

Citibank Berhad

Financial Results 2003



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Citibank Berhad (297089 M)
and its subsidiary companies

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Balance Sheet at 31 December 2003

	Note	Group		Bank	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Assets					
Cash and short term funds	3	1,691,680	2,188,366	1,691,680	2,188,366
Deposits and placements with financial institutions	4	-	33,890	-	33,890
Dealing securities	5	720,337	482,531	720,337	482,531
Investment securities	6	3,789,676	1,973,288	3,789,676	1,973,288
Loans, advances and financing	7	18,985,335	17,115,275	18,985,335	17,115,275
Other assets	8	1,072,664	299,584	1,072,644	299,564
Statutory deposits with Bank Negara Malaysia	9	459,109	433,402	459,109	433,402
Investment in subsidiary companies	10	-	-	20	20
Fixed Assets	11	109,644	128,076	109,644	128,076
Deferred tax assets	12	57,900	41,163	57,900	41,163
Total assets		26,886,345	22,695,575	26,886,345	22,695,575
Liabilities and shareholders' funds					
Deposits from customers	13	19,661,373	15,322,301	19,661,373	15,322,301
Deposits and placements of banks and other financial institutions	14	64,229	382,378	64,229	382,378
Obligations on securities sold under repurchase agreements		1,538,088	1,428,135	1,538,088	1,428,135
Bills and acceptances payable		165,827	402,252	165,827	402,252
Recourse obligations on loans sold to Cagamas		2,514,286	2,440,535	2,514,286	2,440,535
Other liabilities	15	989,250	964,710	989,250	964,710
Total liabilities		24,933,053	20,940,311	24,933,053	20,940,311
Share capital	16	121,697	121,697	121,697	121,697
Reserves	17	1,761,595	1,496,567	1,761,595	1,496,567
Proposed dividend		70,000	137,000	70,000	137,000
Shareholders' funds		1,953,292	1,755,264	1,953,292	1,755,264
Total liabilities and shareholders' funds		26,886,345	22,695,575	26,886,345	22,695,575
Commitments and contingencies	28	74,084,673	63,975,229	74,084,673	63,975,229

The financial statements were approved and authorised for issue by the Board of Directors on March 4, 2004.

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

Profit and Loss Account of the Group and Bank for the financial year ended 31 December 2003

	Note	Group and Bank	
		2003 RM'000	2002 RM'000
Revenue	2(c)	1,852,904	1,780,210
Interest income	19	1,513,834	1,379,947
Interest expense	20	(658,714)	(628,844)
Net interest income		855,120	751,103
Net Islamic Banking Operation Income		7,974	10,451
Non-interest income	21	328,203	384,410
Operating Income		1,191,297	1,145,964
Staff Cost and Overheads	22	(542,122)	(516,667)
Profit Before Provision		649,175	629,297
Loan and financing loss and provision	23	(145,252)	(114,660)
Profit before taxation		503,923	514,637
Taxation	26	(168,895)	(160,130)
Profit after taxation and attributable to shareholders		335,028	354,507
Earnings per share – Basic (sen)	27	276	291
Dividends per share (sen)			
• gross		80	156
• net		50	113

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

Statement Of Changes In Equity For The Year Ended 31 December 2003

Group and Bank

	Non- Distributable				Distributable		Proposed Dividend RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Total Reserve RM'000		
At 1 January 2002	121,697	380,303	121,697	-	735,501	1,237,501	217,000	1,576,198
Effect of adopting MASB 25	-	-	-	-	41,559	41,559	-	41,559
Restated balance	121,697	380,303	121,697	-	777,060	1,279,060	217,000	1,617,757
Profit after taxation	-	-	-	-	354,507	354,507	-	354,507
Dividend paid – final 2001	-	-	-	-	-	-	(217,000)	(217,000)
Dividend paid – final 2002	-	-	-	-	(137,000)	(137,000)	137,000	-
At 31 December 2002	121,697	380,303	121,697	-	994,567	1,496,567	137,000	1,755,264
At 1 January 2003	121,697	380,303	121,697	-	994,567	1,496,567	137,000	1,755,264
Profit after taxation	-	-	-	-	335,028	335,028	-	335,028
Dividend paid – final 2002	-	-	-	-	-	-	(137,000)	(137,000)
Proposed dividend – final 2003	-	-	-	-	(70,000)	(70,000)	70,000	-
At 31 December 2003	121,697	380,303	121,697	-	1,259,595	1,761,595	70,000	1,953,292

(Note 16)

(Note 17)

(Note 17)

(Note 17)

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

Consolidated Cash Flow Statement for the year ended 31 December 2003

	Group and Bank	
	2003 RM'000	2002 RM'000
Cash flows from operating activities		
Profit before taxation	503,923	514,637
Adjustments for:		
Amortisation of premium less accretion of discount of investment securities	(2,159)	6,975
Allowance for bad and doubtful debts (net of write-backs)		
• specific	119,877	78,234
• general	26,365	36,426
Allowance for interest in suspense (net of write-backs)	27,444	33,707
Depreciation	37,261	37,019
Dividends from investment securities	(18)	(18)
(Reversal)/Allowance for diminution in value of dealing securities	37	(769)
Gain from disposal of investment securities	(2,031)	(7,259)
(Gain)/Loss on disposal of property, plant and equipment	(212)	80
Property, plant and equipment written-off	692	493
Operating profit before working capital changes	711,179	699,525
Changes in working capital:		
Deposits and placements with financial institutions	33,890	673,395
Dealing securities	(237,806)	1,045,259
Loans, advances and financing	(2,043,746)	(2,543,085)
Other assets	(773,080)	(33,066)
Statutory deposits with Bank Negara Malaysia	(25,707)	(28,181)
Deposits from customers	4,339,072	608,492
Deposits and placements of banks and other financial institutions	(318,149)	(1,422,257)
Obligations on securities sold under repurchase agreements	109,953	142,519
Other liabilities	(20,310)	(195,340)
Bills and acceptance payable	(236,425)	82,422
Recourse obligations on loans sold to Cagamas	73,751	687,602
Cash generated/(used in) from operations	1,612,622	(282,715)
Income taxes paid	(140,782)	(221,296)
Net cash generated/(used in) operating activities	1,471,840	(504,011)
Cash flows from investing activities		
Dividends from investment securities	18	18
Purchase of property, plant and equipment	(23,058)	(16,168)
Proceeds from disposal of property, plant and equipment	3,325	2,400
Purchase of investment securities	(2,015,857)	(1,809,807)
Proceeds from disposal of investment securities	190,066	1,919,979
Proceeds from disposal of quoted securities	13,980	802
Net cash (used in)/generated from investing activities	(1,831,526)	97,224
Cash flows from financing activity		
Dividend paid	(137,000)	(217,000)
Net cash used in financing activity	(137,000)	(217,000)
Net decrease in cash and cash equivalents	(496,686)	(623,787)
Cash and cash equivalents at beginning of year	2,188,366	2,812,153
Cash and cash equivalents at end of year	1,691,680	2,188,366
Analysis of cash and cash equivalents		
Cash and short-term funds	1,691,680	2,188,366

