

# Financial Results 1998

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**Citibank Berhad** (297089-M)  
**and its subsidiary companies**

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## Balance Sheet

	Note	Group		Bank	
		1998 RM'000	1997 RM'000	1998 RM'000	1997 RM'000
<b>ASSETS</b>					
Cash and short term funds	4	2,160,726	1,339,561	2,160,726	1,339,561
Deposits and placements with financial institutions	5	446,400	20,000	446,400	20,000
Dealing securities	6	640,321	215,470	640,321	215,470
Investment securities	7	2,137,581	2,440,663	2,137,581	2,440,663
Loans, advances and financing	8	7,322,700	5,937,584	7,322,700	5,937,584
Other assets	9	132,018	106,079	132,018	106,079
Statutory deposits with Bank Negara Malaysia	10	310,242	859,677	310,242	859,677
Investment in subsidiary companies	11	–	–	20	20
Fixed assets	12	132,215	121,059	132,215	121,059
<b>TOTAL ASSETS</b>		<b>13,282,203</b>	<b>11,040,093</b>	<b>13,282,223</b>	<b>11,040,113</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	13	7,880,833	7,685,244	7,880,833	7,685,244
Deposits and placements of banks and other financial institutions	14	2,090,514	619,906	2,090,514	619,906
Obligations on securities sold under repurchase agreements		711,979	640,911	711,979	640,911
Bills and acceptances payable		257,358	272,175	257,358	272,175
Other liabilities	15	626,103	597,390	626,103	597,390
Inter-company balances		576,148	199,363	576,168	199,383
<b>TOTAL LIABILITIES</b>		<b>12,142,935</b>	<b>10,014,989</b>	<b>12,142,955</b>	<b>10,015,009</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>1,017,571</b>	<b>903,407</b>	<b>1,017,571</b>	<b>903,407</b>
<b>SHAREHOLDERS' FUNDS</b>		<b>1,139,268</b>	<b>1,025,104</b>	<b>1,139,268</b>	<b>1,025,104</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>13,282,203</b>	<b>11,040,093</b>	<b>13,282,223</b>	<b>11,040,113</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	<b>18,236,163</b>	<b>16,897,809</b>	<b>18,236,163</b>	<b>16,897,809</b>

## Profit And Loss Account

		Group and Bank	
		1998	1997
	Note	RM'000	RM'000
Interest income	18	1,236,727	911,269
Interest expense	19	(691,479)	(505,553)
Net interest income		545,248	405,716
Islamic Banking Income	32(g)	76	-
Loan and financing loss and provision	20	(117,447)	(74,602)
Non-interest income	21	262,879	232,972
Net income		690,756	564,086
Overhead expenses	22	(349,799)	(242,687)
Profit before taxation		340,957	321,399
Taxation	25	(121,408)	(121,392)
Profit after taxation		219,549	200,007
Retained profit brought forward		384,168	184,161
Profit available for distribution		603,717	384,168
Proposed dividend of 120.27% (1997- Nil) less tax		(105,385)	-
Retained profit carried forward	17	498,332	384,168
Earnings per share (sen) - Basic	27	180	164

## Consolidated Cash Flow Statement

	1998 RM'000	1997 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	340,957	321,399
Adjustments for:		
Depreciation	27,145	20,602
Loss/(Gain) on disposal of fixed assets	309	(61)
Fixed assets written-off	3,898	3,229
Provision for bad and doubtful debts		
– specific	98,518	24,439
– general	18,939	50,163
Provision for interest in suspense	38,021	21,107
Dividends from investment securities	(38)	(20)
Amortisation of premium less accretion of discount of investment securities	(35,322)	(5,572)
Operating profit before working capital changes	492,427	435,286
(Increase)/Decrease in deposits and placements with financial institutions	(426,400)	374,135
(Increase)/Decrease in dealing securities	(424,851)	134,369
Increase in loans and advances net loans adjustments	(1,540,594)	(1,429,728)
(Increase)/Decrease in other assets	(25,939)	453
Decrease/(Increase) in statutory deposits with Bank Negara Malaysia	549,435	(245,820)
Increase in deposits from customers	195,589	1,970,081
Increase in deposits and placements of bank and other financial institutions	1,470,608	550,183
Increase/(Decrease) in securities sold under repurchase agreements	71,068	(64,403)
(Decrease)/Increase in other liabilities	(94,888)	121,053
Increase/(Decrease) in inter-company balances	376,785	(443,715)
Decrease in bills and acceptances payable	(14,817)	(66,197)
Cash generated from operations	628,423	1,335,697
Income taxes paid	(103,193)	(91,607)
Net cash generated from operating activities	525,230	1,244,090
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends from investment securities	38	20
Purchase of fixed assets	(43,614)	(59,886)
Proceeds from disposal of fixed assets	1,106	70
Purchase of investment securities	(7,121,565)	(7,060,081)
Proceeds from disposal of investment securities	7,461,028	6,054,459
Purchase of unquoted shares	(1,058)	(1,058)
Net cash used in investment activities	295,935	(1,066,476)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Dividend Paid	–	(101,900)
Net cash used in financing activity	–	(101,900)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	821,165	75,714
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	1,339,561	1,263,847
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	2,160,726	1,339,561
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and short-term funds	2,160,726	1,339,561

