

Citibank Berhad (297089 M)
Financial Results 2002



Financial Results 2002

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

Contents

Balance Sheet	1
Income Statement of the Group and Bank	2
Statement of Changes in Equity	3
Consolidated Cash Flow Statement	4
Notes to the Financial Statements	5-31
Report of the Auditors to the Members	32

Balance Sheet

	Note	Group		Bank	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
ASSETS					
Cash and short term funds	3	2,188,366	2,812,153	2,188,366	2,812,153
Deposits and placements with financial institutions	4	33,890	707,285	33,890	707,285
Dealing securities	5	482,531	1,527,021	482,531	1,527,021
Investment securities	6	1,973,288	2,083,978	1,973,288	2,083,978
Loans, advances and financing	7	17,115,275	14,720,557	17,115,275	14,720,557
Other assets	8	299,584	266,518	299,564	266,498
Statutory deposits with Bank Negara Malaysia	9	433,402	405,221	433,402	405,221
Investment in subsidiary companies	10	-	-	20	20
Property, plant and equipment	11	128,076	151,900	128,076	151,900
TOTAL ASSETS		22,654,412	22,674,633	22,654,412	22,674,633
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	12	15,322,301	14,713,809	15,322,301	14,713,809
Deposits and placements of banks and other financial institutions	13	382,378	1,804,635	382,378	1,804,635
Obligations on securities sold under repurchase agreements		1,428,135	1,285,616	1,428,135	1,285,616
Bills and acceptances payable		402,252	319,830	402,252	319,830
Recourse obligations on loans sold to Cagamas		2,440,535	1,752,933	2,440,535	1,752,933
Other liabilities	14	979,710	1,221,612	979,710	1,221,612
TOTAL LIABILITIES		20,955,311	21,098,435	20,955,311	21,098,435
Share Capital	15	121,697	121,697	121,697	121,697
Reserves	16	1,440,404	1,237,501	1,440,404	1,237,501
Proposed Dividend		137,000	217,000	137,000	217,000
SHAREHOLDERS' FUNDS		1,699,101	1,576,198	1,699,101	1,576,198
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		22,654,412	22,674,633	22,654,412	22,674,633
COMMITMENTS AND CONTINGENCIES	27	63,975,229	42,807,594	63,975,229	42,807,594

The financial statements were approved and authorised for issue by the Board of Directors on February 27, 2003.

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

Income Statement of the Group and Bank

	Note	Group and Bank	
		2002 RM'000	2001 RM'000
Revenue	2(b)	1,815,234	1,569,880
Interest income	17	1,379,947	1,127,522
Interest expense	18	(628,844)	(515,118)
Net interest income		751,103	612,404
Islamic Banking income	34(f)	10,451	10,733
Non-interest income	19	384,410	425,166
Net income		1,145,964	1,048,303
Overhead expenses	20	(516,667)	(431,671)
Operating profit		629,297	616,632
Loan and financing loss and allowance	21	(114,660)	(127,426)
Profit before taxation		514,637	489,206
Taxation	24	(174,734)	(168,386)
Profit after taxation and attributable to shareholders		339,903	320,820
Earnings per share (sen) - Basic and fully diluted	26	279	264
Dividends per share (sen)			
- gross		156	248
- net		113	178

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

Statement of Changes in Equity

Group and Bank

	← Non-Distributable →				Distributable		Proposed Dividend	Total
	Share Capital	Share Premium	Statutory Reserve	Revaluation Reserve	Retained Profits	Total Reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2001	121,697	380,303	121,697	-	631,681	1,133,681	163,000	1,418,378
Profit after taxation	-	-	-	-	320,820	320,820	-	320,820
Dividend paid								
- final 2000	-	-	-	-	-	-	(163,000)	(163,000)
Dividend paid								
- final 2001	-	-	-	-	(217,000)	(217,000)	217,000	-
At 31 December 2001	121,697	380,303	121,697	-	735,501	1,237,501	217,000	1,576,198
At 1 January 2002	121,697	380,303	121,697	-	735,501	1,237,501	217,000	1,576,198
Profit after taxation	-	-	-	-	339,903	339,903	-	339,903
Dividend paid								
- final 2001	-	-	-	-	-	-	(217,000)	(217,000)
Proposed dividend								
- final 2002	-	-	-	-	(137,000)	(137,000)	137,000	-
At 31 December 2002	121,697	380,303	121,697	-	938,404	1,440,404	137,000	1,699,101
	(Note 15)	(Note 16)	(Note 16)		(Note 16)			

