

**Citibank Berhad** (297089-M)

**and its subsidiary companies**

**Financial Results 1997**

## **Contents**

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Balance Sheet	1
Profit and Loss Account	2
Consolidated Cash Flow Statement	3
Notes to the Accounts	4 - 16
Report of the Auditors to the Members	17

## Balance Sheet

	Note	Group		Bank	
		1996 RM'000	1996 RM'000	1996 RM'000	1996 RM'000
<b>ASSETS</b>					
Cash and short term funds	4	1,339,561	1,263,847	1,339,561	1,263,847
Deposits and placements with financial institutions	5	20,000	394,135	20,000	394,135
Dealing securities	6	215,470	349,839	215,470	349,839
Investment securities	7	2,440,663	1,428,411	2,440,663	1,428,411
Loans and advances	8	5,937,584	4,603,565	5,937,584	4,603,565
Other assets	9	106,079	106,532	106,079	106,532
Statutory deposits with Bank Negara Malaysia	10	859,677	613,857	859,677	613,857
Investment in subsidiary companies	11	—	—	20	20
Fixed assets	12	121,059	85,013	121,059	85,013
<b>TOTAL ASSETS</b>		<b>11,040,093</b>	<b>8,845,199</b>	<b>11,040,113</b>	<b>8,845,219</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	13	7,685,244	5,715,163	7,685,244	5,715,163
Deposits and placements of banks and other financial institutions	14	619,906	69,723	619,906	69,723
Obligations on securities sold under repurchase agreements		640,911	705,314	640,911	705,314
Bills and acceptances payable		272,175	338,372	272,175	338,372
Other liabilities	15	597,390	548,452	597,390	548,452
Inter company balances		199,363	643,078	199,383	643,098
<b>TOTAL LIABILITIES</b>		<b>10,014,989</b>	<b>8,020,102</b>	<b>10,015,009</b>	<b>8,020,122</b>
<b>SHARE CAPITAL</b>	16	<b>121,697</b>	<b>121,697</b>	<b>121,697</b>	<b>121,697</b>
<b>RESERVES</b>	17	<b>903,407</b>	<b>703,400</b>	<b>903,407</b>	<b>703,400</b>
<b>SHAREHOLDERS' FUNDS</b>		<b>1,025,104</b>	<b>825,097</b>	<b>1,025,104</b>	<b>825,097</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>11,040,093</b>	<b>8,845,199</b>	<b>11,040,113</b>	<b>8,845,219</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	<b>16,897,809</b>	<b>8,193,464</b>	<b>16,897,809</b>	<b>8,193,464</b>

## Profit And Loss Account

	Note	Group and Bank	
		1996	1996
		RM'000	RM'000
Interest income	18	911,269	704,766
Interest expense	19	(505,553)	(381,709)
Net interest income		405,716	323,057
Loan loss and provision	20	(74,602)	(26,456)
Non-interest income	21	232,972	185,718
Net income		564,086	482,319
Overhead expenses	22	(242,687)	(180,143)
Profit before taxation		321,399	302,176
Taxation	25	(121,392)	(86,090)
Profit after taxation		200,007	216,086
Transfer to statutory reserve	17	-	-
Retained profit brought forward		184,161	69,975
Profit available for distribution		384,168	286,061
Proposed dividend of Nil (1996-119.62% less tax of 30%)		-	(101,900)
Retained profit carried forward	17	384,168	184,161
Earnings per share (sen) - Basic	27	164	178