# 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 Islamic 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 in Malaysia.

## 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

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. In line with the guidelines set by Bank Negara Malaysia and in accordance with the established practice of the Bank, where any advance is in arrears for more than three months after due date for loans and overdrafts, and where the instruments are due and unpaid two weeks after maturity date for trade bills, bankers' acceptances and trust receipts, or where doubt as to the recoverability of an advance exists, the interest on the entire such advance is accrued in a suspense account and is recognised only in the year when it is recovered. The policy on suspension of interest is more stringent than Bank Negara Malaysia's revised "Guideline on Interest Suspension, BNM/GP3" dated 23 September 1998.

### (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 and Financing

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

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

An uncollectable loan or portion of a loan and financing 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 in the balance sheet.

### (g) Dealing Securities

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

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

Investments 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

Freehold land is not depreciated. Other 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 lives 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 other 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.

An actuarial valuation of the Plan is conducted by a qualified independent actuary yearly. The last valuation was conducted on 1 January 1998 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 RM11,077,887 (1997-RM5,248,939).

(r) Year 2000 Expenditure

Year 2000 compliance costs is expensed off to the profit and loss account as and when it is incurred. When the costs incurred represents an enhancement to the hardware and software system, the costs are capitalised as part of the hardware and software system and is amortised over the remaining period of the asset.

**4. CASH AND SHORT TERM FUNDS**

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	37,162	44,161
Money at call and deposit placements maturing within one month	2,123,564	1,295,400
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	2,160,726	1,339,561

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

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	446,400	20,000

**6. DEALING SECURITIES**

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Money market instruments:-		
Malaysian Government Treasury Bills	203,014	74,074
Malaysian Government Loans Stock	161,437	-
Cagamas Notes	204,054	141,396
Khazanah Bonds	71,816	-
	<hr/>	<hr/>
	640,321	215,470
Market value of quoted securities:-		
Malaysian Government Treasury Bills	203,539	74,159
Malaysian Government Loans Stock	163,819	-
Cagamas Notes	204,200	141,953
Khazanah Bonds	71,816	-
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	643,374	216,112



## 7. INVESTMENT SECURITIES

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Money market instruments:-		
Malaysian Government Treasury Bills	137,952	96,222
Malaysian Government Securities	218,518	68,794
Cagamas Bonds	140,614	61,904
Danamodal Bonds	114,517	-
Khazanah Bonds	209,123	-
Negotiable Instruments of Deposit	845,000	1,768,000
Bankers Acceptances	336,624	354,413
Cagamas Notes	46,152	87,869
	2,048,500	2,437,202
Quoted securities outside Malaysia:-		
Private Debt Securities	72,774	-
Unquoted securities:-		
Shares	3,722	2,664
	2,124,996	2,439,866
Amortisation of premiums less accretion of discounts	12,585	797
<b>Total Investment Securities</b>	<b>2,137,581</b>	<b>2,440,663</b>
i) Market value of quoted securities:-		
Malaysian Government Treasury Bills	145,795	98,894
Malaysian Government Securities	221,795	66,169
Cagamas Bonds	146,625	61,089
Danamodal Bonds	116,706	-
Khazanah Bonds	237,477	-
Cagamas Notes	49,337	88,901
Private debt securities	59,074	-
	976,809	315,053
ii) The maturity structure of money market instruments held for investment are as follows:-		
	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturity within one year	1,422,011	2,360,227
One year to three years	179,133	76,975
Three years to five years	355,816	-
More than five years	91,540	-
	2,048,500	2,437,202

