the restructuring exercise, BCB will sell the entire equity of BCD to CIMB for RM227.2million. Subsequently, BCB will sell the entire new shares in CIMB to CAHB for cash. CAHB will also acquire from CIMB, a direct 70% equity interest in CTB at RM6.04million and a 20% equity interest in CAFM at RM1.37million.

On 10.6.2002, CAHB has proposed to seek listing for its subsidiary, CIMB. Currently, CAHB is still in discussions with the other shareholders of CIMB, namely Bank Pertanian Malaysia (BPM) and UFJ Bank Ltd, on the structure for the proposed listing.[Company Profile – klse]

The bank has approximately 226 branches throughout Malaysia. The bank also overseas offices in Hong Kong, Tokyo, Singapore, London, and Mynamar.[Company website]

Product /Services[31]

Personal Banking – Bill Payments through ATMs and Easy Way Kiosk, Savings Accounts, Personal Financial Advisor, Phone Banking, TM Touch Smart Cash

Business Banking – Enterprise Loans, and Trade Finance

Consumer Loans – HomeFlexi, Home Xtra, HomeFixed

Internet Banking –

Channel-e – Balance Inquiry, Fund Transfer, Bill Payment, Loan Payment, Credit Card

BC Biz – The portal for the Small and Medium Enterprises.

BizChannel – Meeting the needs of the banking customers.

RHB Bank[32]

RHB Capital Berhad (RHBC) was incorporated to facilitate the implementation of a scheme of arrangement pursuant to Section 176 of the Companies Act, 1965 undertaken by RHB Bank Berhad (RHBB), formerly known as DCB Bank, whereby RHBC acquired RHBB in 1994.

RHBC also acquired RHB Sakura Merchant Bankers Bhd (RHBSM), RHB Sdn Bhd, RHB Leasing Sdn Bhd, RHB Insurance Berhad (RHBI), RHB Capital Properties Sdn Bhd and RHB International Trust (Labuan) Sdn Bhd from RHBB.

A restructuring scheme also took place resulting in the injection into RHBC of Rashid Hussain Berhad's (RHB) securities and asset management business, properties located at Jalan Tun Razak as well as KYB Sdn Bhd (formerly known as Kwong Yik Bank Bhd) and KYF Sdn Bhd (formerly known as Kwong Yik Finance Bhd).

Effective July 1, 1997, the banking business of RHBB and KYB and the finance company operations of RHBFB and KYF were merged. KYB became a wholly-owned subsidiary of RHBC on December 12, 1997. This was followed by the merger of RHBFB's finance operations with RHBB in 1998. The Group subsequently acquired its second bank in 1999 with the rescue of Sime Bank Bhd via a merger with RHBB.

The acquisition of Delta Finance Berhad (DFB) and Interfinance Berhad were completed on October 27, 2000 and December 18, 2000 respectively. On December 1, 2000, the finance company business of Interfinance was merged with DFB. DFB then changed name to RHB Delta Finance Berhad.

On April 23, 2001, RHB, the holding company of RHB Capital, announced that it has received approval from the MOF via BNM to enter into negotiations with Utama Banking Group Bhd (UBG) for the purpose of merging the RHB and UBG banking groups. [Company profile – klse]

The bank has approximately 260 branches located through out Malaysia. Automated Teller Machines are located at around 400 locations across Malaysia. [Company website]

Products/Services[33]

Consumer Banking – Deposit Accounts, Credit Cards, Loans, Bankcard, Loans, Investment, Islamic Banking, Remittance and Premium Banking.

Islamic Banking – Islamic consumer, Islamic Enterprise, Islamic Trade Financing, and Islamic Treasury Services

Enterprise Banking – Sole Proprietor, Corporate Banking, SMIs, Trade, Islamic Banking Enterprise, Treasury, Remittance Services, Cash Management Services

Treasury Products – Foreign Exchange and Gold, Money Markets and Investment Products, and Capital Markets/Derivatives.

