

# Financial Results 1999

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

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## Balance Sheet

	Note	Group		Bank	
		1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
<b>ASSETS</b>					
Cash and short term funds	4	2,842,141	2,160,726	2,842,141	2,160,726
Deposits and placements with financial institutions	5	96,000	446,400	96,000	446,400
Dealing securities	6	535,127	640,321	535,127	640,321
Investment securities	7	1,862,916	2,137,581	1,862,916	2,137,581
Loans, advances and financing	8	9,078,121	7,322,700	9,078,121	7,322,700
Other assets	9	175,154	132,018	175,154	132,018
Inter-company balances		131,742	-	131,722	-
Statutory deposits with Bank Negara Malaysia	10	368,511	310,242	368,511	310,242
Investment in subsidiary companies	11	-	-	20	20
Fixed assets	12	97,531	132,215	97,531	132,215
<b>TOTAL ASSETS</b>		<b>15,187,243</b>	<b>13,282,203</b>	<b>15,187,243</b>	<b>13,282,223</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	13	10,373,100	7,880,833	10,373,100	7,880,833
Deposits and placements of banks and other financial institutions	14	1,608,848	2,090,514	1,608,848	2,090,514
Obligations on securities sold under repurchase agreements		955,852	711,979	955,852	711,979
Bills and acceptances payable		321,395	257,358	321,395	257,358
Other liabilities	15	688,253	626,103	688,253	626,103
Inter company balances		-	576,148	-	576,168
<b>TOTAL LIABILITIES</b>		<b>13,947,448</b>	<b>12,142,935</b>	<b>13,947,448</b>	<b>12,142,955</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>1,118,098</b>	<b>1,017,571</b>	<b>1,118,098</b>	<b>1,017,571</b>
<b>SHAREHOLDERS' FUNDS</b>		<b>1,239,795</b>	<b>1,139,268</b>	<b>1,239,795</b>	<b>1,139,268</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>15,187,243</b>	<b>13,282,203</b>	<b>15,187,243</b>	<b>13,282,223</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	<b>26,240,498</b>	<b>21,152,263</b>	<b>26,240,498</b>	<b>21,152,263</b>

## Profit And Loss Account

	Note	Group and Bank	
		1999 RM'000	1998 RM'000
Interest income	18	1,028,655	1,236,727
Interest expense	19	(541,726)	(691,479)
Net interest income		486,929	545,248
Islamic Banking income	32(f)	2,109	76
Loan and financing loss and provision	20	489,038	545,324
Non-interest income	21	(104,060)	(117,447)
		307,561	262,879
Net income		692,539	690,756
Overhead expenses	22	(347,012)	(349,799)
Profit before taxation		345,527	340,957
Taxation	25	-	(121,408)
Profit after taxation		345,527	219,549
Retained profit brought forward		498,332	384,168
Profit available for distribution		843,859	603,717
Interim dividend of 91.31% less tax (1998-Nil)		(80,000)	-
Proposed final dividend of 188.31% (1998 - 120.27%) less tax		(165,000)	(105,385)
Retained profit carried forward	17	598,859	498,332
Earnings per share (sen) - Basic	27	284	180