## Consolidated Cash Flow Statement

	<b>RM'000</b>	<b>1996 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	321,399	302,176
Adjustments for:		
Depreciation	20,602	16,707
Loss/(Gain) on disposal of fixed assets	3,168	(337)
Provision for bad and doubtful debts – specific	24,439	20,510
– general	50,163	5,976
Provision for interest in suspense	21,107	17,788
Dividends from investment securities	(20)	(28)
Amortisation of premium less accretion of discount of investment securities	(5,572)	(1,424)
Operating profit before working capital changes	435,286	361,368
Decrease/(Increase) in deposits and placements with financial institutions	374,135	(391,009)
Decrease/(Increase) in dealing securities	134,369	(235,351)
Increase in loans and advances net loans-adjustments	(1,429,728)	(608,540)
Decrease/(Increase) in other assets	453	(47,571)
Increase in statutory deposits with Bank Negara Malaysia	(245,820)	(178,827)
Increase in deposits from customers	1,970,081	1,531,992
Increase/(Decrease) in deposits and placements of banks and other financial institutions	550,183	(181,789)
(Decrease)/Increase in securities sold under repurchase agreements	(64,403)	579,582
(Decrease)/Increase in other liabilities	121,053	(7,594)
(Decrease)/Increase in inter-company balances	(443,715)	376,299
(Decrease)/Increase in bills and acceptances payable	(66,197)	(127,145)
Cash generated from operations	1,335,697	1,071,415
Dividend paid	(101,900)	–
Income taxes paid	(91,607)	(82,186)
Withholding tax paid	–	(8)
Net cash generated from operating activities	1,142,190	989,221
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends from investment securities	20	28
Purchase of fixed assets	(59,886)	(21,555)
Proceeds from disposal of fixed assets	70	795
Purchase of investment securities	(7,060,081)	(4,702,922)
Proceeds from disposal of investment securities	6,054,459	4,069,518
Purchase of unquoted shares	(1,058)	–
Net cash used in investment activities	(1,066,476)	(654,136)
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,714	335,085
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,263,847	928,762
CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,339,561	1,263,847
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	1,339,561	1,263,847

# Notes to the Accounts

## 1. PRINCIPAL ACTIVITIES

The principal activities of the Group and the Bank are banking and related financial services which also include interest-free banking business. The principal activities of the subsidiaries are set out in Note 11 of the accounts. There have been no significant changes in these activities during the year.

## 2. BASIS OF PREPARATION OF THE ACCOUNTS

The accounts of the Group and the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and approved accounting standards.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Accounting Convention

The accounts are prepared under the historical cost convention.

### (b) Basis of Consolidation

The consolidated accounts comprise of the accounts of the Bank and its subsidiary companies made up to the end of the financial year.

### (c) Income Recognition

Interest income is recognised on an accrual basis. Interest income on housing and term loans are recognised by reference to rest periods which are either monthly or yearly.

Where an amount is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for more than three months for loans and overdrafts, and after maturity date for trade bills, bankers' acceptances and trust receipts.

### (d) Recognition of Fees and Other Income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Dividends from dealing securities, if any, are recognised when received.

Dividends from investment securities are recognised when declared.

### (e) Provision for Bad and Doubtful Debts

Specific provisions are made for doubtful debts which have been individually reviewed and specifically identified as bad or doubtful.

A general provision based on a percentage of the loan portfolio is also made to cover possible losses which are not specifically identified.

An uncollectable loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

### (f) Repurchase Agreements

Securities purchased under resale agreements are securities which the Bank had purchased with a commitment to resell at future date. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Bank has sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the securities are reflected as a liability on the balance sheet.

### (g) Dealing Securities

Dealing securities are marketable securities that are acquired and held with the intention for resale in the short term, and are stated at the lower of cost and market value.

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

(h) Investment Securities

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

Malaysian Government Securities, Malaysian Government investment certificates, Cagamas bonds, Cagamas notes and other Government securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount to maturity date on a straight line basis. Other investment securities are stated at cost and provision is made in the event of any permanent diminution in value.

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

Unquoted equity securities are held as long term investments and are stated at cost and provision is made in the event of any permanent diminution in value.

(i) Investment in Subsidiary Companies

A subsidiary company is a company in which the Bank controls the composition of its board of directors or holds more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investment in subsidiary companies are stated at cost, and written down when the directors consider that there is a permanent diminution in the value of such investments.

(j) Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is provided on the straight line method by reference to the expected useful life of the assets. The principal annual rates of depreciation are as follows:-

Buildings	2% – 2.5%
Installations	7% – 12.5%
Furniture and equipment	10% – 50%

(k) Assets Under Lease

Assets under lease which in substance transfer the risks and benefits of ownership of the assets to the Bank are capitalised under fixed assets. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms. Such leased assets are subject to depreciation consistent with that for depreciable assets which are owned.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to profit and loss account as incurred.

