



# Monumental Achievements

Through Progressive Developments

2013 Annual Report

# Inspired by belief and the will to succeed, ideas transpired.

BPMB has been monumental for the achievement of many. The pioneers, innovators, entrepreneurs; those who made the difference. Through progressive development, BPMB ensures that ideas built on paper can become reality





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## 2013 Annual Report

Monumental Achievements Through Progressive Developments



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## CORPORATE PROFILE

### BOARD OF DIRECTORS

**Tan Sri Dato' Sri Dr. Wan Abdul Aziz Wan Abdullah**  
*Chairman*

**Dato' Mohd Zafer Mohd Hashim**  
*President/Group Managing Director*

Tuan Haji Zainul Rahim Mohd Zain  
Tan Sri Faizah Mohd Tahir  
Datuk Dr. Syed Jaafar Syed Aznan  
Datuk Idris Abdullah  
Tuan Haji Rosli Abdullah  
Tuan Haji Abdul Aziz Ishak  
Tuan Haji Ariffin Hew  
Datuk Nozirah Bahari  
Dato' Abd Rahman Md Khalid

### COMPANY SECRETARIES

Razali Hassan  
*(LS 05531)*

Hazlinda Ahmad Rosdi  
*(MAICSA 7053034)*

### SHARIAH COMMITTEE

Tan Sri Dato' Seri (Dr) Haji Harussani Haji Zakaria  
Prof. Dr. Abdul Jalil Borham  
Dr. Ridzwan Ahmad  
Assistant Prof. Dr. Miszairi Sitiris  
Associate Prof. Dr. Noraini Mohd Ariffin

### AUDITORS

Ernst & Young *(AF:0039)*

### REGISTERED OFFICE

Aras 16, Menara Bank Pembangunan  
Bandar Wawasan  
No. 1016, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

### WEBSITE

[www.bpmb.com.my](http://www.bpmb.com.my)



## CORPORATE INFORMATION

Bank Pembangunan Malaysia Berhad (BPMB) is wholly owned by the Malaysia Government through the Minister of Finance Inc. BPMB is mandated as a development financial institution providing medium to long term financing to the following sectors:

### INFRASTRUCTURE

#### ROAD/HIGHWAY

- Toll Road
- Federal Road
- Trunk Road
- City Road
- Bridge

#### COMMUNITY, SOCIAL & PUBLIC SERVICES

- Education
- Health (excluding Health Tourism)
- Flood Mitigation

#### UTILITIES

- Power
- Water
- Sewerage

#### TOURISM

- Theme Tourism
- Convention and Business Centre
- Hotel/Resort/ Serviced Apartment/Villa
- Marina

#### TRANSPORTATION

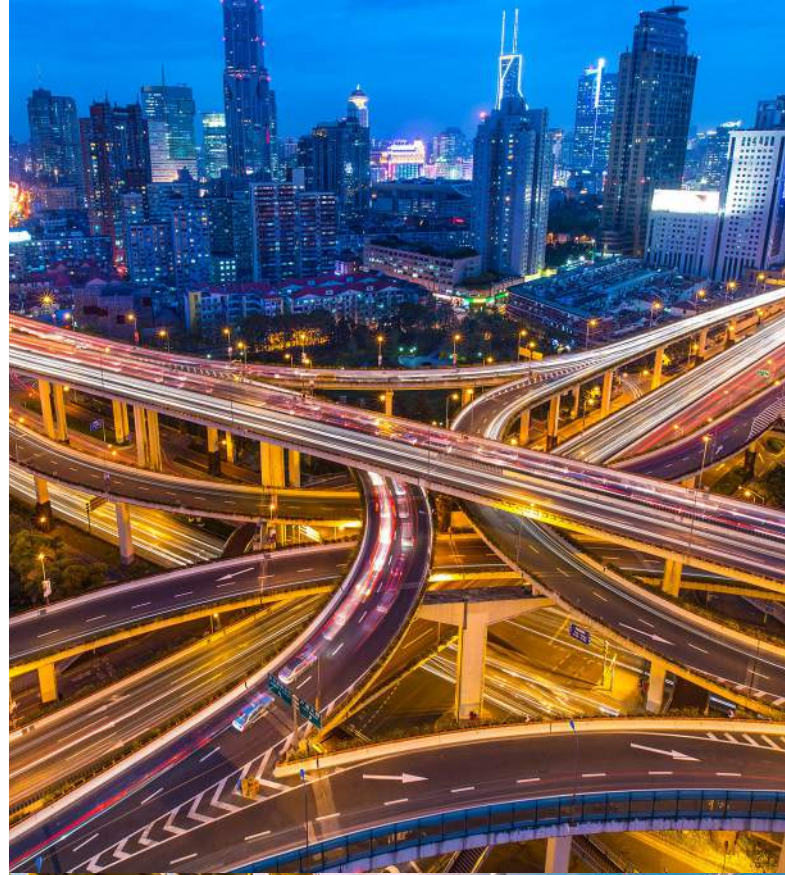
- Inland
- Air

#### AREA DEVELOPMENT

- Public/Commercial/Residential
- Industrial

#### PORT

- Inland
- Sea
- Warehouse/ Logistic Hub



### MARITIME VESSELS

- Liquid Cargo Vessel
- Dry Cargo Vessel
- Specialised Vessel

### SHIPYARD

- Ship Building
- Ship Repair
- Engineering Work
- Yard Facilities & Infrastructure

### MARINE-RELATED

- Fabrication
- Vessel Service





## TECHNOLOGY ADVANCED MANUFACTURING

- Chemical
- Textile
- Plastic
- Iron & Steel
- Pulp & Paper
- Aerospace
- Pharmaceutical
- Advanced Material
- Electrical & Electronic
- Engineering & Support Services
- Instrumentation & Equipment
- Security Printing
- Food Processing

## ENVIRONMENTAL CONSERVATION

- Energy Efficiency
- Biofuel
- Clean Development Mechanism (CDM)
- Renewable Energy
- Waste to Wealth
- Pollution Control

## BIOTECHNOLOGY

- Biotechnology

## INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

- Telecommunication
- Communication
- System Integration



## OIL & GAS OFFSHORE

- Oil & Gas Field Operators
- Offshore Structure Owners/ Operators
- Platform Contractors

## ONSHORE

- Fabricators
- Tank Farm Owners/ Operators
- Terminal Owners/ Operators

## OFFSHORE SUPPORT VESSELS

- Anchor Handling Tug
- Crew Boat
- Supply/Utility Vessel
- Pipe Lay Barge/Vessel
- Accommodation Work Barge
- Other vessel involved in Oil & Gas activities



# CORPORATE STRUCTURE

(as at February 2014)



## SUBSIDIARIES

90% GLOBAL MARITIME VENTURES BERHAD

100% SME GROWTH ACCELERATION FUND SDN BHD

100% MAJU NOMINEES (TEMPATAN) SDN BHD

100% BPMB URUS HARTA SDN BHD

54.8% PEMBANGUNAN EKUITI SDN BHD

100% EMERALD UPLINE SDN BHD

100% PEMBANGUNAN LEASING CORPORATION SDN BHD

100% PLC Credit & Factoring Sdn Bhd

100% BI Credit & Leasing Bhd

- 30% Wawasan Bulk Services Sdn Bhd
- 70% Mutiara Navigation Sdn Bhd
- 70% Intan Navigation Sdn Bhd
- 70% Kasa Navigation Sdn Bhd
- 70% Mayang Navigation Sdn Bhd
- 70% Sari Navigation Sdn Bhd
- 70% Nilam Navigation Sdn Bhd
- 70% Tiara Navigation Sdn Bhd
- 100% GMV-Regional Sdn Bhd
- 100% GMV-Offshore Sdn Bhd
  - 40% Rimbun Astana Sdn Bhd
- 100% GMV-Efogen Sdn Bhd
  - 49% Sea Weasel Limited Bhd
- 100% GMV-Omni Sdn Bhd
  - 49% Omni Petromaritime Sdn Bhd
- 100% GMV-Bahtera Sdn Bhd
  - 100% Matlamat Emas Sdn Bhd
  - 100% Magna Meridian Sdn Bhd
- 100% Glory Incentive Sdn Bhd
  - 70% Permata Navigation Sdn Bhd
  - 70% Gemala Navigation Sdn Bhd
  - 70% Ratna Navigation Sdn Bhd
  - 70% Kencana Navigation Sdn Bhd
  - 70% Ayu Navigation Sdn Bhd



- 100% GMV-Gagasan Sdn Bhd**
  - 40% Formasi Cekal Sdn Bhd
  - 40% Baycorp Ship Management Sdn Bhd
  - 60% Gagasan Ked Sdn Bhd
  - 60% Gagasan Paha Sdn Bhd
- 100% GMV-Orkim Sdn Bhd**
  - 40% Orkim Leader Sdn Bhd
  - 40% Orkim Power Sdn Bhd
  - 40% Orkim Merit Sdn Bhd
  - 40% Orkim Express Sdn Bhd
  - 40% Orkim Sdn Bhd
  - 60% Orkim Challenger Sdn Bhd
  - 60% Orkim Discovery Sdn Bhd
  - 60% Orkim Reliance Sdn Bhd
- 100% GMV-Alam Sdn Bhd**
  - 40% Alam Explorasi (M) Sdn Bhd
  - 40% Alam Synergy I (L) Inc.
  - 40% Alam Synergy II (L) Inc.
  - 40% Alam Synergy III (L) Inc.
- 100% GMV-Global Sdn Bhd**
  - 49% Global BMesra Sdn Bhd
  - 49% Global BMesra Dua Sdn Bhd
  - 49% Global Blkhlas Sdn Bhd
- 100% GMV-Borcoss Sdn Bhd**
  - 100% Syarikat Borcos Shipping Sdn Bhd
- 100% GMV-Jasa Sdn Bhd**
  - 49% JM Global 1 (Labuan) Plc

## ASSOCIATES

**26.67% EKUITI TEROKA (M) SDN BHD**

## OTHERS QUOTED

**18.39% MALAYSIAN BULK CARRIERS BERHAD**

# CHAIRMAN'S STATEMENT

IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL.

## INTRODUCTION

On behalf of the Board of Directors of Bank Pembangunan Malaysia Berhad, it is my great pleasure to present the 40th Annual Report and Audited Financial Statement of Bank Pembangunan and Group for the financial year ended December 31, 2013.

## MALAYSIAN ECONOMIC REVIEW FOR 2013

Malaysia continued to focus on supporting growth and accelerating the national transformation process while ensuring sustainability of public finances. Despite the challenging external environment, the economy grew 4.7% in 2013 driven by the robust domestic demand and supported by strong fundamentals of the economy as well as an accommodative monetary policy.

All sectors registered positive growth during 2013. Growth continued to be driven by the services sector in line with the strong activity in domestic-oriented services. Construction sector sustained a strong growth driven mainly by ongoing civil engineering and residential activities. Of the construction total value, civil engineering has the highest share followed by non-residential and residential sub-sectors.

The civil engineering sub-sector was bolstered by the ongoing implementation of infrastructure project and corridor development. These include Besraya Eastern Extension,

Seremban-Gemas-Johor electrified double tracking project, extension of Kelana Jaya and Ampang light rail transit (LRT) lines as well as Express Rail Link (ERL) from KLIA to KLIA2. The sub-sector also driven by the Economic Transformation Programme (ETP) projects namely, Tanjung Bin and Manjung coal-power plants, as well as Kimanis and Lahat Datu power plant.

Public investment expanded further supported by higher capital spending by the Non-Financial Public Enterprises (NFPEs) and sustained development expenditure. The bulk of the Federal Government expenditure was channelled towards the economic and social sectors, particularly to improve urban public transport and to provide public amenities. PETRONAS continued to invest in the oil and gas exploration activities. Among the major projects are Refinery and Petrochemical Integrated Development (RAPID) in Pengerang and Sabah Ammonia Urea (SAMUR) in Sipitang.

The services sector remained the largest growth contributor, as sub-sectors catering to the domestic market, namely retail and telecommunications, benefited from strong consumer spending. The finance and insurance sub-sector recorded higher growth, reflecting continued financing, particularly to businesses, coupled with higher fee-based income and stronger growth of earnings from insurance premiums. Trade-related services, particularly the wholesale and transportation sub-sectors, moderated in tandem with slower external trade activities.

Domestic financial stability remained intact throughout 2013, providing a supportive environment for continued growth of the Malaysian economy. Financial institutions remained resilient throughout the year, sustaining their financial performance while continuing to strengthen operational and risk management. The level and quality of banks' capital remained solid, enabling the smooth implementation of the Basel III Capital Adequacy Framework which was phased in from January 2013. The banking system (including Islamic banks) as a whole maintained a strong Total Capital Ratio (TCR) of 14.4% as at end-2013.

## FINANCIAL PERFORMANCE IN 2013

BPMB Group posted a better financial performance in 2013 as compared to 2012. Profit before tax increased to RM494.7 million from RM286.1 million in the year before mainly due to non-interest income derived from charter hire and freight income of GMVB's newly acquired subsidiaries namely Syarikat Borcos Shipping Sdn Bhd (Borcos) and Orkim Sdn Bhd (Orkim). Following to this, profit after tax of BPMB Group also soared to RM306.3 million as compared to RM187.8 million in the previous year.





For the financial year ended 2013, BPMB recorded profit before tax of RM569.3 million, a growth of 32% as compared to the previous year. The increase was mainly due to higher net income from Islamic banking business, higher non-interest income and lower impairment on loans and financing.

BPMB Group's total assets increased to RM29.2 billion as at end of 2013 from RM27.5 billion in the previous year mainly due to the increase in GMVB's vessels coupled with the increase in the net loan and advances during the year under review.

Total liabilities of BPMB Group also rose to RM21.7 billion from RM20.2 billion in the previous year largely attributed to the higher deposit placement in BPMB following the launch of Tawarruq, a new Islamic deposit product. The acquisition of Borcos and Orkim also contributed to the increase in the long term borrowings.

#### **BANK PEMBANGUNAN MALAYSIA BERHAD (BPMB)**

For the financial year ended 2013, BPMB recorded profit before tax of RM569.3 million, a growth of 32% as compared to the previous year. The increase was mainly due to higher net income from Islamic banking business, higher non-interest income and lower impairment on loans and financing.

BPMB's total assets increased from RM27.0 billion to RM28.1 billion, an increase of 4.1% from the previous year largely due to higher loans, advances and financing. Shareholder's Funds of BPMB also improved by RM344.8 million to stand at RM7.4 billion attributable to higher retained earnings. In accordance with requirements set under BPMB's capital management and dividend policy, a declaration of 3.25% dividend equivalent to RM100.0 million, will be proposed at the Annual General Meeting.

During the year, BPMB had the Issue Rating for its RM7.0 billion Conventional Medium-Term Notes (MTN) and/or Islamic Murabahah MTN Programmes reaffirmed at AAA by RAM. In addition, RAM and MARC have also assigned a

Financial Institution Rating of AAA on Bank Pembangunan, premised on our established track record in infrastructure financing, strong capitalisation and strong regulatory and government support.

#### **GLOBAL MARITIME VENTURE BERHAD (GMVB)**

For the financial year ended 31 December 2013, GMVB Group recorded revenue of RM313.3 million as compared to RM66.9 million in the previous year, an increase of 4.7 times. The higher operating revenue was due to increase in the charter hire and freight income following the acquisition of controlling stake in Borcos and Orkim. Consequently, GMVB Group registered lower loss before tax of RM141.1 million, as compared to RM177.5 million losses incurred in the year before.

Total assets for the year ended 2013 also jumped by 49.4% to stand at RM1,714.5 million due to higher value of vessels and equipment following the acquisition of Borcos and Orkim. The acquisition also resulted in higher amount of short and long term borrowings thus increased the overall total liabilities of GMVB Group to RM891.3 million from RM212.5 million the year before.

#### **PEMBANGUNAN LEASING CORPORATION SDN BHD (PLC)**

During the period under review, net income and profit before tax of PLC Group decreased to RM28.5 million and RM35.5 million respectively as compared to the previous year. The contraction in the financial performance was mainly due to lower non-interest income and higher overhead expenses. Nevertheless, total assets of PLC Group increased to RM405.8 million mainly due to increase in cash and short term deposits.



## OUTLOOK AND PROSPECT FOR 2014

The Malaysian economy is expected to expand further by around 5.0% in 2014, supported by favourable domestic demand and improving external environment. Growth will be private-led, supported by strong private capital spending while private consumption continues to remain resilient. Although some degree of uncertainties exists in the global environment due to the volatility of capital flows associated with the possibility of reduced global liquidity, Malaysia's external sector is expected to improve. This is in tandem with the continued recovery of growth across advanced economies as well as stronger regional trade activities.

Growth in the construction sector is projected to increase at a moderate pace of 9.6% in 2014 due to slower construction activity in the civil engineering sub-sector following the completion of several major infrastructure projects. However, the acceleration in the implementation of transport and oil and gas related civil engineering projects will continue to support growth.

Although some degree of uncertainties exists in the global environment due to the volatility of capital flows associated with the possibility of reduced global liquidity, Malaysia's external sector is expected to improve. This is in tandem with the continued recovery of growth across advanced economies as well as stronger regional trade activities.

Tourism sub-sector is expected to grow further in 2014. RM414.0 million is allocated to improve tourism-related facilities and amenities, undertake intensive promotional activities as well as strengthen niche tourism products such as agro-tourism, art tourism and spa tourism. Existing programme such as health tourism, ecotourism, edu-tourism will be further strengthened. The Government will also redevelop the Langkawi Island under the Five-Year Tourism Development Master Plan.

The mining sector is expected to grow 3.1% in 2014 reflecting higher production of crude oil and natural gas. Production of crude oil is anticipated to increase, spurred by recovery in production of matured oil fields and additional output from new oil fields. Meanwhile natural gas output is projected to expand further on account of increased demand particularly from petrochemical and utility industries.

In view of the expansion in most of the sectors particularly in the mandated areas of BPMB, more business opportunities and activities are anticipated lining underway.

## ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to extend our deepest appreciation to the Government particularly the Ministry of Finance for their continuous support and assistance rendered throughout 2013. I would also like to extend our gratitude to Bank Negara Malaysia for their guidance and advice. To our clients, thank you for the continuous support and trust given throughout the year.

I would like to take this opportunity to welcome our new directors, Datuk Nozirah Binti Bahari and Dato' Abd Rahman Bin Md Khalid who joined the Board on 28 March 2013 and 28 October 2013 respectively. We are confident, given their vast experience and expertise, they would be able to contribute positively to Bank Pembangunan Malaysia Berhad.

I would also like to acknowledge and record our appreciation to Dato' Siti Zauyah Binti Md Desa and Tan Sri Faizah Mohd Tahir, who resigned from the Board in 2013, for their dedicated service. Their commitment to the growth and successes of the Group are indeed commendable.

Last but not least, my heartfelt gratitude to the Management and staff of Bank Pembangunan Group for their unwavering dedication and commitment throughout the financial year that has enabled the Bank to achieve another remarkable performance amidst the many challenges.

**TAN SRI DATO' SRI DR. WAN ABDUL AZIZ WAN ABDULLAH**  
CHAIRMAN

# PRESIDENT/ GROUP MANAGING DIRECTOR'S STATEMENT



IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL.

## OVERVIEW

The global economy remained challenging in 2013 with moderate growth and increased volatility in the financial market driven by the uncertainties over policy adjustments in advanced economies. As the domestic economy was affected by the prolonged weaknesses in the external environment, the pace of financing that was extended through the financial institutions and capital market was also moderated. Domestic financial system however, remained resilient, continued to function efficiently to support the economic activities.

In an environment of continued weaknesses in the world economy, growth in the domestic economy was driven by private consumption and robust investment activity. Regardless of the obstacles faced by the economic uncertainties, Bank Pembangunan Malaysia Berhad (BPMB) continued to assist the Government and spur the growth in the development of the nation.

## FINANCIAL PERFORMANCE

For the financial year ended 2013, net income and profit before tax of BPMB escalated by 5.3% and 32.0% to record RM877.7 million and RM569.3 million respectively as compared to the previous year. The significant increase in the profit before tax was mainly due to lower impairment of loans and advances of RM107.5 million against provisioning of RM277.8 million the year before.

BPMB's total assets increased to RM28.1 billion as at 31 December 2013, from RM27.0 billion in the previous year.

It was mainly attributable to higher loans, advances and financing of RM24.0 billion as compared to RM23.0 billion in the year before.

The gross impaired loans registered RM2.5 billion as at 31 December 2013, compared to RM2.6 billion as at 31 December 2012. As a result, the gross impaired loans ratio improved to 9.7% from 10.3% in 2012.

## CONTINUED FOCUS ON MANDATED ROLE

In supporting the national development agenda and contributing towards economic growth, BPMB had approved a total of 66 projects amounting to RM6.3 billion during 2013, an increase of 31.3% from the previous year's approval of RM4.8 billion which were granted to 44 projects. Of significance, RM5.0 billion or 79.4% was channelled to

For the financial year ended 2013, net income and profit before tax of BPMB escalated by 5.3% and 32.0% to record RM877.7 million and RM569.3 million respectively as compared to the previous year.

infrastructure sector, RM0.7 billion or 11.1% to oil & gas sector, RM0.4 billion or 6.3% to technology sector while the remaining RM0.2 billion or 3.2% was extended to maritime sector.

## Infrastructure

Infrastructure is the core part of the Government's development policies and it has continuously received the largest portion of the national development plans since 1966. Infrastructure also continued to be the Bank's forte, accounting for 83.1% of the Bank's current loan portfolio. For the period under review, 39 infrastructure projects worth RM4,976.5 million were approved.



In tandem with the government's initiative to further improve basic infrastructure to the nation, 41.8% of the infrastructure loans approved were channelled to transportation sub-sector (RM2,080.0 million for 3 projects), 15.9% to port sub-sector (RM792.3 million for 4 projects), 13.8% to tourism sub-sector (RM685.3 million for 9 projects) and 11.2% to education sub-sector (RM555.1 million for 11 projects). 17.3% or RM863.8 million of the remaining balance were allocated to various sub-sectors under infrastructure projects such as area development, road, health and sewerage.

A total of RM3,747.7 million or 75.3% of the approved loans under the infrastructure sector are government-backed projects with 11 projects under the "Private Finance Initiatives" (PFI) programme. PFI is a mechanism introduced by the Government to promote private sector involvement in the provision of public services and BPMB has been actively participated in this programme. As of end 2013, a total of 28 PFI's project amounting to RM4.2 billion is financed by BPMB.

### Maritime/Oil and Gas

The maritime industry has gone through challenging times in recent years but things are stabilizing as the overall industry is showing growth, albeit slow, supported by intra-Asian trade and high demand for small and medium-sized ships. The industry is also supported by the prospect in the oil and gas sector. Driven by contracts awarded under PETRONAS five-year RM300.0 billion capital expenditure, players are taking the opportunity to tap the growing market.

During the year under review, loan approval to the maritime and oil and gas sector of BPMB improved from RM896.1 million the previous year to RM966.2 million, an increase of 7.8%. Of the approval, RM749.6 million was under the oil and gas sub-sector. About RM563.5 million or 75.2% of the loan approved under the oil and gas sub-sector were to finance the purchase of the offshore support vessels. Whereas RM97.8

million loans approved under the maritime sub-sector were to purchase two units of Pressurized Liquefied Petroleum Gas ("LPG") Carrier.

### Technology

For the past several years, the government had consistently pursued technology development in order to build a progressive nation. During the period under review, BPMB's technology sector formed about RM365.2 million of the total loans approved. Of the approval, RM174.1 or 47.7% were approved for the advance manufacturing sub-sector, RM115.0 million or 31.5% for the information and communications technology (ICT) and RM76.1 or 20.8% were approved for the environment conservation.

### OPERATIONAL EFFICIENCY Managing Risks

Risk Management function in banking industry has come a long way and has evolved significantly

in current times. Over the years, many practices have been exposed in financial institutions that point to the importance of risk management and controls.

In view of the high risk in its lending activities, it is inevitable for BPMB to have effective yet reliable risk management. With the increasing importance of liquidity management in the financial industry, BPMB continues to resolve its funding issues as to ensure the continuity of BPMB in upholding its responsibilities as the premier financier to the national development.

Throughout the years, the notion of risk has moved beyond the traditional measures like credit, market and operational to corporate governance risk, fraud risk, accounting malpractices, reputation risk, environmental risk, social risk and systemic risk. As such, risk awareness should not solely be the responsibility of the Group Risk Management only but to become a culture that needs to be embedded by all functions in BPMB.

A total of RM3,747.7 million or 75.3% of the approved loans under the infrastructure sector are government-backed projects with 11 projects under the "Private Finance Initiatives" (PFI) programme.





Domestic demand is expected to remain strong and continue to be the driver of growth. Private investment is expected to record a double digit growth supported by the accelerated implementation of the ongoing Economic Transformation Programme (ETP) projects.

### Human Capital Development

Human capital is amongst the many important factors significant to economic growth of a country as a whole and organization in particular. Investment in human capital development is a key pre-requisite to achieving the status of progressive institution. Thus, although human capital is not tangible, it will always be the most valuable asset of an organisation.

In view of carrying the unique mandated roles of the government, BPMB has acknowledged that effective personnel not only have the requisite technical and core knowledge, but also proven experience in applying the skills in the respective field. Due to this condition, BPMB continues to focus on its previous initiative that is succession planning. Apart from succession planning, the Bank will continue to inject external talents with valuable experience and insight that will close the gaps in required competencies.