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

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 Bank Negara Malaysia Guidelines 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 are adopted by the Bank and the Group and are consistent with those adopted in previous years except for the adoption of the following new Malaysian Accounting Standards ("MASB") which become effective in the year.

- i. MASB 25 on Income Taxes
- ii. MASB i – 1 on Presentation of Financial Statements of Islamic Financial Institutions and
- iii. MASB 29 on Employee Benefits

Apart from the extended disclosures required by the new standards, the effects of adopting MASB 25 are disclosed in Note 35 to these financial statements.

a. Accounting Convention

The financial statements of the Bank and of the Group are prepared under the historical cost convention, unless otherwise indicated.

b. 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.

c. Revenue

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

d. 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.

e. 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.

f. 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.

The Bank's allowance for non-performing debts and financing is in conformity with the requirements of Bank Negara Malaysia's "Guidelines on the suspension of Interest on Non-Performing Loans and Provision for Bad and Doubtful Debts, BNM/GP3".

g. 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.

h. 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.

i. 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.

j. Cash and Cash Equivalents

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

k. 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.

l. 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%
Installations	7.0%	-	12.5%
Furniture and equipment		10.0%	- 50.0%

m. 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.

n. Bills and Acceptances Payable

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

o. 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.

p. 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.

q. 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:

	2003 RM	2002 RM
1 USD	3.8000	3.8000
1 AUD	2.8532	2.1521
1 DGL	2.1741	1.8052
1 SGD	2.2344	2.1883
100 YEN	3.5516	3.1997
1 GBP	6.7650	6.0969
1 EUR	4.7910	3.9780

r. Income Tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner or realisation of settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

s. 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 28 October 2003.

t. 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.

u. 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.

v. 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

w. 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.

x. 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	
	2003 RM'000	2002 RM'000
Cash and balances with banks and other financial institutions	39,980	70,355
Money at call and deposit placements maturing within one month	1,651,700	2,118,011
	1,691,680	2,188,366

4. Deposits and placements with financial institutions

	Group and Bank	
	2003 RM'000	2002 RM'000
Licensed banks	-	33,890

5. Dealing securities

	Group and Bank	
	2003 RM'000	2002 RM'000
Money market instruments:		
Malaysian Government Treasury Bills	-	15,060
Malaysian Government Loan Stock	4,681	3,752
Bank Negara Malaysia Bills	288,549	341,931
Cagamas Notes and Bonds	154,976	24,960
Khazanah Bonds	170,736	47,850
Danamodal Bonds	-	4,881
Danaharta Bonds	-	14,314
Private Debt Securities	101,463	29,814
	720,405	482,562
Less: Allowance for diminution in value	(68)	(31)
	720,337	482,531
Market value of quoted securities:		
Malaysian Government Treasury Bills	-	15,060
Malaysian Government Loan Stock	4,684	3,766
Bank Negara Malaysia Bills	288,631	341,917
Cagamas Notes and Bonds	155,010	24,961
Khazanah Bonds	171,313	47,845
Danamodal Bonds	-	4,882
Danaharta Bonds	-	14,316
Private Debt Securities	101,395	29,784
	721,033	482,531

6. Investment securities

	Group and Bank	
	2003 RM'000	2002 RM'000
Money market instruments:		
Malaysian Government Securities	395,100	445,635
Malaysian Government Treasury Bills	1,114,810	2,500
Cagamas Bonds	647,130	491,030
Danamodal Bonds	-	137,500
Khazanah Bonds	75,000	10,000
Private Debt Securities	695,200	610,000
Yankee Bonds/US Bonds	740,800	250,340
	3,668,040	1,947,005
Quoted securities in Malaysia:		
Bond, Equity and Warrants	4,242	17,595
Unquoted securities:		
Shares	7,499	7,539
	3,679,781	1,972,139
Net Amortisation of Premium	117,070	1,149
	3,796,851	1,973,288
Total Investment Securities	3,796,851	1,973,288
Less: Allowance for Diminution in value	(7,175)	-
Total Investment Securities	3,789,676	1,973,288
i. Market value of quoted & unquoted securities:		
Money market instruments:		
Malaysian Government Securities	411,903	469,434
Malaysia Government Treasury Bills	1,216,680	2,460
Cagamas Bonds	644,024	495,387
Danamodal Bonds	-	134,269
Khazanah Bonds	60,413	9,498
Private Debt Securities	670,917	593,970
Yankee Bonds/US Bonds	753,727	250,897
	3,757,664	1,955,915
Quoted securities in Malaysia:		
Bond, Equity and Warrants	11,541	17,330
	3,769,205	1,973,245
ii. The maturity structure of money market instruments held for investment are as follows:		
Maturity within one year	728,670	369,435
One year to three years	2,092,560	1,373,570
Three years to five years	831,810	204,000
More than five years	15,000	-
	3,668,040	1,947,005