(l) Bills and Acceptances Payable

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

(m) Forward Exchange Contracts

Unmatured forward exchange contracts are valued at middle market rates as at balance sheet date, applicable to their respective dates of maturity, and unrealised losses and gains are recognised in the profit and loss account for the year.

(n) Interest Rate Swaps, Futures and Option Contracts

The Bank acts as an intermediary with counterparties who wish to swap their interest rate obligations. The Bank also uses interest rate swaps, futures and option contracts in its trading account activities.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rate futures, forward, and option contracts that qualify as hedges are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expense.

Gains and losses on interest rate swaps, futures and option contracts are recognised in the current year using the mark-to-market method, and are included in net result from dealing securities.

(o) Currency Translations

Individual foreign currency assets and liabilities are stated in the balance sheet at middle market rates of exchange which closely approximate those ruling at the balance sheet date. Profit and loss account items are translated at rates prevailing on transaction dates. Exchange gains and losses are recognised in the profit and loss account in the year they arise.

Foreign exchange positions on spot contracts are valued at the prevailing rates of exchange. The resultant unrealised gains and losses are recognised in the profit and loss account.

(p) Deferred Taxation

Provision is made using the 'liability' method for deferred taxation in respect of all material timing differences. However, where the timing differences give rise to deferred tax benefits, these net benefits are not recognised.

(q) Retirement Benefits

The Bank and certain related companies contribute to the Citibank Malaysia Staff Retirement Plan ('the Plan') for eligible officers. Contributions are made based on an external actuarial report to the Plan, which is a defined benefit scheme, and is funded to the extent permitted by tax allowable Bank contributions. Any unfunded accrued plan cost is recognised in the bank's accounts as a provision for retirement benefits.

An actuarial valuation of the Plan is conducted by a qualified independent actuary yearly. The last valuation was conducted on 1 January 1997 using the Attained Age method indicating that there was a shortfall of fair value of Plan assets and provision for retirement benefits, from the value of vested benefits amounting to RM5,248,939.

#### 4. CASH AND SHORT TERM FUNDS

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	44,161	21,547
Money at call and deposit placements maturing within one month	1,295,400	1,242,300
	<hr/>	<hr/>
	1,339,561	1,263,847

#### 5. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	20,000	394,135

#### 6. DEALING SECURITIES

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Money market instruments:-		
Malaysian Government Treasury Bills	74,074	38,100
Malaysian Government Loans Stock	-	27,393
Bank Negara Malaysia Bills	-	156,387
Cagamas Notes	141,396	127,959
	<hr/>	<hr/>
	215,470	349,839
Market value of quoted securities:-		
Malaysian Government Treasury Bills	74,159	38,106
Malaysian Government Loans Stock	-	27,383
Bank Negara Malaysia Bills	-	156,406
Cagamas Bonds	141,953	127,983
	<hr/>	<hr/>
	216,112	349,878



## 7. INVESTMENT SECURITIES

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Money market instruments:-		
Malaysian Government Treasury Bills	96,222	-
Malaysian Government Securities	68,794	102,442
Cagamas Bonds	61,904	6,211
Negotiable Instruments of Deposit	1,768,000	1,140,000
Bankers Acceptances	354,413	146,362
Cagamas Notes	87,869	33,876
	<hr/> 2,437,202	<hr/> 1,428,891
Amortisation of premiums less accretion of discounts	797	(2,086)
	<hr/> 2,437,999	<hr/> 1,426,805
Unquoted shares	2,664	1,606
	<hr/> 2,440,663	<hr/> 1,428,411

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
i) Market value of quoted securities:-		
Malaysian Government Treasury Bills	98,894	-
Malaysian Government Securities	66,169	100,269
Cagamas Bonds	61,089	5,832
Cagamas Notes	88,901	34,068
	<hr/> 315,053	<hr/> 140,169

ii) The maturity structure of money market instruments held for investment are as follows:-

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Maturity within one year	2,361,976	1,353,545
One year to three years	76,023	73,260
	<hr/> 2,437,999	<hr/> 1,426,805

