

38	Directors' Report
42	Statement by Directors & Statutory Declaration
43	Report of The Auditors
44	Balance Sheet
45	Income Statement
46	Statement of Changes In Equity
47	Cash Flow Statement
49	Notes To The Financial Statements

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Bank for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITY

The principal activity of the Bank is to operate the business of banking in the promotion and support of export, import and investment for the country's development by granting credit, issuing guarantees and providing other related services.

There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM
Net profit for the year	53,898,933
Accumulated loss brought forward	(48,362,114)
<hr/>	
Unappropriated profit carried forward	5,536,819

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2004.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no shares and debentures issued during the financial year.

INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Bank were made out, the Directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

DIRECTORS' REPORT (continued)

- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Bank have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Bank inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Bank misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

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

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

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Bank which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

The Directors state that:-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the directors:-

- (a) the results of the Bank's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

DIRECTORS' REPORT (continued)

DIRECTORS OF THE BANK

The Directors in office since the date of the last report are:-

YBhg Tan Sri Dato' Othman bin Mohd Rijal (Chairman)
YBhg Dato' Mohd Ramli bin Mat Wajib
YBhg Datuk Rajandram a/l Chellappah
YBhg Dato' Mohd Hussin bin Abd. Hamid
YBhg Dato' Md Noor bin Mohammad Yusoff
YBhg Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
YBhg Datin Puteh Rukiah binti Abd. Majid
Encik Tan Leh Kiah
YBhg Dato' Haji Shahrudin bin Haron (resigned on 25.6.2004)
YBhg Datuk Paul Low Seng Kuan (resigned on 25.6.2004)

Pursuant to Article 109 of the Company's Articles of Association, YBhg Tan Sri Dato' Othman bin Mohd Rijal, YBhg Dato' Mohd Ramli bin Mat Wajib and YBhg Dato' Md Noor bin Mohammad Yusoff, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

None of the Directors at the end of the financial year held any direct interest in the shares of the Bank or its related companies during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank is a party, with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in the Bank or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than as disclosed in the Notes 20 to the Financial Statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT (continued)

HOLDING COMPANY

The holding company is Bank Industri & Teknologi Malaysia Berhad, a development financial institution incorporated in Malaysia.

AUDITORS

Messrs Shamsir Jasani Grant Thornton have expressed their willingness to continue in office.

On behalf of the Board



**TAN SRI DATO' OTHMAN
BIN MOHD RIJAL
DIRECTOR**



**DATO' MD NOOR BIN
MOHAMMAD YUSOFF
DIRECTOR**

Kuala Lumpur
31 May 2005

STATEMENT BY DIRECTORS & STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 44 to 65 are drawn up in accordance with the provision of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2004 and of the results and cash flows of the Bank for the financial year then ended.

On behalf of the Board



**TAN SRI DATO' OTHMAN
BIN MOHD RIJAL**



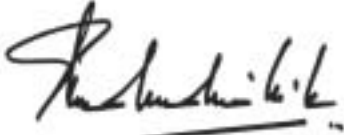
**DATO' MD NOOR BIN
MOHAMMAD YUSOFF**

Kuala Lumpur
31 May 2005

STATUTORY DECLARATION

We, Datuk Dr. Syed Muhamad bin Syed Abdul Kadir and Mohd Noordin bin Abbas, being the Director and the General Manager/Chief Executive Officer primarily responsible for the financial management of Export-Import Bank of Malaysia Berhad respectively, do solemnly and sincerely declare that to the best of our knowledge and belief the financial statements set out on pages 44 to 65 are correct and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory this day of 31 May 2005



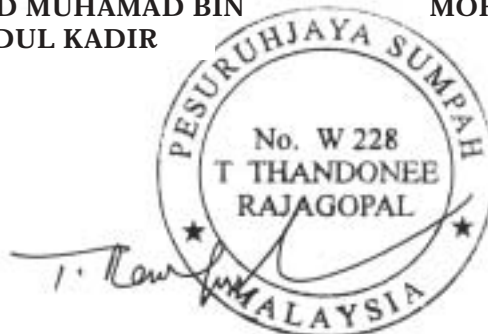
**DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR**



MOHD NOORDIN BIN ABBAS

Before me:

Commissioner for Oaths



REPORT OF THE AUDITORS

TO THE MEMBERS OF EXPORT-IMPORT BANK OF MALAYSIA

We have audited the financial statements set out on pages 44 to 65 to Export-Import Bank of Malaysia Berhad.