Public Bank[34]

The Company (PBB) commenced business in August 1966. The Group's business activities include commercial banking, merchant banking, offshore banking, credit and debit card services, Islamic banking services, deposit-taking and finance, hire purchase financing, leasing, factoring, stock and share broking, trustee and nominee services, and sale of trust units and management of unit trusts.

Apart from two commercial banks in Vietnam and Cambodia, the Group also has an offshore bank in Labuan International Offshore Financial Centre.

In February 2000, PBB was named one of 10 anchor banks in Malaysia approved by BNM to form an enlarged banking group comprising PBB, Hock Hua Bank Bhd, Advance Finance Bhd (AFB) and Sime Merchant Bankers Bhd (SMBB).

PBB completed its acquisition of SMBB (re-named Public Merchant Bank Bhd) in October 2000, and the acquisition of AFB's business in December 2000.

On March 31, 2001, the merger of PBB and HHB was completed. Following the completion of the merger, HHB (re-named HHB Holdings Bhd) has become a wholly-owned subsidiary of PBB and its commercial banking business has been transferred and merged with the banking business of PBB.[Company profile – klse]

The Group has a domestic branch network of 394 branches comprising 226 Public Bank and 168 Public Finance branches. This is the second largest branch network amongst banking groups in Malaysia. This wide branch network is complemented by a range of on-line delivery channels such as Internet banking and telebanking. The bank has an overseas presence in Hong Kong, Sri Lanka, Lao, Cambodia, and Vietnam.[Company website]

Products/Services[35]

Deposit Products – PLUS SAVINGS ACCOUNT, PB SaveLink Account, 50 PLUS SAVINGS ACCOUNT(designed for senior citizens), WISE SAVINGS ACCOUNT(Children's Savings Account), YOUNG ACHIEVER SAVINGS ACCOUNT(children below 18 years of age), ACE ACCOUNT(both savings and chequing), PLUS CURRENT ACCOUNT, PB CurrentLink Account, PLUS FIXED DEPOSIT ACCOUNT, PB GOLDEN 50 PLUS(fixed deposit for senior citizens), ATM CARD SERVICES.

Investment Products – PB Series Of Unit Trust Funds, PB Savers Plan

Loans and Financing Products – Consumer Loans, Commercial Loans, Project Financing, Trade Financing, SMALL MEDIUM INDUSTRIES LOAN ASSISTANCE FOR EXPANSION PLAN, NORMAL OVERDRAFT, TERM LOAN AND REVOLVING CREDIT

Card Products and Services – Credit cards and debit cards.

Islamic Banking – Deposits and Financing

Cash Management Services – Cash Payment and Cash Collection Services for corporations.

Telephone Banking - Banking service through the telephone.

Internet Banking – PbeBank.com – real time access to customers’ account anywhere in the world.

Arab-Malaysian Group[36]

Originally named Arab-Malaysian Finance Bhd (AMFB), the Company functioned as a licensed finance company with its core activity in hire-purchase financing. AMFB was among the first few finance companies to offer Islamic-based products and new services.

In December 1998 AMFB completed its merger with Abrar Finance Bhd. Subsequently, on August 3, 2001, AMFB entered into a conditional SPA to acquire MBf Finance Bhd (MBf). The acquisition positioned AMFB as the largest finance company, and the Arab-Malaysian Banking Group as the fifth largest banking group, in the country.

In line with these developments, MBf changed name to AmFinance Bhd on April 3, 2002 and pursuant to a Vesting Order effective from June 15, 2002, the finance company business of AMFB was transferred to AmFinance. Consequent to the business merger, AMFB became an investment holding company and changed its name to AMFB Holdings Bhd.[Company profiles – klse]

The bank has over 200 branches and ATM locations throughout malaysia.[Company website]

Products/Services[37]

Personal Banking – Deposit, Credit Card, Housing Loan, Hire Purchase, Insurance, Investment, Remittance and Islamic services.

Enterprise Banking – Corporate Banking, Trade Financing, and Treasury Products and Islamic Products.

Investment and Capital Market – Traditional Debt Products, Offshore Products, Stockbroking, Trustee Services, Futures trading, Property Trust Management and Islamic Products.

