

Export-Import Bank of Malaysia Berhad (257198-K)

(A subsidiary of Bank Industri & Teknologi Malaysia Berhad)

Level 19, Bangunan Bank Industri, Bandar Wawasan,
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LAPORAN TAHUNAN 2 0 0 3
ANNUAL REPORT



Exim Bank
YOUR GLOBAL TRADE PARTNER



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Directors

Tan Sri Dato' Othman bin Mohd Rijal
Dato Haji Shaharuddin bin Haron
Dato' Mohd Ramli bin Mat Wajib
Datuk Paul Low Seng Kuan
Datuk Rajandram a/l Chellapah
Dato' Mohd Hussin bin Abdul Hamid
Dato' Md Noor bin Mohammad Yusoff
Puteh Rukiah binti Abdul Majid
Tan Leh Kiah
Datuk Dr Syed Muhamad bin Syed Abdul Kadir

General Manager

Mohd Noordin bin Abbas

Corporate Information

Principal Place Of Business

Level 19, Bangunan Bank Industri
Bandar Wawasan
No.1016, Jalan Sultan Ismail
P.O.Box 13028
50250 Kuala Lumpur

Bankers

Bumiputra-Commerce Bank Berhad
Maybank International (L) Ltd
Malayan Banking Berhad
Citibank Berhad
Wachovia Bank
RHB Bank Berhad



Secretary

Hasmah binti Razali

Registered Office

Level 28, Bangunan Bank Industri
Bandar Wawasan
No.1016, Jalan Sultan Ismail
P.O.Box 13028
50250 Kuala Lumpur

Auditors

Shamsir Jasani Grant Thornton
(Member of Grant Thornton International)
Chartered Accountants
Level 11-1, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur



Board of Directors



Tan Sri Dato' Othman bin Mohd Rijal
Chairman

**Dato' Md Noor
bin Mohammad Yusoff**
GROUP MANAGING DIRECTOR



Datuk Paul Low Seng Kuan
DIRECTOR



**Puteh Ruklah
binti Abdul Majid**
DIRECTOR



Tan Leh Kiah
DIRECTOR



**Datuk Dr Syed Muhamad
bin Syed Abdul Kadir**
DIRECTOR



**Dato' Haji Shaharuddin
bin Haron**
DIRECTOR



**Dato' Mohd Ramli
bin Mat Wajib**
DIRECTOR



**Datuk Rajandram
a/l Chellapah**
DIRECTOR



**Dato' Mohd Hussin
bin Abdul Hamid**
DIRECTOR

Management Team



Mohd Noordin bin Abbas
GENERAL MANAGER

**Engku Husain Hazmi
bin Engku Embong** (Head)
LOAN ADMINISTRATION DEPARTMENT



Ahmad Jamil bin Mohd Hashim (Head)
CROSS BORDER CREDIT DEPARTMENT



Abdul Malek bin Md Yusof (Head)
EXPORT FINANCE DEPARTMENT



Zuraidah binti Omar (Head)
FINANCE DEPARTMENT



Azmin binti Hamzah (Head)
CORPORATE SERVICES DEPARTMENT



Hasmah binti Razali
COMPANY SECRETARY





Message from the Chairman



As the economy rebounded on a slow but steady pace, many share the belief that the road to recovery will not be so swift after all as presented by the volatile outcome in the last two years. The global economy advanced cautiously as the war in Iraq raged and the world waited in anticipation for the next debilitating misadventure.

Despite the turmoil in the middle east, the year 2003 marked a further proliferation of the economy with a growth of 5.2% ensuing the increase in last year's economy of 4.1%. Though slight it serves as a hopeful indicator for the year ahead.

The growth was spurred by the increase in the demand for exports by 8.0%, breaching for the first time the USD100.0 billion mark. A total of RM398.90 billion in exports was recorded for the year. As a result, the trade surplus in 2003 expanded by 48.5% to reach RM81.10 billion, which was the highest ever recorded.

The strong performance of Malaysia's economy in 2003 provided a favourable business environment despite the volatility it experienced in the previous years. Exim Bank managed to garner a propitious financial result in 2003.

The Bank boasted the highest profit ever since its inception. The Bank's net profit after taxation escalated to RM86.35 million in 2003 from RM9.05 million in 2002. This was attributed to the process improvement undertaken by the bank in its lending activities, reduction in the specific provisions from RM52.17 million in 2002 to RM13.20 million in 2003 and continued recovery exercise of the previous non-performing loans. This inherently benefited the Bank's shareholders funds which experienced a surge of RM86.36 million from RM165.28 million in 2002 to a total of RM251.64 million in 2003.

The Bank's lending activities responded well to the positive growth of the economy. In 2003, the Bank approved loans amounting to RM471.30 million from RM378.47

On behalf of the Board of Directors, I have great pleasure to present the annual report of Export-Import Bank of Malaysia Berhad (the Bank) for the financial year ended 31 December 2003.

Tan Sri Dato' Othman bin Mohd Rijal

As the only Government-owned export-import financing institution, the Bank aggressively promotes its product portfolios and makes it widely accessible for all export-oriented companies in Malaysia particularly to the small and medium enterprises

million in 2002, an increase of 24.5%. The increase in loan approvals was spurred by both the Bank's Overseas Project Financing facility and Supplier Credit facility, which increased from RM50.84 million in 2002 to RM239.40 million in 2003 and from RM168.20 million in 2002 to RM209.10 million in 2003, respectively.

In line with the government's call, the Bank continued to intensify its support to the SME exporters by providing them with better access to the Bank's financing facilities. The loans to SMEs increased 31.8% from RM93.00 million in 2002 to RM122.60 million in 2003 representing 58.6% of the total loans approved under the Supplier Credit Facility in 2003.

The Export Credit Refinancing (ECR) Scheme clearly served its purpose even more in 2003 by providing friendlier support to the users and enhancing awareness of its services. The efforts undertaken by ECR to improve its services and utilization proved to be worthwhile with a registered value of utilization of RM6.61 billion in 2003 from RM6.15 billion in the year 2002. Throughout the year, the Bank continues to pursue its ECR promotion via a series of workshops and nationwide ECR seminars with the ECR participating banks and exporters respectively. The number of newly approved ECR users have soared from 80 in 2002 to 115 in 2003, mainly as a result of proactive efforts by the Bank to strengthen cooperation with ECR participating banks to sustain loan growth.

The sectors that benefited from the ECR Scheme were from the palm oil products, rubber products and chemical products which formed about 60.8% of the total utilization for the year. In terms of the significance of the ECR Scheme in supporting Malaysian exports, palm oil and rubber industry benefited the most as the Scheme supported 8.0% and 9.0% of the total Malaysian exports of palm oil and rubber based industry respectively in 2003.

As the only Government-owned export-import financing institution, the Bank aggressively promotes its product portfolios and makes it widely accessible for all export-oriented companies in Malaysia particularly to the small and medium enterprises. The Bank continues supporting the government's aspiration to diversify its exports destinations particularly to non-traditional markets. While acknowledging the higher risk involved in assuming such a role, the Bank remains vigilant in its effort to maintain its lending prudence.



In view of the competitive global business environment, the Bank has stepped up efforts in enhancing its role as the niche financier for Malaysian companies to relocate or expand their business operations overseas, thus promoting reverse investments and Malaysia's image abroad.

The year 2003 saw the Bank concluding important strategic initiatives with various organizations to share information and provide the best financing solutions. In October 2003, the Bank had executed the Bilateral Letter of Credit Confirmation Facility Agreements with Exim Bank of Korea and Exim Bank of India during the 9th Annual Meeting of the Asian Export Credit Agencies (ECAs) in Manila, Philippines. The Bilateral Agreements would enable the participating countries to increase their bilateral trade with Malaysia.

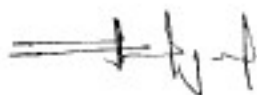
The Bank was invited by Bank Negara Malaysia (BNM) to become one of the members in BNM's Trade Financing Mechanism Task Force whose main objective was to further encourage utilisation of trade financing facilities to increase Malaysia's bilateral trades with other countries. Further, the Bank participated actively in the establishment of a national committee for the International Chamber of Commerce (ICC) Malaysia, in which the Bank was appointed as a member of the ICC Malaysia Executive Board.

As the world emerges from the ashes of past turmoil, the global economy is expected to further record marked growth throughout the years. It is projected that the Malaysian economy would gain further strength in 2004 due to its strong fundamentals and favourable external factors. The financial markets is expected to reveal promising returns. The Bank anticipates that the lending performance would be better in 2004. The Bank also expects a better financial year in 2004 through higher

loans disbursements while further reducing its non-performing loans. The Bank will leverage on its strength as Malaysia's leading export finance agency to seek opportunities to increase its sovereign lending and to focus on financing strategic sectors.

I wish to express my special thanks to my colleagues on the Board who have worked very hard in providing guidance and support for the Bank to achieve this desired financial result. To the staff and management, your continued commitment to the tasks undertaken, is very valuable to the Bank. I would also like to take this opportunity to extend my utmost appreciation to our valued clients and business associates which have made our endeavours all the more meaningful.

Last but not least, I would like to record my gratitude to the various Government authorities, especially the Ministry of Finance and Bank Negara Malaysia for their invaluable direction and kind counsel. Armed with a team of like-minded people, I am optimistic that the Bank will continue to prosper in the face of global challenges to provide a credible impact in the internationalization of Malaysian businesses.



TAN SRI DATO' OTHMAN BIN MOHD RIJAL

Chairman



Penyata Pengerusi

dengan pertumbuhan sebanyak 5.2% yang mengikuti kenaikan tahun lepas sebanyak 4.1%. Walaupun kecil, ia memberikan petanda baik untuk tahun-tahun mendatang.