## Consolidated Cash Flow Statement

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	345,527	340,957
Adjustment for:		
(Gain) from disposal of investment securities	(44,944)	-
Depreciation	55,584	27,145
Loss on disposal fixed assets	116	309
Fixed assets written-off	74	3,898
Provision for bad and doubtful debts		
- specific	74,725	98,518
- general	29,335	18,939
Provision for interest in suspense	20,707	38,021
Dividends from investment securities	(11)	(38)
Amortisation of premium less accretion of discount of investment securities	(23,801)	(35,322)
Operating profit before working capital changes	457,312	492,427
Decrease/(Increase) in deposits and placements with financial institutions	350,400	(426,400)
Decrease/(Increase) in dealing securities	105,194	(424,851)
Increase in loans and advances	(1,880,188)	(1,540,594)
Increase in other assets	(43,136)	(25,939)
(Increase)/Decrease in statutory deposits with Bank Negara Malaysia	(58,269)	549,435
(Decrease)/Increase in deposits from customers	2,492,267	195,589
(Decrease)/Increase in deposits and placements of bank and other financial institutions	(481,666)	1,470,608
Increase in securities sold under repurchase agreements	243,873	71,068
Increase/(Decrease) in other liabilities	115,093	(94,888)
(Decrease)/Increase in inter-company balances	(707,890)	376,785
Increase/(Decrease) in bills and acceptances payable	64,037	(14,817)
Cash generated from operations	657,027	628,423
Income taxes paid	(112,556)	(103,193)
Net cash generated from operating activities	544,471	525,230
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends from investment securities	11	38
Purchase of fixed assets	(22,026)	(43,614)
Proceeds from disposal of fixed assets	934	1,106
Purchase of investment securities	(5,659,452)	(7,121,565)
Proceeds from disposal of investment securities	6,004,770	7,461,028
Purchase of unquoted shares	(1,908)	(1,058)
Net cash used in investment activities	322,329	295,935
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Dividend paid	(185,385)	-
Net cash used in financing activity	(185,385)	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	681,415	821,165
<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	2,842,141	2,160,726

## 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 accruals basis. Interest income on housing and term loans is 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 instrument is 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.

Dividend 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 uncollectible 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 judgment 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 of 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.

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%

During the year the Bank accelerated the depreciation rate of installations, furniture and equipment to reflect the balance of its economic useful life in view of the relocation of its offices. The accelerated depreciation rate resulted in an additional charge of RM27.5 million to the profit and loss account for the year.

(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

Prior to August 1999, unmatured forward exchange contracts are valued at the prevailing rate. With effect from August 1, 1999, Citibank adopted the net present value (NPV) methodology in valuing the forward contracts. Under the NPV method, the revalued gain/loss is discounted based on the forward rate to consider the time value of money. The effect of the change in valuation methodology is not material to the accounts.

(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 1999 using the projected unit credit 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 RM13,622,000 (1998 - RM11,078,000).

(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

	Group and Bank	
	1999	1998
	RM'000	RM'000
Cash and balances with banks and other financial institutions	219,183	37,162
Money at call and deposit placements maturing within one month	2,622,958	2,123,564
	<u>2,842,141</u>	<u>2,160,726</u>

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

	Group and Bank	
	1999	1998
	RM'000	RM'000
Licensed banks	96,000	446,400

#### 6. DEALING SECURITIES

	Group and Bank	
	1999	1998
	RM'000	RM'000
Money market instruments:-		
Malaysian Government Treasury Bills	229,817	203,014
Malaysian Government Loans Stock	36,744	161,437
Cagamas Notes	64,907	204,054
Khazanah Bonds	140,469	71,816
Private Debt Securities	63,190	-
	<u>535,127</u>	<u>640,321</u>
Market value of quoted securities:-		
Malaysian Government Treasury Bills	229,897	203,539
Malaysian Government Loans Stock	36,820	163,819
Cagamas Notes	64,901	204,200
Khazanah Bonds	140,446	71,816
Private Debt Securities	63,400	-
	<u>535,464</u>	<u>643,374</u>



