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ANNUAL REPORT LAPORAN TAHUNAN



CONNECTING
MALAYSIAN BUSINESSES TO THE
WORLD

EXIM BANK
YOUR GLOBAL
TRADE PARTNER

Exim Bank connects Malaysian businesses to the world through strategic alliances and smart partnerships for mutual global harmony.



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CORPORATE INFORMATION



DIRECTORS

- :: Tan Sri Dato' Othman bin Mohd Rijal
(Chairman; appointed on 18.11.2002)
- :: Tan Sri Datuk Wira Abdul Rahman Arshad
(Chairman; resigned on 1.10.2002)
- :: 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
(appointed on 22.1.2003)
- :: Md Noor bin Mohammad Yusoff
- :: Puteh Rukiah binti Abdul Majid
- :: Tan Leh Kiah

GENERAL MANAGER

- :: Mohd Noordin bin Abbas

SECRETARY

- :: Hasmah binti Razali

AUDITORS

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

REGISTERED OFFICE

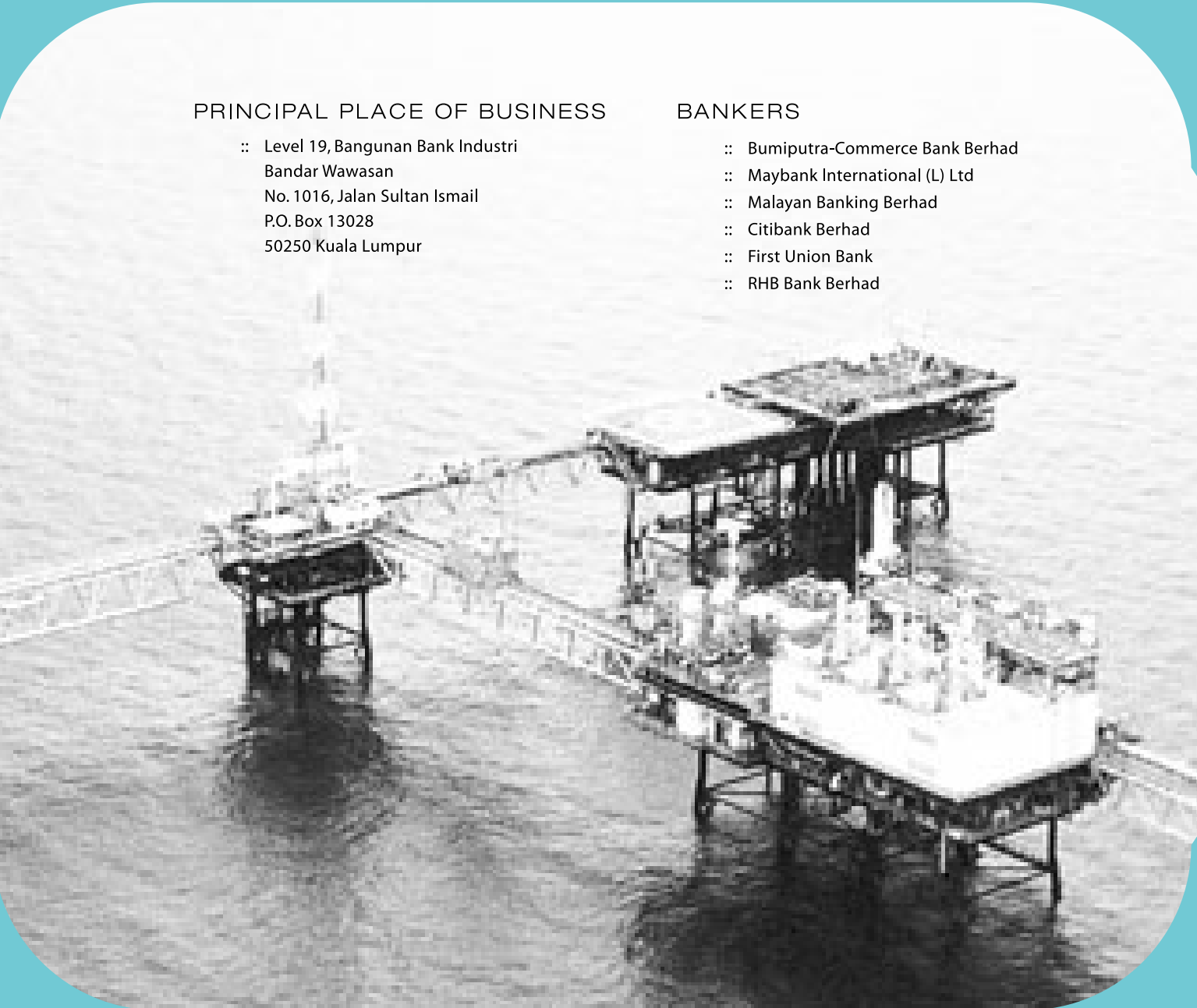
- :: Level 28, Bangunan Bank Industri
Bandar Wawasan
No. 1016, Jalan Sultan Ismail
P.O. Box 13028
50250 Kuala Lumpur

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
- :: First Union Bank
- :: RHB Bank Berhad



BOARD OF DIRECTORS



Tan Sri Dato' Othman bin Mohd Rijal CHAIRMAN

1:: Md. Noor bin Mohammad Yusoff
GROUP MANAGING DIRECTOR



2:: Dato' Haji Shaharuddin bin Haron
DIRECTOR



3:: Datuk Paul Low Seng Kuan
DIRECTOR



4:: Dato' Mohd Ramli bin Mat Wajib
DIRECTOR



5:: Puan Puteh Rukiah binti Abd. Majid
DIRECTOR



6:: Datuk Rajandram a/l Chellapah
DIRECTOR



7:: Tan Leh Kiah
DIRECTOR



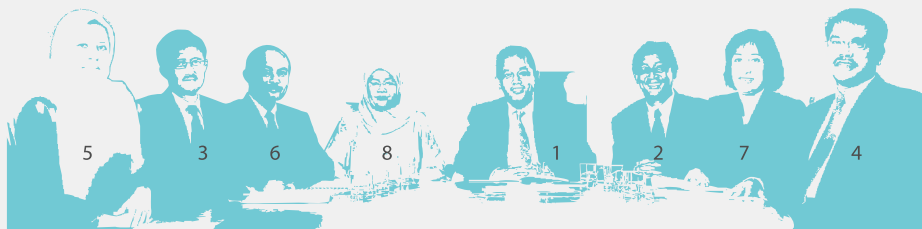
8:: Dato' Mohd Hussin bin Abdul Hamid
DIRECTOR



MANAGEMENT TEAM



Mohd Noordin bin Abbas GENERAL MANAGER



- 1:: Mohd Noordin bin Abbas**
GENERAL MANAGER
- 2:: Engku Hussain Hazmi bin Engku Embong (HEAD)**
EXPORT FINANCE DEPARTMENT
- 3:: Ahmad Jamil bin Mohd Hashim (HEAD)**
LOAN ADMINISTRATION DEPARTMENT
- 4:: Abdul Malek bin Md Yusof (HEAD)**
CROSS BORDER CREDIT DEPARTMENT
- 5:: Zuraidah binti Omar (HEAD)**
FINANCE DEPARTMENT
- 6:: Mohamad Zukriyani bin Ismail (HEAD)**
INFORMATION TECHNOLOGY DEPARTMENT
- 7:: Azmin binti Hamzah (HEAD)**
CORPORATE SERVICES DEPARTMENT
- 8:: Hasmah binti Razali**
COMPANY SECRETARY

MESSAGE FROM THE CHAIRMAN



On behalf of the Board of Directors, I have great pleasure in presenting the Annual Report of Export-Import Bank of Malaysia Berhad (Exim Bank) for the financial year ended 31 December 2002.