## 8. LOANS AND ADVANCES

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	1,870,442	1,801,577
Term loans		
- fixed rate	533,645	526,026
- floating rate	2,633,303	1,765,436
Credit cards receivables	1,083,325	838,477
Bills receivable	47,348	28,366
Trust receipts	7,232	22,398
Claims on customers under acceptance credits	485,833	399,488
Staff loans (of which RM228,579; 1996 - RM269,512 to directors)	84,247	58,880
Other loans	361,747	142,139
	<hr/> 7,107,122	<hr/> 5,582,787
Unearned interest and income	(89)	(943)
	<hr/> 7,107,033	<hr/> 5,581,844

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Less: Housing loans sold to Cagamas	(986,737)	(861,465)
Gross loans and advances	6,120,296	4,720,379
Provision for bad and doubtful debts		
– Specific	(54,641)	(44,013)
– General	(105,369)	(55,206)
Interest in suspense/income-in-suspense	(22,702)	(17,595)
Net loans and advances	5,937,584	4,603,565

(i) The maturity structure of gross loans and advances are as follows:-

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	4,451,439	3,667,275
One year to three years	112,263	102,208
Three years to five years	62,263	72,764
Over five years	1,494,331	878,132
	6,120,296	4,720,379

(ii) Loans and Advances according to economic sector are as follows:-

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	8	10,437
Mining and quarry	159	762
Manufacturing	902,724	565,608
Construction	151,290	73,742
Real Estate	104,035	173,385
Purchase of landed property		
-Residential	658,340	551,476
-Non Residential	708,690	420,652
General Commerce	219,440	116,544
Transport, storage and communication	56,923	6,060
Finance, insurance and business services	402,858	368,717
Purchase of securities	204,303	282,976
Consumption credit	2,567,829	1,953,713
Others	143,697	196,307
	6,120,296	4,720,379

(iii) Movements in the non-performing loans (including interest receivable) are as follows:-

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Balance at 1 January	94,361	185,019
Non-performing during the year	177,100	97,817
Less: Recoveries	(77,745)	(87,198)
Amount written off	(27,918)	(101,277)
Balance at 31 December	165,798	94,361
Non-performing loans/Total loans	2.7%	2.0%

(iv) Movements in the provision for bad and doubtful debts and interest-in-suspense accounts are as follows:-

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
<b>General provision</b>		
Balance at 1 January	55,206	49,231
Provisions made during the year	50,163	5,975
Balance at 31 December	105,369	55,206
As % of gross loans and advances less specific provision and interest in suspense	1.7%	1.2%
<b>Specific provision</b>		
Balance at 1 January	44,013	73,043
Provisions made during the year	41,289	35,197
Amount written back in respect of recoveries	(16,850)	(14,697)
Amount written off	(13,811)	(49,530)
Balance at 31 December	54,641	44,013
<b>Interest-in-suspense</b>		
Balance at 1 January	17,595	51,334
Provisions made during the year	27,954	26,135
Amount written back in respect of recoveries	(6,847)	(8,347)
Amount written off	(16,000)	(51,527)
Balance at 31 December	22,702	17,595

## 9. OTHER ASSETS

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Other debtors, deposits and prepayments	106,079	106,532

## 10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act 1958 (Revised - 1994), the amounts of which are determined as set percentages of total eligible liabilities.

## 11. INVESTMENT IN SUBSIDIARY COMPANIES

	<b>Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost – in Malaysia	20	20

The subsidiary companies of the Bank are as follows:-

Name	Principal activity	Country of incorporation	Percentage of equity held	
			<b>1996</b>	
Citicorp Nominee (Malaysia) Sdn. Bhd.	Nominee company	Malaysia	100%	100%
Citicorp Nominees (Tempatan) Sdn. Bhd.*	Nominee company	Malaysia	100%	100%
Citicorp Nominees (Asing) Sdn. Bhd.*	Nominee company	Malaysia	100%	100%

\*Wholly owned by Citicorp Nominee (Malaysia) Sdn. Bhd.

All income and expenditure arising from the activities of the subsidiaries have been recognised in the Bank's results.