Internet Banking – variety of online services.

Hong Leong Bank[38]

On January 10, 1994, the bank assumed its present name.

The consolidation of the banking institution to meet the requirements of Bank Negara Malaysia marks another milestone for Hong Leong Bank Berhad. The completion of the merger of Hong Leong Bank with Wah Tat Bank and Hong Leong Finance with Credit Corporation Malaysia on January 1, 2001 marks the emergence of a larger banking group.

As of August 31, 2003, Hong Leong Bank has a network of 143 bank branches and 27 finance branches and 9 In-Stores in the country and one bank branch in Singapore.

Products/Services[39]

Consumer Banking – Deposit, Credit Card, Loans, and Unit Trust services.

Business Banking – Business Loans, Overdraft Protection, Revolving Credit, Investment and Trade Financing.

e-Banking – Online Personal and Business Banking Services, Phone Banking, Mobile Banking, and Automated Teller Machine

Islamic Banking – Deposits and Financing

Treasury Products – Money Market Products, Foreign Exchange Products and Derivative Products.

Perwira Affin Bank[40]

In the industry consolidation exercise announced in August 1999, PAB was selected as one of the 10 anchor banks in Malaysia. A year later, on August 30, 2000, the agreement for the merger between PAB and BSN Commercial Bank (M) Bhd was signed, paving the way for the formation of the new entity AFFINBANK.

AFFINBANK commenced operations in January 2001 with a network of 110 branches nationwide. The synergy from the merger now has AFFINBANK poised to charter new heights in its bid for pole position on the Malaysian financial scene.[company profile – klse]

Products/Services[41]

Banking Products – Deposit Accounts, Overdraft Protection, SMI Loan Schemes, the New Entrepreneur Fund, Islamic Deposits and Financing,

Retail Banking – Conventional and Islamic Deposit and Loan Products, Credit Cards and Stockbanking.

Electronic Banking Center – ATM, Cash and Cheque Deposit terminals, Statement and Passbook Updates.

.Southern Bank[42]

In 1965, Southern Bank Berhad (SBB) commenced business in Penang. Since 1978, its corporate headquarters has been relocated to Kuala Lumpur. The SBB Group is principally engaged in all aspects of commercial banking, finance company, investment banking, stockbroking, fund management and provision of related services which includes Islamic banking services.

Alliances, forged in previous years, with the Japan Credit Bureau (JCB) and the American International Group (AIG) continue to strengthen SBB as a leader in the credit card industry offering MasterCard, Visa and JCB cards whilst the latter has enabled SBB to cross sell AIG's insurance products through bank channels with the local AIG insurance companies, namely American International Assurance (AIA) and American Home Assurance (AHA).

SBB also completed its acquisition of the entire equity in BHL Ventures Bhd [BHLV] (formerly Ban Hin Lee Bank Bhd (BHL)) on April 3, 2000. In July 2001, a Bancassurance Business Plan with SBB's strategic partners, AIA and AHA, was introduced.

Selling and marketing products from other banks that compete in SBB's branches with those that SBB manufactures provides SBB's customers the diversity of choice that they need.

Institutional Unit Trust Agent status, which allows distribution of Third Party unit trust products of other banks and stockbrokerages, is a first for a Malaysian anchor bank.

SBB operates a total of 104 branches spanning major cities and population centres of Malaysia and including one overseas branch in Singapore.

All branches are computerised and on-line. The Bank's ATM network, marketed under "Autobank", are located throughout Malaysia. SBB is also a member of Malaysian Electronic Payment System (1997) Sdn Bhd (MEPS), which enables member banks to pool ATM resources and which also provides cardholders greater access to the ATM network.[Company profile – klse]

Products/Services[43]

Personal Financial Services – Deposit, Credit Card and Personal Loan Products.

Corporate Financial Services – Corporate Lending, Trade Finance, Project Finance, Loan Syndication, Financial and Project Advisory, and Electronic Banking Solutions.