Pertumbuhan ini didorong oleh kenaikan permintaan bagi eksport sebanyak 8.0%, mencecah buat pertama kalinya USD100.0 bilion. Jumlah eksport bagi tahun itu ialah RM398.90 bilion. Oleh itu, lebih dagangan pada 2003 berkembang sebanyak 48.5% kepada RM81.10 bilion. Ini merupakan jumlah tertinggi yang pernah direkodkan.

Prestasi kukuh ekonomi Malaysia pada 2003 ini memberikan persekitaran yang baik untuk perniagaan walaupun ia mengalami keadaan yang tidak tetap pada tahun-tahun sebelumnya. Exim Bank berjaya meraih hasil kewangan yang menggalakkan pada 2003.

Bank meraih keuntungan tertinggi sejak ia ditubuhkan. Keuntungan bersih Bank setelah cukai meningkat dari RM9.05 juta pada 2002 kepada RM86.35 juta pada 2003. Ini disebabkan daripada pembaikan proses dalaman yang diambil oleh Bank dalam aktiviti peminjamannya, pengurangan dalam peruntukan tertentu dari RM52.17 juta pada 2002 kepada RM13.20 juta pada 2003 dan juga

Dengan pemulihan ekonomi yang perlahan tapi stabil, ramai yang percaya pemulihan tidak akan separas yang disangka seperti yang dilihat daripada keadaan yang berubah-ubah sejak dua tahun lepas. Ekonomi global berubah dengan lebih berhati-hati sedang Iraq dilanda peperangan dan dunia menanti dengan penuh debaran petaka seterusnya yang akan menimpa.

Disebalik pergolakan yang berlaku di Timur Tengah, tahun 2003 memperlihatkan perkembangan ekonomi seterusnya



Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan laporan tahunan Export-Import Bank Of Malaysia Berhad (EXIM Bank) untuk tahun kewangan yang berakhir pada 31 Disember 2003.



usaha perolehan semula pinjaman tidak-berbayar. Ini telah memberi manfaat kepada dana pemegang saham Bank yang mengalami kenaikan sebanyak RM86.36 juta daripada RM165.28 juta pada 2002 kepada RM251.64 juta pada 2003.

Aktiviti peminjaman Bank memberi respon yang baik terhadap pertumbuhan positif ekonomi. Pada tahun 2003, Bank meluluskan pinjaman sejumlah RM471.30 juta berbanding RM378.47 juta pada 2002. Ini merupakan kenaikan sebanyak 24.5%. Kenaikan kelulusan pinjaman disebabkan oleh Kemudahan Pembiayaan Projek-Luar Negara Bank dan Kemudahan Kredit Pembekal, yang masing-masing meningkat dari RM50.84 juta pada 2002 kepada RM239.40 juta pada 2003 dan dari RM168.20 juta pada 2002 kepada RM209.10 juta pada 2003.

Sejajar dengan seruan kerajaan, Bank terus menambah sokongan kepada pengeksport Perusahaan Kecil dan Sederhana dengan membuka lebih peluang untuk mendapatkan pembiayaan daripada Bank. Jumlah pinjaman yang diluluskan kepada Perusahaan Kecil dan Sederhana meningkat 31.8% dari RM93.00 juta pada 2002 kepada RM122.60 juta pada 2003. Ia merupakan 58.6% daripada jumlah pinjaman yang diluluskan dibawah Kemudahan Kredit Pembekal pada 2003.

Skim Pembiayaan Semula Kredit Eksport (Skim ECR) jelas lebih mencapai tujuannya pada tahun 2003 dengan memberikan sokongan yang lebih mesra kepada pengguna dan mengukuhkan kesedaran tentang perkhidmatannya. Usaha yang diambil oleh Skim ECR untuk memperbaiki

mutu perkhidmatan dan penggunaan terbukti berkesan dengan nilai penggunaan sebanyak RM6.61 bilion pada 2003 berbanding RM6.15 bilion pada tahun 2002. Sepanjang tahun, Bank terus mengadakan promosi Skim ECR melalui bengkel-bengkel dan seminar Skim ECR seluruh negara bersama bank-bank peserta dan pengeksport. Bilangan pengguna Skim ECR yang baru diluluskan telah meningkat daripada 80 pada 2002 kepada 115 pada 2003. Ini adalah atas usaha proaktif Bank untuk mengukuhkan kerjasama dengan bank-bank peserta Skim ECR bagi mengekalkan pertumbuhan pinjaman.

Sektor yang mendapat manfaat daripada Skim ECR adalah daripada produk kelapa sawit, getah dan kimia yang membentuk 60.8% daripada jumlah penggunaan bagi tahun itu. Dari segi kepentingan Skim ECR dalam menyokong eksport Malaysia, industri kelapa sawit dan getah mendapat faedah yang terbanyak memandangkan Skim ini menyokong 8.0% dan 9.0% daripada jumlah eksport Malaysia yang terdiri daripada industri berteraskan eksport kelapa sawit dan getah pada tahun 2003.

Sebagai satu-satunya institusi pembiayaan eksport-importh milik-Kerajaan, Bank mempromosikan portfolio produknya dengan hebat dan menjadikan ia mudah didapati bagi semua syarikat berteraskan eksport di Malaysia terutama sekali kepada perusahaan kecil dan sederhana. Bank terus menyokong cita-cita kerajaan untuk mempelbagaikan destinasi eksportnya terutama ke pasaran bukan-tradisional. Bank menyedari risiko tinggi yang terlibat dalam mengambil langkah demikian, namun ia tetap berhati-hati dalam usahanya untuk mengekalkan kebijaksanaan pinjamannya.



Memandangkan persekitaran perniagaan global yang berdayasaing, Bank telah meningkatkan usaha untuk mengukuhkan peranan sebagai pembiaya ulung kepada syarikat-syarikat Malaysia yang ingin memindahkan atau mengembangkan operasi perniagaan mereka ke luar negara dan sekali gus mempromosikan pelaburan ke Luar Negara serta meningkatkan imej Malaysia di luar negara.

Tahun 2003 memperlihatkan Bank menjayakan usaha strategik penting dengan berbagai organisasi antarabangsa untuk berkongsi maklumat dan menawarkan penyelesaian pembiayaan terbaik. Pada Oktober 2003, Bank telah menandatangani Perjanjian Kemudahan Pengesahan Surat Kredit Dua-hala dengan Exim Bank Korea dan Exim Bank India semasa Mesyuarat Tahunan ke-9 Agensi-Agensi Kredit Eksport Asia (ECAs) di Manila, Filipina. Perjanjian Dua-hala ini akan membolehkan negara peserta meningkatkan perdagangan dua-hala dengan Malaysia.

Bank telah dijemput oleh Bank Negara Malaysia (BNM) untuk menjadi ahli anggota kepada Pasukan Petugas Kemudahan Pembiayaan Perdagangan yang berobjektif untuk lebih menggalakkan penggunaan kemudahan pembiayaan perdagangan bagi meningkatkan perdagangan dua hala Malaysia dengan negara lain. Bank ini juga terlibat secara aktif di dalam perubuhan Jawatankuasa Kebangsaan International Chamber of Commerce (ICC) Malaysia, di mana Bank telah dilantik menjadi ahli kepada Lembaga Eksekutif ICC Malaysia.

Sedang dunia bangkit dari pergolakan lampau, ekonomi global dijangka mencatatkan pertumbuhan ketara berterusan di masa depan. Ekonomi Malaysia diunjurkan akan meraih pengukuhan seterusnya pada 2004 berikutan asas yang kukuh dan faktor-

faktor luaran yang baik. Pasaran kewangan dijangka memberikan pulangan yang baik. Bank menjangkakan prestasi pinjaman yang lebih baik pada tahun 2004. Bank juga berharap tahun 2004 akan membawa peningkatan dalam prestasi pinjaman melalui agihan pengeluaran pinjaman yang tinggi di samping mengurangkan pinjaman tidak-berbayarnya dengan lebih lanjut. Bank akan menggunakan kekuatannya sebagai agensi kewangan eksport utama Malaysia untuk mencari peluang bagi meningkatkan lagi pinjaman kepada Kerajaan Asing dan juga menumpukan pada pembiayaan sektor-sektor strategik.

Saya ingin mengucapkan terima kasih kepada rakan-rakan sekerja saya dalam Lembaga yang telah berkerja keras memberi bimbingan dan sokongan kepada Bank mencapai tahap prestasi yang memuaskan. Kepada kakitangan dan pihak pengurusan, komitmen berterusan anda dalam menjalankan tugas sangat dihargai. Saya juga ingin mengambil kesempatan ini untuk menyampaikan penghargaan peruh saya kepada pelanggan yang dihargai dan rakan-rakan sekutu perniagaan yang telah menjadikan segala usaha kami lebih bermakna.

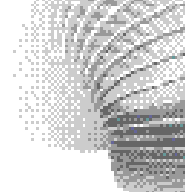
Akhir sekali, saya ingin menyatakan rasa terima kasih kepada pihak-pihak berkuasa Kerajaan, terutama sekali Kementerian Kewangan dan Bank Negara Malaysia atas hala tuju Bank dan tunjuk-ajar yang tidak ternilai.

Berbekalkan pasukan yang sealfiran fikiran, saya percaya Bank ini akan terus maju di tengah-tengah cabaran global untuk memberi kesan kepada kemampuan syarikat-syarikat Malaysia bersaing di tahap antarabangsa.

TAN SRI DATO' OTHMAN BIN MOHD RIJAL

Pengerusi





The Board of Directors is fully committed and firmly subscribes to the Principles and Best Practices in Corporate Governance as set out in the Bank Negara Malaysia's Guideline on Corporate Governance Standards on Directorship for the Development Financial Institutions (Garis Panduan 4 (BNM/DFI/GP4)) of September 2003, whereby internal controls were further strengthened to ensure that checks and balances formed an integral part of the Bank's operations.

