

**CITIBANK BERHAD**  
**AND ITS SUBSIDIARY COMPANIES**  
(Company No. 297089 M)  
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2006**

## Chairman's Statement

I take great honor in presenting the Bank's Annual Report for the year ended 31 December 2006.

Overall, 2006 is yet another commendable year for Citibank Berhad as it recorded a 20 percent growth in profit after tax to RM604 million, topping the RM600 million mark for the first time ever. We recorded a revenue growth of 11 percent with revenues of RM1.584 billion compared to RM1.428 billion in 2005, and pre-tax profit of RM735 million compared against RM730 million achieved in 2005.

Perhaps as significant as our financial performance, was the expansion in our network last year.

After 48 years of serving clients primarily through our three dedicated branches (one each in Kuala Lumpur, Penang and Johor Bahru), we expanded to open four new outlets in various strategic locations within Malaysia. Our four new branches located in Bukit Tengah (Penang), Puchong (Selangor), Batu Tiga (Klang) and Damansara Perdana (Selangor), are now in full operation and ready to serve you with the highest level of commitment and integrity. This brings our total number of branches locally to a grand seven, and reflects more than a doubling in our footprint!

A larger and wider distribution channel is not just instrumental in enabling the bank to better compete with increasing challenges in the financial services industry, but more importantly, it brings us much closer to you – the core of our focus, our most valued clients. In the years to come, I am confident that you will surely find a Citibank that is closer to your office and home.

Another significant development was in our Islamic Banking business, with Citibank Berhad becoming the Asian hub for all our regional Islamic Banking activities. We took advantage of this to develop a range of new Islamic offerings in both the retail banking business and in various structured product offerings. We expect to be able to bring several of these to the market in 2007.

An additional achievement worth noting is the large number of awards we garnered this year, especially in our Transaction Services business. This included the Best Rated bank for custody for a record 7<sup>th</sup> year in a row, Best Cash Management bank, and for the first time ever, a Highly Commended rating for our Trade Finance services.

On the industry front, we saw the country as a whole, led by Bank Negara Malaysia (BNM), moving towards a truly, more liberalized financial sector. The year under review certainly saw a number of new market players entering the field, especially international Islamic banks, thus further intensifying the competition.

Towards the end of 2006, we saw a heightened merger and acquisition (M&A) propelled activities, which were of course well anticipated and forecasted by both market watchers and analysts alike.

All of this suggests that the competitive environment for banking services will continue to be even more challenging in 2007, and in the years ahead. Nevertheless, we at Citibank are welcoming 2007 with more optimism than ever.

We are guided by the fact that we have done our very best in the past and that we can do better by drawing upon our varied but extremely valuable experience and knowledge.

Irrespective of the circumstances, we take it upon ourselves to focus on opportunities available and tap on our proven expertise to deliver nothing but the best to you – just as practiced and stressed repeatedly by our parent company, Citigroup Inc.

We look forward to the exciting opportunities that await us in 2007!

**Lim Sim Seng**

## **CEO STATEMENT 2006**

In 2006, the global economy recorded a fourth successive year of robust growth at over 4 percent. In line with the global economy, the Malaysian economy too continued to perform well, recording a growth of 5.9 percent, led by growth in export of electronics and commodities and a pick-up in private investment to 9.7 percent.

Rising oil prices stoked inflationary pressures in the first half of the year, causing Bank Negara Malaysia (BNM) to raise the overnight policy rate (OPR) three times in six months (including twice in 2006). This pre-emptive monetary tightening allowed the economy to end the year with moderating inflation, which finally averaged at 3.6 percent for the full year.

Portfolio funds endorsed the revitalization theme seen in corporate and government-linked company (GLC) developments, pushing the Kuala Lumpur Composite Index (KLCI) up by over 20 percent during the year.

Developments in the consumer sector were relatively more subdued, with consumption rising by 7 percent in 2006 versus the 9.2 percent growth seen in 2005. This was due partly to the relatively steep rise in administered petrol prices.

This was further reflected in the growth in consumer financing where the rate slowed to 9.4 percent from 15 percent in the previous year. On the back of this, overall loan growth also slowed to 6.3 percent from 8.6 percent in 2005.

Given the strong deposit growth of 16.8 percent, the loan-deposit ratio fell to 70.8 percent from 77.5 percent, indicating tremendous liquidity in the system.

### **2006 - The Year in Review**

For Citibank, 2006 can best be termed as a year of investment, as we chose to plough back increased revenues from the top line into expanding our geographic footprint.

The Bank saw solid top-line growth of 11 percent (interest income rose 12 percent while non-interest income rose 7 percent). Loans and Advances kept pace with the market at 7 percent growth, while deposits grew at 11 percent. Margins came under some pressure, as we were only able to pass on the rising cost of funds in respect of our floating rate portfolios, but unable to do so for fixed rate portfolios like credit cards.

At the same time, the Bank's total operating costs increased to RM722 million in 2006 compared to RM621 million in the year before, an increase of 16 percent.

This increase in expenses was driven by three main factors:

- a) Substantial investments in opening four new branches as well as in building an outsourced sales force through the expansion of our sales affiliates to ten offices;

- b) An increase in head office charges; and
- c) A change in accounting to reflect customer acquisition expenses more accurately.

As a reflection of the increased investment in the business, pre tax profits at RM 735 million showed only modest growth from the previous year.

However, healthy post tax earnings grew to RM604 million for the period under review as opposed to RM505 million in the year before, marking an increase of 20 percent. In 2004, our post-tax profit stood at RM371 million.

At the end of 2005, we took the opportunity of a window provided by the US tax authorities to repatriate a larger than usual profits to our parent company. This caused our capital base to reduce relative to prior years, and improved our return on equity to 37 percent for the year as compared to 28 percent in the previous financial year.

## **Business Highlights of 2006**

### **Credit Cards**

The Bank's credit card business remained strong, as we held and even grew our market share of purchase sales and receivables. Improvement in market share is attributed to several aggressive usage promotions, effective credit limit management, new card launches and improved efficiency of cards retention process.

Of great significance this year was the vast improvement in customer experience through a range of actions.

We unveiled several new consumer credit cards targeted at different segments of the society so as to secure new clients while successfully retaining our existing portfolio of distinguished customers.

The new innovative credit cards launched included the Choice Credit and the Celcom Credit Card. In addition, we also launched the Card Protection Plan, offering Malaysians the first card protection plan according to a fee-based structure.

Perhaps most importantly, we were finally able to offer our customers greater flexibility in paying their bills through the use of the new branches as well as specially placed cheque drop boxes at certain Shell fuel stations.

We enter 2007 on an optimistic note as we have put in place measures to grow our cards business, primarily through increased acquisition channels, improvement on card acceptance and authorization at point of sale, and enhancing our excellent brand value at every customer touch point.

### **Retail Banking**

The retail banking business benefited greatly from the increased number of branches this year, as well as from the rising interest rate environment.

We turned around the retail deposits business through insightful pricing actions and timely product innovation, with our unfixed-ladder time deposit making a big impact.

We continued to benefit from Malaysians appetite for offshore investment opportunities, growing our investment sales by over 40 percent.

We were also successfully able to turn around our shrinking mortgage asset book, despite stiff market competition.

During the year, our newly launched unsecured loans business and the SME focused Citibusiness both took off well, and began to make meaningful contributions to the bottom line.

### **Corporate Banking**

The corporate banking division unveiled a number of innovative products and solutions for a cross section of clients with different financial requirements.

Much of our efforts were also focused on developing an improved understanding of ways and means through which our products and services can be better matched with increasingly complex customer expectations.

Some notable milestones are listed below:

#### **Cash Management**

- Launched the commercial cards business
- Selected as the main USD Clearing bank by Bank Negara Malaysia
- Voted as Malaysia Best Cash Management Bank in Asiamoney Poll 2006 with top ranking for domestic and cross border cash management as well as best in MYR clearing services

#### **Trade**

- Trade Assets growth of 17 percent in SME business resulting from focused utilization campaign
- Export Bills Collections volume grew by 10 percent
- Voted Highly Commended Status for Best Trade Bank In Malaysia by Trade Finance Magazine

#### **Securities**

- Launched CitiDirect for Securities in June 2006 (a global web-based delivery platform which provides clients with real-time access to their Securities Settlement accounts)
- Achieved Top Rated award for the 7<sup>th</sup> consecutive year in the Global Custodian Emerging Markets Agent Banks Survey
- Attained highest score in Malaysia for the 2<sup>nd</sup> consecutive year in the Domestic Custody category

#### **Treasury**

In 2006, the Treasury business also grew positively on the back of active currency movements following the de-pegging of the Ringgit Malaysia (RM) against the USD currency exchange rate.

Domestic bond yields continued to be of interest to our clients and this in turn opened up new business opportunities for the Bank's treasury sales team, which developed several fresh innovative risk management and investment ideas with performance linked to equity, commodity, foreign exchange and interest rate markets.

### **Islamic Banking Division**

For the first time, the Islamic Banking Division became a meaningful contributor to our overall bottom line with a pre tax profit of RM29 million. Assets of this operating line grew to RM1.8 billion from just RM1.1 billion the year before.

The division focused on developing a new, broad and exciting range of Syariah-compliant products aimed at meeting the growing demand in this business area. A lot of effort has been put in to ensure that this division goes beyond developing and marketing the generic mix of Syariah-compliant products by drawing insights from other emerging Islamic financial markets.

We aspire to make Malaysia the regional hub for all our Islamic Banking activities.

### **Significant Events**

In addition to the financial performance, the following achievements went a long way in making 2006 a truly memorable and significant year:

- Official opening of four new branches, bringing the total number of Citibank Berhad's branches in the country to seven
- Expansion of distribution points such as the five new payment drop boxes at selected Shell gas stations aimed at enabling us to be more physically accessible to customers, providing better service and improving payment convenience
- Development of multi-sales channel capabilities, including corporate intranet portals and leveraging on the short text messaging channel
- Launch of a first of-its-kind co-brand card through synergistic partnership with a leading telecommunications service provider, Celcom, thus allowing the two parties to offer customers the best of both worlds – superior mobile connectivity and world class banking privileges
- Initiation of the first ever cross-border cross-currency profit rate swap with a Middle East based client to facilitate their equity stake in a Malaysian bank. This was a landmark transaction acknowledged in the marketplace, particularly since the deal satisfied Shariah requirements in both Malaysia and the Middle East.
- Launch of the Dow Jones - Citigroup Sukuk Index, the first index that seeks to measure the performance of global bonds complying with Islamic investment guidelines
- Active consumer education based on the broad philosophy of 'Use Credit Wisely' through collaboration with TM Net which created a suitable platform for the Bank to further increase awareness and educate the masses on the relevance of good credit management skills

## **The Community We Work and Live In**

As we continue to strengthen our operations in Malaysia, the Bank is always conscious of its role in the local communities.

To this end, we have ensured that our commitment towards nurturing a more finance-literate generation is always given top priority and that adequate resources are allocated to realize this objective from one year to another.

For the financial year of 2006, the Bank maintained the broad theme of its community programs as carried out in 2005 – but with a larger participation.

Thanks to the funding and resources given by the Citi Foundation, we managed to almost double the outreach of our financial literacy programs, reaching out to 77 schools and over 27,000 students.

The reach of the program expanded to include university undergraduates on the one hand and schools in rural areas on the other.

The coverage achieved in Sarawak, where some of our colleagues went, was particularly noteworthy!

## **Key Business Priorities for 2007**

For the new financial year of 2007, we are teaming up with our international peers at Citi to move towards a consolidated global branding.

This exercise is particularly significant not just for Citibank Berhad but to Citi worldwide operations as it paves the way for all of us to fall under the ambit of a unified brand name and logo.

Embedded in our new unified branding initiative is also our Client First program which seeks to create a common framework for our businesses to measure, track and improve client service and client experience.

This is essentially our fundamental commitment to providing the best-in-class customer service, which is at the heart of our identity and brand.

Marching into 2007, we have great aspirations to excel further and become Malaysia's preferred financial institution offering superior customer service.

In view of this, our key business strategies and priorities will involve the following:

- Growing the Malaysian consumer base – this applies across the board to all our business segments through improved product innovation, expansion and prompt services.
- Improve cards usage
- Deepen the investment volume and account penetration of the affluent market segment
- Focus on SME and MME sectors, building up the loan portfolio

- Analyze client businesses for opportunities to bundle and cross sell products and solutions
- Grow our Islamic banking business – be actively involved in local and foreign currency bonds and offer innovative structured products with exposure to different asset classes like commodities, equities, Islamic fixed income and real estate
- Improve our operations – aim at dramatically reducing the turn around time in terms of service and product delivery by doing away with actions that do not contribute to efficiency in the long run

We believe that while the global economy may suffer a slight slowdown this year, Malaysia is likely to be spared from this, and a growth rate of around 5.5-6 percent is expected. In this context, we believe that 2007 will continue to offer us excellent opportunities to deepen our relationship with customers and grow our business.

Sincerely,

**Piyush Gupta**

## **Board of Directors – Profile**

### **Mr. Lim Sim Seng**

Mr. Lim Sim Seng was recently appointed as the Citi Country Officer for Hong Kong. He is also the Markets and Banking Head for Hong Kong and Taiwan.

Prior to this appointment Mr. Lim was the head of Citi's Emerging Markets Sales & Trading for Asia Pacific. Serving under this capacity since July 2004, Mr. Lim's wide ranging responsibilities include the Bank's Emerging Markets treasury dealings in the areas of foreign exchange, interest rates, local currency, debt, capital markets and derivatives.

In addition, he is also responsible for the Risk Treasury business that manages Citi's Global Markets and Banking Group's (GMAB) balance sheets in Asia.

In 1983, Mr. Lim began his career with Citi in Kuala Lumpur, as a Management Associate. Four years later, in 1987, he moved to the Bank's Tokyo office and worked on a series of assignments.

Eventually, his hard work and dedication was handsomely rewarded when he was chosen to head Citi's Corporate & Consumer Bank's Treasury Division.

Then, in 1999, Mr. Lim relocated to New York to head the Bank's GMAB Risk Treasury Division in North America.

Following the successful completion of his New York assignment, Mr. Lim returned to the Emerging Markets and was seconded as Group Treasurer cum Head of Sales & Trading for the Saudi American Bank based in Riyadh.

In October 2003, he returned to Asia as Citi's Head of Risk Treasury for Asia Pacific.

**Mr. Piyush Gupta**

Mr. Piyush Gupta has been the Bank's Chief Executive Officer as well as Citi's Country Officer for Malaysia since October 2002.

From the beginning his tenure of assuming the above positions right up to April 2005, Mr. Gupta steered much of his focus towards the Bank's Corporate and Investment Banking activities, thus contributing enormously towards its increased competitiveness.

Then in May 2005, he shifted focus towards the Bank's Consumer Group, which has since experienced much positive changes targeted at improving its overall delivery system and customer satisfaction.

Mr. Gupta began his career with Citibank in India, in the year 1982 and went on to hold various positions within the Group in India, Singapore and Indonesia.

Thirteen years after joining the Bank, in 1995, he became the Head of Strategic Planning for Citibank's Emerging Markets Group, based in London.

Following that, when Mr. Gupta served as the Managing Director for Transaction Services for the Asia-Pacific region, Citibank was named the Best Cash Management Bank in Asia consecutively for four years.

Then, between 1998 and 2000, he was appointed as the Country Corporate Officer for Citibank Indonesia during which period he also served as a member of the Indonesian Government's Debt Restructuring Committee and Chairman of the Foreign Banks' Association.

An Indian citizen by nationality, Mr. Gupta is an Economics degree holder from St. Stephen's College of Delhi University while his Masters degree in Business Administration is obtained from the Indian Institute of Management in Ahmedabad, India.

Mr. Gupta is a Board member of the American Malaysian Chamber of Commerce, Corporate Malaysia Roundtable, the International School of Kuala Lumpur and also a Council member of the Association of Banks in Malaysia.

He is married with two children.

**Tan Sri Dato' Omar B. Ibrahim**

Tan Sri Dato' Omar is a Director of SMHB Sdn Bhd, an engineering consulting firm and also serves as a non-executive director of KLCC (Holdings) Sdn Bhd, Negara Properties Malaysia Berhad, Cyberview Sdn Bhd as well as a few other private companies.

Having spent more than three decades serving the government, Tan Sri Dato' Omar is a former civil engineer who was attached to the Public Works Department (PWD) of Malaysia.

During this long tenure, he held many positions in the department, the last of it being the PWD's Director-General from 1996 to 1999.

Tan Sri Dato' Omar has particular interest in structural engineering and water supply engineering although his professional work experience has been varied, including design assignments as well as project management to general management.

He has been the President of The Board of Engineers Malaysia, The Malaysian Water Association and Malaysia Structural Steel Association at various times between 1988 and 1999.

Tan Sri Dato' Omar has been a director of Citibank Berhad since 2000.

At present, he is Chairman of the Bank's Risk Management and Nominating Committees.

**Mr. Allen Tan Keng Hoon**

Mr. Tan started his illustrious banking career in 1975 upon joining Citibank Malaysia as a Management Associate after obtaining his Masters degree in Business Administration from Windsor University, Canada.