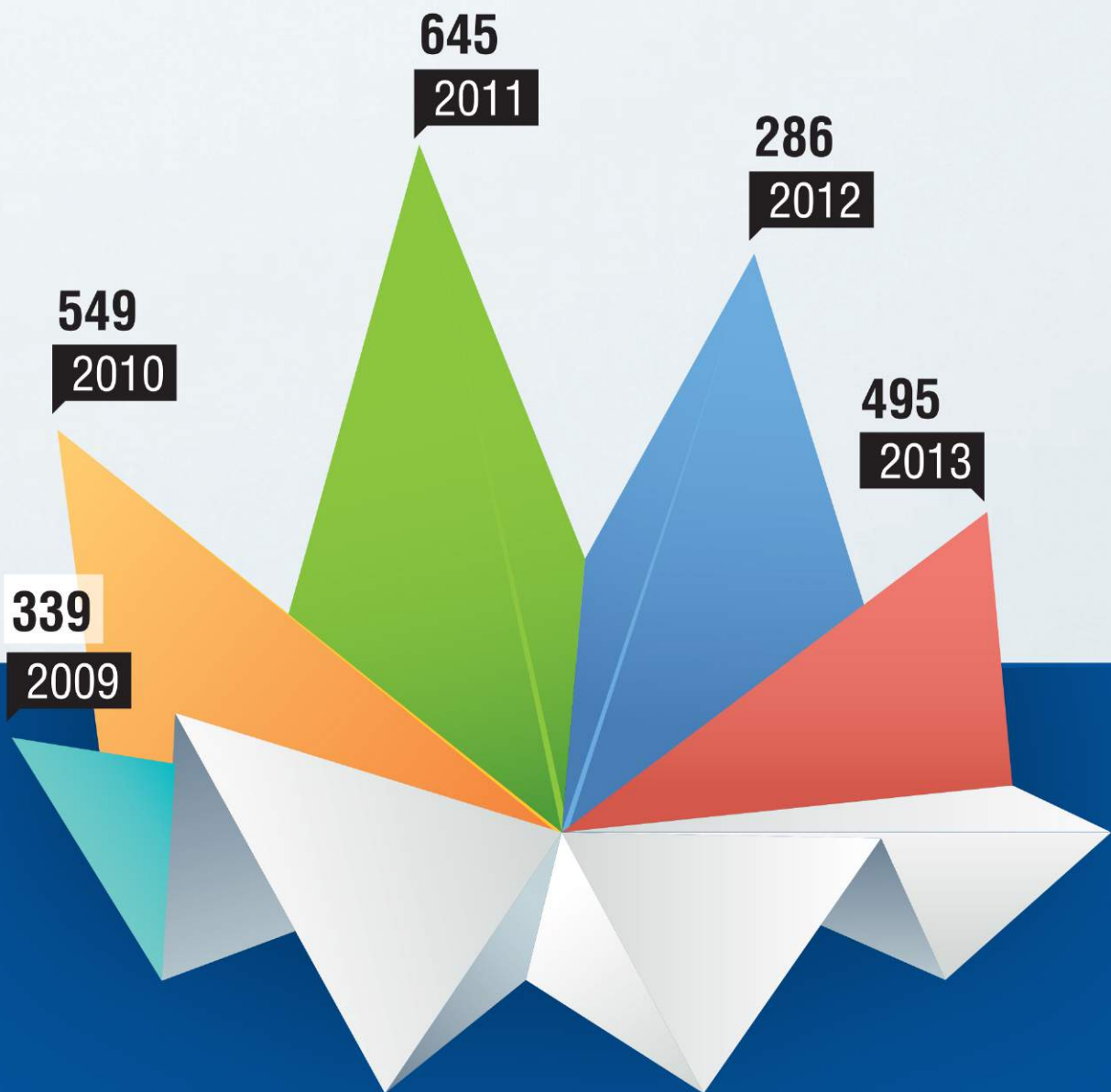
### MOVING FORWARD

Global growth is expected to strengthen moderately in 2014 as some developed economies emerged from recession amid the overall positive effects from the stimulus measures undertaken. Nonetheless, emerging economies remain vulnerable to the stimulus measures, especially by the US. The Malaysian economy is expected to expand further by about 5.0% in 2014, supported by resilient domestic demand and improving external environment.

Domestic demand is expected to remain strong and continue to be the driver of growth. Private investment is expected to record a double digit growth supported by the accelerated implementation of the ongoing Economic Transformation Programme (ETP) projects. Given the improved external outlook and measures outlined by the Government in its 2014 Budget, we are confident that BPMB will continue to expand its businesses in the mandated sectors of infrastructure, maritime, oil and gas and technology.

**DATO' MOHD ZAFER MOHD HASHIM**  
PRESIDENT/GROUP MANAGING DIRECTOR

# FINANCIAL PERFORMANCE



## ANALYSIS OF SIGNIFICANT MOVEMENTS IN THE BALANCE SHEET

### TOTAL ASSETS

The Group's total assets for the financial year ended 31 December 2013 grew by 6.4% or RM1.8 billion to RM29.25 billion compared to the previous financial year. The increase was contributed mainly by higher loan, advances and financing of RM0.98 billion as well as an increase in investment in securities by RM0.3 billion.

### DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

The Group's total deposits and placements with financial institutions for the financial year ended 31 December 2013 declined by 15.9% or RM0.24 billion was due to maturity of placements which were utilized to finance disbursements of loans, advances and financing.

### LOANS, ADVANCES AND FINANCING

The Group's total net loans, advances and financing recorded a growth of 4.2% or RM0.98 billion for the financial year ended 31 December 2013.

A total of RM2.97 billion (2012 : RM1.86 billion) worth of loan, advances and financing were disbursed by the Bank compared to loan collection during the financial year amounting to RM3.18 billion (2012 : RM2.25 billion).

### DEPOSITS FROM CUSTOMERS AND REDEEMABLE NOTES

The Group's deposits from customers and redeemable notes recorded a net increased by RM0.75 billion which is in line with higher loan disbursement during the financial year compared to previous financial year.

### TOTAL EQUITY

Total equity of the Group showed a considerable increase by 4.5% or RM310.0 million to RM7.59 billion from RM7.28 billion in 2012, largely due to net profit recorded during the financial year.

## ANALYSIS OF THE INCOME STATEMENT

### PROFIT BEFORE TAXATION AND ZAKAT

Profit before tax and zakat ("PBT") for the Group for the financial year ended 31 December 2013 increased by 73.1% or RM209.0 million to RM495.0 million. The increase in the PBT is contributed by the Bank's subsidiary and offset by allowance for impairment of loans, advances and financing.



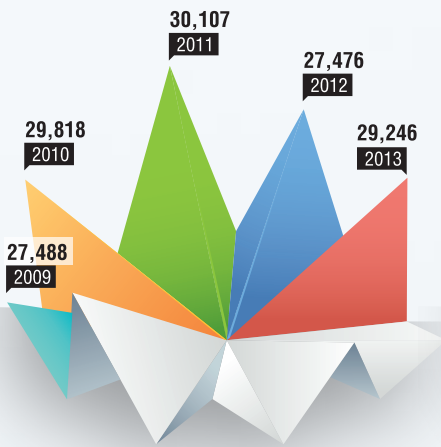
# FINANCIAL HIGHLIGHTS

	GROUP		BANK	
	2013	2012	2013	2012
<b>PROFITABILITY (RM 'MILLION)</b>				
Interest/profit income	1,623	1,631	1,594	1,590
Net income	1,196	926	878	833
Operating profit	534	263	569	431
Profit before taxation and zakat	495	286	569	431
Profit for the financial year	306	188	396	350
<b>KEY BALANCE SHEET DATA (RM 'MILLION)</b>				
<b>Total assets</b>	<b>29,246</b>	<b>27,477</b>	<b>28,138</b>	<b>26,999</b>
Deposits and placements with financial institutions	1,288	1,532	1,089	1,138
Financial investment - available-for-sale	1,504	1,242	1,497	1,189
Financial investment - held-to-maturity	259	226	259	226
Investment in subsidiaries	-	-	956	929
Loans, advances and financing	24,212	23,235	24,026	23,037
<b>Total liabilities</b>	<b>21,653</b>	<b>20,194</b>	<b>20,715</b>	<b>19,921</b>
Deposits from customers	7,426	5,568	7,426	5,568
Redeemable notes	3,025	4,134	3,025	4,134
Term loans	10,362	9,643	9,583	9,532
Infrastructure support fund	365	400	365	400
Deferred income	248	251	248	251
Paid-up capital	3,079	3,079	3,079	3,079
Total equity	7,592	7,282	7,423	7,078
Commitments and contingencies	7,075	6,047	6,442	5,367
<b>SHARE INFORMATION [PER SHARE (SEN)]</b>				
Earnings per share	12.39	7.47	12.87	11.36
Dividend	3.25	3.25	3.25	3.25
<b>FINANCIAL RATIOS (%)</b>				
<b>Profitability Ratios</b>				
Return on equity	6.65	3.94	7.85	6.19
Return on assets	1.74	0.99	2.07	1.53
Cost to income ratio	29.01	20.97	8.78	9.43
<b>Capital Adequacy</b>				
Risk-weighted capital ratio			31.23	34.35
Core capital ratio			30.93	34.12
<b>Asset Quality Ratio</b>				
Gross impaired loan	10.17	11.01	9.67	10.34
Net impaired loan	4.19	4.78	4.00	4.56

# 5-YEAR GROUP FINANCIAL SUMMARY

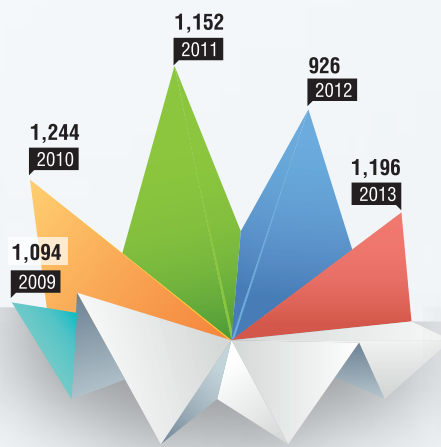
	2013	2012	2011	2010	2009
<b>PROFITABILITY (RM 'MILLION)</b>					
Interest/profit income	1,623	1,631	1,680	1,546	1,474
Net income	1,196	926	1,152	1,244	1,094
Operating profit	534	263	612	539	326
Profit before taxation and zakat	495	286	645	549	339
Profit for the financial year	306	188	474	424	320
<b>KEY BALANCE SHEET DATA (RM 'MILLION)</b>					
<b>Total assets</b>	<b>29,246</b>	<b>27,476</b>	<b>30,107</b>	<b>29,818</b>	<b>27,488</b>
Deposits and placements with financial institutions	1,288	1,532	3,877	4,007	2,018
Financial investment - available-for-sale	1,504	1,242	1,049	1,868	2,184
Financial investment - held-to-maturity	259	226	149	268	423
Loans, advances and financing	24,212	23,235	22,574	21,151	20,027
<b>Total liabilities</b>	<b>21,653</b>	<b>20,194</b>	<b>22,876</b>	<b>22,787</b>	<b>19,913</b>
Deposits from customers	7,426	5,568	6,960	7,486	8,233
Redeemable notes	3,025	4,134	4,234	4,536	1,990
Term loans	10,362	9,643	10,810	9,902	8,613
Infrastructure support fund	365	400	413	380	716
Deferred income	248	251	233	292	152
Paid-up capital	3,079	3,079	3,079	3,079	3,079
Total equity	7,592	7,282	7,230	7,036	7,575
Commitments and contingencies	7,075	6,047	3,735	5,733	9,307
<b>SHARE INFORMATION [PER SHARE (SEN)]</b>					
Earnings per share	12.39	7.47	15.92	13.67	9.99
Dividend	3.25	3.25	3.25	3.25	2.60
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability Ratios</b>					
Return on equity	6.65	3.94	8.91	7.41	4.57
Return on assets	1.74	0.99	2.15	1.92	1.28
Cost to income ratio	29.01	20.97	17.62	19.29	23.45
<b>Asset Quality Ratio</b>					
Gross impaired loan	10.17	11.01	12.18	11.97	4.97
Net impaired loan	4.19	4.78	5.49	4.74	1.66

# 5-YEAR GROUP FINANCIAL GROWTH



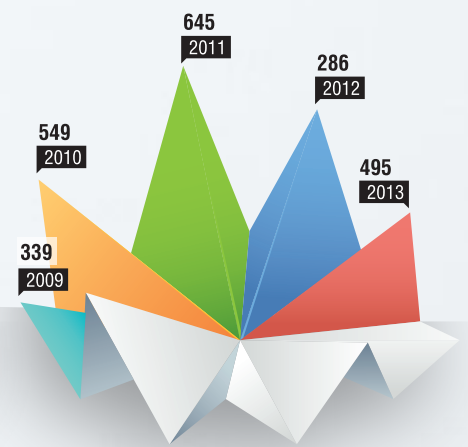
TOTAL  
ASSETS

**RM29,246 MILLION**



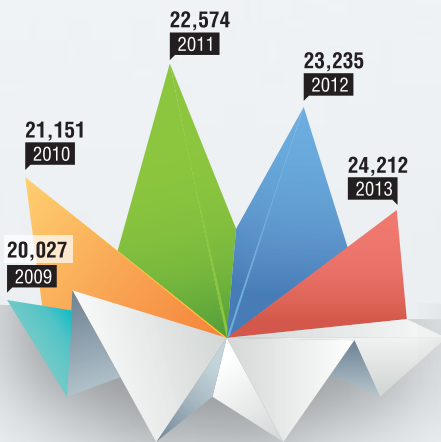
NET  
INCOME

**RM1,196 MILLION**



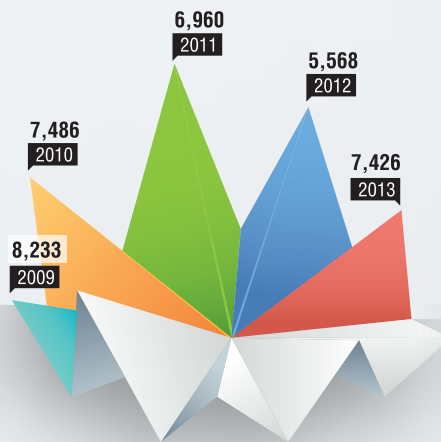
PROFIT BEFORE  
TAXATION AND ZAKAT

**RM495 MILLION**



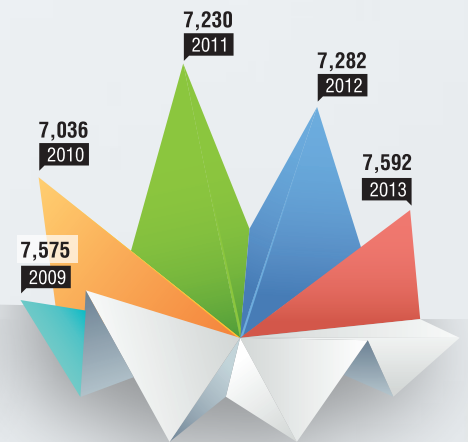
LOANS, ADVANCES &  
FINANCING

**RM24,212 MILLION**



DEPOSITS FROM  
CUSTOMERS

**RM7,426 MILLION**



TOTAL  
EQUITY

**RM7,592 MILLION**



# SIMPLIFIED GROUP FINANCIAL POSITION

## ASSET 2013



## ASSET 2012



## EQUITY AND LIABILITIES 2013



## EQUITY AND LIABILITIES 2012



# PROFILE OF DIRECTORS



## TAN SRI DATO' SRI DR. WAN ABDUL AZIZ WAN ABDULLAH NON-EXECUTIVE CHAIRMAN

**Tan Sri Dato' Sri Dr. Wan Abdul Aziz Wan Abdullah** was appointed as the Non-Executive Chairman of BPMB on December 1, 2012. He graduated with a Bachelor of Economics (Honours) from the University of Malaya, Masters in Philosophy (Development Studies) from the Institute of Development Studies, University of Sussex, Brighton, UK and obtained a Ph.D (Economics) from the School of Business and Economic Studies, University of Leeds, UK. He also attended the Advance Management Program at Harvard Business School, Harvard University, Boston USA.

Tan Sri Dato' Sri Dr. Wan Abdul Aziz has spent more than 37 years in the public service with vast experience in the banking and economic sectors. He retired from the public service on May 23, 2008 and subsequently continued to serve as Secretary General of Treasury until August 23, 2012.

Currently, he is the Chairman of Malaysia Airport Holdings Berhad, Bintulu Port Holdings Berhad, Samalaju Industrial Port Sdn Bhd, Syarikat Jaminan Kredit Perumahan Bhd, Pembinaan BLT Sdn Bhd and GOM Resources Sdn Bhd. He is also a Board Member of Permodalan Nasional Berhad, Sime Darby Berhad, Sime Darby Motors Sdn Bhd, Felda Global Ventures Holdings Berhad, Felda Global Ventures Plantations Sdn Bhd and RAM Holdings Berhad.

He is also the Chairman of Credit Committee of the Board of BPMB.



## DATO' MOHD ZAFER MOHD HASHIM PRESIDENT/GROUP MANAGING DIRECTOR

**Dato' Mohd Zafer Mohd Hashim** was appointed as the President/Group Managing Director of BPMB on August 5, 2009. He holds a Bachelor of Science in Economics from the London School of Economics and Political Science, University of London. He is a Chartered Accountant by profession and a Fellow of the Institute of Chartered Accountants in England and Wales.

He began his career with Price Waterhouse in London. He was previously the Chief Financial Officer of Maybank Investment Bank Berhad and Bank Muamalat Malaysia Berhad. Prior to Bank Muamalat Malaysia Berhad, he was attached to MMC Corporation Berhad as a General Manager.

His directorship in companies within Bank Pembangunan Group includes being a Director of Global Maritime Ventures Berhad. He also sits on the Board of Malaysian Bulk Carriers Berhad and Malaysia Industry-Government Group for High Technology ('MIGHT').



**TUAN HAJI ZAINUL RAHIM MOHD ZAIN**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Tuan Haji Zainul Rahim Mohd Zain** was appointed to the Board on March 8, 2010. He holds a Bachelor of Engineering (majoring in Mechanical Engineering) from University of Western Australia (1975).

He began his career at Shell Malaysia Exploration and Production (“SM-EP”) in 1978. During his 30 years career with SM-EP, he held several senior management positions, including General Manager of Business Services, General Manager of Technical Services and General Manager of Sarawak Business, before being appointed as Deputy Chairman and Executive Director of Shell Malaysia in 2001. He retired in June 2008 as Chairman of Shell Companies in Egypt and Managing Director of Shell Egypt N.V.

He currently sits as the Chairman of Hibiscus Petroleum Berhad and Lestari SEA Ltd (f.k.a Camco South East Asia Ltd) and a Director of UKM Holdings Sdn Bhd, Petronas Carigali Sdn Bhd, Cenergi SEA Sdn Bhd (f.k.a CSEA Clean Energy Sdn Bhd) and Camco Clean Energy Plc.

He is the Chairman of Risk Management Committee and Member of Credit Committee of the Board, Nominating Committee and Remuneration Committee of BPMB.



**DATUK DR. SYED JAAFAR SYED AZNAN**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

*(Term ended on 1 June 2014)*

**Datuk Dr. Syed Jaafar Syed Aznan** was appointed to the Board on June 1, 2010. He holds a Bachelor of Economics (Honours) from the University of Malaya, Masters in Business Administration from The Wharton School, University of Pennsylvania, USA and Ph.D from Henley – the Management College, Brunel University, United Kingdom.

He joined the Administrative and Diplomatic Service in 1970 and held various positions in Ministry of Finance. He was the State Financial Officer of Perak from 1991 to 1993. In 1997, he was appointed to the position of Vice President of Islamic Development Bank (“IDB”), Jeddah, Saudi Arabia and retired from IDB in 2009.

He is currently the Chairman of Perbadanan Kemajuan Ekonomi Islam Negeri Perak and a Council Member of Majlis Agama Islam dan Adat Melayu Perak.

He is the Chairman of Nominating Committee and Member of Audit & Examination Committee and Remuneration Committee of BPMB.







## DATUK IDRIS ABDULLAH

### INDEPENDENT NON-EXECUTIVE DIRECTOR

*(Resigned on 17 March 2014)*

**Datuk Idris Abdullah** was appointed to the Board on December 1, 2010. He graduated from University of Malaya in 1981 with Bachelor of Laws (First Class Honours). In 1982, he was admitted to The Roll of Advocates of The High Court of Malaysia in Sabah and Sarawak.

His experience in the corporate sector began in 1979 as a partner/shareholder in a group of bumiputera companies in Sibu, Sarawak. From October 2002 to September 2005, he was the Director and Chairman of Kuantan Flourmills Berhad.

His current directorships in companies within BPMB Group include being the Chairman of Pembangunan Leasing Corporation Sdn Bhd, PLC Credit & Factoring Sdn Bhd and BI Credit & Leasing Berhad. He is also the Chairman of APAC Coal Limited (Australia), Magnus Energy Group Ltd. (Singapore), Xian Leng Holdings Berhad and Director of Konsortium Rangkaian Serantau Sdn Bhd and Malakoff Corporation Berhad. He is also a Commission Member of Malaysian Communications and Multimedia Commission and the Companies Commission of Malaysia.

He is the Chairman of Remuneration Committee and a Member of Nominating Committee of BPMB.



## TUAN HAJI ROSLI ABDULLAH

### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Tuan Haji Rosli Abdullah** was appointed to the Board on January 3, 2011. He graduated from Universiti Kebangsaan Malaysia with Master in Business Administration; Post-Graduate Diploma in Accounting and Bachelor in Economics (Honours) from Universiti of Malaya. He is a Chartered Accountant and Member of Malaysian Institute of Accountants (MIA).

He was formerly the Registrar and Chief Executive Officer of MIA. He had served in various capacities in the public and private sectors. His current directorships in companies within BPMB Group include being the Chairman of SME Growth Acceleration Fund Sdn Bhd and Director of Pembangunan Leasing Corporation Sdn Bhd, PLC Credit & Factoring Sdn Bhd and BI Credit & Leasing Berhad. He also sits on the boards of i-VCAP Management Sdn Bhd, Keretapi Tanah Melayu Berhad Group, CapitaMall Malaysia Reit Management Sdn Bhd, Time Engineering Berhad and Malaysia Airports Holdings Berhad.

He is the Chairman of Audit & Examination Committee and Member of Credit Committee of the Board, Risk Management Committee, Nominating Committee and Remuneration Committee of BPMB.

## TUAN HAJI ABDUL AZIZ ISHAK

### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Tuan Haji Abdul Aziz Ishak** was appointed to the Board on September 29, 2011. A Naval Architect by profession, Abdul Aziz holds an Ordinary National Certificate in Nautical Science from the Riversdale College of Technology, Liverpool, United Kingdom in 1974 and a Bachelor of Science in Naval Architecture and Ocean Engineering from the University of Glasgow, Scotland, United Kingdom in 1981.

He has over 30 years of experience in the Oil and Gas and marine industry. He started his career as a Cadet and Deck Navigating Officer with Blue Funnel Line in Liverpool in 1971 before joining PETRONAS, Marine Department in 1983. He was the Managing Director/Chief Executive Officer of PETRONAS Maritime Group of Companies before retiring in May 2007.

Currently, he is the Executive Director of Mentor Solutions & Resources Sdn. Bhd. He also sits on the Board of Global Maritime Ventures Berhad, Dayang Enterprise Holdings Berhad, Nippon Kaiji Kyokai Classification of Ships Berhad, Miles Academy Sdn. Bhd, Mentor Project Management Sdn. Bhd, Mentor Facilities Management Sdn Bhd, Mentor Turnaround Management Sdn. Bhd and Orkim Sdn Bhd.

He is a Member of Credit Committee of the Board and Audit & Examination Committee of BPMB.



## TUAN HAJI ARIFFIN HEW

### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Tuan Haji Ariffin Hew** was appointed to the Board on September 27, 2012. He was from the Royal Military College, Sg Besi and later, as a State Scholar, graduated from the University of Malaya in 1975 with a Bachelor of Economics (Honours).

Tuan Haji Ariffin has over 24 years of experience in the banking industry. He started his career with SEDC (Selangor) in 1975 as an Investment Officer. In 1976, he began a banking career with Bank Pembangunan Malaysia Berhad and thereafter worked with several other financial institutions, in Senior Position.

His current directorships in companies within BPMB Group include being a Director of Pembangunan Leasing Corporation Sdn Bhd, PLC Credit & Factoring Sdn Bhd and BI Credit & Leasing Berhad.

He is a Member of Risk Management Committee, Credit Committee of the Board and Audit & Examination Committee of BPMB.





## DATUK NOZIRAH BAHARI

### NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

**Datuk Nozirah Bahari** was appointed to the Board on March 28, 2013. She holds a Bachelor of Social Science (Hons) (Urban Studies) from University of Science, Malaysia and a Diploma in Public Administrations from National Institute of Public Administration (INTAN). She has also attended several Senior Management Courses such as Global Leadership Development Programme organized by International Centre for Leadership in Finance and Advance Management Program at Harvard Business School.

Datuk Nozirah has over 30 years of experience in the public sector. She began her career in 1981 as Assistant Secretary, Finance Division in the Ministry of Finance (MOF) and thereafter served several other ministries in various positions. During her tenure with MOF, she undertook numerous positions before she was promoted to her current position as Deputy Secretary General (Management) in May 2011.

She also sits on the boards of Tenaga Nasional Berhad, Proton Holdings Berhad and Felda Holdings Berhad Group.

She is a Member of Credit Committee of the Board, Nominating Committee, Remuneration Committee and Risk Management Committee of BPMB.



## DATO' ABD RAHMAN DATO' MD KHALID

### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Dato' Abd Rahman Dato' Md Khalid** was appointed to the Board on October 28, 2013. He holds a Diploma in Business Studies from Mara Institute of Technology, Shah Alam.

He started his career in banking by joining Maybank Berhad after he completed his study in 1978. After 16 years in various divisions and positions, he was appointed as Director, Credit/Marketing – PT Maybank Nusa International (PT MNI) in 1994 and later appointed as President Director (CEO) in 1998. In 2000, he was called back to head office and was assigned the position of Regional Manager Selangor and Negeri Sembilan and later appointed as Senior Manager/ Vice President, Corporate Banking. In 2005, he was appointed as Senior Vice President, Head of Credit Evaluation. The last position he held was the Group Chief Credit Officer, Maybank Group. He was recently appointed to the Board of B.U. Development Sdn Bhd – a subsidiary of Prima Prai Group Bhd, involved in property developments.

Dato' Abd Rahman has had wide training and exposure in Business Development as well Risk and Credit Management, whilst with the largest Malaysian Banking Group.

He is a Member of Risk Management Committee and Audit & Examination Committee of BPMB.



# PROFILE OF SHARIAH COMMITTEE



**TAN SRI DATO' SERI (DR.) HAJI HARUSSANI HAJI ZAKARIA**  
CHAIRMAN

**Tan Sri Dato' Seri (Dr.) Haji Harussani Haji Zakaria** is the Mufti for the State of Perak since 1985. He has been appointed as a member of the Shariah Committee as BPMB since 2000. He is also a member of the Majlis Penasihat Syariah Etiqa Takaful, Maybank Islamic and Amanah Raya Malaysia since 2009.

He holds a Diploma of Education from Malaya Islamic College Klang. He has written several books and publication on Islamic ethics and principles.



**PROF. DR. ABDUL JALIL BORHAM**  
MEMBER

**Prof. Dr. Abd. Jalil Borham** is an Islamic Law and Economy Degree Holder and holds a Master in Administration of Islamic Law from University of Malaya. In 1998, he completed his Ph.D in Islamic Muamalah Sciences at University of Malaya. He has previously lectured at MARA Institute of Technology in 1989 and International Islamic University Malaysia from 1990 to 1993, and University Teknologi Malaysia 1994 to 2005. Currently, he is attached to University Malaysia Pahang as Dean of Center for Modern Languages & Human Sciences. He has published 14 books and written numerous articles, journals and research papers on Islamic Laws.