7. Loans, advances and financing

	Group and Bank	
	2003 RM'000	2002 RM'000
Overdrafts	2,434,553	2,700,218
Term loans		
• Fixed Rate	1,705,135	1,715,828
• Floating Rate	9,471,773	8,351,729
Lease receivable	238,931	372,178
Credit cards receivables	2,925,079	2,639,165
Bills receivable	1,521,410	234,148
Trust receipts	1,091	64,531
Claims on customers under acceptance credits	1,094,525	984,300
Staff loans (of which NIL; 2002 – RM96,840 to directors)	147,379	167,477
Other loans	171,881	481,834
	19,711,757	17,711,408
Unearned interest and income	(33,002)	(33,913)
Gross loans, advances and financing	19,678,755	17,677,495
Allowance for bad and doubtful debts and financing		
• General	(288,298)	(261,933)
• Specific	(297,544)	(214,528)
Interest in suspense	(107,578)	(85,759)
Net loans, advances and financing	18,985,335	17,115,275
i. The maturity structure of gross loans, advances and financing are as follows:		
Maturing within one year	9,876,661	9,020,225
One year to three years	315,297	279,687
Three years to five years	707,444	773,447
Over five years	8,779,353	7,604,136
	19,678,755	17,677,495
ii. Loans, advances and financing according to economic sector are as follows:		
Agriculture	65,465	64,731
Mining and quarrying	3,753	487
Manufacturing	2,492,636	2,128,020
Construction	129,693	137,263
Real estate	56,297	92,218
Purchase of landed property		
• Residential	9,955,114	8,595,316
• Non-residential	673,420	786,678
General commerce	863,588	781,621
Transport, storage and communication	530,338	498,076
Finance, insurance and business services	598,541	569,803
Purchase of securities	241,571	192,330
Electricity / Gas & Water	369,240	324,392
Consumption credit	3,662,190	3,477,900
Others	36,909	28,660
	19,678,755	17,677,495

	Group and Bank	
	2003 RM'000	2002 RM'000
iii. Movements in the non-performing loans and financing (including interest and income receivable) are as follows:		
Balance at 1 January	629,440	617,011
Non-performing during the year	442,749	449,861
Less: Recoveries/reclassified as performing	(144,241)	(223,075)
Amount written off	(204,917)	(214,357)
Balance at 31 December	723,031	629,440
Percentage of net non-performing loans to total loans (net of specific provision and interest-in-suspense)	1.65%	1.89%
iv. Movements in the provision for bad and doubtful debts and financing and interest-in-suspense/income-in-suspense accounts are as follows:		
General allowance		
Balance at 1 January	261,933	225,507
Allowance made during the year	26,365	36,426
Balance at 31 December	288,298	261,933
Percentage of allowance to total loans (net of specific allowance and interest-in-suspense)	1.50%	1.51%
Specific allowance		
Balance at 1 January	214,528	194,968
Allowance made during the year	158,674	108,819
Amount written back in respect of recoveries	(39,787)	(30,585)
Amount written off	(35,871)	(58,674)
Balance at 31 December	297,544	214,528
Interest-in-suspense		
Balance at 1 January	85,759	71,279
Allowance made during the year	55,523	51,825
Amount written back in respect of recoveries	(28,079)	(18,118)
Amount written off	(5,625)	(19,227)
Balance at 31 December	107,578	85,759

8. Other assets

	Group		Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Foreclosed properties	534	507	534	507
Other debtors, deposits and prepayments	239,542	299,057	239,542	299,057
Inter company balances	832,588	20	832,568	-
	1,072,664	299,584	1,072,644	299,564

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

	Bank	
	2003 RM'000	2002 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	
			2003	2002
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 2003	1,702	76,756	170,156	248,614
Additions	-	5,873	17,185	23,058
Disposals	-	(1,081)	(6,448)	(7,529)
Write-off	-	(1,891)	(3,548)	(5,439)
At 31 December 2003	1,702	79,657	177,345	258,704
Accumulated Depreciation				
At 1 January 2003	579	19,303	100,656	120,538
Charge for the year	34	9,721	27,506	37,261
Disposals	-	(602)	(3,390)	(3,992)
Write-off	-	(1,794)	(2,953)	(4,747)
At 31 December 2003	613	26,628	121,819	149,060
Net book value				
At 31 December 2003	1,089	53,029	55,526	109,644
At 31 December 2002	1,123	57,453	69,500	128,076
Depreciation charge for the year ended 31 December 2002	34	9,136	27,849	37,019

12. Deferred Tax

	Group and Bank	
	2003 RM'000	2002 RM'000
The amounts, determined after appropriate offsetting are as follows:		
Deferred tax liabilities	(39,219)	(31,525)
Deferred tax assets	97,119	72,688
	57,900	41,163
Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities.		
The recognised deferred tax assets and liabilities (before offsetting) are as follows:		
Property, plant and equipment - capital allowances	(39,220)	(31,525)
Provisions	72,131	64,214
Unabsorbed capital allowances	24,989	8,474
	57,900	41,163

13. Deposits from customers

	Group and Bank	
	2003 RM'000	2002 RM'000
Demand deposits	3,688,554	2,672,177
Savings deposits	926,101	781,807
Fixed deposits	12,478,682	9,606,554
Negotiable instruments of deposit	763,600	1,177,350
Others		
• cash collateral	14,773	6,290
• placements	1,789,663	1,078,123
	19,661,373	15,322,301
i. Maturity structure of fixed deposits and negotiable instruments of deposit are as follow:		
Due within six months	9,576,963	7,315,479
Six months to one year	2,810,512	2,681,891
One year to three years	448,405	409,666
Three years to five years	131,552	65,518
Over five years	274,850	311,350
	13,242,282	10,783,904
ii. The deposits are sourced from the following types of customers:		
Business enterprises	8,399,777	4,270,879
Individuals	10,939,254	8,852,625
Others	322,342	2,198,797
	19,661,373	15,322,301

14. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2003 RM'000	2002 RM'000
Licensed banks	26,780	307,323
Licensed finance companies	-	3,040
Other financial institutions	37,449	72,015
	64,229	382,378

15. Other liabilities

	Group and Bank	
	2003 RM'000	2002 RM'000
Taxation	117,327	72,477
Other liabilities	864,443	786,938
Inter company balances	-	96,328
Provision for retirement benefits (Note 18)	7,480	8,967
	989,250	964,710

16. Share capital

	Group and Bank	
	2003 RM'000	2002 RM'000
Ordinary shares of RM1.00 each		
Authorised	500,000	500,000
Issued and fully paid	121,697	121,697

17. Reserves

	Group and Bank	
	2003 RM'000	2002 RM'000
Share premium	380,303	380,303
Statutory reserve	121,697	121,697
Retained profits	1,259,595	994,567
	1,761,595	1,496,567

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 2003.