## 7. INVESTMENT SECURITIES

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Money market instruments:-		
Malaysian Government Treasury Bills	-	137,952
Malaysian Government Securities	410,100	218,518
Cagamas Bonds	392,340	140,614
Danamodal Bonds	163,500	114,517
Khazanah Bonds	164,600	209,123
Negotiable Instruments of Deposit	226,000	845,000
Bankers Acceptances	315,567	336,624
Cagamas Notes	-	46,152
Private Debt Securities	215,000	-
	<b>1,887,107</b>	<b>2,048,500</b>
Quoted securities outside Malaysia:-		
Private Debt Securities	-	72,774
Quoted securities in Malaysia:-		
Bands & Equity	12,070	-
Warrants	80	-
Unquoted securities:-		
Shares	5,630	3,722
	<b>1,904,887</b>	<b>2,124,996</b>
Net (Accretion of discount)/Amortisation of premiums	<b>(41,971)</b>	<b>12,585</b>
<b>Total Investment Securities</b>	<b>1,862,916</b>	<b>2,137,581</b>
i) Market value of quoted securities:-		
Malaysian Government Treasury Bills	-	145,795
Malaysian Government Securities	442,654	221,795
Cagamas Bonds	398,500	146,625
Danamodal Bonds	133,567	116,706
Khazanah Bonds	129,680	237,477
Cagamas Notes	-	49,337
Private debt securities	221,604	59,074
	<b>1,326,005</b>	<b>976,809</b>
ii) The maturity structure of money market instruments held for investment are as follows:-		
	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturity within one year	671,050	1,422,011
One year to three years	525,805	179,133
Three years to five years	620,335	355,816
More than five years	69,917	91,540
	<b>1,887,107</b>	<b>2,048,500</b>

## 8. LOANS, ADVANCES AND FINANCING

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	2,168,140	1,787,046
Term loans		
- fixed rate	1,707,537	514,310
- floating rate	3,282,775	3,698,333
Credit cards receivables	1,533,933	1,161,201
Bills receivable	93,602	101,857
Trust receipts	34,558	4,907
Claims on customers under acceptance credits	961,333	548,283
Staff loans (of which RM167,958; 1998 - RM190,317 to directors)	138,036	112,244
Other loans	479,498	522,310
	<u>10,399,412</u>	<u>8,450,491</u>
Unearned interest and income	(23,668)	(3,814)
	<u>10,375,744</u>	<u>8,446,677</u>
Less: Housing loans sold to Cagamas	(1,015,171)	(878,830)
	<u>9,360,573</u>	<u>7,567,847</u>
Gross loans, advances and financing	9,360,573	7,567,847
Provision for bad and doubtful debts and financing		
- specific	(88,701)	(84,678)
- general	(153,643)	(124,308)
Interest in suspense/income in suspense	(40,108)	(36,161)
	<u>9,078,121</u>	<u>7,322,700</u>

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	5,638,806	4,213,364
One year to three years	243,102	191,508
Three years to five years	282,365	117,352
Over five years	3,196,300	3,045,623
	<u>9,360,573</u>	<u>7,567,847</u>

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	4,585	5,733
Mining and quarrying	-	350
Manufacturing	1,839,905	1,491,791
Construction	95,718	103,232
Real estate	91,160	114,225
Purchase of landed property		
- Residential	1,775,865	1,351,310
- Non-residential	918,838	863,407
General commerce	460,569	361,525
Transport, storage and communication	73,810	55,671
Finance, insurance and business services	489,832	382,010
Purchase of securities	287,966	171,955
Consumption credit	3,170,439	2,609,287
Others	151,886	57,351
	<u>9,360,573</u>	<u>7,567,847</u>

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at 1 January	462,761	165,798
Non performing during the year	282,715	604,837
Less: Recoveries	(231,480)	(189,276)
Amount written off	(98,577)	(118,598)
Balance at 31 December	<u>415,419</u>	<u>462,761</u>
Percentage of net non-performing loans to total loans (net of specific provision and interest-in-suspense)	<u>2.80%</u>	<u>4.10%</u>