Wealth Management – Southern Investment Services – we have shortlisted over 40 Unit Trust Funds from 11 well-established Fund Houses via a stringent selection process

EON Bank[44]

The bank has a branch network of EON Bank – 95 branches; EON Finance – 49 branches; and MIMB – 1 branch. The bank has a customer base of more than 1,000,000, and total assets of RM30.875 billion.

EON Bank Group plans to capture a **niche position in retail banking** and the Group's business model has placed a comprehensive set of strategic initiatives, that includes:

- A comprehensive range of products and services.
- A strong capital base.
- Solid technological support.
- Efficient operations and reinforced management processes.

Products/Services[45]

Individual Banking – Deposit, Loans, and Credit Card Services

Enterprise Banking – Lending Products, SME Easipac, BNM Funding Schemes and Trade Financing.

Islamic Funding – Deposits, Loans and Investments.

Treasury and Investment Banking – Foreign Exchange – Trade Finance Products, Forward Foreign Exchange, Foreign Currency account; Interest Rate Products – Fixed Deposits, Negotiable Instruments of Deposit, Collateralised Borrowing Repo Deposit, and Fixed Income.

Comparison of Banking Statistics – Domestic Banks

Institutions	Total Assets RM Millions	Net Loans – RM Millions	NPL - %	Deposits – RM Millions	RWCAR - %
Maybank	127,654	80,160	5.99	86,606	14.40
Bumiputra- Commerce Bank	62,811	38,349	7.2	43,085	11.54
RHB Bank	60,766	38,109	8.5	44,166	14.6
Public Bank	46,429	22,541	2.4	35,071	15.6
Arab-Malaysian Bank	58,553	38,118	11.46	52,536	12.82
Hong Leong Bank	15,977	9,126	8.0	14,373	14.51
Perwira Affin Bank	20,543	12,365	25.67	15,932	9.31
Southern Bank	18,587	13,230	7.6	12,231	11.77
Eon Bank	30,876	20,574	4.92	25,823	11.8

Source: Annual Reports – Bank's web sites.

From the preceding table, Maybank is clearly the predominant domestic bank in Malaysia. The bank has the highest totals for total assets, net loans and deposits. Public Bank has the lowest NPL percentage and the highest RWCAR percentage. The Affin Bank has the highest NPL percentage, and the lowest RWCAR percentage.

Bond Ratings of the Domestic Banks[46]

Institution	Short Term Rating	Long Term Financing
Maybank	AAA	P1
Bumiputra-Commerce	AA3	P1
RHB Bank	AA2	P1
Public Bank	AAA	P1
Arab-Malaysian Bank	N/A	N/A
Hong Leong Bank	AA3	P1
Perwira Affin Bank	BBB2	P2
Southern Bank	A1	P1
Eon Bank	A3	P1
Alliance Bank	A1	P1

The highest bond ratings, the long term, for the domestic banks are Maybank and Public Bank. The lowest bond rating is the Affin, both long term and short term.

Investor Statistics for the Domestic Banks

	Beta	P/E Ratio	Growth Relative to Sector %	Growth Relative to Index %	Percentage change in Share Price %	Yield %
Maybank	1.13	26.98	78.24	212.55	1001.70	4.4
Bumiputra-Commerce	1.42	12.91	-26.12	69.21	3475.6	0.12
RHB	0.86	18.20	22.2	18.59		
Public	0.98	12.66	112.03	361.39	547.98	3.50
Arab-Malaysian	1.79	42.50	-207.42	-73.11	6730.13	0.00
Hong Leong	0.65	15.49	53.96	65.62	205.24	3.12
Perwira Affin	1.13	0		-61.046	1151.89	0.896
Southern	0.91	15.85	12.74	143.76	143.78	4.6
Alliance	1.40	29.83	65.95	-31.28	1837.65	1.44

Source: The Hydra Financial Database

The Top Foreign Banks in Malaysia

Standard Chartered Bank Malaysia Berhad

A Malaysian Bank with an international outlook, Standard Chartered Bank Malaysia Berhad has 29 branches nationwide: 20 in Peninsula Malaysia and 9 in East Malaysia.