18. Employees Benefit

	Group and Bank	
	2003 RM'000	2002 RM'000
The amounts recognised in the balance sheet are as follows:		
Present value of the obligation	32,445	40,317
Fair value of plan assets	(25,632)	(17,490)
Unfunded liabilities	6,813	22,827
Unrecognised actuarial gains/(losses)	2,921	(11,274)
Unrecognised prior service cost	(2,254)	(2,546)
Unrecognised net transition obligation	-	(40)
Liability recognised in balance sheet	7,480	8,967

The Group makes contributions to a fully funded defined benefit scheme for its employees. Contributions to the fund are made to a separately administered fund. Under the fund, eligible employees are entitled to one and a half month of the final/last drawn salary multiplied by the Plan Service not in excess of 40 upon attainment of the retirement age of 55. Employees who leave before the attainment of the retirement age, the retirement benefit will be computed based on the scale rate stipulated in the rules of the Fund.

	Group and Bank	
	2003 RM'000	2002 RM'000
The amount recognised in the income statements are as follows:		
Current service cost	2,476	3,848
Interest cost	1,719	2,404
Expected return on plan assets	(1,386)	(1,772)
Net actuarial (gain)/loss recognised in year	(5)	24
Prior service cost	293	293
Net transition obligation	39	198
Amount included under "personnel costs"	3,136	4,995
Movements in the net liability recognised in the balance sheet are as follows:		
Opening net liability as at 1 January	8,967	10,085
Recommended expenses as above	3,136	4,995
Net liability adjustment	1,664	(5,564)
Contributions paid	(5,872)	(380)
Benefit paid	(415)	(169)
Closing net liability as at 31 December	7,480	8,967

	Group and Bank	
	2003 RM'000	2002 RM'000
Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):		
Discount Rate	6.0%	6.0%
Rate of increase in salary levels	5.0%	5.0%
Expected long-term rate of return on plan assets	7.0%	7.0%

Share option plan

The Company has a number of stock option programs for its officers and employees. Options are granted on Citigroup common stock at the market value denominated in US dollar at the time of grant. Options granted in 2003 typically vest 33% each year for three years, with the first vesting date occurring 17 months after the grant date. The options granted in 2003 have a term of six years. In addition, the sale of underlying shares acquired through the exercise of options granted in 2003 is restricted for a two-year period from the exercise date.

	Group and Bank 2003
Outstanding at 1 January	983,594
Issued	114,800
Exercised	(137,106)
Outstanding at 31 December	961,288

Details of share options granted during the period:

Expiry date	12 Feb 2009
Grant price per ordinary share (RM)	121.79
Aggregate proceeds if shares are issued (RM'000)	13,981

Details of share options exercised during the period:

Expiry date	2006 – 2012
Exercise price per ordinary share (RM)	121.79
Aggregate issue proceeds (RM'000)	45,916
Fair value at date of vesting	83,466

Terms of the options outstanding at 31 December:

Expiry date	Exercise price	Number
1 January 2006	RM46.95 – RM56.08	57,899
1 January 2007	RM78.32	61,654
1 January 2008	RM83.28 – RM93.69	301,556
17 October 2010	RM157.49 – RM180.08	184,773
17 April 2011	RM166.39 – RM188.28	118,236
27 March 2012	RM136.11 – RM174.19	129,688
12 February 2009	RM121.79	107,482
		961,288

Comparative information for the prior year has not been presented as this is the first year of adoption of MASB 29.

19. Interest income

	Group and Bank	
	2003 RM'000	2002 RM'000
Loans and advances	1,267,067	1,157,690
Money at call and deposit placements with financial institutions	159,427	141,988
Dealing securities	20,495	30,668
Investment securities and others	92,130	90,283
	1,539,119	1,420,629
Accretion of discounts less amortization of premium	2,159	(6,975)
Net interest suspended	(27,444)	(33,707)
	1,513,834	1,379,947

20. Interest expense

	Group and Bank	
	2003 RM'000	2002 RM'000
Deposits and placements of banks and other financial institutions	71,885	73,442
Deposits from other customers	511,724	471,815
Others	75,105	83,587
	658,714	628,844

21. Non-interest income

	Group and Bank	
	2003 RM'000	2002 RM'000
Fee income:		
Commission	82,870	88,010
Service charges and fees	12,477	15,369
Guarantee fees	10,518	9,835
Other fee income	150,188	153,429
	256,053	266,643
Investment income:		
Net profit from dealing securities	5,724	13,345
Gain from sales of investment securities	2,031	7,259
Allowance for diminution in value of dealing & investment securities	(7,243)	(31)
Gross dividends from unquoted investment securities	18	18
	530	20,591
Other income:		
Foreign exchange profit and other income	71,408	96,920
Gain on disposal of property, plant and equipment	212	256
	71,620	97,176
	328,203	384,410

22. Overhead expenses

	Group and Bank	
	2003 RM'000	2002 RM'000
Personnel costs	195,234	179,624
Establishment costs	60,677	65,414
Marketing expenses	61,367	62,940
Administration and general expenses	224,844	208,689
	542,122	516,667
The above expenditure includes the following statutory disclosures:		
Directors' remuneration (Note 25)	4,866	4,681
Rental of premises	18,002	18,163
Hire of equipment	2,751	2,751
Auditors' remuneration	113	108
Depreciation of property, plant and equipment	37,261	37,019
Gain on disposal of property, plant and equipment	212	80
Property, plant and equipment written off	692	493

The number of persons employed by the Group and the Bank (including Directors) as at year end was 1,511 (2002 – 1,457).