These financial statements are the responsibility of the Bank's Directors.

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Bank as at 31 December 2004 and of the results and cash flows of the Bank for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Bank;

and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Bank have been properly kept in accordance with the provisions of the said Act.



SHAMSIR JASANI GRANT THORNTON
(NO. AF : 0737)
CHARTERED ACCOUNTANTS



DATO' N.K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/06(J/PH))
PARTNER

Kuala Lumpur
31 May 2005

BALANCE SHEET

AS AT 31 DECEMBER 2004

	Note	2004 RM	2003 RM
ASSETS			
Cash and short-term funds	5	1,207,947	894,662
Deposits and placements with financial institutions	6	1,279,295,073	1,295,613,062
Investments securities	7(a)	1,046,000	1,046,000
Other investments	7(b)	10,050,000	37,900,000
Amount due from ECR debtors		1,181,455,116	1,128,667,291
Loans, advances and financing	8	764,324,915	517,680,761
Other assets	9	20,359,142	12,048,629
Property, plant and equipment	10	1,282,360	1,339,618
Deferred tax assets		-	21,000,000
TOTAL ASSETS		3,259,020,553	3,016,190,023
LIABILITIES			
Term loans	11	2,595,929,885	2,338,896,813
Other liabilities	12	43,768,057	46,081,982
Amount due to holding company	13	307,344,628	374,008,227
Unearned premium reserve	14	6,441,163	5,565,114
TOTAL LIABILITIES		2,953,483,733	2,764,552,136
FINANCED BY:-			
Share capital	15	300,000,001	300,000,001
Unappropriated profit/(accumulated loss)		5,536,819	(48,362,114)
Shareholders' equity		305,536,820	251,637,887
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,259,020,553	3,016,190,023
COMMITMENTS AND CONTINGENCIES	24	233,494,452	178,061,697

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

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	2004 RM	2003 RM
Operating revenue	16	100,202,208	102,933,460
Interest income	17	94,144,018	100,421,946
Interest expenses	18	(51,051,931)	(49,581,663)
Net interest income		43,092,087	50,840,283
Non-interest income	19	6,627,114	(6,926,496)
Total income		49,719,201	43,913,787
Staff cost		(5,026,845)	(3,552,323)
Overhead expenses	20	(9,676,448)	(5,953,071)
Operating profit		35,015,908	34,408,393
Loan and financing loss and allowances	21	39,883,025	30,945,894
Profit before taxation		74,898,933	65,354,287
Taxation	22	(21,000,000)	21,000,000
Net profit for the year		53,898,933	86,354,287
Earnings per share			
Basic (sen)		17.97	28.78

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

Bank	Share capital RM	Accumulated loss)/ Unappropriated profit RM	Total RM
Balance at 1 January 2003	300,000,001	(134,716,401)	165,283,600
Net profit for 2003	-	86,354,287	86,354,287
Balance at 31 December 2003	300,000,001	(48,362,114)	251,637,887
Net profit for 2004	-	53,898,933	53,898,933
Balance at 31 December 2004	300,000,001	5,536,819	305,536,820