Products/Services[47]

Personal Banking – Deposits, Loans, Credit Cards, Investments and Insurance. Also, the bank provides Priority Banking centers – Investment Services, Round the clock Securities Trading, and Bancassurance.

Business Financial Services – Trade Services, Credit Facilities and Cash Management.

Corporate & Institutions – Cash Management, Trade Services, Custody, Loan Service, and Electronic Banking

Global Markets – Exotic Currencies, Currency Options, Non-Deliverable Forwards, and Interest Rate Derivatives.

Islamic Banking

HSBC Bank Malaysia Berhad[48]

HSBC's relationship with Malaysia began way back with the opening of our first branch in Penang 1884. Today, with 36 branches nationwide, we are continuing to provide Malaysians with a world of financial services.

Products/Services

Personal Finance – Money Management, Financial Planning, Savings & Investment, Financial Protection, and Loans.

Business Banking – International Trade Business, Global Payment and Cash Management, HSBC SMI Pack, Business Premise Financing.

Treasury and Capital Markets foreign exchange and interest risk management, Market Capital Debt

Custody and Clearing

HSBC Amanah – Islamic Banking

Offshore Banking Unit(Labuan) – Foreign Currency Deposits, Non Interest Non Chequing Current Account, Loan and customers facilities

Citibank Berhad

The Corporate Banking business in Malaysia is represented by Citigroup Malaysia, dedicated to serving multinationals, local corporations and financial institutions by offering leading-edge financial products and services including corporate finance, commercial banking, capital markets and risk management services, trade finance, cash management services and custodian services.

Operating out of our three branches in Kuala Lumpur, Penang and Johor Bahru, our approach is to encourage innovation and creativity in the market places where we operate, enabling Citigroup personnel to be responsive to changing business conditions.

Corporate Services[49]

Asset based Financing – Equipment leasing and Equipment Term Loan.

Cash Management – Payables Management, Receivables Management, and Liquidity Management. Also provides the following services for financial institutions – Clearing Services, Commercial Payment Services, Collection Services, and Liquidity Management.

Corporate Finance – Raising Capital, Project Financing, Loan Restructuring and Syndication, Capital Market Origination and Distribution, Capital Restructuring, Working Capital, Structured Finance, Securitisation, and Islamic Banking.

United Overseas Bank(Malaysia) Berhad

Incorporated in Malaysia in 1993, UOB Malaysia took over the operations of Lee Wah Bank Limited (LWB) in 1994. LWB was incorporated in Singapore in 1920 and opened its first Malaysian branch in 1956. In 1973, LWB became a wholly owned subsidiary of United Overseas Bank Limited, Singapore. In 7 June 1997 UOB Malaysia merged with Chung Khiaw Bank (Malaysia) Bhd (CKBM) and enlarged its paid up capital from RM210 million to RM470

million.

United Overseas Bank (Malaysia) Bhd and Overseas Union Bank (Malaysia) Berhad merged into one legal entity on 2 February, 2002.

UOB Malaysia now operates 37 strategically located branches throughout Malaysia and offers a full range of commercial banking and financial services.

Personal Services[50]

UOB 121 Phonebanking – a 24-hour phonebanking centre which allows customers a hassle free and convenient way to conduct a wide variety of banking transactions without having the need to visit the Bank. Customers may access their banking as well as credit card accounts, pay bills, etc with just a phone call whether it is from the office, house, public pay phone or mobile phone. It is so convenient – customers may call at anytime, from anywhere.

Mobile Phonebanking – a platform that offers a range of automated banking services. An amazing electronic service that links you directly to your bank account and lets you keep track of your finances.

PayOnLine – offers you a consolidated bill payment solution. It also allows you to pay multiple bills online anytime and anywhere. You can settle your phone and utility bills, insurance premium, subscription fees and any other bills with a growing number of service providers fast & easy.