## 8. LOANS, ADVANCES AND FINANCING

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	1,787,046	1,870,442
Term loans		
– fixed rate	514,310	533,645
– floating rate	3,698,333	2,633,303
Credit cards receivables	1,161,201	1,083,325
Bills receivable	101,857	47,348
Trust receipts	4,907	7,232
Claims on customers under acceptance credits	548,283	485,833
Staff loans (of which RM190,317; 1997 – RM228,579 to directors)	112,244	84,247
Other loans	522,310	361,747
	<b>8,450,491</b>	<b>7,107,122</b>
Unearned interest and income	(3,814)	(89)
	<b>8,446,677</b>	<b>7,107,033</b>
Less: Housing loans sold to Cagamas	(878,830)	(986,737)
	<b>7,567,847</b>	<b>6,120,296</b>
Gross loans, advances and financing		
Provision for bad and doubtful debts and financing		
– Specific	(84,678)	(54,641)
– General	(124,308)	(105,369)
Interest-in-suspense/income-in-suspense	(36,161)	(22,702)
	<b>7,322,700</b>	<b>5,937,584</b>

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

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	4,213,364	4,451,439
One year to three years	191,508	112,263
Three years to five years	117,352	62,263
Over five years	3,045,623	1,494,331
	<b>7,567,847</b>	<b>6,120,296</b>

(ii) Loans, advances and financing according to economic sector are as follows:-

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	5,733	8
Mining and quarrying	350	159
Manufacturing	1,491,791	902,724
Construction	103,232	151,290
Real Estate	114,225	104,035
Purchase of landed property		
– Residential	1,351,310	658,340
– Non residential	863,407	708,690
General commerce	361,525	219,440
Transport, storage and communication	55,671	56,923
Finance, insurance and business services	382,010	402,858
Purchase of securities	171,955	204,303
Consumption credit	2,609,287	2,567,829
Others	57,351	143,697
	<b>7,567,847</b>	<b>6,120,296</b>

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

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at 1 January	165,798	94,361
Non-performing during the year	604,837	177,100
Less: Recoveries	(189,276)	(77,745)
Amount written off	(118,598)	(27,918)
Balance at 31 December	<u>462,761</u>	<u>165,798</u>
Percentage of net non-performing loans to total loans (net of specific provision and interest-in-suspense)	4.1%	1.3%

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

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>General provision</u>		
Balance at 1 January	105,369	55,206
Provisions made during the year	18,939	50,163
Balance at 31 December	<u>124,308</u>	<u>105,369</u>
Percentage of provision to total loans (including housing loans sold to Cagamas net of specific provision and interest-in-suspense)	1.5%	1.5%
<u>Specific provision</u>		
Balance at 1 January	54,641	44,013
Provisions made during the year	121,287	41,289
Amount written back in respect of recoveries	(22,778)	(16,850)
Amount written off	(68,472)	(13,811)
Balance at 31 December	<u>84,678</u>	<u>54,641</u>
<u>Interest-in-suspense/Income-in-suspense</u>		
Balance at 1 January	22,702	17,595
Provisions made during the year	48,992	27,954
Amount written back in respect of recoveries	(10,971)	(6,847)
Amount written off	(24,562)	(16,000)
Balance at 31 December	<u>36,161</u>	<u>22,702</u>

## 9. OTHER ASSETS

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Other debtors, deposits and prepayments	132,018	106,079

## 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

	Group and Bank	
	1998	1997
	RM'000	RM'000
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	
			1998	1997
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 1998	8,000	16,000	1,702	30,363	135,284	191,349
Additions	-	-	-	11,880	31,734	43,614
Disposals	-	-	-	-	(4,002)	(4,002)
Write-off	-	-	-	(4,624)	(1,894)	(6,518)
At 31 December 1998	8,000	16,000	1,702	37,619	161,122	224,443
<b>Accumulated depreciation</b>						
At 1 January 1998	-	1,252	408	6,923	61,707	70,290
Charge for the year	-	395	34	3,373	23,343	27,145
Disposals	-	-	-	-	(2,587)	(2,587)
Write-off	-	-	-	(1,574)	(1,046)	(2,620)
At 31 December 1998	-	1,647	442	8,722	81,417	92,228
Net book value at 31 December 1998	8,000	14,353	1,260	28,897	79,705	132,215
Net book value at 31 December 1997	8,000	14,748	1,294	23,440	73,577	121,059
Depreciation charge for the year ended 31 December 1997	-	395	34	1,865	18,308	20,602

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. The net book value of the revalued assets, had the assets been carried at cost less depreciation, would be RM6,328,000 (1997-RM6,204,000).