The Malaysian economy showed a remarkable improvement from a growth of 0.4% in 2001 to a growth of 4.2% in 2002. Exports have recovered from a contraction of about 10% in 2001 to a growth of 6% in 2002, with the recovery in the global electronics sector and improved commodity prices. The improvement in the economy and the steady growth in the country's exports contributed positively towards Exim Bank's growth.

In 2002, the loan amount approved by the Bank increased to RM378.47 million from RM343.69 million, reflecting a 10.1% increase over the previous year. The Bank's Buyer Credit Facility and Supplier Credit Facility showed marked improvement in the loans approval, increasing from RM49.4 million in 2001 to RM144.4 million in 2002 and from RM149.4 million in 2001 to RM168 million in 2002 respectively. Under the Supplier Credit Facility, the Bank for the first time approved three project-based financing applications while one project was approved under the Export of Services Financing Facility.

The Bank recognised the importance of Small- and Medium-sized Enterprises (SMEs) as an important contributor to growth. In tandem with the efforts undertaken by the Government to develop a vibrant SME in Malaysia, the Bank increased its loan approvals to SMEs. Hence in 2002, loans to SMEs amounted to RM93.9 million out of a total RM168.0 million worth of loans extended under the Supplier Credit Facility, as compared to RM21.9 million out of RM149.4 million extended under the same facility in 2001.

The utilisation of the Export Credit Refinancing (ECR) Scheme increased to RM6.15 billion in 2002 from RM5.45 billion in its inception year of 1998. Strategies implemented to promote the utilisation of ECR, included series of workshops with ECR participating Banks, nationwide ECR seminars with exporters and simplification of ECR guidelines and procedures. As a result, the Bank approved 80 new applications in 2002, an increase of 128% as compared to previous year's average of 35 applications. This consequently increased the number of ECR user to 2,764 companies.

The utilisation of the ECR Scheme was mainly by exporters of palm oil, rubber and textile products, which formed about 61% of the total utilisation under the Scheme. 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 12.2% and 28.9% of the total Malaysian exports of palm oil and rubber based industry respectively in 2002.

In terms of financial performance, the Bank's net profit before provision and taxation increased significantly to RM61.8 million as compared to RM35.4 million in 2001. The Bank's shareholders' funds increased to RM165.3 million as at 31 December 2002. However, the Bank's net profit before taxation declined to RM9.05 million from RM12.94 million in 2001, due to the significant increase in specific provisions provided from RM22.83 million in 2001 to RM52.17 million in 2002. The increase in specific provisions were mainly contributed by loans granted to a Middle Eastern country for

the financing of Malaysian exports comprising medical and pharmaceutical products based on humanitarian grounds and a loan to support a Malaysian firm in the development of an industrial zone in a neighbouring country. As an export credit agency and a development financial institution, the Bank continues to balance its primary role as the promoter of Malaysia's exports to the non-traditional markets and maintain the Bank's solvency. Efforts are being stepped up to mitigate the risks in new markets and enable development of long-term trade relations. The Bank anticipates that the following year will see a reduction on the Bank's non-performing loans with more than 50% of its 2002 non-performing loans expected to be recovered.

The year 2002 marks a very significant change to the Bank's operations. With effect from 15 February 2002, the Bank is placed under a new legislation, the Development Financial Institutions Act 2002 (DFIA). The DFIA is aimed at providing a comprehensive regulatory framework to ensure safe and sound financial management of development financial institutions under the supervision of the Central Bank of Malaysia. The impact of the new Act will entail adjustments on the structure and operations of the Bank in the coming years in order to conform to the standards of banking imposed under the DFIA. New policy approaches on risks, lending, and customer profile are necessary considerations to the improvements of the capital strength of the Bank and its operations under the new regulatory framework.

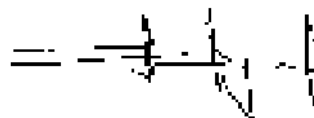
In order to expand the Bank's role as a Malaysian export credit agency (ECA), in July 2002 Exim Bank commenced issuing Letters of Credit (LC) on behalf of its clients to facilitate the purchase of foreign and domestic materials and equipment for the purpose of exports.

Exim Bank continues to foster its international relations by hosting the 8th Asian Export Credit Agencies (ECAs) meeting in Kuala Lumpur. The highlight of the meeting was the signing of a Multilateral Confirmation of Letters of Credit Facility agreement between 6 member banks, i.e. Japan Bank for International Cooperation, Export-Import Bank of Thailand, Export-Import Bank of Korea, PT Bank Ekspor Indonesia, Export-Import Bank of India and Export-Import Bank of Malaysia. The meeting also discussed a regional trade

refinance/reinsurance mechanism. Both the LC confirmation facility and the refinance/reinsurance mechanism would increase trade within the participating Bank's country. To further strengthen linkages, a proposal for a trade information exchange system among Asian export credit agencies was also discussed at the same conference. Through this information system, members ECAs can exchange information on operations such as financing policies and rules of respective institutions.

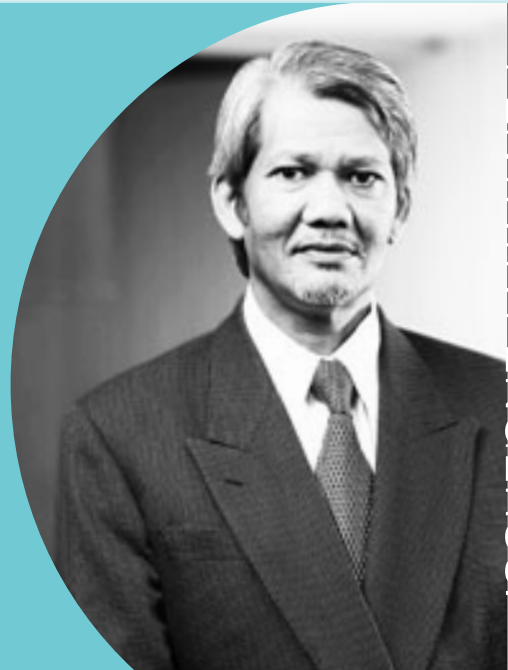
The uncertainties arising from the impact of the Iraq-America confrontation is likely to have adverse effects on the operations of the Bank in the middle-east region. As such, the Bank expects to see slowing down in the global economy which is likely to have an adverse impact on the Bank's operations in 2003. The Bank will endeavour to enhance efficiency and increase lending capacity in order to serve more effectively Malaysian exporters in undertaking overseas projects apart from expanding their exports.