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

Consolidated Cash Flow Statement

	Group and Bank	
	2002	2001
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	514,637	489,206
Adjustments for:		
Amortisation of premium less accretion of discount of investment securities	6,975	(27,019)
Allowance for bad and doubtful debts (net of write-backs)		
- specific	78,234	96,167
- general	36,426	31,259
Allowance for interest in suspense (net of write-backs)	33,707	33,784
Depreciation	37,019	31,813
Dividends from investment securities	(18)	(63)
(Reversal)/Allowance for diminution in value of dealing securities	(769)	800
Gain from disposal of investment securities	(7,259)	(67,375)
Loss/(Gain) on disposal of property, plant and equipment	80	(306)
Property, plant and equipment written-off	493	1,245
Operating profit before working capital changes	699,525	589,511
Changes in working capital:-		
Deposits and placements with financial institutions	673,395	(479,185)
Dealing securities	1,045,259	(595,741)
Loans, advances and financing	(2,543,085)	(2,175,815)
Other assets	(33,066)	350,788
Statutory deposits with Bank Negara Malaysia	(28,181)	(1,440)
Deposits from customers	608,492	1,483,041
Deposits and placements of banks and other financial institutions	(1,422,257)	368,778
Obligations on securities sold under repurchase agreements	142,519	263,109
Other liabilities	(195,340)	312,552
Bills and acceptance payable	82,422	(208,151)
Recourse obligations on loans sold to Cagamas	687,602	161,287
Cash (used in)/generated from operations	(282,715)	68,734
Income taxes paid	(221,296)	(139,179)
Net cash used in operating activities	(504,011)	(70,445)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends from investment securities	18	63
Purchase of property, plant and equipment	(16,168)	(114,533)
Proceeds from disposal of property, plant and equipment	2,400	1,903
Purchase of investment securities	(1,809,807)	(2,862,566)
Proceeds from disposal of investment securities	1,919,979	3,404,867
Proceeds from disposal of quoted securities	802	6,070
Net cash generated from investing activities	97,224	435,804
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	(217,000)	(163,000)
Net cash used in financing activity	(217,000)	(163,000)
Net (decrease)/increase in cash and cash equivalents	(623,787)	202,359
Cash and cash equivalents at beginning of year	2,812,153	2,609,794
Cash and cash equivalents at end of year	2,188,366	2,812,153
Analysis of cash and cash equivalents		
Cash and short-term funds	2,188,366	2,812,153

Notes to the Financial Statements

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. The financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Bank.

Islamic Banking refers generally to the acceptance of deposits and granting of financing under the syariah principles.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following new Malaysian Accounting Standards ("MASB") which became effective in the current year.

- (i) MASB 20, Provisions, Contingent Liabilities and Contingent Assets and MASB 21, Business Combinations, which are applied retrospectively. Comparative figures have not been restated as the previous accounting policies were in line with the accounting standard;
- (ii) MASB 23, Impairment of Assets which is applied prospectively. The adoption does not have any impact on the financial statements; and
- (iii) MASB 24, Financial Instruments : Disclosure and Presentation which has been adopted prospectively. The adoption resulted in new disclosure as set out in Notes 27, 32 and 33 to the financial statements.

(a) Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiary companies made up to the end of the financial year. All inter company balances and transactions have been eliminated on consolidation. Details of the subsidiary companies are set out in Note 10 to the financial statements.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements.

(b) Revenue

Revenue comprises gross interest income, commission and other income derived from banking operations.

(c) Income Recognition

Income is recognized on an accrual basis. Interest income on housing and term loans is recognized by reference to rest periods that are either daily or monthly. 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 recognized 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 recognized as income when all conditions precedent are fulfilled.

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

Dividends from dealing and investment securities, if any, are recognized when received.

(e) Allowance for Bad and Doubtful Debts and Financing

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

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

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realizable 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 dates. 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 on a portfolio basis, 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 Institutions 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 amortization of premium or accretion of discount to maturity date on a straight line basis.

Private Debt Securities are valued at the lower of cost and market value. 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 which is other than temporary.

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

(i) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances and short term funds, with original maturity within one month.

(j) 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 diminution in the value of such investments which is other than temporary.

(k) Property, Plant and Equipment and Depreciation

Freehold land is not depreciated. Other property, plant and equipment 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	2.0%	-	2.5%
Installation	7.0%	-	12.5%
Furniture and equipment	10.0%	-	50.0%

(l) Assets Under Lease

Assets under lease which in substance transfer the risks and benefits of ownership of the assets to the Bank are capitalized under property, plant and equipment. 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 that do not meet such criteria are classified as operating lease and the related rentals are charged to income statement as incurred.

(m) Bills and Acceptances Payable

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

(n) Foreign Exchange Contracts

Spot and forward contracts are valued using the net present value (NPV) method. Under the NPV method, the revalued gain/loss is discounted based on the forward rate to consider the time value of money. The unrealised gains and losses are recognised in the income statement for the year.

(o) Interest Rate Swaps, Futures and Option Contracts

The Bank acts as an intermediary with counter parties who wish to swap their interest obligations. The Bank also uses interest rate swaps, futures and option contracts in its trading account activities as well as a mean for hedging its own exposure.

Gains and losses on other interest rate swaps, futures and option contracts whether they are for trading or hedging purpose are recognized in the current year using the mark-to-market method.

(p) 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. Income statement items are translated at rates prevailing on transaction dates. Exchange gains and losses are recognized in the income statement 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 recognized in the income statement.

The closing rates used in translation are as follows:

	2002 RM	2001 RM
1 USD	3.8000	3.8000
1 AUD	2.1521	1.9367
1 DGL	1.8052	1.5275
1 SGD	2.1883	2.0529
100 YEN	3.1997	2.8950
1 GBP	6.0969	5.5148
1 EUR	3.9780	3.3662

(q) 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 recognized.

(r) 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.

The assets of the trust fund are held separately in an independently administered fund. The last actuarial valuation was carried out in 31 January 2002.