23. Loan and financing loss and allowance

	Group and Bank	
	2003 RM'000	2002 RM'000
Allowance for bad and doubtful debts and financing:		
• specific provision (net of recoveries)	118,887	78,234
• general provision	26,365	36,426
	145,252	114,660

24. Significant related party transactions and balances

	Group and Bank	
	2003 RM'000	2002 RM'000
Bank Income		
Interest on interest bearing deposits	91,021	81,554
Interest on current accounts	89	1,353
Other fee income	13,575	15,299
	104,685	98,206
Expenditure		
Interest on interest bearing deposits	61,744	53,840
Interest on current accounts	215	350
Other operating expenses	79,223	56,679
	141,182	110,869

	Group and Bank	
	2003 RM'000	2002 RM'000
Amount due from related companies		
Interest bearing deposits	4,392,609	3,728,206
Current account balances	89,036	77,357
Other balances	385,430	369,356
	4,867,075	4,174,919
Amount due to related companies		
Interest bearing deposits	3,477,813	3,687,173
Current account balances	226,487	176,955
Other balances	330,207	407,119
	4,034,507	4,271,247

25. Directors' remuneration

	Group and Bank	
	2003 RM'000	2002 RM'000
Forms of remuneration in aggregate for all directors charged to the income statement for the year are as follows:		
Executive Directors		
• Salary and other remuneration	2,189	1,566
• Bonuses	1,879	2,474
• Benefits-in-kind	575	504
	4,643	4,544
Non Executive Directors		
• Fees	225	137

The remuneration attributable to the Chief Executive Officer of the Bank, including benefit-in-kind during the year amounted to RM2,047,000 (2002: RM2,359,000)

26. Taxation

	Group and Bank	
	2003 RM'000	2002 RM'000
Malaysian income tax	185,632	174,734
Deferred tax income		
Origination and reversal of temporary differences	(16,737)	(14,604)
	168,895	160,130
Reconciliation of effective tax rate		
Profit before taxation	503,923	514,637
Income tax using Malaysian tax rate	141,098	144,098
Non-deductible expenses	9,533	9,568
Other items	18,264	6,464
	168,895	160,130

27. Earnings per share

The earnings per ordinary share have been calculated based on the net profit after taxation of RM335,028,000 (2002 – RM354,507,000) 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.

	Group and Bank			
	2003		2002	
	Principal amount RM'000	Credit equivalent amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000
The commitments and contingencies constitute the following:				
Direct credit substitutes	1,445,784	1,445,784	1,097,418	1,097,418
Certain transaction-related contingent items	404,130	202,065	601,936	300,968
Short-term self-liquidating trade-related contingencies	361,646	72,329	418,190	83,638
Forward assets purchased	5,000	5,000	75,000	75,000
Irrevocable commitments to extend credit:				
• maturity exceeding one year	1,913,450	956,725	2,135,840	1,067,920
• maturity not exceeding one year	15,226,725	-	15,961,438	-
Foreign exchange related contracts				
• less than one year	14,752,841	272,833	13,608,227	191,853
• one year to less than five years	692,852	39,020	585,082	36,012
Interest rate related contracts				
• less than one year	8,171,200	19,032	8,691,968	15,341
• more than one year but less than five years	25,863,292	617,681	18,211,854	348,562
• more than five years	4,765,974	358,287	2,194,442	146,703
Other commitments and contingencies	481,779	-	393,834	-
	74,084,673	3,988,756	63,975,229	3,363,415
Foreign exchange related contracts				
• Forward contracts	12,772,873	256,577	11,638,457	166,545
• Cross currency interest rate swaps	437,808	26,268	553,696	31,280
• Options purchased	1,117,506	14,504	1,000,578	15,020
• Options sold	1,117,506	14,504	1,000,578	15,020
	15,445,693	311,853	14,193,309	227,865
Interest rate contracts				
• Futures	10,667,400	304,205	2,776,200	30,279
• Swaps	28,133,066	690,795	26,322,064	480,327
	38,800,466	995,000	29,098,264	510,606

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 2003, the notional amount of contracts which were not hedged and, hence, exposed to market risk was RM40,328,822,000. (2002 – RM29,001,974,000)

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 2003, the amounts of credit risk, measured in term of the cost to replace the profitable contracts was RM398,012,000 (2002 – RM478,346,000). 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 31/12/2003	Up to 1 month RM'000	>1-3 month RM'000	>3-6 month RM'000	>6-12 month RM'000	>1-5 month RM'000	Over 5 years RM'000	Non interest sensitive	Total	Effective interest rate %
Assets									
Cash and short term funds	1,651,700	-	-	-	-	-	39,980	1,691,680	2.91
Dealing securities	154,770	155,185	36,835	75,118	298,429	-	-	720,337	4.06
Investment securities	379,870	156,013	192,832	2,004	3,032,922	14,295	11,740	3,789,676	5.17
Loans, advances and financing									
• performing	13,055,262	1,468,103	512,550	330,521	2,630,027	1,031,046	(765,205)	18,262,304	7.62
• non performing	-	-	-	-	-	-	723,031	723,031	-
Other assets	315,863	(756,140)	341,400	428,869	447,350	-	295,302	1,072,644	-
Statutory deposits with BNM	-	-	-	-	-	-	459,109	459,109	-
Investment in subsidiary companies	-	-	-	-	-	-	20	20	-
Property, plant and equipment	-	-	-	-	-	-	109,644	109,644	-
Deferred tax asset	-	-	-	-	-	-	57,900	57,900	-
Total assets	15,557,465	1,023,161	1,083,617	836,512	6,408,728	1,045,341	931,521	26,886,345	
Liabilities									
Deposit from customers	7,940,277	2,441,964	2,132,005	2,804,280	568,573	274,850	3,499,424	19,661,373	3.23
Deposits and placements of banks and other financial institutions	-	9,729	21,720	-	-	-	32,780	64,229	2.58
Obligations on securities sold under repurchase agreements	1,460,728	77,360	-	-	-	-	-	1,538,088	2.57
Bills and acceptances payable	27,693	31,601	21,439	85,094	-	-	-	165,827	-
Recourse obligations on loans sold to Cagamas	-	-	38,071	574,818	1,901,397	-	-	2,514,286	4.00
Other liabilities	-	-	-	-	-	-	989,250	989,250	-
Total liabilities	9,428,698	2,560,654	2,213,235	3,464,192	2,469,970	274,850	4,521,454	24,933,053	
Shareholders' equity	-	-	-	-	-	-	1,953,292	1,953,292	
Total liabilities and shareholder's equity	9,428,698	2,560,654	2,213,235	3,464,192	2,469,970	274,850	6,474,746	26,886,345	
On balance sheet interest sensitivity gap	6,128,767	(1,537,493)	(1,129,618)	(2,627,680)	3,938,758	770,491	(5,543,225)	-	
Off balance sheet interest sensitivity gap	(496,000)	15,000	372,000	267,000	(374,000)	45,000	-	-	
Total interest sensitivity gap	5,632,767	(1,522,493)	(757,618)	(2,360,680)	3,564,758	815,491	(5,543,225)		