Drive Thru Banking – provides facilities for cash and/or cheque deposit and credit card and/or housing loan payment

24 Hour Banking – provide a host of services which include Cash and Cheque Deposits, Cash Withdrawal and a variety of banking transactions such as Balance Enquiry, Funds Transfer, Statement Request, Loan Payment and many more services

Wills

UOB Internet Banking – provides services for Banking Accounts, Loans, Credits, and Extended services such as Scheduled Payments, Alert Payments, Third Party Remittances, Remittances, Cash Advances, and e-Statements

Business Services.

Commercial Lending – provides services for syndicated loans, project planning, term financing, and working capital financing.

Investment Banking – provides services for Specialized Financing, Capital Markets, and Corporate Financing.

Treasury – provides services for Foreign Exchange, Foreign Currency deposits, Banknotes, Money Market, and Gold bullion Products.

Trade Services – provides services for exports and imports.

Merchant Services – provides services for Recurring Payments, and e-Commerce.

Internet Banking – Accounts Services, Account Enquiries, Cheques Transfers, Funds Transfer, Bill Payments, Fixed Deposit Placement, Remittance, and Trade Services.

OCBC(Overseas Chinese Banking Corporation) Bank(Malaysia) Berhad

OCBC Bank (Malaysia) Berhad [OCBC Malaysia] was incorporated on 13 April 1994 as a wholly-owned subsidiary of OCBC Limited to take over its banking business in Malaysia from 1 July 1994. On 1 January 1999, OCBC Malaysia's wholly-owned subsidiary OCBC Finance Berhad was merged with OCBC Malaysia.

Today, OCBC Malaysia is one of the largest foreign banks in Malaysia with an asset size of RM22.3 billion. With 25 branches strategically located throughout the country and staff strength of 1,800 employees, the Bank delivers superior quality service to customers within a broad range of financial products and services. OCBC Malaysia is rated by RAM Bhd (RAM) and received AA1 for long term rating and P1 for short term rating which was reaffirmed in September 2003.

Working with a competent and skilled team of in-house software engineers and developers, OCBC Malaysia implemented e-BRANCH , a comprehensive solution built on Windows NT and Microsoft technologies. The e-BRANCH system provides staff with a highly intuitive and simple interface that enables them to access information quickly across the enterprise. In essence, it is a next generation branch delivery system that delivers multiple channels, products and services from a single desktop computer.

Products/Services[51]

Personal Financing – Loans, Cards, Accounts, Investments, UOB Bancassurance, and Priority Banking. The bank also offers other services such as UOB 121 Phonebanking, Mobile Phonebanking, PayOnLine, DriveThru Banking, 24 Hour Banking, Wills, and UOB Internet Banking.

Business Finances – Commercial Lending, Investment Banking, Treasury, Trade Services, Merchant Services, and Internet Banking.

Comparison of Banking Statistics – Foreign Banks

Institutions	Total Assets RM Millions	Net Loans – RM Millions	NPL - %	Deposits – RM Millions	RWCAR - %
Standard Chartered	21,187	13,551	5.04	13,433	14.48
HSBC	27,050	17,097	4.01	19,541	10.80
Citibank	22,664	17,115	1.89	15,322	11.2
UOB	19,733	12,988	6.39	11,983	14.55
OCBC	22,313	15,073	7.79	14,836	14.46

Source: Annual reports – Bank web sites

From the preceding table, the reader can determine that HSBC has the highest total for Total Assets, Net Loans, and Deposits.

Bond Ratings – Foreign Banks{52]

Institution	Short Term Rating	Long Term Financing
Standard Chartered	AA1	P1
HSBC Bank Malaysia Berhad	AA1	P1
Citibank Berhad	AAA	P1
United Overseas Bank(Malaysia) Berhad	AA1	P1

Citicorp has a best bond rating of the top foreign banks operating in Malaysia.

2004 and Beyond

Phase II of the Financial Sector Master Plan will begin this year. Competition for the domestic banks will increase as some regulations on foreign banks will be removed allowing the foreign banks to offer additional products/services to Malaysian consumers.