(s) Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts, are stated at the lower of cost and net realisable value.

(t) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of a past event and a reliable estimate can be made of the amount.

(u) Liabilities

Deposits from customers are stated at placement values and adjusted for accrued interest. Deposits and placements of banks and financial institutions are stated at placement values.

(v) Impairment of Assets

The carrying amount of the Group and Bank's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(w) Recourse obligation on loans sold to Cagamas

These represent the proceeds received from housing loans (excluding Islamic financing) sold directly to Cagamas Berhad with recourse to the Bank. Under this arrangement, the Bank undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria.

3. CASH AND SHORT TERM FUNDS

	Group and Bank	
	2002	2001
	RM'000	RM'000
Cash and balances with banks and other financial institutions	70,355	199,898
Money at call and deposit placements maturing within one month	2,118,011	2,612,255
	2,188,366	2,812,153

4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	2002	2001
	RM'000	RM'000
Licensed banks	33,890	707,285

5. DEALING SECURITIES

	Group and Bank	
	2002	2001
	RM'000	RM'000
Money market instruments:-		
Malaysian Government Treasury Bills	15,060	169,386
Malaysian Government Loan Stock	3,752	830,690
Bank Negara Malaysia Bills	341,931	258,435
Cagamas Notes and Bonds	24,960	201,511
Khazanah Bonds	47,850	4,663
Danamodal Bonds	4,881	-
Danaharta Bonds	14,314	-
Private Debt Securities	29,814	63,136
	482,562	1,527,821
Less: Allowance for diminution in value	(31)	(800)
	482,531	1,527,021
Market value of quoted securities:-		
Malaysian Government Treasury Bills	15,060	169,351
Malaysian Government Loan Stock	3,766	831,352
Bank Negara Malaysia Bills	341,917	258,429
Cagamas Notes and Bonds	24,961	200,331
Khazanah Bonds	47,845	4,643
Danamodal Bonds	4,882	-
Danaharta Bonds	14,316	-
Private Debt Securities	29,784	62,920
	482,531	1,527,026

6. INVESTMENT SECURITIES

	Group and Bank	
	2002	2001
	RM'000	RM'000
Money market instruments:-		
Malaysian Government Securities	445,635	-
Malaysian Government Treasury Bills	2,500	259,500
Malaysian Government Loan Stock	-	315,560
Cagamas Bonds	491,030	490,900
Danamodal Bonds	137,500	137,500
Danaharta Bonds	-	45,000
Khazanah Bonds	10,000	66,700
Negotiable Instruments of Deposit	-	80,000
Bankers Acceptances	-	8,000
Commercial Papers	-	48,000
Private Debt Securities	610,000	626,936
Yankee Bonds	250,340	-
	1,947,005	2,078,096
Quoted securities in Malaysia:-		
Bond & Equity	17,595	17,595
Unquoted securities:-		
Shares	7,539	7,539
	1,972,139	2,103,230
Net amortisation of premium/(accretion of discounts)	1,149	(19,252)
Total Investment Securities	1,973,288	2,083,978

i) Market value of quoted & unquoted securities:-

	Group and Bank	
	2002	2001
	RM'000	RM'000
Money market instruments:-		
Malaysian Government Securities	469,434	-
Malaysian Government Treasury Bills	2,460	258,118
Malaysian Government Loan Stock	-	330,203
Cagamas Bonds	495,387	495,300
Danamodal Bonds	134,269	130,206
Danaharta Bonds	-	42,291
Khazanah Bonds	9,498	61,418
Commercial Papers	-	47,847
Private Debt Securities	593,970	610,670
Yankee Bonds	250,897	-
	1,955,915	1,976,053
Quoted securities in Malaysia:-		
Bond & Equity	17,330	17,353
	1,973,245	1,993,406

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
Maturity within one year	369,435	775,500
One year to three years	1,373,570	888,660
Three years to five years	204,000	334,936
More than five years	-	79,000
	1,947,005	2,078,096

7. LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2002	2001
	RM'000	RM'000
Overdrafts	2,700,218	2,700,934
Term loans - fixed rate	1,715,828	1,834,232
- floating rate	8,351,729	6,742,640
Lease receivable	372,178	350,372
Credit cards receivables	2,639,165	2,225,975
Bills receivable	234,148	138,649
Trust receipts	64,531	42,938
Claims on customers under acceptance credits	984,300	1,032,169
Staff loans (of which 96,840; 2001 - RM120,371 to directors)	167,477	161,878
Other loans	481,834	4,214
	17,711,408	15,234,001
Unearned interest and income	(33,913)	(21,690)
	17,677,495	15,212,311
Gross loans, advances and financing	17,677,495	15,212,311
Allowance for bad and doubtful debts and financing		
- General	(261,933)	(225,507)
- Specific	(214,528)	(194,968)
Interest-in-suspense/income-in-suspense	(85,759)	(71,279)
	17,115,275	14,720,557

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
Maturing within one year	9,020,225	8,157,956
One year to three years	279,687	540,574
Three years to five years	773,447	276,019
Over five years	7,604,136	6,237,762
	17,677,495	15,212,311