### 13. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	1998	1997
	RM'000	RM'000
Demand deposits	1,260,529	1,256,144
Savings deposits	469,081	474,603
Fixed deposits	5,757,099	5,786,749
Negotiable Instruments of Deposits	72,178	77,647
Others – cash collateral	699	1,042
– placements	321,247	89,059
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	7,880,883	7,685,244

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

	Group and Bank	
	1998	1997
	RM'000	RM'000
Due within six months	4,176,913	4,431,300
Six months to one year	1,159,373	911,372
One year to three years	450,715	472,764
Three years to five years	42,276	48,960
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	5,829,277	5,864,396

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

	Group and Bank	
	1998	1997
	RM'000	RM'000
Business enterprises	1,479,739	1,497,609
Individuals	5,827,477	4,728,093
Others	573,617	1,459,542
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	7,880,833	7,685,244

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

	Group and Bank	
	1998	1997
	RM'000	RM'000
Licensed banks	1,899,626	612,441
Licensed finance companies	168,600	–
Other financial institutions	22,288	7,465
	<hr/>	<hr/>
	2,090,514	619,906

### 15. OTHER LIABILITIES

	Group and Bank	
	1998	1997
	RM'000	RM'000
Proposed dividend	105,385	–
Provision for retirement benefits	5,468	6,996
Taxation	148,591	130,375
Deferred taxation (Note 26)	10,180	10,180
Other liabilities	356,479	449,839
	<hr/>	<hr/>
	626,103	597,390

## 16. SHARE CAPITAL

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
Authorised:-		
Ordinary shares of RM1.00 each	500,000,000	500,000,000
Issued and fully paid:-	121,696,972	121,696,972

## 17. RESERVES

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</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	498,332	384,168
	<u>1,017,571</u>	<u>903,407</u>

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. No transfer were made to the statutory reserves during the year as the Bank has met the reserve requirements.

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 1998.

## 18. INTEREST INCOME

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	826,551	632,026
Money at call and deposit placements with financial institutions	111,441	99,583
Dealing securities	16,651	22,155
Investment securities	166,798	115,509
Others	117,985	57,531
	<u>1,239,426</u>	<u>926,804</u>
Accretion of discounts less amortisation of premium	35,322	5,572
Net interest suspended	(38,021)	(21,107)
	<u>1,236,727</u>	<u>911,269</u>

## 19. INTEREST EXPENSE

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	48,578	53,754
Deposits from other customers	496,272	353,691
Others	146,629	98,108
	<u>691,479</u>	<u>505,553</u>

## 20. LOAN LOSS AND PROVISION

	Group and Bank	
	1998	1997
	RM'000	RM'000
Provisions for bad and doubtful debts:-		
– specific provision (net of recoveries)	98,509	24,477
– general provision	18,939	50,163
Bad debts:-		
– recovered	(1)	(38)
	<hr/>	<hr/>
	117,447	74,602
	<hr/>	<hr/>

## 21. NON-INTEREST INCOME

	Group and Bank	
	1998	1997
	RM'000	RM'000
Fee income:		
Commission	13,590	10,070
Service charges and fees	26,895	45,234
Guarantee fees	5,827	3,513
Other fee income	122,278	121,267
	<hr/>	<hr/>
	168,590	180,084
	<hr/>	<hr/>
Investment income:		
Net profit from dealing securities	2,691	488
Gross dividends from unquoted investment securities	38	20
	<hr/>	<hr/>
	2,729	508
	<hr/>	<hr/>
Other income:		
Foreign exchange profit	95,272	51,962
Gain on disposal of fixed assets	189	61
Other income	(3,901)	357
	<hr/>	<hr/>
	91,560	52,380
	<hr/>	<hr/>
	262,879	232,972
	<hr/>	<hr/>

## 22. OVERHEAD EXPENSES

	Group and Bank	
	1998	1997
	RM'000	RM'000
Personnel costs	143,596	89,824
Establishment costs	33,040	21,326
Marketing expenses	36,319	32,999
Other operating expenses	136,844	98,538
	<hr/>	<hr/>
	349,799	242,687
	<hr/>	<hr/>

The above expenditure includes the following statutory disclosures:-

Directors' remuneration (Note 24)	1,659	1,966
Rental of premises	11,171	10,657
Hire of equipment	1,807	1,279
Auditors' remuneration		
- current year	112	77
- underprovision prior year	35	-
Depreciation of fixed assets (Note 12)	27,145	20,602
Loss on disposal of fixed assets	498	-
Fixed assets written off	3,898	3,229