I wish to take this opportunity to extend my appreciation of the contributions of the previous Chairman and members of the Board, past and present, the Bank's clients and business associates for their continuing support, and to the Management and Staff of the Bank for their commitment and dedicated service. I would also like to take this opportunity to remind the Management and Staff of the Bank of the challenging times ahead for the Bank to deal with the global economic uncertainties, the new legal framework for the Bank as a development financial institution, which all contribute to a higher demand on management discipline, commitment and creativity in the discharge of their duties. Last but not least, I would also like to record my gratitude to the various Government authorities, especially the Ministry of Finance and Bank Negara Malaysia for their invaluable support and guidance.



TAN SRI DATO' OTHMAN BIN MOHD RIJAL
Chairman

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan bagi Export-Import Bank of Malaysia Berhad (Exim Bank) untuk tahun kewangan yang berakhir pada 31hb Disember, 2002.



Ekonomi Malaysia telah menunjukkan kemajuan yang ketara daripada pertumbuhan sebanyak 0.4% pada tahun 2001 kepada pertumbuhan sebanyak 4.2% pada tahun 2002. Eksport juga telah pulih daripada penurunan sebanyak 10% pada tahun 2001 kepada pertumbuhan sebanyak 6% pada tahun 2002 dengan pulihnya sektor elektronik di seluruh dunia dan harga komoditi yang lebih baik. Kemajuan dalam ekonomi dan pertumbuhan yang stabil dalam eksport negara telah memberi kesan yang positif ke atas perkembangan Exim Bank.

Pada tahun 2002, pinjaman yang diluluskan oleh Exim Bank telah meningkat kepada RM378.47 juta daripada RM343.69 juta atau peningkatan sebanyak 10.1% daripada tahun sebelumnya. Kemudahan Kredit Pembeli dan Kemudahan Kredit Pembekal telah menunjukkan kelulusan pinjaman yang ketara dengan masing-masing mencatatkan peningkatan daripada RM49.4 juta pada tahun 2001 kepada RM144.4 juta pada tahun 2002 dan daripada RM149.4 juta pada tahun 2001 kepada RM168 juta pada tahun 2002. Exim Bank, untuk pertama kalinya, telah meluluskan tiga pinjaman yang berasaskan projek di bawah Kemudahan Kredit Pembekal manakala di bawah Kemudahan Pembiayaan Eksport Perkhidmatan, satu projek telah diluluskan.

Exim Bank menyedari kepentingan industri kecil dan sederhana sebagai penyumbang utama kepada pertumbuhan ekonomi negara. Selari dengan usaha Kerajaan untuk membangunkan industri kecil dan sederhana (IKS) yang dinamik di Malaysia, Exim Bank telah meningkatkan kelulusan pinjamannya untuk IKS. Justeru itu pada tahun 2002, Exim Bank telah meluluskan

pinjaman kepada IKS sebanyak RM93.9 juta daripada pinjaman sebanyak RM168 juta di bawah Kemudahan Kredit Pembekal, berbanding dengan jumlah pinjaman sebanyak RM21.9 juta daripada jumlah pinjaman sebanyak RM149.4 juta di bawah kemudahan yang sama pada tahun 2001.

Penggunaan Skim Pembiayaan Semula Kredit Eksport (PSKE) telah meningkat kepada RM6.15 billion pada tahun 2002 daripada RM5.45 billion pada tahun penubuhan 1998. Strategi yang dilaksanakan untuk memajukan skim ini termasuklah mengadakan siri bengkel kerja dengan bank-bank yang menyertai skim PSKE, seminar PSKE di seluruh Malaysia bersama-sama para pengeksport dan juga pemudahan ke atas panduan dan prosedur skim PSKE ini. Berikutan ini, Exim Bank berjaya meluluskan sebanyak 80 permohonan baru pada tahun 2002, iaitu peningkatan sebanyak 128% berbanding purata sebanyak 35 permohonan pada tahun-tahun sebelumnya. Ini telah menyebabkan bertambahnya jumlah pengguna PSKE kepada 2,764 syarikat.

Para pengeksport minyak sawit, getah dan barangan tekstil adalah pengguna utama Skim PSKE yang merangkumi 61% daripada jumlah penggunaan skim tersebut. Dari segi kepentingan skim PSKE dalam menyokong eksport Malaysia, industri kelapa sawit dan getah telah banyak mendapat manfaat daripada skim tersebut dengan skim PSKE menyumbang sebanyak 12.2% daripada jumlah keseluruhan eksport Malaysia dalam industri kelapa sawit dan 28.9% daripada jumlah keseluruhan eksport Malaysia dalam industri berasaskan getah pada tahun 2002.

Dari segi prestasi kewangan, untung bersih Exim Bank sebelum peruntukan hutang lapuk dan cukai meningkat dengan ketaranya kepada RM61.8 juta berbanding RM35.4 juta pada tahun 2001. Dana pemegang saham Exim Bank juga telah meningkat kepada RM165.3 juta pada 31 Disember 2002. Bagaimanapun, untung bersih Exim Bank sebelum cukai telah menurun kepada RM9.05 juta daripada RM12.94 juta pada tahun 2001 disebabkan peningkatan yang mendadak ke atas peruntukan khusus daripada RM22.83 juta pada tahun 2001 kepada RM52.17 juta pada tahun 2002. Sebahagian besar daripada peruntukan khusus ini disebabkan oleh pinjaman yang diberi kepada sebuah negara Timur Tengah untuk pembiayaan eksport barangan perubatan di atas sebab-sebab perikemanusiaan dan satu pinjaman yang diberi kepada sebuah syarikat Malaysia untuk membangunkan zon industri di sebuah negara jiran. Sebagai sebuah agensi kredit eksport dan juga institusi kewangan pembangunan, Exim Bank sentiasa mengimbangi peranan utamanya sebagai pendorong eksport Malaysia ke pasaran bukan tradisional dan di masa yang sama mengekalkan kemampuan bayarnya. Usaha sedang giat dijalankan untuk mengurangkan risiko di pasaran baru serta membina hubungan perdagangan untuk jangkamasa panjang. Exim Bank menjangka bahawa pada tahun berikutnya, pinjaman tak berbayar akan berkurangan di mana lebih daripada 50% daripada pinjaman tak berbayar dalam tahun 2002 akan dapat dikembalikan.

Tahun 2002 juga mencatat perubahan ketara dalam operasi Bank. Berkuatkuasa 15 Februari 2002, Exim Bank tertakluk di bawah perundangan baru, iaitu Akta Institusi Kewangan Pembangunan 2002 (Akta IKP). Akta ini bertujuan untuk menyediakan satu rangka kerja pengawalan yang menyeluruh bagi memastikan pengurusan kewangan institusi-institusi kewangan pembangunan terjamin dan kukuh di bawah seliaan Bank Negara Malaysia. Berikutan daripada undang-undang ini, pindaan akan dibuat ke atas struktur dan operasi Bank pada masa akan datang untuk mematuhi taraf perbankan di bawah Akta IKP. Pendekatan polisi baru berkenaan risiko, pinjaman, profil pelanggan adalah perlu untuk kekuatan modal Bank dan operasinya di bawah rangka peraturan baru.