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
Agriculture	64,731	141,795
Mining and quarrying	487	200
Manufacturing	2,128,020	2,125,842
Construction	137,263	137,190
Real estate	92,218	121,895
Purchase of landed property		
- Residential	8,595,316	7,038,958
- Non-residential	786,678	894,007
General commerce	781,621	655,064
Transport, storage and communication	498,076	102,373
Finance, insurance and business services	569,803	586,407
Purchase of securities	192,330	179,683
Electricity/Gas & Water	324,392	125,150
Consumption credit	3,477,900	3,075,355
Others	28,660	28,392
	17,677,495	15,212,311

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
Balance at 1 January	617,011	502,801
Non-performing during the year	449,861	427,854
Less: Recoveries	(223,075)	(126,646)
Amount written off/reclassified	(214,357)	(186,998)
Balance at 31 December	629,440	617,011
Percentage of net non-performing loans to total loans (net of specific provision and interest-in-suspense)	1.89%	2.35%

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
<u>General allowance</u>		
Balance at 1 January	225,507	194,248
Allowance made during the year	36,426	31,259
Balance at 31 December	261,933	225,507
Percentage of allowance to total loans (net of specific allowance and interest-in-suspense)	1.51%	1.50%
<u>Specific allowance</u>		
Balance at 1 January	194,968	134,146
Allowance made during the year	108,819	120,475
Amount written back in respect of recoveries	(30,585)	(24,308)
Amount written off	(58,674)	(35,345)
Balance at 31 December	214,528	194,968
<u>Interest-in-suspense/income-in-suspense</u>		
Balance at 1 January	71,279	51,011
Interest/Income suspended during the year	51,825	53,244
Amount written back in respect of recoveries	(18,118)	(19,460)
Amount written off	(19,227)	(13,516)
Balance at 31 December	85,759	71,279

8. OTHER ASSETS

	Group		Bank	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Foreclosed properties	507	-	507	-
Other debtors, deposits and prepayments	299,057	266,498	299,057	266,498
Amount due from subsidiary companies	20	20	-	-
	299,584	266,518	299,564	266,498

9. 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.

10. INVESTMENT IN SUBSIDIARY COMPANIES

	Group and Bank	
	2002 RM'000	2001 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	
			2002	2001
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.

11. PROPERTY, PLANT AND EQUIPMENT

Group and Bank	Building on leasehold land RM'000	Installations RM'000	Furniture and equipment RM'000	Total RM'000
Cost/Valuation				
At 1 January 2001	1,702	67,712	175,967	245,381
Reclassification	-	9,455	(9,455)	-
Additions	-	946	15,222	16,168
Disposals	-	(45)	(7,040)	(7,085)
Write-off	-	(1,312)	(4,538)	(5,850)
At 31 December 2002	1,702	76,756	170,156	248,614
Accumulated Depreciation				
At 1 January 2002	545	6,250	86,686	93,481
Reclassification	-	5,175	(5,175)	-
Charge for the year	34	9,136	27,849	37,019
Disposals	-	(8)	(4,597)	(4,605)
Write-off	-	(1,250)	(4,107)	(5,357)
At 31 December 2002	579	19,303	100,656	120,538
Net book value				
At 31 December 2002	1,123	57,453	69,500	128,076
At 31 December 2001	1,157	61,462	89,281	151,900
Depreciation charge for the year ended 31 December 2001	34	7,392	24,387	31,813

12. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2002	2001
	RM'000	RM'000
Demand deposits	2,672,177	2,606,714
Savings deposits	781,807	771,676
Fixed deposits	9,606,554	9,745,580
Negotiable instruments of deposit	1,177,350	665,000
Others		
- cash collateral	6,290	3,916
- placements	1,078,123	920,923
	15,322,301	14,713,809

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
Due within six months	7,315,479	7,603,304
Six months to one year	2,681,891	2,315,775
One year to three years	409,666	296,473
Three years to five years	65,518	28
Over five years	311,350	195,000
	10,783,904	10,410,580

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
Business enterprises	4,270,879	3,494,465
Individuals	8,852,625	8,881,092
Others	2,198,797	2,338,252
	15,322,301	14,713,809

13. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2002	2001
	RM'000	RM'000
Licensed banks	307,323	1,677,185
Licensed finance companies	3,040	47,650
Other financial institutions	72,015	79,800
	382,378	1,804,635

14. OTHER LIABILITIES

	Group and Bank	
	2002	2001
	RM'000	RM'000
Provision for retirement benefits	8,967	4,750
Taxation	72,477	119,039
Deferred taxation (Note 25)	15,000	15,000
Other liabilities	786,938	743,463
Inter company balances	96,328	339,360
	979,710	1,221,612

15. SHARE CAPITAL

	Group and Bank	
	2002	2001
	RM'000	RM'000
Ordinary shares of RM1.00 each Authorised	500,000	500,000
	121,697	121,697

16. RESERVES

	Group and Bank	
	2002	2001
	RM'000	RM'000
Share premium	380,303	380,303
Statutory reserve	121,697	121,697
Retained profits	938,404	735,501
	1,440,404	1,237,501

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.

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 frank the payment of dividends out of all its retained profits as at 31 December 2002.