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	74,898,933	65,354,287
Adjustments for:-		
Gain on disposal of investments	-	(688,000)
Gain on redemption of bond from holding company	(2,050,000)	-
Net guarantee fees recognised	(434,896)	(327,438)
Allowance for diminution in value of investment	-	9,802,098
Allowance for doubtful debts no longer required	(47,333,281)	(44,201,260)
Allowance for doubtful debts	7,223,908	13,217,470
Depreciation	445,461	418,590
Other interest income	-	(263,403)
Operating profit before working capital changes	32,750,125	43,312,344
Changes in working capital:-		
Loans, advances and financing	(217,698,341)	40,777,196
Other assets	4,163,992	21,458,991
Other liabilities	(2,313,925)	2,401,676
Holding company	(66,663,599)	(92,587,606)
Cash (used in)/generated from operations	(249,761,748)	15,362,601
Interest received	-	263,403
Net cash (used in)/from operating activities	(249,761,748)	15,626,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of bond from holding company	29,900,000	-
Proceeds from disposal of unquoted investment	-	4,253,840
Purchase of property, plant and equipment	(388,203)	(274,790)
Purchase of quoted investment	-	(9,802,098)
Net cash from/(used in) investing activities	29,511,797	(5,823,048)

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 (continued)

	2004	2003
	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loan	(332,201,678)	(83,702,791)
Drawdown of term loan	589,234,750	131,211,774
Net repayment disbursed to ECR debtors	(52,787,825)	(52,521,512)
Net cash from/(used in) financing activities	204,245,247	(5,012,529)
CASH AND CASH EQUIVALENTS		
Net changes	(16,004,704)	4,790,427
At beginning of year	1,296,507,724	1,291,717,297
At end of year	1,280,503,020	1,296,507,724
Cash and cash equivalents included in the Cash Flow Statement comprise the following balance sheet amounts:-		
Cash and bank balances	1,207,947	894,662
Deposits	1,279,295,073	1,295,613,062
	1,280,503,020	1,296,507,724

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965, Development Financial Institution Act 2002 and applicable approved accounting standards in Malaysia.

2. FINANCIAL RISK MANAGEMENT POLICIES

The Bank's financial risk management policies seek to enhance shareholder value. The Bank focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Bank.

The Group Risk Management Division of the holding company i.e. Bank Industri & Teknologi Malaysia Berhad supervises the Bank in the management and control of risks across the various risk segments. The department is responsible for formulating policies and the oversight of credit, market liquidity and operational risks.

Financial risk management is carried at through risk assessment and reviews, internal control systems and adhered to Group's financial risk management policies, which are reported to and approved by the Board of Directors. The Board also approves the treasury practices which cover the management of these risks. Treasury activities are carried out centrally by the Treasury Department of the Bank Industri & Teknologi Group.

The main areas of financial risks faced by the Bank and the policies in respect of the major areas of treasury activities are set out as follows:-

(a) Foreign currency risk

The Bank incurs currency exposure mainly on borrowings made in currencies other than Ringgit Malaysia.

The Bank's policy is to minimise the exposure to foreign currency risks by monitoring and obtaining the Board's approval for funding requisitions that involve foreign currencies.

The Group manages centrally the short term cash surpluses or borrowing requirements of the Bank and uses forward contracts to hedge future repayments back into originating currency. Based on Bank Negara Malaysia's approval, the contracts are all of less than a year's duration, unless special approval is obtained from Bank Negara Malaysia, if applicable.

(b) Interest rate risk

The Bank's interest rate exposure arises from the Bank's borrowings and deposits, and is managed through the use of fixed and floating rate debt and derivative financial instruments. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

(c) Credit risk

Credit risk is the potential loss arising from failure of a debtor or counterparty to meet their contractual obligations.

Credit risk arises in the banking business from lending activities, the provision of guarantees including letters of credit and commitments to lend, investment in bonds and notes and financial markets transactions and other associated activities.

The Bank's approach on credit risk is applied by separating prudential control from operational management. Responsibility for approval of credit exposures is delegated to specific individuals who are outside the business line proposing to undertake them.

Most credit decisions are therefore taken within the Risk Management Department. The measurement of credit risk is based on an internal credit risk rating system that utilises analytical tools to rate financial attributes of customers. The Group's approach also includes avoidance of unacceptable concentrations of risk either to an economic sector or to an individual party.

Counter-party positions are also monitored on a regular basis and dealing activity is controlled through the provisions of dealing mandates and the operations of standard settlement instructions in line with market practices.