BOARD OF DIRECTORS

The Board of Directors consists of nine (9) non-executive directors and one (1) executive director who is the Group Managing Director. All the Directors have the skills and experience in their respective areas of expertise, which have contributed significantly to the decision making process of the Board. The roles of the Chairman and the Group Managing Director/Chief Executive Officer are separate, both with clearly defined responsibilities.

The Board of Directors meets at least once a month to deliberate, inter alia, on policy and strategic issues and the review of the Bank's financial performance and credit operations. For year 2003, all the Directors have attended the Corporate Directors Training Programme as prescribed by the Companies Commission of Malaysia.

The appointments of all Directors are in compliance with GP4 and the Company's Articles of Association.

COMMITTEES

The Bank has established the following Board Committees to assist the Board in the execution of its duties and responsibilities. Details of the Board Committees as at 31st December 2003 are as follows:

INTERNAL AUDIT COMMITTEE

1. Objective

Its main objective is to review the Bank's financial condition, its internal control systems, its compliance with all policies and guidelines set by the Bank, Companies Act and DFI Act 2002 and also, the performance and findings of internal auditors.

2. Composition

The members of the Internal Audit Committee are:

Dato' Haji Ramli bin Mat Wajib	-	Chairman
Dato' Haji Shaharuddin bin Haron	-	Member
Datuk Paul Low Seng Kuan	-	Member

3. Functions and Responsibilities

The functions and responsibilities of the Committee are as follows:

i. General

- To review the adequacy of operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, and management efficiency, amongst others.

- To review periodically and if necessary, propose for amendments for formal Board adoption on the Committee's Terms of Reference and the Audit Charter.
- To ensure that there is an open avenue of communication between the internal auditors, the independent auditors and the Board of Directors.
- To review periodically with the independent accountants and the Chief Internal Auditor on the audit plans, audit strategy and scope of works for ensuring that co-ordination of audit effort is maximised.
- To perform any other functions as authorized by the Board.

ii. Financial Statements

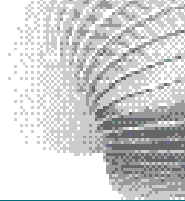
- Review with management and the independent accountants the half year and annual financial statements prior to submission to the Board, focusing particularly on:
 - a. Any changes in accounting policies and practices;
 - b. Major judgmental areas;
 - c. Significant adjustments resulting from the audit;
 - d. The going concern assumptions;
 - e. Compliance with the relevant Acts, generally accepted accounting standards, guidelines from the relevant authorities and legal requirements;
 - f. To discuss problems and reservation arising from the interim and final audits and any matters the auditor may wish to discuss (in the absence of the management) where necessary;
 - g. Review any related party transactions that may arise within the Bank and group of companies;
 - h. The Bank's annual financial statements and related footnotes;
 - i. The independent accountants' audit of the financial statements and report thereon;
 - j. Any significant changes which have been required in the independent accountants' audit plan;
 - k. Any significant difficulties or disputes with management encountered during the course of the audit;
 - l. Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.

iii. Internal Control

- Enquire on management, the Chief Internal Auditor and the independent accountants about significant risks or exposures and evaluate the steps taken to minimise such risks to the Bank.
- Consider and review with the Chief Internal Auditor on:
 - a. the adequacy of the Bank's systems of internal control including computerised information systems controls and security.
 - b. any related significant findings and recommendations of the independent accountants and of the internal auditors together with Management's responses thereto.
 - c. review the effectiveness of internal control systems and in particular, review the contents of the independent accountant's management letter and Management's responses thereto.

iv. External Audit

- Recommend to the Board of Directors the independent accountants to be appointed and their compensation; review and approve the scope and quality of their work and their discharge or resignation.
- Discuss with the independent accountants, before the audit commences the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved.



v. Internal Audit

- Review and approve, where possible in advance of the event, the appointment, replacement, reassignment or dismissal of the Chief Internal Auditor.
- Consider and review with Management and the Chief Internal Auditor:
 - a. Any difficulties encountered in the course of internal audits, and any restrictions placed on internal audit scope of work or access to required information or personnel.
 - b. The audit plan of future audits to be conducted and the progress of the plan against budget periodically.
 - c. The internal audit department's budget and staffing to ensure adequacy of staff with relevant skills and experience.
 - d. Any changes which have been required in the previously approved audit plan.
 - e. Review the audit scope and objectives to ensure its adequacy and hence the effectiveness of the audit function.
- Evaluate and review the reports of the internal auditors that highlight internal accounting, organisational and operational weaknesses and to determine that appropriate corrective actions are being taken by the Management.
- To direct and supervise any special project or investigation considered necessary.
- Evaluate the performance and decide on the remuneration package of the internal auditors, other than the Chief Internal Auditor.

4. Committee Meetings and Attendance

During the financial year ended 31 December 2003, the Internal Audit Committee held one (1) meeting. A record of the attendance of the Committee Members is as follows:

No.	Name of Director	No. of Meetings Attended	% of Attendance
1.	Dato' Ramli bin Mat Wajib	1/1	100
2.	Dato' Hj. Shaharuddin bin Haron	1/1	100
3.	Datuk Paul Low Seng Kuan	1/1	100

REMUNERATION COMMITTEE

1. Objective

The primary objective of the Remuneration Committee is to provide a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officer (CEO) / General Manager (GM) and Assistant General Managers (AGM) and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

2. Composition

The members of the Remuneration Committee are:

Dato' Haji Shaharuddin bin Haron	-	Chairman
Puan Puteh Rukiah binti Abdul Majid	-	Member
Dato' Md Noor bin Mohamad Yusoff	-	Member

3. Functions and Responsibilities

The functions and responsibilities of the Committee are as follows:

- i. To propose and recommend to the main Board, the remuneration policy and guidelines for the Directors, Chief Executive Officer (CEO) / General Manager (GM) and Assistant General Managers (AGM) of the Bank. The remuneration policy should:
 - Be documented and approved by the full board and any changes thereto should be subject to the endorsement of the full board;
 - Reflect the experience and level of responsibility borne by individual Directors, Chief Executive Officer (CEO) / General Manager (GM) and Assistant General Managers (AGM);
 - Be sufficient to attract and retain Directors, Chief Executive Officer (CEO) / General Manager (GM) and Assistant General Managers (AGM) of calibre needed to manage the Bank successfully; and
 - Be balanced against the need to ensure that the funds of the Bank are not used to subsidize excessive remuneration package and to ensure that the remuneration are in line with the current industry best practices.
- ii. To propose and recommend to the Board the remuneration packages for the Chief Executive Officer (CEO) / General Manager (GM) and Assistant General Managers (AGM) of the Bank. The remuneration packages should:
 - Be based on an objective consideration and approved by the full board;
 - Take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Director and Group Managing Director concerned;
 - Not be decided by the exercise of sole discretion of any one individual or restricted group of individual; and
 - Be competitive and is consistent with the Bank's culture, objective and strategy.
- iii. To review annually and recommend to the Board, remuneration packages based on performance i.e. annual bonus, annual increment or any incentive for Chief Executive Officer (CEO) / General Manager (GM) and Assistant General Managers (AGM) of the Bank.
- iv. To adopt the decision from the parent company in respect of the human resources management and development policies, and the payment of staff bonus and annual salary increment of the Company.
- v. To adopt the human resources management policies including the terms and conditions of service of the Company.
- vi. To approve the promotion or upgrading for positions/grades of Chief Executive Officer (CEO) / General Manager (GM), Assistant General Manager (AGM) and Senior Manager (SM) levels of the Bank based on the recommendation made by the Management.
- vii. To recommend to the Board on the payment of staff bonus and annual salary increment of the Bank.

viii. To approve the payment of annual salary increment and bonus for the Chief Executive Officer (CEO) / General Manager (GM) and Assistant General Managers (AGM) of the Bank.

4. Committee Meetings and Attendance

The Remuneration Committee was only established on 13th January 2004 and the first meeting of the Committee was held in 2004.

RISK MANAGEMENT COMMITTEE

1. Objective

The Risk Management Committee (RMC) is an independent committee with the objective to assist the Board of Directors in supervising the management of credit risk of the Bank.

2. Composition

The members of the Risk Management Committee are:

Datuk Rajandram a/l Chellapah	- Chairman
Dato' Haji Shaharuddin bin Haron	- Member
Francis Tan Leh Kiah	- Member

3. Functions and Responsibilities

The functions and responsibilities of the Risk Management Committee are as follows:

- Evaluate and assess the adequacy of strategies to manage the credit risk.
- Identify, measure and monitor the credit risk portfolio.
- Evaluate risks under stress scenarios and the capacity of the company's capital.
- Review reports of the credit review process, asset quality and ensure that corrective actions are taken.
- Review and evaluate the various credit products engaged to ensure that the compliance is within the standards and policies set.
- Oversee the formal development of credit policies for all products and business activities.
- Evaluate the risk-return of large credits and high-risk exposures.
- Assess the probability and impact of the occurrence of inherent risks of activities.

4. Committee Meetings And Attendance

During the financial year ended 31 December 2003, the Risk Management Committee held one (1) meeting. A record of attendance of the Committee Members is as follows:

No.	Name of Director	No. of Meetings Attended	% of Attendance
1.	Datuk Rajandram a/l Chellapah	1/1	100
2.	Dato' Hj. Shaharuddin bin Haron	1/1	100
3.	Francis Tan Leh Kiah	1/1	100

NOMINATION COMMITTEE

1. Objective

The primary objective of the Nomination Committee is to establish a documented, formal and transparent procedure for the appointment of Directors, Chief Executive Officer (CEO) / General Manager (GM) and key senior officers, and to assess the effectiveness of individual directors, the Board as a whole and the various committees of the Board, the Chief Executive Officer (CEO) / General Manager (GM) and key senior officers.