### 23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

	1998 RM'000	1997 RM'000
Bank		
Income		
Interest on interest bearing deposits	16,938	7,393
Interest on current accounts	365	792
Other fee income	(12,295)	21,076
	5,008	29,261
Expenditure		
Interest on interest bearing deposits	28,268	33,341
Interest on current accounts	951	240
Other operating expenses	24,486	4,428
	53,705	38,009
Amount due from related companies		
Interest bearing deposits	211,223	213,764
Current account balances	1,212,231	209,362
Other balances	22,798	95,900
	1,446,252	519,026
Amount due to related companies		
Interest bearing deposits	610,814	594,828
Current account balances	1,339,805	88,396
Other balances	71,801	35,185
	2,022,420	718,409

### 24. DIRECTORS' REMUNERATION

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

	Group and Bank	
	1998 RM'000	1997 RM'000
Fees	115	40
Other remuneration		
- Executive directors	1,544	1,926
	1,659	1,966

The estimated cash value of benefits-in-kind of directors amounted to RM182,000 (1997 – RM477,000).



## 25. TAXATION

	Group and Bank	
	1998	1997
	RM'000	RM'000
Malaysian income tax	121,408	119,002
Transfer from deferred taxation	-	2,390
	121,408	121,392

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

	Group and Bank	
	1998	1997
	RM'000	RM'000
At 1 January	10,180	7,790
Transfer to profit and loss account	-	2,390
	10,180	10,180

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 RM219,549,000 (1997 - RM200,007,000) and on the weighted average number of 121,696,972 (1997-121,696,972) ordinary shares of RM1 each in issue 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:-

	Group and Bank			
	1998		1997	
	Principal Amount	Credit Equivalent Amount	Principal Amount	Credit Equivalent Amount
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	1,003,950	1,003,950	559,742	559,742
Certain transaction-related contingent items	530,511	265,256	412,673	206,337
Short-term self-liquidating trade-related contingencies	44,386	8,877	95,167	19,033
Housing loans sold directly and indirectly to Cagamas Berhad	878,830	878,830	986,737	986,737
Irrevocable commitments to extend credit:-				
- maturity exceeding one year	1,400,536	700,268	1,311,440	655,720
- maturity not exceeding one year	5,193,217	-	5,761,304	-
Foreign exchange related contracts				
- less than one year	8,001,545	155,066	6,489,001	119,925
- one year to less than five years	576,893	30,403	1,269,456	69,891
- more than five years	17,646	2,470	-	-
Interest rate related contracts				
- less than one year	588,000	2,940	12,000	60
Other commitments and contingencies	649	649	289	289
	18,236,163	3,048,709	16,897,809	2,617,734

Foreign exchange related contracts		
- Forward contracts	5,288,659	5,869,463
- Cross currency interest rate swaps	162,405	342,513
- Options purchased	1,765,878	597,680
- Options sold	1,379,142	948,801
	8,596,084	7,758,457

Foreign exchange and interest rate related contracts are subject 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 1998, the amount of contracts which were not hedged and, hence, exposed to market risk was RM733,205,300 (1997 - RM15,400,000).

#### 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 1998, the amounts of credit risk, measured in term of the cost to replace the profitable contracts, was RM153,699,800 (1997 - RM919,798,040). 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:-

Year	Group and Bank RM'000
1999	9,241
2000	8,788
2001	6,636

### 30. CAPITAL COMMITMENTS

	Group and Bank	
	1998	1997
	RM'000	RM'000
Capital expenditure authorised but not contracted for	9,555	7,888

### 31. CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are as follows:-

	Group and Bank	
	1998	1997
	RM'000	RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	121,697	121,697
Share premium	380,303	380,303
Other reserves	620,029	505,865
Total Tier-I capital	1,122,029	1,007,865

	Group and Bank	
	1998	1997
	RM'000	RM'000
<u>Tier II capital</u>		
Revaluation reserves	8,620	8,620
General provision for bad and doubtful debts	124,308	105,369
Total Tier-II capital	132,928	113,989
Total Capital	1,254,957	1,121,854
Less: Investments in subsidiaries	20	20
Capital base	1,254,937	1,121,834