One year later, in 1976, he joined the then newly-formed World Corporate Group as a Corporate Banking Relationship Manager and subsequently moved on to head the Local Corporate Group in 1980.

In 1984, Mr. Tan joined the Global Consumer Business in Malaysia and was appointed as Country Manager bearing the overall responsibility of growing the consumer franchise and taking charge of the overall management of the Consumer business, strategy formulation as well as implementation.

Mr. Tan joined Citi Private Bank as a Senior Advisor in July 2005 and has been serving as Citibank Berhad's Director since 1994.

**Dato' Syed Sidi Idid B. Syed Abdullah Idid**

Dato' Syed Sidi Idid is a well-noted, respected and highly qualified Malaysian.

He first obtained a Bachelor of Arts (Honors) degree from the University of Malaya and later completed his Masters of Arts from the University of Wisconsin, United States of America.

Dato' Syed Sidi Idid was appointed as an Administrative Officer of the Malaysian Administrative and Diplomatic Service and subsequently served as an Assistant Secretary to the Ministry of Health in 1966.

He also acted as the Principal Assistant Secretary of the Home Affairs Ministry in 1967 and later became the Director of Immigration in the state of Sabah back in 1974. In 1978, he was appointed as the Deputy Secretary of the National Security Council in the Prime Minister's Department.

Subsequently, Dato' Syed Sidi Idid was seconded as the Secretary of the Ipoh Municipal Council in the state of Perak in 1980 and five years later, in 1985, he was appointed to be the State Financial Officer.

He assumed the positions of Deputy Secretary (Ministry of Transport) in 1989, Deputy Secretary General (Management) of the Ministry of Health in 1992 and finally as Director General / Registrar-General of Co-operatives in the Department of Co-operative Development in 1996 before retiring from the Malaysian Civil Service in 1998.

In addition, Dato' Syed Sidi Idid also served as a member of the Public Services Commission of Malaysia for two years beginning 1999. He also serves as a Member of the National Kidney Foundation's Board of Governors on a voluntary basis.

Currently, Dato' Syed Sidi Idid is Director of a credit co-operative society, MOCCIS, and acts as the Chairman of its subsidiaries, MOCCIS Nominees Sdn. Bhd.

In 2004, he was elected to be the Deputy President of the Chartered Institute of Logistics and Transport (Malaysia Chapter).

Dato' Syed Sidi Idid is also a Director of Lityan Holdings Berhad besides assuming the post of Chairman of the Audit Committee as well as member of the Remuneration Committee of the same company. Since the year 2000, he has been serving as Citibank Berhad's Director and Chairman of the Audit Committee.

## Statement of Corporate Governance

The Bank aspires to achieve the highest standards in ethical conduct by delivering our promises to clients, reporting our financial results accurately and transparently and also through maintaining full compliance with all laws, rules and regulations governing the Bank's business operations.

The Bank has also taken the necessary steps to ensure conformity with Bank Negara Malaysia's (BNM) Guidelines on Corporate Governance for Licensed Institutions (Revised BNM/GP1).

### Board composition

The Board comprises of five members.

The following is the board line-up:

- **Mr. Lim Sim Seng (appointed as Chairman on 29 September 2006)**  
Non-Independent Non-Executive Director/Chairman
- **Mr. Piyush Gupta**  
Non-Independent Executive Director/Chief Executive Officer
- **Mr. Allen Tan Keng Hoon**  
Non-Independent Executive Director
- **Tan Sri Dato' Omar B. Ibrahim**  
Independent Non-Executive Director
- **Dato' Syed Sidi Idid B. Syed Abdullah Idid**  
Independent Non-Executive Director

The individual profiles of the above mentioned directors are set out on pages 9 to 12 of this report.

The composition of the Bank's Board of Directors is in compliance with the Revised BNM/GP1, which requires at least one-third of the board members to be independent directors.

The presence of a non-independent non-executive director and two independent non-executive directors enable the Bank to view all relevant issues objectively and in a balanced manner. This further enhances the accountability of the decision making process within Citibank Berhad.

The presence of the non-executive directors is also beneficial as it provides room for new perspectives and ideas that could help improve the effectiveness and efficiency of the Board on the whole.

The revised BNM/GP1 guideline stipulates the need for a maximum of one Executive Director in the Bank's Board of Directors line-up.

As there are presently two Executive Directors on the Board, the Bank has duly obtained the official concurrence from BNM to retain both Executive Directors till their respective terms expire.

Mr. Lim Sim Seng was appointed as a director of the Bank on 12 September 2006 in place of Mr. Venkatachalam Krishnakumar, who has resigned from the same position on 12 September 2006.

### **Roles and Responsibilities**

The primary responsibility of the Board of Directors is to provide effective governance in terms of the Bank's affairs for the benefit of all shareholders and also to balance the interests of different constituencies such as customers, employees, suppliers and the local community.

Among other things, the Board also reviews and approves the Bank's strategic business plans annually, oversees the management of the business and monitors the Bank's actual performance against projections.

The Board also ensures that the infrastructure, internal controls and risk management processes within the Bank remains robust and are implemented in a consistent and timely manner.

In addition, the Board carries out various other functions and responsibilities as stipulated in the guidelines and directives issued by BNM from time to time.

In relation to the requirements stated under the revised BNM/GP1, the Bank has submitted an application to BNM for deviation of Principle 10 (shareholders should be entirely independent of the management and that the CEO should derive authority only from the Board) and Principle 12 (regular communication to be held with shareholders).

On 3 May 2006, BNM approved the Bank's official request for the above-mentioned deviations.

As the Bank falls under the global structure of Citi, the Board also ensures that the Bank adopts applicable Citi policies in relation to credit approval processes and operational manuals.

As a means to ensure the Bank has a beneficial influence on the economy of the local community, the Directors have a continuous responsibility to provide banking services and facilities that are conducive to a well-balanced economic growth.

## Frequency and Conduct of Board Meetings and Attendance

The Board of Directors meet six times a year in order to effectively discharge their duties as well as to comply with the revised BNM/GP1 guideline requirement.

During Board meetings, the Directors are provided with an agenda, papers on the Bank's most recent financial performance, risk management reports, budgets, new business initiatives or product launches, Board committee meetings' minutes and updates on industry regulation or policy changes. The Board also receives business presentations on topical matters, subject to such requests.

The Board meeting agenda and papers are distributed to all Directors prior to the scheduled meetings so as to grant them sufficient time to review all materials/issues that will be discussed during the actual meeting. This procedure goes a long way in ensuring that all Board meeting discussions as well as decisions made/taken, are meaningful and based on accurate facts and figures.

The proceedings of all Board meetings are also taken down as official minutes and such minutes are later circulated for the Directors' perusal prior to confirmation during the following meeting.

The attendance record for each of the Board member for the financial year ended 31 December 2006 is as shown below:

Name of Director	Total Meetings Attended
Mr. Lim Sim Seng	*2/2
Mr. Piyush Gupta	6/6
Mr. Allen Tan Keng Hoon	6/6
Tan Sri Dato' Omar B. Ibrahim	6/6
Dato' Syed Sidi Idid B. Syed Abdullah Idid	6/6
Mr. Venkatachalam Krishnakumar	*4/4

\*The were only two Board meetings held for the remaining period of the year following Mr. Lim Sim Seng's appointment to office on 12 September 2006.

\*Mr. Venkatachalam Krishnakumar attended all four Board meetings held prior to his resignation which took effect on 12 September 2006.

## **Board Committees**

The Board of Directors established several 'Board Committees' to assist them in the overall management and supervision of the Bank's business operations.

The committee members shall be appointed by the Board upon recommendation of the Nominating Committee.

Each committee has its own written charter clearly outlining the mission and responsibilities of the respective committee as well as well-defined terms of reference approved by the Board.

Pursuant to the revised BNM/GP1 guideline, the Board is also required to establish the following additional committees besides the existing Audit Committee:

- Nominating Committee
- Remuneration Committee
- Risk Management Committee

The Bank has since set up the Nominating Committee and Risk Management Committee.

The Bank submitted an application to BNM for a waiver from establishing the Remuneration Committee and also on the constitution of the Nominating Committee to have three non-executive directors instead of the stipulated four.

On 3 May 2006, BNM granted the Bank approval in relation to both these applications.

## **Statement of Corporate Governance**

### **Audit Committee**

#### **Composition**

The Audit Committee was established in 1994. Present members of the committee are:

- Dato' Syed Sidi Idid B. Syed Abdullah Idid (Chairman)
- Mr. Lim Sim Seng
- Tan Sri Dato' Omar B. Ibrahim

All the Audit Committee members are non-executive directors of the Bank.

## **Frequency of Meetings**

A total of four Audit Committee meetings are conducted annually and for the financial year of 2006, all members attended every meeting.

## **Terms of Reference**

The Board has approved the terms of reference for the Audit Committee.

The main objective of the Audit Committee is to review the financial position of Citibank Berhad, its internal controls, performance and findings of the internal and external auditors as well as to recommend appropriate remedial action (if necessary).

The Audit Committee's main responsibilities are as follows:

- a. Ensure the financial accounts are prepared in a timely and accurate manner with frequent reviews on the adequacy of provisions for contingencies, bad and doubtful debts.
- b. Review the balance sheet plus profit and loss account for submission to the Board of Directors and ensure the prompt publication of annual accounts.
- c. Review the financial year-end annual statements before submission to the Board, focusing on:
  - 1 Compliance with accounting standards and other legal requirements
  - 2 Changes in accounting policies and practices
  - 3 Significant issues and unusual events arising from the audit
  - 4 Going concern assumption
  - 5 Major judgmental areas
- d. Conduct a complete review prior to publishing the annual report to ensure compliance with regulatory requirements.
- e. Review effectiveness of internal controls, including scope of the internal audit program, its role, resources of the internal audit functions and ensure it has the necessary authority to carry out its work as well as recommend action to be taken by the management, whenever necessary.
- f. Evaluate performance as well as provide appraisal and feedback on the remuneration package offered to chief internal auditors.

- g. Review with external auditors, the scope of their audit plan, internal accounting controls, audit reports, assistance given by the management and its staff to the auditors as well as their findings and recommended action(s) to be taken. Select and recommend external auditors for appointment by the Board annually.
- h. Discuss problems and reservations arising from the interim and final external audits, including any matters the external auditors may wish to deliberate upon (in the absence of management, where necessary).
- i. Review external auditor's letter to management and the latter's response to the same.
- j. Review related party transactions and identify any potential conflict of interest situation(s) that may arise within the Bank including any transactions, procedures or course of conduct, which questions the integrity of the management.
- k. Review resignation letters from the external auditors of Citibank Berhad.
- l. Select external auditors to be appointed by the Board, unless otherwise advised (such as not suitable for re-appointment supported by valid justifications/grounds).

## **Nominating Committee**

### **Composition**

The Nominating Committee was established in 2006 and at present, the members are:

- Tan Sri Dato' Omar B. Ibrahim (Chairman)
- Mr. Lim Sim Seng
- Mr. Piyush Gupta
- Mr. Allen Tan
- Dato' Syed Sidi Idid B. Syed Abdullah Idid

The constitution of the Nominating Committee comprises three non-executive directors and two executive directors.

On 3 May 2006 Bank Negara Malaysia (BNM) approved the Bank's official application for deviation from the requirement of the Revised BNM/GP1 to have at least four non-executive directors.

### **Frequency of Meetings**

A total of two Nominating Committee meetings are conducted annually and for the financial year of 2006, all members attended both meetings.

## Terms of Reference

The Board has approved the terms of reference for the Nominating Committee.

The main objective of the Nominating Committee is to provide a formal and transparent procedure for the appointment of directors as well as assessing the effectiveness of individual directors, the board as a whole and also the performance of the CEO along with other key senior management staff.

The Nominating Committee's main responsibilities are as follows:

- a. Review and assess the adequacy of the Bank's Code of Conduct and other internal policies and guidelines and monitor that the principles described therein are being incorporated into the Bank's culture and business practices.
- b. Establish minimum requirements for the Board, i.e. required mix of skills, experience, qualification and other core competencies required of a director. The Committee is also responsible for establishing minimum requirements for the CEO. The requirements and criteria should be approved by the full Board.
- c. Review the appropriateness of the size of the Board relative to its various responsibilities. Review the overall composition of the Board, taking into consideration factors such as business experience and specific areas of expertise of each Board member and make recommendations to the Board as necessary.
- d. Review and assess that the directors do not have any directorship(s) which could potentially result in conflict of interest(s).
- e. Recommend to the Board the number of committees required, identify their respective responsibilities, propose a suitable Chair person as well as suggest ordinary members for the different committees. This includes advising the Board on committee member appointments and removal of such members from the relevant committees or from the Board, rotation of the committee members and Chair as well as proposals on individual committee structures and operations.
- f. Ratify the appointment of the CEO nominated by the regional and corporate offices.
- g. Assist the Board in developing criterias to identify and select qualified individuals who may be nominated for election to the Board, which shall reflect, at a minimum, all applicable laws, rules and governing regulations. This includes assessing directors for re-appointment before an application for approval is submitted to BNM. The actual decision as to who shall be nominated should be the responsibility of the full Board.
- h. Recommend to the Board qualified individuals to become members of the Board.

- i. Review and recommend periodically to the Board, the compensation structure for non-employee directors.
- j. Recommend to the Board the removal of a director/CEO from the Board/Management, if the director/CEO is ineffective, errant and negligent in discharging his responsibilities.
- k. Assess annually the effectiveness of the Board as a whole in meeting its responsibilities and the contribution of each director to the effectiveness of the Board, contribution of the Board's various committees and the performance of the CEO.
- l. Report annually to the Board with an assessment of the Board's performance and such assessment be conducted based on an objective performance criteria. Such performance criteria to be approved by the full Board.
- m. Leveraging on the Bank's Performance Management and Talent Inventory development process in overseeing the appointment, management succession planning and performance evaluation of key senior management staff.
- n. Assess annually to ensure the directors and key senior management staff are not disqualified under section 56 of the Banking and Financial Institution Act 1989 (BAFIA).
- o. Plan and ensure all directors receive appropriate and continuous training program in order to keep abreast with the latest developments in the industry.
- p. Conduct an annual review of the Committee's performance and report the results to the Board, periodically assess the adequacy of its charter and recommend changes to the Board as needed.
- q. Report regularly to the Board on the Committee's activities.
- r. Perform any other duties and responsibilities expressly delegated to the Committee by the Board from time to time.

## **Risk Management Committee**

### **Composition**

The Risk Management Committee was established in 2006 and the current members are:

- Tan Sri Dato' Omar B. Ibrahim (Chairman)
- Mr. Lim Sim Seng
- Dato' Syed Sidi Idid B. Syed Abdullah Idid

All the Risk Management Committee members are non-executive directors of the Bank.

## **Frequency of Meetings**

A total of four Risk Management Committee meetings are conducted annually and for the financial year of 2006, all members attended the meetings.

## **Terms of Reference**

The Board has approved the terms of reference for the Risk Management Committee.

The main objective of the Risk Management Committee is to oversee the senior management's activities in managing credit, market, liquidity, operational, legal and other risk(s) while ensuring proper risk management process is in place and functioning well.

The Risk Management Committee's main responsibilities are as follows:

- a. Ratify the adoption of Citi risk management strategies, policies, risk tolerance and recommend the same for the Board's approval.
- b. Discuss with Management the Bank's major credit, market, liquidity and operational risk exposures and steps that the Management has taken to monitor and control such exposures, including the Bank's risk assessment and risk management policies.
- c. Assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- d. Ensure appropriate infrastructure, resources and systems are in place for actual risk management implementation, i.e. ensure staff responsible for implementing the risk management system perform their duties independently of the Bank's risk taking activities.
- e. Review periodically management reports on risk exposure, risk portfolio, composition and other risk management activities.
- f. Review periodically with management, including independent Risk Officer, Head of Compliance and Legal Counsel, any correspondence with or action by, regulators or governmental agencies, any material legal affairs of the Bank and the Bank's compliance with applicable laws and regulations.
- g. Report regularly to the Board on the Committee's activities.
- h. Review annually and report to the Board on its own performance.
- i. Review and assess the adequacy of its charter annually and recommend any proposed changes to the Board for approval.

## **Risk Management Strategies & Policies**

The Bank's risk management framework recognizes the diversity of the organization's activities by balancing the Board's strong supervision with well-defined independent risk management functions within each business area.

The risk management framework is firmly based on the following six principles, applicable across the board for all businesses and risk types:

- Risk management policies are integrated with business plans and strategies;
- All risks and returns resulting from this are owned and managed by an accountable business unit;
- All risks are managed within a limited framework while the risk limits are endorsed by the business management and approved by an independent risk management organization;
- All risk management policies are clearly and formally documented;
- All risks are measured using well defined methodologies, including stress testing; and
- All risks are comprehensively reported across the organization.

Risks are regularly reviewed by independent risk managers, senior business managers and whenever appropriate, by the Board of Directors themselves.

The independent risk managers are responsible for establishing and implementing risk management policies and practices within their business units while ensuring consistency with Citi's corporate standards.