2. Composition

The members of the Nomination Committee are:

Datuk Dr. Syed Muhammad bin Syed Abdul Kadir	- Chairman
Dato' Mohd Ramli bin Mat Wajib	- Member
Puteh Rukiah binti Abdul Majid	- Member

3. Functions and Responsibilities

The functions and responsibilities of the Nomination Committee are as follows:

- i. To carry out annual assessment in evaluating effectiveness of each individual directors, the Board as a whole and the various committees of the Board, the Chief Executive Officer (CEO) / General Manager (GM) and key senior officers.
- ii. To carry out annual assessment on the overall composition of the Board in terms of the appropriate size, the balance between executive directors, non-executive directors and independent directors, the mix of skills, experience and required core competencies within the Board of Directors.
- iii. To recommend and assess the nominees for directorship, the directors to fill up board committees, as well as nominees for the Chief Executive Officer (CEO) / General Manager (GM) position. This includes assessing directors and the Chief Executive Officer / General Manager (GM) proposed for reappointment, before an application is submitted to Bank Negara Malaysia.
- iv. To assess the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer (CEO) / General Manager (GM).
- v. To recommend to the Board on removal of a Director / Chief Executive Officer (CEO) / General Manager (GM) if he is ineffective, errant or negligent in discharging his responsibilities.
- vi. To oversee appointment, management succession planning and performance evaluation of key senior officers, and recommending to the Board the removal of key senior officers if they are ineffective, errant and negligent in discharging their responsibilities.
- vii. To ensure that members of the Board of Directors receive continuous training programs.
- viii. To ensure that new directors and reappointed directors who have yet to attend the mandatory training programs prescribed by the Malaysia Securities Exchange Berhad (MSEB) for listed companies or Suruhanjaya Syarikat Malaysia (CCM) are to attend the said programs within 6 months of their appointment.

4. Committee Meetings and Attendance

The Nomination Committee was only established on 23rd March 2004 and the first meeting of the Committee was held in 2004.

Exim Bank, a wholly owned subsidiary of Bank Industri & Teknologi Malaysia Berhad, was incorporated on 29 August 1995.

Exim Bank's authorised and paid-up capital are RM500 million and RM300 million respectively. The Ministry of Finance (Inc.) holds one special share in Exim Bank.



Exim Bank In Brief

Overseas projects that have been financed by the Bank include power projects, export and barges, infrastructure construction, telecommunications, manufacturing, export of palm oil mills and housing and hotels projects

The objectives of Exim Bank are as follows:

- To enhance the country's export capability and to promote overseas project investment to expand Malaysia's commercial bases through the provision of various export finance and project finance facilities.
- To promote Malaysia's international trade, especially with other developing countries.
- To provide a vehicle for implementation of the national policy for the enhancement of international trade.

As the country's only specialized export-import financing institution, Exim Bank concentrates on providing medium to long-term credit to Malaysian exporters and investors as well as to foreign buyers of Malaysian goods. Emphasis is given to the promotion of exports to the non-traditional markets.

Overseas projects that have been financed by the Bank include power projects, export and barges, infrastructure construction, telecommunications, manufacturing, export of palm oil mills and housing and hotels projects. The countries involved include Indonesia, Vietnam, Cambodia, Papua New Guinea, South Africa, Namibia, China, Uzbekistan, Turkmenistan, Ghana, Philippines and Seychelles.

Exim Bank's Board of Directors are as follows:

1. *Chairman*
- Tan Sri Dato' Othman bin Mohd Rijal
2. *Group Managing Director*
- Dato' Md Noor bin Mohammad Yusoff
3. *Director*
- Dato' Haji Shaharuddin bin Haron

4. *Director*

- Dato' Mohd Ramli bin Mat Wajib

5. *Director*

- Datuk Paul Low Seng Kuan

6. *Director*

- Datuk Rajandram a/l Chellappah

7. *Director*

- Puteh Rukiah binti Abd Majid

8. *Director*

- Tan Leh Kiah

9. *Director*

- Dato' Mohd Hussin bin Abdul Hamid

10. *Director*

- Datuk Dr Syed Muhamad bin Syed Abdul Kadir

The General Manager, Mohd Noordin bin Abbas, heads the Bank's operations.

FACILITIES OF EXIM BANK

The Bank's financing facilities can be categorized as follows:

Buyer Credit Facility

The facility is available to foreign entities primarily for the procurement of Malaysian manufactures and for the financing of various construction, infrastructure and engineering projects undertaken or supplied by Malaysian companies.

Overseas Project Financing Facility

This facility is extended to Malaysian companies or their joint venture companies abroad for investments in manufacturing, construction, infrastructure or other developmental projects overseas. Projects financed under this facility should result in significant contribution to the Malaysian economy in terms of the utilization of raw materials, expertise, machinery, etc. from Malaysia.



Guarantee Facility

This facility seeks to assist Malaysian exporters raise the required financing from financial institution to undertake export and overseas investment projects. Guarantees are usually provided for the financing of infrastructure and capital-intensive projects where the demand for funding is large, political and sovereign risks are significant and long-term maturity financing is critical to the project's viability. Under this facility, loans extended by financial institution directly to an overseas buyer or a Malaysian exporter are guaranteed by Exim Bank, which undertakes to pay the lending bank the full amount of any defaulted payment of principal and interest due under the loan.

Supplier Credit Facility

This facility is divided into two types:

i) Pre-shipment Supplier Credit

Available to Malaysian manufacturers / exporters for the production of goods meant for export, this facility finance part of their working capital during the processing, manufacturing and packing of export goods. To an exporter, the availability of finance at a preferential rate of interest helps to reduce the cost of financing exports thereby making Malaysian goods more competitive.

The credit is given for the period between the time export order is finalised and the date of shipment of goods from Malaysia.

ii) Post-shipment Supplier Credit

This facility is provided to Malaysian exporters to enable them to offer attractive credit terms to foreign buyers for the export of Malaysian goods. It is useful in helping exporters who venture into non-traditional markets as these buyers usually require financing for a longer duration compared to buyers in the traditional markets. Credit period given corresponds with the credit extended by the Malaysian exporter to the foreign buyer.

Export of Services Financing Facility

This facility assists Malaysian to export their professional services such as consultancy, technical skills and other expertise overseas. Financing can be provided for a period of up five years and the margin of financing is up to a maximum of 70% of the contract value.

Export Credit Refinancing Scheme



The Export Credit Refinancing (ECR) Scheme was originally launched by Bank Negara Malaysia (BNM) in 1977. In line with the Government's objective to broaden Exim Bank's lending activities, the ECR Scheme later was officially transferred to Exim Bank as the new funds administrator effective from January 1998. The funds under the ECR Scheme is disbursed through commercial banks in Malaysia.

The primary objective of the ECR Scheme is to promote the export of Malaysian manufactured products, agricultural products and primary commodities by offering competitive interest rate to Malaysian exporters via commercial banks participating in the ECR Scheme. The companies that can enjoy ECR financing are those that are involved in manufacturing activities, agricultural producers and trading companies. There are two types of facilities available to exporters under the scheme, namely pre-shipment ECR and post-shipment ECR.

Pre-shipment ECR is advanced to manufacturer, agriculture product producer to facilitate the production of eligible products or loan advanced to trading company for purchase of domestic intermediate or final products for export prior to shipment.

Post-shipment ECR is advanced to finance the period after shipment pending receipt of export proceeds either the term of export is on sight or usage.

Exim Bank has approved loans and guarantees for projects in the following countries:



LOAN PORTFOLIO

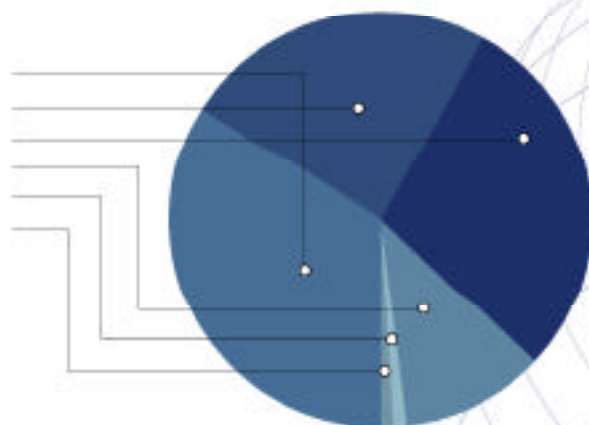
1	Indonesia	12	Honduras
2	Philippines	13	Turkmenistan
3	Cambodia	14	Uzbekistan
4	Laos	15	Russia
5	Singapore	16	Kazakhstan
6	Vietnam	17	Ghana
7	China	18	Namibia
8	India	19	Seychelles
9	Papua New Guinea	20	South Africa
10	Maldives	21	Sudan
11	Iraq		

Loan Portfolio



Annual Total Loans and Guarantee Approval

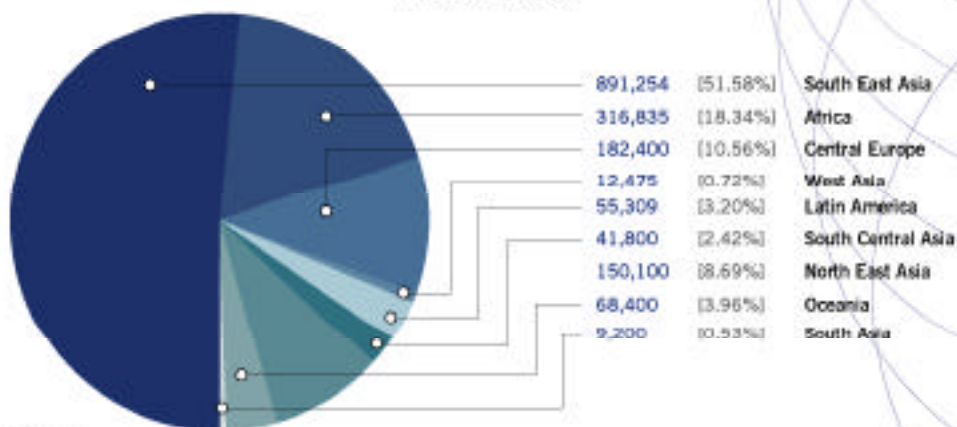
Buyer Credit	(34%)	1,630,482
Overseas Project Financing	(24%)	1,172,107
Supplier Credit	(29%)	1,371,155
Guarantee	(11%)	550,100
Export of Services	(1%)	29,000
Others	(1%)	48,000