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>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>General provision</u></b>		
Balance at 1 January	124,308	105,369
Provisions made during the year	29,335	18,939
Balance at 31 December	<u>153,643</u>	<u>124,308</u>
Percentage of provision to total loans (including housing loans sold to Cagamas net of specific provision and interest-in-suspense)	<u>1.50%</u>	<u>1.50%</u>
<b><u>Specific provision</u></b>		
Balance at 1 January	84,678	54,641
Provisions made during the year	102,615	121,287
Amount written back in respect of recoveries	(27,890)	(22,778)
Amount written off	(70,702)	(68,472)
Balance at 31 December	<u>88,701</u>	<u>84,678</u>
<b><u>Interest-in-suspense/income-in-suspense</u></b>		
Balance at 1 January	36,161	22,702
Provisions made during the year	46,912	48,992
Amount written back in respect of recoveries	(26,205)	(10,971)
Amount written off	(16,760)	(24,562)
Balance at 31 December	<u>40,108</u>	<u>36,161</u>

## 9. OTHER ASSETS

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Other debtors, deposits and prepayments	<u>175,154</u>	<u>132,018</u>

## 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

	Bank	
	1999	1998
	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	
			1999	1998
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 – Group and Bank

Cost/Valuation	Freehold	Building on	Building on	Installations	Furniture	Total
	land	freehold	leasehold		and	
	RM'000	land	land	RM'000	equipment	RM'000
		RM'000	RM'000		RM'000	RM'000
At 1 January	8,000	16,000	1,702	37,619	161,122	224,443
Additions	-	-	-	3,430	18,596	22,026
Disposals	-	-	-	(344)	(7,414)	(7,758)
Write-off	-	-	-	(74)	(9,302)	(9,376)
At 31 December 1999	8,000	16,000	1,702	40,631	163,002	229,335
<b>Accumulated depreciation</b>						
At 1 January	-	1,647	442	8,722	81,417	92,228
Charge for the year	-	308	34	3,491	24,212	28,045
Accelerated charge*	-	-	-	21,093	6,446	27,539
Disposals	-	-	-	(148)	(6,558)	(6,706)
Write-off	-	-	-	-	(9,302)	(9,302)
At 31 December 1999	-	1,955	476	33,158	96,215	131,804
Net book value at 31 December 1999	8,000	14,045	1,226	7,473	66,787	97,531
Net book value at 31 December 1998	8,000	14,353	1,260	28,897	79,705	132,215
Depreciation charge for the year ended 31 December 1998	-	395	34	3,373	23,343	27,145

\* An accelerated charge was made to reflect the balance of the economic useful life of these assets in view of the relocation of its offices.

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 RM6,081,000 (1998 - RM6,204,000).

The Bank is following the transitional provision to International Accounting Standard No. 16 Property, Plant and Equipment as approved by Malaysian Accounting Standards Board (MASB). The transitional provisions allows the Bank to retain the carrying amounts of the revalued assets on the basis of their revaluations subject to the continuity in their depreciation policy and the requirement to write an asset down to its recoverable amount. Accordingly, the above valuation have not been updated.

### 13. DEPOSITS FROM CUSTOMERS

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	1,952,792	1,260,529
Savings deposits	630,458	469,081
Fixed deposits	7,063,358	5,757,099
Negotiable Instruments of Deposit	124,317	72,178
Others - cash collateral	1,444	699
- placements	600,731	321,247
	<b>10,373,100</b>	<b>7,880,833</b>

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	4,713,437	4,176,913
Six months to one year	1,356,030	1,159,373
One year to three years	1,087,220	450,715
Three years to five years	25,951	42,276
Over five years	5,037	-
	<b>7,187,675</b>	<b>5,829,277</b>

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	2,737,411	1,479,739
Individuals	6,880,167	5,827,477
Others	755,522	573,617
	<b>10,373,100</b>	<b>7,880,833</b>

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	1,387,824	1,899,626
Licensed finance companies	162,820	168,600
Other financial institutions	58,204	22,288
	<b>1,608,848</b>	<b>2,090,514</b>

### 15. OTHER LIABILITIES

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Proposed dividend	165,000	105,385
Provision for retirement benefits	2	5,468
Taxation	36,033	148,591
Deferred taxation (Note 26)	10,180	10,180
Other liabilities	477,038	356,479
	<b>688,253</b>	<b>626,103</b>

## 16. CAPITAL

	Group and Bank	
	1999	1998
	RM	RM
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

	Group and Bank	
	1999	1998
	RM'000	RM'000
Share premium	380,303	380,303
Statutory reserve	121,697	121,697
Revaluation reserve	17,239	17,239
Retained profit	598,859	498,332
	1,118,098	1,017,571

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 transfers 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.