### DR. RIDZWAN AHMAD

#### MEMBER

**Dr. Ridzwan Ahmad** is a graduate from University Malaya in Bachelor of Shariah (Hons) majoring in Fiqh and Usul. He holds a Masters Degree in Shariah, majoring in Fiqh and Usul from University Kebangsaan Malaysia and Ph.D majoring in Fiqh and Usul and Maqasid Shariah from University Malaya. He is now the Head of Fiqh & Usul Department of the Islamic Studies Academy, University of Malaya. He also written various research papers on Islamic transactions and currently researching on Hibah principles in Islamic Law.



### ASSISTANT PROF. DR. MISZAIRI SITIRIS

#### MEMBER

**Dr. Miszairi Sitiris**, an Assistant Professor at Islamic Revealed Knowledge and Human Sciences (Fiqh and Usul Al-Fiqh) International Islamic University Malaysia, was appointed to the Shariah Committee on 1st July 2008. He holds a Ph.D in Fiqh and Usul Al-Fiqh; a Master of Islamic Revealed Knowledge and Human Sciences in Fiqh and Usul Al-Fiqh and a Bachelor's Degree in Psychology from International Islamic University Malaysia. He has written two research papers on Islamic Family Law. Currently, he is the Deputy Dean of Student Affairs, Kulliyah of Islamic Revealed Knowledge and Human Science.



### ASSOCIATE PROF. DR. NORAINI MOHD ARIFFIN

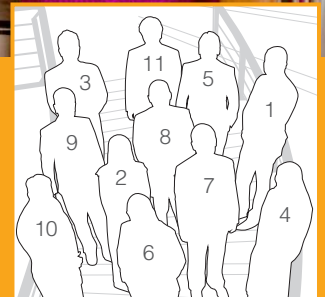
#### MEMBER

**Dr. Noraini Mohd Ariffin** is currently an Associate Professor at the Department of Accounting, Kulliyah (Faculty) of Economics and Management Sciences, International Islamic University Malaysia (IIUM) and Finance Advisor of the Graduate School of Management, IIUM. She completed her Ph.D in Accounting for Islamic banks from University of Surrey, England and holds a Masters in Accounting (with distinction) from the University of Dundee, Scotland, and BSc (Econs) Accounting from the University College of Wales, Aberystwyth, Wales. Dr Noraini is also an Associate Member of the Malaysian Institute of Accountants. She has published numerous articles related to Islamic accounting and finance, mainly on Risk Management for Islamic banks and financial reporting of Islamic banks. She has also appeared as a speaker at national and international conferences.





# GROUP MANAGEMENT COMMITTEE



- 1 **DATO' MOHD ZAFER MOHD HASHIM**  
President/Group Managing Director
- 2 **AFIDAH MOHD. GHAZALI**  
Chief Operating Officer
- 3 **AHMAD MOCHTAR HASHIM**  
Chief Credit Officer
- 4 **SITI ROHANI ATAN**  
Chief Risk Officer
- 5 **ZAKARIA SAAD**  
Senior Vice President I/Head,  
Business Banking I
- 6 **FAUZIAH HANIM BAHARIN**  
Senior Vice President I/Head,  
Group Human Resource Development
- 7 **LUKMAN ISMAIL**  
Senior Vice President I/Head,  
Group Support Services
- 8 **KAMARUL BAHREIN KAMARULZAMAN**  
Senior Vice President I/Head,  
Business Banking II
- 9 **RAZALI HASSAN**  
Senior Vice President II/Head,  
Group Legal & Corporate Secretarial
- 10 **MUSTAFA KAMAL ABD MUTALIB**  
Chief Executive Officer,  
Pembangunan Leasing Corporation  
Sdn Bhd
- 11 **AHMAD SHARIFUDDIN ABDUL KADIR**  
Chief Executive Officer,  
Global Maritime Ventures Berhad



# STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Bank Pembangunan Malaysia Berhad is committed to uphold good corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles and best practices of Corporate Governance, the Bank Negara Malaysia (BNM)'s Guidelines on Corporate Governance for Development Financial Institutions and primary legislative and regulatory provisions.

## Board Composition and Balance

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields, that they accumulated while serving the private and government sectors, brings to the Board the essential range of capability and experience required to effectively perform its functions. A brief profile of each Director is presented on pages 20 to 26 of the Annual Report.

The Board consists of ten (10) members with one (1) Non-Executive Chairman, one (1) Executive Director, who is the Bank's President/Group Managing Director, one (1) Non-Independent Non-Executive Director and seven (7) Independent Non-Executive Directors. All Independent Directors are persons of high caliber and integrity to exercise independent judgment and act in the best interest of the Bank.

The appointment/re-appointment of Directors is governed by BNM Guidelines on Corporate Governance for Development Financial Institutions (DFIs) and the Bank's Articles of Association. The Nominating Committee (NC) reviews and assesses the Directors for the purpose of appointments/re-appointments before recommendation is made to the Board for approval. NC will also refer to the results of the individual assessments conducted via Directors Self and Peer Assessment for re-appointment of Directors. The application for the appointment/re-appointment of Directors will be submitted to BNM for verification.

The Board had also implemented annual assessment in relation to the effectiveness of the Board and Board Committees, as a whole. The feedback and suggestions from the Board will be gathered for deliberation/information of the NC and thereafter presented to the Board for consideration and approval.

## Duties and Responsibilities

The Board is responsible to ensure the effectiveness of the Bank's operations. This includes the responsibility of determining the Bank's overall strategic directions, approval of performance targets, monitoring of management achievements, providing overall policy guidance and ensuring that the policies and procedures for internal control system and succession planning are in place.

There is a schedule of matters reserved specifically for the Board's decision, including approval of business plan and annual budget, recommendation of dividend, acquisition and disposal of undertaking and properties of substantial values, major investment and financial decisions, changes to the management and control structure within the Group, including policies and delegated authority limits.

Where a potential conflict of interest arises, the Director concerned needs to declare his/her interest and abstain from the deliberation and decision-making process.

## Board Meeting and Supply of Information

The Board meets at least once a month to discuss and monitor amongst others, the overall conduct and performance of the Bank, including matters relating to financials, policies, strategies, performance and resources. Approvals on urgent or important business issues requiring the sanction of the Board are sought by convening Special Board meetings or by way of Circular Resolutions enclosing all relevant information to enable the Board to make informed decisions. All Circular Resolutions approved by the Board will then be tabled at the next Board meeting for notation.

The Board and Board Committees meetings are scheduled in advance prior to the commencement of a new year and the same is circulated to all Directors to enable them to plan ahead. The agenda for each Board meeting and papers relating to the matters to be deliberated at the meetings are forwarded to all Directors prior to the date of the Board/Board Committees meetings.

The Board also peruses the decisions deliberated by the Board Committees through minutes of those Committees. The Chairman of every Board Committees is responsible to inform the Directors during the Board meetings of any salient matters noted by the Committees, which requires the Board's notice or direction. All proceedings of the Board meetings are minuted and signed by the Chairman in accordance with the provisions of the Companies Act, 1965.

All Directors have direct access to the services of the Company Secretary and the Senior Management. Independent professional advice is also made available to the Directors in discharging their duties, in the event such services are required.

During the financial year ended 31 December 2013, the Board met 12 times. The attendance record of the Directors at the Board Meetings for 2013 is as follows:

NAME OF DIRECTOR	NO. OF MEETINGS AND ATTENDANCE
<b>Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah</b> Non-Executive Chairman	12/12
<b>Dato' Mohd Zafer Mohd Hashim</b> President/Group Managing Director	10/12
<b>Puan Siti Zauyah Md Desa</b> Non-Independent Non-Executive Director (resigned on 28 March 2013)	2/3*
<b>Tuan Haji Zainul Rahim Mohd Zain</b> Independent Non-Executive Director	9/12
<b>Tan Sri Faizah Mohd Tahir</b> Independent Non-Executive Director (term ended on 1 June 2013)	5/5*
<b>Datuk Dr Syed Jaafar Syed Aznan</b> Independent Non-Executive Director	12/12
<b>Datuk Idris Abdullah</b> Independent Non-Executive Director	9/12
<b>Tuan Haji Rosli Abdullah</b> Independent Non-Executive Director	12/12
<b>Tuan Haji Abdul Aziz Ishak</b> Independent Non-Executive Director	12/12
<b>Tuan Haji Ariffin Hew</b> Independent Non-Executive Director	12/12
<b>Datuk Nozirah Bahari</b> Non-Independent Non-Executive Director (appointed on 28 March 2013)	6/9*
<b>Dato' Abd Rahman Md Khalid</b> Independent Non-Executive Director (appointed on 28 October 2013)	2/2*

\* Reflects the number of meetings attended during the time the Director held office.

## Training and Development of Directors

The newly appointed Directors are required to attend an induction programme organized by the Management. The Directors will be briefed on the Bank's history, operations and financial performance as to enable them to have first-hand understanding of the Bank's operations. At the induction programme, Heads of Functions/Chief Executive Officer of the main subsidiaries will brief the newly appointed Directors on their areas of responsibilities in order to offer the Directors with background knowledge of the Bank as well as a platform to establish personalized interaction with the key senior management.

The Board keeps abreast with the development in the banking industry by attending conferences and seminars held in Malaysia and abroad for their continuing education and skills improvement.

The Bank also encourages its Directors to attend talks, training programmes and seminars to update themselves on new development in the business environment.

## D. COMMITTEES

There are five (5) Board Committees established to assist the Board in discharging its duties and responsibilities, namely the Credit Committee of the Board, Audit and Examination Committee, Nominating Committee, Remuneration Committee and Risk Management Committee.

### CREDIT COMMITTEE OF THE BOARD

#### 1. Objective

The primary objective of the Credit Committee of the Board (CCB) is to perform supervisory and oversight role of loans approval and to ensure adequate risk management processes are in place.

#### 2. Functions and Responsibilities

- Veto power to challenge, reject loan and modify the terms of all loans related financing facilities.
- To approve "policy loans" and loans which are required by statute to be approved by the Board, provided that the initial filter of approval is conducted by the full-time executive committee.
- Recommend, verify and endorse all cases of write-offs to the Board of Directors for final approval.
- Have full authority to seek/obtain any information it requires from any employee of the Bank and to commission any investigations, reports or surveys, which it deems necessary.
- Appoint or obtain any outside legal or other professional consultation which it deems necessary, at the Bank's expense.
- To approve and endorse any recommendation from the approving authority in cases of ambiguity and/or enhancement in credit risk.

#### 3. Committee Meeting and Attendance

Based on the Term of Reference of the CCB, the meeting is to be held once a fortnight or when necessary. The CCB met 16 times during the financial year 2013. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
<b>Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah</b> <i>Chairman</i>	16/16
<b>Puan Siti Zauyah Md Desa</b> <i>(resigned on 28 March 2013)</i>	3/5*
<b>Tuan Haji Zainul Rahim Mohd Zain</b>	15/16
<b>Tan Sri Faizah Mohd Tahir</b> <i>(term ended on 1 June 2013)</i>	6/7*
<b>Tuan Haji Rosli Abdullah</b>	16/16



MEMBERS	NO. OF MEETINGS AND ATTENDANCE
<b>Tuan Haji Abdul Aziz Ishak</b>	15/16
<b>Datuk Nozirah Bahari</b> (appointed on 25 April 2013)	7/10*
<b>Tuan Haji Ariffin Hew</b> (appointed on 24 June 2013)	8/8*

\* Reflects the number of meetings attended during the time the Member held office.

## AUDIT AND EXAMINATION COMMITTEE

### 1. Objectives

The objectives of the Audit and Examination Committee (AEC) shall be to review the financial conditions of the Bank and its subsidiaries, the internal controls, performance and findings of the Internal Auditors, and to recommend appropriate remedial actions regularly.

### 2. Functions and Responsibilities

The functions and responsibilities of the AEC are as follows:

- With regards to the internal audit function:
  - (a) Review the adequacy of scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
  - (b) Review and approve internal audit plan, programme and processes.
  - (c) Review audit reports and consider adequacy of Management's actions taken on audit findings or recommendations.
  - (d) Recommend to the Nominating Committee of the Board on the appointment and termination of the Head of Internal Audit.
  - (e) Recommend to the Remuneration Committee of the Board on the remuneration of the Head of Internal Audit.
  - (f) Review any appraisal or assessment of members of the internal audit function as well as decide on their remuneration package.
  - (g) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards*.
  - (h) Review the assessment or findings arising from the Shariah audit and report the non-compliance events to the Board.
- Recommend to the Board each year on the appointment/reappointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors.
- Review with the External Auditors:-
  - (a) their audit plan;
  - (b) their evaluation of the system of internal control;
  - (c) their audit report;
  - (d) their management letter and management's response; and
  - (e) the assistance given by the management and staff to the External Auditors.
- Receive and consider reports relating to the perpetration and prevention of fraud.
- Review the Bank's compliance with the related Government's regulations including Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures.
- Review the quarterly results and the year-end financial statements prior to their submission to the Board for approval. The review of the year-end financial statements by the external auditor, shall focus particularly on:

- (a) Any major changes in the accounting policy or its implementation.
  - (b) Adequacy of allowance against contingencies, bad and doubtful debts.
  - (c) Significant and unusual events.
  - (d) Compliance with accounting standards and other legal requirements.
- Ensure that the accounts are prepared in a timely and accurate manner and ensure prompt publication of annual accounts.
  - Discuss any problem and reservations that may arise from the interim and final audits, as well as any matter, which the External Auditors may wish to discuss, in the absence of management, where necessary.
  - Review any related party transactions and conflict of interest situation that may arise in the Bank or within the Banking group including any transaction, procedure or conduct that raises questions of management integrity.
  - Preparation of an AEC report at the end of each financial year, which shall be published in the Bank's Annual Report.
  - Review and endorse the status and progress of Management's responses and corrective measures on issues raised in the BNM Examination Report, before it is tabled to the Board for approval.
  - For the preparation of the Bank's annual report, prepares an AEC report, which shall contain the following information:
    - a) The composition of the AEC, including name, designation and directorship of the members and whether the Director is independent or otherwise;
    - b) The terms of reference of AEC;
    - c) The number of AEC meetings held in the financial year and details of attendance of each member;
    - d) A summary of the activities of the AEC in the discharge of its functions and duties for the financial year; and
    - e) A summary of the activities of the Internal Audit Department.
  - Inform the Board on the issues and concerns discussed during its meetings, including those raised by the external auditors and where appropriate, make the necessary recommendations to the Board.

### 3. Committee Meeting and Attendance

Based on the Term of Reference of the AEC, the meeting is to be held at least four (4) times a year and such additional meeting as the Chairman shall decide. The AEC met 11 times during the financial year 2013. The Committee members and their record of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
<b>Tuan Haji Rosli Abdullah, Chairman</b>	11/11
<b>Tan Sri Faizah Mohd Tahir</b> <i>(term ended on 1 June 2013)</i>	6/6*
<b>Datuk Dr Syed Jaafar Syed Aznan</b>	11/11
<b>Datuk Idris Abdullah</b> <i>(resigned on 24 June 2013)</i>	3/6*
<b>Tuan Haji Abdul Aziz Ishak</b>	10/11
<b>Tuan Haji Ariffin Hew</b> <i>(appointed on 24 June 2013)</i>	5/5*

\* Reflects the number of meetings attended during the time the Member held office.

## NOMINATING COMMITTEE

### 1. Objectives

The objectives of the Nominating Committee (NC) are to establish a documented, formal and transparent procedure for the appointment/reappointment of Directors, President/Group Managing Director and key Senior Executives (Senior Vice President/ Head of Function and above) and to assess the effectiveness of individual Directors, the Board as a whole and the various Committees of the Board, President/Group Managing Director and key Senior Executives (Senior Vice President/ Head of Function and above).

### 2. Functions and Responsibilities

The functions and responsibilities of the NC are as follows:

- Establishing minimum requirements for the Board and the President/Group Managing Director to perform their responsibilities effectively. NC also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required through annual reviews.
- Recommending and assessing the nominees for directorship, the Directors to fill board committees, as well as nominees for the President/Group Managing Director position. This includes assessing the Directors and President/Group Managing Director proposed for reappointment, before an application is submitted to Bank Negara Malaysia for verification.
- Establishing a mechanism for formal assessment and assessing 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 President/Group Managing Director.
- Recommending to the Board on removal of the President/Group Managing Director, if he is ineffective, errant or negligent in discharging his responsibilities.
- Ensuring that all Directors undergo appropriate induction programmes and received continuous training.
- Overseeing appointment and management succession planning of key senior executives (Senior Vice President/Head of Function and above), and performance evaluation of the Chief Operating Officer and President/Group Managing Director and recommending to the Board for the removal of key Senior Executives (Senior Vice President/Head of Function and above), if they are ineffective, errant and negligent in discharging their responsibilities.

The President/Group Managing Director is delegated to assess and evaluate candidates for new appointments, negotiate and determine the salary, benefits and terms and conditions of service for the positions of Senior Vice President who is also a Head of Function and above and thereafter tabled to the NC for approval and lastly to the Board for notation.

- Propose the appointment of new Board members to the Board of Directors of subsidiary companies.



### 3. Committee Meetings and Attendance

Based on the Term of Reference of the NC, the meeting is to be held at least once a year. The NC met 8 times during the financial year 2013. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
<b>Datuk Dr Syed Jaafar Syed Aznan, Chairman</b>	8/8
<b>Puan Siti Zauyah Md Desa</b> <i>(resigned on 28 March 2013)</i>	3/3*
<b>Tuan Haji Zainul Rahim Mohd Zain</b>	8/8
<b>Tan Sri Faizah Mohd Tahir</b> <i>(term ended on 1 June 2013)</i>	4/4*
<b>Tuan Haji Rosli Abdullah</b>	8/8
<b>Datuk Nozirah Bahari</b> <i>(appointed on 25 April 2013)</i>	2/5*
<b>Datuk Idris Abdullah</b> <i>(appointed on 24 June 2013)</i>	3/4*

\* Reflects the number of meetings attended during the time the Member held office.

## REMUNERATION COMMITTEE

### 1. Objectives

The objectives of the Remuneration Committee (RC) are to provide a formal and transparent procedure for developing a remuneration policy for the Directors, President/Group Managing Director and key Senior Executives (Senior Vice President/Head of Function and above) and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

### 2. Functions and Responsibilities

The functions and responsibilities of the RC are as follows:

- Recommending a framework of remuneration for Directors, President/Group Managing Director and key Senior Executives (Senior Vice President/Head of Function and above). The remuneration policy should:-
  - (a) be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
  - (b) reflect the experience and level of responsibility borne by individual Directors, the President/Group Managing Director and key Senior Executives (Senior Vice President/Head of Function and above);
  - (c) be sufficient to attract and retain Directors, President/Group Managing Director and key Senior Executives (Senior Vice President/Head of Function and above) of caliber needed to manage the Bank successfully; and
  - (d) be balanced against the need to ensure that the funds of the Bank are not used to subsidize excessive remuneration packages.
- Recommending specific remuneration packages for Directors, President/Group Managing Director and key Senior Executives (Senior Vice President/Head of Function and above). The remuneration packages should:-
  - (a) be based on an objective consideration and approved by the full Board;
  - (b) take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Director, President/Group Managing Director or key Senior Executives (Senior Vice President/Head of Function and above) concerned;
  - (c) not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
  - (d) be competitive and is consistent with the Bank's culture, objective and strategy.

- Endorsing any changes deemed necessary to the schemes, terms of services and new terms for executives and staff of the Bank before submission to the Board for final approval.

### 3. Committee Meetings and Attendance

Based on the Term of Reference of RC, the meeting is to be held at least once a year. The RC met 4 times during the financial year 2013. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
<b>Tan Sri Faizah Mohd Tahir, Chairman</b> <i>(term ended on 1 June 2013)</i>	2/2*
<b>Puan Siti Zauyah Md Desa</b> <i>(resigned on 28 March 2013)</i>	1/1*
<b>Datuk Dr Syed Jaafar Syed Aznan</b>	4/4
<b>Tuan Haji Zainul Rahim Mohd Zain</b>	4/4
<b>Tuan Haji Rosli Abdullah</b>	4/4
<b>Datuk Nozirah Bahari</b> <i>(appointed on 25 April 2013)</i>	1/3*
<b>Datuk Idris Abdullah, Chairman</b> <i>(appointed on 24 June 2013)</i>	1/2*

\* Reflects the number of meetings attended during the time the Member held office.

## RISK MANAGEMENT COMMITTEE

### 1. Objectives

The objectives of the Risk Management Committee (RMC) are to oversee the senior management's activities in managing the key areas of the Group and to ensure that the risk management process is in place and functioning effectively.

### 2. Functions and Responsibilities

The functions and responsibilities of the RMC are as follows:

- Provide oversight and strategic direction for the management of all risks in the Bank.
- Review and endorse policies, including group-wide policies for the management of the various risks for approval by the Board.
- Provide oversight on the management of risks exposures at group-wide level, including the implementation of group-wide risk management policies throughout the group.
- Review and approve objectives, functions and strategies for Credit Risk, Operational Risk and Market Risk Functions.
- Ensure that the structures and procedures for risk management are in place and they are reflective of the Bank risk tolerance.
- Review and endorse credit/lending policies encompassing all products and business for approval by the Board.
- Review risk limits and concentration.
- Oversee the implementation of risk related strategic initiatives contained in its corporate plan.
- Review and address the overall risk profile of the Bank and monitor the risk portfolio composition of significant activities of the Group.
- Review and endorse contingency plans for critical and worst case scenarios and address related issues.
- Review reports of credit review process, asset quality and ensure prompt corrective action.
- Promoting an integrated approach to evaluate and monitor interrelated risks.

### 3. Committee Meetings and Attendance

Based on the Term of Reference of the RMC, the meeting is held once in every two months. The RMC met 6 times during the financial year 2013. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
<b>Tuan Haji Zainul Rahim Mohd Zain, Chairman</b>	6/6
<b>Puan Siti Zauyah Md Desa</b> <i>(resigned on 28 March 2013)</i>	1/1*
<b>Datuk Dr Syed Jaafar Syed Aznan</b>	4/5*
<b>Tuan Haji Rosli Abdullah</b>	6/6
<b>Tuan Haji Ariffin Hew</b>	6/6
<b>Datuk Nozirah Bahari</b> <i>(appointed on 24 June 2013)</i>	1/4*
<b>Dato' Abd Rahman Md Khalid</b> <i>(appointed on 28 November 2013)</i>	0/1*

\* Reflects the number of meetings attended during the time the Member held office.



# STATEMENT OF INTERNAL CONTROL

## RESPONSIBILITY

The Board of Directors (“Board”) has the overall responsibility for maintaining a system of internal controls that is designed to manage the Group’s risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, it can only provide reasonable assurance against misstatement of management and financial information and records. The Board has established an organization structure, which clearly defined lines of accountability and delegated authority.

The Board has instituted an ongoing process for identifying, evaluating and managing significant risks faced by the Group and this process includes enhancing the system of internal controls whenever there are changes to business environment or regulatory guidelines.

The Board has delegated specific responsibilities to four subcommittees (Audit and Examination, Risk Management, Nomination and Remuneration). These committees have the authority to examine particular issues and report back to the Board with their recommendation. These committees are chaired by independent Non-Executive Directors.

The management assists the Board in the implementation of the Board’s policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

## KEY INTERNAL CONTROL PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal controls include the followings:

- The respective subcommittees of the Board are established by the Board to assist the Board in ensuring the effectiveness of the Bank’s operations and that the Bank’s operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business environment and internal operating conditions.
- The Group Audit & Examination function provides independent assurance on the efficiency and effectiveness of the internal control systems and monitors compliance with policies and procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all units including subsidiaries, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these units and subsidiaries. The annual audit plan is reviewed and approved by the Audit & Examination Committee.



- The Audit & Examination Committee reviews internal control issues identified by the Group Audit & Examination, the external auditors, regulatory authorities and management, and evaluates the adequacy of internal control system. The minutes of the Audit Committee meetings are tabled to the Board of the Bank on a monthly or periodic basis.
- The Risk Management Committee was established by the Board to assist the Board to oversee the overall management of principal areas of risk in order to ensure structures and procedures of risk management are in place and they are reflective of the Bank's risk tolerance.
- The Remuneration Committee was established to provide a formal and transparent procedure for developing a remuneration policy for Directors and its Senior Management, ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.
- The Nomination Committee was formed to establish a documented, formal and transparent procedure for the appointment of directors, Group Managing Director and key senior officers and to assess the effectiveness of individual directors, the Board as a whole and the various committees of the Board, Group Managing Director and key senior officers.
- Further details of the activities undertaken by the Audit & Examination Committee, Risk Management Committee, Nomination Committee and Remuneration Committee are set out in the corporate governance disclosure.
- Operational committees have been established with appropriate empowerment to ensure effective management and supervision of the Group's core areas of business operations. These committees include the Group Credit Committee A and B, Group Management Committee and the Information Technology Committee.
- Annual budgets are approved by the respective Boards and the business units and operating subsidiaries' performance are assessed against the approved budgets and explanations are provided for significant variances on a monthly basis to the respective Boards.
- There are proper guidelines within the Group for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.
- The Board of the Bank and the respective Boards of subsidiaries in the Group receive and review reports from management on a regular basis on business operations at their monthly meetings.
- There are policy guidelines and authority limits imposed on the executive director and management within the Group in respect of the day-to-day banking and financing operations, extension of credits, investments, acquisitions and disposals of assets.
- Policies and procedure to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and directives issued by the Bank and subsidiaries in the Group which are updated from time to time.



# RISK MANAGEMENT

The Bank has been guided by its risk management principles in managing its business risk, which outline a basis for an integrated risk management effort and good corporate governance. Internal controls, policies, guidelines and procedures have been established to govern the activities of operational and support functions of the Bank. Risks arising from these activities are managed by dedicated risk management functions under Group Risk Management, that play a vital role in the execution of risk management activities and strategies through the process of identifying, measuring, monitoring and controlling all material risks faced by the Bank.

Combined with a structured risk governance consisting of a strong Board and Management oversight, a good check & balance systems and a sound risk management practices, the Bank has built a strong foundation towards ensuring an integrated risk management approach that safeguards the quality of the Bank's assets.

## RISK MANAGEMENT GOVERNANCE

The following chart illustrates the Risk Management Governance structure adopted by the Bank, which is guided by BNM's Risk Governance Policy, Guidelines on Corporate Governance for Development Financial Institutions and the Shariah Governance Framework for Islamic Financial Institutions.

### BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for the sound and prudent management of the Group. This includes responsibility for risk oversight and to ensure appropriate risk management frameworks and policies are established and implemented accordingly for the various categories of risk exposures within the Group.