■ RM Million

Cumulative Loans And Guarantees Approved By Facilities

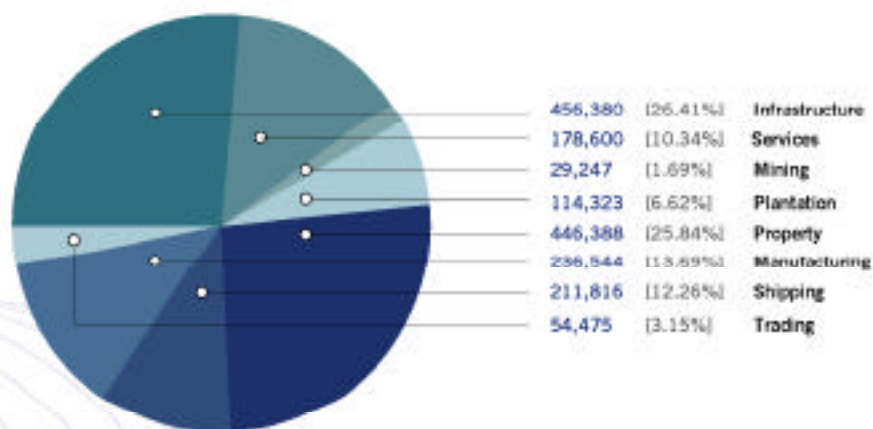
as at 31 December 2003



■ RM Million

Cumulative Loans And Guarantees Approved By Region

for Cross Border Credit as at 31 December 2003

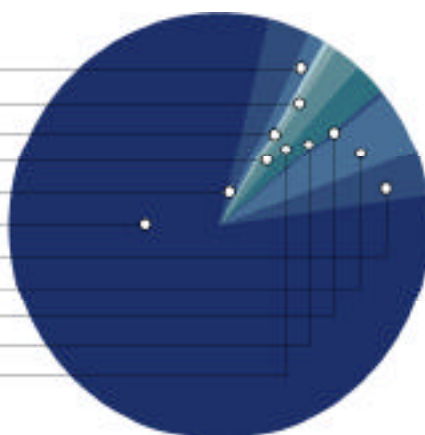


RM Million

Cumulative Loans and Guarantee Approved by Sectors

for Cross Border Credit
as at 31 December 2003

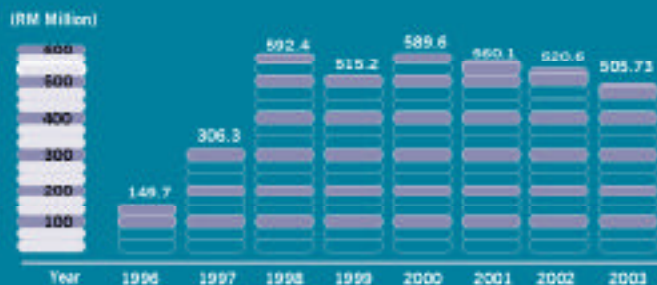
Sector	Percentage	Value (RM Million)
Capital Goods	(1.9)	17,000
Commodities	(0.7%)	6,500
Engineering	(0.4%)	4,000
Construction	(1.3%)	12,000
IT	(3.2%)	27,500
Manufacturing	(81.0%)	722,250
Oil & Gas	(3.4%)	30,000
Services	(5.2%)	46,376
Telecommunications	(0.3%)	2,500
Trading	(2.5%)	22,700
Transportation	(0.1%)	500



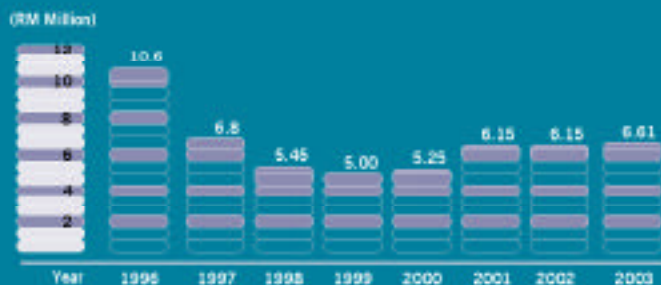
RM Million

Cumulative Loans and Guarantee Approved by Sectors

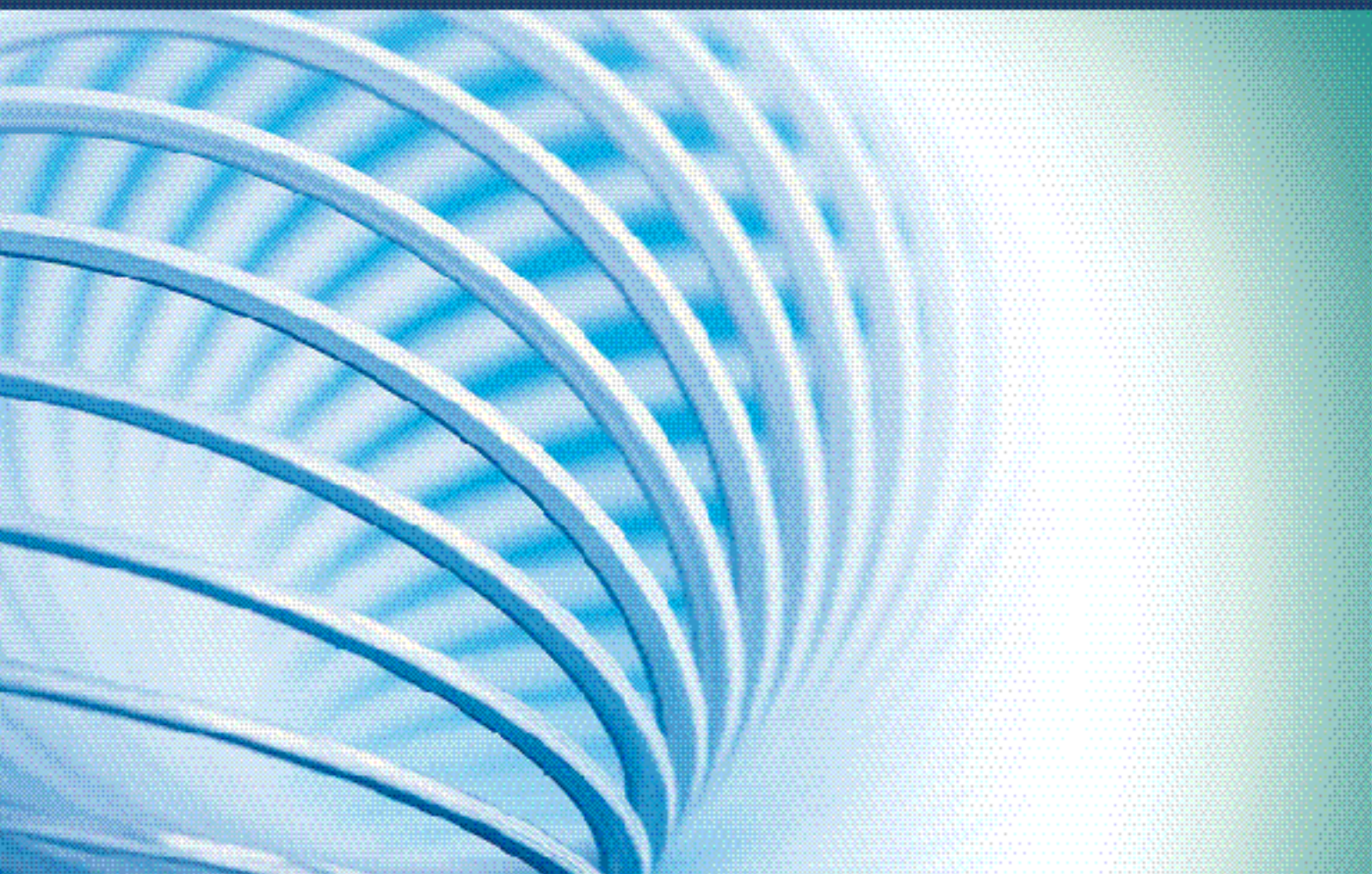
for Export Finance
as at 31 December 2003



Loan Debtors



Annual Utilisation of Export Credit Refinancing





Financial Statements

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- 39 **Cash Flow Statement**
- 41 **Notes to the Financial Statements**



The Directors hereby submit their report together with the audited financial statements of the Bank for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the Bank is to operate the business of banking in the promotion and support of export, import and investment for the country's development by granting credit, issuing guarantees and providing other related services.

There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM
Net profit for the year	86,354,287
Accumulated loss brought forward	(134,716,401)
<hr/>	
Accumulated loss carried forward	(48,362,114)
<hr/>	

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2003.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no shares and debentures issued during the financial year.

INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Bank were made out, the Directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Bank have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Bank inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Bank misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

No contingent or other liability 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 substantially affect the ability of the Bank to meet its obligations as and when they fall due.

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

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Bank which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

The Directors state that:-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In their opinion:-

- (a) the results of the Bank's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) 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 Bank for the current financial year in which this report is made.

DIRECTORS OF THE BANK

The Directors in office since the date of the last report are:

YBhg Tan Sri Dato' Othman bin Mohd Rijal (Chairman)
YBhg Dato' Haji Shaharuddin bin Haron
YBhg Dato' Mohd Ramli bin Mat Wajib
YBhg Datuk Paul Low Seng Kuan
YBhg Datuk Rajandram a/l Chellappah
YBhg Dato' Mohd Hussin bin Abd. Hamid
YBhg Dato' Md Noor bin Mohammad Yusoff
YBhg Datuk Dr. Syed Muhamad bin Syed Abdul Kadir (appointed on 13.9.2003)
Puteh Rukiah binti Abd. Majid
Tan Leh Kiah

Pursuant to Article 109 of the Company's Articles of Association, YBhg Datuk Rajandram a/l Chellappah, retires at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

Pursuant to Article 109 of the Company's Articles of Association, YBhg Dato' Shaharuddin bin Haron and YBhg Datuk Paul Low Seng Kuan, retire at the forthcoming Annual General Meeting and have expressed unwillingness to seek for re-election.