The independent risk managers are ultimately accountable to the Board and on a day-to-day basis, they are also individually responsible for meeting and responding to the needs of their respective business units, apart from overseeing their existing portfolio risks.

The following sections summarize the processes for managing credit, market liquidity and operational risks within Citibank Berhad.

## **Credit Risk**

Credit risk is the potential for financial loss resulting from the failure of a borrower or counter party to honor its financial or contractual obligations.

Credit risk arises in lending, trading and derivatives transactions, securities transactions, settlement and when the Bank acts as an intermediary on behalf of its clients and other third parties.

While business managers and independent risk management are jointly responsible for managing the risk/return tradeoffs as well as establishing limits and risk management practices, the origination and approval roles are clearly defined and segregated.

In addition to conforming to established corporate standards, independent credit risk management is responsible for establishing local policies that comply with local regulations and any other relevant legal requirements.

These standards will cover credit origination, measurement and documentation as well as problem recognition, classification and remedial actions. In addition, the specific write-off criteria are set according to corporate requirements or BNM/GP3 requirements, whichever that is more stringent.

Independent credit risk management is also responsible for implementing portfolio limits, including obligor limits through risk rating, maturity and business segments to ensure diversification of portfolio.

Continuous monitoring of credit behavior aided by sophisticated scoring modules, plus portfolio delinquency performance allows independent credit risk management to constantly assess the health of the credit portfolio.

## **Market Risk**

Market risk encompasses price risk and liquidity risk, both arising in the normal course of business in a global financial intermediary. At Citibank Berhad, market risk is managed through corporate-wide standards, business policies and procedures with the help of responsible personnel and committees delegated by the Board of Directors (for example, the Asset and Liability Committee and Market Risk Management).

The business is required to establish risk measures, limits and controls, clearly defining approved risk profiles within the parameters of the Bank's overall risk appetite.

The result of every risk assessment and review exercise is then presented to the Board of Directors for feedback and recommended action (if necessary).

## **Price Risk**

Price risk is the risk associated to earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices (wherever relevant) and in their implied volatilities. Price risk arises in both non-trading portfolios and trading portfolios.

Interest rate risk in non-trading portfolios is inherent in many client-related activities, primarily lending and deposit taking from both individuals and corporations.

The risk arises due to factors including the timing of rate resetting and maturity between assets and liabilities, change in the profile of assets and liabilities whereby the maturity period differs in response to alterations in market interest rates, changes in the form of the yield curve and modifications in the spread between various market rate indices.

Interest Rate Exposure (IRE) is used as a tool to monitor such interest rate risk and is calculated as the pre-tax earning impact of an instantaneous parallel increase or decrease in the yield curve.

IRE is supplemented with additional measurements including stress testing the impact on earnings and equity for non-linear interest rate movements and analysis of portfolio duration, basis risk, spread risk, volatility risk and cost-to-close.

Price risk in trading portfolios is measured through a complementary set of tools such as factor sensitivities, value-at-risk and stress testing.

It is the responsibility of the independent market risk management to ensure that factor sensitivities are calculated, monitored and in most cases limited, for all relevant risks taken in a trading portfolio. In addition, stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements.

## **Liquidity Risk**

Liquidity risk can best be defined as risk that the Bank may not be able to meet in terms of a financial commitment to customers, creditors or investors, when due.

Under the Bank's internal Liquidity Risk Management policy, there are set standards for the measurement of liquidity risk in order to ensure consistency, stability in methodologies and transparency of risk.

This is in addition to the requirements of BNM's New Liquidity Framework, which requires that a certain surplus liquidity position be maintained to meet pre-defined withdrawal amounts.

Management of liquidity is performed on a daily basis and is monitored by the Treasurer. Along with the Treasurer, the Asset and Liability Committee (ALCO) undertakes the joint responsibility

of overall liquidity risk management which covers establishing and endorsing the annual funding and liquidity plan, liquidity limits, liquidity ratios, market triggers and assumptions for periodic stress tests.

The Bank's liquidity management process includes:

- Establishing liquidity limit based on the size of the balance sheet, depth of the market, experience level of management, stability of the liabilities and liquidity of the assets under both business as usual scenario and stress scenarios;
- Daily maturity profiling of the Bank's assets and liabilities including behavioral analysis of major third party sources and uses of funds versus liquidity limits;
- Perform simulated liquidity stress testing periodically relative to significant changes in key funding sources, credit ratings, contingent uses of funding and market disruptions;
- Preparing annual funding and liquidity plan which includes analysis of the annual balance sheet as well as the economic and business conditions impacting the liquidity of the Bank;
- Use liquidity ratios to monitor the structural elements of the Bank's liquidity position;
- Review potential concentrations of funding; and
- Monitor market triggers which are internal and/or external market or economic factors that may cause a change to market liquidity.

## **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems as well as from external events.

It includes reputation and franchise risks associated with the Bank's business practices or market conduct. It also includes the risk of failing to comply with applicable laws, regulations, and Citi policies.

The Citi Self Assessment and Operational Risk Framework include the Citi Risk & Control Self-Assessment/Operational Risk Policy and Standards (“The Policy”), which clearly define the Bank's approach to operational risk management.

The Operational Risk policy codifies the core governing principles for operational risk management and provides a consistent, value added framework for assessing, communicating operational risk and the overall effectiveness of the internal control environment across Citi.

The policy covers the following:

- The senior management is responsible for the oversight of the operational risk management framework, including fostering an organizational culture that places high priority on effective

operational risk management and adherence to sound internal controls, including all applicable policies;

- The identification of key operational risks & controls to be done on a collaborative effort, with the input from business and functional areas;
- Key operational risks identified will be assessed on regular basis through key risk indicators to monitor potential significant risk inherent in the business; and
- Operational losses are collected and reported to senior management.

### **Statement of Internal Audit and Internal Control**

Citibank Berhad's Board of Directors is responsible to establish and maintain adequate internal control over financial reporting standards and related issues.

The Bank's internal control system was designed to provide reasonable assurance to the company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with the provisions under the Companies Act 1965 and other applicable approved standards in Malaysia.

All internal control systems no matter how well designed and implemented, have inherent limitations.

In view of the limitations, therefore, even the best of systems determined to be effective can only provide a reasonable assurance in relation to the preparation and presentation of financial statements.

A comprehensive system of controls is maintained to ensure that all transactions are executed in accordance with the management's authorization, assets are safeguarded and that the financial records are reliable.

The management also takes relevant steps to see that information and communication flows are effective and monitor the performance of internal control procedures.

Citibank Berhad's risk management policies, procedures and practices set out the foundation to the risk architecture governing its business activities.

The management conducts business monitoring initiatives and periodic self-assessment in accordance with the Risk and Control Self-Assessment policy for all applicable businesses.

Control system weaknesses resulting in corrective actions will be documented and escalated to the management for tracking purposes.

Citibank Berhad's Internal Audit reports to the Audit Committee. It performs regular reviews of the business processes to assess the effectiveness of the control environment and highlights significant risks affecting the company.

The scope and frequency of the audit activities are reviewed and endorsed by the Audit Committee while audits are carried out based on level of risk assessed, to provide an independent and objective report on operational and management activities.

The Audit Committee regularly reviews and deliberates with management on the actions taken on internal control issues identified in reports prepared by Internal Audit, the external auditors, regulatory authorities and the management themselves.

The management of Citibank Berhad has also set up a Country Coordinating Committee, Business Risk Compliance and Control Committee, Legal Vehicle Committee, Asset and Liability Committee, Legal and Compliance Committee and Management Committee as part of its monitoring function to ensure effective management and supervision of the areas under the respective Committee's purview.

Citibank Berhad has also adopted the Citi Code of Conduct which expresses the values that each employee is expected to appreciate and apply in their respective working life.

Ethics hotlines are made available to employees who wish to voice concerns about suspected violations of law or industry regulation as well as actions that may fail to live up to the Bank's high standards of ethical conduct.

The Bank has an internal policy prohibiting retaliatory actions against any individual for raising legitimate concerns or questions regarding ethical matters, or for reporting suspected violations.

## **Management Reports**

The pre-set agenda, management reports and other ad-hoc proposals or applications are circulated to the Directors prior to the actual Board meetings.

This enables the Board of Directors to measure the overall performance of the Bank and make sound management decisions.

Management reports presented to the Board comprise the following:

- Economic Updates
- Business Plans
- Year to date Financial Performance Report
- Financial performance by major business segments
- Quarterly BNM's benchmarking results
- Quarterly Performance Scorecard
- Comparative analysis of banks
- Quarterly Bank Negara Stress Tests Results
- Credit Risk Management Report
- Liquidity & Market Risk Management Report
- Quarterly Derivative Outstanding Report
- Basel II Updates

- Minutes of Audit Committee meetings
- Minutes of Risk Management Committee meetings
- Minutes of Nominating Committee meetings
- Minutes of Shariah Committee meetings

### **Shariah Committee**

Citibank Berhad's Shariah Committee was established in 2005 to ensure the Bank's Islamic Banking Division operates in conformity with Shariah principles.

The Shariah Committee also takes into consideration the views of relevant authorities such as BNM and Securities Commission (SC), on issues relating to the industry.

The following outlines the main duties and responsibilities of the Shariah Committee:

1. Advise the Board of Directors on Shariah related matters in line with the Bank's business operations;
2. Review product processes and documentations to ensure conformity with Shariah requirements;
3. Assist and advise related parties on Shariah matters on request;
4. Advise on matters which need to be referred to the National Shariah Advisory Council; and
5. Provide written Shariah opinion when the Bank submits applications for new product approval.

For the year 2006, the Shariah Committee met 11 times.

The Shariah Committee assisted in the development of nine new Shariah-compliant products and subsequently endorsed them. It also conducted a Shariah compliance review on select Shariah-compliant products that are currently offered to customers.

As part of efforts to harmonize global Shariah opinions and allow scholars to share their experience, the Shariah Committee members participated in various Shariah scholars' meetings and conferences that were organized during the financial year under review. Committee members also attended related courses and conferences as part of the Committee's development programme.

The Shariah Committee for 2006 includes the following distinguished members:

#### **Professor Dr. Abd Ghaffar Ismail / Chairman**

Dr. Abd Ghaffar Ismail has been a Professor in the Banking and Finance faculty of Universiti Kebangsaan (UKM) Malaysia since 2003.

Some of his work has been extensively published in several industry journals both in the international and local market, including Journal of Islamic Economics, Journal of Islamic Studies, Journal of Islamic Banking and Finance, International Journal of Management, Humanomics and Review of Financial Economics.

Professor Dr. Abd Ghaffar Ismail's research interests include capital adequacy standard for Islamic financial institutions and microstructure of financial institutions such as capital structure and loan loss provision.

A lecturer since 1987, he has vast experience in teaching several economics courses such as money and banking, financial economics as well as advanced macroeconomics.

Professor Dr. Abd Ghaffar Ismail sits on the Committee for the Implementation of Islamic Economics and Banking in Malaysia.

In addition, he also sits on the committee for Research and Islamic Economics at Institut Kefahaman Islam Malaysia (IKIM) and is also a member of the Shariah Working Committee at Bank Negara Malaysia (BNM).

Professor Dr. Abd Ghaffar Ismail is an associate fellow for the Islamic Management Project at Universiti Sains Malaysia (USM) and a visiting professor of Islamic economics and finance at Trisakti University in Jakarta, Indonesia.

He holds a PhD from the University Of Southampton, United Kingdom.

#### **Dr. Haji Hashim Mehat / Associate Professor**

Currently an Associate Professor of the Shariah Department at Universiti Kebangsaan Malaysia (UKM), Dr. Hashim Mehat was previously a tutor and Lecturer at the Shariah department including Comparative Law at the same university.

He is also the Coordinator for Post-Graduate Studies Program at the Faculty of Islamic Studies in UKM. Associate Professor Dr. Hashim Mehat is one of the ILIM Consultants for the Islamic Criminal Laws at State Level Program as well as a Consultant Speaker for Angkatan Tentera Malaysia.

One of the Board Members for the Scrutinizing Committee of Jabatan Agama Islam Malaysia (JAKIM), he also holds a PhD in Law from University Malaya, Malaysia.

#### **Dr. Norhashimah Mohd Yassin / Associate Professor**

Dr. Norhashimah Mohd Yassin is an Associate Professor at the Private Law Department, Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia (IIUM).

Prior to that, she was an Assistant Professor conducting lectures, researching and presenting papers at seminar and conferences, both locally and internationally.

Associate Professor Dr. Norhashimah holds a PhD in Law from University of Warrick, United Kingdom and was admitted to the Malaysian Bar.

She is a member of the Advocates and Solicitors Disciplinary Board and also sits on the Board of Trustees for Yayasan Asnita.

## **Ratings Statement**

Citibank Berhad was rated by Rating Agency Malaysia Berhad (RAM) on 5 December 2006. The Bank received a AAA rating for long-term and a P1 rating for the short-term.

The ratings are reflective of the Bank's laudable asset quality, commendable profitability, sound funding and liquidity positions as well as sturdy capital level in supporting its proficient business model.

### **Bank Rating Symbols and Definitions:**

**AAA** Financial institutions rated in this category are adjudged to offer the highest safety for timely payments of financial obligations.

This level of rating indicates corporate entities with strong balance sheets, favorable credit profiles and consistent records of above-average profitability. Their capacities for timely payments of contractual financial obligations are unlikely to be impacted seriously by any foreseeable changes in economic conditions.

**P1** Financial institutions in this category have superior capacities for timely payments of obligations.

## **Citi in the Community**

At Citi, we believe that different sections of the community have different needs and the only way we, as a responsible and socially active corporate citizen, can reach out to them effectively is by designing programs that are specific to a particular target group.

In Malaysia, Citi's community programs are organized under the main theme of *Reaching Out*, which is specially designed to touch people from all walks of life, regardless of race and religion.

Citi Malaysia's community efforts at the local front are divided into three main categories, namely Financial Education, Education, and Building Communities.

The organization's various community service endeavors are very much in line with its firm belief that it has a responsibility to serve the society in which it operates.

The following are brief information in relation to our continuous community efforts in the financial year ending December 31, 2006.

### **Financial Education**

As a Bank deeply concerned about the state of financial literacy in this part of the world, we are committed to providing strategic financial education opportunities for young people to develop the necessary skills and knowledge needed to manage their personal finances responsibly.

Indirectly, our effort in providing basic financial literacy will also enable the program participants to make informed economic decisions and achieve success in the global workplace.

We firmly believe that good money management skill needs to be instilled while one is still young.

In order to instill good money-management values among today's youths, Citi Malaysia has published two dual-language (English and Bahasa Malaysia) financial education books titled *The Adventures of Agent Penny* and *Making Sense of Money*.

The following is a brief excerpt of the two books published:

#### **Agent Penny: Illustrating basics of financial literacy for primary school children**

The Adventures of Agent Penny is a financial education campaign aimed at providing a fun-filled experience for 10-12 year olds to learn the basics of money management.

The reading-centered program was developed in conjunction with a local arts group well known for its creativity and drama. Using the script developed by professionals, the students performed the skit for their friends using their own creative ideas to share the key messages and values with their peers.

Using a lead cartoon character and presenting the entire publication as a comic allowed us to not only stress the salient points of savings and budgeting, but it also proved to be successful in terms of attracting the target audience. This program was the first of its kind to be conducted in Malaysia.

In addition to distributing the books to various schools, students from the chosen schools were also required to perform skits demonstrating their understanding on the fundamentals of sound personal financial management (as pointed out by Agent Penny / Ejen Mas in the book).

Other students who watched their peers perform the skits were invited to interact with Citi volunteers as part of the school's extra-curricular enrichment program.

In 2006, with the help of 120 Citi volunteers, over 11,000 copies of the comic books were distributed to primary school children in Malaysia. This year, the program was also taken to rural Malaysia especially to the students in Long Sukang, Sarawak.

Via the website [www.kidswealthfoundation.org](http://www.kidswealthfoundation.org), students, parents and teachers are able to obtain more information and resource materials in relation to the program.

The program was funded by a grant from Citi Foundation amounting to US\$62,000.

In 2007, Citi will launch the second edition of this comic, which is expected to reach out to another 15,000 students nationwide.

### **Making Sense of Money: Introducing young adults to financial planning essentials**

Making Sense of Money - A Financial Survival Guide for the Next Generation is another quality publication produced by Citi in the course of its continuous community work.

This book was specifically targeted at young adults as an introduction on the importance of personal financial planning and management.

The book also comes with an interactive CD-Rom to help illustrate the fundamentals of personal financial planning and why it is important for young adults to start taking control of their finances as early as possible.

In 2006, the *Making Sense of Money* program reached over 16,000 students between the ages of 13 and 18 in 60 schools located throughout Kuala Lumpur, Selangor, Penang, Johor Bahru and Perlis.

While distributing these books to the participating schools, a special two-hour workshop was also conducted by an appointed trainer, supported by 60 Citi volunteers.

During this workshop, participating students were introduced to the basics of financial planning, including the elements of savings, credit, debt, the time-value of money, insurance, budgeting and entrepreneurship.

This program was funded by a grant worth RM323,000 (US\$85,000) from Citi Foundation.