Subject to agreement with the Inland Revenue Board, the Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income to distribute all its retained profits at 31 December 1999 if paid out as dividends.

## 18. INTEREST INCOME

	Group and Bank	
	1999	1998
	RM'000	RM'000
Loans and advances	756,423	826,551
Money at call and deposit placements with financial institutions	111,700	111,441
Dealing securities	24,621	16,651
Investment securities	93,168	166,798
Others	39,649	117,985
	1,025,561	1,239,426
Accretion of discounts less amortisation of premium	23,801	35,322
Net interest suspended	(20,707)	(38,021)
	1,028,655	1,236,727

## 19. INTEREST EXPENSE

	Group and Bank	
	1999	1998
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	75,469	48,578
Deposits from other customers	402,340	496,272
Others	63,917	146,629
	541,726	691,479

## 20. LOAN AND FINANCIAL LOSS AND PROVISION

	Group and Bank	
	1999	1998
	RM'000	RM'000
Provision for bad and doubtful debts:-		
- specific provision (net of recoveries)	74,725	98,509
- general provision	29,335	18,939
Bad debts and financing:-		
- recovered	-	(1)
	104,060	117,447

## 21. NON-INTEREST INCOME

	Group and Bank	
	1999	1998
	RM'000	RM'000
Fee income:		
Commission	21,370	13,590
Service charges and fees	13,920	26,895
Guarantee fees	6,557	5,827
Other fee income	113,775	122,278
	155,662	168,590
Investment income:		
Net profit from dealing securities	14,509	2,691
Gross dividends from unquoted investment securities	11	38
	14,520	2,729
Other income:		
Foreign exchange profit	100,255	95,272
Gain on disposal of fixed assets	141	189
Other income	37,023	(3,901)
	137,419	91,560
	307,561	262,879

## 22. OVERHEAD EXPENSES

	Group and Bank	
	1999	1998
	RM'000	RM'000
Personnel costs	118,454	143,596
Establishment costs	47,157	33,040
Marketing expenses	41,153	36,319
Other operating expenses	140,248	136,844
	347,012	349,799

The above expenditure includes the following statutory disclosures:-

Directors' remuneration (Note 24)	1,213	1,659
Rental of premises	12,404	11,171
Hire of equipment	1,893	1,807
Auditors' remuneration		
- current year	102	112
- underprovision in prior year	-	35
Depreciation of fixed assets (Note 12)	55,584	27,145
Loss on disposal of fixed assets	257	498
Fixed assets written off	74	3,898

### 23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

	1999 RM'000	1998 RM'000
<b>Bank</b>		
Income		
Interest on interest bearing deposits	21,154	16,938
Interest on current accounts	7,273	365
Other fee income	13,827	(12,295)
	<u>42,254</u>	<u>5,008</u>
Expenditure		
Interest on interest bearing deposits	39,442	28,268
Interest on current accounts	289	951
Other operating expenses	29,024	24,486
	<u>68,755</u>	<u>53,705</u>
Amount due from related companies		
Interest bearing deposits	685,802	211,223
Current account balances	742,185	1,212,231
Other balances	24,300	22,798
	<u>1,452,287</u>	<u>1,446,252</u>
Amount due to related companies		
Interest bearing deposits	501,404	610,814
Current account balances	706,652	1,339,805
Other balances	112,509	71,801
	<u>1,320,565</u>	<u>2,022,420</u>

### 24. DIRECTORS' REMUNERATION

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

	Group and Bank	
	1999 RM'000	1998 RM'000
Fees	85	115
Other remuneration - Executive directors	1,128	1,544
	<u>1,213</u>	<u>1,659</u>

The estimated cash value of benefits-in-kind of directors amounted to RM266,000 (1998 - RM182,000).