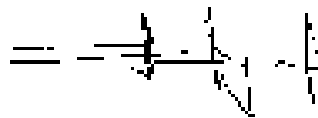
Untuk mengembangkan peranan Exim Bank sebagai agensi kredit eksport Malaysia, Exim Bank dalam bulan Julai 2002 telah mula mengeluarkan Surat Kredit bagi pihak pelanggan-pelanggannya untuk membeli bahan dan peralatan domestik dan asing bagi tujuan eksport.

Exim Bank dalam usaha meningkatkan aktiviti hubungan antarabangsa telah menjadi tuan rumah Mesyuarat Tahunan Agensi-Agensi Kredit Eksport Asia ke-8 di Kuala Lumpur. Acara kemuncak mesyuarat tersebut ialah menandatangani perjanjian

Kemudahan Pengesahan Surat Kredit Berbilang Hala di antara 6 ahli iaitu Japan Bank for International Cooperation, Export-Import Bank of Thailand, Export-Import Bank of Korea, PT Bank Ekspor Indonesia, Export-Import Bank of India dan Export-Import Bank of Malaysia. Mesyuarat ini juga membincangkan mekanisme Pembiayaan Semula/Insurans Semula perdagangan serantau. Kedua-dua Kemudahan Pengesahan Surat Kredit dan mekanisme Pembiayaan Semula/Insurans Semula akan menggalakkan perdagangan di antara negara-negara bank-bank berkenaan. Untuk menguatkan lagi hubungan, satu cadangan untuk sistem penukaran maklumat perdagangan di antara agensi-agensi kredit eksport Asia juga dibincangkan di mesyuarat tersebut. Melalui sistem maklumat ini, ahli-ahli agensi kredit eksport boleh bertukar-tukar maklumat berkenaan operasi seperti polisi pembiayaan dan peraturan agensi kredit eksport masing-masing.

Ketidak pastian disebabkan oleh konfrontasi Iraq-Amerika Syarikat dijangka akan memberi kesan ke atas operasi Bank di rantau timur tengah. Oleh itu, Bank menjangkakan ekonomi dunia akan bergerak perlahan yang bakal menjejaskan operasi Bank pada tahun 2003. Exim Bank akan berusaha menambah kecekapan dan meningkatkan kemampuan pinjaman bagi memenuhi keperluan para pengeksport dalam mengusahakan projek-projek luar negara di samping menambahkan eksport mereka.

Saya ingin mengambil peluang ini untuk menyampaikan penghargaan saya di atas sumbangan bekas Pengerusi dan ahli-ahli Lembaga Pengarah, dulu dan sekarang, pelanggan-pelanggan dan rakan perniagaan Bank di atas sokongan mereka yang berterusan, dan juga kepada Pihak Pengurusan dan Kakitangan Bank di atas iltizam dan perkhidmatan berdedikasi. Saya juga ingin mengambil kesempatan ini untuk mengingatkan Pengurusan dan kakitangan Bank di atas cabaran-cabaran di masa hadapan untuk Bank menghadapi ketidak pastian ekonomi dunia, rangka kerja undang-undang baru untuk Bank sebagai institusi kewangan pembangunan, yang akan menyumbang kepada disiplin pengurusan, iltizam dan kreativiti dalam tugas. Akhir sekali, saya juga ingin merakamkan rasa terutang budi saya kepada pelbagai pihak berkuasa Kerajaan, terutamanya Kementerian Kewangan dan Bank Negara Malaysia di atas sokongan dan tunjuk ajar mereka yang tidak ternilai.



TAN SRI DATO' OTHMAN BIN MOHD RIJAL
Pengerusi



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

The objectives of Exim Bank are as follows :

- To enhance the country's export capability and promote overseas project investments 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 specialised 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 of ships and barges, infrastructure construction, telecommunications, manufacturing, export of palm oil mills and housing and hotel 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*
- YBhg. Tan Sri Dato' Othman bin Mohd Rijal
2. *Group Managing Director*
- Md Noor bin Mohammad Yusoff
3. *Director*
- YBhg. Dato' Haji Shahrudin bin Haron
4. *Director*
- YBhg. Dato' Mohd Ramli bin Mat Wajib
5. *Director*
- YBhg. Datuk Paul Low Seng Kuan
6. *Director*
- YBhg. Datuk Rajandram a/l Chellapah

7. *Director*

- Puteh Rukiah binti Abd Majid

8. *Director*

- Tan Leh Kiah

9. *Director*

- YBhg. Dato' Mohd Hussin bin Abdul Hamid

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

FACILITIES OF EXIM BANK

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

Buyer Credit Facility

This 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 utilisation of raw materials, expertise, machinery, etc from Malaysia.

Guarantee Facility

This facility seeks to assist Malaysian exporters raise the required financing from financial institutions 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 institutions 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 payments 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 finances 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 the 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 Malaysians to export their professional services such as consultancy, technical skills and other expertise overseas. Financing can be provided for a period of up to five years and the margin of financing is up to a maximum of 70% of the contract value.





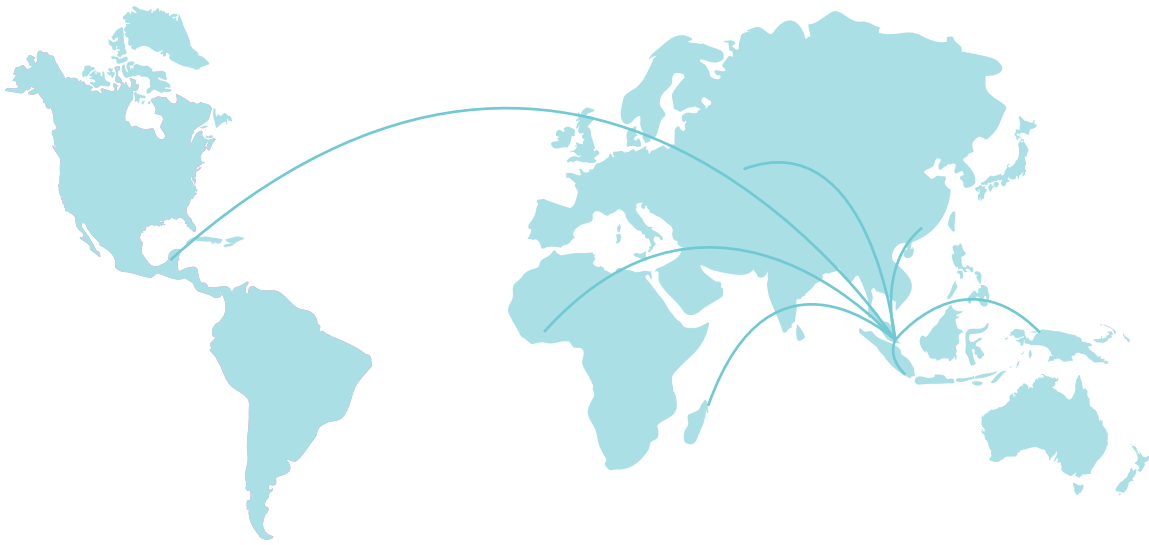
The Export Credit Refinancing (ECR) Scheme was originally launched by Bank Negara Malaysia (BNM) in 1977. In line with the Government's objective to broaden Exim Bank's lending activities, the ECR Scheme later was officially transferred to Exim Bank as the new funds administrator effective from January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