(d) Liquidity risks

The Bank's exposure to liquidity risk is managed by maintaining a diversity of funding sources and spreading debt repayment over a range of maturities.

The Bank's liquidity requirement is being managed on a day-to-day basis by the Group's Treasury Department that is responsible for ensuring funding is readily available for the Bank's transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Revenue recognition

Interest income from loans is recognised on the accrual basis. Where an account becomes non-performing, interest earned for the month will be suspended. Customers' account are classified as non-performing when repayment have been in arrears for more than 6 months. The non-performing account will be re-classified as performing in the borrower manage to settle all the arrears in full, in where all the interests already been suspended will be taken up as recovery income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

Other interest income is recognised on accrual basis unless collectability is in doubt.

Fee income is recognised upon performance of services.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and less accumulated impairment loss. Depreciation is calculated to write off the cost of the property, plant and equipment on a straight line basis over the estimated useful lives of the assets concerned.

The principal annual rates of depreciation used are as follows:-

Office equipment	20%
Renovation and improvement	10%
Furniture and fittings	10%
Motor vehicles	20%
Electrical fittings and equipment	10%
Computer	35%

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset at arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

(d) Investments

Investments in marketable securities are stated at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments after taking into consideration of specific allowance made for diminution in value. Cost is derived at on the weighted average basis.

Unquoted investments held on a long-term basis are stated at cost. Allowance is made for permanent diminution in value where considered appropriate.

(e) Foreign currency translations

Foreign currency transactions are translated into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at rates of exchange ruling at the balance sheet date. All exchange gains or losses are dealt with in the income statement.

The exchange rate ruling at balance sheet date used was as follows:-

	2004	2003
	RM	RM
1 US Dollar	3.80	3.80

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

(f) Allowance for bad and doubtful debts

Specific allowance are made for bad and doubtful debts where, based on either management's evaluation of the loans portfolio or relevant statutory guidelines upon the collectability of a loan becomes uncertain. A general allowance based on a set percentage of the loans portfolio is also made. This percentage is reviewed annually in the light of past experience and prevailing circumstances.

(g) Unearned premium reserve

Income arising from guarantee provided in recognised on the basis of 25% of the premium in the financial year in which the policies are issued. The balance of the premium is recognised over the period of risk on a straight line basis and should a claim be paid or provided for in respect of such policies, the balance of the premium shall be recognised in the financial year in which the claim is made.

(h) Export credit refinancing ("ECR") scheme

The Bank is only acting as an agent to the Ministry of Finance and Bank Negara Malaysia. No allowances are made for bad and doubtful debts in respect of loans given out to commercial bankers which the Bank has full recourse.

(i) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Deferred tax liabilities and assets

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unabsorbed tax losses and unutilised capital allowances.

Deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

(l) Impairment of assets

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

An impairment loss is charged to the income statement immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(m) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for services rendered.

(n) Provision

Provision are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

(o) Financial instruments

Financial instruments carried on the balance sheet includes cash and bank balances, deposits, loan debtors, amount due from ECR debtors, receivables, payables, investments and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statement associated with each item.

4. PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The principal activity of the Bank is to operate the business of banking in the promotion and support of export, import and investment for the country's development by granting credit, issuing guarantees and providing other related services.

There has been no significant change in the nature of this activity during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at Level 28, Bangunan Bank Industri, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur. The principal place of business of the Bank is located at Level 19, Bangunan Bank Industri, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2005.