## **Citi Stock Challenge**

The Citi Stock Challenge is a program developed to introduce the workings of a stock market and trading floor to secondary school students.

This program was first introduced in 2004 and to date, more than 600 students from over 30 schools in Kuala Lumpur, Selangor, Penang and Johor Bahru have participated.

The Citi Stock Challenge is a two-day programme with classroom learning and interaction on the first day and active trading activities on the second day.

Student teams formed 70 'brokerage houses' that each used \$1,000 'seed money' in a simulated stock market featuring 24 stocks in five sectors - energy, manufacturing, trade, communications and hospitality.

In 2006, more than 200 students from schools in Kuala Lumpur, Putrajaya, Selangor and Seremban participated in the two-day challenge.

This unique initiative is made possible by a grant from the Citi Foundation, the philanthropic arm of Citi.

As part of Citi's global commitment to promote financial education, the Citi Stock Challenge aims to introduce young students in Malaysia to stock market fundamentals and increase their financial literacy and basic investment knowledge.

The student brokerage firm with the largest cash and portfolio value determined winners on the last day of the game based on closing prices.

The Stock Challenge program also encouraged participation from Citi and Bursa Malaysia employees. This year, there were a total of 23 employees who volunteered in the program, 16 from Citi and seven from Bursa Malaysia.

This program is organized and conducted by professional educationists and Citi employees.

## **The University of Malaya – Citi Intervarsity Case Competition**

The University of Malaya – Citi Intervarsity Case Competition is a spin-off from the Citi - University of Malaya Banking Seminar Series.

While the Citi Banking Seminar Series aims to provide business students with strong knowledge and understanding of real life situations through lectures given by Citi's senior representatives, this case competition aims to bring forth the practical aspect of business situations where students will learn to solve problems and provide their own recommendations.

This collaboration is again a partnership between Citi and the Business & Accounting Faculty of University of Malaya. Citi has been a strong advocate in education and believes that education is the blueprint for nation building.

### **The Citi UTAR Banking Seminar Series**

The Citi UTAR Banking Seminar Series is a partnership between Citi Malaysia and the Faculty of Accountancy and Management of University Tunku Abdul Rahman (UTAR)

Citi first partnered with University Malaya for the Banking Seminar Series in 2004 through which more than 15 senior Citibankers have given talks to participating students.

The most recent partnership with UTAR further reinforces Citi's commitment in offering fundamental financial education by giving more students the chance to learn about real life experiences and current issues surrounding the banking industry.

As a leading global financial services company and an equally civic-minded corporation, Citi is committed towards the continuous betterment of the society through financial education by being actively involved in the grooming of Malaysia's future leaders.

Through the banking seminar series, Citi hopes to provide a platform for students to benefit and learn from the vast experiences of our senior bankers.

Through this we hope, students will be inspired to join the financial services industry, which is always in need of new, talented individuals.

### **Young Enterprise (YE) Program**

In addition to our efforts at improving the level of basic financial literacy among Malaysian youths, Citi Malaysia also supports the Young Enterprise (YE) Program, a community service education program under the auspices of the American Chamber of Commerce.

Under this program, Citi sponsors chosen secondary schools in the central region of Klang Valley and the northern state of Penang, where the volunteers (consisting of Citi employees), work closely with 16-year olds to build a viable business enterprise.

Since 2003, over 70 Citi volunteers have acted as Advisers to more than 250 students. Citi Foundation also provided a grant of RM285, 000 (US\$75,000.00) to the YE Program to enable it to grow from around 20 schools (500 students) to 35 schools (750 students) today.

### **Citi Global Community Day**

On 18 November 2006, Citi organized its inaugural Global Community Day which saw almost 45,000 volunteers from 100 countries worldwide participate in volunteer work to serve the communities we work and live in.

In Asia Pacific alone we had 13,000 employees, friends and family members in 17 countries contribute their time, energy and resources in various activities and causes for the day. Malaysia had one of the highest numbers of volunteers with almost 1,300 of our colleagues in Kuala Lumpur, Penang and Johor Bahru doing their part for the community.

Citi volunteers from Kuala Lumpur joined in a Community Hunt which took them to Taiping, where they were broken up into groups to help clean up over 20 acres of land around the Taiping Lake Garden as well as help three homes – *Rumah Kanak Kanak Taiping* (orphanage), *Rumah Seri Kenangan Taiping* (old folks home) and *Rumah Ornat-Orang Cacat Taiping* (home for mentally handicapped adults and children). Aside from painting and cleaning up the homes, Citi also donated essential items and electrical equipments for their use.

In Johor Bahru, volunteers organized a day of “fun activities” for more than 120 children from seven children’s homes. Our volunteers from Labuan organized a donation drive to collect clothing and essential items for the poor families in their community. And in Penang, the volunteers, who consisted of Citi Trade Services Malaysia and branch employees, adopted *Sekolah Sinar Harapan* where they spent most part of the day cleaning and painting the school. The schoolchildren also received gifts of school supplies and essentials from the volunteers.

For Malaysia, the Global Community Day was a resounding success as it truly captured the spirit of volunteerism within Citi.

# Citibank Berhad and its subsidiaries

(Company No. 297089 M)  
(Incorporated in Malaysia)

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## Directors' report for the year ended 31 December 2006

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Bank for the year ended 31 December 2006.

### Principal activities

The principal activities of the Group and the Bank are banking and related financial services that also include Islamic Banking business. The principal activities of the subsidiaries are set out in Note 14 to the financial statements.

There have been no significant changes in these activities during the year.

### Results

	<b>Group and Bank RM'000</b>
Profit before taxation	735,181
Taxation	(131,640)
	<hr/>
Profit after taxation	603,541
	<hr/> <hr/>

### Dividends

There were no dividends paid since the end of the previous financial year.

The Directors are not proposing any final dividend for the financial year ended 31 December 2006.

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the year other than those disclosed in the financial statements.

## **Bad and doubtful debts and financing**

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of provisions for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate provisions made for bad and doubtful debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the provision for doubtful debts and financing, in the financial statements of the Group and the Bank inadequate to any substantial extent.

## **Current assets**

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to be realized in the ordinary course of business at their values as shown in the accounting records of the Group and the Bank, have been written down to an amount which they might be expected to realize.

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading.

## **Valuation methods**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the financial statements of the Group and the Bank misleading or inappropriate.

## **Contingent and other liabilities**

At the date of this report there does not exist:-

- (a) any charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Group and the Bank that has arisen since the end of the financial year other than in the ordinary course of the banking business.

No contingent or other liability of the Group and the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

## **Change of circumstances**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Bank, that would render any amount stated in the financial statements misleading.

## **Items of an unusual nature**

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely to affect substantially the results of the operations of the Group and the Bank for the current financial year in which this report is made.

## **Share capital**

There were no changes in the issued and paid-up capital of the Bank during the year.

## **Directors and their interests in shares**

Directors who served since the date of the last report are:

Piyush Gupta

Allen Tan Keng Hoon

Tan Sri Hj. Omar Bin Ibrahim

Dato' Syed Sidi Idid Bin Syed Abdullah Idid

Lim Sim Seng (Appointed – 12 September 2006)

Venkatachalam Krishnakumar (Resigned – 12 September 2006)

In accordance with Articles 102 of the Bank's Article of Association Mr Allen Tan Keng Hoon shall retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Articles 93 of the Bank's Article of Association Mr Lim Sim Seng shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

# Citibank Berhad and its subsidiaries

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(Company No. 297089 M)

(Incorporated in Malaysia)

## Directors' interests

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares in the Bank and related corporations during the financial year ended 31 December 2006, as recorded in the Register of Directors shareholdings kept by the Bank under Section 134 of the Companies Act 1965 are as follows:

	Number of ordinary shares of USD0.01 each			At 31.12.2006
	At 1.1.2006/Date of appointment	Bought/ Vested	Sold	
<b><u>Shares in Citigroup Inc.</u></b>				
Allen Tan Keng Hoon	76,501	3,415	(12,000)	67,916
Piyush Gupta	8,176	3,419	-	11,595
Lim Sim Seng	58,904	-	(5,000)	53,904

### **Capital Accumulation Program / Supplementary CAP/SEA in Citigroup Inc.**

Allen Tan Keng Hoon	8,685	-	(4,326)	4,359
Piyush Gupta	12,080	31,615	(4,273)	39,422
Lim Sim Seng	46,968	-	-	46,968

	Number of options over ordinary shares of USD0.01 each			At 31.12.2006
	At 1.1.2006/Date of appointment	Granted	Exercised	
<b><u>Stock Option Plan in Citigroup Inc.</u></b>				
Allen Tan Keng Hoon	24,300	-	-	24,300
Piyush Gupta	79,308	-	-	79,308
Lim Sim Seng	89,442	-	-	89,442

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the year.

# **Citibank Berhad and its subsidiaries**

(Company No. 297089 M)

(Incorporated in Malaysia)

## **Directors' benefits**

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements, or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate except for the Directors above who were granted options to subscribe for shares in the ultimate holding company under various stock incentive and purchase schemes where the price and terms are as determined by the said scheme.

## **Holding and ultimate holding companies**

The Directors regard Citibank Overseas Investment Corporation and Citigroup Inc., both companies incorporated in the United States of America, as the immediate and ultimate holding company of the Bank, respectively.

## **Auditors**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

.....  
**Piyush Gupta**

.....  
**Allen Tan Keng Hoon**

Kuala Lumpur,

Date : 5 March 2007

**Citibank Berhad  
and its subsidiaries**

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**Statement by Directors pursuant to Section 169(15) of the  
Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 45 to 120, are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia for entities other than private entities issued by the Malaysian Accounting Standard Board as modified by Bank Negara Malaysia's Guidelines so as to give a true and fair view of the state of affairs of the Group and of the Bank at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....  
**Piyush Gupta**

.....  
**Allen Tan Keng Hoon**

Kuala Lumpur,

Date : 5 March 2007

**Citibank Berhad  
and its subsidiaries**

(Company No. 297089 M)  
(Incorporated in Malaysia)

**Declaration pursuant to Section 169(16) of the  
Companies Act, 1965**

I, Tang Wan Chee, the officer primarily responsible for the financial management of CITIBANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 45 to 120, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Kuala Lumpur on

.....

.....

**Tang Wan Chee**

Before me :

.....

**Signature of Commissioner for Oath**

## **Report of the auditors to the members of Citibank Berhad**

(Company No. 297089 M)

(Incorporated in Malaysia)

We have audited the financial statements set out on pages 45 to 120. The preparation of the financial statements is the responsibility of the Bank's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 for entities other than private entities issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of:
    - i) the state of affairs of the Group and of the Bank as at 31 December 2006 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 its subsidiary companies have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary companies 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.

The audit reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

**KPMG**

Firm Number: AF 0758  
Chartered Accountants

**Khaw Hock Hoe**

Partner  
Approval Number: 2229/04/08(J)

Kuala Lumpur,  
Date: 5 March 2007

# Citibank Berhad and its subsidiaries

(Company No. 297089 M)

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## Balance sheets at 31 December 2006

	Note	Group		Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>ASSETS</b>					
Cash and short term funds	4	5,528,088	8,257,307	5,528,068	8,257,287
Deposits and placements with banks and other financial institutions	5	2,272,748	2,079,603	2,272,748	2,079,603
Securities purchased under resale agreements		1,356,875	1,177,209	1,356,875	1,177,209
Securities held for trading	6	2,269,457	1,373,847	2,269,457	1,373,847
Securities available-for-sale	7	4,639,224	3,531,731	4,639,224	3,531,731
Securities held-to-maturity	8	7,499	247,499	7,499	247,499
Loans, advances and financing	9	20,357,791	18,968,536	20,357,791	18,968,536
Other assets	11	994,106	676,686	994,106	676,686
Statutory deposits with Bank Negara Malaysia	12	719,641	605,586	719,641	605,586
Deferred tax assets	13	43,517	34,616	43,517	34,616
Investment in subsidiary companies	14	-	-	20	20
Property, plant and equipment	15	76,971	84,872	76,971	84,872
<b>TOTAL ASSETS</b>		<b>38,265,917</b>	<b>37,037,492</b>	<b>38,265,917</b>	<b>37,037,492</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	16	24,582,009	22,122,500	24,582,009	22,122,500
Deposits and placements of banks and other financial institutions	17	4,540,370	5,932,662	4,540,370	5,932,662
Obligations on securities sold under repurchase agreements		3,578,573	4,079,582	3,578,573	4,079,582
Bills and acceptances payable		354,854	323,136	354,854	323,136
Recourse obligations on loans sold to Cagamas		748,797	1,150,144	748,797	1,150,144
Other liabilities	18	2,122,928	1,712,588	2,122,928	1,712,588
Subordinated loan	19	400,000	400,000	400,000	400,000
<b>TOTAL LIABILITIES</b>		<b>36,327,531</b>	<b>35,720,612</b>	<b>36,327,531</b>	<b>35,720,612</b>
<b>SHARE CAPITAL</b>	20	121,697	121,697	121,697	121,697
<b>RESERVES</b>	21	1,816,689	1,195,183	1,816,689	1,195,183
<b>SHAREHOLDERS' FUNDS</b>		<b>1,938,386</b>	<b>1,316,880</b>	<b>1,938,386</b>	<b>1,316,880</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>38,265,917</b>	<b>37,037,492</b>	<b>38,265,917</b>	<b>37,037,492</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	31	<b>90,851,542</b>	<b>56,030,523</b>	<b>90,851,542</b>	<b>56,030,523</b>

# Citibank Berhad and its subsidiaries

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## Income Statement of the Group and Bank for the financial year ended 31 December 2006

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

<b>Group and Bank</b>			
	<b>Note</b>	<b>2006 RM'000</b>	<b>2005 RM'000</b>
Revenue	3(b)	<u>2,484,493</u>	<u>2,251,735</u>
Interest income	23	1,972,858	1,765,345
Interest expense	24	(900,546)	(823,841)
Net interest income		<u>1,072,312</u>	<u>941,504</u>
<i>Net Islamic banking operating income</i>	37	30,250	17,175
Other operating income	25	481,385	469,215
Operating income		<u>1,583,947</u>	<u>1,427,894</u>
Other operating expenses	26	(721,626)	(620,928)
Profit before provision		<u>862,321</u>	<u>806,966</u>
Allowance for losses on loan and financing	27	(127,140)	(76,913)
Profit before taxation		<u>735,181</u>	<u>730,053</u>
Taxation	28	(131,640)	(225,508)
Profit after taxation		<u>603,541</u>	<u>504,545</u>
Earnings per share - basic (sen)	29	<u>496</u>	<u>415</u>

# Citibank Berhad and its subsidiaries

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## Statement Of Changes In Equity For the Year Ended 31 December 2006

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	Other Reserve RM'000	Retained Profits RM'000	Total Reserves RM'000		
<b>At 1 January 2005</b>	121,697	380,303	121,697	24,498	1,631,013	2,157,511	-	2,279,208
Net profit for the year	-	-	-	-	504,545	504,545	-	504,545
Unrealised net loss on revaluation of securities available for sale	-	-	-	(31,873)	-	(31,873)	-	(31,873)
	121,697	380,303	121,697	(7,375)	2,135,558	2,630,183	-	2,751,880
Dividend paid	-	-	-	-	(1,435,000)	(1,435,000)	-	(1,435,000)
<b>At 31 December 2005</b>	121,697	380,303	121,697	(7,375)	700,558	1,195,183	-	1,316,880
<b>At 1 January 2006</b>	121,697	380,303	121,697	(7,375)	700,558	1,195,183	-	1,316,880
Net profit for the year	-	-	-	-	603,541	603,541	-	603,541
Unrealised net gain on revaluation of securities available for sale	-	-	-	17,965	-	17,965	-	17,965
<b>At 31 December 2006</b>	121,697	380,303	121,697	10,590	1,304,099	1,816,689	-	1,938,386

# Citibank Berhad and its subsidiaries

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## Cash Flow Statements of the Group and Bank For the financial year ended 31 December 2006

### Group and Bank

	2006 RM'000	2005 RM'000
<b>Cash Flows from operating activities</b>		
Profit before tax expenses and zakat	735,181	730,053
Adjustments for :		
Amortisation of premium less accretion of discount of securities available for sale	34,708	23,656
Allowance for bad and doubtful debts (net of write-backs)	127,140	76,913
Provision for profit equalisation reserve	9,171	2,580
Depreciation	29,199	30,962
Dividends from unquoted investment securities	(25)	(25)
Unrealised losses from revaluation of securities held for trading	12,972	2,862
Gain from disposal of securities available for sale	(22,800)	(18,715)
Loss/(gain) on disposal of property, plant and equipment	339	(688)
Property, plant and equipment written-off	425	903
Operating profit before working capital changes	926,310	848,501
Changes in working capital :		
Deposits and placements with banks and other financial institutions	(193,145)	1,701,775
Securities purchased under resale agreements	(179,666)	116,230
Securities held for trading	(908,582)	1,614,402
Loans, advances and financing	(1,516,395)	923,256
Other assets	(317,420)	10,947
Statutory deposits with Bank Negara Malaysia	(114,055)	(17,172)
Deposits from customers	2,459,509	(1,498,387)
Deposits and placements of banks and other financial institutions	(1,392,292)	(1,032,994)
Obligation on securities sold under repurchase agreements	(501,009)	2,214,603

# Citibank Berhad and its subsidiaries

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## Cash Flow Statements of the Group and Bank For the financial year ended 31 December 2006 (continued)

	Group and Bank	
	2006 RM'000	2005 RM'000
Other liabilities	477,209	102,262
Bills and acceptance payable	31,718	175,884
Recourse obligations on loans sold to Cagamas	(401,347)	(654,428)
Cash (used in) / generated from	(2,555,475)	3,656,378
Income taxes paid	(223,567)	(192,863)
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,852,732)</b>	<b>4,312,016</b>
<b>Cash flows from investing activities</b>		
Dividend from investment securities	25	25
Purchase of property, plant and equipment	(25,367)	(20,843)
Proceeds from disposal of property, plant and equipment	3,305	3,755
Purchase of securities available-for-sale	(4,442,416)	(5,775,363)
Proceeds from disposal of securities held-to-maturity	240,000	25,000
Proceeds from disposal of securities available-for-sale	3,347,966	6,186,811
<b>Net cash (used in)/generated from investing activities</b>	<b>(876,487)</b>	<b>419,385</b>
<b>Cash flows from financing activities</b>		
Issuance of subordinated loan	-	400,000
Dividends paid	-	(1,435,000)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(1,035,000)</b>
<b>Net (decrease) / increase in cash and cash</b>	<b>(2,729,219)</b>	<b>3,696,401</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>8,257,307</b>	<b>4,560,906</b>
<b>Cash and cash equivalents at end of year</b>	<b>5,528,088</b>	<b>8,257,307</b>
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds (Note 4)	5,528,088	8,257,307

# Citibank Berhad and its subsidiaries

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## Notes to the financial statements

### 1. Reporting Entity

Citibank Berhad is a public limited liability company. The addresses of both its registered office and principal place of business are as follows:

45th Floor, Menara Citibank,  
165 Jalan Ampang  
50450 Kuala Lumpur

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Bank and its subsidiaries (together referred to as the Group).