Interest / profit rate risk

As at 31/12/2002	Up to 1 month RM'000	>1-3 month RM'000	>3-6 month RM'000	>6-12 month RM'000	>1-5 month RM'000	Over 5 years RM'000	Non interest sensitive	Total	Effective interest rate %
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	11,003,603	607,050	220,148	721,097	2,045,388	598,620	1,289,929	16,485,835	7.58
• performing	-	-	-	-	-	-	629,440	629,440	-
• non performing	-	-	-	-	-	-	-	-	-
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	-
Deferred tax asset	-	-	-	-	-	-	41,163	41,163	-
Total assets	13,438,203	674,052	310,150	1,050,075	3,707,422	598,620	2,917,053	22,695,575	
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)	-	1,005,743	964,710	4.19
Total liabilities	7,982,912	3,515,806	1,524,641	3,576,742	36,126	361,350	3,942,734	20,940,311	
Shareholders' equity	-	-	-	-	-	-	1,755,264	1,755,264	
Total liabilities and shareholder's equity	7,982,912	3,515,806	1,524,641	3,576,742	36,126	361,350	5,697,998	22,695,575	
On balance sheet interest sensitivity gap	5,455,291	(2,841,754)	(1,214,491)	(2,526,667)	3,671,296	237,270	(2,780,945)		
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	(2,780,945)		

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.

Year	Group and Bank RM'000
A summary of the non-cancellable long term commitments, net of sub-leases are as follows:	
2003	19,936
2004	3,950
2005	65

30. Capital commitments

	Group and Bank	
	2003 RM'000	2002 RM'000
Capital expenditure:		
Authorised and contracted for	6,167	17,254
Authorised but not contracted for	3,297	1,360
	9,464	18,614

31. Capital adequacy

	Group and Bank	
	2003 RM'000	2002 RM'000
The capital adequacy ratios of the Bank are as follows:		
Tier 1 capital		
Paid-up share capital	121,697	121,697
Share premium	380,303	380,303
Other reserves	1,451,292	1,253,264
Adjusted retained earnings	1,953,292	1,755,264
Less: Deferred tax assets, net	(57,900)	(41,163)
Total Tier 1 capital	1,895,392	1,714,101
Tier 2 capital		
Revaluation reserves		
General allowance for bad and doubtful debts	288,298	261,933
Total capital	2,183,690	1,976,034
Less: Investment in subsidiary companies	(20)	(20)
Capital base	2,183,670	1,976,014
Breakdown of risk-weighted assets in the various categories of risk-weights:		
0% Risk Weightage	4,273,901	3,455,784
10% Risk Weightage	802,457	520,160
20% Risk Weightage	5,946,378	5,208,308
50% Risk Weightage	11,376,415	9,993,448
100% Risk Weightage	12,544,054	11,273,855
Total assets for risk weighted capital ratio assets	34,943,205	30,451,555
Total Risk Weighted Assets	19,501,783	17,364,256
Core capital ratio	9.72%	9.87%
Risk weighted capital ratio	11.20%	11.38%

32. Significant events during the financial year

There are no reportable significant events for the financial year.

33. 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 manages its exposures to foreign currency rate movements outside of its 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.

34. 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 2003 RM'000	Fair Value 2003 RM'000	Carrying Value 2002 RM'000	Fair Value 2002 RM'000
Financial assets				
Cash and short term funds	1,691,680	1,691,680	2,188,366	2,188,366
Deposits and placements with financial institutions	-	-	33,890	33,890
Dealing securities	720,337	720,337	482,531	482,531
Investment securities	3,789,676	3,789,676	1,973,288	1,980,784
Loans, advances and financing	18,985,435	18,971,377	17,115,275	17,504,316
Other asset/inter-company	1,641,418	1,953,545	-	-
Financial liabilities				
Deposits from customers	19,661,373	19,685,487	15,322,301	15,363,999
Deposits and placements of banks and other financial institutions	64,229	64,229	382,378	382,378
Obligations on securities sold under repurchase agreements	1,538,088	1,538,088	1,428,135	1,428,135
Bills and acceptances payable	165,827	165,827	402,252	402,252
Other liabilities/inter-company	-	-	979,710	973,605
Recourse obligation on loans sold to Cagamas	2,514,286	2,529,411	2,440,535	2,432,969

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

- Cash and short term funds* – the carrying amounts are a reasonable estimate of the fair values because of their short-term nature.
- 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.
- 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.
- 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.
- 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.
- 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.

35. Changes in Accounting Policy

Changes in accounting policy

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).

This change in accounting policy, applied retrospectively, has the following impact on results:

	Group and Bank for the year ended 31 December 2002 RM'000
Net profit before change in accounting policy	339,903
Effect of adopting MASB 25	14,604
Net profit for the year	354,507

Prior year adjustment

The change in accounting policy due to the adoption of MASB 25 has been accounted for by restating comparatives and adjusting the opening balance of retained profits at 1 January 2002 as disclosed in Note 36 and the statement of changes in equity respectively.