5. CASH AND SHORT-TERM FUNDS

	2004 RM	2003 RM
Cash and bank balances	1,207,947	894,662

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2004 RM	2003 RM
Licensed banks	966,768,816	960,476,103
Licensed finance companies	174,000,000	39,266,669
Other financial institutions	138,526,257	295,870,290
	1,279,295,073	1,295,613,062

7. INVESTMENTS

(a) Investment securities

	2004 RM	2003 RM
Quoted securities:		
Shares	1,046,000	1,046,000
Loan stocks	9,802,098	9,802,098
	10,848,098	10,848,098
Allowance for diminution in value of investment securities:		
- loan stocks	(9,802,098)	(9,802,098)
	1,046,000	1,046,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

7. INVESTMENTS (continued)

	2004 RM	2003 RM
Market value:-		
Quoted shares	1,234,280	1,443,480
Quoted loan stocks	5,097,091	7,253,553
<hr/>		
(b) Other investments		
Unquoted investments: Loan stocks and bonds	10,050,000	37,900,000

Included in unquoted loan stocks and bonds are cost of redeemable unsecured bonds issued by the holding company amounting to Nil (2003: RM27,850,000).

8. LOANS, ADVANCES AND FINANCING

Loans, advances and financing comprise of the following:

	2004 RM	2003 RM
Amount receivable	1,068,625,423	830,795,585
Interest-in-suspense	(131,385,753)	(112,767,743)
<hr/>		
	937,239,670	718,027,842
Allowance for doubtful debts		
- general	(11,533,190)	(8,604,562)
- specific	(168,360,357)	(198,923,853)
<hr/>		
Staff loans and advances	757,346,123	510,499,427
	6,978,792	7,181,334
<hr/>		
Net loans, advances and financing	764,324,915	517,680,761

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

	2004 RM	2003 RM
Receivable after 12 months	675,343,655	392,790,312
Receivable within 12 months	88,981,260	124,890,449
<hr/>		
	764,324,915	517,680,761

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

9. OTHER ASSETS

	2004 RM	2003 RM
Other receivables and prepayments	3,783,451	15,893,653
Interest receivables	16,575,691	8,629,481
	20,359,142	24,523,134
Allowance for doubtful debts	-	(12,474,505)
	20,359,142	12,048,629

Included in the other receivables and prepayments of the previous financial year is an amount advance to Republic of Iraq amounting to RM12,474,505. During the financial year, the said amount has been paid through the upliftment of the deposits placed by the Ministry of Finance.

10. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RM	Renovation and imp- rovements RM	Furniture and fittings RM	Motor vehicles RM	Electrical fittings and equipment RM	Computer RM	Total 2004 RM	Total 2003 RM
Cost								
At beginning of the year	208,171	984,855	346,851	401,859	45,260	3,154,036	5,141,032	4,866,242
Additions	11,792	63,892	11,767	112,054	-	188,698	388,203	274,790
At end of the year	219,963	1,048,747	358,618	513,913	45,260	3,342,734	5,529,235	5,141,032
Accumulated depreciation								
At beginning of the year	126,825	354,814	144,660	249,802	32,375	2,892,938	3,801,414	3,382,824
Charge during the year	26,153	154,736	36,954	62,217	(1,138)	166,539	445,461	418,590
At end of the year	152,978	509,550	181,614	312,019	31,237	3,059,477	4,246,875	3,801,414
Net book value								
31 December 2004	66,985	539,197	177,004	201,894	14,023	283,257	1,282,360	-
31 December 2003	81,346	630,041	202,191	152,057	12,885	261,098	-	1,339,618
Depreciation charge for year ended 31 December 2003	31,039	98,485	34,706	57,729	4,525	192,106	-	418,590

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

11. TERM LOANS

	2004 RM	2003 RM
Term loans – unsecured	617,714,230	360,681,158
Export Credit Refinancing (ECR) Scheme – unsecured	1,978,215,655	1,978,215,655
	2,595,929,885	2,338,896,813
Repayable within 12 months	571,883,843	526,279,448
Repayable after 12 months	2,024,046,042	1,812,617,365
	2,595,929,885	2,338,896,813

Term loans

Term loans consist of the following facilities:-

- (a) Loan principal of RM35,000,000, by way of a deposit placement, repayable after a period of 15 years.

The loan was obtained on 17 November 1995 and is unsecured.

Interest on the loan is charged at the rate of 2.5% (2003: 2.5%) per annum.

- (b) Revolving loan up to an aggregate of USD30,000,000 (approximately RM114,000,000) renewable annually.