The principal activities of the Group and the Bank are banking and related financial services that also include Islamic Banking business. The principal activities of the subsidiaries are set out in Note 14 to the financial statements.

There have been no significant changes in the principal activities during the year.

The immediate and ultimate holding companies during the financial year are Citibank Overseas Investment Corporation and Citigroup Inc. respectively. Both companies are incorporated in United States of America.

### 2. Basis of preparation

#### (a) Statement of compliance

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs) that are effective for accounting periods beginning on or after 1 January 2006 or available for early adoption.

In this set of financial statements, the Group has chosen not to early adopt FRS 117, Leases and FRS 124, Related Party Disclosures which are effective for annual periods beginning on or after 1 October 2006 and Amendment to FRS 119<sub>2004</sub>, Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures which is effective for annual periods beginning on or after 1 January 2007. The MASB has also issued FRS 139, Financial Instruments: Recognition and Measurement but for which the MASB has yet to announce the effective date of this standard. The Group has also not adopted FRS 139.

By virtue of the exemptions as provided by the respective standards, the impact of applying FRS 117, FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

**2. Basis of preparation (continued)**

**(a) Statement of compliance (continued)**

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 for entities other than private entities issued by the MASB, as modified by Bank Negara Malaysia's Guidelines. 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.

The financial statements were approved by the Board of Directors on 5 March 2007.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities, and are in accordance with the applicable accounting standards in Malaysia for entities other than private entities issued by the MASB as modified by BNM Guidelines and comply with the provisions of the Companies Act, 1965:

- i) the measurement of the securities held-for-trading and securities available-for-sale at their fair values; and
- ii) the measurement of derivative financial instruments at fair values.

**(c) Functional and presentation of currency**

The consolidated financial statements are presented in Malaysian Ringgit which is the Bank's functional currency. Except as indicated, financial information presented in Ringgit Malaysia (RM) has been rounded to the nearest thousand.

**2. Basis of preparation (continued)**

**(d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the fair value estimation for securities held for trading (Note 6), securities available-for-sale (Note 7) and derivative financial assets and liabilities (Notes 11 and 18) - the fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.

**3. Significant accounting policies**

**(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 14 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 of gross interest income, commission and other income derived from banking operations.

**3. Significant accounting policies (continued)**

**(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 set-off against the accrued interest receivable account in the balance sheet 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 and is in conformity with the revised BNM/GP8.

**(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 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.

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".

### **3. Significant accounting policies (continued)**

#### **(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) Securities**

The holding of the securities portfolio of the Group and Bank are recognised on the following categories and valuation method:

##### **(i) Securities held-for-trading**

Securities are classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Securities classified as held-for-trading are stated at fair value and any gain or loss arising from a change in the fair value is recognised in the income statement.

##### **(ii) Securities held-to-maturity**

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, if any, are also classified as securities held-to-maturity.

The securities held-to-maturity are measured at accreted / amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment loss as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in income statement.

**3. Significant accounting policies (continued)**

**(g) Securities (continued)**

(iii) Securities available-for-sale

Available-for-sale securities are securities that are not classified as held-for-trading or held-to-maturity investments and these are measured at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost. Any gain or loss arising from a change in the fair value will be recognised directly in equity, net of applicable taxes, except for impairment losses which will be recognised in the income statement.

**(h) Cash and Cash Equivalents**

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

**(i) Investment in Subsidiary Companies**

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

Investments in subsidiary companies are stated at cost less impairment losses, if any.

**3. Significant accounting policies (continued)**

**(j) Property, Plant and Equipment and Depreciation**

Freehold land is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is provided on the straight line method by reference to the expected useful lives of each part of an item of property, plant and equipment. The principal annual rates of depreciation are as follows:-

Buildings	2.00%	-	2.50%
Installations	7.00%	-	12.50%
Furniture and equipment	10.00%	-	50.00%

The depreciable amount is determined after deducting the residual value, if any.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

**(k) 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.

**(l) Bills and Acceptances Payable**

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

**3. Significant accounting policies (continued)**

**(m) Currency Translations**

Individual foreign currency assets and liabilities are retranslated into the Bank's functional currency and 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 retranslated at rates prevailing on transaction dates. Exchange gains and losses are recognized in the income statement upon retranslation.

The closing rates used in translation are as follows:

	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
1 USD	3.5235	3.7795
1 AUD	2.7896	2.7730
1 NGL	2.1057	2.0352
1 SGD	2.2993	2.2730
100 YEN	2.9622	3.2177
1 GBP	6.9223	6.5266
1 EUR	4.6405	4.4849

**(n) 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.

**3. Significant accounting policies (continued)**

**(o) Employee Benefits**

**(i) Short – Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absence occur.

**(ii) Defined Contribution Plan**

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the income statement as incurred.

**(iii) Defined Benefit Plan**

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 amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of the plan assets. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value to any economic benefits in the form of refunds or reductions in future contributions to the fund. Amortisation of unrecognised gains or losses are included as a component of the annual expense for a year if, as of the beginning of the year, that cumulative net unrecognised gains or losses exceeds 10% of the greater of the Plan liability or value of Plan assets. If amortisation is required, the amortisation is that excess divided by the expected average remaining working lives of the employees participating in the Plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefit vest immediately, the expense is recognised in the income statement.

**3. Significant accounting policies (continued)**

**(o) Employee Benefits (continued)**

**(iv) Share-based compensation**

The Bank participate in equity-settled and cash-settled share based compensation plan for the employees that is offered by the ultimate holding company, Citigroup Inc.. The fair value of the services received in exchange for the grant of the options is recognised as an expense in the income statement over the vesting periods of the grant.

**(p) 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.

**(q) 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.

**(r) 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.

**(s) Impairment of Assets**

The carrying amount of the Group and Bank's assets, except for financial assets (other than securities available-for-sale and securities held-to-maturity) and deferred tax 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 to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement. The policies on impairment of assets are summarised as follows:

**3. Significant accounting policies (continued)**

**(s) Impairment of Assets (continued)**

i) Securities Available-for-sale

Impairment losses on securities available-for-sale are recognised by transferring the differences between the amortised acquisition cost and current fair value from equity to income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

ii) Securities Held-to-Maturity

For securities carried at amortised cost in which there are objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

**3. Significant accounting policies (continued)**

**(s) Impairment of Assets (continued)**

iii) Other Assets

For other assets when indication of impairment exists, these are subject to impairment review. 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.

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.

**(t) 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.

**(u) Profit Equalisation Reserves (“PER”)**

PER is the amount appropriated out of the total Islamic Banking gross income in order to maintain a certain level of return to depositors which is as stipulated by Bank Negara Malaysia's Circular on “The Framework of the Rate of Return” PER is deducted from the total Islamic Banking gross income in deriving the net distributable gross income. The amount appropriated is shared by the depositors and the Group/Bank.

**3. Significant accounting policies (continued)**

**v) Derivative Financial Instruments and Hedge Accounting**

Financial derivatives are recognised at fair values upon inception in the balance sheet, and are subsequently remeasured at fair values. Financial derivatives are classified as assets when the fair values are positive and as liabilities when their fair values are negative.

The Group enters into derivative transactions for trading and hedging purposes. For derivatives held-for-trading, fair value changes are recognised in the income statement. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either cash flow or fair value hedge accounting, where applicable.

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risks to be hedged and the method used to assess hedge effectiveness. Hedges are expected to be highly effective throughout the hedge period. The Group has adopted fair value hedge accounting for its fixed rate certificates as well as certain fixed rate private debt securities investments.

**Fair Value Hedge**

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the changes in the fair value of the hedging instrument and the hedged item relating to the hedged risks are recognised in the income statement. In the event the hedge no longer meets the criteria for the hedge accounting, the adjustment to the carrying amount of the hedged items is amortised to the income statement over the expected life of the hedged item.

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## (4) Cash and short term funds

	<b>Group</b>	
	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
Cash and balances with banks and other financial institutions	79,903	75,754
Money at call and deposit placements maturing within one month	5,448,185	8,181,553
	5,528,088	8,257,307

	<b>Bank</b>	
	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
Cash and balances with banks and other financial institutions	79,883	75,734
Money at call and deposit placements maturing within one month	5,448,185	8,181,553
	5,528,068	8,257,287

## (5) Deposits and placements with banks and other financial institutions

	<b>Group and Bank</b>	
	<b>2006</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>
Bank Negara Malaysia	572,900	55,000
Licensed banks	1,699,848	2,024,603
	2,272,748	2,079,603

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## (6) Securities held for trading

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At fair value		
Malaysian Government Treasury Bills	174,882	47,405
Malaysian Government Securities	676,657	109,333
Malaysian Government Investment Issues	134,818	44,982
BNM Bills/Notes	587,510	296,546
Cagamas Notes /Bonds	-	75,113
Khazanah Bonds	-	67,843
Commercial Paper	24,201	4,977
Private Debt Securities	671,389	727,648
	2,269,457	1,373,847

## (7) Securities available for sale

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Malaysian Government Securities	2,967,500	1,596,876
BNM bills	-	74,012
Malaysian Government Investment Issues	100,496	74,256
Cagamas Bonds	580,542	459,787
Khazanah Bonds	126,243	307,143
Private Debt Securities/ Federal Home Loan Mortgage Corp.	429,224	590,632
Yankee Bonds/US bonds	435,219	429,025
	4,639,224	3,531,731

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## (8) Securities held to maturity

	Group and Bank	
	2006 RM'000	2005 RM'000
At amortised cost		
Negotiable Instruments of Deposit	-	240,000
Unquoted securities:-		
Shares	7,499	7,499
	<u>7,499</u>	<u>247,499</u>

(i) The maturity structure of money market instruments held to maturity are as follows:-

	Group and Bank	
	2006 RM'000	2005 RM'000
Maturity within one year	-	240,000

There is no maturity structure for unquoted securities.

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## (9) Loans, Advances and Financing

### (i) By type

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	1,542,118	1,640,723
Term loans and financing		
-Housing loans/financing	11,257,512	10,293,582
-Hire Purchase receivables	61,348	77,809
-Lease Receivables	53,366	88,999
-Other term loans / financing	1,352,217	1,399,976
Bills receivable	646,771	503,738
Trust receipts	196,807	60,607
Claims on customers under acceptance credits	1,019,597	1,039,078
Staff loans	113,918	121,876
Credit cards receivables	3,636,754	3,377,496
Revolving credit	1,126,961	1,048,736
Other loans	62,397	74,464
	<hr/>	<hr/>
	21,069,766	19,727,084
Unearned interest and income	(82,239)	(56,228)
	<hr/>	<hr/>
Gross loans, advances and financing	20,987,527	19,670,856
Allowance for bad and doubtful debts and financing		
- general	(310,010)	(288,861)
- specific	(319,726)	(413,459)
	<hr/>	<hr/>
Net loans, advances and financing	<u>20,357,791</u>	<u>18,968,536</u>

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## (9) Loans, Advances and Financing (continued)

(ii) By type of customer

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non financial institutions		
-Stockbroking companies	-	3,173
-Others	249,086	173,424
Domestic business enterprises		
-Small and medium enterprises	584,304	992,084
-Others	3,374,300	2,816,069
Individuals	16,744,499	15,644,348
Foreign entities	35,338	41,758
	20,987,527	19,670,856

(iii) By interest/profit rate sensitivity

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
Housing loans/financing	300,343	194,374
Hire Purchase receivables	57,538	72,437
Other fixed rate loan/financing	7,546,461	6,866,101
Variable rate		
BLR plus	12,681,288	12,244,886
Cost plus	401,897	293,058
	20,987,527	19,670,856

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## (9) Loans, Advances and Financing (continued)

(iv) By sector

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture, hunting, forestry and fishing	347,270	55,713
Mining and quarrying	19,891	17,317
Manufacturing	1,642,926	1,529,216
Electricity, Gas & Water	118,838	369,691
Construction	20,559	72,680
Real estate	26,648	30,597
Purchase of landed property		
- Residential	11,935,539	11,236,269
- Non-residential	452,380	547,460
Wholesale & retail trade and restaurants & hotels	791,525	669,387
Transport, storage and communication	477,877	463,424
Finance, insurance and business services	460,892	394,819
Purchase of securities	243,867	294,813
Consumption credit	4,137,716	3,955,819
Others	311,599	33,651
	20,987,527	19,670,856

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## (10) Non-performing loans / financing (NPL/NPF)

(i) Movements in the non-performing loans, advances and financing (NPL) are as follows:-

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	718,043	665,357
Classified as non-performing during the year	274,733	388,530
Reclassified as performing during the year	(74,502)	(166,036)
Amount recovered	(162,785)	(88,940)
Amount recovered from debt conversion	-	(14,814)
Amount written off	(132,993)	(61,258)
Amount written off on debt conversion	-	(4,796)
	<hr/>	<hr/>
At 31 December	622,496	718,043
Specific allowance	(319,726)	(413,459)
	<hr/>	<hr/>
Net non performing loans, advances and financing	<u>302,770</u>	<u>304,584</u>
Ratio of net non-performing loans and financing to net loans and financing	1.46%	1.58%

(ii) Movements in the allowance for bad and doubtful debts (and financing) accounts are as follows :

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>General allowance</u>		
At 1 January	288,861	302,090
Allowance made during the year	21,149	(13,229)
	<hr/>	<hr/>
At 31 December	<u>310,010</u>	<u>288,861</u>
As % of gross loans, advances and financing less specific allowance	1.5%	1.5%

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## (10) Non-performing loans / financing (NPL/NPF) (continued)

(ii) Movements in the allowance for bad and doubtful debts (and financing) accounts are as follows (continued) :

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Specific allowance</u>		
At 1 January	413,459	375,927
Allowance made during the year	86,017	157,438
Amount recovered	(52,815)	(67,296)
Amount written off	(126,935)	(52,610)
	<hr/>	<hr/>
At 31 December	319,726	413,459
	<hr/> <hr/>	<hr/> <hr/>

(iii) NPL/ NPF by sector are as follows :-

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture, hunting, forestry and fishing	11	11
Manufacturing	89,223	69,147
Construction	14,349	36,736
Real estate	-	22,872
Purchase of landed property		
- Residential	214,790	176,844
- Non-residential	44,015	39,418
Wholesale & retail trade and restaurants & hotels	4,340	2,447
Transport, storage and communication	679	124
Finance, insurance and business services	4,131	3,966
Purchase of securities	27,717	22,230
Consumption credit	223,241	344,248
	<hr/>	<hr/>
	<b>622,496</b>	<b>718,043</b>
	<hr/> <hr/>	<hr/> <hr/>

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## (11) Other assets

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest/Income receivable	119,984	102,131
Other debtors, deposits and prepayments	260,560	265,252
Mark-to-market derivatives	613,562	309,303
	<u>994,106</u>	<u>676,686</u>

## (12) 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 at set percentage of total eligible liabilities.

## (13) Deferred tax assets

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	34,616	65,695
Prior year adjustment	-	(10,805)
At 1 January restated	34,616	54,890
Recognised in income statement (net) (Note 28)	15,887	(32,670)
Recognised in equity (net)	(6,986)	12,396
At 31 December	43,517	34,616