### BOARD LEVEL COMMITTEES

RISK MANAGEMENT COMMITTEE (RMC)	CREDIT COMMITTEE OF THE BOARD (CCB)	REMUNERATION COMMITTEE (RC)
The RMC is a Board level Committee responsible to perform oversight on the Group's risks. It is primarily responsible to oversee senior management's activities in managing the key risk areas of the Group and to ensure the appropriate risk management infrastructure, resources and processes are in place and functioning effectively.	The CCB is tasked by the Board to review decision on financing approvals and credit risk portfolio.	The RC is appointed to oversee the establishment and implementation of remuneration policy and structures; including to ensure such policy and structures do not induce excessive risk-taking and able to reinforce prudent risk-taking.





## SHARIAH COMMITTEE

The Shariah Committee reports directly to the Board and undertakes a fundamental role in ensuring the Group's compliance with Shariah requirements. The Shariah Committee is responsible to deliberate and provide decisions, views and advice on Shariah matters/issues, as well as Shariah compliance oversight on the Group's Islamic business operations/activities.

## MANAGEMENT LEVEL COMMITTEES

### EXECUTIVE RISK MANAGEMENT COMMITTEE (ERMC)

The ERMC is a Management level committee responsible for the management of all material risks within the Group.

### GROUP CREDIT COMMITTEE (GCC)

The GCC forms part of the risk governance for managing credit/ investment risks within the Group. The Committee is empowered to approve credit/investment related proposals, which falls within their authority.

## Risk Management Ownership

The Group adopts the concept of three lines of defence, where risks are collectively managed by all functions based on their respective role as reflected below :

APPROACH	RESPONSIBILITY	FUNCTIONS
1st Line of Defence	Risk Taking Functions	Business and Support Functions, who are the risk takers, are primarily responsible for managing risk exposures in their daily activities.
2nd Line of Defence	Risk Control	<p>The risk control responsibility lies with Group Risk Management and Compliance.</p> <p>Group Risk Management, being an independent function to support the Risk Management Committees is responsible for establishing, implementing and maintaining Risk Management frameworks, policies, guidelines, tools and methodologies, as well as providing independent risk management oversight.</p> <p>Compliance is responsible for ensuring the Group's compliance to applicable laws, regulations, Shariah rulings, internal policies, guidelines and procedures, including establishing and maintaining policies and procedures to detect and minimize risk of non-compliance.</p>
3rd Line of Defence	Risk Assurance	Group Audit & Examination is responsible to conduct independent review and provide assurance on the adequacy and effectiveness of risk management processes and level of compliance.

## RISK MANAGEMENT APPROACH

Recognizing risk management as a crucial element towards achieving a profitable and sustainable business, the Bank continuously work towards strengthening its risk management approach and capabilities to ensure risk exposures are effectively managed. The Bank's Risk Management Framework is established in line with best practices, which includes adopting Basel II and Basel III recommendations, where applicable.

Given the present business model, the bank is progressively adopting risk-based assessment as a cornerstone to develop sustainable business strategies. From a regime that was focused on loss prevention and compliance at the lower end of the scale, the Bank has progressed to risk quantification and risk measurement models.

The Bank aspires to move up the value chain to leverage on these quantitative tools developed to align to business strategies. This will ensure the Bank's targets and objectives are attainable so as to enhance value for the stakeholders.

## Strengthening Risk Management



## Key Risk Management Principles

The Group adopts the following Risk Management principles:

1. The Board retains the ultimate responsibility in establishing the maximum level of risks that the Group will tolerate in pursuit of its mandate and performs its oversight via the Risk Management Committee.
2. The relevant regulatory requirements, market standard and international leading practices are adopted in the formulation of risk management frameworks, policies, procedures and guidelines to ensure robust risk management approaches are employed.
3. Risk management is implemented on an enterprise-wide basis based on the three lines of defence concept, whereby risks are managed collectively by all functions, namely the Business/Support functions, Group Risk Management, Compliance and Group Audit and Examination.
4. Risk management within the Group is governed by Risk Management Frameworks that covers the Group's key risk exposures including (but not limited to) credit risk, market risk, liquidity risk and operational risk to effectively identify, assess, measure, monitor and mitigate risk exposures.
5. Risk management activities are carried out in line with the Group's corporate strategies. The Group's risk management policies, frameworks, procedures and guidelines are not static; it changes through annual review that aligns with the organization's objectives and needs.
6. The Group's risks are regularly assessed and managed by balancing the eventual trade-off between risk and return.

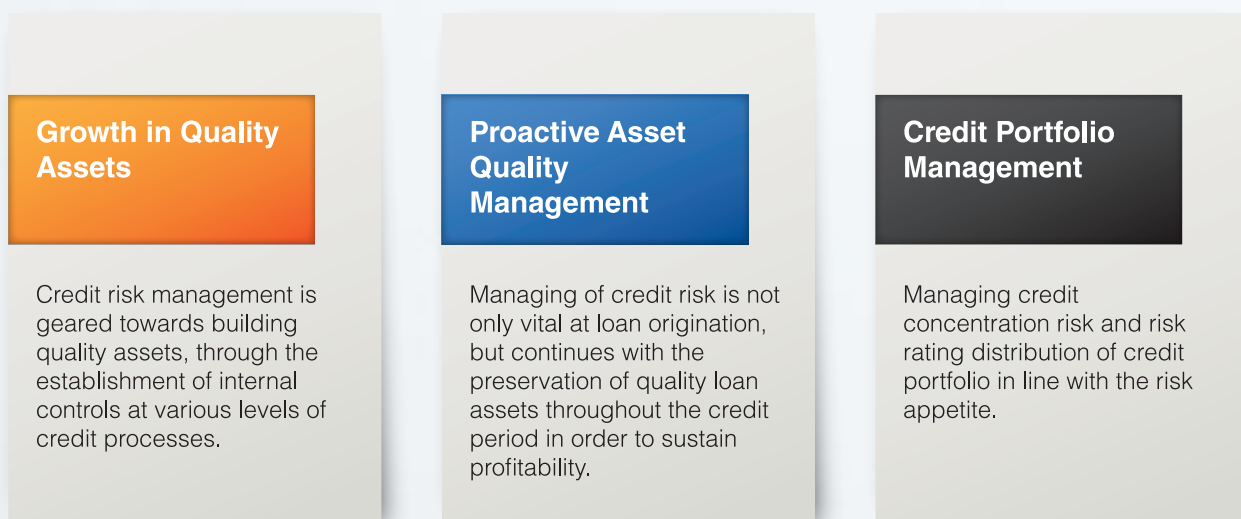
## CREDIT RISK MANAGEMENT

Credit Risk is the potential loss of revenue, arising from the failure or unwillingness of counterparties or borrowers to honour their contractual financial obligations as and when they are due.

Management of credit risk encompasses establishing internal controls with a check-and-balance structure to ensure the Bank thrives on a portfolio of quality credit. Group Risk Management is supported by a dedicated Credit Risk team which is responsible for overseeing the implementation of credit risk management process at operational functions to meet this objective.

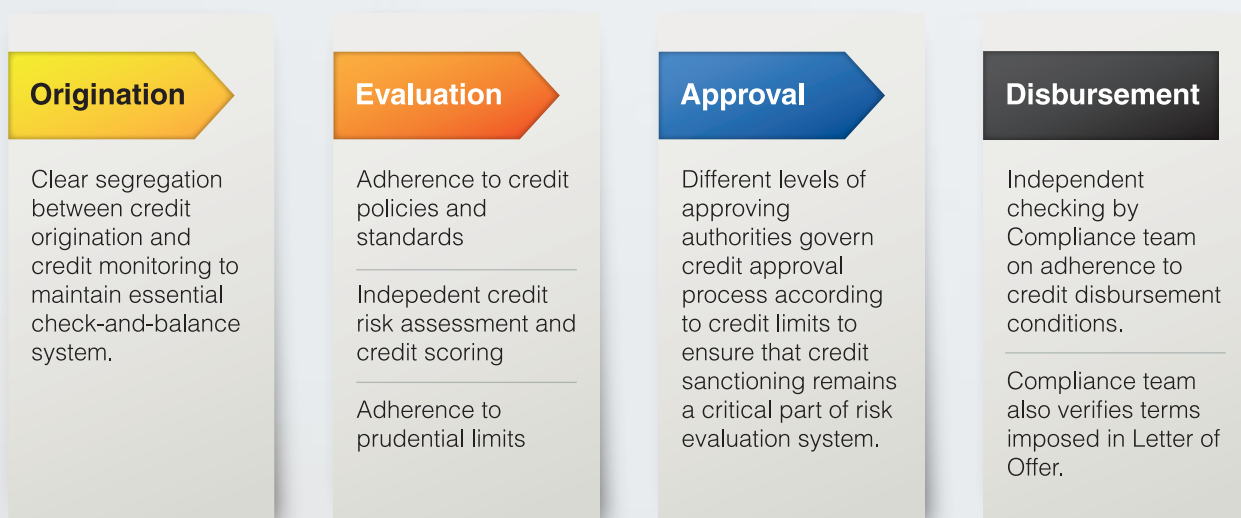
## CREDIT RISK MANAGEMENT FRAMEWORK

The process of managing credit risk involves risk identification, risk assessment and measurement, risk monitoring and risk control, which are governed by Credit Risk Management Framework encompassing the following elements:



## GROWTH IN QUALITY ASSETS

As financing forms the major part of the Bank's financial assets, credit risk management governing credit processes has therefore been the main focus of the Bank's risk management activities. Credit proposals are prudently assessed to ensure that only quality credits are approved for financing. Credit risk identification, assessment, monitoring and control in credit processes are further elaborated as follows:





## Policy and standards

- Credit operation activities are governed by Credit Operations Policy and Credit Operations Guideline, which determines the credit features, credit granting criteria and credit administration, set by Management in accordance with the best practices and the Bank's risk appetite.
- Adherence to regulatory requirements, directives and guidelines as prescribed under the Development Financial Institutions Act 2002 (DFIA) are adhered to, which have assisted the Bank in achieving its corporate objectives within an acceptable risk profile.

## Independent Credit Risk Assessment

- Prudent credit assessment is enforced by mitigating credit risk at pre-approval stage through the provision of independent credit risk assessment by Credit Risk team to ensure proper conduct in the operations of credit granting activities, which contributed towards minimizing the Bank's and the Group's non-performing credit and provisions arising from financing and investment activities.
- The originating teams are required to respond to Credit Risk team on credit risk issues raised, prior to the submission of credit proposals to the approving authority so as to ensure that all credit issues are adequately addressed and mitigated.

## 2013 Initiatives

Continuous enhancement in credit processes was made during the year which saw an enhanced 'two-way communication' between the originating team and Credit Risk team. The engagement and deliberation between the two teams are focused on the risk assessment and mitigations. This process has successfully build a healthy risk culture in the originating team.

Credit risk assessment using a more structured format has been implemented for the Bank's subsidiary, with the aim of enhancing efficiency and effective credit risk assessment.

## Prudential Limits

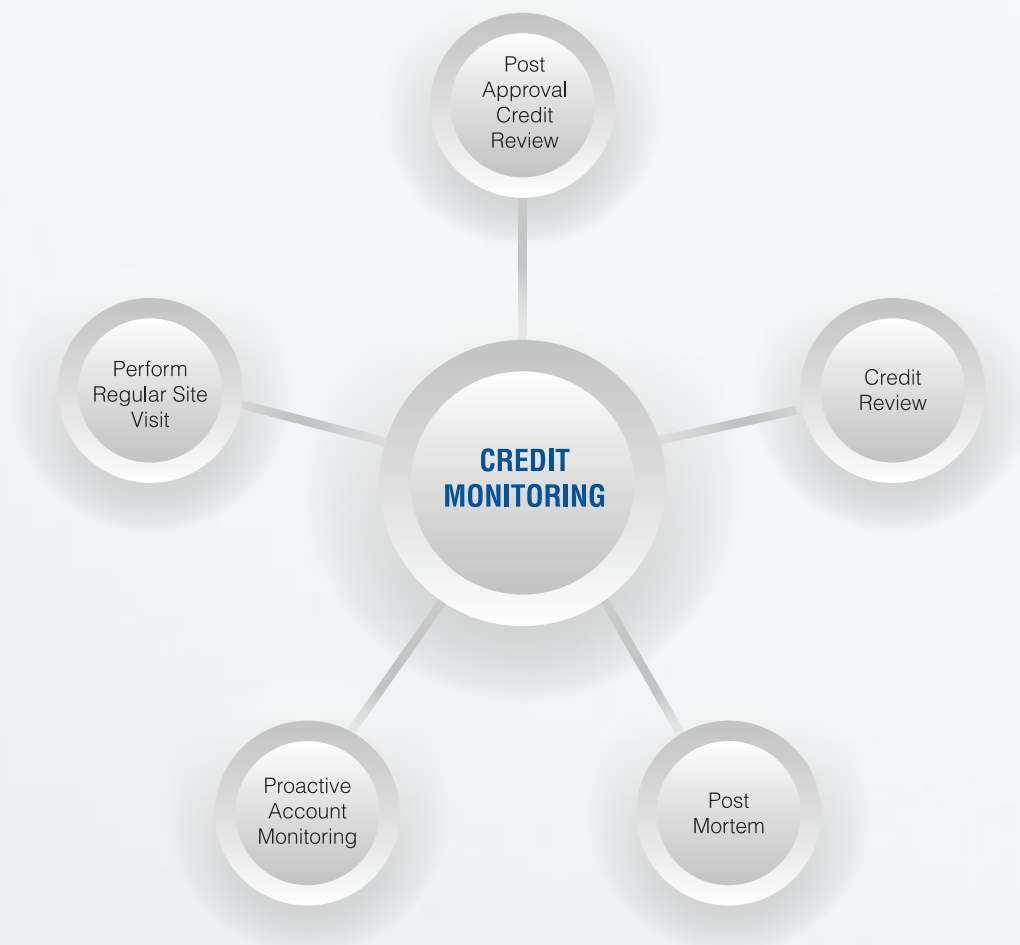
- Prudential limits are established to manage concentration risk. Limits are continuously monitored and any breaches or critical level of exposure are reported to the relevant committees, with appropriate strategies to mitigate such risks.
- The Bank diversifies its credit portfolio and avoids any undue concentration of credit risk in its credit portfolio by setting credit limit to single customer. Group Single Customer Limit is also in place to manage the Bank's and subsidiaries' concentration risk to common group of customers at group level.
- Sector limit for commercial lending is observed to monitor undesirable concentration which could expose the Bank to higher risk of lending. The limit by commercial business sector is reviewed where necessary.

## Credit Scoring

- All credit proposals are rated using a two-dimensional internal credit rating system to measure each borrower's risk of default and facility risk, which focuses on Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). Ten (10) credit rating models were developed to cater for various business sectors financed by the Bank.
- The rating model produces Expected Loss (EL) which provides a high-level overview of a borrower's credit quality in terms of potential loss amount, given a certain level of probability of default. Only viable credit proposals with well-mitigated risk are considered for financing.
- The rating model is subject to review to maintain its predictive power and stays robust to suit the Bank's financing portfolio and market environment.
- The Bank has formalized a Credit Rating Guideline to provide clarity and common understanding among the users in conducting credit risk rating for the borrowers of the Bank.
- The Bank has also established an updated mapping of internal rating grades to external rating grades to serve as a reference in gauging credit risk level of the borrowers (on the Bank's internal rating scale vis-à-vis the external rating).
- Selection criteria for Maritime Projects rating model and General Shipping model has been enhanced to address forward looking elements.

## PROACTIVE ASSET QUALITY MANAGEMENT

The Bank continues to monitor the quality of credit throughout the credit period to detect any deterioration so that corrective measures could be taken.



### Regular Site Visit

Site visits are conducted in two stages as follows:-

- Disbursement Stage:  
Prior to the disbursement of the financing facilities, Technical team verifies the progress completion of the project.
- Periodical Credit Review:  
Credit Management team carries out regular site visits with the assistance from Technical team to detect early warning signal.

### Credit Review

Credit review is conducted at least once a year and more frequent on high-risk credit under watch – list accounts to proactively manage any delinquencies, maximise recoveries and to ensure timely recognition of asset impairment. Submission of quarterly management accounts apart from audited accounts are included as part of loan covenants to detect any adverse transactions and issues that may affect the borrowers' financial health, which could lead to non-payment risk.

Watch-list accounts (based on assessment under FRS 139) are reviewed quarterly and half yearly depending on the degree of vulnerability based on the scores established under the internal guidelines of FRS 139. A systematic mechanism for prompt identification/classification of loan/financing is formulated whereby the classification is based on the total scoring assigned to individual borrower.

Credit reviews are rated to reflect current credit risk level of the customers, taken into consideration the current market situation and economic environment that the customers are operating in.

### Post Approval Credit Review

As part of the internal control, post approval credit review on approved credits is conducted by a team within the internal audit to provide an independent judgement on both the quality of credit appraisal and the quality of the credit portfolio of the Bank.

### Proactive Account Monitoring

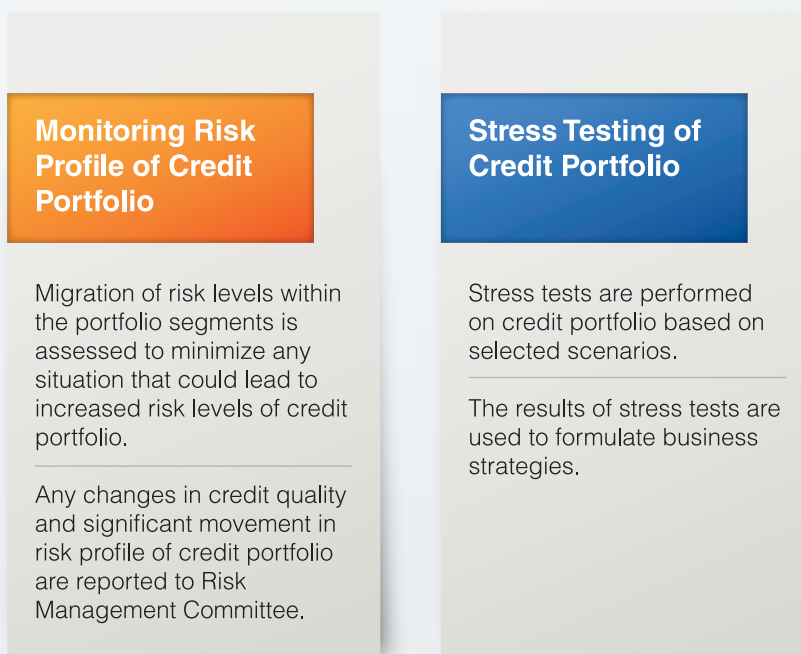
The movement of delinquent loans is also monitored to gauge deterioration in credit quality that could potentially turn the accounts into impaired status. The movement of credit impaired rate is also tracked in monthly Credit Portfolio Report with the objective of monitoring the impairment level.

### Post Mortem Review

To better understand how problem credit developed and to identify lapses in credit and monitoring process, system and people, post mortem reviews are conducted on impaired credit. Observations and findings are communicated as feedback and actions are taken to improve credit risk management process.

## CREDIT PORTFOLIO MANAGEMENT

Credit risk exposures are managed through a robust credit monitoring process, which include the following activities:



### Reporting

Reporting of credit risk activities is made to the ERM before deliberations at the RMC. The ERM that meets monthly, deliberates issues on the quality of credit risk of borrowers to preserve the quality of loan assets, with the objective of preventing them from turning impaired. The ERM recommends action on all credit risk related matters including loan asset quality, credit portfolio composition and adequacy of strategies and controls to manage overall credit risk activities. The ERM also deliberates periodical report on credit risk prior to submission to RMC.



## INDEPENDENT ASSESSMENT BY INTERNAL AUDITOR

As part of the corporate governance, Group Audit & Examination (GAE) undertakes an independent assessment of “credit compliance” to policies and procedures. The findings are communicated to the respective functions and further deliberated at the Audit Committee meeting. Issues raised are followed-up by GAE to ensure that corrective measures are implemented.

## MARKET RISK MANAGEMENT

Market risk is defined as the potential loss in value of the Bank due to changes in market prices and rates including interest rates, credit spreads, equity prices and foreign exchange rates. Market risk has a direct impact on earnings and impacts the economic value of BPMB for structural interest rate risk and banking book assets.

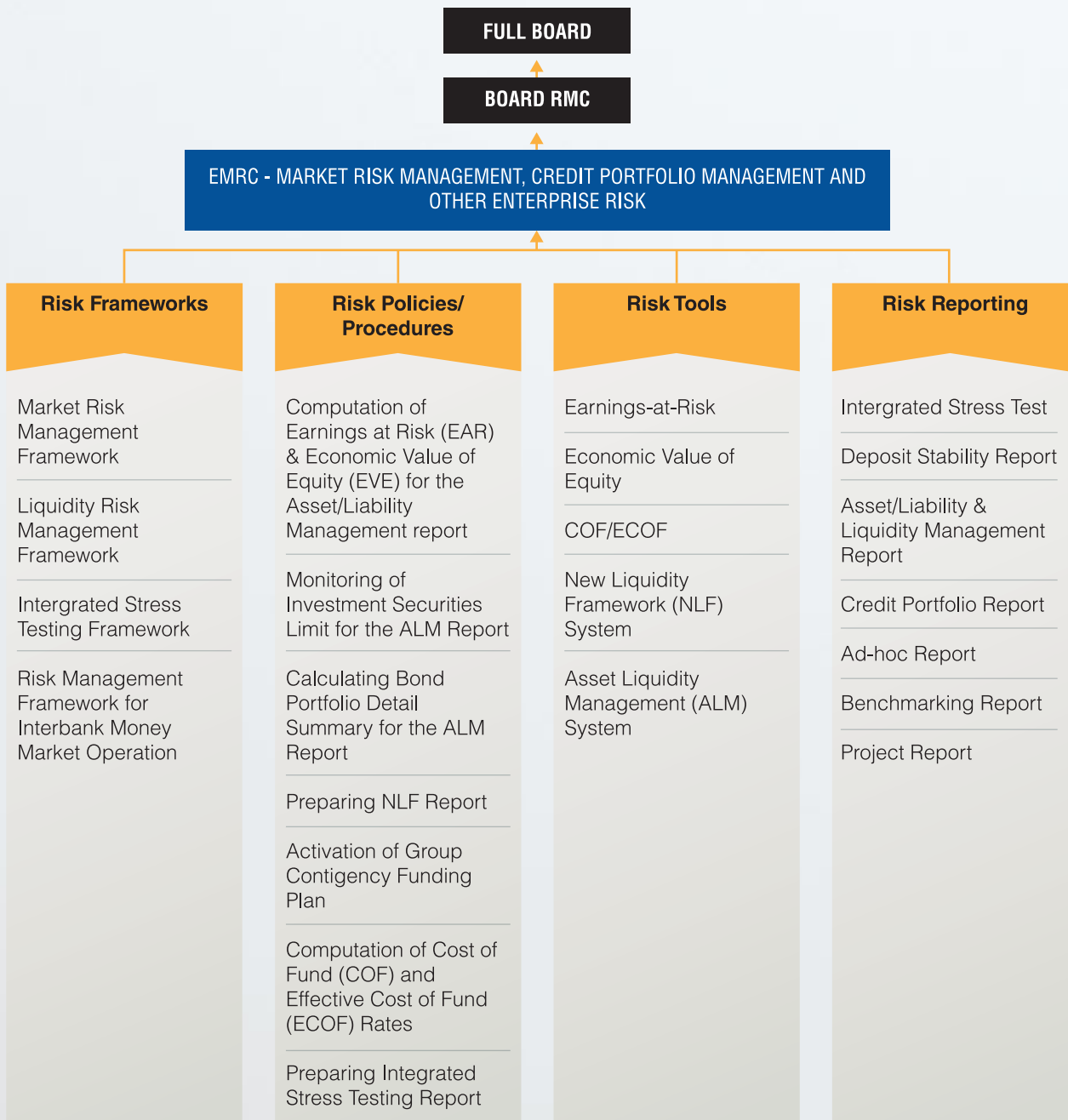
## LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that BPMB is unable to generate sufficient funding to meet its payment obligations when due in a timely and cost-effective manner.

The common source of liquidity risk arises from mismatches in timing and value of cash inflows and outflows, both from on and off-balance sheet exposures.

## ASSET LIABILITY MANAGEMENT

Asset Liability Management is a practice in managing risks that arises from mismatches between assets and liabilities. In order to maximize earnings and attain strategic goals within the overall risk/return preferences, BPMB is guided by the structure below :



The Bank currently adopts an internal voluntary observation of Basel II and III liquidity ratios and targets.

In 2013, the following key initiatives were also completed to further strengthen the Group's risk management :

- Enhancement of Integrated Stress Testing Report;
- Development of Group-wide Aggregated Risk Report;
- Quarterly Sectoral Outlook and Monthly Assessment Reports.

## INTEGRATED STRESS TEST

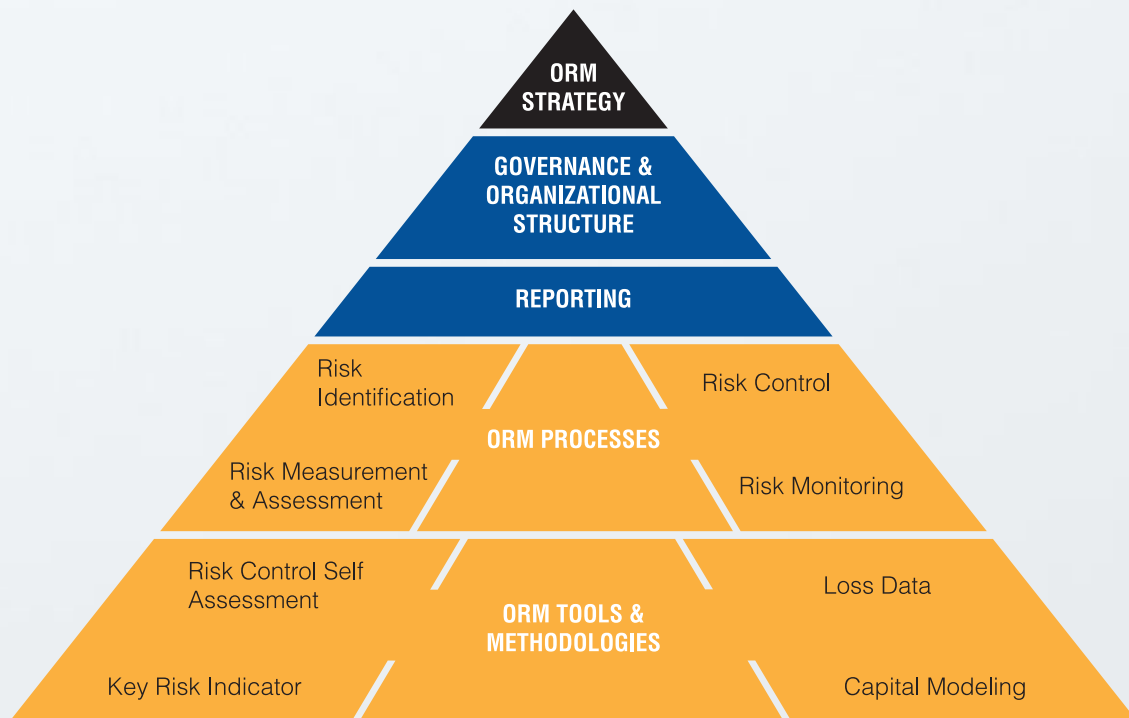
In line with Bank Negara Malaysia's (BNM's) Stress Test Guidelines, the Bank has designed a stress test framework which is tailored to the nature of its business activities.