LOAN PORTFOLIO

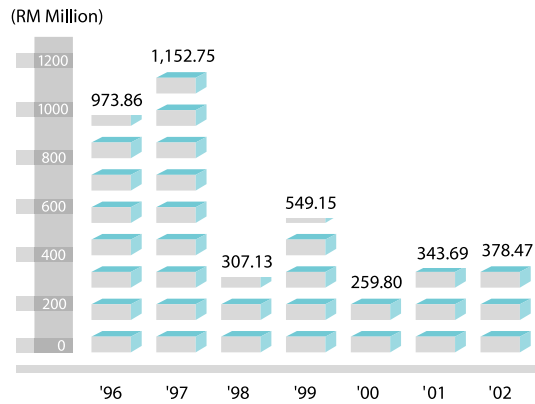
Exim Bank has approved loans and guarantees for exports and investment projects in the following countries:



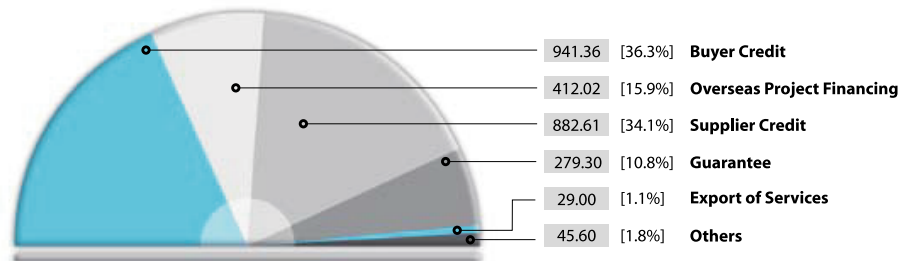
- | | | | | |
|------------------|----------------|------------------|-------------------|-----------------------|
| 1:: Honduras | 5:: Croatia | 9:: Singapore | 13:: Iraq | 17:: Uzbekistan |
| 2:: South Africa | 6:: Seychelles | 10:: Vietnam | 14:: Iran | 18:: China |
| 3:: Namibia | 7:: Maldives |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



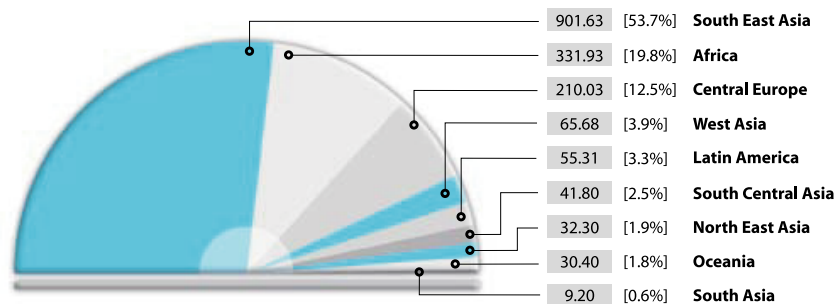
Annual Total Loans and Guarantees Approval



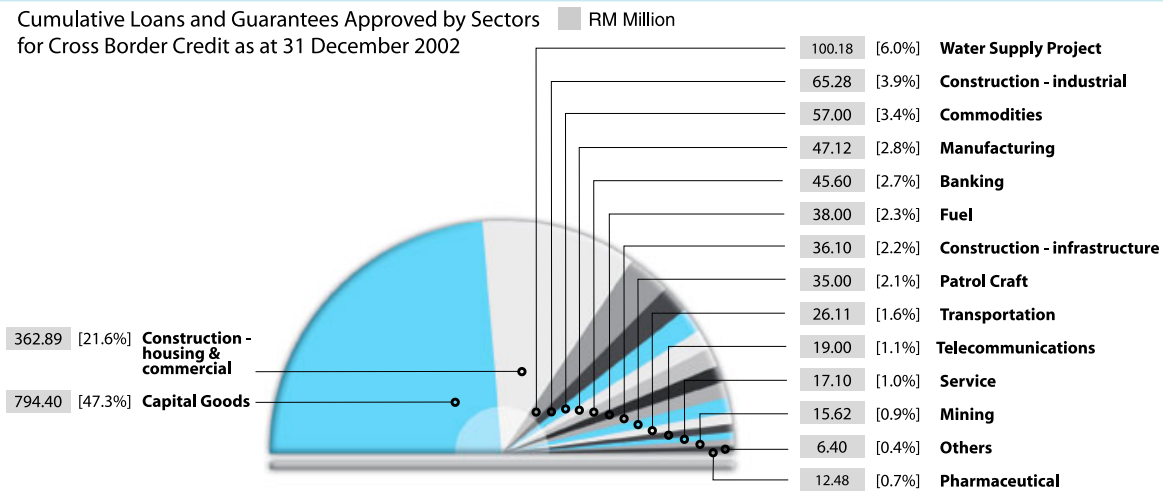
Cumulative Loans and Guarantees Approved by Facilities as at 31 December 2002 ■ RM Million



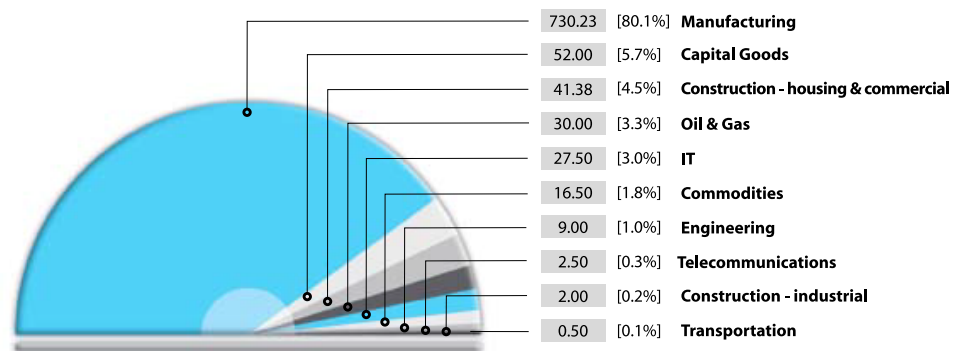
Cumulative Loans and Guarantees Approved by Region for Cross Border Credit as at 31 December 2002 ■ RM Million