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## (13) Deferred tax assets (continued)

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 :

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment		
-capital allowances	(9,692)	(13,007)
Provisions	57,327	44,755
Mark to market on available for sale securities	(4,118)	2,868
	43,517	34,616

## (14) Investment in subsidiary companies

	<b>Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares at cost - in Malaysia	20	20

The wholly owned subsidiary companies of the Bank are as follows:-

<b>Name</b>	<b>Principal of activity</b>	<b>Country of incorporation</b>
Citigroup Nominee (Malaysia) Sdn. Bhd.	Nominee company	Malaysia
Citigroup Nominees (Tempatan) Sdn. Bhd. *	Nominee company	Malaysia
Citigroup Nominees (Asing) Sdn. Bhd. *	Nominee company	Malaysia

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

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

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## (15) Property, plant and equipment

Group and Bank	Building on Leasehold land RM'000	Installations RM'000	Furniture and Equipment RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2005	1,702	80,278	195,700	277,680
Additions	-	3,632	17,211	20,843
Disposals	-	-	(6,622)	(6,622)
Write offs	-	(83)	(11,908)	(11,991)
At 31 December 2005 / 1 January 2006	1,702	83,827	194,381	279,910
Additions	391	3,471	21,505	25,367
Disposals	-	-	(8,027)	(8,027)
Write offs	-	(163)	(6,477)	(6,640)
At 31 December 2006	2,093	87,135	201,382	290,610
<b>Accumulated depreciation</b>				
At 1 January 2005	647	36,943	141,129	178,719
Additions	34	10,496	20,432	30,962
Disposals	-	-	(3,555)	(3,555)
Write offs	-	(27)	(11,061)	(11,088)
At 31 December 2005 / 1 January 2006	681	47,412	146,945	195,038
Additions	240	10,357	18,602	29,199
Disposals	-	-	(4,383)	(4,383)
Write offs	-	(161)	(6,054)	(6,215)
At 31 December 2006	921	57,608	155,110	213,639
<b>Net book value</b>				
At 1 January 2005	1,055	43,335	54,571	98,961
At 31 December 2005 / 1 January 2006	1,021	36,415	47,436	84,872
At 31 December 2006	1,172	29,527	46,272	76,971

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## (16) Deposits from customers

### (i) By type of deposit

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	6,772,239	6,055,693
Saving deposits	1,078,792	1,041,620
Fixed deposits	12,360,023	12,933,507
Other deposits	1,622,422	1,110,230
Negotiable Instruments of Deposit	2,721,436	960,168
Others - cash collateral	27,097	21,282
	<u>24,582,009</u>	<u>22,122,500</u>

### (ii) Maturity structure of fixed deposits, other deposits and negotiable instruments of deposit are as follows:-

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	11,570,923	11,354,161
Six months to one year	3,685,287	2,988,583
One year to three years	1,277,816	478,569
Three years to five years	109,355	119,092
Over five years	60,500	63,500
	<u>16,703,881</u>	<u>15,003,905</u>

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## (16) Deposits from customers (continued)

### (iii) By type of customers

	Group and Bank	
	2006 RM'000	2005 RM'000
Federal and state governments	16	19
Government and statutory bodies	4,638	4,078
Business enterprise	10,345,747	9,001,645
Individuals	12,539,634	11,299,459
Others	1,691,974	1,817,299
	<u>24,582,009</u>	<u>22,122,500</u>

## (17) Deposits and placements of banks and other financial institutions

	Group and Bank	
	2006 RM'000	2005 RM'000
Licensed banks	4,387,893	5,682,662
Licensed finance companies	150,000	250,000
Bank Negara Malaysia	2,477	-
	<u>4,540,370</u>	<u>5,932,662</u>

## (18) Other liabilities

	Group and Bank	
	2006 RM'000	2005 RM'000
Interest/Profit payable	158,145	110,807
Other creditors and accruals	1,169,402	1,123,932
Provision for retirement benefits	1,817	3,368
Profit Equalisation Reserve	16,302	7,131
Taxation	114,621	193,139
Mark-to-market derivatives	662,641	274,211
	<u>2,122,928</u>	<u>1,712,588</u>

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## (19) Subordinated loan

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Subordinated Loan	<u>400,000</u>	<u>400,000</u>

The Bank entered into a sub loan agreement with Citibank Overseas Investments Corporation for an amount of RM 400 million. The loan was drawn down on 15th December 2005 and is repayable at the end of the 10th year, and bears interest at KLIBOR + 1% per annum payable on a quarterly basis.

The subordinated loan is included as Tier II capital for the capital adequacy ratio computation.

## (20) Share capital

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
Authorised:-		
Ordinary shares of RM1.00 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid	<u>121,696,972</u>	<u>121,696,972</u>

## (21) Reserves

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Share premium	380,303	380,303
Statutory reserve	121,697	121,697
Other Reserve	10,590	(7,375)
Retained profits	1,304,099	700,558
	<u>1,816,689</u>	<u>1,195,183</u>

The share premium arose from the issuance of 121,696,972 ordinary shares of RM1 each at an issue price of RM 4.125 per share.

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## (21) Reserves (continued)

The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act 1989 and are not distributable as cash dividends. No transfers were made to the statutory reserves during the year as the Bank has met the reserve requirements.

The other reserve is in respect of unrealised fair value gains and losses on securities available-for-sale.

Subject to agreement by 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 the Bank's entire retained profits as at 31 December 2006.

## (22) Employees Benefit

The amounts recognised in the balance sheet are as follows:

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Present value of the obligation	41,474	39,799
Fair value of plan assets	(39,051)	(36,095)
	<hr/>	<hr/>
	2,423	3,704
Unrecognised past service cost	(1,375)	1,346
Unrecognised actuarial gain/(loss)	769	(1,682)
	<hr/>	<hr/>
Liability recognised in balance sheet	1,817	3,368
	<hr/> <hr/>	<hr/> <hr/>

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. For 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.

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## 22) Employees Benefit (continued)

The amount recognised in the income statement are as follows:

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Current service cost	3,973	3,695
Interest cost	2,349	2,281
Expected return on plan assets	(2,586)	(2,406)
Net actuarial loss / (gain) recognised in the year	72	(142)
Prior service cost	293	293
Amount included under "personnel costs"	4,101	3,721

Movements in the net liability recognised in the balance sheet are as follows:

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Opening net liability as at 1 January	3,368	6,438
Recommended expenses as above	4,101	3,721
Net liability adjustment	(1,135)	829
Contributions paid	(4,517)	(6,434)
Benefit paid	-	(1,186)
	1,817	3,368

Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
Discount Rate	5.50%	6.00%
Rate of increase in salary levels	5.50%	6.00%
Expected long-term rate of return on plan assets	7.00%	7.00%

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## 22) Employees Benefit (continued)

### i) Share option plan

The Company has a number of stock option programs for its officers and employees as part of a discretionary award package. Options are granted on Citigroup Inc. stock at the market value denominated in US dollar at the time of grant. Option granted on January 17, 2006 has a six year term and will vest 25% each year over a four years period, provided the staff remains continuously employed in the Company.

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
Outstanding at 1 January	412,650	773,276
Issued/granted	17,729	20,434
Exercised	(58,920)	(239,424)
Lapsed/Others	(38,459)	(141,636)
	<hr/>	<hr/>
Outstanding at 31 December	333,000	412,650
	<hr/> <hr/>	<hr/> <hr/>

Details of share options granted during the year:

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
Expiry date	18 Oct 2010	15 Nov 2011
Average grant price per ordinary share (RM)	174.89	159.41
Aggregate proceeds if shares are issued (RM'000)	3,101	3,257

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## 22) Employees Benefit (continued)

### i) Share option plan (continued)

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
Details of share options exercised during the period:		
Expiry date	2006-2012	2006-2012
Average exercise price per ordinary share (RM)	125.27	110.72
Aggregate issue proceeds (RM'000)	7,381	26,509
Fair value at date of vesting (RM'000)	11,563	43,535

Terms of the options outstanding at 31 December:

		<b>Group and Bank</b>	
		<b>2006</b>	<b>2005</b>
Expiry date	Grant price		
Mar 2006	RM54.39	-	5,242
Jan 2007	RM72.62	400	2,681
Jan 2008	RM79.28	7,042	-
Nov 2008	RM77.23 - RM176.35	26,472	44,689
Feb 2009	RM112.93	41,233	53,168
Jan 2010	RM174.41	52,852	126,653
Apr 2010	RM146.03 - RM176.35	39,199	-
Oct 2010	RM166.98	6,433	-
Jan 2011	RM163.37 - RM174.58	72,761	112,317
Apr 2011	RM154.29	21,444	-
Jan 2012	RM172.37	6,515	-
Feb 2012	RM147.62 - RM148.37	58,649	67,900
		<hr/>	<hr/>
		<b>333,000</b>	<b>412,650</b>

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## 22) Employees Benefit (continued)

### ii) Share capital accumulation plan (CAP)

The Company has a number of capital accumulation programs for its officers and employees. The Core CAP is a discretionary award of restricted shares. The number of CAP shares in a Core CAP award is calculated using a 25% discount from the market price of Citigroup common stock. Supplemental CAP is a discretionary retention award program composed of an award of CAP shares. The difference between Supplemental CAP award and a core CAP award is that generally, a Supplementary CAP is given in addition to the discretionary award package and the number of shares awarded will not be based on a discount from the market price of Citigroup common stock. CAP granted in 2006 typically vest 25% each year for four years, with the first vesting date occurring 12 months after the grant date. Shares acquired upon exercise of a CAP option generally may not be sold for two years following the exercise date.

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
Outstanding at 1 January	127,643	69,173
Granted	84,410	92,829
Vested	(17,524)	(7,659)
Lapsed/cancel	(11,442)	(26,700)
	<hr/>	
Outstanding at 31 December	183,087	127,643
	<hr/> <hr/>	

Details of CAP granted during the year:

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
Expiry date	Jan 17, 2010 - Nov 21, 2010	Jan 18, 2009 - Nov 15, 2009
Average grant price per ordinary share (RM)	149.8	150.21
Aggregate proceeds if shares are issued (RM'000)	12,275	13,944

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## 22) Employees Benefit (continued)

### ii) Share capital accumulation plan (CAP) (continued)

Details of CAP vested during the period:	Group and Bank	
	2006	2005
Average exercise price per ordinary share (RM)	110.69	156.47
Aggregate issue proceeds (RM'000)	1,940	1,198
Fair value at date of vesting	3,188	1,422

Terms of the CAP outstanding at 31 December:

Expiry date	Average grant price	Group and Bank	
		2006	2005
Feb 2006	RM 87.02 - RM116.03	-	16,638
Jan 2007	RM 131.31 - RM175.08	17,398	18,176
Jan 2009	RM 126.70 - RM169.97	84,133	92,829
Jan 2010	RM 128.89 - RM178.75	81,556	-
		<u>183,087</u>	<u>127,643</u>

## 23) Interest income

	Group and Bank	
	2006 RM'000	2005 RM'000
Loans and advances		
- Interest income other than recoveries from NPLs	1,383,132	1,257,730
- Recoveries from NPLs	23,598	20,236
Money at call and deposit placements		
with financial institutions	315,379	293,146
Securities held-for-trading	54,038	51,423
Securities available for sale	164,543	122,335
Securities held-to maturity	2,976	10,020
Securities purchased under resale agreements	49,460	42,398
	<u>1,993,126</u>	<u>1,797,288</u>
Less amortisation of premium/accretion of discounts	<u>(20,268)</u>	<u>(31,943)</u>
	<u>1,972,858</u>	<u>1,765,345</u>

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## 24) Interest expense

	Group and Bank	
	2006 RM'000	2005 RM'000
Deposits and placements of banks and other financial institutions	165,877	152,123
Deposits from customers	546,053	524,255
Loans sold to Cagamas	30,014	56,549
Others	158,602	90,914
	<u>900,546</u>	<u>823,841</u>

## 25) Other operating income

	Group and Bank	
	2006 RM'000	2005 RM'000
Fee income:		
Commission	93,088	111,767
Service charges and fees	253	350
Guarantee fees	6,957	9,141
Bankcard fees	164,847	131,047
Insurance premium and referral	24,157	24,496
Other fee income	<u>11,430</u>	<u>8,628</u>
	<u>300,732</u>	<u>285,429</u>
Unrealised loss from revaluation of securities held for trading	(13,020)	(2,862)
Gain from derivatives	2,665	22,622
Net gain from sales of securities		
- securities held for trading	27,431	4,889
- securities available for sale	16,774	18,715
Gross dividends from securities held to maturity	25	25
	<u>33,875</u>	<u>43,389</u>
Other income:		
Foreign exchange profit		
- unrealised gain	176,272	140,005
- realised loss	(29,155)	(296)
(Loss)/gain on disposal of fixed assets	<u>(339)</u>	<u>688</u>
	<u>146,778</u>	<u>140,397</u>
	<u>481,385</u>	<u>469,215</u>

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## 26) Other operating expenses

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs		
-Salaries and allowances	164,272	129,538
-Employees provident fund	30,850	29,614
-Staff benefit and other compensation	141,409	109,033
-Others	4,665	7,547
Establishment costs		
-Depreciation	29,199	30,962
-Rental of premises	21,080	20,378
-Hire of equipment	3,682	2,803
-Utility	5,557	5,329
-Others	6,894	10,435
Marketing expenses		
-Advertisement and promotional expenses	81,439	61,273
-Others	5,108	3,799
Administration and general expenses		
-Processing cost	114,241	97,844
-Auditors' remuneration	176	147
-Write off of property, plant and equipment	425	903
-Stationery and supplies	13,121	7,504
-Communication expenses	6,014	7,902
-Maintenance of office equipment etc	16,922	23,984
-Others	76,572	71,933
	<u>721,626</u>	<u>620,928</u>

The number of persons employed by the Group and the Bank (including Directors) at year end was 2,288 (2005 - 1,899)

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## 26) Other operating expenses (continued)

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) CEO and Directors' remuneration		
Executive Directors and CEO		
Salary and other remuneration, including meeting allowance	2,486	2,405
Employees Provident Fund	80	86
Bonuses	1,706	1,567
Benefits-in-kind	198	198
Non-executive Directors		
Fees	204	237
	<u>4,674</u>	<u>4,493</u>

Number of directors of the Bank whose total remuneration for the financial year falls in the following bands :-

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
Executive directors:-		
RM 3,500,001 to RM 3,550,000	1	-
RM 3,300,001 to RM 3,350,000	-	1
RM 700,001 to RM 750,000	1	1
Non-executive directors:-		
RM 50,001 to RM 100,000	2	3
Up to RM 50,000	1	1

The remuneration attributable to the Chief Executive Officer of the Bank, including benefit-in-kind during the year amounted to RM 3,721,584 (2005: RM 3,537,000).

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## (27) Allowance for losses on loans and financing

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for bad and doubtful debts on loans and financing :-		
Specific allowance		
- made in the financial year	86,017	157,438
- written back	(52,815)	(67,296)
General allowance		
- made / (written back) during the year	21,149	(13,229)
Bad debts and financing written off	72,789	-
	<hr/>	<hr/>
	127,140	76,913
	<hr/> <hr/>	<hr/> <hr/>

## (28) Taxation

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax		
- current year	226,498	283,885
- prior year	(78,971)	(91,047)
	<hr/>	<hr/>
	147,527	192,838
Deferred tax income		
Origination and reversal of temporary differences	(15,887)	32,670
	<hr/>	<hr/>
	131,640	225,508
	<hr/> <hr/>	<hr/> <hr/>

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## (28) Taxation (continued)

A reconciliation of the income tax expense between the statutory tax rate and effective tax rate is as follows:-

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	735,181	730,053
Income tax using Malaysian tax rate of 28%	205,851	204,415
Non-deductible expenses	4,760	25,252
Utilisation of tax benefits previously not recognised	-	86,888
	210,611	316,555
Over provision in prior year	(78,971)	(91,047)
	131,640	225,508
	131,640	225,508

## (29) Earnings per share

The earnings per ordinary share have been calculated based on the net profit after taxation of RM 603,541,000 (2005 - RM 504,545,000) and on the number of ordinary shares of RM 1 each in issue during the year.

## (30) Significant related party transactions and balances

These transactions have been entered into the normal course of business and have been established under negotiated terms.