### 25. TAXATION

	Group and Bank	
	1999 RM'000	1998 RM'000
Malaysian income tax	-	121,408
	<u>-</u>	<u>121,408</u>

Pursuant to the Income Tax (Amendment) Act 1999, which was gazetted on 8 July 1999, 1999 is a tax waiver year and as such, no provision was made. The taxation charge for the previous year was higher than the statutory tax rate due to the disallowance of certain expenses for the tax purposes.



## 26. DEFERRED TAXATION

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January/31 December	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 RM345,527,000 (1998 - RM219,549,000) and on the number of 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:-

	<b>Group and Bank</b>			
	<b>1999</b>		<b>1998</b>	
	<b>Principal amount</b>	<b>Credit equivalent amount</b>	<b>Principal amount</b>	<b>Credit equivalent amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	999,619	999,619	1,003,950	1,003,950
Certain transaction-related contingent items	470,931	235,466	530,511	265,256
Short-term self-liquidating trade-related contingencies	198,440	39,688	44,386	8,877
Housing loans sold directly and indirectly to Cagamas Berhad	1,015,171	1,015,171	878,830	878,830
Irrevocable commitments to extend credit:-				
- maturity exceeding one year	1,218,711	609,356	1,400,536	700,268
- maturity not exceeding one year	6,093,352	-	5,193,217	-
Foreign exchange related contracts				
- less than one year	15,155,155	148,535	10,848,552	86,225
- one year to less than five years	631,119	18,541	663,632	18,854
- more than five years	-	-	-	-
Interest rate related contracts				
- less than one year	458,000	430	588,000	505
Other commitments and contingencies	-	-	649	649
	<b>26,240,498</b>	<b>3,066,806</b>	<b>21,152,263</b>	<b>2,963,414</b>
Foreign exchange related contracts				
- Forward contracts	7,140,112		5,288,659	
- Cross currency interest rate swaps	649,434		324,810	
- Options purchased	3,998,364		2,956,806	
- Options sold	3,998,364		2,941,909	
	<b>15,786,274</b>		<b>11,512,184</b>	

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 1999, the amount of contracts which were not hedged and, hence, exposed to market risk was RM786,004,000 ( 1998-RM 733,205,300 ).

### 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 1999, the amounts of credit risk, measured in term of the cost to replace the profitable contracts was RM106,062,000 ( 1998-RM153,699,800 ). 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	
2000	12,691	
2001	6,826	
2002	6,879	

### 30. CAPITAL COMMITMENTS

	Group and Bank 1999 1998 RM'000 RM'000	
Capital expenditure authorised but not contracted for	20,130	9,555

### 31. CAPITAL ADEQUACY

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

	Group and Bank 1999 1998 RM'000 RM'000	
<u>Tier I capital</u>		
Paid-up share capital	121,697	121,697
Share premium	380,303	380,303
Other reserves	720,556	620,029
Total Tier-I capital	1,222,556	1,122,029
<u>Tier-II capital</u>		
Revaluation reserves	8,620	8,620
General provision for bad and doubtful debts	153,643	124,308
Total Tier-II capital	162,263	132,928
Total capital	1,384,819	1,254,957
Less: Investments in subsidiaries	20	20
Capital base	1,384,799	1,254,937

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
0% Risk Weightage	4,784,026	4,014,098
10% Risk Weightage	460,978	482,006
20% Risk Weightage	1,351,700	1,926,139
50% Risk Weightage	3,685,399	2,970,675
100% Risk Weightage	8,796,287	7,340,518
<b>Total risk weighted assets</b>	<b>19,078,390</b>	<b>16,733,436</b>
<b>Core capital ratio</b>	<b>11.16%</b>	<b>13.41%</b>
<b>Risk weighted capital ratio</b>	<b>12.64%</b>	<b>15.00%</b>