Pursuant to Article 113 of the Articles of Association, YBhg Datuk Dr. Syed Muhamad bin Syed Abdul Kadir retires at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

None of the Directors at the end of the financial year held any direct interest in the shares of the Bank or its related companies during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank is a party, with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in the Bank or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than as disclosed in the Notes to the Financial Statements) by reason of a contract made by the Bank or a related corporation 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.

HOLDING COMPANY

The holding company is Bank Industri & Teknologi Malaysia Berhad, a development financial institution incorporated in Malaysia.

AUDITORS

Messrs Shamsir Jasani Grant Thornton have expressed their willingness to continue in office.

On behalf of the Board



TAN SRI DATO' OTHMAN BIN MOHD RIJAL
DIRECTOR



DATO' MD NOOR BIN MOHAMMAD YUSOFF
DIRECTOR

Kuala Lumpur
17 May 2004

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 36 to 54 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2003 and of the results and cash flows of the Bank for the financial year then ended.

On behalf of the Board



TAN SRI DATO' OTHMAN BIN MOHD RIJAL
DIRECTOR



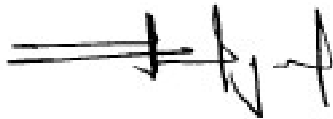
DATO' MD NOOR BIN MOHAMMAD YUSOFF
DIRECTOR

Kuala Lumpur
17 May 2004

STATUTORY DECLARATION

We, Tan Sri Dato' Othman bin Mohd Rijal and Mohd Noordin bin Abbas, being the Chairman and the General Manager primarily responsible for the financial management of Export-Import Bank of Malaysia Berhad respectively, do solemnly and sincerely declare that to the best of our knowledge and belief the financial statements set out on pages 36 to 54 are correct and we 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 abovenamed at Kuala Lumpur in the Federal Territory this day of 17 May 2004.

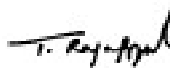


TAN SRI DATO' OTHMAN BIN MOHD RIJAL



MOHD NOORDIN BIN ABBAS

Before me:



Commissioner for Oaths



Lot. U3 27B, Lower Ground Floor,
Wileyah Complex,
2, Jalan Munshi Abdullah,
50100 Kuala Lumpur,
MALAYSIA

We have audited the financial statements set out on pages 36 to 54. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements which have been prepared under the historical cost convention are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Bank; and
 - (ii) the state of affairs of the Bank as at 31 December 2003, results of the operations and cash flows of the Bank for the financial year ended on that date;

and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Bank have been properly kept in accordance with the provisions of the said Act.



SHAMSIR JASANI GRANT THORNTON
(NO: AF-737)
CHARTERED ACCOUNTANTS

Kuala Lumpur
17 May 2004



DATO' N.K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/06(J/PH))
PARTNER

	Note	2003 RM	2002 RM
SHARE CAPITAL	5	300,000,001	300,000,001
ACCUMULATED LOSS		(48,362,114)	(134,716,401)
Total shareholders' equity		251,637,887	165,283,600
AMOUNT DUE TO HOLDING COMPANY	6	369,658,615	394,659,702
UNEARNED PREMIUM RESERVE	7	5,565,114	5,634,602
TERM LOANS	8	112,617,365	130,175,571
ECR SCHEME	9	1,700,000,000	1,700,000,000
		2,439,478,981	2,395,753,475
CURRENT LIABILITIES			
Term loans	8	248,063,793	182,996,604
ECR scheme	9	278,215,655	278,215,655
Interest payable		25,865,242	5,362,450
Amount due to holding company	6	4,349,612	71,936,131
Other payables and accruals	10	20,216,740	38,317,856
Total current liabilities		576,711,042	576,828,696
		3,016,190,023	2,972,582,171
PROPERTY, PLANT AND EQUIPMENT			
PROPERTY, PLANT AND EQUIPMENT	11	1,339,618	1,483,418
INVESTMENTS	12	38,946,000	42,511,840
LOAN DEBTORS	13	392,790,312	332,264,580
DEFERRED TAX ASSETS		21,000,000	-
CURRENT ASSETS			
Loan debtors	13	117,709,115	188,376,540
Amount due from ECR debtors		1,128,667,291	1,076,145,779
Other receivables, deposits and prepayments	14	10,600,482	9,544,774
Interest receivable		8,629,481	30,537,943
Deposits	15	1,295,613,062	1,290,867,429
Cash and bank balances		894,662	849,868
Total current assets		2,562,114,093	2,596,322,333
		3,016,190,023	2,972,582,171

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	2003 RM	2002 RM
Revenue	16	100,782,057	106,220,365
Other operating income		46,998,961	21,069,731
Staff costs		(3,552,323)	(3,444,939)
Depreciation		(418,590)	(588,972)
Allowance for doubtful debts		(13,217,470)	(52,454,212)
Operating expenses		(15,656,685)	(5,525,025)
Profit from operations		114,935,950	65,276,948
Finance cost		(49,581,663)	(56,222,989)
Profit before taxation	17	65,354,287	9,053,959
Taxation	18	21,000,000	-
Net profit for the year		86,354,287	9,053,959

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

	Note	Share capital RM	Accumulated loss RM	Total RM
Balance at 1 January 2002		300,000,001	(143,770,360)	156,229,641
Net profit for 2002		-	9,053,959	9,053,959
<hr/>				
Balance at 31 December 2002		300,000,001	(134,716,401)	165,283,600
Net profit for 2003		-	86,354,287	86,354,287
<hr/>				
Balance at 31 December 2003		300,000,001	(48,362,114)	251,637,887
<hr/>				

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	65,354,287	9,053,959
Adjustments for:-		
Gain on disposal of investment	(688,000)	-
Gain on disposal of property, plant and equipment	-	(50,600)
Net guarantee fees recognised	(327,438)	(297,669)
Allowance for diminution in value of investment	9,802,098	-
Allowance for doubtful debts no longer required	(44,201,260)	(18,908,354)
Allowance for doubtful debts	13,217,470	52,454,212
Depreciation	418,590	588,972
Other interest income	(263,403)	(330,047)
Operating profit before working capital changes	43,312,344	42,510,473
Changes in working capital:-		
Loan debtors	41,383,433	18,417,379
Receivables	20,852,754	(11,109,531)
Payables	2,401,676	6,797,061
Amount due to holding company	(92,587,606)	(2,225,356)
Cash generated from operations	15,362,601	54,390,026
Tax paid	-	(3,360,000)
Interest received	263,403	330,047
Net cash generated from operating activities	15,626,004	51,360,073
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment	4,253,840	-
Proceeds from disposal of property, plant and equipment	-	50,600
Purchase of property, plant and equipment	(274,790)	(559,227)
Purchase of investments	(9,802,098)	(10,907,000)
Net cash used in investing activities	(5,823,048)	(11,415,627)

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

	2003 RM	2002 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loan	(83,702,791)	(189,342,840)
Drawdown of term loan	131,211,774	190,837,619
Repayment of ECR loan	-	(300,000,000)
Drawdown of ECR loan	-	300,000,000
(Disbursed to)/net repayment received from ECR debtors	(52,521,512)	45,228,429
Net cash (used in)/generated from financing activities	(5,012,529)	46,723,208

CASH AND CASH EQUIVALENTS

Net changes	4,790,427	86,667,654
At beginning of year	1,291,717,297	1,205,049,643
At end of year	1,296,507,724	1,291,717,297

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Cash Flow Statement comprise the following balance sheet amounts :-

Cash and bank balances	894,662	849,868
Deposits	1,295,613,062	1,290,867,429
	1,296,507,724	1,291,717,297

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965, Development Financial Institution Act 2002 and applicable approved accounting standards in Malaysia.

2. FINANCIAL RISK MANAGEMENT POLICIES

The Bank's financial risk management policies seek to enhance shareholder value. The Bank focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Bank.

The Risk Management Department of the holding company i.e Bank Industri & Teknologi Malaysia Berhad supervises the Bank in the management and control of risks across the various risk segments. The department is responsible for formulating policies and the oversight of credit, market liquidity and operational risks.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adhered to Group's financial risk management policies, which are reported to and approved by the Board of Directors. The Board also approves the treasury practices which cover the management of these risks. Treasury activities are carried out centrally by the Treasury Department of the Bank Industri & Teknologi Group.

The main areas of financial risks faced by the Bank and the policies in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign currency risk

The Bank incurs currency exposure mainly on borrowings made in currencies other than Ringgit Malaysia.

The Bank's policy is to minimise the exposure to foreign currency risks by monitoring and obtaining the Board's approval for funding requisitions that involve foreign currencies.

The Group manages centrally the short term cash surpluses or borrowing requirements of the Bank and uses forward contracts to hedge future repayments back into originating currency. Based on Bank Negara Malaysia's approval, the contracts are all of less than a year's duration, unless special approval is obtained from Bank Negara Malaysia, if applicable.

(b) Interest rate risk

The Bank interest rate exposure arises from the Bank's borrowings and deposits, and is managed through the use of fixed and floating rate debt and derivative financial instruments. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

(c) Credit risk

Credit risk is the potential for loss arising from failure of a debtor or counterparty to meet their contractual obligations.

Credit risk arises in the banking business from lending activities, the provision of guarantees including letters of credit and commitments to lend, investment in bonds and notes and financial markets transactions and other associated activities.