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Bank Income</b>		
Interest on interest bearing deposits	227,708	170,344
Interest on current accounts	1	-
Other income	197,361	10,529
	425,070	180,873
	425,070	180,873

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## (30) Significant related party transactions and balances (continued)

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenditure</b>		
Interest on interest bearing deposits	145,952	132,056
Interest on current accounts	1	4
Other expenses	162,838	125,843
	<hr/>	<hr/>
	308,791	257,903
	<hr/> <hr/>	<hr/> <hr/>
<b>Amount due from related companies</b>		
Interest bearing deposits	5,465,702	7,716,522
Current account balances	37,809	39,800
Other balances	245,011	200,515
	<hr/>	<hr/>
	5,748,522	7,956,837
	<hr/> <hr/>	<hr/> <hr/>
<b>Amount due to related companies</b>		
Interest bearing deposits	2,746,718	5,490,288
Current account balances	525,230	258,048
Other balances	267,237	230,654
	<hr/>	<hr/>
	3,539,185	5,978,990
	<hr/> <hr/>	<hr/> <hr/>

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## (31) Commitment 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	2006			2005		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Direct credit substitute	1,227,786	1,227,786	1,227,786	1,391,752	1,391,752	1,391,752
Transaction -related contingent items	559,500	279,750	279,750	432,680	216,340	216,339
Short-term self liquidating trade-related contingencies	504,743	100,949	70,915	374,093	74,819	66,128
Irrevocable commitments to extend credit						
- maturity not exceeding one year	23,187,250	-	-	11,514,462	-	-
- maturity exceeding one year	1,755,204	877,602	855,892	2,025,353	1,012,677	950,035
Foreign exchange related contracts:						
-Less than one year	29,138,729	590,231	190,896	20,207,817	334,136	118,578
-One year to less than 5 years	2,998,267	264,260	75,322	1,940,613	193,791	72,026
-5 years and above	1,040,922	156,138	34,480	-	-	-

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## (31) Commitment and contingencies (continued)

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	2006			2005		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Interest rate related contracts:						
- Less than one year	4,602,174	9,696	2,386	4,414,909	9,477	1,920
- One year to less than 5 years	19,830,267	401,277	107,078	11,641,785	229,644	74,264
- 5 years and above	5,236,801	398,107	113,165	1,864,185	153,099	53,452
Others	769,899	-	-	222,874	-	-
Total	<u>90,851,542</u>	<u>4,305,796</u>	<u>2,957,670</u>	<u>56,030,523</u>	<u>3,615,735</u>	<u>2,944,494</u>

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## (31) Commitment and contingencies (continued)

Group and Bank	2006		2005	
	Contract Amount RM'000	Credit Equivalent Amount RM'000	Contract Amount RM'000	Credit Equivalent Amount RM'000
Foreign exchange related contracts:				
-Forward contracts	24,259,661	466,697	17,904,078	307,512
-Cross currency interest rate swaps	7,033,674	492,131	1,921,567	175,797
-Options	1,884,583	51,801	2,322,785	44,618
	<hr/>	<hr/>	<hr/>	<hr/>
	33,177,918	1,010,629	22,148,430	527,927
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Interest rate contracts				
-Futures	4,527,698	45,277	3,794,618	21,335
-Swaps	25,141,544	763,803	14,126,261	370,885
	<hr/>	<hr/>	<hr/>	<hr/>
	29,669,242	809,080	17,920,879	392,220
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Foreign exchange and interest rate related contracts are subject to market and credit risks.

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## (31) Commitment and contingencies (continued)

### 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 amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2006, the notional amount of contracts which were not hedged and, hence exposed to market risk was RM 51,983,880,000 (2005 - RM 35,217,728,000).

### 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 2006, the amounts of credit risk, measured in term of the cost to replace profitable contracts was RM 611,919,000 (2005-RM 279,867,000). This amount will increase or decrease over the life of the contracts as a function of maturity dates and market rates or prices.

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## Interest / profit rate risk

The Group and the Bank are exposed to various risks associated with the effects of the fluctuations in the prevailing market interest rates on its financial positions and cash flows. The following table indicated the effective interest rate at the Balance Sheet date and the periods in which the financial instruments reprice or mature whichever is earlier.

Group 2006	Up to 1 mth RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest %
<b>ASSETS</b>									
Cash and short term funds	5,448,185	-	-	-	-	79,903	-	5,528,088	4.65%
Deposits and placements with banks and other financial institutions	-	1,537,317	348,505	386,926	-	-	-	2,272,748	4.44%
Securities purchased under resale agreements	410,927	888,330	57,618	-	-	-	-	1,356,875	3.57%
Securities held for trading	-	-	-	-	-	-	2,269,457	2,269,457	4.47%
Securities available-for-sale	119,075	192,090	918,954	3,398,942	10,163	-	-	4,639,224	3.12%
Securities held-to-maturity	-	-	-	-	-	7,499	-	7,499	0.00%
Loans, advances and financing									
- performing	17,938,822	1,108,255	736,777	324,901	265,472	(319,206)	-	20,055,021	8.29%
- non-performing	-	-	-	-	-	302,770	-	302,770	
Other asset	-	-	-	-	-	994,106	-	994,106	
Statutory deposits with BNM	-	-	-	-	-	719,641	-	719,641	
Deferred tax	-	-	-	-	-	43,517	-	43,517	
Property, plant and equipment	-	-	-	-	-	76,971	-	76,971	
<b>TOTAL ASSETS</b>	<b>23,917,009</b>	<b>3,725,992</b>	<b>2,061,854</b>	<b>4,110,769</b>	<b>275,635</b>	<b>1,905,201</b>	<b>2,269,457</b>	<b>38,265,917</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	7,052,487	2,722,689	6,559,825	1,387,171	60,500	6,799,337	-	24,582,009	3.27%
Deposits and placements of banks and other financial institutions	3,461,928	406,932	259,627	34,576	-	377,307	-	4,540,370	4.12%
Obligation on securities sold under repurchase agreements	3,494,973	3,600	80,000	-	-	-	-	3,578,573	2.73%
Bills and acceptance payable	-	-	-	-	-	354,854	-	354,854	
Recourse obligation on loans sold to Cagamas	-	-	511,198	237,599	-	-	-	748,797	3.68%
Other liabilities	-	-	-	-	-	2,122,928	-	2,122,928	
Subordinated loan	-	-	-	-	400,000	-	-	400,000	3.71%
<b>Total Liabilities</b>	<b>14,009,388</b>	<b>3,133,221</b>	<b>7,410,650</b>	<b>1,659,346</b>	<b>460,500</b>	<b>9,654,426</b>	<b>-</b>	<b>36,327,531</b>	
Shareholders' equity	-	-	-	-	-	1,938,386	-	1,938,386	
<b>Total Liabilities and Shareholders' equity</b>	<b>14,009,388</b>	<b>3,133,221</b>	<b>7,410,650</b>	<b>1,659,346</b>	<b>460,500</b>	<b>11,592,812</b>	<b>-</b>	<b>38,265,917</b>	
On Balance Sheet interest sensitivity gap	9,907,621	592,771	(5,348,796)	2,451,423	(184,865)	(9,687,611)	2,269,457		
Off Balance Sheet interest sensitivity gap	1,298,000	1,956,000	(438,000)	(1,150,000)	(135,000)	-	-		
	<b>11,205,621</b>	<b>2,548,771</b>	<b>(5,786,796)</b>	<b>1,301,423</b>	<b>(319,865)</b>	<b>(9,687,611)</b>	<b>2,269,457</b>		

# Citibank Berhad and its subsidiaries

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## Interest / profit rate risk

Group 2005	Up to 1 mth RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest %
<b>ASSETS</b>									
Cash and short term funds	8,181,553	-	-	-	-	75,754	-	8,257,307	2.13%
Deposits and placements with banks and other financial institutions	-	837,791	543,313	698,499	-	-	-	2,079,603	3.81%
Securities purchased under resale agreements	777,272	124,796	275,141	-	-	-	-	1,177,209	2.91%
Securities held for trading	-	-	-	-	-	-	1,373,847	1,373,847	3.46%
Securities available-for-sale	-	287,188	1,338,562	1,880,051	25,930	-	-	3,531,731	4.44%
Securities held-to-maturity	-	-	240,000	-	-	7,499	-	247,499	3.15%
Loans, advances and financing									
- performing	16,936,610	969,879	565,923	407,709	173,933	(803,561)	-	18,250,493	7.72%
- non-performing	-	-	-	-	-	718,043	-	718,043	
Other asset	-	-	-	-	-	676,686	-	676,686	
Statutory deposits with BNM	-	-	-	-	-	605,586	-	605,586	
Deferred tax	-	-	-	-	-	34,616	-	34,616	
Property, plant and equipment	-	-	-	-	-	84,872	-	84,872	
<b>TOTAL ASSETS</b>	<b>25,895,435</b>	<b>2,219,654</b>	<b>2,962,939</b>	<b>2,986,259</b>	<b>199,863</b>	<b>1,399,495</b>	<b>1,373,847</b>	<b>37,037,492</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	7,196,592	2,667,794	5,519,980	597,663	63,500	6,076,971	-	22,122,500	3.07%
Deposits and placements of banks and other financial institutions	3,917,011	1,399,497	351,627	37,088	-	227,439	-	5,932,662	1.64%
Obligation on securities sold under repurchase agreements	4,065,882	13,700	-	-	-	-	-	4,079,582	1.27%
Bills and acceptance payable	-	-	-	-	-	323,136	-	323,136	
Recourse obligation on loans sold to Cagamas	235,063	-	334,523	580,558	-	-	-	1,150,144	3.55%
Other liabilities	-	-	-	-	-	1,712,588	-	1,712,588	
Subordinated loan	-	-	-	-	400,000	-	-	400,000	
<b>Total Liabilities</b>	<b>15,414,548</b>	<b>4,080,991</b>	<b>6,206,130</b>	<b>1,215,309</b>	<b>463,500</b>	<b>8,340,134</b>	<b>-</b>	<b>35,720,612</b>	
Shareholders' equity	-	-	-	-	-	1,316,880	-	1,316,880	
<b>Total Liabilities and Shareholders' equity</b>	<b>15,414,548</b>	<b>4,080,991</b>	<b>6,206,130</b>	<b>1,215,309</b>	<b>463,500</b>	<b>9,657,014</b>	<b>-</b>	<b>37,037,492</b>	
On Balance Sheet interest sensitivity gap	10,480,887	(1,861,337)	(3,243,191)	1,770,950	(263,637)	(8,257,519)	1,373,847		
Off Balance Sheet interest sensitivity gap	(146,000)	(967,000)	1,934,000	(771,000)	268,000	-	-		
	<b>10,334,887</b>	<b>(2,828,337)</b>	<b>(1,309,191)</b>	<b>999,950</b>	<b>4,363</b>	<b>(8,257,519)</b>	<b>1,373,847</b>		

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## (32) Lease Commitments

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

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Within 1 year	21,630	21,608
Between 1 and 5 years	<u>6,144</u>	<u>23,525</u>

## (33) Capital Commitments

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditures:-		
Authorised and contracted for	20,216	4,273
Authorised but not contracted for	175	2,819
	<u>20,391</u>	<u>7,092</u>

# Citibank Berhad and its subsidiaries

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## (34) Capital adequacy

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

	<b>Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier I capital</b>		
Paid-up share capital	121,697	121,697
Share premium	380,303	380,303
Retained earnings	1,304,099	700,558
Other reserves	132,287	114,322
	<u>1,938,386</u>	<u>1,316,880</u>
Less : Deferred tax assets	(43,517)	(34,616)
Total Tier-I capital	<u>1,894,869</u>	<u>1,282,264</u>
<b>Tier II capital</b>		
Subordinated loans	400,000	400,000
General allowance for bad and doubtful debts and financing	310,010	288,861
	<u>710,010</u>	<u>688,861</u>
Total Tier II capital	710,010	688,861
<b>Total Capital</b>	<b>2,604,879</b>	<b>1,971,125</b>
Less: Investments in subsidiaries	(20)	(20)
<b>Capital base</b>	<u><u>2,604,859</u></u>	<u><u>1,971,105</u></u>
Core capital ratio	8.42%	6.02%
Risk weighted capital ratio	11.58%	9.25%

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

	<b>Bank</b>			
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>Principal</b>	<b>Risk weighted</b>	<b>Principal</b>	<b>Risk weighted</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	9,338,708		7,051,448	
10%	235,617	23,562	325,373	32,537
20%	7,459,419	1,491,884	8,720,739	1,744,148
50%	11,846,108	5,923,054	11,344,497	5,672,249
100%	13,834,686	13,834,686	12,884,485	12,884,485
	<u>42,714,538</u>	<u>21,273,186</u>	<u>40,326,542</u>	<u>20,333,419</u>
Total credit risk weighted assets				
Market risk adjusted assets		1,222,143		979,340
Total Risk Weighted Assets		<u><u>22,495,329</u></u>		<u><u>21,312,759</u></u>

# Citibank Berhad and its subsidiaries

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## (35) Fair value of financial assets and liabilities

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

	Carrying Value 2006 RM'000	Fair Value 2006 RM'000	Carrying Value 2005 RM'000	Fair Value 2005 RM'000
Cash and short term funds	5,528,088	5,528,068	8,257,287	8,257,287
Deposits and placements with financial institutions	2,272,748	2,268,431	2,079,603	2,079,707
Securities purchased under resale agreements	1,356,875	1,356,875	1,177,209	1,177,209
Securities held for trading	2,269,457	2,269,457	1,373,847	1,373,847
Securities available-for-sale	4,639,224	4,639,224	3,531,731	3,531,731
Securities held-to-maturity	7,499	7,499	247,499	247,499
Loans, advances and financing	20,357,791	20,294,399	18,968,536	18,753,517
Other assets	994,106	994,106	676,686	676,686
Deposits from customers	24,582,009	24,572,997	22,122,500	22,129,709
Deposits and placements of banks and other financial institutions	4,540,370	4,541,602	5,932,662	5,931,543
Obligations on securities sold under repurchase agreements	3,578,573	3,578,573	4,079,582	4,079,582
Bills and acceptances payable	354,854	354,854	323,136	323,136
Recourse obligations on loans sold to Cagamas	748,797	748,436	1,150,144	1,146,491
Other liabilities	2,122,928	2,122,928	1,712,588	1,712,588
Subordinated loans	400,000	400,000	400,000	400,000

**(35) Fair value of financial assets and liabilities (continued)**

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

- a) Cash, short term funds and securities purchased under resale agreements  
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) Securities Held for Trading, Securities Available-for-Sale and Securities Held-to-maturity  
The fair values are estimated based on quoted or observable market prices as at balance sheet date. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for similar instruments as at balance sheet date.
- 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 instalment 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 specific allowance for bad and doubtful debts and financing. General allowance are excluded from the carrying value.

**(35) Fair value of financial assets and liabilities (continued)**

- 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 Acceptance 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 instalments payments at prevailing Cagamas rates as at balance sheet date.

- h) Subordinated Notes

The fair value of the subordinated notes is estimated based on quoted market prices of the subordinated notes.

- i) The fair values of other assets and other liabilities 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.

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## (36) Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation as follows :-

	<b>Group and Bank</b>	
	<b>As restated RM'000</b>	<b>As previously stated RM'000</b>
i) Balance sheet as at 31 December 2005		
Cash and short term funds	8,257,307	8,257,287
Other assets	676,686	524,720
Other liabilities	<u>1,712,588</u>	<u>1,560,602</u>
ii) Income statement for the financial year ended 31 December 2005		
Revenue	2,251,735	2,245,468
Interest expense	(823,841)	(817,574)
Other operating income	<u>469,215</u>	<u>462,948</u>

## 37. The operations of Islamic Banking

**CITIBANK BERHAD  
AND ITS SUBSIDIARY COMPANIES  
ISLAMIC BANKING OPERATIONS**

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## Balance sheets at 31 December

		Group and Bank	
		2006	2005
		RM'000	RM'000
<b>ASSETS</b>			
Cash and short term funds	(a)	194	1,851
Deposits and placements with banks and other financial institutions	(b)	821,000	37,000
Securities held for trading	(c)	49,371	-
Securities available-for-sale	(d)	629,773	715,487
Securities held-to-maturity	(e)	-	100,000
Financing, advances and other loans	(f)	203,908	208,065
Deferred tax assets		3,701	-
Other assets	(h)	54,859	12,586
<b>TOTAL ASSETS</b>		<b>1,762,806</b>	<b>1,074,989</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	(i)	447,846	533,655
Deposits and placements of banks and other financial institutions	(j)	354,065	400,000
Deferred tax liabilities		-	3,184
Other liabilities	(k)	870,043	79,144
<b>TOTAL LIABILITIES</b>		<b>1,671,954</b>	<b>1,015,983</b>
<b>ISLAMIC BANKING FUND</b>	(m)	90,852	59,006
<b>SHAREHOLDERS' FUNDS</b>		<b>90,852</b>	<b>59,006</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>1,762,806</b>	<b>1,074,989</b>

The accompanying sub-notes on pages 106 to 120 form an integral part of the financial statements.