The loan was obtained on 22 October 1997 and is unsecured.

Interest on the loan is charged at the rate of 0.7% (2003: 0.9%) above TIBOR/SIBOR/LIBOR per annum.

- (c) Loan of USD30,000,000 (approximately RM114,000,000) repayable semi annually commencing after a grace period of 42 months from the date of the First Drawdown.

The loan was obtained on 16 September 1997 and is unsecured.

Interest on the loan is charged at the rate of 0.8% (2003: 0.8%) per annum above the lending bank's cost of fund.

- (d) Revolving loan up to an aggregate of USD 20,000,000 (approximately RM76,000,000) renewable annually.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

The loan was obtained on 15 November 2002 and is unsecured.

Interest on the loan is charged at the rate of 0.75% (2003: 0.8%) above LIBOR per annum.

- (e) Revolving loan up to an aggregate of USD 11,000,000 (approximately RM41,800,000).

The loan was obtained on 31 March 2000 and is unsecured.

Interest on the loan is charged at the rate of 0.75% (2003: 0.75%) above the lending bank's cost of funds.

- (f) Revolving loan up to an aggregate of USD 20,000,000 (approximately RM76,000,000) renewable annually.

The loan was obtained on 12 July 2001 and is unsecured save for a corporate guarantee from holding company.

Interest on the loan is charged at the rate of 0.9% (2003: 0.9%) above SIBOR per annum.

- (g) Revolving loan up to an aggregate of USD 10,000,000 (approximately RM38,000,000) renewable annually.

The loan was obtained on 22 August 2001 and is unsecured.

Interest on the loan is charged at the rate of 0.75% (2003: 0.85%) above LIBOR/cost of fund per annum.

- (h) Loan of USD 50,000,000 (approximately RM190,000,000) repayable by 9 equal quarterly instalments after a grace period of 12 months from the date of the First Drawdown.

The loan was obtained on 12 July 2004 and is unsecured.

Interest on the loan is charged at the rate of 0.70% (2003: Nil) above LIBOR per annum.

Export Credit Refinancing (ECR)

These represent loans from the Ministry of Finance ("MOF") and Bank Negara Malaysia ("BNM") to facilitate the operation and management of the Export Credit Refinancing Scheme ("ECR") amounting to RM1,700,000,000 (2003: RM1,700,000,000) and RM278,215,655 (2003: RM278,215,655) respectively.

The primary objective of the Scheme is the promotion of Malaysian exports by offering competitive rates to banks participating in the ECR scheme for on-lending to exporters. In this respect, the Bank acts as the operator of the ECR scheme in the disbursement of such loans to participating banks.

Interest on the scheme is charged at the rate of 1.5% (2003: 1.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

12. OTHER LIABILITIES

	2004 RM	2003 RM
Other payables and accruals	16,451,213	20,216,740
Interest payables	27,316,844	25,865,242
	43,768,057	46,081,982

13. AMOUNT DUE TO HOLDING COMPANY

The Bank is a wholly owned subsidiary of Bank Industri & Teknologi Malaysia Berhad, a development financial institution incorporated in Malaysia.

The advances from holding company are unsecured, interest free and have no fixed term of repayment except as disclosed below:-

	2004 RM	2003 RM
(a) JBIC1	186,143,000	227,509,800
(b) JBIC2	116,303,652	142,148,815
	302,446,652	369,658,615

Details of the abovementioned loans are as follows:-

- (a) Untied loan up to an aggregate of USD 200,000,000 (approximately RM760,000,000).

The loan is repayable semi-annually within 14 instalments from 26 October 2002 and ending on 26 April 2009.

The loan was obtained on 27 January 2000 and is unsecured save for a guarantee from the Government of Malaysia.

Interest on the loan is charged at 0.2% (2003: 0.2%) above the lending bank's Long Term Prime Lending Rate or Fiscal Investment and Loans Program Rate per annum.

- (b) Untied loan up to an aggregate of USD 300,000,000 (approximately RM1,140,000,000) divided into two tranches.