BPMB had conducted four (4) quarterly Integrated Stress Testing exercises in 2013 by simulating events that could potentially impact its capital position. The main emphasis was on credit, liquidity and market risks.

From all the integrated stress test done for 2013, it was found that BPMB would continue to be able to absorb the shock arising from the stress assumptions.

## OPERATIONAL RISK MANAGEMENT

For effective management of operational risk, the Group is guided by the Operational Risk Management (ORM) Framework which was developed in line with Basel publications and BNM Guidelines to provide clear, consistent and systematic ORM approach. The key components of the Framework include:



The risk strategy provides the overall ORM principles, philosophy, objectives and goals. It drives the implementation of ORM within the Group. The framework clearly defines the governance structure as well as roles and responsibilities of various functions within the organization with regards to operational risk management. The ORM processes of risk identification, measurement/assessment, control and monitoring are performed in line with best practices by applying the Risk Control Self-Assessment, Key Risk Indicator and Loss Data Management processes throughout the Group. The Business/Support functions as the risk owners are responsible for managing their risks. To facilitate effective implementation of ORM, dedicated Operational Risk Liaison Officers have been appointed for each function to ensure risks are actively identified, controlled and monitored.

Introduction of new products and IT systems are also subject to risk review to ensure risk exposures are appropriately mitigated. Day-to-day operational risk is managed through establishment of internal controls, processes and requirements, which are documented in policies, frameworks, procedures and guidelines.

Business Continuity Management is an important component of the Group's risk management framework to increase the organization's resilience to business disruption arising from internal and external events and to reduce the impact on its business operations, reputation or profitability. The Group's Business Continuity Plan and the Disaster Recovery Plan are continuously being updated and tested in line with Bank Negara Malaysia's (BNM's) requirements.

Enhancing risk awareness forms part of the Group's ORM objective towards cultivating a culture that places high priority on effective management of risk, adherence to sound operating controls, ethics and values. Continuous training efforts are undertaken to achieve this objective.

Although Basel II Operational Risk capital charge is not imposed on DFIs, BPMB continues to build its ORM infrastructure and capabilities towards fulfilling the relevant requirements, to further strengthen its ORM as well as preparing the organization should the same be made compulsory later. The Executive Risk Management Committee and Risk Management Committee are kept regularly updated of the ORM initiatives and operational risk exposures.

In 2013, the following key initiatives were also completed to further strengthen the Group's ORM :

- Establishment of Shariah non-compliance risk catalogue to facilitate the risk owners in identifying, monitoring and controlling of Shariah non-compliance risks.
- Shariah Non-Compliance Risk Control Assessment exercise to gauge the Group's Shariah non-compliance risks exposure and to identify areas for control improvement.
- Established the Shariah non-compliance reporting procedure to facilitate reporting of Shariah non-compliance events within the Group.
- Established the Enterprise risk profile monitoring and reporting for BPMB subsidiary to enable assessment of risks exposures and monitoring of risks and actions taken by the subsidiary.



# SHARIAH COMPLIANCE

## SHARIAH GOVERNANCE

The Islamic banking activity of BPMB is operating on a window basis and governed by Shariah Governance Framework (SGF) for Islamic Institutions issued by Bank Negara in 2011.

SGF provides a guideline comprising Shariah governance structure, system processes and controls which are managed and monitored by a dedicated Shariah Advisory function and Compliance function of the Bank. The Shariah Advisory works closely with other functions within the Bank to undertake the following processes/ programs:-

1. Awareness, training and communication;
2. Assessment of Shariah compliance;
3. Mitigation and control of Shariah risk; and
4. Monitoring and Reporting.

During the year, key measures undertaken include:-

1. Improvement to the guidelines and procedures as recommendation as stipulated in the Shariah Audit Report 2012.
2. Shariah Audit training has been conducted for internal audit officers, Shariah Advisory officers and Compliance officers in September 2013.
3. Shariah Risk Catalogue has been approved by Shariah Committee in July 2013 and fully implemented by the Bank.

## SHARIAH COMMITTEE

The operation of Islamic banking window is governed by Section 129 (4) of the Development Financial Institutions Act 2002 which stipulates that “the prescribed institution may, in carrying on Islamic banking business or Islamic financial business, seek the advice of the Shariah Advisory Council on the operations of such business in order to ensure that it does not involve any element which is not approved by the religion of Islam”. Principle 1 of the Bank Negara’s Shariah Governance Framework for Islamic Financial Institutions, stipulates that every bank carrying out Islamic banking business is required to establish a Shariah Committee.

### Functions and Responsibilities

The functions and responsibilities of the Shariah Committee are as follows:-

1. To be responsible and accountable for all Shariah decisions, opinions and views provided.
2. To advise the management and the board on Shariah matters in order to ensure that the Islamic banking operations comply with Shariah principles at all times.



3. To validate and endorse that the Islamic products of the bank comply with Shariah principles in all aspects including:-
  - The terms and conditions contained in the forms, contracts and agreements used in executing the transactions.
  - The guidelines and procedures of the products, schemes and funds offered by the bank.
4. To confirm on Shariah compliance based on assessment of Shariah audit and review, and provide assurance on information to be disclosed in the annual report, with respect to the followings:-
  - All transactions for the reporting year are Shariah-compliant;
  - The allocation of profit and charging of losses relating to investment accounts are Shariah-compliant;
  - Non-Shariah compliant income is to be channelled to charity;
  - Zakat calculation is Shariah-compliant
5. To uphold and observe corporate governance and compliance with the relevant legislation, rulings, regulations and guidelines issued by Bank Negara Malaysia.
6. To advise the bank to consult the Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) on any Shariah matters which have not been resolved or endorsed by the Shariah Committee.
7. To provide written Shariah opinion(s) in the following circumstances:-
  - Where the Bank refers to the SAC for advice; or
  - Where the Bank submits applications to Bank Negara Malaysia for approval of Islamic Products.

## COMMITTEE MEETING AND ATTENDANCE

Based on the Terms of Reference of the Shariah Committee, the meeting is to be held a minimum 6 times a year. During the financial year 2013, the Shariah Committee held 8 meetings. The members of the Shariah Committee and their record of attendance are as follows:-

NAME OF SHARIAH COMMITTEE MEMBER	NO OF MEETING AND ATTENDANCE
<b>YBhg. Tan Sri Dato' Seri (Dr) Hj Harussani Hj Zakaria</b>	6/8
<b>YBrs. Prof. Dr. Abdul Jalil Borham</b>	8/8
<b>YBrs. Dr. Ridzwan Ahmad</b>	8/8
<b>YBrs. Asst. Prof. Dr. Miszairi Sitoris</b>	8/8
<b>YBrs. Assoc. Prof. Dr. Noraini Mohd Ariffin</b>	8/8

During the year, the Shariah Committee has approved a new product under the concept of Tawarruq i.e. asset financing to widen the Islamic products which has been approved by Bank Negara Malaysia in October 2013.

## MOVING FORWARD

In ensuring full compliance with Shariah Governance Framework for Islamic Banking Institutions issued by Bank Negara Malaysia, the following key measures have been initiated and targeted to be completed in phases before the end of 2014 :-

1. Audit finding and management response to be undertaken and completed in appropriate period as stipulated in the Shariah Audit Report.
2. Continuous knowledge enhancement through Islamic Financing training to all officers of the Bank.

Moving forward, innovation will be key to grow the Islamic banking portfolio, with the development of structured products that conform to Islamic principles, with focus on asset based financing under the concept of Ijarah and Tawarruq and enlightens the scope of guarantee to guarantee Sukuk and Islamic Private Debt Securities to be contributed through non-funded activities.



# 2013 CORPORATE HIGHLIGHTS

**16**  
January

BPMB donated four computers and printer to Sekolah Menengah Agama Puchong



**25**  
January

BPMB donated four computers to Sekolah Kebangsaan Gondang, Kelantan and to Pertubuhan Guru Muda Kelantan



**28**  
February

Signing Ceremony on the Share Sale Agreement between GMV-ORKIM SDN BHD and E.A.Technique (M) Sdn Bhd for Acquisition of 51% Share in ORKIM Sdn Bhd



**01**  
March

Signing Ceremony between GMV-Orkim, Sindora Berhad and E.A Technique SB





# 26-30 March

BPMB participated in the Langkawi International Maritime & Aerospace (LIMA) Exhibition 2013. The 12<sup>th</sup> edition of the LIMA expo was held at Mahsuri International Exhibition Centre, Langkawi



# 07 April

25 teams from 12 media houses participated in the Friendly Bowling Meets held at Wangsa Bowl, Wangsa Walk Mall



# 07 April

BPMB donated RM51,400.00 to Tabung Lahad Datu to commemorate the fallen fighters during the invasion of Lahad Datu



# 08 April

GMVB's Maritime Gathering at the Delicious, Jalan Tun Razak



# 10 April

Health Awareness Campaign organized by BPMB Group Human Resource Development held at Main Auditorium, Menara Bank Pembangunan





15  
April

Appreciation dinner for Puan Siti Zauyah Md Desa whom completed her term as BPMB Board of Director held at Sheraton Imperial Hotel



20  
April

15 secretaries from various functions were treated at the Secretaries Week held at the Palm Garden Hotel, IOI Resort, Putrajaya



17  
May

CSR Programme with Temuan population of Kampung Sot, Serting Hulu, Negeri Sembilan



18  
May

BPMB Paintball Team won first and second place in the ADFIM Paintball Challenge 2013 held at Malaysia Paintball Academy, Astaka Sports Complex, Petaling Jaya



22  
May

Group Support Services (GSS) function organized "GSS Heboh Betul Carnival" at the Bank's lobby





28  
May

GMVB held its 20<sup>th</sup> Annual General Meeting at the Main Auditorium, Menara Bank Pembangunan



05-07  
June

BPMB participated in the 14<sup>th</sup> Asean Oil, Gas & Petrochemical Engineering Exhibition (OGA 2013) held at Kuala Lumpur Convention Centre. The opening ceremony was graced by Tan Sri Sidek Hassan, PETRONAS Chairman



12  
June

Pembangunan Leasing Corporation (PLC) organized Factoring & Trade Finance System (FTFS) Project Closure Awareness held at Main Auditorium, Level 6, Menara Bank Pembangunan. The new FTFS is to replace the existing system which has limited factoring features and technology



15-16  
June

Kelab Sukan dan Rekreasi Bank Pembangunan chose Bukit Gambang Resort as its annual Family Day celebrations. The event was graced by the presence of BPMB Chairman, Tan Sri Dato' Sri Dr. Wan Abdul Aziz Wan Abdullah





# 18 June

GMVB's Maritime Gathering at the Top Hat Restaurant, Jalan Stonor, Kuala Lumpur



# 29 June

Friendly badminton match between BPMB and Johawaki at Setia Alam Sports Complex



# 02 July

BPMB participated in the Hari Pelanggan exposition organized by Ministry of Finance held at their office complex



# 04 July

BPMB donated two sets of Dell computers to Sekolah Menengah Taman Desa Millenium, Puchong



# 08 July

Kelab Sukan dan Rekreasi 35<sup>th</sup> Annual General Meeting held at the Main Auditorium, Level 6, Menara Bank Pembangunan





# 17

## July

Iftar distribution to the staff of BPMB and its subsidiaries



# 22

## July

Distribution of iftar delicacies to selected Media Houses in conjunction with Ramadan Al- Mubarak



# 23

## July

Iftar and donation to children in the pediatric ward of Pusat Perubatan Universiti Kebangsaan Malaysia



# 31

## July

Iftar with single mothers and tahfiz students at Balai BOMBA dan Penyelamat, Setapak



# 01

## August

Iftar distribution to the staff of Tun HS Lee Police Station





# 01

## August

BPMB donated to adik Nur Sarah Alia Afizi whom suffers from leukemia and adik Putri Nur Beheshti whom suffers from neurosis



# 15

## August

BPMB donated to Puan Rokiah Mamat whom suffers from oral cancer



# 20-22

## August

BPMB participated in Sarawak Oil & Gas Expo held at Miri Indoor Stadium, Sarawak



# 28

## August

Staff Hari Raya Celebration themed "Raikan Lebaran". The event was held at BPMB premise



# 02

## September

Six students had received BPMB Undergraduate Scholarship for the first time in conjunction with the Banks' 40 years. The award was presented by the President/Group Managing Director, Dato' Mohd Zafer Mohd Hashim in a special occasion held during the Bank's corporate raya celebration





# 02 September

"Raikan Lebaran", 2013 Corporate Raya Celebration held at Grand Hyatt Hotel, Kuala Lumpur. The event was hosted by the President/Group Managing Director, Dato' Mohd Zafer Mohd Hashim



# 08 September

BPMB donated to Encik Razuan and Adik Nur Hidayah whom suffers from Systemic Lupus Erythematosus (SLE) stage 4



# 09 September

BPMB donated to Adik Muhammad Hakimi Danish whom suffers from leukemia stage 4



# 11 September

Tithe presentation to Pusat Zakat Negeri Pahang. The event was graced by the presence of Yang Dipertua Majlis Ugama Islam Pahang (MUIP), Tengku Abdullah Sultan Ahmad Shah



# 15 September

Donation to Masjid Jamek Nur Hidayah, Parit Raja, Johor to upgrade the interior and the external look of the mosque



# 05 October

BPMB 2013 Annual Dinner themed "Hikayat 1001 Malam" held at Hilton Kuala Lumpur Hotel





# 06

## October

Treasury Department organized Treasury Fun Day on Sunday at Berjaya Time Square Theme Park, Kuala Lumpur. The event managed to gather about 300 depositors and potential depositors with their family members in a cheerful atmosphere



# 18-20

## October

BPMB organized Kem Remaja 2013 at Kem El-Azhar, Morib, Selangor. 65 participants made up of the staff children participated in this two night program



# 27-31

## October

Tithe presentation to the state of Kedah, Perlis, Wilayah Persekutuan and Selangor



# 06-07

## November

Tithe presentation to the state of Malacca, Johor and Terengganu



# 12

## November

BPMB donated an electronic whiteboard to Sekolah Kebangsaan Kangkar, Muar, Johor





# 24 November

Tithe presentation to the state of Kelantan



# 25 November

Tithe presentation to the state of Negeri Sembilan



# 28 November

GMVB's subsidiary shipping company, Orkim Energy Sdn Bhd signed a shipbuilding contract with Kanematsu Corporation, Japan for the construction of two units CBM pressurized LPG tanker



# 29 November

Tithe presentation to the state of Pulau Pinang



# 30 November

70 staff members participated in the Food Hunt Challenge held in Pulau Pinang. They were divided into 18 groups and the quest began as early as 9.00 am in Padang Kota





# 01 December

CSR Program at Kampung Batu Uban, Gelugur, Pulau Pinang. 70 staff members involved in the cleaning and painting works of two houses at the said village



# 10 December

Durian Fest and staff birthday celebration held at BPMB premise. Also present in the program were Tan Sri Dato' Sri Dr. Wan Abdul Aziz Wan Abdullah, Dato' Mohd Zafer Mohd Hashim, board members and also the management of BPMB



# 20 December

Tithe presentation to the state of Perak and donation to Surau Al-Taufiqiah, Kampung Menteri, Kuala Sepetang, Perak



# 20 December

BPMB donated to Tabung Bencana Haiyan Media Prima-NSTP. The RM50,000 worth cheque presentation was done at Balai Berita NSTP, Jalan Riong







# DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

**31 DECEMBER 2013**

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# DIRECTORS' REPORT

## DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The Bank is principally engaged to provide medium to long term credit facilities in both Conventional and Islamic to finance infrastructure projects, maritime, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country's development policy. The principal activities of the subsidiary companies are as disclosed in Note 44 to the financial statements.

## RESULTS

	Group	Bank
	RM'000	RM'000
Profit for the financial year	306,344	396,097
<b>Attributable to:</b>		
Equity holders of the Bank	381,435	396,097
Non-controlling interests	(75,091)	-
	306,344	396,097

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in Notes 7 and 33 and the statement of changes in equity of the financial statements.

In the opinion of the directors, the results of the operations of the Group during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the impact of impairment loss of goodwill of approximately RM76,664,000 arising from the acquisition of a subsidiary as disclosed in Note 15 of the financial statements.

## DIVIDENDS

Final tax exempt dividend on 3,078,724,049 ordinary shares, amounting to RM100,000,000 (3.25 sen net per ordinary share), in respect of the financial year ended 31 December 2012 was declared on 27 May 2013 and paid on 28 May 2013.

The dividend has been accounted for in equity as an appropriation of retained profit during the financial year.

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2013, of 3.25% on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM100,000,000 (3.25 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the financial year ending 31 December 2014.

# DIRECTORS' REPORT (CONT'D.)

## DIRECTORS

The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	
Dato' Mohd Zafer bin Mohd Hashim	
Zainul Rahim bin Mohd Zain	
Datuk Dr. Syed Jaafar bin Syed Aznan	
Datuk Idris bin Abdullah @ Das Murthy	
Rosli bin Abdullah	
Abdul Aziz bin Ishak	
Ariffin Hew @ Hew Siak Tow	
Datuk Nozirah binti Bahari	(appointed on 28 March 2013)
Dato' Abd Rahman bin Md Khalid	(appointed on 28 October 2013)
Siti Zauyah binti Md Desa	(resigned on 28 March 2013)
Tan Sri Faizah binti Mohd Tahir	(term ended on 1 June 2013)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of 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 benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 30 and 31 the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with any 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.

## DIRECTORS' INTEREST

According to the register of directors' shareholdings, none of the directors held shares in the Bank and its related corporations during the financial year ended 31 December 2013.

## RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Received
RAM Rating	28 November 2013	Issue rating on RM7 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA
MARC Rating	22 May 2013	Financial Institution Rating	AAA
RAM Rating	28 November 2013	Financial Institution Rating	AAA
MARC Rating	22 May 2013	Islamic Commercial Papers and/or Conventional Commercial Papers Programme of up to RM2.0 billion in nominal value	MARC-1



# DIRECTORS' REPORT (CONT'D.)

## BUSINESS OUTLOOK

The world economy is forecasted to strengthen moderately in 2014 on the back of improvement in advanced economies and expansion in the emerging market and developing economies. Simultaneously, the local economy is expected to accelerate modestly in 2014, supported by domestic demand and an improving external environment. The GDP will be private-led, supported by strong private capital spending and resilient private consumption. The Bank will continue to provide financing to relevant sectors in the National Key Economic Areas (NKEAs) such as tourism and oil and gas. Strengthening risk management will continue to be the Bank's focus to ensure risk awareness are embedded in all operational aspects of the Bank and therefore risks are promptly identified, assessed and effectively controlled.

## OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Bank were made out, the directors took reasonable steps:
- (i) 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 satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent and the values attributed to current assets in the financial statements of the Group and of the Bank misleading;
  - (ii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate; and
  - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (c) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.
- (d) In the opinion of the directors:
- (i) no contingent liability 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 will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year which this report is made.

# DIRECTORS' REPORT (CONT'D.)

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## SIGNIFICANT EVENTS

Significant events during the financial year are as disclosed in Notes 9, 10, 11 and 43 to the financial statements.

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated **30 May 2014**.



**Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah**



**Dato' Mohd Zafer bin Mohd Hashim**

Kuala Lumpur, Malaysia



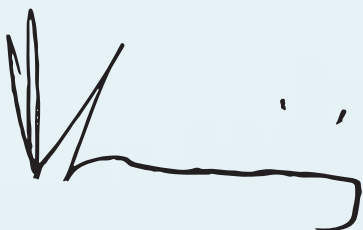
# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

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We, Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah and Dato' Mohd Zafer bin Mohd Hashim, being two of the directors of Bank Pembangunan Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 72 to 230 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2013 and of their financial performance and the cash flows of the Group and of the Bank for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated **30 May 2014**.



**Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah**



**Dato' Mohd Zafer bin Mohd Hashim**

Kuala Lumpur, Malaysia

# STATUTORY DECLARATION

PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965 AND SECTION 73 (1) (e) OF THE DEVELOPMENT FINANCIAL INSTITUTION ACT, 2002

We, Rosli bin Abdullah and Dato' Mohd Zafer bin Mohd Hashim, the Director and President / Group Managing Director, respectively, of the Bank who are primarily being responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 72 to 230 are to the best of our knowledge and belief, 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 on **30 May 2014**.



**Rosli bin Abdullah**



**Dato' Mohd Zafer bin Mohd Hashim**

Before me,



16 - Tingkat Bawah Jalan Pudu.  
55100 Kuala Lumpur.



# SHARIAH COMMITTEE'S REPORT

## In the Name of Allah, The Compassionate, The Most Merciful

Assalamualaikum Warahmatullahi Wabarakatuh

To the shareholder, depositors and customers of Bank Pembangunan Malaysia Berhad:

We, members of the Shariah Committee of Bank Pembangunan Malaysia Berhad (the Committee) do hereby confirm that we have reviewed the principles and the contracts relating to the Islamic Banking transactions and applications introduced by the Bank from 1 January 2013 until 31 December 2013, as set out on pages 211 to 227.

We have provided the Shariah advisory services on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Bank has carried out Shariah audit performed by appointed external Shariah Compliance Auditor and the report was deliberated in the Committee meetings. The Committee hereby confirms that management has taken appropriate measures to address identified Shariah gaps. The Committee also takes note that the Bank will continue to organise Shariah training programs to enhance Shariah compliance awareness culture in the organisation.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

## We are of the opinion that:

- (a) The new products and enhanced processes introduced by the Bank during the financial year ended 31 December 2013, are in compliance with the Shariah rules and principles;
- (b) The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2013, are in compliance with Shariah rules and principles;
- (c) The main funding sources and investments of the Bank conforms to the basis that had been approved by us in accordance with the Shariah rules and principles;
- (d) The allocation of profit relating to investment accounts of the Bank conforms to the basis that had been approved by us in accordance with Shariah rules and principles; and
- (e) The financial statements of the Bank's Islamic portfolio for the financial year ended 31 December 2013 together with the calculation of Zakat are in compliance with the Shariah rules and principles.

We beg Allah the Almighty to grant us all the Success and Straight-Forwardness and Allah Knows Best.



**Tan Sri Dato' Seri (Dr) Hj Harussani bin Hj Zakaria**  
Chairman of the Committee



**Assoc. Prof. Dr. Noraini Mohd Ariffin**  
Member of the Committee

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK PEMBANGUNAN MALAYSIA BERHAD  
(INCORPORATED IN MALAYSIA)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank Pembangunan Malaysia Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Bank, and income statements, statements of comprehensive income, statement of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 72 to 230.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2013 and of their financial performance and the cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 44 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK PEMBANGUNAN MALAYSIA BERHAD (CONT'D.)  
(INCORPORATED IN MALAYSIA)

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## OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**Ernst & Young**  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia



**Nik Rahmat Kamarulzaman Bin Nik Ab Rahman**  
No. 1759/02/16(J)  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
<b>Assets</b>					
Cash and short term deposits	3	1,251,935	1,506,858	942,112	1,074,564
Deposits and placements with financial institutions	4	154,216	67,783	152,582	66,722
Financial investments - available-for-sale ("AFS")	5	1,504,156	1,242,217	1,497,143	1,188,947
Financial investments - held-to-maturity ("HTM")	6	259,202	226,280	259,180	226,258
Loans, advances and financing	7	24,212,336	23,234,542	24,025,868	23,037,114
Other assets	8	290,650	272,229	188,058	201,932
Investments in subsidiaries	9	-	-	955,679	928,549
Interest in associates	10	-	273,743	-	-
Interest in joint ventures	11	79,075	209,727	-	-
Property, plant and equipment	12	1,253,505	159,173	103,282	117,628
Prepaid land leases	13	1,795	2,029	1,795	2,029
Investment properties	14	4,392	9,720	772	3,461
Intangible assets	15	200,360	8,762	11,533	6,664
Deferred tax assets	16	15,857	87,957	-	87,957
		29,227,479	27,301,020	28,138,004	26,941,825
Assets classified as held for sale	42	18,462	120,530	-	-
Assets of subsidiaries classified as held for sale	43	-	54,960	-	56,765
<b>Total assets</b>		<b>29,245,941</b>	<b>27,476,510</b>	<b>28,138,004</b>	<b>26,998,590</b>
<b>Liabilities</b>					
Deposits from customers	17	7,115,241	5,414,142	7,115,241	5,414,142
Deposits and placements from financial institutions	18	311,122	153,556	311,122	153,556
Other liabilities	19	186,514	185,234	39,877	35,901
Redeemable notes	20	3,025,348	4,133,991	3,025,348	4,133,991
Term loans	21	10,362,125	9,643,299	9,582,577	9,531,988
Infrastructure support fund	22	365,430	399,535	365,430	399,535
Deferred income	23	248,413	251,430	248,413	251,430
Deferred tax liabilities	16	39,302	12,814	27,121	-
Liabilities of subsidiaries classified as held for sale	43	-	101	-	-
<b>Total liabilities</b>		<b>21,653,495</b>	<b>20,194,102</b>	<b>20,715,129</b>	<b>19,920,543</b>

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013 (CONT'D.)