17. INTEREST INCOME

	Group and Bank	
	2002	2001
	RM'000	RM'000
Loans and advances	1,157,690	916,986
Money at call and deposit placements with financial institutions	141,988	135,429
Dealing securities	30,668	24,169
Investment securities and others	90,283	57,703
	<hr/>	<hr/>
	1,420,629	1,134,287
Accretion of discounts less amortization of premium	(6,975)	27,019
Net interest suspended	(33,707)	(33,784)
	<hr/>	<hr/>
	1,379,947	1,127,522
	<hr/>	<hr/>

18. INTEREST EXPENSE

	Group and Bank	
	2002	2001
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	73,442	50,002
Deposits from other customers	471,815	432,772
Others	83,587	32,344
	<hr/>	<hr/>
	628,844	515,118
	<hr/>	<hr/>

19. NON-INTEREST INCOME

	Group and Bank	
	2002	2001
	RM'000	RM'000
Fee income:		
Commission	88,010	49,096
Service charges and fees	15,369	14,448
Guarantee fees	9,835	7,185
Other fee income	153,429	169,631
	<hr/>	<hr/>
	266,643	240,360
	<hr/>	<hr/>
Investment income:		
Net profit from dealing securities	13,345	16,755
Gain from sale of investment securities	7,259	67,375
Gross dividends from unquoted investment securities	18	63
Allowance for diminution in value of dealing securities	(31)	(800)
	<hr/>	<hr/>
	20,591	83,393
	<hr/>	<hr/>
Other income:		
Foreign exchange profit and other income	96,920	101,107
Gain on disposal of property, plant and equipment	256	306
	<hr/>	<hr/>
	97,176	101,413
	<hr/>	<hr/>
	384,410	425,166
	<hr/>	<hr/>

20. OVERHEAD EXPENSES

	Group and Bank	
	2002	2001
	RM'000	RM'000
Personnel costs	179,624	179,584
Establishment costs	70,478	62,963
Marketing expenses	62,940	44,458
Administration and general expenses	203,625	144,666
	516,667	431,671

The above expenditure includes the following statutory disclosures:-

Directors' remuneration (Note 23)	4,681	3,961
Rental of premises	18,163	17,642
Hire of equipment	2,751	3,486
Auditors' remuneration	108	102
Depreciation of property, plant and equipment	37,019	31,813
Loss/(Gain) on disposal of property, plant and equipment	80	(306)
Property, plant and equipment written off	493	1,245

The number of persons employed by the Group and the Bank (including Directors) as at year end was 1,457 (2001 - 1,503).

21. LOAN AND FINANCING LOSS AND ALLOWANCE

	Group and Bank	
	2002	2001
	RM'000	RM'000
Allowance for bad and doubtful debts and financing:-		
- specific allowance (net of recoveries)	78,234	96,167
- general allowance	36,426	31,259
	114,660	127,426

22. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

	Group and Bank	
	2002	2001
	RM'000	RM'000
Bank Income		
Interest on interest bearing deposits	81,554	37,263
Interest on current accounts	1,353	1,071
Other fee income	15,299	4,117
	98,206	42,451
Expenditure		
Interest on interest bearing deposits	53,840	28,806
Interest on current accounts	350	19
Other operating expenses	56,679	37,840
	110,869	66,665

	Group and Bank	
	2002	2001
	RM'000	RM'000
Amount due from related companies		
Interest bearing deposits	3,728,206	1,906,927
Current account balances	77,357	111,863
Other balances	369,356	40,117
	4,174,919	2,058,907
Amount due to related companies		
Interest bearing deposits	3,687,173	2,186,119
Current account balances	176,955	137,969
Other balances	407,119	74,179
	4,271,247	2,398,267

23. DIRECTORS' REMUNERATION

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
Executive Directors		
- Salary and other remuneration	1,566	1,610
- Bonuses	2,474	1,990
- Benefits-in-kind	504	211
	4,544	3,811
Non Executive Directors		
- Fees	137	150

The remuneration attributable to the Chief Executive Officer of the Bank, including benefit-in-kind during the year amounted to RM2,359,000 (2001:RM2,011,000)

24. TAXATION

	Group and Bank	
	2002	2001
	RM'000	RM'000
Current year tax expense	174,734	168,386

The Group and Bank's effective tax rate is higher than the prima facie tax rate as certain expenses are not deductible for tax purposes.

25. DEFERRED TAXATION

	Group and Bank	
	2002	2001
	RM'000	RM'000
Balance at 1 January/31December	15,000	15,000

The deferred tax liability is in respect of timing differences between depreciation and corresponding capital allowances on property, plant and equipment.

26. EARNINGS PER SHARE

The earnings per ordinary share have been calculated based on the net profit after taxation of RM341,158,000 (2001 - RM320,820,000) and on the number of 121,696,972 ordinary shares of RM1 each in issue during the year.