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

	Group and Bank	
	1998	1997
	RM'000	RM'000
0% Risk Weightage	4,014,098	1,646,082
10% Risk Weightage	482,006	419,500
20% Risk Weightage	1,926,139	2,733,654
50% Risk Weightage	2,970,675	2,281,922
100% Risk Weightage	7,425,813	6,244,467
Total risk weighted assets	16,818,731	13,325,625
Core capital ratio	12.01%	12.64%
Risk weighted capital ratio	13.43%	14.07%

## 32. THE OPERATION OF ISLAMIC BANKING

### BALANCE SHEET AT 31 DECEMBER 1998

	Note	Group and Bank	
		1998	1997
		RM'000	RM'000
<b>ASSETS</b>			
Cash and short term funds	(a)	1,434	1,010
Loans, advances and financing	(b)	8,832	–
Deposits with Bank Negara Malaysia		1,288	–
TOTAL ASSETS		11,554	1,010
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	(c)	–	10
Deposits and placements of banks and other financial institutions	(d)	6,000	–
Other liabilities	(e)	481	–
Total liabilities		6,481	10
Interest-free Banking Fund	(f)	5,073	1,000
TOTAL LIABILITIES AND INTEREST-FREE BANKING FUND		11,554	1,010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	Group and Bank 1998 RM'000
Income	(g)	76
Loans and financing loss and provision		-
Net income		76
Overhead expense	(h)	(3)
Profit before taxation		73
Taxation		-
Retained profit carried forward		73

**(a) CASH AND SHORT TERM FUNDS**

	Group and Bank 1998 RM'000	1997 RM'000
Cash and balances with banks and other financial institutions	1,434	1,010

**(b) LOANS, ADVANCES AND FINANCING**

	Group and Bank 1998 RM'000	1997 RM'000
Other financing	11,067	-
Unearned income	(2,235)	-
Total net loans, advances and financing	8,832	-

**(i) Loans, advances and financing analysed by concepts are as follows:-**

	Group and Bank 1998 RM'000	1997 RM'000
Al-Ijarah	8,832	-

**(ii) The maturity structure of loans, advances and financing are as follows:-**

	Group and Bank 1998 RM'000	1997 RM'000
Maturing within one year	2,609	-
One year to three years	4,653	-
Three years to five years	1,570	-
	8,832	-

(iii) Loans, advances and financing analysed by their economic purposes are as follows:-

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	6,770	-
Transport	2,062	-
	8,832	-

**(c) DEPOSITS FROM CUSTOMERS**

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Al-Wadiah savings deposit	-	10
The deposits are sourced from the following customers: Individuals	-	10

**(d) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	6,000	-

**(e) OTHER LIABILITIES**

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Other liabilities	481	-

**(f) INTEREST FREE BANKING FUND**

	<b>Group and Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>RM'000</b>	<b>RM'000</b>
Funds allocated	5,000	1,000
Retained profit	73	-
	5,073	1,000

**(g) INCOME FROM ISLAMIC BANKING**

	<b>Group and Bank</b>	
	<b>1998</b>	
	<b>RM'000</b>	
Income derived from funds allocated	90	
Income attributable to depositors banks and financial institutions	(14)	
	76	

Details of the income derived from funds allocated are as follows:-

	<b>Group and Bank</b>	
	<b>1998</b>	
	<b>RM'000</b>	
Income from financing	68	
Fee income:-		
Commission	3	
Service charges and fees	19	
	90	

(h) **OVERHEAD EXPENSE**

**Group and Bank  
1998  
RM'000**

Administration and general expenses

3

(i) **COMPARATIVE FIGURES**

There are no comparative figures for the Profit and Loss Account as this is the first year of operations of Islamic Banking.

## Report of the Auditors to the Members

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We have audited the accounts set out above of Citibank Berhad and its subsidiary companies. The preparation of the accounts is the responsibility of the Bank's directors. Our responsibility is to express an opinion on the accounts based on our audit.

We conducted our audit in accordance with 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 evidence to give reasonable assurance that the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the accounts. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the accounts. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the accounts are 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 Group and of the Bank at 31 December 1998 and the results of their operations and cash flows of the Group for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the accounts of the Group and 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 and its subsidiary companies have been properly kept in accordance with the provisions of the said 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 purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for those purposes.

None of the audit reports on the accounts of the subsidiary companies were subject to any qualification nor included any comment under sub-section (3) of Section 174 of the Act.

KPMG PEAT MARWICK  
Firm Number: AF 0758  
Public Accountants

SEOW YOO LIN  
Partner

Kuala Lumpur,

Date: 24 March 1999

Approval Number: 1497/2/01(J)