## 12. FIXED ASSETS

	Freehold Land RM'000	Building on Freehold Land RM'000	Building on leasehold land RM'000	Installations RM'000	Furniture and equipment RM'000	Total RM'000
<b>Cost/Valuation</b>						
At 1 January 1997	8,000	16,000	1,702	21,801	97,277	144,780
Additions	-	-	-	13,303	46,583	59,886
Disposals	-	-	-	(4,741)	(8,576)	(13,317)
At 31 December 1997	8,000	16,000	1,702	30,363	135,284	191,349
<b>Accumulated Depreciation</b>						
At 1 January 1997	-	857	374	8,110	50,426	59,767
Charge for the year	-	395	34	1,865	18,308	20,602
Disposals	-	-	-	(3,052)	(7,027)	(10,079)
At 31 December 1997	-	1,252	408	6,923	61,707	70,290
Net book value at 31 December 1997	8,000	14,748	1,294	23,440	73,577	121,059
Net book value at 31 December 1996	8,000	15,143	1,328	13,691	46,851	85,013
Depreciation charge for the year ended 31 December 1996	-	395	34	1,401	14,877	16,707

The freehold land and building on freehold land was revalued on 25 November 1994 by the directors based on a valuation on the open market value basis by an independent firm of professional valuers.

## 13. DEPOSITS FROM CUSTOMERS

	Group and Bank 1996	
	RM'000	RM'000
Demand deposits	1,256,144	1,225,554
Savings deposits	474,603	557,411
Fixed deposits	5,786,749	3,824,037
Negotiable Instruments of Deposits	77,647	75,813
Others – cash collateral	1,042	733
– placements	89,059	31,615
	7,685,244	5,715,163

i) Maturity structure of fixed deposits and negotiable instruments of deposits are as follows:-

	Group and Bank 1996	
	RM'000	RM'000
Due within six months	4,431,300	2,625,240
Six months to one year	911,372	779,853
One year to three years	472,764	426,394
Three years to five years	48,960	68,363
	5,864,396	3,899,850

ii) The deposits are sourced from the following types of customers:-

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	1,497,609	1,516,549
Individuals	4,728,093	3,937,133
Others	1,459,542	261,481
	<hr/> 7,685,244	<hr/> 5,715,163

**14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Licenced banks	612,441	59,397
Other financial institutions	7,465	10,326
	<hr/> 619,906	<hr/> 69,723

**15. OTHER LIABILITIES**

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Proposed dividend	-	101,900
Provision for retirement benefits	6,996	7,515
Taxation	130,375	102,980
Deferred taxation (Note 26)	10,180	7,790
Other liabilities	449,839	328,267
	<hr/> 597,390	<hr/> 548,452

**16. SHARE CAPITAL**

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM</b>	<b>RM</b>
Authorised:-		
Ordinary shares of RM1.00 each	500,000,000	500,000,000
Issued and fully paid:-	<hr/> 121,696,972	<hr/> 121,696,972

**17. RESERVES**

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Share premium	380,303	380,303
Statutory reserve	121,697	121,697
Revaluation reserve	17,239	17,239
Retained profit	384,168	184,161
	<hr/> 903,407	<hr/> 703,400

The share premium arose from the issuance of 121,696,972 ordinary shares of RM1 each at an issue price of RM4.125 per share.

The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act 1989 and are not distributable as cash dividends.

The revaluation reserve arose from the revaluation in 1994 of the leasehold land and building.

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of all its retained profits as at 31 December 1997.

**18. INTEREST INCOME**

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	632,026	493,705
Money at call and deposit placements with financial institutions	99,583	101,086
Dealing securities	22,155	20,199
Investment securities	115,509	78,607
Others	57,531	27,533
	<hr/>	<hr/>
	926,804	721,130
Accretion of discounts less amortisation of premium	5,572	1,424
Net interest suspended	(21,107)	(17,788)
	<hr/>	<hr/>
	911,269	704,766

**19. INTEREST EXPENSE**

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	53,754	47,402
Deposits from other customers	353,691	261,363
Others	98,108	72,944
	<hr/>	<hr/>
	505,553	381,709

**20. LOAN LOSS AND PROVISION**

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Provisions for bad and doubtful debts:-		
– specific provision (net)	24,477	20,499
– general provision	50,163	5,975
Bad debts:-		
– recovered	(38)	(18)
	<hr/>	<hr/>
	74,602	26,456