27. 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			
	2002		2001	
	Principal amount	Credit equivalent amount	Principal amount	Credit equivalent amount
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	1,097,418	1,097,418	1,009,625	1,009,625
Certain transaction-related contingent items	601,936	300,968	694,403	347,202
Short-term self-liquidating trade-related contingencies	418,190	83,638	170,632	34,126
Forward assets purchased	75,000	75,000	785,000	785,000
Irrevocable commitments to extend credit:-				
- maturity exceeding one year	2,135,840	1,067,920	2,011,544	1,005,772
- maturity not exceeding one year	15,961,438	-	15,153,250	-
Foreign exchange related contracts				
- less than one year	13,608,227	191,853	14,850,779	226,061
- one year to less than five years	585,082	36,012	503,763	49,994
Interest rate related contracts				
- less than one year	8,691,968	15,341	1,619,000	13,256
- more than one year but less than five years	18,211,854	348,562	4,741,640	87,449
- more than five years	2,194,442	146,703	-	-
Other commitments and contingencies	393,834	-	1,267,958	-
	63,975,229	3,363,415	42,807,594	3,558,485

	Group and Bank			
	← 2002 →		← 2001 →	
	Contract amount	Credit equivalent amount	Contract amount	Credit equivalent amount
	RM'000	RM'000	RM'000	RM'000
Foreign exchange related contracts				
- Forward contracts	11,638,457	166,545	11,592,000	169,823
- Cross currency interest rate swaps	553,696	31,280	941,668	63,754
- Options purchased	1,000,578	15,020	1,410,437	21,239
- Options sold	1,000,578	15,020	1,410,437	21,239
	14,193,309	227,865	15,354,542	276,055
Interest rate contracts				
- Futures	2,776,200	30,279	2,266,000	34,916
- Swaps	26,322,064	480,327	4,094,640	65,789
	29,098,264	510,606	6,360,640	100,705

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 2002, the notional amount of contracts which were not hedged and, hence, exposed to market risk was RM29,001,974,000 (2001 - RM7,212,908,000).

Credit Risk

Credit risk arises from the possibility that a counter party may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of 31 December 2002, the amounts of credit risk, measured in term of the cost to replace the profitable contracts was RM478,346,000 (2001 - RM178,509,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

The reporting institution is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the reporting institution's exposure to interest rate risk. The assets and liabilities at carrying amount are categorised by the earlier contractual repricing or maturity dates.

Interest/profit rate risk

As at 31/12/2002	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non interest sensitive	Total	Effective interest rate %
	← RM'000 →								
ASSETS									
Cash and short term funds	2,151,900	-	-	-	-	-	36,466	2,188,366	2.07
Deposits and placements with financial institutions	-	-	-	-	-	-	33,890	33,890	-
Dealing securities	272,698	60,143	49,371	14,626	85,724	-	(31)	482,531	2.98
Investment securities	10,002	6,859	40,631	314,352	1,576,310	-	25,134	1,973,288	4.55
Loans, advances and financing									
- performing	11,003,603	607,050	220,148	721,097	2,045,388	598,620	1,289,929	16,485,835	7.58
- non performing	-	-	-	-	-	-	629,440	629,440	-
Other assets	-	-	-	-	-	-	299,564	299,564	-
Statutory deposits with BNM	-	-	-	-	-	-	433,402	433,402	-
Investment in subsidiary companies	-	-	-	-	-	-	20	20	-
Property, plant and equipment	-	-	-	-	-	-	128,076	128,076	-
Total assets	13,438,203	674,052	310,150	1,050,075	3,707,422	598,620	2,875,890	22,654,412	
LIABILITIES									
Deposit from customers	5,806,430	1,939,283	1,588,336	2,686,772	416,770	361,350	2,523,360	15,322,301	3.21
Deposits and placements of banks and other financial institutions	354,999	20,000	-	-	-	-	7,379	382,378	1.92
Obligations on securities sold under repurchase agreements	1,265,785	45,850	42,000	70,500	-	-	4,000	1,428,135	2.55
Bills and acceptances payable	-	-	-	-	-	-	402,252	402,252	-
Recourse obligations on loans sold to Cagamas	-	840,035	-	-	1,600,500	-	-	2,440,535	5.37
Other liabilities	555,698	670,638	(105,695)	819,470	(1,981,144)	-	1,020,743	979,710	4.19
Total liabilities	7,982,912	3,515,806	1,524,641	3,576,742	36,126	361,350	3,957,734	20,955,311	
Shareholders' equity	-	-	-	-	-	-	1,699,101	1,699,101	
Total liabilities and shareholder's equity	7,982,912	3,515,806	1,524,641	3,576,742	36,126	361,350	5,658,090	22,654,412	
On balance sheet interest sensitivity gap	5,455,291	(2,841,754)	(1,214,491)	(2,526,667)	3,671,296	237,270	(2,782,200)		
Off balance sheet interest sensitivity gap	1,359,000	(531,000)	(409,000)	(443,000)	(387,000)	266,000	-		
Total interest sensitivity gap	6,814,291	(3,372,754)	(1,623,491)	(2,969,667)	3,284,296	503,270	(2,782,200)		

Comparative information for the prior year has not been presented as allowed under paragraph 109 of MASB 24.