36. Comparatives

a. The following comparatives have been restated to reflect the change in accounting policy explained in Note 35

	Group and Bank	
	As restated RM'000	As previously stated RM'000
Balance Sheet		
Deferred tax assets	41,163	-
Other liabilities	964,710	797,710
Reserves	1,496,567	1,440,404
Income Statement		
Taxation	160,130	174,734
Profit attributable to shareholders	354,507	339,903
Earnings per share	291	279
Statement of Changes in Equity		
Retained profit at 1 January 2002	777,060	735,501
Retained profit at 31 December 2002	994,567	938,404
Notes to the Financial Statements		
Note 17 Reserves Retained profit	994,567	938,404
Note 26 Taxation		
Deferred tax income		
Origination and reversal of temporary differences	14,604	-

b. Certain establishment costs have been reclassified as administration and general expenses to be comparable to the current year presentation.

	Group and Bank	
	As restated RM'000	As previously stated RM'000
Notes to the Financial Statements		
Note 21 Overhead expenses Establishment costs	65,414	70,478
Administration and general expenses	208,689	203,625

37. The operation of Islamic Banking

Balance Sheets at 31 December 2003

	Note	Group and Bank	
		2003 RM'000	2002 RM'000
Assets			
Cash and short term funds	(a)	683	945
Loans, advances and financing	(b)	141,737	148,452
Other assets		8,091	18,472
Total assets		150,511	167,869
Liabilities And Shareholders' Funds			
Deposits from Customers	(c)	10,797	446
Deposits and placements of banks and other financial institutions	(d)	87,000	122,500
Other liabilities	(e)	5,623	1,913
Deferred tax liability	(f)	3,196	1,292
Total liabilities		106,616	126,151
Islamic Banking Fund	(g)	43,895	41,718
Total liabilities and islamic banking fund		150,511	167,869

The accompanying sub-notes on pages 29 to 34 form an integral part of the financial statements.

Income Statements for the year ended 31 December 2003

	Note	Group and Bank	
		2003 RM'000	2002 RM'000
Income	(h)	7,974	10,451
Loans and financing loss and provision	(i)	(889)	144
Transfer to profit equalisation reserve		(1,630)	(890)
Net income		5,455	9,705
Overhead expenses	(j)	(1,374)	(1,188)
Profit before taxation		4,081	8,517
Taxation	(k)	(1,904)	(2,074)
Profit after taxation		2,177	6,443
Retained profit brought forward		21,718	15,275
Retained profit carried forward	(g)	23,895	21,718

The accompanying sub-notes on pages 29 to 34 form an integral part of the financial statements.

Statement Of Changes In Islamic Banking Funds

	Group and Bank		
	Capital Funds RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2002	20,000	14,493	34,493
Effect of adopting MASB 25	-	782	782
Restated balance	20,000	15,275	35,275
Profit after taxation	-	6,443	6,443
Dividend paid – final 2001	-	-	-
Dividend paid– final 2002	-	-	-
At 31 December 2002	20,000	21,718	41,718
At 1 January 2003	20,000	21,718	41,718
Profit after taxation	-	2,177	2,177
Dividend paid – final 2002	-	-	-
Dividend paid– final 2003	-	-	-
At 31 December 2003	20,000	23,895	43,895

Cash Flow Statement for the year ended 31 December 2003

	Group and Bank	
	2003 RM'000	2002 RM'000
Cash flow from operating activities		
Profit before taxation	4,081	8,517
Allowance for bad and doubtful debts (net of writebacks)	889	(144)
Operating profit before working capital changes	4,970	8,373
Changes in working capital:		
Other assets	10,381	8,879
Other liabilities	3,710	(2,504)
Loans, advances and financing	5,826	48,186
Deposits and placements of banks and other financial Institutions	(25,149)	(63,839)
Net cash used in operations	(262)	(905)
Net decrease in cash and cash equivalents	(262)	(905)
Cash and cash equivalents at the beginning of the year	945	1,850
Cash and cash equivalents at end of the year	683	945
Notes		
a. Cash and short term funds		
Cash and balances with banks and other financial institutions	683	945
b. Loans, advances and financing		
Other financing	160,347	165,525
Unearned income	(15,460)	(14,812)
Gross loans, advances and financing	144,887	150,713
Allowance for bad and doubtful debts and financing		
• general	(2,160)	(2,261)
• specific	(990)	-
Net loans, advances and financing	141,737	148,452

	Group and Bank	
	2003 RM'000	2002 RM'000
i. Loans, advances and financing analysed by concepts are as follows:		
Al-Ijarah	137,014	150,713
Mortgage Term Loan	7,873	-
	144,887	150,713
ii. The maturity structure of loans, advances and financing are as follows:		
Maturing within one year	21,223	14,881
One year to three years	84,770	84,292
Three years to five years	38,894	51,540
	144,887	150,713
iii. Loans, advances and financing analysed by their economic purposes are as follows:		
Manufacturing	84,029	79,779
Transport	47,903	57,199
Purchased of landed property – residential	7,872	-
General commerce	2,494	5,778
Construction	279	2,661
Finance, insurance and business services	1,825	4,072
Others	485	1,172
Electricity, Gas & Water	-	52
	144,887	150,713
iv. Movements in the non-performing loans and financing (including interest and income receivable) are as follows:		
Balance at 1 January	887	1,414
Non-performing during the year	8,827	1,256
Less: Recoveries	(3,837)	(183)
Amount written off/reclassified	-	(1,600)
Balance at 31 December	5,877	887
Percentage of net non-performing loans to total loans (net of specific provision and interest-in-suspense)	3.39%	0.6%
v. Movements in the provision for bad and doubtful debts and financing and interest-in-suspense/income-in-suspense accounts are as follows:		
General allowance		
Balance at 1 January	2,261	2,985
Allowance made during the year	(101)	(724)
Balance at 31 December	2,160	2,261
Percentage of allowance to total loans (net of specific allowance and interest-in-suspense)	1.5%	1.5%
Specific allowance		
Balance at 1 January	-	-
Allowance made during the year	990	-
Amount written back in respect of recoveries	-	-
Amount written off	-	-
Balance at 31 December	990	-

c. Deposits from customers

	Group and Bank	
	2003 RM'000	2002 RM'000
Demand deposits	112	21
Savings deposits	2,846	77
Fixed deposits	7,839	348
	10,797	446
i. Maturity structure of fixed deposits and negotiable instruments of deposit are as follows:		
Due within six months	6,423	165
Six months to one year	1,416	183
	7,839	348
ii. The deposits are sourced from the following types of customers :		
Individuals	7,839	348

d. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2003 RM'000	2002 RM'000
Licensed banks	87,000	122,500

e. Other liabilities

	Group and Bank	
	2003 RM'000	2002 RM'000
Profit Equalisation Reserve	2,520	890
Other liabilities	3,103	1,023
	5,623	1,913

f. Deferred tax

	Group and Bank	
	2003 RM'000	2002 RM'000
Deferred tax liabilities	(28,185)	(9,766)
Deferred tax assets	24,989	8,474
	(3,196)	(1,292)
Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities.		
The recognised deferred tax assets and liabilities (before offsetting) are as follows :		
Property, plant and equipment – capital allowances	(22,261)	(6,210)
Provisions	(5,924)	(3,556)
Unabsorbed capital allowances	24,989	8,474
	(3,196)	(1,292)

g. Islamic banking fund

	Group and Bank	
	2003 RM'000	2002 RM'000
Funds allocated	20,000	20,000
Retained profit	23,895	21,718
	43,895	41,718

h. Income from Islamic banking

	Group and Bank	
	2003 RM'000	2002 RM'000
Income derived from funds allocated	10,867	15,853
Income attributable to depositors, banks and financial institutions	(2,893)	(5,402)
	7,974	10,451
Details of the income derived from funds allocated are as follows:		
Income from financing	10,867	15,853

i. Loan and financial loss and provision

	Group and Bank	
	2003 RM'000	2002 RM'000
Allowance for bad and doubtful debts		
• specific	990	580
• general (net of write backs)	(101)	(724)
	889	(144)

j. Overhead expenses

	Group and Bank	
	2003 RM'000	2002 RM'000
Personnel costs	895	1,089
Administration and general expenses	479	99
	1,374	1,188

k. Taxation

	Group and Bank	
	2003 RM'000	2002 RM'000
Current tax expense		
- Malaysian - current	-	-
Deferred tax (income)/expense		
Origination and reversal of temporary differences	1,904	2,074
	1,904	2,074
Reconciliation of effective tax rate		
Profit before taxation	6,798	8,517
Income tax using Malaysian tax rate	1,903	2,385
Non-deductible expenses	(1,903)	(2,385)
	-	-

Interest / profit rate risk

As at 31/12/2003	Up to 1 month RM'000	>1-3 month RM'000	>3-6 month RM'000	>6-12 month RM'000	>1-5 yeras RM'000	Over 5 years RM'000	Non interest sensitive	Total	Effective interest rate %
Assets									
Cash and short term funds	-	-	-	-	-	-	683	683	-
Dealing securities	-	-	-	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-	-	-	-
Loans, advances and financing									
• performing	521	3,356	4,210	12,680	113,142	8,094	(6,143)	135,860	4.42
• non performing	-	-	-	-	-	-	5,877	5,877	-
Other assets	-	-	-	-	-	-	8,091	8,091	-
Statutory deposits with BNM	-	-	-	-	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-	-	-	-
Total assets	521	3,356	4,210	12,680	113,142	8,094	8,508	150,511	
Liabilities									
Deposit from customers	7,654	1,515	100	1,416	-	-	112	10,797	3.57
Deposits and placements of banks and other financial institutions	-	-	15,000	72,000	-	-	-	87,000	3.14
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Recourse obligations on loans sold to Cagamas	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	8,819	8,819	-
Total liabilities	7,654	1,515	15,100	73,416	-	-	8,931	106,616	-
Shareholders' equity	-	-	-	-	-	-	43,895	43,895	
Minority interests	-	-	-	-	-	-	-	-	
Total Liabilities and shareholders's equity	7,654	1,515	15,100	73,416	-	-	52,826	150,511	
On-balance sheet interest sensitivity gap	(7,133)	1,841	(10,890)	(60,736)	113,142	8,094	(44,318)	-	
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
Total interest sensitivity gap	(7,133)	1,841	(10,890)	(60,736)	113,142	8,094	(44,318)		

As this is the first year of adoption of MASB (i) – 1, comparative information is not presented as allowed under paragraph 109 of MASB 24.

I. Capital adequacy

	Group and Bank	
	2003 RM'000	2002 RM'000
The capital adequacy ratios of the Bank are as follows:		
Tier 1 capital		
Islamic banking fund		
Retained profit	20,000	20,000
Other reserves	23,895	21,718
Total Tier 1 capital	43,895	41,718
Tier 2 capital		
General allowance for bad and doubtful debts	2,160	2,261
Total capital	46,055	43,979
Breakdown of risk-weighted assets in the various categories of risk-weights:		
0% Risk Weightage	683	945
100% Risk Weightage	149,828	166,924
Total risk weighted assets	150,511	167,869
Core capital ratio	29.30%	24.99%
Risk weighted capital ratio	30.74%	26.35%

m. Changes in accounting policy

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).

This change in accounting policy, applied retrospectively, has the following impact on results :

	Group and Bank for the year ended 31 December 2002 RM'000
Net profit before change in accounting policy	8,517
Effect of adopting MASB 25	(2,074)
Net profit for the year	6,443

Prior year adjustment

The change in accounting policy due to the adoption of MASB 25 has been accounted for by restating comparatives and adjusting the opening balance of retained profits at 1 January 2003. The following comparatives have been restated to reflect the change in accounting policy explained in Note (m)

	Group and Bank	
	2003 RM'000	2002 RM'000
Balance Sheet		
Deferred tax liability	1,292	-
Reserves	41,718	43,010
Income Statement		
Taxation	2,074	-
Statement of Changes in Equity		
Retained profit at 1 January 2002	15,275	14,493
Retained profit at 31 December 2002	21,718	23,010
Notes to the Financial Statements		
Note (f) Reserves		
Retained profit	21,718	23,010
Note (j) Taxation		
Deferred tax expense		
Origination and reversal of temporary differences	2,074	-

Report of the auditors to the members of Citibank Berhad

We have audited the financial statements set out on pages 11 to 66. 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 2003 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: 4th March 2004

Citibank Berhad (297089 M)

Level 45, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur
Tel: 03-2383 8585
Fax: 03-2383 6000
www.citibank.com.my