**21. NON-INTEREST INCOME**

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Fee income:		
Commission	10,070	11,378
Service charges and fees	45,234	39,722
Guarantee fees	3,513	3,654
Other fee income	121,267	100,237
	<hr/>	<hr/>
	180,084	154,991
Investment income:		
Net profit from dealing securities	488	165
Gross dividends from unquoted investment securities	20	28
	<hr/>	<hr/>
	508	193

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Other income:		
Foreign exchange profit	51,962	28,070
Gain on disposal of fixed assets	61	426
Other income	357	2,038
	<hr/> 52,380	<hr/> 30,534
	<hr/> 232,972	<hr/> 185,718

## 22. OVERHEAD EXPENSES

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs	89,824	66,862
Establishment costs	21,326	16,410
Marketing expenses	32,999	19,475
Other operating expenses	98,538	77,396
	<hr/> 242,687	<hr/> 180,143

The above expenditure includes the following statutory disclosures:-

Directors' remuneration (Note 24)	1,966	1,522
Rental of premises	10,657	9,227
Hire of equipment	1,279	1,108
Auditors' remuneration	77	77
Depreciation of fixed assets (Note 12)	20,602	16,707
Fixed assets written off	3,229	89

## 23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Bank		
Income		
Interest on interest bearing deposits	7,393	9,408
Interest on current accounts	792	501
Other fee income	21,076	8,180
	<hr/> 29,261	<hr/> 18,089
Expenditure		
Interest on interest bearing deposits	33,341	33,298
Interest on current accounts	240	159
Other operating expenses	4,428	3,856
	<hr/> 38,009	<hr/> 37,313
Amount due from		
Interest bearing deposits	213,764	63,697
Current account balances	209,362	9,508
Other balances	95,900	1,724
	<hr/> 519,026	<hr/> 74,929

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Amount due to		
Interest bearing deposits	594,828	621,361
Current account balances	88,396	57,548
Other balances	35,185	39,118
	718,409	718,027

#### 24. DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all directors charged to the profit for the year are as follows:-

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Fees	40	40
Other remuneration		
– Executive directors	1,926	1,482
	1,966	1,522

The estimated cash value of benefits-in-kind of directors amounted to RM476,982 (1996 – RM325,782).

#### 25. TAXATION

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	119,002	102,989
Transfer from deferred taxation	2,390	402
Reversal of prior years' provision	–	(17,301)
	121,392	86,090

The taxation charge for the current and previous year is higher than the statutory rate of taxation due to the disallowance of certain expenses for tax purposes.

#### 26. DEFERRED TAXATION

	<b>Group and Bank</b>	
	<b>1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	7,790	7,388
Transfer to profit and loss account	2,390	402
	10,180	7,790

The deferred tax liability is in respect of timing differences between depreciation and corresponding capital allowances on fixed assets.

#### 27. EARNINGS PER SHARE

The earnings per ordinary share have been calculated based on the net profit after taxation of RM200,007,000 (1996 RM216,086,000) and on the weighted average number of 121,696,972 (1996-121,696,972) ordinary shares of RM1 each issued during the year.



## 28. COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies constitute the following:-

	<b>Group and Bank</b>	
	<b>1997</b>	<b>1996</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	559,742	359,206
Certain transaction-related contingent items	412,673	298,079
Short-term self-liquidating trade-related contingencies	95,167	101,890
Housing loans sold directly and indirectly to Cagamas Berhad	986,737	861,465
Irrevocable commitments to extend credit:-		
- maturity exceeding one year	1,311,440	874,636
- maturity not exceeding one year	5,761,304	3,574,430
Foreign exchange related contracts	7,758,457	2,095,501
Interest rate related contracts	12,000	28,000
Other obligations	289	257
	<hr/>	<hr/>
	16,897,809	8,193,464
	<hr/>	<hr/>
Foreign exchange related contracts		
- Forward contracts	5,869,463	1,898,091
- Cross currency interest rate swaps	342,513	197,410
- Options purchased	597,680	-
- Options sold	948,801	-
	<hr/>	<hr/>
	7,758,457	2,095,501
	<hr/>	<hr/>

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

### Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 1997, the amount of contracts which were not hedged and, hence, exposed to market risk was RM15,400,000 (1996 - RM 100,306,000).