28. 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	
2003	18,761	
2004	18,575	
2005	18,099	

29. CAPITAL COMMITMENTS

	Group and Bank	
	2002	2001
	RM'000	RM'000
Capital expenditure:-		
Authorised and contracted for	17,254	6,481
Authorised but not contracted for	1,360	-
	18,614	6,481

30. CAPITAL ADEQUACY

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

	Bank	
	2002	2001
	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	1,197,101	1,074,198
Total Tier 1 capital	1,699,101	1,576,198
<u>Tier 2 capital</u>		
General allowance for bad and doubtful debts	261,933	225,507
Total capital	1,961,034	1,801,705
Less: Investment in subsidiary companies	(20)	(20)
Capital base	1,961,014	1,801,685

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

	Bank	
	2002	2001
	RM'000	RM'000
0% Risk Weightage	3,455,784	5,109,602
10% Risk Weightage	520,160	717,418
20% Risk Weightage	5,208,308	3,530,705
50% Risk Weightage	9,993,448	8,179,662
100% Risk Weightage	11,273,855	10,212,716
Total risk weighted assets	30,451,555	27,750,103
Core capital ratio	9.79%	10.45%
Risk weighted capital ratio	11.29%	11.95%

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There are no reportable significant events for the financial year.

32. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The guidelines and policies adopted by the Group and the Bank to manage the following risks that arise in the conduct of the Group and Bank's business activities are as follows:

(a) Operational risk

Operational risk losses would result from inadequate or failed internal processes, people and systems. These risks are managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management and the Board of Directors.

The operational risk management processes include appropriate documentation of processes and procedures. Back-up procedures, regular contingency planning, self-compliance audit and internal audits also form an integral part of the operational risk management process.

(b) Credit risk

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligation. Exposure to credit risk arises primarily from lending, trade finance and treasury activities.

The credit risk management processes include managing and enhancing asset quality through stringent monitoring of credit portfolio risk through setting and reviewing concentration limits according to various categories such as customer, industry segment, and product types.

(c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market processes or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

(i) Foreign Currency Exchange Risk

The Group and Bank manage the exposure to foreign currency rate movements outside of their trading activities by modifying the asset and liability mix, either directly or through the use of derivative financial products including cross currency interest rate swaps, foreign exchange contracts, including forwards as well as options contracts.

(ii) Interest rate risk

The Group and Bank manage the potential earnings effect of interest rate movements by managing the asset and liability mix, either directly or through the use of derivative financial products. These include interest rate swaps and other derivative instruments that are designated and effective as hedges. The utilization of derivatives is managed in response to changing market conditions as well as changes in the characteristics and mix of the related assets and liabilities.

The bank's primary non-trading interest rate risk exposure is to movements in the Malaysian Ringgit and U.S Dollar interest rates.

(d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they are due at a reasonable cost.

Liquidity risk is controlled through the Bank Negara Malaysia New Liquidity Framework and the Bank's internal liquidity risk management policy.

In addition, liquidity contingency funding plan is also established to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risk that may arise due to unforeseen adverse changes in the market place.

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Recognised financial instruments

The following table summarises the fair values of the financial assets and liabilities carried on the Group and Bank's balance sheets as at 31 December.

Group and Bank	Carrying Value	Fair Value
	2002	2002
	RM'000	RM'000
Financial assets		
Cash and short term funds	2,188,366	2,188,366
Deposits and placements with financial institutions	33,890	33,890
Dealing securities	482,531	482,531
Investment securities	1,973,288	1,980,784
Loans, advances and financing	17,115,275	17,504,316
		<hr/>
Financial liabilities		
Deposits from customers	15,322,301	15,363,999
Deposits and placements of banks and other financial institutions	382,378	382,378
Obligations on securities sold under repurchase agreements	1,428,135	1,428,135
Bills and acceptances payable	402,252	402,252
Other liabilities	979,710	973,605
Recourse obligation on loans sold to Cagamas	2,440,535	2,432,969
		<hr/>

Comparative information for the prior year has not been presented as allowed under paragraph 109 of MASB 24.

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

- (a) *Cash and short term funds* - The carrying amounts are a reasonable estimate of the fair values because of their short-term nature.
- (b) *Deposits and placements with Financial Institutions* - The fair values of deposits and placements with remaining maturities less than one year are estimated to approximate their carrying values. For deposits and placements with maturities of more than one year, the fair values are estimated based on discounted cash flows using the prevailing market rates of similar remaining maturities.
- (c) *Dealing and Investment Securities* - The estimated fair value is based on quoted market prices at the balance sheet date. For unquoted investment, the carrying value of the investments are a reasonable estimate of the fair value of the investments.
- (d) *Loans, Advances and Financing* - The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual installment payments and discounted at prevailing rates at balance sheet date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of non-performing loans, the fair values are deemed to approximate the carrying values, net of interest-in-suspense and specific allowance for bad and doubtful debts and financing. General allowance are excluded from the carrying value.
- (e) *Deposits from customers and Deposits and Placements of Banks and Other Financial Institutions* - The fair values for deposit liabilities payable on demand (demand and savings deposits) or with remaining maturities of less than one year are estimated to approximate their carrying values at balance sheet date. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The fair values of Islamic deposits are deemed to approximate their carrying values as at balance sheet date as the profit rates are determined at the end of their holding periods based on the profit generated from the assets invested. For negotiable instrument of deposits, the estimated fair values are based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair values of negotiable instrument of deposits are estimated using discounted cash flow technique.
- (f) *Obligations on Securities Sold under Repurchase Agreements and Bills and Acceptances Payable* - The carrying amounts are a reasonable estimate of their fair values because of their short-term nature.
- (g) *Recourse Obligation on Loans Sold to Cagamas* - The fair values for recourse obligation on housing loans sold to Cagamas are determined based on the discounted cash flows of future installments payments at prevailing Cagamas rates as at balance sheet date.
- (h) The fair values of other assets, other liabilities and unrealised mark-to-market gain or loss of the derivative contracts are assumed to approximate their carrying value due to the short term nature of these financial instruments or the fact that they are derived by using the market rates at balance sheet date.