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
<b>Equity attributable to equity holders of the Bank</b>					
Share capital	24	3,078,724	3,078,724	3,078,724	3,078,724
Reserves	25	4,432,345	4,050,534	4,344,151	3,999,323
		7,511,069	7,129,258	7,422,875	7,078,047
Non-controlling interests		81,377	153,150	-	-
<b>Total equity</b>		<b>7,592,446</b>	<b>7,282,408</b>	<b>7,422,875</b>	<b>7,078,047</b>
<b>Total equity and liabilities</b>		<b>29,245,941</b>	<b>27,476,510</b>	<b>28,138,004</b>	<b>26,998,590</b>
Commitments and contingencies	38(a)	7,074,828	6,047,111	6,442,386	5,366,891

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



# INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Interest income	27	1,297,488	1,372,087	1,269,228	1,331,480
Interest expense	28	(777,136)	(752,727)	(728,710)	(752,027)
Net interest income		520,352	619,360	540,518	579,453
Net income from Islamic banking business	47	263,602	192,034	262,656	191,359
Non-interest income	29	412,484	114,211	74,574	62,673
Net income		1,196,438	925,605	877,748	833,485
Overhead expenses	30	(344,967)	(192,938)	(76,431)	(78,060)
Allowance for impairment of loans, advances and financing	33	(80,867)	(258,748)	(107,487)	(277,831)
Impairment on other assets	34	(236,171)	(210,503)	(124,514)	(46,411)
Operating profit		534,433	263,416	569,316	431,183
Share of (loss) / profit of joint ventures		(39,735)	22,667	-	-
Profit before taxation and zakat		494,698	286,083	569,316	431,183
Taxation	35	(181,551)	(95,239)	(166,416)	(78,420)
Zakat		(6,803)	(3,003)	(6,803)	(3,003)
Profit for the financial year		306,344	187,841	396,097	349,760
Discontinued operations					
Loss from discontinued operations	43	-	(4,416)	-	-
Profit for the financial year		306,344	183,425	396,097	349,760
Attributable to:					
Shareholders of the Bank		381,435	230,072	396,097	349,760
Non-controlling interests		(75,091)	(46,647)	-	-
		306,344	183,425	396,097	349,760
Earnings per share attributable to the equity holders of the Bank:					
Basic earnings per share (sen)	37	12.4	7.5		

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	306,344	183,425	396,097	349,760
<b>Other comprehensive income</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	52,577	(3,896)	-	-
Net unrealised gain/(loss) on revaluation of financial investment - AFS, net of tax	51,117	(27,350)	48,731	(24,271)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>103,694</b>	<b>(31,246)</b>	<b>48,731</b>	<b>(24,271)</b>
<b>Total comprehensive income for the financial year, net of tax</b>	<b>410,038</b>	<b>152,179</b>	<b>444,828</b>	<b>325,489</b>
<b>Total comprehensive income / (loss) attributable to:</b>				
Shareholders of the Bank	481,811	196,726	444,828	325,489
Non-controlling interests	(71,773)	(44,547)	-	-
	<b>410,038</b>	<b>152,179</b>	<b>444,828</b>	<b>325,489</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Note	-----ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK----->										
		Share capital	Capital reserve	Statutory reserve	Profit equalisation reserve	Unrealised holding reserve	Exchange translation reserve	Distributable retained profits	Total	Non-controlling interest	Total equity	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
-----NON-DISTRIBUTABLE----->												
<b>At 1 January 2013</b>		3,078,724	1,000	1,745,855	4,970	(32,463)	(61,499)	2,392,671	7,129,258	153,150	7,282,408	
Total comprehensive income / (loss) for the financial year		-	-	-	-	51,117	49,259	381,435	481,811	(71,773)	410,038	
Transfer to statutory reserve		-	-	99,024	-	-	-	(99,024)	-	-	-	
Dividends paid	36	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)	
<b>At 31 December 2013</b>		3,078,724	1,000	1,844,879	4,970	18,654	(12,240)	2,575,082	7,511,069	81,377	7,592,446	
<b>At 1 January 2012</b>		3,078,724	1,000	1,658,415	-	(5,113)	(55,503)	2,355,009	7,032,532	197,697	7,230,229	
Total comprehensive (loss) / income for the financial year		-	-	-	-	(27,350)	(5,996)	230,072	196,726	(44,547)	152,179	
Transfer to statutory reserve		-	-	87,440	-	-	-	(87,440)	-	-	-	
Transfer to Profit Equalisation Reserve ("PER") of Islamic banking business		-	-	-	3,537	-	-	(3,537)	-	-	-	
Provision for the financial year		-	-	-	1,433	-	-	(1,433)	-	-	-	
Dividends paid	36	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)	
<b>At 31 December 2012</b>		3,078,724	1,000	1,745,855	4,970	(32,463)	(61,499)	2,392,671	7,129,258	153,150	7,282,408	

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



# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Bank	Note	<-----NON-DISTRIBUTABLE----->					Distributable Retained Profits	Total
		Share Capital	Statutory Reserve	Profit Equalisation Reserve	Unrealised Holding Reserve			
		RM'000	RM'000	RM'000	RM'000	RM'000		
<b>At 1 January 2013</b>		3,078,724	1,745,855	4,970	87,347	2,161,151	7,078,047	
Total comprehensive income for the financial year		-	-	-	48,731	396,097	444,828	
Transfer to statutory reserve		-	99,024	-	-	(99,024)	-	
Dividends paid	36	-	-	-	-	(100,000)	(100,000)	
<b>At 31 December 2013</b>		3,078,724	1,844,879	4,970	136,078	2,358,224	7,422,875	
<b>At 1 January 2012</b>		3,078,724	1,658,415	-	111,618	2,003,801	6,852,558	
Total comprehensive (loss) / income for the financial year		-	-	-	(24,271)	349,760	325,489	
Transfer to statutory reserve		-	87,440	-	-	(87,440)	-	
Transfer to PER of Islamic banking business		-	-	3,537	-	(3,537)	-	
Provision for the financial year		-	-	1,433	-	(1,433)	-	
Dividends paid	36	-	-	-	-	(100,000)	(100,000)	
<b>At 31 December 2012</b>		3,078,724	1,745,855	4,970	87,347	2,161,151	7,078,047	

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat				
Continuing operations	494,698	286,083	569,316	431,183
Discontinued operations	-	(4,416)	-	-
Adjustment for:				
Share of loss/(profit) of joint ventures	39,735	(22,667)	-	-
Depreciation of property, plant and equipment	77,929	46,926	9,091	9,509
Amortisation of prepaid lease rental	61	72	61	72
Depreciation of investment properties	197	384	55	165
Amortisation of intangible assets	3,906	1,669	3,058	1,112
Net (gain) / loss on disposal of property, plant and equipment	(4,733)	23,954	(689)	(679)
Net gain on disposal of prepaid land lease	(58)	(1,283)	(58)	(1,283)
Net gain on disposal of investment properties	(2,462)	(4,320)	(2,050)	(4,213)
Net gain on sale of financial investments - available-for-sale	(155)	(1,655)	(155)	(1,541)
Dividend income:				
Subsidiaries	-	-	(5,000)	-
Financial investments - available-for-sale	(11,671)	(7,781)	(11,671)	(5,518)
Gain on bargain purchase	(11,972)	-	-	-
Loss on disposal of joint ventures	6,775	-	-	-
Amortisation of premium less accretion of discount of financial investments	(22,511)	(20,417)	(22,511)	(20,417)
Impairment allowance/(written back) for:				
Financial investments - available-for-sale	34,871	22,532	28,047	22,532
Financial investments - held-to-maturity	39,130	24,670	39,130	24,670
Investment in subsidiaries	-	-	29,635	(546)
Amount due from subsidiaries	-	-	28,089	-
Interest in joint ventures	11,555	8,435	-	-
Assets classified as held for sale	3,838	-	-	-
Goodwill	76,664	-	-	-
Vessels	46,535	151,416	-	-
Balance carried forward	782,332	503,602	664,348	455,046

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONT'D.)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities (cont'd.)</b>				
Balance brought forward	782,332	503,602	664,348	455,046
Impairment allowance / (written back) for:				
Advance to joint ventures	-	3,695	-	-
Interest in associates	20,618	-	-	-
Allowance for doubtful debts	3,347	-	-	-
Property, plant and equipment written off	61	18	-	18
Unrealised gain on foreign exchange	(2,162)	(605)	(419)	(605)
Individual assessment allowance	230,942	542,633	221,965	528,986
Transferred from individual assessment allowance	4,998	-	4,998	-
Transferred from collective assessment allowance	31,169	51,852	31,169	51,852
Collective assessment allowance additional/(net written back)	48,813	(96,859)	62,512	(96,859)
Individual assessment allowance written back	(178,159)	(164,797)	(159,711)	(137,750)
Transferred to individual assessment allowance	(31,169)	(51,852)	(31,169)	(51,852)
Transferred to collective assessment allowance	(4,998)	-	(4,998)	-
Bad debts and financing written off	1,415	162	1,415	162
Bad debts and financing recovered	(22,531)	(22,636)	(19,081)	(16,953)
Zakat	(6,803)	(3,003)	(6,803)	(3,003)
Profit equalisation reserve	-	(158)	-	(158)
Infrastructure support fund for allowance made written back	-	91,646	-	91,646
Infrastructure support fund for loan written off during the year	-	(99,170)	-	(99,170)
Recoverable from loan written off against infrastructure support fund	5,025	11,130	5,025	11,130
Financial investment impairment made during the year against infrastructure support fund	(39,130)	(24,670)	(39,130)	(24,670)
Compensation from the Government	(120,390)	(120,396)	(120,390)	(120,396)
Operating profit before working capital changes	723,378	620,592	609,731	587,424
(Increase) / decrease in operating assets:				
Deposits and placements with financial institutions	(86,433)	1,306,548	(85,860)	853,505
Loans, advances and financing	(1,084,136)	(900,967)	(1,098,871)	(875,343)
Other assets	(114,279)	1,013,228	(24,633)	1,109,342
	(1,284,848)	1,418,809	(1,209,364)	1,087,504



# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONT'D.)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities (cont'd.)</b>				
Increase / (decrease) in operating liabilities:				
Deposits from customers	1,701,099	(1,543,254)	1,701,099	(1,545,631)
Deposit and placements from financial institutions	157,566	153,556	157,566	153,556
Other liabilities	(120,424)	14,715	7,035	(100,274)
	1,738,241	(1,374,983)	1,865,700	(1,492,349)
Cash generated from operations	1,176,771	664,418	1,266,067	182,579
Income taxes paid	(95,640)	(113,691)	(79,567)	(98,917)
Zakat paid	(3,059)	(1,977)	(3,059)	(1,977)
Net cash generated from operations	1,078,072	548,750	1,183,441	81,685
<b>Cash flows from investing activities</b>				
Net cash outflow on acquisition of subsidiaries	(601,995)	-	-	-
Acquisition of associates	-	(101,779)	-	-
Dividend income from:				
Subsidiaries	-	-	5,000	-
Financial investments - available-for-sale	11,671	7,781	11,671	5,518
Purchase of financial investments - available-for-sale	(427,362)	(557,345)	(425,866)	(557,345)
Purchase of financial investments - held-to-maturity	(50,850)	-	(50,850)	-
Purchase of property, plant and equipment	(90,444)	(20,898)	(3,733)	(4,007)
Purchase of intangible assets	(1,446)	(6,200)	(1,446)	(4,238)
Proceeds from disposal of subsidiary	-	-	-	1,053
Proceeds from disposal/maturity of financial investments	178,305	209,316	178,306	209,361
Balance carried forward	(982,121)	(469,125)	(286,918)	(349,658)

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONT'D.)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activities (cont'd.)</b>				
Balance brought forward	(982,121)	(469,125)	(286,918)	(349,658)
Proceeds from disposal of property, plant and equipment	9,462	28,215	3,196	1,083
Proceeds from disposal of investment properties	8,353	10,163	4,755	8,500
Proceeds from disposal of prepaid land leases	231	2,232	231	2,232
Net cash used in investing activities	(964,075)	(428,515)	(278,736)	(337,843)
<b>Cash flows from financing activities</b>				
Net receipt / (repayment) from long-term loans	719,245	(1,166,448)	51,008	(1,071,839)
Net receipt from commercial papers	-	(99,835)	-	(99,835)
Settlement of redeemable guaranteed notes	(1,108,643)	-	(1,108,643)	-
Proceeds from Government compensation	120,478	166,464	120,478	166,464
Dividends paid	(100,000)	(100,000)	(100,000)	(100,000)
Net cash used in financing activities	(368,920)	(1,199,819)	(1,037,157)	(1,105,210)
Net decrease in cash and cash equivalents	(254,923)	(1,079,584)	(132,452)	(1,361,368)
Cash and cash equivalents at beginning of year	1,506,858	2,586,442	1,074,564	2,435,932
Cash and cash equivalents at end of year	1,251,935	1,506,858	942,112	1,074,564
<b>Cash and cash equivalents comprise:</b>				
Cash and short term deposits (Note 3)	1,251,935	1,506,858	942,112	1,074,564

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

## 1. CORPORATE INFORMATION

Bank Pembangunan Malaysia Berhad (“the Bank”) is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Bank is located at Level 16, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Bank is principally engaged to provide medium to long term credit facilities in both Conventional and Islamic to finance infrastructure projects, maritime, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country’s development policy. The principal activities of the subsidiary companies are as disclosed in Note 44 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on **30 May 2014**.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements incorporate those activities relating to Islamic Banking, which have been undertaken by the Group. Islamic Banking refers generally to the granting of financing under the Shariah principles.

The Group and the Bank present the statements of financial position in order of liquidity. An analysis regarding the recovery of settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 45.

The financial statements of the Group and of the Bank have been prepared under the historical cost basis unless otherwise indicated in the summary of significant accounting policies below. The financial statements are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (“RM’000”) except where otherwise indicated.

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Subsidiaries and basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give in the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its return.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (a) Subsidiaries and basis of consolidation (cont'd.)

##### (i) Subsidiaries (cont'd.)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. In the Bank's separate financial statements, investments in subsidiaries is stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2 (i) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the income statement. Dividends received from subsidiaries are recorded as a component of revenue in the Bank's separate income statement.

The consolidated financial statements comprise the financial statements of the Group and the Bank as at and for the financial year ended 31 December of each year.

##### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not owned, directly or indirectly by the Bank. NCI are presented separately in the consolidated income statements and statements of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total comprehensive income is allocated against the interest of NCI, even if this results in a deficit balance. Acquisition of NCI are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (a) Subsidiaries and basis of consolidation (cont'd.)

##### (ii) Basis of consolidation (cont'd.)

- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for from the date when control is lost.

##### (iii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to Other Comprehensive Income. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (a) Subsidiaries and basis of consolidation (cont'd.)

(iii) Business combinations and goodwill (cont'd.)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### (b) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture ("JV") is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group has interests in JVs that is disclosed in Note 11.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and JV are accounted for using the equity method.

Under the equity method, the investment in an associate or a JV is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or JV since the acquisition date. Goodwill relating to the associate or JV is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or JV. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or JV, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or JV are eliminated to the extent of the interest in the associate or JV.

The aggregate of the Group's share of profit or loss of an associate and a JV is shown on the face of the income statements outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or JV.

The financial statements of the associate or JV are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or JV. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or JV is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or JV and its carrying value, then recognises the loss as 'Share of loss of an associate and a JV income statements.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (b) Investment in associates and joint ventures (cont'd.)

Upon loss of significant influence over the associate or joint control over the JV, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the company's separate financial statements, investments in associates and JV are accounted for at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is included in profit or loss.

#### (c) Foreign currency transactions

##### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

##### (ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and the Bank and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statements except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the income statements of the Group and the Bank on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statements for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to income statement (as a reclassification) when the gain or loss on disposal is recognised.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (d) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognises such parts as individual assets with specific useful lives and depreciation, respectively.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statements as incurred. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable.

Freehold land has an unlimited useful life and therefore is not depreciated. Building-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful life, as follows:

Leasehold land and buildings	19 - 50 years
Vessels	5 - 30 years
Furniture and equipment	3 - 10 years
Partitioning, installation and renovations	3 - 20 years
Motor vehicles	5 - 8 years
Dry-docking expenses	2.5 - 5 years

The residual values, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively if appropriate.

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (e) Investment properties

Investment properties principally comprise properties held for long term rental yields or capital appreciation or both and which are not occupied by the Group and the Bank. Investment property is carried at cost less accumulated depreciation and any impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 2.2(h), below.

Freehold land is not depreciated. Freehold building is depreciated at an annual rate of 2%, calculated on a straight line basis to write off the cost of each building over the estimated useful life.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met and excludes the cost of day-to-day servicing of that property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statements in the year in which they arise.

#### (f) Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible asset are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible asset with finite lives is recognised in the income statements in the expense category consistent with the function of the intangible asset.

Computer softwares were acquired separately and are amortised on a straight line basis over the useful lives of 3 - 5 years.

#### (g) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group and the Bank all the risks and rewards incidental to ownership. Leases of land and building are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### **(g) Leases (cont'd.)**

##### (ii) Finance lease – the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Bank's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(d).

##### (iii) Operating lease – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

##### (iv) Operating lease - the Group as lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **(h) Impairment of non financial assets**

The Group and the Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Bank makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (h) Impairment of non financial assets (cont'd.)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

#### (i) Financial assets

##### Initial recognition and subsequent measurement

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, HTM investments and AFS financial assets.

##### (i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in the income statements. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in the income statements as part of other losses or other income.

Regular way purchases and sales of financial assets held-for-trading are recognised on settlement date.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (i) Financial assets (cont'd.)

##### (ii) Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less allowance for impairment. Interest income on loans and receivables is recognised in "interest income" in the income statements. Impairment losses on loans and receivables are recognised in the income statements as "allowances for impairment on loans, advances and financing".

##### (iii) Financial investments - HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as financial investments - HTM when the Group and the Bank has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, financial investments - HTM are measured at amortised cost using the effective interest method, less impairment. Interest income on financial investments - HTM is recognised in "interest income" in the income statements. Impairment losses on financial investments - HTM are recognised in income statements as "impairment on financial investments - HTM".

Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as financial investments - HTM.

Regular way purchases and sales of financial investments - HTM are recognised on settlement date.

##### (iv) Financial investment - AFS

Financial investments - AFS are financial assets that are designated as available for sale or are not classified in any of the three preceding categories. Financial investments - AFS include financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in market condition.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statements. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in the income statements. Dividends on an AFS equity instrument are recognised in profit or loss when the Group's and the Bank's right to receive payment is established.

If a financial investment - AFS is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is recognised in the income statements.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (i) Financial assets (cont'd.)

##### Fair value determination

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. The fair value of financial instruments traded in active markets are based on quoted market price or dealer price quotation.

For all other financial assets, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models, based on observable data in respect of similar financial instruments and using inputs (such as yield curve) existing at reporting date.

##### Derecognition

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to the income statements.

#### (j) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised at amortised cost. Financial liabilities measured at amortised cost include deposits from customers, debt securities issued and other borrowed fund.

#### (k) Impairment of financial assets

The Group and the Bank assesses at each statements of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### **(k) Impairment of financial assets (cont'd.)**

The impairment policies on the financial assets are summarised as follows:

##### (i) Loans and receivables

###### Classification of impaired loans, advances and financing

The Group and the Bank classifies a loan, advance or financing as impaired when there is objective evidence that the loan is impaired. In addition, the Group and the Bank also complies with Bank Negara Malaysia's Guidelines on Classification and Impairment Provision for Loans/Financing which states that, based on repayment conduct, a loan or financing should be classified as impaired:

- Where the principal or interest/profit or both is past due more than 90 days or 3 months. In the case of revolving facilities (e.g. overdraft facilities), the facility shall be classified as impaired where the outstanding amount remain in excess of the approved limit for a period of more than 90 days or 3 months.

Declassification of an impaired account shall be supported by a credit assessment of the repayment capabilities, cash flow and financial position of the borrower. The Group and the Bank must be satisfied that once the account is de-classified, the account is unlikely to be classified again in the near future.

###### Impairment - individual assessment allowance

The Group and the Bank first assesses individually whether objective evidence of impairment exists individually for loans, advances and financing that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans or receivable reflect the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'interest income'.

###### Impairment - collective assessment allowance

Loans, advances and financing and receivables that have been assessed individually and found not to be impaired are then assessed collectively, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The Group and the Bank segmentises its loans, advances and financing portfolio into either government or commercial projects and its respective status, whether completed or under construction. A discount percentage of between 0% to 20% is assigned to each loan, advances or financing according to its respective segment and status to reflect the risk of the operating cash flows. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans, advances, financing and other receivable.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### **(k) Impairment of financial assets (cont'd.)**

##### (i) Loans and receivables (cont'd.)

###### Impairment - write-off accounts

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

##### (ii) Financial investments - HTM

The Group and the Bank assess at each reporting date whether objective evidence of impairment of financial investments - HTM exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the amortised cost and the present value of the estimated future cash flows, less any impairment previously recognised.

##### (iii) Financial investments - AFS

The Group and the Bank assess at each reporting date whether objective evidence that financials investment classified as AFS is impaired.

In the case of quoted investments, a significant and prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less impairment loss previously recognised) is removed from equity and recognised in the income statements. For unquoted equity investment which are measured at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flow discounted at the current rate of return for a similar financial asset. Impairment losses recognised in the income statements on equity investments are not reversed through the income statements.

For debt instruments, impairment is assessed based on the same criteria as other AFS financial investments. Where impairment losses have been previously recognised in the income statements, if there is a subsequent increase in the fair value of the debt instruments that can be objectively related to a credit event occurring after the impairment loan was recognized in the income statements, the impairment loss is reversed through income statements.

#### **(l) Financial derivatives**

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statements. Derivatives embedded in other financial instruments are accounted for separately as derivatives if the economic characteristics and risks are not closely related to those of the host contracts and the host contracts are carried at fair value through profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (m) Inventories

Inventories consist of lubricants on board for own consumption and are stated at cost in US Dollars and converted to Ringgit Malaysia at a rate that approximates the rate of exchange at reporting date. The cost of lubricants is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

#### (n) Profit equalisation reserve ("PER")

PER is the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors in conformity with BNM's "The Framework of the Rate of Return" (BNM/GP2-i). PER is appropriated from and written back to the total gross income in deriving the net distributable gross income. This amount appropriated is shared by the depositors and the Group. The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of total capital fund.

PER is accounted for as follows:

- (i) The creation of PER establishes an obligation to manage distribution to the Investment Account Holders ("IAH") from a Shariah perspective. The PER of the IAH is classified as a liability and recognised at cost. The subsequent apportionments of profit to the IAH are recognised in the income statements. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH; and
- (ii) The PER of the Islamic banking business operations is allocated from retained profits and classified as a separate reserve in equity and is non-distributable. Subsequent apportionments from and distributions to retained profits are treated as transfer between reserves.

#### (o) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### (p) Employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus if the Group and the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Bank contribution to the Employees Provident Fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (q) Government grants

“Government grants are recognised at their fair value in the statements of financial position where there is a reasonable assurance that the grants will be received and all attaching conditions will be complied with. The Government grants are presented in the statements of financial position as “infrastructure support fund” and “deferred income”.

“Deferred income comprises claims received in relation to interest/profit rate differentials on financing of Government Infrastructure projects. Other claims received are recorded in the “Infrastructure support fund”.

Grants that compensate the Group and the Bank for expenses incurred are recognised as income over the period necessary to match the grants on a systematic basis to the costs that it is intended to compensate.

#### (r) Provisions

Provisions are recognised when the Group and the Bank has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### (s) Contingent liabilities

Contingent liabilities consist of secured guarantees given to third parties on behalf of borrowers. Contingent liabilities are disclosed in the notes to the accounts, unless the possibility of an outflow of resources embodying economic benefits is remote.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (t) Disposal Groups assets held for sale and discontinued operation

Non financial assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-financial assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statements.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (u) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

##### (i) Interest/profit and similar income and expense

For all financial instruments measured at amortised cost, interest/profit bearing financial assets classified as AFS and financial instruments designated at fair value through profit or loss, interest/profit income or expense is recorded using the effective interest/profit rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

For impaired financial assets where the value of the financial asset have been written down as a result of an impairment loss, interest/profit income continues to be recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

##### (ii) Income recognition for leasing, hire purchase financing, confirming and factoring

Income earned on leasing and hire purchase confirming and factoring financing is recognised based on the effective interest/profit method.

##### (iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

##### (iv) Charter hire, demurrage and freight income

Revenue and expenses up to the reporting date are recognised for voyage which remain uncompleted as at the reporting date, the income receivable for the voyage are pro-rated up to the reporting date and all relevant costs are accrued.

#### (v) Income Taxes

##### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in the income statements except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (v) Income Taxes (cont'd.)

##### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### **(v) Income Taxes (cont'd.)**

##### (ii) Deferred tax (cont'd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the income statements is recognised outside the income statements. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **(w) Cash and cash equivalent**

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements maturing less than one month held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

#### **(x) Foreclosed properties**

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

#### **(y) Non current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non current assets are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2013, the Group and the Bank adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other MFRS 3 Business Combinations (IFRS 3 Business Combination issued by IASB in March 2004)	1 July 2012
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127 Separate Financial Statement (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statement (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures by IASB in May 2011	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments fo MFRS 1: First - time adoption Malaysia financial reporting Standard - Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities:Transition Guidance	1 January 2013

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Bank except for those discussed below:

#### **MFRS 12 Disclosures of Interests in Other Entities**

MFRS 12 includes all disclosure requirements for interest in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

#### **MFRS 13 Fair Value Measurement**

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements, MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group and the Bank re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group and the Bank. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 46.

#### **Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income**

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified (“recycled”) to profit or loss at a future point in time (eg. net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group’s and the Bank’s financial position or performance.

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group’s and the Bank’s financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

MFRSs, Amendments to MFRSs and Interpretations	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC interpretation 21: Levies	1 January 2014
Amendments to MFRS 119 : Employee Contribution	1 July 2014
Annual Improvements to FRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to FRSs 2011 - 2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)*	
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)*	
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139*	

\* The effective date of the following standards have been deferred to a date to be announced by the Malaysian Accounting Standard Board (“MASB”).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

#### **Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. It will be necessary to assess the impact to the Group and the Bank by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

The amendments also clarify the application of the MFRS 132 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the Group and the Bank as to where it engages in large numbers of sale and repurchase transactions. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements, etc. As the impact of the adoption depends on the Group's and the Bank's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects. These amendments become effective for annual periods beginning on or after 1 January 2014.

#### **Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities**

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through income statements. It is not expected that this amendment would be relevant to the Group and the Bank, since none of the entities in the Group and the Bank would qualify to be an investment entity under MFRS 10.

#### **Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets**

The amendment clarifies that recoverable amount (determined based on fair value less costs of disposal) is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised. These amendments become effective for annual periods beginning on or after 1 January 2014.

#### **Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group and the Bank has not novated its derivatives during the current period. However, these amendments would be considered for future novations. The effective date of the amendments have been deferred to a date to be announced by MASB.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

#### **MFRS 9 Financial Instruments: Classification and Measurement**

MFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of MFRS 139 and applies to classification and measurement of financial assets and liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9 Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued on 14 December 2014, the effective of the following standards have been deferred to a date to be announced by MASB.

In subsequent phases, the IASB will address impairment and hedge accounting. In addition, IASB has decided that a mandatory date of 1 January 2015 would not allow sufficient time for entities to prepare and apply the new standard because the impairment phase of IFRS 9 has not yet been completed. On 24 July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open pending finalisation of the impairment and classification and measurement requirements. Nevertheless, IFRS 9 would still be available for early application. The Group and the Bank will quantify the effect of the adoption of the first phase of MFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

### 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements involved making certain estimates, assumptions and that affect the accounting policies applied and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

#### **(a) Impairment of financial investments portfolio (Note 5, Note 6 and Note 34)**

The Group and the Bank review the financial investments portfolio of financial investments - AFS and HTM at each reporting date to assess whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the investments are subject to impairment review.