### 32. THE OPERATION OF ISLAMIC BANKING

#### BALANCE SHEET AT 31 DECEMBER 1999

	<b>Note</b>	<b>Group and Bank</b>	
		<b>1999</b>	<b>1998</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Cash and short term funds	(a)	3,937	1,434
Loans, advances and financing	(b)	119,218	8,832
Deposits with Bank Negara Malaysia		-	1,288
<b>TOTAL ASSETS</b>		<b>123,155</b>	<b>11,554</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits and placements of banks and other other financial institutions	(c)	100,529	6,000
Other liabilities	(d)	15,574	481
<b>TOTAL LIABILITIES</b>		<b>116,103</b>	<b>6,481</b>
<b>INTEREST-FREE BANKING FUND</b>	(e)	<b>7,052</b>	<b>5,073</b>
<b>TOTAL LIABILITIES AND INTEREST-FREE BANKING FUND</b>		<b>123,155</b>	<b>11,554</b>

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	<b>Note</b>	<b>Group and Bank</b>	
		<b>1999</b>	<b>1998</b>
		<b>RM'000</b>	<b>RM'000</b>
Income	(f)	2,109	76
Loans and financing loss and provision		-	-
Net income		2,109	76
Overhead expense	(g)	(130)	(3)
Profit after zakat		1,979	73
Retained profit brought forward		73	-
Retained profit carried forward		2,052	73

(a) CASH AND SHORT TERM FUNDS

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	3,937	1,434

(b) LOANS, ADVANCES AND FINANCING

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Other financing	138,256	11,067
Unearned income	(19,038)	(2,235)
Total net loans, advances and financing	119,218	8,832

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Al-Ijarah	119,218	8,832

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	25,872	2,609
One year to three years	88,977	4,653
Three years to five years	4,369	1,570
	119,218	8,832

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

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	44,111	6,770
Transport	18,565	2,062
General Commerce	5,641	-
Construction	8,769	-
Others	42,132	-
	119,218	8,832

(c) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>Group and Bank</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	100,529	6,000

(d) OTHER LIABILITIES

	Group and Bank	
	1999	1998
	RM'000	RM'000
Other liabilities	15,574	481

(e) INTEREST FREE BANKING FUND

	Group and Bank	
	1999	1998
	RM'000	RM'000
Funds allocated	5,000	5,000
Retained profit	2,052	73
	<u>7,052</u>	<u>5,073</u>

(f) INCOME FROM ISLAMIC BANKING

	Group and Bank	
	1999	1998
	RM'000	RM'000
Income derived from funds allocated	4,615	90
Income attributable to depositors Banks and financial institutions	(2,506)	(14)
	<u>2,109</u>	<u>76</u>

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

	Group and Bank	
	1999	1998
	RM'000	RM'000
Income from financing	4,587	68
Fee income:-		
Commission	28	3
Service charges and fees	-	19
	<u>4,615</u>	<u>90</u>

(g) OVERHEAD EXPENSE

	Group and Bank	
	1999	1998
	RM'000	RM'000
Personnel Costs	120	-
Administration and general expenses	10	3
	<u>130</u>	<u>3</u>

33. COMPARATIVE FIGURES

Certain comparative figures have been expanded and/or reclassified to conform with the current year's presentation.

## **Report of the Auditors to the Members**

We have audited the accounts set out above. 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 the 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 view and fair of :
  - (i) the state of affairs of the Group and of the Bank at 31 December 1999 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;
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Bank and the subsidiaries of which we have acted as auditors 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 Company'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 in 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**

Firm Number: AF 0758  
Public Accountants

**SEOW YOO LIN**

Partner  
Approval Number: 1497/2/01(J)

Kuala Lumpur,  
Dated :17 May 2000