Unrecognised financial instruments

The off-balance sheet financial instruments not recognised in the balance sheet are either being reflected at their current market rates at balance sheet date or having its fair value approximate carrying value due to their short tenor.

34. THE OPERATION OF ISLAMIC BANKING

Balance sheets at 31 December 2002

		Group and Bank	
		2002	2001
	Note	RM'000	RM'000
ASSETS			
Cash and short term funds	(a)	945	1,850
Loans, advances and financing	(b)	148,452	196,494
Other assets		18,472	27,351
TOTAL ASSETS		167,869	225,695
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits and placements of banks and other financial institutions	(c)	122,946	186,785
Other liabilities	(d)	1,913	4,417
Total liabilities		124,859	191,202
Islamic Banking Fund	(e)	43,010	34,493
TOTAL LIABILITIES AND ISLAMIC BANKING FUND		167,869	225,695

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

Income statements for the year ended 31 December 2002

	Note	Group and Bank	
		2002 RM'000	2001 RM'000
Income	(f)	10,451	10,733
Loans and financing loss and provision	(g)	144	(259)
Transfer to profit equalisation reserve		(890)	-
Net income		9,705	10,474
Overhead expenses	(h)	(1,188)	(1,414)
Profit before and after taxation		8,517	9,060
Retained profit brought forward		14,493	5,433
Retained profit carried forward		23,010	14,493

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

(a) Cash and short term funds

	Group and Bank	
	2002 RM'000	2001 RM'000
Cash and balances with banks and other financial institutions	945	1,850

(b) Loans, advances and financing

	Group and Bank	
	2002 RM'000	2001 RM'000
Other financing	165,525	220,565
Unearned income	(14,812)	(21,086)
Gross loans, advances and financing	150,713	199,479
Allowance for bad and doubtful debts and financing - general	(2,261)	(2,985)
Net loans, advances and financing	148,452	196,494

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

	Group and Bank	
	2002 RM'000	2001 RM'000
Al-Ijarah	150,713	199,479

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
Maturing within one year	14,881	41,077
One year to three years	84,292	111,874
Three years to five years	51,540	46,528
	150,713	199,479

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
Manufacturing	79,779	87,374
Transport	57,199	65,622
General commerce	5,778	7,565
Construction	2,661	8,260
Finance, insurance and business services	4,072	29,198
Others	1,172	1,460
Electricity, Gas & Water	52	-
	150,713	199,479

(c) Deposits and placements of banks and other financial institutions

	Group and Bank	
	2002	2001
	RM'000	RM'000
Licensed banks	122,946	186,785

(d) Other liabilities

	Group and Bank	
	2002	2001
	RM'000	RM'000
Profit Equalisation Reserve	890	-
Other liabilities	1,023	4,417
	1,913	4,417

(e) Islamic banking fund

	Group and Bank	
	2002	2001
	RM'000	RM'000
Funds allocated	20,000	20,000
Retained profit	23,010	14,493
	43,010	34,493

(f) Income from Islamic banking

	Group and Bank	
	2002	2001
	RM'000	RM'000
Income derived from funds allocated	15,853	17,536
Income attributable to depositors, banks and financial institutions	(5,402)	(6,803)
	10,451	10,733
Details of the income derived from funds allocated are as follows:-		
Income from financing	15,853	17,536

(g) Loan and financial loss and provision

	Group and Bank	
	2002	2001
	RM'000	RM'000
Allowance for bad and doubtful debts		
- specific	580	-
- general (net of write backs)	(724)	259
	(144)	259

(h) Overhead expenses

	Group and Bank	
	2002	2001
	RM'000	RM'000
Personnel costs	1,089	1,244
Administration and general expenses	99	170
	1,188	1,414

(i) **Capital adequacy**

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
<u>Tier 1 capital</u>		
Islamic banking fund		
Retained profit	20,000	20,000
Other reserves	23,010	14,493
	<hr/>	
Total Tier 1 capital	43,010	34,493
	<hr/>	
<u>Tier 2 capital</u>		
General allowance for bad and doubtful debts	2,261	2,985
	<hr/>	
Total capital	45,271	37,478

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

	Bank	
	2002	2001
	RM'000	RM'000
0% Risk Weightage	945	1,850
100% Risk Weightage	166,924	223,845
	<hr/>	
Total risk weighted assets	167,869	225,695
	<hr/>	
Core capital ratio	25.77%	15.41%
Risk weighted capital ratio	27.12%	16.74%

Report of the Auditors to the Members of Citibank Berhad

We have audited the financial statements set out above. The preparation of the financial statements is the responsibility of the Bank's Directors. Our responsibility is to express an opinion on the financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit 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 financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements 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 2002 and the results of their operations and cash flows 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 financial statements 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 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 financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements 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

Firm Number: AF 0758

Chartered Accountants

Siew Chin Kiang @ Seow Chin Kiang

Partner

Approval Number: 2012/11/04(J)

Kuala Lumpur,

Date: 27 February 2003