Bank Negara Malaysia has stated several times that the next round of consolidation in the banking sector should be driven by market forces. A couple of proposed mergers are noteworthy. In 2002, Arab-Malaysian Merchant Bank and EON Capital merger talks were unsuccessfully because of pricing and management control. Later, Arab-Malaysian Merchant Bank and Commerce-Asset Holdings merger talks were unsuccessful because of these same two issues. Basically, the merger process has to deal with a number of factors:

Pricing or Fair Valuation

Shareholders look to maximise the value of their investments. The banking groups have invested large amounts in infrastructure, processes, human capital and marketing to remain

capital. With these investments and an improving economy, there will be a hefty price tag for any potential merger.

Management Control

Which management team will have control of the new merged entity? Will the acquired bank's management team have any control in new merged entity?

Corporate Culture

The merger process will see the blending of several corporate cultures to form a new corporate culture. Will this succeed? What effect will this have on the new organisation?

IT Investment

The merged banks that successfully integrate their systems within a short period of time will be strategically ahead of the merged banks that are not successful.

Human Resource Management

Human Resource Management will be a challenging issue involving strategic decisions on the appropriate skill and staff integration and the effects on cost, the business direction of the merged entity, and the overall success of the organisation.

The Boardroom Tussle

Chairman Tan Sri Lim Yan Hai and several other board members had to resign in April 2004 following a threat by a minority shareholder to remove them. Earlier, an extraordinary general meeting had been called to remove almost the entire board of directors on the premise that the directors had failed to create value for the company.

The Temasek Deal – July 2004

Temasek Holdings Ltd., Singapore's state investment arm is buying a 15% stake in Alliance Bank's parent, Malaysian Plantations Bhd for RM2.65 per share. The offer is a 9% premium to the stock's closing price on July 13.

Temasek Holdings controls the largest bank in the region – DBS bank. DBS is approximately twice the size of Maybank.

Appendices

Appendix A – Explanation of Bond Ratings for Financial Institutions[54]

Long-Term Ratings

AAA Financial institutions rated in this category are adjudged to offer the highest safety for timely payments of financial obligations. This level of rating indicates corporate entities with strong balance sheets, favourable credit profiles and consistent records of above-average profitability. Their capacities for timely payments of contractual financial obligations are unlikely to be impacted seriously by any foreseeable changes in economic conditions.

AA Financial institutions rated in this category are adjudged to offer high safety for timely payments of financial obligations. This level of rating indicates corporate entities with sound credit profiles and without significant problems. Entities rated in this category are, however, considered to be somewhat more vulnerable to adverse changes in economic conditions than those entities rated in the highest category.

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

BBB Financial institutions rated in this category are adjudged to offer only a moderate degree of safety for timely payments of financial obligations. This level of rating indicates corporate entities which have been significantly under-performing in some areas. These entities are, however, considered to have the capability to overcome such problems in the short term, though adverse changes in economic conditions could impair their ability to make timely payments of financial obligations.

BB Financial institutions rated in this category are adjudged to lack key protection factors, which results in inadequate safety for timely payments of financial obligations. This level of rating indicates that the entities would need certain favourable economic changes in order to meet financial obligations in a timely fashion.

B Financial institutions rated in this category are adjudged to be of high risk. Timely payments of financial obligations are impaired by serious problems which the entities face. Whilst entities rated in this category might be currently meeting obligations on time, continuance of this would depend upon favourable economic conditions or some degree of external support.

C Financial institutions rated in this category are adjudged to be of very high risk in relation to timely payments of financial obligations. This level of rating indicates entities with very serious problems and, unless external support is provided, they would be unable to meet their financial obligations in a timely fashion.

D Financial institutions rated in this category are either currently in default or expected to be in default. This level of rating indicates that the entities are unlikely to meet maturing financial obligations, which calls for immediate external support of a high order.

Short-Term Ratings

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

P2 Financial institutions in this category have strong capacities for timely payments of obligations. Financial institutions in this category have adequate capacities for timely payments of

P3 obligations. The ability to honour the obligations is more vulnerable to adverse changes in business, economic or financial conditions.

N Financial institutions in this category are impaired by doubtful capacities for timely payments of obligations, unless significant external support is made available.

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