The loan is repayable semi-annually within 14 installments from 26 July 2002 and ending on 26 January 2009.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

13. AMOUNT DUE TO HOLDING COMPANY (continued)

The loan was obtained on 2 February 1999 and is unsecured save for a guarantee from the Government of Malaysia.

Interest on the Tranche A of the loan is charged at 0.2% (2003: 0.2%) above the lending bank's Long Term Prime Lending Rate or Fiscal Investment and Loans Program Rate per annum.

Interest on the Tranche B of the loan is charged at 0.8% (2003:0.8%) above TIBOR per annum.

14. UNEARNED PREMIUM RESERVE

	2004 RM	2003 RM
Unearned premium reserve	4,545,666	3,882,264
Premium recognised during the financial year	(902,194)	(647,544)
	3,643,472	3,234,720
Provision for claims	2,797,691	2,330,394
	6,441,163	5,565,114

15. SHARE CAPITAL

	2004 RM	2003 RM
Authorised:-		
Ordinary shares of RM1 each	500,000,000	500,000,000
Special Rights Redeemable (Preference share of RM1 each)	1	1
	500,000,001	500,000,001
Issued and fully paid:-		
Ordinary shares of RM1 each	300,000,000	300,000,000
Special Rights Redeemable (Preference share of RM1 each)	1	1
At end of year	300,000,001	300,000,001

The Special Share may be held only by or transferred only to the Minister of Finance (Incorporated) or its successors or any Minister, representative or any person acting on behalf of the Government of Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

15. SHARE CAPITAL (continued)

The Special Shareholder shall have the right from time to time to appoint any person to be an appointed Director (“Government Appointed Director”), so that there shall not be more than four Government Appointed Directors at any time.

The Special Shareholder or any person acting on its behalf shall be entitled to receive notice of and to attend and speak at all general meetings or any meeting of any class of shareholders of the Bank, but the Special Share shall carry no right to vote nor any other rights at any such meeting.

In a distribution of capital in a winding up of the Bank, the Special Shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other member. The Special Share shall confer no other right to participate in the capital or profits of the Bank.

The Special Shareholder may subject to the provision of the Companies Act, 1965, require the Company to redeem the Special Share at par at any time by serving written notice upon the Bank and delivering the relevant share certificate.

The Special Shareholder shall determine on general guidelines pertaining to lending, investments and divestment by the Bank from time to time as deemed appropriate by the Special Shareholder.

16. OPERATING REVENUE

Operating revenue of the Bank comprises interest income, ECR income, guarantee, cross border credit and supplier credit fee, charges on letter of credit and investment income.

17. INTEREST INCOME

	2004 RM	2003 RM
Loans, advances and financing	59,598,114	62,067,214
Money at call and deposit placement with financial institutions	32,475,018	36,079,934
Bonds	1,061,918	1,200,000
Investment securities	1,008,968	811,395
Others	-	263,403
	<hr/> 94,144,018	<hr/> 100,421,946

18. INTEREST EXPENSES

	2004 RM	2003 RM
Long term loans	51,051,931	49,581,663

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

19. NON-INTEREST INCOME

	2004 RM	2003 RM
(a) Other operating income:		
Fee income	4,008,190	1,823,514
(b) Investment income:		
Gain on disposal of investments	-	688,000
	-	688,000
Allowance for diminution in value of quoted investment	-	(9,802,098)
	-	(9,114,098)
(c) Other income:		
Gain on redemption of bond from holding company	2,050,000	-
Gain on foreign exchange-realised	156,562	364,088
Others	412,362	-
	2,618,924	364,088
Total non-interest income	6,627,114	(6,926,496)

20. OVERHEAD EXPENSES

Overhead expenses have been determined after charging amongst other items the following:-

	2004 RM	2003 RM
Audit fee	28,000	25,000
Depreciation	445,461	418,590
Directors' fees	245,867	166,100
Rental of premises charged by holding company	1,032,807	1,040,057
Rental of equipment	67,899	65,241