In carrying out the impairment review, the following management's judgment are required:

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of "significant" or "prolonged" requires judgment and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

#### **(b) Fair value estimation of financial investments - AFS**

The fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D.)

#### (c) Impairment losses on loans, advances and financing (Note 7 and Note 33)

The Group and the Bank assesses at the end of each reporting period whether there is objective evidence that a loan is impaired. Loans and advances that are individually significant are assessed individually. Those not individually significant are grouped together based on similar credit risks and assessed as a portfolio.

Under MFRS 139, collective assessment is performed on loans, advances and financing which the Group and the Bank has determined that no objective evidence of impairment exists based on individual assessment. These loans, advances and financing are then assessed collectively, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The Group and the Bank segmentises its loans, advances and financing portfolio into either government or commercial projects and its respective status, whether completed or under construction. A discount percentage of between 0% to 20% is assigned to each loans, advances or financing according to its respective segment and status to reflect the risk of the operating cash flows. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans, advances, financing and other receivable.

#### (d) Impairment of investments in subsidiaries (Note 9), interest in associates (Note 10) and JVs (Note 11)

The Group and the Bank assesses whether there is any indication that an investment in subsidiaries, interest in associates and JVs may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review which comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgments made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries, interest in an associates and JVs are as follows:

- (i) The Group and the Bank determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

#### Sensitivity to changes in assumptions

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D.)

#### **(e) Impairment of vessels (Note 12)**

The Group and the Bank assesses whether there is any indication that the vessels may be impaired at each reporting date. If indicators are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets and the assets value-in-use amount.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from vessels and also to choose a suitable discount rate in order to calculate to present value of those cash flows. The carrying amount of the vessels is disclosed in Note 12.

#### **(f) Classification between investment properties and property, plant and equipment (Note 14)**

The Group and the Bank has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group and the Bank would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

#### **(g) Impairment of goodwill (Note 15)**

The Group tests annually whether the goodwill that has an indefinite life is impaired by measuring the recoverable amount of the goodwill based on the value-in-use method, which requires the use of estimates of future cash flow projections, terminal growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment.

#### **(h) Deferred tax (Note 16) and Income taxes (Note 35)**

Significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 3. CASH AND SHORT TERM DEPOSITS

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and balances with other financial institutions	118,169	42,327	5,422	3,379
Money at call and deposit placements maturing within one month	1,133,766	1,464,531	936,690	1,071,185
	1,251,935	1,506,858	942,112	1,074,564

## 4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,620	-	1,620	-
Other financial institutions	152,596	67,783	150,962	66,722
	154,216	67,783	152,582	66,722

## 5. FINANCIAL INVESTMENTS - AFS

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government securities	-	40,568	-	40,568
Government investment issues	409,344	234,513	409,344	234,513
	409,344	275,081	409,344	275,081
Quoted securities:				
(In Malaysia)				
Shares	333,444	250,938	326,534	246,760
Unit trust funds	401,130	200,763	401,130	200,763
	734,574	451,701	727,664	447,523
Unquoted securities:				
(In Malaysia)				
Shares, at cost	103	49,092	-	-
Loan stock, at cost	727	7,727	727	7,727
Private debt securities	359,408	458,616	359,408	458,616
	360,238	515,435	360,135	466,343
	1,504,156	1,242,217	1,497,143	1,188,947



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 5. FINANCIAL INVESTMENTS - AFS (CONT'D.)

The maturity structure of money market instruments AFS is as follows:

	Group and Bank	
	2013	2012
	RM'000	RM'000
One year to three years	101,477	40,568
Three years to five years	307,867	234,513
	409,344	275,081

## 6. FINANCIAL INVESTMENTS - HTM

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Money market instruments:				
Cagamas	84,167	84,513	84,167	84,513
	84,167	84,513	84,167	84,513
Unquoted securities:				
(In Malaysia)				
Private debt securities	453,298	380,900	453,298	380,900
Loan stock	22	22	-	-
	453,320	380,922	453,298	380,900
Less: Accumulated impairment	(278,285)	(239,155)	(278,285)	(239,155)
	175,035	141,767	175,013	141,745
	259,202	226,280	259,180	226,258

Indicative market values of the financial investments - HTM are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cagamas	84,497	86,222	84,497	86,222
Unquoted private debt securities	173,699	199,313	173,699	199,313

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 6. FINANCIAL INVESTMENTS - HTM (CONT'D.)

### Other disclosures

The maturity structure of money market instruments HTM is as follows:

	Group and Bank	
	2013	2012
	RM'000	RM'000
One year to three years	79,130	79,476
Three years to five years	5,037	5,037
	84,167	84,513

## 7. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing to industries:				
Government Guaranteed	7,622,669	8,594,110	7,622,669	8,594,110
Others	18,732,072	16,715,302	18,668,413	16,635,722
	26,354,741	25,309,412	26,291,082	25,229,832
Allowance for impaired loans, advances and financing:				
Individual assessment allowance	(1,657,488)	(1,652,245)	(1,593,829)	(1,572,665)
Collective assessment allowance	(770,454)	(756,623)	(778,953)	(751,111)
	(2,427,942)	(2,408,868)	(2,372,782)	(2,323,776)
Net loans, advances and financing to industries	23,926,799	22,900,544	23,918,300	22,906,056

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 7. LOANS, ADVANCES AND FINANCING (CONT'D.)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Staff financing	12,921	14,344	12,921	14,342
Loan to subsidiaries	-	-	107,459	121,029
Lease receivables	55,916	70,545	-	-
Block discounting and factoring receivables	71,560	72,383	-	-
Hire purchase receivables	183,232	231,898	-	-
Ijarah receivables	27,893	26,239	-	-
Other loans, advances and financing	351,522	415,409	120,380	135,371
Allowance for impaired loans, advances and financing:				
Individual assessment allowance	(44,488)	(68,725)	-	-
Collective assessment allowance	(21,497)	(12,686)	(12,812)	(4,313)
	(65,985)	(81,411)	(12,812)	(4,313)
Net other loans, advances and financing	285,537	333,998	107,568	131,058
Net loans, advances and financing	24,212,336	23,234,542	24,025,868	23,037,114
Gross loans, advances and financing	26,706,263	25,724,821	26,411,462	25,365,203
Allowance for impaired loans, advances and financing:				
Individual assessment allowance	(1,701,976)	(1,720,970)	(1,593,829)	(1,572,665)
Collective assessment allowance	(791,951)	(769,309)	(791,765)	(755,424)
	(2,493,927)	(2,490,279)	(2,385,594)	(2,328,089)
Net loans, advances and financing	24,212,336	23,234,542	24,025,868	23,037,114



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Loans, advances and financing analysed by type are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	435,019	475,553	408,117	450,636
Bai' 'Inah	78,652	51,366	78,652	51,366
Bai' Murabahah	47,759	36,906	47,579	36,906
Bai' Istisna'	5,106,434	3,694,878	5,116,293	3,694,878
Bridging financing	10,914	11,172	-	-
Hire purchase	183,232	244,165	-	-
Factoring	71,560	72,383	-	-
Ijarah	193,375	44,081	165,500	18,507
Ijarah Muntahia Bitamlik	276,361	283,469	276,361	283,469
Infra support loan	89,327	120,282	89,327	120,282
Leasing	55,607	64,812	-	-
Revolving financing	20,936	23,904	-	-
Revolving working capital	471,421	446,471	471,421	446,471
Tawarruq	25,101	-	25,101	-
Term loan	19,611,318	20,133,281	19,703,684	20,240,590
Working capital	29,247	22,098	29,427	22,098
Gross loans, advances and financing	26,706,263	25,724,821	26,411,462	25,365,203
Allowance for impaired loans, advances and financing:				
Individual assessment allowance	(1,701,976)	(1,720,970)	(1,593,829)	(1,572,665)
Collective assessment allowance	(791,951)	(769,309)	(791,765)	(755,424)
Net loans, advances and financing	24,212,336	23,234,542	24,025,868	23,037,114

(ii) Loans, advances and financing analysed by type of customers are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprises	26,693,342	25,710,477	26,398,541	25,350,861
Individuals	12,921	14,344	12,921	14,342
	26,706,263	25,724,821	26,411,462	25,365,203

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iii) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Housing loans/financing	33,582	39,114	12,921	14,342
Hire purchase receivables	183,232	244,165	-	-
Other fixed rate loans / financing	14,465,215	14,538,865	14,374,307	14,448,184
Variable rate:				
Cost plus	2,713,056	2,305,545	2,713,056	2,305,545
Other variable rates	9,311,178	8,597,132	9,311,178	8,597,132
	26,706,263	25,724,821	26,411,462	25,365,203

(iv) Loans, advances and financing analysed by industry are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting and forestry	6,001	3,765	-	-
Construction	13,318,131	13,063,234	13,278,822	13,025,393
Education	733,620	435,099	733,620	435,099
Electrical and electronics	34	-	34	-
Electricity, gas and water supply	2,490,958	2,427,239	2,490,709	2,427,229
Finance, insurance and business	22,820	25,268	70,532	121,029
Hotel and restaurants	803,118	757,455	803,118	757,455
Housing	20,675	23,476	12,921	14,342
Manufacturing	990,869	970,370	932,231	888,061
Marine related	262,655	90,844	262,655	90,844
Materials technology	126,377	126,330	126,377	126,330
Medical and pharmaceuticals	38,672	39,107	38,672	39,107
Mining and quarrying	2,349	1,151	-	-
Balance carried forward	18,816,279	17,963,338	18,749,691	17,924,889

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) Loans, advances and financing analysed by industry are as follows: (cont'd.)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Balance brought forward	18,816,279	17,963,338	18,749,691	17,924,889
Other community, social and personal service activities	62,633	70,487	32,895	47,801
Production engineering	11	472	11	472
Public administration and defence	56,097	58,379	56,097	58,379
Real estate, renting and business activities	1,059,850	1,091,576	965,936	985,000
Shipping	1,745,580	1,581,765	1,782,507	1,581,765
Shipyards	286,765	279,557	286,765	279,557
Transport, storage and communication	4,679,048	4,679,247	4,537,560	4,487,340
	26,706,263	25,724,821	26,411,462	25,365,203

(v) The maturity structure of the gross loans, advances and financing is as follow:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	5,250,516	4,667,398	5,117,479	4,487,593
One year to three years	5,123,905	4,040,100	4,984,796	3,913,082
Three years to five years	5,684,372	4,807,914	5,675,439	4,719,211
Over five years	10,647,470	12,209,409	10,633,748	12,245,317
	26,706,263	25,724,821	26,411,462	25,365,203

(vi) The loan to a subsidiary are repayable over a period of five years commencing from the date of drawdown and is at interest rate of 5.05% (2012: 5.05%) per annum.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Movements in impaired loans, advances and financing are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	2,831,597	3,086,860	2,622,744	2,846,298
Impaired during the financial year	517,573	738,037	471,606	688,609
Reclassified as non-impaired	(195,668)	(84,670)	(193,157)	(31,734)
Recovered during the financial year	(318,623)	(351,767)	(278,714)	(323,445)
Amount written off	(119,205)	(556,863)	(67,297)	(556,984)
At 31 December	2,715,674	2,831,597	2,555,182	2,622,744
Gross impaired loans as a % of gross loans, advances and financing	10.17%	11.01%	9.67%	10.34%

(viii) Impaired loans, advances and financing analysed by industry are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Construction	400,615	433,915	375,153	407,289
Education	80,418	78,918	80,418	78,918
Electricity, gas and water supply	99,690	145,277	99,690	145,277
Finance, insurance and business	4,345	4,792	-	-
Hotel and restaurants	140,341	307,618	125,609	277,514
Housing	7,754	-	-	-
Manufacturing	787,214	867,808	735,046	786,872
Marine related	101,765	90,844	101,765	90,844
Materials technology	114,979	107,417	114,979	107,417
Medical and pharmaceuticals	38,672	39,107	38,672	39,107
Other community, social and personal service activities	16,357	12,456	-	-
Production engineering	12	12	12	12
Real estate, renting and business activities	352,247	342,182	342,171	327,244
Shipping	516,182	352,013	516,182	352,014
Shipyards	11,259	10,236	11,259	10,236
Transport, storage and communication	43,824	39,002	14,226	-
	2,715,674	2,831,597	2,555,182	2,622,744

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(ix) Movements in the allowance for impaired loans, advances and financing are as follows :

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Individual assessment allowance</b>				
At 1 January	1,720,970	1,848,143	1,572,665	1,686,560
Allowance made during the financial year	230,942	542,633	221,965	528,986
Amount written back in respect of recoveries	(178,159)	(164,797)	(159,711)	(137,750)
Amount transferred from collective assessment allowance	31,169	51,852	31,169	51,852
Amount transferred to collective assessment allowance	(4,998)	-	(4,998)	-
Amount written off	(97,948)	(556,861)	(67,261)	(556,983)
At 31 December	1,701,976	1,720,970	1,593,829	1,572,665
<b>Collective assessment allowance</b>				
At 1 January	769,309	918,020	755,424	904,135
Additional/( net written back)	48,813	(96,859)	62,512	(96,859)
Amount transferred to individual assessment allowance	(31,169)	(51,852)	(31,169)	(51,852)
Amount transferred from individual assessment allowance	4,998	-	4,998	-
At 31 December	791,951	769,309	791,765	755,424

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 8. OTHER ASSETS

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Sundry receivables, deposits and prepayment	(i)	129,315	109,514	21,969	9,773
Less: Allowance for doubtful debts	(ii)	(4,314)	(1,354)	(967)	(1,354)
		125,001	108,160	21,002	8,419
Subsidiaries	(iii)	-	-	43,168	40,402
Less: Allowance for doubtful debts		-	-	(28,089)	-
		-	-	15,079	40,402
Amount receivable from Government in respect of compensation for:					
Foreign exchange differences		37,450	37,538	37,450	37,538
Infrastructure projects		85,361	85,361	85,361	85,361
Tax recoverable		38,729	37,181	29,166	30,212
Pool working funds	(iv)	1,965	2,446	-	-
Inventories		2,144	1,543	-	-
		290,650	272,229	188,058	201,932

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from related parties of Global Maritime Ventures Berhad amounting to RM28,889,000 (2012: RM89,167,000).

(ii) Allowance for doubtful debt

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,354	1,599	1,354	1,599
Provided during the financial year	3,347	-	-	-
Written off	32	176	32	176
Recovered during the financial year	(419)	(421)	(419)	(421)
At 31 December	4,314	1,354	967	1,354



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 8. OTHER ASSETS (CONT'D.)

- (iii) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.
- (iv) Pool working funds represents advances from subsidiaries to the pool operators for operating funds of the vessels in the pool. These advances are interest free, unsecured and are refundable only upon termination of the pool agreement signed between the subsidiaries with the pool operators.

## 9. INVESTMENT IN SUBSIDIARIES

	Bank	
	2013	2012
	RM'000	RM'000
Unquoted shares, at cost	859,799	932,808
Additional capital contribution due to waiver of debt	68,750	68,750
	928,549	1,001,558
Transfer from/(to) subsidiary classified as held for sale	64,887	(64,887)
Less: Impairment losses	(37,757)	(8,122)
	955,679	928,549

### A. ACQUISITION OF SYARIKAT BORCOS SHIPPING SDN BHD

On 31 January 2013, the Bank, via its subsidiary, Global Maritime Ventures Berhad ("GMVB") further acquired 2,925,000 units of ordinary shares and 25,000,000 units of irredeemable convertible preference shares, representing the remaining 65% equity interest in Syarikat Borcos Shipping Sdn Bhd ("Borcos") (2012: 35% owned associate), for a total cash consideration of RM240,450,000. Borcos is incorporated in Malaysia and is principally engaged in investment holding, whilst the principal activities of the subsidiaries are stated in Note 44.

Borcos contributed revenue of approximately RM140,685,000 and loss after taxation of approximately RM71,452,000 to the Group for the period from the date of acquisition to 31 December 2013. Had the acquisition taken effect at the beginning of the financial year, the revenue and loss after taxation contributed to the Group would have been RM153,475,000 and RM77,949,000 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

### A. ACQUISITION OF SYARIKAT BORCOS SHIPPING SDN BHD (CONT'D.)

Details of net assets acquired, goodwill and intangible assets acquisition are as follows:

Group	Note	2013 Fair value recognised on acquisition  RM'000
<b>Assets</b>		
Property, plant and equipment		724,553
Deferred tax assets		20,477
Intangible assets	15	52,040
Cash and cash equivalents		84,147
Trade and other receivables		52,545
Inventories		988
		934,750
<b>Liabilities</b>		
Borrowings		(568,207)
Trade and other payables		(26,287)
Provision for taxation		(60)
		(594,554)
Total identifiable net assets at fair value		340,196
Deconsolidation of an associate		(29,865)
Goodwill arising on acquisition	15	76,664
Purchase consideration transferred		386,995

### B. ACQUISITION OF ORKIM SDN BHD

On 29 March 2013, the Bank, via its subsidiary, GMVB further acquired 19,186,286 units of ordinary shares, representing 51% equity interest in Orkim Sdn Bhd ("Orkim") (2012: 40% owned associate), for a total cash consideration of RM110,000,000. Orkim is incorporated in Malaysia and is principally engaged in investment holding, whilst the principal activities of the subsidiaries are stated in Note 44.

Orkim contributed revenue of approximately RM102,294,000 and profit after taxation of approximately RM33,941,000 to the Group for the period from the date of acquisition to 31 December 2013. Had the acquisition date taken effect at the beginning of the financial year, the revenue and profit after taxation contributed to the Group would have been RM136,392,000 and RM45,254,000 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

### B. ACQUISITION OF ORKIM SDN BHD (CONT'D.)

The initial accounting for Orkim's combination in the consolidated financial statements of the Group involves identifying and determining the fair value to be assigned to Orkim's identifiable assets and liabilities and the cost of the combination. As at 31 December 2013, the fair value of Orkim's identifiable assets and liabilities can only be determined provisionally pending the completion of purchase price allocation ("PPA") on Orkim's identifiable assets, liabilities and contingent liabilities. The Orkim's business combination has been accounted for using these provisional values. The Group shall recognise any adjustments to these provisional values upon the completion of the PPA exercise within 12 months from the acquisition date.

Details of net assets acquired and provisional intangible assets arising from the acquisition are as follows:

Group	Note	2013 Fair value recognised on acquisition  RM'000
<b>Assets</b>		
Property, plant and equipment		194,182
Investment in Associates		27,128
Goodwill	15	518
Cash and cash equivalents		21,701
Trade and other receivables		63,901
		307,430
<b>Liabilities</b>		
Borrowings		(190,411)
Trade and other payables		(11,718)
Provision for taxation		(997)
		(203,126)
Total identifiable net assets at fair value		104,304
<b>Non-controlling interest measured at fair value</b>		
Deconsolidation of an associate		(6,244)
Provisional intangible assets	15	77,182
Purchase consideration transferred		215,000

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

C. SUMMARISED FINANCIAL INFORMATION OF GMVB THAT IS MATERIAL TO THE GROUP IS SET OUT BELOW OF WHICH GMVB GROUP HAS A NON-CONTROLLING INTERESTS. THE SUMMARISED FINANCIAL INFORMATION PRESENTED BELOW IS THE AMOUNT BEFORE INTER-COMPANY ELIMINATION.

(i) Summarised statements of financial position

	GMVB	
	2013	2012
	RM'000	RM'000
Non current assets	1,410,548	571,242
Current assets	291,773	475,366
Asset held for sale	2,619	100,915
<b>Total assets</b>	<b>1,704,940</b>	<b>1,147,523</b>
Non current liabilities	640,683	-
Current liabilities	255,156	212,513
<b>Total liabilities</b>	<b>895,839</b>	<b>212,513</b>
<b>Net current assets</b>	<b>36,617</b>	<b>262,853</b>
<b>Equity attributable to the owners of the Company</b>	<b>810,035</b>	<b>927,072</b>
<b>Non-controlling interests</b>	<b>18,148</b>	<b>7,938</b>

(ii) Summarised statements of comprehensive income

	GMVB	
	2013	2012
	RM'000	RM'000
Revenue	313,339	66,926
Loss for the financial year, representing total comprehensive loss for the financial year	(119,061)	(189,436)
<b>Total comprehensive loss attributable to the owners of the Company</b>	<b>(170,109)</b>	<b>(121,138)</b>
<b>Total comprehensive income/(loss) attributable to the non-controlling interests</b>	<b>6,737</b>	<b>(61,169)</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

- C. SUMMARISED FINANCIAL INFORMATION OF GMVB THAT IS MATERIAL TO THE GROUP IS SET OUT BELOW OF WHICH GMVB GROUP HAS A NON-CONTROLLING INTERESTS. THE SUMMARISED FINANCIAL INFORMATION PRESENTED BELOW IS THE AMOUNT BEFORE INTER-COMPANY ELIMINATION. (CONT'D.)

(iii) Summarised statements of cash flows

	GMVB	
	2013	2012
	RM'000	RM'000
Net cash (used in)/generated from operating activities	(48,607)	57,038
Net cash generated from / (used in) investing activities	6,088	(109,855)
Net cash used in financing activities	(78,007)	(78,007)
Net decrease in cash and cash equivalents	(120,526)	(130,824)
Effects of foreign exchange rate changes	-	3,878
Cash and cash equivalents at beginning of the financial year	372,181	499,127
Cash and cash equivalents at the end of the financial year	251,655	372,181

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 10. INTEREST IN ASSOCIATES

	Group	
	2013	2012
	RM'000	RM'000
At cost:		
Unquoted ordinary shares	326,055	326,055
Group's share of retained post acquisition reserve	(23,818)	22,198
Reclassified from/(to) asset of subsidiary held for sale	74,495	(74,495)
Reclassified to subsidiaries	(302,237)	-
	74,495	273,758
Unquoted redeemable preference shares	5,627	6,527
Reclassified to asset of subsidiary held for sale	-	(900)
Reclassified to subsidiaries	(5,627)	-
	-	5,627
Less: Accumulated impairment losses		
At 1 January	(5,642)	(65,649)
Made during the financial year	(8,846)	-
Reclassified (from)/to asset of subsidiary held for sale	(60,007)	60,007
At 31 December	(74,495)	(5,642)
	-	273,743

	Bank	
	2013	2012
	RM'000	RM'000
At cost:		
Unquoted ordinary shares	-	15
Unquoted redeemable preference shares	-	5,627
	-	5,642
Less:		
Accumulated impairment losses	-	(5,642)
	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 10. INTEREST IN ASSOCIATES (CONT'D.)

(i) Details of the associates are as follows:

Name of Associates (incorporated in Malaysia)	Effective interest held by the Bank		Principal Activities
	2013 %	2012 %	
<b>Held by the Bank:</b>			
Ekuiti Teroka (Malaysia) Sdn Bhd <sup>1</sup>	-	28.6	Venture capital company
<b>Held through GMVB, a subsidiary:</b>			
Syarikat Borcos Shipping Sdn Bhd <sup>2</sup>	-	31.5	Ship-owning
Orkim Sdn Bhd <sup>3</sup>	-	40.0	Ship-owning
<b>Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary:</b>			
Abedeem Hotel Management Sdn Bhd *	26.0	26.0	Hotel management
Agrotech Farm & Industries Sdn Bhd *	26.0	26.0	Supply of agriculture products
Alpha Interocean Sdn Bhd *	26.0	26.0	Trading of consumable goods
Ambang Wibawa (M) Sdn Bhd *	26.0	26.0	Food supplies and catering services
Arahe Solution Sdn Bhd *	26.0	26.0	Provider of web acceleration system and Rich Internet application solutions
Cantuman Wawasan Sdn Bhd *	26.0	26.0	Information computer network services
Delphax Sdn Bhd *	22.0	22.0	Trading of medical products
Enviro Green Biotech Sdn Bhd *	26.0	26.0	Supply of agricultural product agricultural product
IIFIN Planners Sdn Bhd *	26.0	26.0	Financial and advisory consultancy services
Internexia Sdn Bhd *	26.0	26.0	Provision of multimedia services
MS Time Ventures Sdn Bhd *	26.0	26.0	Provision of heavy machinery rental services
Nano C Sdn Bhd *	26.0	26.0	Research and development
Nature's Own Brand Sdn Bhd *	26.0	26.0	Trading of food products
NCM Global Sdn Bhd *	26.0	26.0	Engineering services

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 10. INTEREST IN ASSOCIATES (CONT'D.)

(i) Details of the associates are as follows: (cont'd.)

Name of Associates (incorporated in Malaysia)	Effective interest held by the Bank		Principal Activities
	2013 %	2012 %	
Orea Technologies Sdn Bhd *	26.0	26.0	Development of information technology security
Paximej (M) Sdn Bhd *	26.0	26.0	Event management
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary:			
Sal's Food Industries Sdn Bhd *	26.0	26.0	Manufacturing of food and beverage products
Schiffs & Industries Technic Sdn Bhd *	26.0	26.0	Manufacturing of fuel treatment system for marine
Serene Quest Marine Sdn Bhd *	26.0	26.0	Oil and gas services industries
Profound Vaccine Sdn Bhd *	49.0	49.0	Research and development in vaccination
Sutrasegi Sdn Bhd *	26.0	26.0	Manufacturing of foam rubber product
Swift Application Sdn Bhd *	26.0	26.0	ICT-Product and services
Wellad Communications Sdn Bhd *	26.0	26.0	Advertising agents and creative designer

\* Audited by firms of auditors other than Ernst & Young, Malaysia.

<sup>1</sup> During the financial year, Ekuiti Teroka (Malaysia) Sdn Bhd has completed the voluntary winding up.

<sup>2</sup> During the financial year, the Group, via its indirect subsidiary, GMV Borcos Sdn Bhd further acquired 65% equity interest in Syarikat Borcos Shipping Sdn Bhd for a total cash consideration of RM240,450,000. As a result, the company became a wholly owned subsidiary of the Group. Details are disclosed in Note 9(A).

<sup>3</sup> During the financial year, the Group, via its indirect subsidiary, GMV-Orkim Sdn Bhd further acquired 51% equity interest in Orkim Sdn Bhd for a total cash consideration of RM110,000,000. As a result, the company became a 91% owned subsidiary of the Group. Details are disclosed in Note 9(B).



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 10. INTEREST IN ASSOCIATES (CONT'D.)

- (i) Details of the associates are as follows: (cont'd.)