### Credit Risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of 31 December 1997, the amounts of credit risk, measured in term of the cost to replace the profitable contracts, was RM919,798,040 (1996 - RM27,137,820). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

## 29. LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long term commitments, net of sub-leases are as follows:-

<b>Year</b>	<b>Group and Bank</b>
	<b>RM'000</b>
1998	9,812
1999	9,231
2000	8,775
	<hr/>

### 30. CAPITAL COMMITMENTS

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure authorised but not contracted for	7,888	24,388

### 31. CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are as follows:

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier I capital</b>		
Paid-up share capital	121,697	121,697
Share premium	380,303	380,303
Other reserves	505,865	305,858
<b>Total Tier-I capital</b>	<b>1,007,865</b>	<b>807,858</b>
<b>Tier II capital</b>		
Revaluation reserves	8,620	8,620
General provision for bad and doubtful debts	105,369	55,206
<b>Total Tier-II capital</b>	<b>113,989</b>	<b>63,826</b>
<b>Total Capital</b>	<b>1,121,854</b>	<b>871,684</b>
Less: Investments in subsidiaries	20	20
<b>Capital base</b>	<b>1,121,834</b>	<b>871,664</b>

Breakdown of risk-weighted assets in the various categories of risk-weights:-

	<b>Group and Bank 1996</b>	
	<b>RM'000</b>	<b>RM'000</b>
0% Risk Weightage	1,646,082	1,804,736
10% Risk Weightage	419,500	277,675
20% Risk Weightage	2,733,654	2,428,187
50% Risk Weightage	2,281,922	835,006
100% Risk Weightage	6,244,467	5,627,763
<b>Total risk weighted assets</b>	<b>13,325,625</b>	<b>10,973,367</b>
Core capital ratio	12.64%	12.32%
Risk weighted capital ratio	14.07%	13.29%

### 32. RATING STATEMENT

Citibank Berhad is not rated by any external agency. Citicorp Inc., the ultimate holding company of the Bank, is rated AA-for long term loan and F1+ for short term by Fitch International Banking Credit Agency as at 21 October 1997.

The AA rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. (-) may be appended to denote the relative status within major rating categories.

The F1 rating represents the highest credit quality and indicates the strongest capacity for timely payment of financial commitments. (+) denotes exceptionally strong credit features.

### 33. THE OPERATION OF SPTF

	Note	Group and Bank RM'000
<b>ASSETS</b>		
Cash and short term funds	(a)	<u>1,010</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Deposits from customers'	(b)	<u>10</u>
Total Liabilities		<u>10</u>
Interest free banking fund		<u>1,000</u>
<b>TOTAL LIABILITIES AND INTEREST FREE BANKING FUND</b>		<b><u>1,010</u></b>
<b>(a) CASH AND SHORT TERM FUNDS</b>		
Cash and balances with banks and other financial institutions		<u>1,010</u>
<b>(b) DEPOSITS FROM CUSTOMERS</b>		
Al-Wadiah savings deposit		<u>10</u>
The deposits are sourced from the following customers:		
Individuals		<u>10</u>
<b>(c) INTEREST FREE BANKING FUND</b>		
Funds allocated		<u>1,000</u>
<b>(d) PROFIT AND LOSS ACCOUNT</b>		
No profit and loss account was prepared in respect of the SPTF operations as there has been no income derived or expenses incurred from the operations during the year.		
<b>(e) COMPARATIVE FIGURES</b>		
There are no comparative figures as this is the first year of operations of SPTF.		

## Report of the Auditors to the Members

We have audited the accounts set out on pages 1 to 17 in accordance with approved auditing standards.

In our opinion:-

- (a) the accounts give a true and fair view of the state of affairs of the Group and of the Bank as at 31st December 1997 and of the results of the Group and of the Bank and cash flows of the Group for the year ended on that date and comply with the Companies Act, 1965, and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the accounts of the subsidiaries that have been consolidated with the Bank's accounts are in form and content appropriate and proper for the purpose of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG PEAT MARWICK  
Firm Number: AF0758  
Public Accounts

SEOW YOO LIN  
Partner

Approval Number: 1497/2/99(J)

Kuala Lumpur,  
Date: 27 February 1998