The Bank's approach on credit risk is applied by separating prudential control from operational management. Responsibility for approval of credit exposures is delegated to specific individuals who are outside the business line proposing to undertake them.

Most credit decisions are therefore taken within the Risk Management Department. The measurement of credit risk is based on an internal credit risk rating system that utilises analytical tools to rate financial attributes of customers. The Group's approach also includes avoidance of unacceptable concentrations of risk either to an economic sector or to an individual party.

Counter-party positions are also monitored on a regular basis and dealing activity is controlled through the provisions of dealing mandates and the operations of standard settlement instructions in line with market practices.

(d) Liquidity risks

The Bank's exposure to liquidity risk is managed by maintaining a diversity of funding sources and spreading debt repayment over a range of maturities.

The Bank's liquidity requirement is being managed on a day-to-day basis by the Group's Treasury Department that is responsible for ensuring funding is readily available for the Bank's transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The financial statements of the Bank have been prepared under the historical cost convention, unless otherwise indicated in other accounting policies.

(b) Revenue recognition

Interest income from loans is recognised on the accrual basis. Where an account becomes non-performing, interest is suspended until it is realised on cash basis. An account is classified as non-performing where repayment is in arrears for a period of 6 months in respect of revolving loan and term loans. The non-performing account will be re-classified as performing if the borrower manage to settle all the overdue outstanding in full, in which all the interests already been suspended be taken up as recovery income.

Other interest income is recognised on accrual basis unless collectibility is in doubt.

Fee income is recognised upon performance of services.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation less accumulated impairment loss. Depreciation is calculated to write off the cost of the property, plant and equipment on a straight line basis over the estimated useful lives of the assets concerned.

The principal annual rates of depreciation used are as follows:-

Office equipment	20%
Renovation and improvements	10%
Furniture and fittings	10%
Motor vehicles	20%
Electrical fittings and equipment	10%
Computer	35%

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset at arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

(d) Investments

Investments are stated at cost except where the directors are of the opinion that there is a decline other than temporarily in the value of investments.

(e) Foreign currency translations

Foreign currency transactions are translated into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at rates of exchange ruling at the balance sheet date. All exchange gains or losses are dealt with in the income statement.

The exchange rate ruling at balance sheet date used was as follows:-

	2003 RM	2002 RM
1 US Dollar	3.80	3.80

(f) Allowance for bad and doubtful debts

Specific allowance are made for bad and doubtful debts where, based on either management's evaluation of the loans portfolio or relevant statutory guidelines upon the collectability of a loan becomes uncertain. A general allowance based on a set percentage of the loans portfolio is also made. This percentage is reviewed annually in the light of past experience and prevailing circumstances.

(g) Unearned premium reserve

Income arising from guarantee provided is recognised on the basis of 25% upon the first drawdown of the loan and subsequently on a straight line basis over the total tenor of the loan guaranteed.

An allowance for claims on the basis of 50% of the income from guarantee premium recognised during the financial year is made with regard to contingent liabilities as disclosed in Note 21 to the Financial Statements.

(h) Export credit refinancing ("ECR") scheme

The Bank is only acting as an agent to the Ministry of Finance and Bank Negara Malaysia. No allowances are made for bad and doubtful debts in respect of loans given out to commercial bankers which have sufficient reserves.

(i) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Deferred tax liabilities and assets

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and unutilised capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

In prior years, deferred tax was provided for at the applicable current tax rates for all material timing differences except when there is reasonable evidence that such timing differences will not reverse in the foreseeable future. The change in accounting policy has been accounted for retrospectively. However, this has no effect on the financial statements presented, nor led to a restatement of prior year results.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

(l) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(m) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for services rendered.

(n) Provision

Provision are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

(o) Financial instruments

Financial instruments carried on the balance sheet includes cash and bank balances, deposits, loan debtors, amount due from ECR debtors, receivables, payables, investments and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

4. PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The principal activity of the Bank is to operate the business of banking in the promotion and support of export, import and investment for the country's development by granting credit, issuing guarantees and providing other related services.

There has been no significant change in the nature of this activity during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at Level 28, Bangunan Bank Industri, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur. The principal place of business of the Bank is located at Level 19, Bangunan Bank Industri, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 May 2004.

5. SHARE CAPITAL

	2003 RM	2002 RM
Authorised:-		
Ordinary share of RM1 each	500,000,000	500,000,000
Special Rights Redeemable (Preference share of RM 1 each)	1	1
	<hr/> 500,000,001	<hr/> 500,000,001
Issued and fully paid:-		
Ordinary shares of RM 1 each	300,000,000	300,000,000
Special Rights Redeemable (Preference share of RM 1 each)	1	1
	<hr/> 300,000,001	<hr/> 300,000,001

The Special Share may be held only by or transferred only to the Minister of Finance (Incorporated) or its successors or any Minister, representative or any person acting on behalf of the Government of Malaysia.

The Special Shareholder shall have the right from time to time to appoint any person to be an appointed Director ("Government Appointed Director"), so that there shall not be more than four Government Appointed Directors at any time.

The Special Shareholder or any person acting on its behalf shall be entitled to receive notice of and to attend and speak at all general meetings or any meeting of any class of shareholders of the Bank, but the Special Share shall carry no right to vote nor any other rights at any such meeting.

In a distribution of capital in a winding up of the Bank, the Special Shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other member. The Special Share shall confer no other right to participate in the capital or profits of the Bank.

The Special Shareholder may subject to the provision of the Companies Act, 1965, require the Company to redeem the Special Share at par at any time by serving written notice upon the Bank and delivering the relevant share certificate.

The Special Shareholder shall determine on general guidelines pertaining to lending, investments and divestment by the Bank from time to time as deemed appropriate by the Special Shareholder.

6. AMOUNT DUE TO HOLDING COMPANY

The Bank is a wholly owned subsidiary of Bank Industri & Teknologi Malaysia Berhad, a development financial institution incorporated in Malaysia.

The advances from holding company are unsecured, interest free and have no fixed term of repayment except as disclosed below:-

	2003 RM	2002 RM
(a) JBIC1	142,148,815	167,994,461
(b) JBIC2	227,509,800	268,876,600
(c) Loan from Ministry of Finance	-	25,000,000
	369,658,615	461,871,061

Details of the abovementioned loans are as follows:-

- (a) Untied loan up to an aggregate of USD 200,000,000.

The loan is repayable semi-annually within 14 instalments from 26 October 2002 and ending on 26 April 2009.

The loan was obtained on 27 January 2000 and is unsecured save for a guarantee from the Government of Malaysia.

Interest on the loan is charged at 0.2% (2002: 0.2%) above the lending bank's Long Term Prime Lending Rate or Fiscal Investment and Loans Program Rate per annum.

- (b) Untied loan up to an aggregate of USD 300,000,000 divided into two tranches.

The loan is repayable semi-annually within 14 installments from 26 July 2002 and ending on 26 January 2009.

The loan was obtained on 2 February 1999 and is unsecured save for a guarantee from the Government of Malaysia.

Interest on the Tranche A of the loan is charged at 0.2% (2002: 0.2%) above the lending bank's Long Term Prime Lending Rate or Fiscal Investment and Loans Program Rate per annum.

Interest on the Tranche B of the loan is charged at 0.8% (2002:0.8%) above TIBOR per annum.

- (c) Long term loan of RM25,000,000 from Ministry of Finance and the interest is charged at 4.5% (2002: 4.5%) per annum repayable after a period of 10 years commencing from 17 December 1994. The loan has been fully repaid during the financial year.

7. UNEARNED PREMIUM RESERVE

	2003 RM	2002 RM
Unearned premium reserve	3,882,264	4,219,905
Premium recognised during the financial year	(647,544)	(595,591)
	3,234,720	3,624,314
Provision for claims	2,330,394	2,010,288
	5,565,114	5,634,602

8. TERM LOANS

	2003 RM	2002 RM
Unsecured:-		
Amount repayable after 12 months	112,617,365	130,175,571
Amount repayable within 12 months	248,063,793	182,996,604
	360,681,158	313,172,175

Term loans consist of the following facilities:

- (a) Loan principal of RM35,000,000, by way of a deposit placement, repayable after a period of 15 years.

The loan was obtained on 17 November 1995 and is unsecured.

Interest on the loan is charged at the rate of 2.5% (2002: 2.5%) per annum.

- (b) Loan of RM14,000,000 repayable after a period of 5 years.

The loan was obtained on 27 March 1997 and is interest free and unsecured.

- (c) Revolving loan up to an aggregate of USD30,000,000 renewable annually.

The loan was obtained on 22 October 1997 and is unsecured.

Interest on the loan is charged at the rate of 0.90% (2002:1%) above TIBOR/SIBOR/LIBOR per annum.

- (d) Loan of USD30,000,000 repayable semi annually commencing after a grace period of 42 months from the date of the First Drawdown.

The loan was obtained on 16 September 1997 and is unsecured.

Interest on the loan is charged at the rate of 0.8% (2002: 0.8%) per annum above the lending bank's cost of fund.

(e) Revolving loan up to an aggregate of USD 20,000,000 renewable annually.

The loan was obtained on 15 November 2002 and is unsecured.

Interest on the loan is charged at the rate of 0.8% (2002: 0.8%) above LIBOR per annum.

(f) Revolving loan up to an aggregate of USD 11,000,000.

The loan was obtained on 31 March 2000 and is unsecured.

Interest on the loan is charged at the rate of 0.75% (2002: 0.75%) above the lending bank's cost of funds.

(g) Revolving loan up to an aggregate of USD 15,000,000 renewable annually.

The loan was obtained on 12 July 2001 and is unsecured save for a corporate guarantee from holding company.

Interest on the loan is charged at the rate of 0.90% (2002: 1%) above SIBOR per annum.

(h) Revolving loan up to an aggregate of USD 10,000,000 renewable annually.

The loan was obtained on 22 August 2001 and is unsecured.