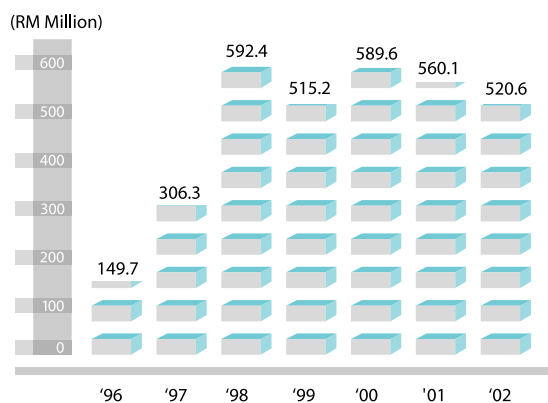
Cumulative Loans and Guarantees Approved by Sectors for Cross Border Credit as at 31 December 2002



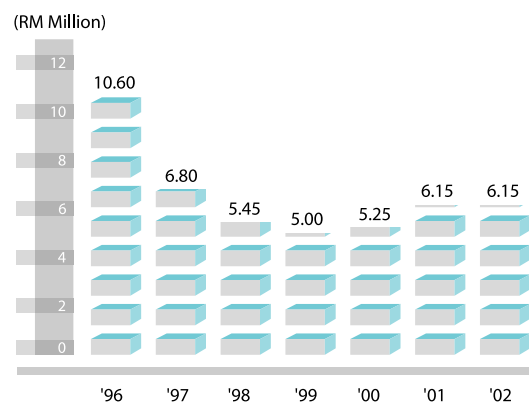
Cumulative Loans and Guarantees Approved by Sectors for Export Finance as at 31 December 2002




Loan Debtors



Annual Utilisation of Export Credit Refinancing





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FINANCIAL STATEMENTS

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28	Statement of Changes in Equity
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31	Notes to the Financial Statements



The Directors hereby submit their report together with the audited financial statements of the Bank for the year ended 31 December 2002.

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 year.

FINANCIAL RESULTS

	RM
Profit for the year	9,053,959
Accumulated loss brought forward	(143,770,360)
Accumulated loss carried forward	(134,716,401)

DIVIDENDS

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

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2002.



RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no shares and debentures issued during the 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 provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provisions 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 amounts written off as bad debts or the amount of the provisions 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 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 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 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 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 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 year in which this report is made.



DIRECTORS OF THE BANK

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

Tan Sri Dato' Othman bin Mohd Rijal (Chairman; appointed on 18.11.2002)

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 (appointed on 22.1.2003)

Md Noor bin Mohammad Yusoff

Puteh Rukiah binti Abdul Majid

Tan Leh Kiah

Tan Sri Datuk Wira Abdul Rahman Arshad (Chairman; resigned on 1.10.2002)

Pursuant to Article 109 of the Articles of Association, Tan Leh Kiah and Puteh Rukiah binti Abdul Majid, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Pursuant to Article 113 of the Articles of Association, Tan Sri Dato' Othman bin Mohd Rijal and Dato' Mohd Hussin bin Abdul Hamid retire at the forthcoming Annual General Meeting and being eligible, offers themselves for re-election.

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

DIRECTORS' BENEFITS

During and at the end of the 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 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

Kuala Lumpur
25 March 2003



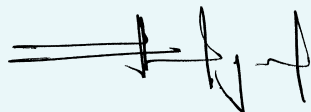
MD NOOR BIN MOHAMMAD YUSOFF
DIRECTOR



STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 9 to 27 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 2002 and of the results of the operations and cash flows of the Bank for the year then ended.

On behalf of the Board



TAN SRI DATO' OTHMAN BIN MOHD RIJAL
DIRECTOR

Kuala Lumpur
25 March 2003

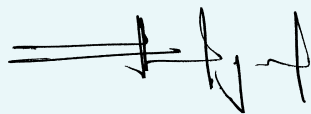


MD NOOR BIN MOHAMMAD YUSOFF
DIRECTOR

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 9 to 27 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 25 March 2003




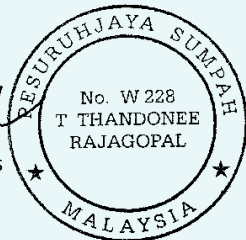
TAN SRI DATO' OTHMAN BIN MOHD RIJAL



MOHD NOORDIN BIN ABBAS

Before me:


Commissioner for Oaths



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



REPORT OF THE AUDITORS TO THE MEMBERS OF EXPORT-IMPORT BANK OF MALAYSIA BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 9 to 27. 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 2002, results of the operations and cash flows of the Bank for the 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
25 March 2003



DATO' N.K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/04(J/PH))
PARTNER



BALANCE SHEET
AS AT 31 DECEMBER 2002

	Note	2002 (RM)	2001 (RM)
SHARE CAPITAL	5	300,000,001	300,000,001
ACCUMULATED LOSS		(134,716,401)	(143,770,360)
Total shareholders' equity		165,283,600	156,229,641
AMOUNT DUE TO HOLDING COMPANY	6	394,659,702	461,871,096
UNEARNED PREMIUM RESERVE	7	5,634,602	5,880,572
TERM LOANS	8	130,175,571	103,035,714
ECR SCHEME	9	1,700,000,000	1,678,215,655
		2,395,753,475	2,405,232,678
CURRENT LIABILITIES			
Term loans	8	182,996,604	172,213,406
ECR scheme	9	278,215,655	300,000,000
Interest payable		5,362,450	8,184,746
Amount due to holding company	6	71,936,131	40,556,074
Other payables and accruals	10	38,317,856	31,520,795
Provision for taxation		-	3,360,000
Total current liabilities		576,828,696	555,835,021
		2,972,582,171	2,961,067,699
PROPERTY, PLANT AND EQUIPMENT	11	1,483,418	1,513,163
INVESTMENTS	12	42,511,840	31,604,840
LOAN DEBTORS	13	332,264,580	383,742,634
CURRENT ASSETS			
Loan debtors	13	188,376,540	176,387,319
Amount due from ECR debtors		1,076,145,779	1,121,374,208
Other receivables, deposits and prepayments	14	9,544,774	19,582,253
Interest receivable		30,537,943	21,813,639
Deposits	15	1,290,867,429	1,203,998,587
Cash and bank balances		849,868	1,051,056
Total current assets		2,596,322,333	2,544,207,062
		2,972,582,171	2,961,067,699

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

	Note	2002 (RM)	2001 (RM)
Revenue	16	106,220,365	118,442,973
Other operating income		21,146,204	9,986,225
Staff costs		(3,206,640)	(3,534,530)
Depreciation		(588,972)	(677,014)
Provision for doubtful debts		(52,454,212)	(22,132,775)
Bad debts written off		(76,473)	(9,060,623)
Operating expenses		(5,763,324)	(3,212,461)
Profit from operations		65,276,948	89,811,795
Finance cost		(56,222,989)	(76,873,623)
Profit before taxation	17	9,053,959	12,938,172
Taxation	18	-	(1,680,000)
Net profit for the year		9,053,959	11,258,172

