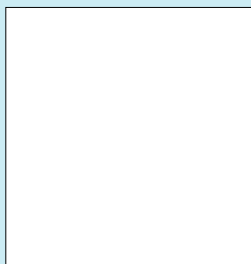


Bank Negara Malaysia

Annual Accounts



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE ACCOUNTS OF BANK NEGARA MALAYSIA
FOR THE YEAR ENDED 31 DECEMBER 1997**

The Balance Sheet and Profit and Loss Appropriation Account together with the Notes thereto have been examined under my direction in accordance with the Audit Act 1957, in conformity with generally accepted auditing standards.

2. In my opinion:

- (a) the Balance Sheet and Profit and Loss Appropriation Account together with the Notes thereto give a true and fair view of the state of financial affairs of Bank Negara Malaysia as at 31 December 1997 and of its transactions for the year ended on that date; and
- (b) the accounting records and other relevant records have been maintained satisfactorily.

**(DATUK HJ. MOHD. KHALIL BIN DATO' HJ. MOHD. NOOR)
AUDITOR GENERAL**

KUALA LUMPUR
10 MARCH 1998

STATEMENT BY DIRECTORS

We, Ahmad Mohd Don and Oh Siew Nam, being the Chairman and one of the Directors of Bank Negara Malaysia, do hereby state that in the opinion of the Board, the accompanying Balance Sheet and Profit and Loss Appropriation Account together with the Notes thereto, are drawn up so as to give a true and fair view of the state of affairs of Bank Negara Malaysia as at 31 December 1997 and of the result of operations for the year ended on that date.

On behalf of the Board,

On behalf of the Board,

AHMAD MOHD DON
CHAIRMAN

OH SIEW NAM
DIRECTOR

9 MARCH 1998
KUALA LUMPUR

9 MARCH 1998
KUALA LUMPUR

**DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE
FOR THE ACCOUNTS OF BANK NEGARA MALAYSIA**

I, Azizan Haji Abd. Rahman, being the officer primarily responsible for the accounts of Bank Negara Malaysia, do solemnly and sincerely declare that the accompanying Balance Sheet and Profit and Loss Appropriation Account together with the Notes thereto, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at Kuala Lumpur)
this 9th day of March 1998.)

Before me,

Bank Negara Malaysia

Balance Sheet as at 31 December 1997

			1997 RM	1996 RM
LIABILITIES	Note			
Authorised Capital		RM200,000,000		
Paid-up Capital	2		100,000,000	100,000,000
General Reserve Fund	3		3,212,432,101	2,984,193,244
Other Reserves	4		42,866,826	42,866,826
Currency in Circulation			24,532,291,528	21,065,609,098
Deposits:				
Commercial Banks, Finance Companies and Merchant Banks			65,197,644,636	49,427,350,423
Federal Government			10,545,338,219	11,107,635,451
Others	5		2,319,999,930	6,184,129,732
Bank Negara Bills/Bonds			909,007,218	4,967,861,569
Allocation of Special Drawing Rights	6		505,441,566	505,441,566
Other Liabilities			1,555,975,153	353,430,804
			<u>108,920,997,177</u>	<u>96,738,518,713</u>

Profit and Loss Appropriation Account for the Year Ended 31 December 1997

	1997 RM	1996 RM
Transfer to General Reserve Fund	228,238,857	45,588,588
Amount Payable to Federal Government	—	—
	<u>228,238,857</u>	<u>45,588,588</u>

Notes on the following pages form part of these accounts.

ASSETS	Note	1997 RM	1996 RM
Gold and Foreign Exchange		57,032,062,797	67,864,580,815
International Monetary Fund Reserve Position		1,621,972,139	1,738,246,212
Holdings of Special Drawing Rights		478,938,730	427,701,859
Malaysian Government Papers	7	3,728,653,214	3,117,631,832
Bills Discounted	8	969,314,280	1,348,188,330
Deposits with Financial Institutions		27,798,225,000	3,940,565,600
Loans and Advances		4,694,094,121	4,659,794,797
Deferred Expenditure	9	3,424,325,493	3,995,046,408
Other Assets	10	9,173,411,403	9,646,762,860
		<u>108,920,997,177</u>	<u>96,738,518,713</u>

	1997 RM	1996 RM
Net Operating Profit	228,238,857	45,588,588
	<u>228,238,857</u>	<u>45,588,588</u>

Notes To The Accounts - 31 December 1997

1. Accounting Policies

(a) Gold, Securities and Investments

Gold, securities and investments are stated at cost and provisions have been made for diminution in value as at 31 December 1997.

(b) Foreign Currency Translation

Transactions in foreign currencies during the year have been translated into ringgit at rates of exchange ruling on value dates. However, assets and liabilities in foreign currencies which were transacted before 1997 were valued at exchange rates at end-1996, in view of the volatility of the exchange rates in 1997. If the Bank were to translate its foreign currencies into ringgit at rates of exchange ruling on the balance sheet date, there will be a currency translation gain of RM24,613.2 million. The USD equivalent of the International Reserves comprising Gold and Foreign Exchange, International Monetary Fund Reserve Position and Holdings of Special Drawing Rights as at 31 December 1997 was USD21,706.3 million.

2. Paid-up Capital

The entire issued and paid-up capital of RM100 million is owned by the Government of Malaysia.

3. General Reserve Fund

	1997 RM	1996 RM
As at 1 January	2,984,193,244	2,938,604,656
Net Operating Profit	228,238,857	45,588,588
	<hr/>	<hr/>
As at 31 December	3,212,432,101	2,984,193,244
	<hr/> <hr/>	<hr/> <hr/>

4. Other Reserves

Other reserves comprise the Exchange Rate Fluctuation Reserve, the Investment Fluctuation Reserve, the Insurance Reserve and the Contingency Reserve.

5. Other Deposits

A substantial part of these deposits comprises deposits from Federal Statutory Authorities.

6. Allocation of Special Drawing Rights

International Monetary Fund (IMF) member countries are allocated Special Drawing Rights (SDRs) in proportion to their subscriptions to the IMF. The allocation represents a dormant liability of the Bank to the IMF, against which assets are received in SDR from the IMF. The net cumulative of the allocation in SDR amounted to SDR139,048,000.

7. Malaysian Government Papers

	1997 RM	1996 RM
Malaysian Government Securities	2,107,720,200	179,201,832
Malaysian Treasury Bills	33,143,014	–
Government Investment Certificates	1,587,790,000	2,938,430,000
	<u>3,728,653,214</u>	<u>3,117,631,832</u>

8. Bills Discounted

	1997 RM	1996 RM
Bills rediscounted under export credit refinancing scheme	<u>969,314,280</u>	<u>1,348,188,330</u>

9. Deferred Expenditure

This represents the net deficiency arising from foreign exchange transactions in 1993. The Government has undertaken to make good this deficiency as and when required to do so by the Bank. The amount outstanding is being amortised over a period of 10 years, beginning from 1994.

10. Other Assets

Other assets include investments in shares of RM5,770,437,500 acquired under section 30(1)(j) and section 30(1)(oo)(i) of the Central Bank of Malaysia Act 1958 (Revised-1994).

11. Contingent Liabilities

Total contingent liabilities as at 31 December 1997 amounted to RM1,333,082,514. These comprise:-

- (a) an amount of RM1,331,402,333 which represents the obligation of the Bank to pay in full, in SDR or other convertible currencies, the amount of Malaysia's quota in the IMF under the Articles of Agreement; and
- (b) an amount of RM1,680,181 being liability arising from various transactions on bilateral payments arrangements.