**CITIBANK BERHAD  
AND ITS SUBSIDIARY COMPANIES  
ISLAMIC BANKING OPERATIONS**

(Company No. 297089 M)  
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**Income Statement for the financial year ended 31 December 2006**

		<b>Group and Bank</b>	
		<b>2006</b>	<b>2005</b>
		<b>RM'000</b>	<b>RM'000</b>
Income derived from investments of depositors' funds and others	(n)	39,421	19,755
Transfer to profit equalisation reserve		<u>(9,171)</u>	<u>(2,580)</u>
		30,250	17,175
Allowances for losses on financing	(o)	(142)	(601)
		<u>30,108</u>	<u>16,574</u>
Other operating expenses	(p)	(960)	(840)
Profit Before Taxation		<u>29,148</u>	<u>15,734</u>
Taxation	(q)	(1,031)	(5,576)
Profit after taxation		<u><u>28,117</u></u>	<u><u>10,158</u></u>

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

**CITIBANK BERHAD  
AND ITS SUBSIDIARY  
ISLAMIC BANKING OPERATIONS**

(Company No. 297089 M)

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**Statement Of Changes In Islamic Banking Funds For The Year Ended 31 December 2006**

<b>Group and Bank</b>	<b>Capital Funds RM'000</b>	<b>Other Reserve RM'000</b>	<b>Profit RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2005</b>	20,000	-	28,075	48,075
Effect of adopting revised GP8	-	2,786	461	3,247
Profit after taxation	-	-	10,158	10,158
Unrealised net loss on revaluation of securities available for sale	-	(2,474)	-	(2,474)
<b>At 31 December 2005</b>	<u>20,000</u>	<u>312</u>	<u>38,694</u>	<u>59,006</u>
<b>At 1 January 2006</b>	20,000	312	38,694	59,006
Profit after taxation	-	-	28,117	28,117
Unrealised net gain on revaluation of securities available for sale	-	3,729	-	3,729
<b>At 31 December 2006</b>	<u>20,000</u>	<u>4,041</u>	<u>66,811</u>	<u>90,852</u>

**CITIBANK BERHAD**  
**AND ITS SUBSIDIARY COMPANIES**  
**ISLAMIC BANKING OPERATIONS**

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**Cash Flow Statements For The Year Ended 31 December 2006**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash flow from operating activities		
Profit before tax expenses and zakat	29,148	15,734
Adjustments for non cash items:		
Amortisation of premium less accretion of discount of securities available-for-sale	(6,517)	-
Allowance for bad and doubtful debts (net of write-backs)	142	601
- Profit equalisation reserve	9,171	2,580
Gain from disposal of securities available-for-sale	(6,026)	-
Unrealised gain from revaluation of securities held-for-trading	(48)	-
	<hr/>	
Operating profit before working capital changes	25,870	18,915
Changes in working capital:-		
Deposits and placements with financial institutions	(784,000)	(37,000)
Securities held for trading	(49,323)	205,376
Financing, advances and other loans	4,015	7,607
Other assets	(42,273)	25,800
Deposits from customers	(85,809)	(127,701)
Deposits and placement of bank and other financial institutions	(45,935)	300,000
Other liabilities	781,565	53,744
	(195,890)	446,741
Income taxes paid	(8,894)	(4,888)
	<hr/>	
Net cash (used in)/generated from operating activities	(204,784)	441,853

**CITIBANK BERHAD**  
**AND ITS SUBSIDIARY COMPANIES**  
**ISLAMIC BANKING OPERATIONS**

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**Cash Flow Statements For The Year Ended 31 December 2006 (continued)**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash flow from investment activities		
Purchase of securities available-for-sale	(861,842)	(397,914)
Purchase of securities held-to-maturity	-	(100,000)
Proceeds from disposal of securities available-for-sale	964,969	-
Proceeds from disposal of securities held-to-maturity	100,000	-
Net change in cash and cash equivalents	(1,657)	(56,061)
Cash and cash equivalents at the beginning of the year	1,851	57,912
Cash and cash equivalents at the end of the period	194	1,851
Analysis of cash and cash equivalents		
Cash and short-term funds	194	1,851

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

**CITIBANK BERHAD**  
**AND ITS SUBSIDIARY COMPANIES**  
**ISLAMIC BANKING OPERATIONS**

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**a) Cash and short term funds**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	12	1,632
Money at call and deposit placements maturing within one month	182	219
	194	1,851
	194	1,851

**b) Deposits and placements with banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	821,000	37,000

**c) Securities held-for-trading**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At fair value		
BNM Bills	49,371	-
	49,371	-
	49,371	-

**CITIBANK BERHAD**  
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**d) Securities available-for-sale**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At fair value		
Malaysian Government Treasury Bills/Govt Stock	150,855	126,632
Malaysian Government Investment Issues	147,018	4,641
Cagamas Bonds	149,845	69,585
Khazanah Bonds	126,243	307,143
Private Debt Securities	55,812	207,486
	<u>629,773</u>	<u>715,487</u>

**e) Securities held-to-maturity**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At amortised cost		
Negotiable Instruments of Deposit	-	100,000
	<u>-</u>	<u>100,000</u>

**CITIBANK BERHAD  
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ISLAMIC BANKING OPERATIONS**

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**f) Financing, advances and other loans**

**(i) By type**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Term financing		
-House financing	143,017	66,675
-Hire purchase receivables	61,007	77,809
-Lease receivables	31,983	110,045
-Other term loans / financing	51,529	-
	<hr/>	<hr/>
	287,536	254,529
Unearned income	(75,061)	(38,039)
	<hr/>	<hr/>
	212,475	216,490
Allowance for bad and doubtful financing		
- general	(3,099)	(3,169)
- specific	(5,468)	(5,256)
	<hr/>	<hr/>
Total net financing, advances and other loans	203,908	208,065
	<hr/> <hr/>	<hr/> <hr/>

**(ii) By contract**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Bai' Bithamin Ajil	125,984	37,065
Ijarah Muntahia Bittamilik	86,491	179,425
	<hr/>	<hr/>
	212,475	216,490
	<hr/> <hr/>	<hr/> <hr/>

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**f) Financing, advances and other loans (continued)**

**(iii) By type of customer**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises		
-Small and medium enterprises	42,626	94,480
-Others	95,395	85,017
Individuals	74,454	36,993
	<u>212,475</u>	<u>216,490</u>

**(iv) By profit rate sensitivity**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
-House financing	74,454	36,995
-Hire purchase receivables	57,538	72,437
-Other fixed rate / financing	80,483	107,058
	<u>212,475</u>	<u>216,490</u>

**( v) By sector**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Mining and quarrying	798	1,944
Manufacturing	49,225	65,068
Purchase of landed property		
- Residential	74,454	36,995
Wholesale & retail trade and restaurants & hotels	3,181	3,177
Transport, storage and communication	78,730	99,899
Finance, insurance and business services	6,087	8,003
Others	-	1,404
	<u>212,475</u>	<u>216,490</u>

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**g) Non-performing Financing (NPF)**

**(i) Movements in non-performing loans, financing, advances and other loans are as follows :-**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	6,301	5,572
Classified as non-performing during the year	304	1,936
Amount recovered	-	(1,207)
	<hr/>	<hr/>
At 31 December	6,605	6,301
Specific allowance	(5,468)	(5,256)
	<hr/>	<hr/>
Net non-performing financing, advances and other loans	1,137	1,045
	<hr/> <hr/>	<hr/> <hr/>
Ratio of net non-performing financing and other loans to total net financing and other loans	0.54%	0.49%

**(ii) Movements in allowance for bad and doubtful financing are as follows:-**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>General allowance</u>		
At 1 January	3,169	3,293
(Written back)/Allowance made during the year	(70)	(124)
	<hr/>	<hr/>
At 31 December	3,099	3,169
	<hr/> <hr/>	<hr/> <hr/>
As % of total financing less specific allowance	1.5%	1.5%

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**g) Non-performing Financing (NPF) (continued)**

**(ii) Movements in allowance for bad and doubtful financing are as follows (continued):-**

	<b>Group and Bank</b>	
	<b>2006 RM'000</b>	<b>2005 RM'000</b>
<u>Specific allowance</u>		
At 1 January	5,256	4,531
Allowance made during the year	214	725
Amount written back	(2)	-
	5,468	5,256
At 31 December	5,468	5,256

**(iii) Non-performing financing by sector**

	<b>Group and Bank</b>	
	<b>2006 RM'000</b>	<b>2005 RM'000</b>
Manufacturing	4,632	5,124
Hotel	438	-
Transport, storage and communication	500	124
Finance, insurance and business services	1,035	1,053
	6,605	6,301
	6,605	6,301

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**h) Other assets**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest/Income receivable	6,193	3,386
Other debtors, deposits and prepayments	7,460	9,200
Mark-to-market derivatives	41,206	-
	54,859	12,586
	54,859	12,586

**i) Deposits from customers**

**(i) By type of deposit**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	299,437	22,538
Saving deposits	8,275	10,265
Mudharabah fund	107,734	500,852
Negotiable Instruments of Deposit	32,400	-
	447,846	533,655
	447,846	533,655

**(ii) By type of customers**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	410,059	513,409
Individuals	37,787	20,246
	447,846	533,655
	447,846	533,655

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**j) Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	248,910	150,000
Licensed finance companies	100,000	250,000
Bank Negara Malaysia	5,155	-
	354,065	400,000
	354,065	400,000

**k) Other liabilities**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest/Profit payable	605	1,162
Other creditors and accruals	852,973	65,963
Profit Equalisation Reserve	16,302	7,131
Taxation	163	4,888
	870,043	79,144
	870,043	79,144

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**l) Profit equalisation reserve**

The movement in profit equalisation reserve are as follows :

	<b>Group and Bank</b>	
	<b>2006 RM'000</b>	<b>2005 RM'000</b>
At 1 January	7,131	4,551
Provided in the financial year	9,171	2,580
	<hr/>	<hr/>
At 31 December	<u>16,302</u>	<u>7,131</u>

**m) Islamic banking fund**

	<b>Group and Bank</b>	
	<b>2006 RM'000</b>	<b>2005 RM'000</b>
Fund allocated	20,000	20,000
Other Reserve	4,041	312
Retained profit	66,811	38,694
	<hr/>	<hr/>
	<u>90,852</u>	<u>59,006</u>

**n) Income derived from investment of depositors' funds and others**

	<b>Group and Bank</b>	
	<b>2006 RM'000</b>	<b>2005 RM'000</b>
Income derived from funds allocated	63,661	37,703
Income attributable to depositors	(24,240)	(17,948)
	<hr/>	<hr/>
	<u>39,421</u>	<u>19,755</u>

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**n) Income derived from investment of depositors' funds and others (continued)**

**(i) Income derived from funds allocated are as follows:**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Financing, advances and other loans	11,862	13,569
Money at call and placements	12,258	2,437
Income from securities held for trading	630	2,395
Income from securities available-for-sale	24,397	19,062
Income from securities held-to-maturity	1,376	170
Unrealised gain /(loss) from revaluation of securities held for trading	48	(640)
Realised gain from securities held for trading	6	199
Realised gain from securities available for sale	6,026	362
Income from cross currency swap revaluation	6,938	-
Fee income	120	149
	<hr/>	<hr/>
	<u>63,661</u>	<u>37,703</u>

**(ii) Income attributable to depositors are as follows:**

Deposits from customers	14,815	10,492
Deposits and placements of banks and other financial institutions	8,779	7,456
Others	646	-
	<hr/>	<hr/>
	<u>24,240</u>	<u>17,948</u>

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**o) Allowance for losses and financing**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for bad and doubtful debts and financing :-		
Specific allowance		
-made in the financial year	214	725
-(written back) in the financial year	(2)	-
General allowance		
-(written back)/made in the financial year	(70)	(124)
	142	601
	142	601

**p) Other operating expenses**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs		
-Salaries, allowances and bonuses	703	422
-Employees provident fund	22	66
-Staff benefit and other compensation	78	79
-Others	5	47
Establishment costs		
-Depreciation	8	-
-Rental	18	86
-Utility	-	15
-Others	60	-
Marketing expenses		
-Advertisement	-	2
-Travelling, entertainment and others	3	8
Administration and general expenses		
-Processing cost	4	-
-Stationery and supplies	5	-
-Communication expenses	26	20
-Others	28	95
	960	840
	960	840

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**p) Other operating expenses (continued)**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
i) Syariah committee's remuneration		
Syariah committee	108	108

**q) Taxation**

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Current year tax expense	9,057	4,888
Deferred tax (income)/expense	(8,026)	688
	1,031	5,576

**r) Capital adequacy**

The capital adequacy ratios of the Islamic Banking Operations are as follows:-

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier 1 capital</b>		
Paid-up share capital	20,000	20,000
Retained profits	66,811	38,694
Other reserves	4,041	312
Total Tier-I capital	90,852	59,006
<b>Tier-II capital</b>		
General allowance for bad and doubtful debts and financing	3,099	3,169
<b>Capital base</b>	93,951	62,175
Core capital ratio	26.01%	13.25%
Risk weighted capital ratio	26.90%	13.96%

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**r) Capital adequacy (continued)**

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

	<b>Group and Bank</b>			
	<b>2006 Principal RM'000</b>	<b>2006 Risk weighted RM'000</b>	<b>2005 Principal RM'000</b>	<b>2005 Risk weighted RM'000</b>
0%	1,289,514	-	475,635	-
10%	-	-	-	-
20%	99,925	19,985	169,585	33,917
50%	74,454	37,227	36,468	18,234
100%	292,087	292,087	393,192	393,192
<b>Total credit risk-weighted assets</b>	<b>1,755,980</b>	<b>349,299</b>	<b>1,074,880</b>	<b>445,344</b>

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### s) Interest / profit rate risk

Group and Bank 2006	Up to 1 mth RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective Interest %
<b><u>ASSETS</u></b>									
Cash and short term funds	-	-	-	-	-	194	-	194	
Deposits and placements with banks and other financial institutions	821,000	-	-	-	-	-	-	821,000	3.44%
Securities held-for-trading	-	-	-	-	-	-	49,371	49,371	3.65%
Securities available for sale	-	104,481	120,330	286,657	118,305	-	-	629,773	3.98%
Financing, advances and other loans									
- performing	11	239	10,272	128,025	133,450	(69,226)	-	202,771	7.89%
- non-performing	-	-	-	-	-	1,137	-	1,137	
Deferred tax assets	-	-	-	-	-	3,701	-	3,701	
Other assets	-	-	-	-	-	54,859	-	54,859	
<b>TOTAL ASSETS</b>	<b>821,011</b>	<b>104,720</b>	<b>130,602</b>	<b>414,682</b>	<b>251,755</b>	<b>(9,335)</b>	<b>49,371</b>	<b>1,762,806</b>	
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>									
Deposits from customers	93,937	53,017	1,454	-	-	299,438	-	447,846	3.22%
Deposits and placements of banks and other financial institutions	348,910	-	-	-	-	5,155	-	354,065	3.39%
Other liabilities	-	-	-	-	-	870,043	-	870,043	
<b>Total Liabilities</b>	<b>442,847</b>	<b>53,017</b>	<b>1,454</b>	<b>-</b>	<b>-</b>	<b>1,174,636</b>	<b>-</b>	<b>1,671,954</b>	
Shareholders' equity	-	-	-	-	-	90,852	-	90,852	
<b>Total Liabilities and Shareholders' equity</b>	<b>442,847</b>	<b>53,017</b>	<b>1,454</b>	<b>-</b>	<b>-</b>	<b>1,265,488</b>	<b>-</b>	<b>1,762,806</b>	
On Balance Sheet interest sensitivity gap	378,164	51,703	129,148	414,682	251,755	(1,274,823)	49,371		
	378,164	51,703	129,148	414,682	251,755	(1,274,823)	49,371		

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**s) Interest / profit rate risk (continued)**

Group and Bank 2005	Up to 1 mth RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective Interest %
<b><u>ASSETS</u></b>									
Cash and short term funds	-	-	-	-	-	1,851	-	1,851	
Deposits and placements with banks and other financial institutions	37,000	-	-	-	-	-	-	37,000	2.96%
Securities available for sale	-	287,188	224,745	203,554	-	-	-	715,487	1.91%
Securities held-to-maturity	100,000	-	-	-	-	-	-	100,000	3.10%
Financing, advances and other loans									
- performing	6,891	16,055	158,303	785	65,887	(46,156)	-	201,765	7.11%
- non-performing	-	-	-	-	-	6,301	-	6,301	
Other assets	-	-	-	-	-	12,585	-	12,585	
<b>TOTAL ASSETS</b>	<b>143,891</b>	<b>303,243</b>	<b>383,048</b>	<b>204,339</b>	<b>65,887</b>	<b>(25,419)</b>	<b>-</b>	<b>1,074,989</b>	
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>									
Deposits from customers	416,063	91,123	2,796	1,135	-	22,538	-	533,655	2.78%
Deposits and placements of banks and other financial institutions	400,000	-	-	-	-	-	-	400,000	2.98%
Deferred tax liabilities	-	-	-	-	-	3,184	-	3,184	
Other liabilities	-	-	-	-	-	79,144	-	79,144	
<b>Total Liabilities</b>	<b>816,063</b>	<b>91,123</b>	<b>2,796</b>	<b>1,135</b>	<b>-</b>	<b>104,866</b>	<b>-</b>	<b>1,015,983</b>	
Shareholders' equity	-	-	-	-	-	59,006	-	59,006	
<b>Total Liabilities and Shareholders' equity</b>	<b>816,063</b>	<b>91,123</b>	<b>2,796</b>	<b>1,135</b>	<b>-</b>	<b>163,872</b>	<b>-</b>	<b>1,074,989</b>	
<hr/>									
On Balance Sheet interest sensitivity gap	(672,172)	212,120	380,252	203,204	65,887	(189,291)	-		
	(672,172)	212,120	380,252	203,204	65,887	(189,291)	-		