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



	Note	Share capital (RM)	Accumulated loss (RM)	Total (RM)
Balance at 1 January 2001		300,000,001	(150,708,532)	149,291,469
Net profit for the year		-	11,258,172	11,258,172
Dividends	19	-	(4,320,000)	(4,320,000)
Balance at 31 December 2001		300,000,001	(143,770,360)	156,229,641
Net profit for the year		-	9,053,959	9,053,959
Balance at 31 December 2002		300,000,001	(134,716,401)	165,283,600

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



	2002 (RM)	2001 (RM)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	9,053,959	12,938,172
Adjustments for:		
Gain on disposal of property, plant and equipment	(50,600)	-
Net guarantee fees recognised	(297,669)	(291,333)
Provision for doubtful debts no longer required	(18,984,827)	(8,297,309)
Provision for doubtful debts	52,454,212	22,132,775
Depreciation	588,972	677,014
Other interest income	(330,047)	(1,040,285)
Bad debts written off	76,473	9,060,623
Operating profit before working capital changes	42,510,473	35,179,657
Changes in working capital:		
Loan debtors	18,417,379	30,147,117
Receivables	(11,109,531)	(17,463,994)
Payables	6,797,061	6,851,066
Amount due to holding company	(2,225,356)	730,990
Cash generated from operations	54,390,026	55,444,836
Tax paid	(3,360,000)	-
Interest received	330,047	1,040,285
Net cash generated from operating activities	51,360,073	56,485,121
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	50,600	-
Purchase property, plant and equipment	(559,227)	(101,700)
Purchase of investments	(10,907,000)	-
Net cash used in investing activities	(11,415,627)	(101,700)



CASH FLOW STATEMENT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 (RM)	2001 (RM)
CASH FLOW FROM OPERATING ACTIVITIES		
Dividend paid	-	(4,320,000)
Term loan repayment	(189,342,840)	(160,445,456)
Term loan received	190,837,619	132,344,028
ECR loan repayment	(300,000,000)	(300,000,000)
ECR loan received	300,000,000	300,000,000
Net repayment received from ECR debtors	45,228,429	21,251,559
Net cash used in from financing activities	46,723,208	(11,169,869)
CASH AND CASH EQUIVALENTS		
Net changes	86,667,654	45,213,552
At beginning of year	1,205,049,643	1,159,836,091
At end of year	1,291,717,297	1,205,049,643
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	849,868	1,051,056
Deposits	1,290,867,429	1,203,998,587
	1,291,717,297	1,205,049,643

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





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 policy seeks 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 at through risk assessment and reviews, internal control systems and adhered to Group financial risk management policies, which are reported to and approved by the Board of Directors. The Board also approves the treasury practices which covers 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 policy 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.

(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 may raise funds locally and globally through government to government negotiation.

The Bank's liquidity requirement is being managed on a day-to-day basis by the Group 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, where 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. 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%

(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 transactions

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 is as follows:

	2002 (RM)	2001 (RM)
1 US Dollar	3.80	3.80

(f) **Provision for bad and doubtful debts**

Specific provisions 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 provision 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.

A provision for claims on the basis of 50% of the income from guarantee premium recognised during the year is made with regard to contingent liabilities as disclosed in Note 22 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 provisions 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) **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, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

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 determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

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.



4. PRINCIPAL ACTIVITY AND GENERAL INFORMATION (CONT'D)

There has been no significant change in the nature of this activity during the 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 25 March 2003.

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.

5. SHARE CAPITAL

	2002 (RM)	2001 (RM)
Authorised:		
Ordinary shares of RM1 each	500,000,000	500,000,000
Special Rights Redeemable (Preference shares of RM1 each)	1	1
	500,000,001	500,000,001
Issued and fully paid:		
Ordinary shares of RM1 each	300,000,000	300,000,000
Special Rights Redeemable (Preference shares of RM1 each)	1	1
	300,000,001	300,000,001

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 Special Share may be held only by or transferred only to the Minister of Finance (Incorporated) or its

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

Included in the above are loans obtained via the holding company as follows:

	2002 (RM)	2001 (RM)
a) Japan Bank for International Cooperation	167,994,461	180,916,560
b) Japan Bank for International Cooperation	268,876,600	289,560,000
c) Loan from Treasury of Malaysia	25,000,000	25,000,000
	461,871,061	495,476,560

Details of the abovementioned loans are as follows:

(a) Untied loan up to an aggregate of USD200,000,000.

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% (2001: 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 USD300,000,000 divided into two tranches.

The loan is repayable semi-annually within 14 instalments 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% (2001: 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% (2001:0.8%) above TIBOR per annum.

(c) Long-term loan of RM25,000,000 from Treasury of Malaysia and the interest is charged at 4.5% (2001: 4.5%) per annum repayable after a period of 10 years commencing from 17 December 1994.

7. UNEARNED PREMIUM RESERVE

	2002 (RM)	2001 (RM)
Unearned premium reserve	4,219,905	4,750,871
Premium recognised during the year	(595,591)	(582,666)
	3,624,314	4,168,205
Provision for claims	2,010,288	1,712,367
	5,634,602	5,880,572

8. TERM LOANS

	2002 (RM)	2001 (RM)
Unsecured: Amount repayable after 12 months	130,175,571	103,035,714
Amount repayable within 12 months	182,996,604	172,213,406
	313,172,175	275,249,120





Term loans consist of the following facilities:

- (a) Loan of RM35,000,000 principal, 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% (2001: 2.5%) per annum.

- (b) Loan up to an aggregate of USD13,500,000, divided into 2 Tranches of which are repayable semi annually commencing six months and two and a half years respectively from the date of the First Drawdown.

The loan was obtained on 21 September 1996 and is unsecured.

Interest on the loan is charged at the rate of 0.5% (2001: 0.5%) above the lending bank's cost of fund.

The loan was fully repaid during the year.

- (c) 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.

- (d) 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 1% (2001: 1%) above TIBOR/SIBOR/LIBOR per annum.

- (e) 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% (2001: 0.8%) per annum above the lending bank's cost of fund.

- (f) 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% (2001: 0.8%) above LIBOR per annum.

- (g) Revolving loan up to an aggregate of USD 20,000,000 for spot and forward contracts not exceeding 6 months in multi-currencies.

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

Interest on the loan is charged at the rate of 0.75% (2001: 0.75%) above the lending bank's cost of funds.

- (h) 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 1% (2001: 1%) above SIBOR per annum.

- (i) 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 0.85% (2001: 0.85%) above LIBOR/Cost of fund per annum.



9. EXPORT CREDIT REFINANCING SCHEME-UNSECURED

	2002 (RM)	2001 (RM)
Loan from Ministry of Finance	1,700,000,000	1,400,000,000
Loan from Bank Negara Malaysia	278,215,655	578,215,655
	1,978,215,655	1,978,215,655
Repayable after twelve months	1,700,000,000	1,678,215,655
Repayable within twelve months	278,215,655	300,000,000
	1,978,215,655	1,978,215,655

This represents 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% (2001: 1.5%) per annum.

10. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is interest income of RM2,264,912 (2001: RM1,596,712) paid by commercial banks on the ECR funds obtained from the Ministry of Finance.