Interest on the loan is charged at the rate of 0.80% (2002: 0.85%) above LIBOR/cost of fund per annum.

9. EXPORT CREDIT REFINANCING SCHEME-UNSECURED

	2003 RM	2002 RM
Loan from Ministry of Finance	1,700,000,000	1,700,000,000
Loan from Bank Negara Malaysia	278,215,655	278,215,655
	1,978,215,655	1,978,215,655
Repayable after twelve months	1,700,000,000	1,700,000,000
Repayable within twelve months	278,215,655	278,215,655
	1,978,215,655	1,978,215,655

These represent loans from the Ministry of Finance ("MOF") and Bank Negara Malaysia ("BNM") to facilitate the operation and management of the Export Credit Refinancing Scheme ("ECR").

The primary objective of the Scheme is the promotion of Malaysian exports by offering competitive rates to banks participating in the ECR scheme for on-lending to exporters. In this respect, the Bank acts as the operator of the ECR scheme in the disbursement of such loans to participating banks.

Interest on the scheme is charged at the rate of 1.5% (2002: 1.5%) per annum.

10. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is interest income received in advance of RM2,190,134 (2002: RM2,264,912) paid by commercial banks on the ECR funds obtained from the Ministry of Finance.

11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RM	Renovation and improvements RM	Furniture and fittings RM	Motor vehicles RM	Electrical fittings and equipment RM	Computer RM	Total 2003 RM	Total 2002 RM
Cost								
At beginning of the year	170,609	984,855	339,687	401,859	45,260	2,923,972	4,866,242	4,408,962
Additions	37,562	-	7,164	-	-	230,064	274,790	559,227
Disposal	-	-	-	-	-	-	-	(101,947)
At end of the year	208,171	984,855	346,851	401,859	45,260	3,154,036	5,141,032	4,866,242
Accumulated depreciation								
At beginning of the year	95,786	256,329	109,954	192,073	27,850	2,700,832	3,382,824	2,895,799
Charge during the year	31,039	98,485	34,706	57,729	4,525	192,106	418,590	588,972
Disposals	-	-	-	-	-	-	-	(101,947)
At end of the year	126,825	354,814	144,660	249,802	32,375	2,892,938	3,801,414	3,382,824
Net book value								
31 December 2003	81,346	630,041	202,191	152,057	12,885	261,098	1,339,618	-
31 December 2002	74,823	728,526	229,733	209,786	17,410	223,140	-	1,483,418
Depreciation charge for year ended 31 December 2002	23,463	70,087	32,052	54,839	5,206	403,325	-	588,972

12. INVESTMENTS

	2003 RM	2002 RM
At cost:-		
Quoted shares in Malaysia	1,046,000	1,046,000
Quoted loan stocks in Malaysia	9,802,098	-
Unquoted loan stocks and bonds	37,900,000	41,465,840
	48,748,098	42,511,840
Less: Allowances for diminution in value	(9,802,098)	-
	38,946,000	42,511,840
At market value:-		
Quoted shares in Malaysia	1,443,480	847,260
Quoted loan stocks in Malaysia	7,253,553	-
	8,697,033	847,260

Included in unquoted loan stocks and bonds are cost of redeemable unsecured bonds issued by the holding company amounting to RM27,850,000 (2002: RM27,850,000).

13. LOAN DEBTORS

Loan debtors comprise of the following:

	2003 RM	2002 RM
Amount receivable	830,795,585	951,627,595
Interest in suspense	(112,767,743)	(115,037,802)
	718,027,842	836,589,793
Allowance for doubtful debts:-		
General	(8,604,562)	(8,604,566)
Specific	(198,923,853)	(307,344,107)
	510,499,427	520,641,120
Receivable after twelve months	392,790,312	332,264,580
Receivable within twelve months	117,709,115	188,376,540
	510,499,427	520,641,120

The classification of loans and advances into respective maturity period is after deduction of allowance for doubtful debts and interest in suspense.

14. OTHER RECEIVABLES AND PREPAYMENTS

	2003 RM	2002 RM
Other receivables and prepayments	23,074,987	22,019,279
Allowance for doubtful debts-specific	(12,474,505)	(12,474,505)
	10,600,482	9,544,774

Included in the above as at 31 December 2003 are staff loans amounting to RM7,181,334 (2002: RM6,575,097) and amount advanced to the Republic of Iraq amounting to RM12,474,505 (2002: RM12,474,505) obtained from the Ministry of Finance.

15. DEPOSITS

	2003 RM	2002 RM
Deposits placed with licensed banks	960,476,103	807,584,027
Deposits placed with licensed finance companies	39,266,669	221,525,649
Deposits placed with other financial institutions	295,870,290	261,757,753
	1,295,613,062	1,290,867,429

16. REVENUE

	2003 RM	2002 RM
Interest income:		
- loans and advances	52,007,658	56,223,630
- loans and advances recovered	10,059,556	8,558,393
- deposits	36,079,934	38,651,590
- unquoted loans stocks in Malaysia	775,000	775,000
- quoted loans stocks in Malaysia	36,395	157,808
Fee income:		
- service charges and fees	1,175,970	1,258,353
- guarantee fees	647,544	595,591
	100,782,057	106,220,365

17. PROFIT BEFORE TAXATION

Profit before taxation has been determined after charging/(crediting) amongst other items the following:-

	2003 RM	2002 RM
Audit fee	25,000	25,000
Depreciation	418,590	588,972
Directors' fee	166,100	59,550
Interest on loans	49,581,663	56,222,989
Allowance for diminution in value of investment	9,802,098	-
Allowance for doubtful debts		
- general	-	286,615
- specific	13,217,470	52,167,597
Rental of premise charged by holding company	1,040,057	933,222
Rental of equipment	65,241	47,333
Bad debts recovered	(282,210)	(58,796)
Gain on disposal of property, plant and equipment	-	(50,600)
Interest received on bonds from holding company	(1,200,000)	(1,026,850)
Interest repayment from holding company	(12,297)	(126,428)
Realised gain on foreign exchange	(364,088)	(695,084)
Allowance for doubtful debts no longer required	(44,201,260)	(18,908,354)
Other interest income	(251,106)	(203,619)
Gain on disposal of investment	(688,000)	-

18. TAXATION

	2003 RM	2002 RM
Transfer to deferred tax assets	21,000,00	-

There is no provision for taxation as the Bank has no chargeable income.

The recognition of the deferred tax assets of RM21,000,000 is arose from unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the unutilised tax losses can be utilised in accordance with MASB 25-Income Taxes.

The amount of tax savings for which credit is taken during the financial year as a result of the realisation of unabsorbed tax losses carried forward that had not been accounted for in the period of loss amounted to approximately RM20,957,000 (2002:RM2,793,000).

As at 31 December 2003, the Bank has unabsorbed tax losses amounting to approximately RM75,810,000 (2002:RM150,655,000). However, these amounts are subject to the agreement by Inland Revenue Board of Malaysia.

18. TAXATION (Cont'd)

Deferred tax assets have not been recognised in respect of the following items:-

	2003 RM	2002 RM
Unabsorbed tax losses	-	42,183,000
Other temporary differences	3,062,000	2,972,000
	3,062,000	45,155,000

19. EMPLOYEES INFORMATION

The number of employees of the Bank at the end of the financial year was 73 (2002: 80) persons.

20. CAPITAL COMMITMENT

	2003 RM	2002 RM
Amount authorised but not contracted for	-	1,549,290

21. CONTINGENT LIABILITIES

	2003 RM	2002 RM
Guarantee facility which represents a commercial risk guarantee given to syndication lenders on loan principal amount financed by the lenders plus related premium and interest charges	178,061,697	182,565,259

22. RELATED PARTY TRANSACTIONS

	2003 RM	2002 RM
Interest received on bonds from holding company	(1,200,000)	(1,026,850)
Interest repayment from holding company	(12,297)	(126,428)
Group cost sharing paid to holding company	1,522,165	1,325,909
Rental of premise paid to holding company	1,040,057	933,222
Interest on loans paid to holding company	9,728,677	12,240,863

The above was transacted at arm's length between the parties.

23. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities, were as follows :-

	Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Effective weighted average interest rates
2003					
Financial assets					
Amount due from ECR debtors	1,128,667	-	-	1,128,667	1.50%
Deposits	1,295,613	-	-	1,295,613	3.31%
Loan debtors	117,709	132,466	260,324	510,499	4.46%
Unquoted investments	-	27,900	10,000	37,900	4.94%
Financial liabilities					
Term loans	248,064	65,143	47,474	360,681	1.17%
Amount due to holding company	-	-	369,659	369,659	2.60%
ECR scheme	278,216	1,700,000	-	1,978,216	1.50%
2002					
Financial assets					
Amount due from ECR debtors	1,076,145	-	-	1,076,145	2.50%
Deposits	1,290,867	-	-	1,290,867	3.15%
Loan debtors	188,376	135,890	196,375	520,641	3.86%
Unquoted investments	-	31,466	10,000	41,466	5.88%
Financial liabilities					
Term loans	182,996	95,176	35,000	313,172	2.79%
Amount due to holding company	71,936	-	389,935	461,871	2.60%
ECR scheme	278,216	1,700,000	-	1,978,216	1.50%

(b) Credit risk

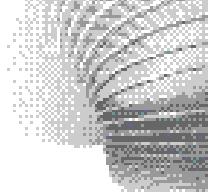
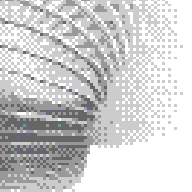
The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet and those items as disclosed in Note 21 to the Financial Statements.

Other than credit risk associated with commercial risk guarantee given to syndication lenders for syndicated loan of First Gas Power Corporation amounting to USD 45,337,500 (2002: USD 48,821,053), the Bank has no other significant concentration of credit risk with any single counterparty.

24. FAIR VALUES

The carrying amounts of all financial assets and liabilities of the Bank at the balance sheet date approximated their fair values.

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