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

21. LOAN AND FINANCING LOSS AND ALLOWANCE

	2004 RM	2003 RM
Allowance for claims guarantee	467,298	320,106
Allowance for doubtful debts:		
- loan debtors	7,223,908	13,217,470
Allowance for doubtful debts no longer required	(47,333,281)	(44,201,260)
Bad debts recovered	(240,950)	(282,210)
	<hr/>	<hr/>
	(39,883,025)	(30,945,894)

22. TAXATION

	2004 RM	2003 RM
Transferred (from)/to deferred tax assets	(21,000,000)	21,000,000

There is no provision for taxation as the Bank has no chargeable income.

The amount of tax savings for which credit is taken during the financial year as a result of the realisation of unabsorbed tax losses carried forward that had not been accounted for in the period of loss amounted to approximately RM21,205,000 (2003: RM20,957,000).

As at 31 December 2004, the Bank has unabsorbed tax losses amounting to approximately Nil (2003: RM75,734,000). However, these amounts are subject to the agreement by Inland Revenue Board of Malaysia.

Deferred tax assets have not been recognised in respect of the following items:-

	2004 RM	2003 RM
Other temporary differences	3,887,000	3,062,000

23. EMPLOYEES INFORMATION

The number of employees of the Bank at the end of the financial year was 72 (2003: 73) persons.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

24. COMMITMENTS AND CONTINGENCIES

	2004 RM	2003 RM
Guarantee facility	186,480,037	178,061,697
Letter of credit	47,014,415	-
	233,494,452	178,061,697

Included in the above guarantee facility is an amount of RM166,725,000 (2003: RM172,282,500) which represents commercial risk guarantee given to Syndication Lenders on loan principal amount financed by the lenders plus related premium and interest charges.

25. RELATED PARTY TRANSACTIONS

	2004 RM	2003 RM
Interest received on bonds from holding company	(1,061,918)	(1,212,297)
Gain on redemption of bond from holding company	(2,050,000)	-
Group cost sharing paid to holding company	3,465,316	1,522,165
Rental of premise paid to holding company	1,032,807	1,040,057
Interest on loans paid to holding company	8,582,328	9,728,677

The above was transacted at arm's length between the parties.

26. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities, were as follows:-

	Less than 1 year	1 to 5 years	More than 5 years	Total	Effective weighted average interest rates during the year
2004	RM'000	RM'000	RM'000	RM'000	
Financial assets					
Deposits	1,279,295	-	-	1,279,295	3.25%
Loans, advances and financing	1,270,437	141,099	534,244	1,945,780	1.50%-5.8%
Unquoted investments	10,050	-	-	10,050	7.75%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (continued)

26. FINANCIAL INSTRUMENTS (continued)

	Less than 1 year	1 to 5 years	More than 5 years	Total	Effective weighted average interest rates during the year
2004	RM'000	RM'000	RM'000	RM'000	
Financial liabilities					
Term loans	571,884	1,700,000	324,046	2,595,930	1.50%-3.5%
Amount due to holding company	4,898	-	302,447	307,345	2.60%
2003					
Financial assets					
Deposits	1,295,613	-	-	1,295,613	3.31%
Loans, advances and financing	1,253,558	132,466	260,324	1,646,348	1.50%-4.46%
Unquoted investments	27,850	10,050	-	37,900	4.94%
Financial liabilities					
Term loans	526,280	1,765,143	47,474	2,338,897	1.17%-1.50%
Amount due to holding company	4,349	-	369,659	374,008	2.60%

(b) Credit risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet and those items as disclosed in Note 24 to the Financial Statements.

Other than credit risk associated with commercial risk guarantee given to syndication lenders for syndicated loan of First Gas Power Corporation amounting to USD 43,875,000 (approximately RM166,725,000) (2003: USD 45,337,500) (approximately RM172,282,500), the Bank has no other significant concentration of credit risk with any single counterparty.

27. FAIR VALUES

The carrying amounts of all financial assets and liabilities of the Bank at the balance sheet date approximated their fair values.