11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment (RM)	Renovation and improvement (RM)	Furniture and fittings (RM)	Motor vehicles (RM)	Electrical fittings and equipment (RM)	Computer (RM)	Total 2002 (RM)	Total 2001 (RM)
Cost								
At beginning of the year	120,728	970,353	291,809	288,156	45,260	2,692,656	4,408,962	4,307,262
Additions	49,881	14,502	47,878	215,650	-	231,316	559,227	101,700
Disposal	-	-	-	(101,947)	-	-	(101,947)	-
At end of the year	170,609	984,855	339,687	401,859	45,260	2,923,972	4,866,242	4,408,962
Accumulated depreciation								
At beginning of the year	72,323	186,242	77,902	239,181	22,644	2,297,507	2,895,799	2,218,785
Charge during the year	23,463	70,087	32,052	54,839	5,206	403,325	588,972	677,014
Disposals	-	-	-	(101,947)	-	-	(101,947)	-
At end of the year	95,786	256,329	109,954	192,073	27,850	2,700,832	3,382,824	2,895,799
Net Book Value								
31 December 2002	74,823	728,526	229,733	209,786	17,410	223,140	1,483,418	-
31 December 2001	48,405	748,111	213,907	48,975	22,616	395,149	-	1,513,163
Depreciation charge for year 2001	17,635	69,524	28,752	31,459	5,200	524,444	-	677,014



12. INVESTMENTS

	2002 (RM)	2001 (RM)
At cost:		
Quoted shares in Malaysia	1,046,000	-
Unquoted loan stocks and bonds	41,465,840	31,604,840
	42,511,840	31,604,840
At market value:		
Quoted shares in Malaysia	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 (2001: RM17,989,000).

13. LOAN DEBTORS

Loan debtors comprise the following:

	2002 (RM)	2001 (RM)
Amount receivable	951,627,595	952,008,862
Interest in suspense	(115,037,802)	(96,925,116)
	836,589,793	855,083,746
Provision for doubtful debts		
General	(8,604,566)	(8,317,947)
Specific	(307,344,107)	(286,635,846)
	520,641,120	560,129,953
Receivable after twelve months	332,264,580	383,742,634
Receivable within twelve months	188,376,540	176,387,319
	520,641,120	560,129,953

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

14. OTHER RECEIVABLES AND PREPAYMENTS

	2002 (RM)	2001 (RM)
Other receivables and prepayments	22,019,279	19,582,253
Provision for doubtful debts-specific	(12,474,505)	-
	9,544,774	19,582,253

Included in the above as at 31 December 2002 are staff loans amounting to RM6,575,097 (2001: RM4,919,798) and amount advanced to the Republic of Iraq amounting to RM12,474,505 (2001: RM12,474,505) from the Ministry of Finance.



15. DEPOSITS

	2002 (RM)	2001 (RM)
Deposits placed with holding company	-	94,910,175
Deposits placed with licensed banks	807,584,027	673,954,412
Deposits placed with licensed finance companies	221,525,649	16,250,000
Deposits placed with other financial institutions	261,757,753	418,884,000
	1,290,867,429	1,203,998,587

16. REVENUE

	2002 (RM)	2001 (RM)
Interest income:		
• loans and advances	56,223,630	70,221,355
• loans and advances recovered	8,558,393	3,735,206
• short term investments	38,651,590	42,352,144
• loan stocks	932,808	801,224
Fee income:		
• service charges and fees	1,258,353	750,378
• guarantee fees	595,591	582,666
	106,220,365	118,422,973

17. PROFIT BEFORE TAXATION

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

	2002 (RM)	2001 (RM)
Audit fee	25,000	25,000
Bad debts written off	76,473	9,060,623
Directors' fees	59,550	53,450
Interest on loans	56,222,989	76,873,623
Rental of premise charged by holding company	933,223	849,402
Realised gain on foreign exchange	(695,084)	(648,631)
Provision for doubtful debts no longer required	(18,984,827)	(8,297,309)
Interest received from holding company		
• bonds	(1,026,850)	(721,096)
Gain on disposal of property, plant and equipment	(50,600)	-



18. TAXATION

	2002 (RM)	2001 (RM)
Being tax payable in respect of dividends paid and declared	-	1,680,000

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

The amount of tax saving for which credit is taken during the 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 RM2,793,000 (2001:RM3,629,000).

As at 31 December 2002, the Bank has unabsorbed tax losses amounting to approximately RM162,998,000 (2001:RM172,973,000). These amounts are however subject to the approval of the Inland Revenue Board.

The Bank was granted tax exempt status by the Minister of Finance through the power vested to him under Section 127(3)(b) of the Income Tax Act, 1967 for 5 years of assessment commencing from year of assessment 1997 until the year of assessment 2002.

The tax exempt status did not include dividend income received and receivable.

19. DIVIDENDS

	2002 (RM)	2001 (RM)
For year ended 31 December 2000 • First and final dividend of 2%, less income tax	-	4,320,000

20. EMPLOYEES INFORMATION

The number of employees of the Bank at the end of the year was 80 (2001:79).

21. CAPITAL COMMITMENT

	2002 (RM)	2001 (RM)
Amount authorised but not contracted for	1,549,290	1,382,400



22. CONTINGENT LIABILITIES

	2002 (RM)	2001 (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	182,565,259	185,520,000

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, are as follows:

	Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Average effective interest rates
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	83,024	135,890	332,265	551,179	3.86%
Unquoted Investments	-	32,512	10,000	42,512	5.88%
Financial liability					
Term loans	182,996	95,176	35,000	313,172	2.79%
Amount due to holding company	4,724	-	461,871	465,595	2.60%
ECR scheme	278,216	1,700,000	-	1,978,216	1.50%

(b) Credit risk

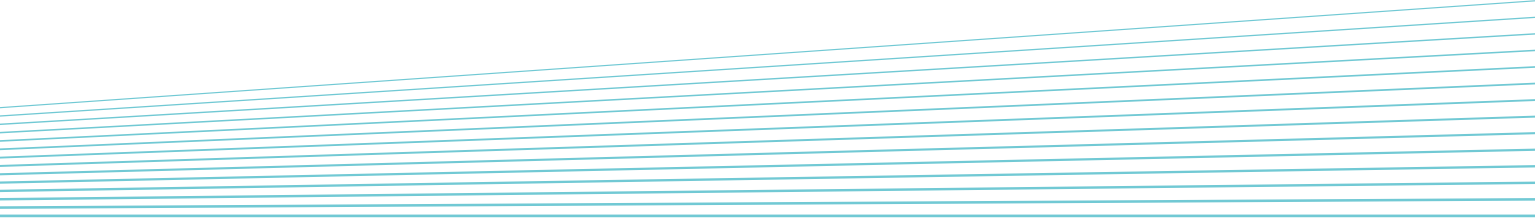
The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet and those items as disclosed in Note 22 to the financial statements.

Other than credit risk associated with commercial risk guarantee given to syndication lenders for syndicated loan of First Gas Power Corporation amounting to USD48,821,053, the Bank has no other significant concentration of credit risk with any single counterparty.

(c) 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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