The summarised financial statements of the associates not adjusted for the proportion of ownership interest held by the Group are as follows:

	Group	
	2013	2012
	RM'000	RM'000
<b>Assets and liabilities</b>		
Total assets	-	1,200,650
Total liabilities	-	816,390
<b>Results:</b>		
Revenue	-	232,735
Profit for the financial year	-	45,483

## 11. INTEREST IN JVs

	Group	
	2013	2012
	RM'000	RM'000
<b>At cost:</b>		
Unquoted ordinary shares	61,107	127,224
Group's share of retained post acquisition reserve	(1,879)	60,253
Less: Accumulated impairment losses	(20,071)	(8,516)
	39,157	178,961
<b>Advances to JVs:</b>		
within 1 year	3,992	3,077
1 year to 2 years	3,992	3,077
2 years to 5 years	11,975	9,230
more than 5 years	19,959	19,077
Less: Allowance for doubtful debts	-	(3,695)
	39,918	30,766
	79,075	209,727

The advances to JVs bear an interest of 2.4% to 7.0% (2012: 2.4% to 7.0%) per annum and repayable on a quarterly basis over a period of 10 years.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 11. INTEREST IN JVs (CONT'D.)

(i) Details of the JVs are as follows:

Name of JVs (incorporated in Malaysia)	Effective interest held by the Bank		Principal Activities
	2013 %	2012 %	
<i>Held through a subsidiary:</i>			
Wawasan Bulk Services Sdn Bhd <sup>1</sup>	27.00	27.00	Ship management
Alam Eksplorasi (M) Sdn Bhd	36.00	36.00	Ship-owning, ship operator, ship agency, chartering and other related to shipping industry
Alam Synergy I (L) Inc	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy II (L) Inc	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy III (L) Inc	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Baycorp Ship Management Sdn Bhd <sup>1</sup>	36.00	36.00	Ship management
Gagasan Sembilan Sdn Bhd*	36.00	36.00	Ship-owning
Gagasan Ked Sdn Bhd <sup>1</sup>	54.00	54.00	Ship-owning
Gagasan Paha Sdn Bhd <sup>1</sup>	54.00	54.00	Ship-owning
Formasi Cekal Sdn Bhd <sup>1</sup>	36.00	36.00	Ship-owning, ship operator and to undertake all kinds of contract to carry merchant goods
Orkim Leader Sdn Bhd <sup>1</sup>	-	36.00	Ship-owning and freighting
Orkim Power Sdn Bhd <sup>1</sup>	-	36.00	Ship-owning and freighting
Orkim Merit Sdn Bhd <sup>1</sup>	-	36.00	Ship-owning and freighting
Orkim Express Sdn Bhd <sup>1</sup>	-	36.00	Ship-owning and freighting
Orkim Challenger Sdn Bhd <sup>1</sup>	-	36.00	Ship-owning and freighting
Orkim Discovery Sdn Bhd <sup>1</sup>	-	36.00	Ship-owning and freighting
Orkim Reliance Sdn Bhd <sup>1</sup>	-	54.00	Ship-owning and freighting
JM Global 1 (Labuan) Plc <sup>2</sup>	-	44.10	Ship-owning and freighting
JM Global 2 (Labuan) Plc <sup>2</sup>	-	44.10	Ship-owning and freighting
JM Global 3 (Labuan) Plc <sup>2</sup>	-	44.10	Ship-owning and freighting
JM Global 4 (Labuan) Plc <sup>2</sup>	-	44.10	Ship-owning and freighting
Global BMesra Sdn Bhd <sup>1</sup>	44.10	44.10	Ship-owning and freighting
Global BMesra Dua Sdn Bhd <sup>1</sup>	44.10	44.10	Ship-owning and freighting
Global Bikhlas Sdn Bhd <sup>1</sup>	44.10	44.10	Ship-owning and freighting
Sea Weasel Limited <sup>1</sup>	44.10	44.10	Ship-owning and freighting
Rimbun Astana Sdn Bhd <sup>3</sup>	-	36.00	Ship-owning and freighting

\* In the process of winding up.

<sup>1</sup> Audited by firms of auditors other than Ernst & Young, Malaysia.

<sup>2</sup> A subsidiary of GMVB, GMV Jasa Sdn Bhd disposed of its existing 49% equity interest in the followings JVs.

<sup>3</sup> Entered into receivership on 3 July 2012.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 11. INTEREST IN JVs (CONT'D.)

During the financial year, GMVB Group has disposed of the following:

- (i) via its subsidiary, GMV-Orkim Sdn Bhd has completed the disposal of its existing 60% equity interest in Orkim Discovery Sdn Bhd, Orkim Challenger Sdn Bhd, Orkim Reliance Sdn Bhd and 40% of equity interest in Orkim Leader Sdn Bhd, Orkim Merit Sdn Bhd and Orkim Express Sdn Bhd for a total cash consideration of RM52,156,000 to Orkim Sdn Bhd: and
- (ii) via its subsidiary, GMV-Jasa Sdn Bhd has completed the disposal of its existing 49% equity interest in JM Global 1 (Labuan) Plc, JM Global 2 (Labuan) Plc, JM Global 3 (Labuan) Plc and JM Global 4 (Labuan) Plc for a total consideration of RM35,910,000 to Jasa Merin (Malaysia) Sdn Bhd.

As at 31 December 2013, a loss on disposal in JVs of RM10.38 million has been recognised in the financial statements.

The Group's aggregate share of current assets, non-current assets, current liabilities and results of the JVs are as follows:

	2013	2012
	RM'000	RM'000
<b>Assets:</b>		
Non current assets	395,460	1,267,605
Current assets	168,280	299,754
<b>Total assets</b>	<b>563,740</b>	<b>1,567,359</b>
<b>Liabilities:</b>		
Non current liabilities	270,688	889,846
Current liabilities	194,456	286,258
<b>Total liabilities</b>	<b>465,144</b>	<b>1,176,104</b>
<b>Results:</b>		
Revenue	123,453	336,808
(Loss)/profit net of taxation	(94,644)	40,642
Other comprehensive income / (loss)	309	(48)
<b>Total comprehensive (loss) / income</b>	<b>(94,335)</b>	<b>40,594</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 12. PROPERTY, PLANT AND EQUIPMENT

Group 2013	Freehold land RM'000	Leasehold land and Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry- docking expenses RM'000	Total RM'000
<b>Cost</b>									
At 1 January	19,740	81,837	35,278	2,005	38,774	40,280	5,654	-	223,568
Additions	-	-	937	202	-	49,657	23,215	16,433	90,444
Acquisition of subsidiaries	-	2,998	4,142	2,862	-	1,250,079	37,661	4,752	1,302,494
Disposals/write-off	(550)	(3,355)	(1,274)	(1,601)	-	(1,768)	(26)	-	(8,574)
Transfer from assets of a subsidiary previously held for sale	-	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-	(4,669)	-	-	(4,669)
Transfer to intangible assets	-	-	(963)	-	-	-	(5,518)	-	(6,481)
Effect of movements in exchange rates	-	-	-	-	-	54,797	123	-	54,920
Reclassification	-	-	-	-	-	38,913	(38,913)	-	-
At 31 December	19,190	81,480	38,120	3,468	38,774	1,427,289	22,196	21,185	1,651,702



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group 2013 (cont'd.)	Freehold land RM'000	Leasehold land and Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry- docking expenses RM'000	Total RM'000
<b>Accumulated depreciation</b>									
At 1 January	-	8,290	28,587	1,021	25,826	671	-	-	64,395
Charge for the financial year	-	1,730	2,681	443	5,816	61,522	-	5,737	77,929
Acquisition of subsidiaries	-	626	2,521	2,518	-	204,313	-	392	210,370
Disposals/write-off	-	(1,398)	(1,240)	(1,516)	-	(1,634)	-	-	(5,788)
Transfer from assets of a subsidiary previously held for sale	-	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-	(2,050)	-	-	(2,050)
Effect of movements in exchange rates	-	-	-	-	-	6,806	-	-	6,806
At 31 December	-	9,248	32,549	2,466	31,642	269,628	-	6,129	351,662
<b>Accumulated impairment losses</b>									
At 1 January	-	-	-	-	-	-	-	-	-
Charge for the financial year	-	-	-	-	-	46,535	-	-	46,535
At 31 December	-	-	-	-	-	46,535	-	-	46,535
<b>Net carrying amount</b>	19,190	72,232	5,571	1,002	7,132	1,111,126	22,196	15,056	1,253,505

### 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group 2012	Freehold land RM'000	Leasehold land and Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry- docking expenses RM'000	Total RM'000
<b>Cost</b>									
At 1 January	19,909	87,725	50,362	2,794	37,395	690,977	7,437	49,222	945,821
Additions	-	-	1,158	-	218	2,317	3,264	13,941	20,898
Acquisition of subsidiaries	-	-	-	-	-	40,280	-	-	40,280
Disposals/write-off	(169)	(5,888)	(14,899)	(789)	-	(113,629)	(5,047)	(17,385)	(157,806)
Transfer to assets of a subsidiary held for sale	-	-	(182)	-	-	-	-	-	(182)
Transfer to assets held for sale	-	-	-	-	-	(554,020)	-	(36,864)	(590,884)
Effect of movements in exchange rates	-	-	-	-	-	(25,645)	-	(8,914)	(34,559)
Reclassification	-	-	(1,161)	-	1,161	-	-	-	-
At 31 December	19,740	81,837	35,278	2,005	38,774	40,280	5,654	-	223,568

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group 2012 (Cont'd.)	Freehold land RM'000	Leasehold land and Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry- docking expenses RM'000	Total RM'000
<b>Accumulated depreciation</b>									
At 1 January	-	12,408	41,612	1,418	20,045	347,469	-	27,187	450,139
Charge for the financial year	-	1,649	2,305	342	5,781	24,029	-	12,820	46,926
Disposals/write-off	-	(5,767)	(15,177)	(739)	-	(67,504)	-	(16,450)	(105,637)
Transfer to assets of a subsidiary held for sale	-	-	(153)	-	-	-	-	-	(153)
Transfer to assets held for sale	-	-	-	-	-	(289,518)	-	(21,542)	(311,060)
Effect of movements in exchange rates	-	-	-	-	-	(13,805)	-	(2,015)	(15,820)
At 31 December	-	8,290	28,587	1,021	25,826	671	-	-	64,395
<b>Accumulated impairment losses</b>									
At 1 January	-	-	-	-	-	9,699	-	-	9,699
Charge for the financial year	-	-	-	-	-	151,416	-	-	151,416
Transfer to assets held for sale	-	-	-	-	-	(160,370)	-	-	(160,370)
Effect of movements in exchange rates	-	-	-	-	-	(745)	-	-	(745)
At 31 December	-	-	-	-	-	-	-	-	-
<b>Net carrying amount</b>	19,740	73,547	6,691	984	12,948	39,609	5,654	-	159,173

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank 2013	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Mechanical and electricals RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
<b>Cost</b>							
At 1 January	19,740	81,537	28,985	38,774	1,339	5,654	176,029
Additions	-	-	597	-	-	3,136	3,733
Disposals/write off	(550)	(3,355)	(3)	-	(4)	-	(3,912)
Reclassification	-	-	-	-	-	-	-
Transfer to intangible asset	-	-	(963)	-	-	(5,518)	(6,481)
At 31 December	19,190	78,182	28,616	38,774	1,335	3,272	169,369
<b>Accumulated depreciation</b>							
At 1 January	-	8,266	23,677	25,826	632	-	58,401
Charge for the financial year	-	1,628	1,402	5,816	245	-	9,091
Disposals / write off	-	(1,398)	(3)	-	(4)	-	(1,405)
At 31 December	-	8,496	25,076	31,642	873	-	66,087
Net carrying amount	19,190	69,686	3,540	7,132	462	3,272	103,282



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank 2012	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Mechanical and electricals RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
<b>Cost</b>							
At 1 January	19,740	82,121	29,650	37,395	1,831	2,390	173,127
Additions	-	-	525	218	-	3,264	4,007
Disposals/write off	-	(584)	(29)	-	(492)	-	(1,105)
Reclassification	-	-	(1,161)	1,161	-	-	-
At 31 December	19,740	81,537	28,985	38,774	1,339	5,654	176,029
<b>Accumulated depreciation</b>							
At 1 January	-	6,796	21,852	20,046	879	-	49,573
Charge for the financial year	-	1,647	1,837	5,780	245	-	9,509
Disposals/write off	-	(177)	(12)	-	(492)	-	(681)
At 31 December	-	8,266	23,677	25,826	632	-	58,401
Net carrying amount	19,740	73,271	5,308	12,948	707	5,654	117,628

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 13. PREPAID LAND LEASE

	Group and Bank	
	2013	2012
	RM'000	RM'000
<b>Cost</b>		
At 1 January	3,147	4,509
Disposals	(285)	(1,362)
At 31 December	2,862	3,147
<b>Depreciation</b>		
At 1 January	1,118	1,459
Charge for the financial year	61	72
Disposals	(112)	(413)
At 31 December	1,067	1,118
<b>Carrying amount</b>	<b>1,795</b>	<b>2,029</b>

## 14. INVESTMENT PROPERTIES

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>				
At 1 January	15,144	24,750	5,221	10,538
Disposals	(7,553)	(7,960)	(3,221)	(5,317)
Transfer to assets held for sale	-	(1,646)	-	-
At 31 December	7,591	15,144	2,000	5,221
<b>Depreciation and impairment loss</b>				
At 1 January	5,424	7,728	1,760	2,625
Charge for the financial year	197	384	55	165
Adjustment for the financial year	(71)	-	(71)	-
Disposals	(1,662)	(2,118)	(516)	(1,030)
Transfer to assets held for sale	-	(570)	-	-
At 31 December	3,888	5,424	1,228	1,760

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 14. INVESTMENT PROPERTIES (CONT'D.)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Accumulated impairment losses</b>				
At 1 January	-	-	-	-
Charge for the financial year	(689)	-	-	-
At 31 December	(689)	-	-	-
<b>Carrying amount</b>	<b>4,392</b>	<b>9,720</b>	<b>772</b>	<b>3,461</b>
Included in the above are:				
Freehold land	-	630	-	92
Buildings	4,392	9,090	772	3,369
	4,392	9,720	772	3,461

- (i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank are RM7,295,000 (2012: RM16,517,000) and RM3,830,000 (2012: RM7,174,000) respectively based on comparison with indicative market value stated in the Property Market Report 2012 (2012: Property Market Report 2011).

## 15. INTANGIBLE ASSETS

Group 2013	Computer software	Contract based related intangibles	Provisional amount	Goodwill	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>					
At 1 January	17,246	-	-	-	17,246
Acquisition of subsidiaries	-	52,040	135,019	77,182	264,241
Additions	1,446	-	-	-	1,446
Transfer from property, plant and equipment	6,481	-	-	-	6,481
Disposal	(18)	-	-	-	(18)
At 31 December	25,155	52,040	135,019	77,182	289,396

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 15. INTANGIBLE ASSETS (CONT'D.)

Group 2013 (cont'd.)	Computer software	Contract based related intangibles	Provisional amount	Goodwill	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amortisation</b>					
At 1 January	8,484	-	-	-	8,484
Amortisation charged	3,906	-	-	-	3,906
Disposal	(18)	-	-	-	(18)
Transfer from property, plant and equipment	-	-	-	-	-
At 31 December	12,372	-	-	-	12,372
<b>Accumulated impairment losses</b>					
At 1 January	-	-	-	-	-
Charge for the financial year	-	-	-	76,664	76,664
At 31 December	-	-	-	76,664	76,664
<b>Carrying amount</b>	<b>12,783</b>	<b>52,040</b>	<b>135,019</b>	<b>518</b>	<b>200,360</b>
<b>2012</b>					
<b>Cost</b>					
At 1 January	11,046	-	-	-	11,046
Additions	6,200	-	-	-	6,200
At 31 December	17,246	-	-	-	17,246
<b>Amortisation</b>					
At 1 January	6,815	-	-	-	6,815
Amortisation charged	1,669	-	-	-	1,669
At 31 December	8,484	-	-	-	8,484
<b>Carrying amount</b>	<b>8,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,762</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 15. INTANGIBLE ASSETS (CONT'D.)

	Bank	
	2013	2012
	Computer Software RM'000	Computer Software RM'000
<b>Cost</b>		
At 1 January	13,534	9,296
Additions	1,446	4,238
Transfer from property, plant and equipment	6,481	-
At 31 December	21,461	13,534
<b>Amortisation</b>		
At 1 January	6,870	5,758
Amortisation charged	3,058	1,112
At 31 December	9,928	6,870
<b>Carrying amount</b>	11,533	6,664

### Contract based related intangibles

Contract based related intangibles relate to the customer contracts that were acquired in business combinations. The intangibles are amortised on a straight line basis over a period of 5 years.

### Provisional amount

The purchase price allocation ("PPA") exercise on the acquisition of Orkim Sdn Bhd is still being carried out by the Group. The intangible assets above represents a provisional amount pending the completion of the PPA exercise.

In accordance with Paragraph 45 of MFRS 3, Business Combination, the Group has a grace period of twelve months from the acquisition date to complete the PPA exercise. Management will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

### Goodwill

The goodwill recognised during the financial year is from the acquisition of subsidiaries, as disclosed in Note 9.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 15. INTANGIBLE ASSETS (CONT'D.)

### Goodwill (cont'd.)

#### (a) Impairment testing of goodwill

Goodwill arising from business combinations has been allocated to two individual cash generating units ("CGU"), which are the business operations, for impairment testing as follows:

- Syarikat Borcos Shipping Sdn Bhd ("Borcos")
- Orkim Sdn Bhd ("Orkim")

The carrying amounts of goodwill allocated to each CGU are as follows:

	Borcos	Orkim	Total
	RM'000	RM'000	RM'000
Goodwill	76,664	518	77,182

### Borcos

The recoverable amount of the Borcos was RM730,329,000 as at 31 December 2013, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a fifteen-year period. The pre-tax discount rate applied to cash flow projections is 10% and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate. As a result of this analysis, management has recognised an impairment charge of RM76,664,000 against goodwill with a carrying amount of RM806,993,000 as at 31 December 2013. The impairment charge is recorded within income statements.

### Orkim

The annual impairment test of goodwill was based on its recoverable amount. The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management. The cash flow projections are based on best estimates assumptions derived from CGU's experience. There is no impairment of goodwill at the end of the reporting as all the recoverable amount of the CGU was in excess of the carrying amounts.

#### (b) Key assumptions used in value in use calculation

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

*Growth rate* - The forecast growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

*Budgeted gross margins* - Gross margins are based on budgeted margins expected to be achieved in the next fifteen-years.

*Market share assumptions* - These assumptions are important because, as well as using industry data for growth rates (as noted above), management assesses how the CGU's position, relative to its competitors, might change over the budget period.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 15. INTANGIBLE ASSETS (CONT'D.)

### Goodwill (cont'd.)

(b) Key assumptions used in value in use calculation (cont'd.)

Discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into considerations the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

## 16. DEFERRED TAX ASSETS / (LIABILITIES)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	75,143	70,159	87,957	78,844
Recognised in income statement	(94,243)	(6,314)	(84,553)	(2,185)
Recognised in equity	(31,287)	11,298	(30,525)	11,298
Acquisition of subsidiaries	26,942	-	-	-
At 31 December	(23,445)	75,143	(27,121)	87,957
Presented after appropriate offsetting as follows:				
Deferred tax assets	15,857	87,957	-	87,957
Deferred tax liabilities	(39,302)	(12,814)	(27,121)	-
	(23,445)	75,143	(27,121)	87,957

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets	Group			
	Loan loss and allowances	Property, plant and equipment	Other temporary differences	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	110,173	-	259	110,432
Recognised in income statements	(110,173)	65	(11,246)	(121,354)
Recognised in equity	-	-	-	-
Acquisition of subsidiaries	-	(916)	27,884	26,968
At 31 December 2013	-	(851)	16,897	16,046
At 1 January 2012	121,393	-	365	121,758
Recognised in income statements	(11,220)	-	(106)	(11,326)
Recognised in equity	-	-	-	-
At 31 December 2012	110,173	-	259	110,432

Deferred tax liabilities	Group			
	Unrealised holding reserve	Property, plant and equipment	Other temporary differences	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	20,008	14,778	503	35,289
Recognised in income statements	-	3,124	(30,235)	(27,111)
Recognised in equity	30,525	-	762	31,287
Acquisition of subsidiaries	-	26	-	26
At 31 December 2013	50,533	17,928	(28,970)	39,491
At 1 January 2012	39,612	11,484	1,433	52,529
Recognised in income statements	(8,306)	3,294	-	(5,012)
Recognised in equity	(11,298)	-	(930)	(12,228)
At 31 December 2012	20,008	14,778	503	35,289



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 16 DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax assets	Bank			Total RM'000
	Loan loss and allowances	Other temporary differences		
	RM'000	RM'000		
At 1 January 2013	110,173	259		110,432
Recognised in income statements	(110,173)	(70)		(110,243)
Recognised in equity	-	-		-
At 31 December 2013	-	189		189
At 1 January 2012	121,393	365		121,758
Recognised in income statements	(11,220)	(106)		(11,326)
Recognised in equity	-	-		-
At 31 December 2012	110,173	259		110,432

Deferred tax liabilities	Bank			Total RM'000
	Unrealised holding reserve	Property, plant and equipment	Other temporary differences	
	RM'000	RM'000	RM'000	
At 1 January 2013	20,008	2,467	-	22,475
Recognised in income statements	-	4,481	(30,171)	(25,690)
Recognised in equity	30,525	-	-	30,525
At 31 December 2013	50,533	6,948	(30,171)	27,310
At 1 January 2012	39,612	3,302	-	42,914
Recognised in income statements	(8,306)	( 835)	-	(9,141)
Recognised in equity	(11,298)	-	-	(11,298)
At 31 December 2012	20,008	2,467	-	22,475

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 16 DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

	Group	
	2013	2012
	RM'000	RM'000
Unutilised tax losses	56,135	16,139
Unabsorbed capital allowances	27,025	13,388
	83,160	29,527

The unutilised tax losses and unabsorbed capital allowances of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## 17 DEPOSITS FROM CUSTOMERS

	Group	
	2013	2012
	RM'000	RM'000
<b>Fixed deposits and negotiable instruments of deposits:</b>		
One year or less	7,115,241	5,414,142
(a) The deposits are sourced from the following types of deposit:		
Non-Mudharabah: Others	6,833,844	4,788,678
Mudharabah: General investment deposit	281,397	625,464
	7,115,241	5,414,142
(b) The deposits are sourced from the following types of customers:		
Business enterprises	2,974,541	1,435,347
Government and statutory bodies	4,140,700	3,978,795
	7,115,241	5,414,142
(c) The deposits maturity structure are as follows:		
Less than six months	5,977,953	4,847,411
Six months to one year	1,137,288	566,731
	7,115,241	5,414,142

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 18 DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group	
	2013	2012
	RM'000	RM'000
<i>At amortised cost</i>		
Licensed banks	140,260	30,073
Licensed Islamic banks	170,862	30,070
Licensed investment banks	-	80,156
Other financial institutions	-	13,257
	311,122	153,556

## 19 OTHER LIABILITIES

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Amounts due to related companies	(i)	4,522	47,273	-	-
Provision for taxation		4,225	2,866	-	-
Zakat payables		6,821	3,070	6,821	3,070
Trade creditors		3,741	9,141	2,016	7,061
Sundry creditors and accruals		165,175	120,854	29,010	23,740
PER	(ii)	2,030	2,030	2,030	2,030
		186,514	185,234	39,877	35,901

(i) Related companies refer to companies within the group owned by non-controlling interest of Wawasan Group, a subsidiary of GMVB. The amounts due to related companies are unsecured, non-interest bearing and are repayable on demand.

(ii) Movement in PER

	Group and Bank	
	2013	2012
	RM'000	RM'000
At 1 January	2,030	2,188
Provided during the financial year	-	3,379
Transfer to reserve	-	(3,537)
At 31 December	2,030	2,030

Total PER at 31 December 2013 is RM6,999,999 (2012: RM6,999,999) of which the shareholders' portion of RM4,970,421 (2012: RM4,970,421) is classified as a separate reserve in equity.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 20 REDEEMABLE NOTES

	Note	Group and Bank	
		2013	2012
		RM'000	RM'000
<b>Redeemable non guaranteed notes</b>			
Medium term notes	(i)	808,812	808,812
<b>Redeemable guaranteed notes</b>			
Medium term notes - GGC	(ii)	1,513,473	2,017,875
Medium term notes - GGM	(iii)	-	503,994
		1,513,473	2,521,869
Infrastructure notes - nominal value	(iv)	708,889	810,097
Less: Unamortised discount		(5,826)	(6,787)
		703,063	803,310
		3,025,348	4,133,991
Discount upon issuance		18,500	18,500
Amortisation to date		(12,674)	(11,713)
Unamortised discount		5,826	6,787

(i) These notes carry coupon rates ranging between 5.70% to 6.30% (2012: 5.70% to 6.30%) per annum and are for tenures of 10 years to 15 years.

(ii) These notes were issued on 12 April 2010 and are guaranteed by the Government of Malaysia. These 3 years and 5 years notes carry coupon rates of 3.66% per annum (RM500 million) and 4.15% per annum (RM1.5 billion) respectively.

(iii) These notes were issued on 12 April 2010 and are guaranteed by the Government of Malaysia. These 3 years notes carry profit rates of 3.64% per annum.

(iv) These notes are guaranteed by the Government of Malaysia. These 15 years and 25 years notes carry coupon rates of 7.00% and 7.50% per annum (2012: 7.00% and 7.50%) respectively.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 21 TERM LOANS

Group	Note	31 December 2013		31 December 2012	
		Due after twelve months	Due within twelve months	Due after twelve months	Due within twelve months
		RM'000	RM'000	RM'000	RM'000
Loans from Employees Provident Fund ("EPF") Unsecured:	21 (a)				
Principal		8,300,000	-	8,300,000	-
Interest		-	64,022	-	63,661
		8,300,000	64,022	8,300,000	63,661
Other loans Unsecured:	21 (b)				
Principal		853,461	349,261	1,002,722	149,261
Interest		-	15,832	-	16,344
		853,461	365,093	1,002,722	165,605
Other loans Secured:	21 (c)				
Principal		-	779,549	-	111,311
		9,153,461	1,208,664	9,302,722	340,577
Total term loans			10,362,125		9,643,299

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 21 TERM LOANS (CONT'D.)

Bank	Note	31 December 2013		31 December 2012	
		Due after twelve months	Due within twelve months	Due after twelve months	Due within twelve months
		RM'000	RM'000	RM'000	RM'000
Loans from EPF					
Unsecured:	21 (a)				
Principal		8,300,000	-	8,300,000	-
Interest		-	64,022	-	63,661
		8,300,000	64,022	8,300,000	63,661
Other loans					
Unsecured:	21 (b)				
Principal		853,461	349,261	1,002,722	149,261
Interest		-	15,833	-	16,344
		853,461	365,094	1,002,722	165,605
		9,153,461	429,116	9,302,722	229,266
Total term loans			9,582,577		9,531,988

### (a) Loan from EPF

	Note	Group and Bank Principal	
		2013	2012
		RM'000	RM'000
Loan 1	21(a)(i)	2,000,000	2,000,000
Loan 2	21(a)(ii)	2,800,000	2,800,000
Loan 3	21(a)(iii)	500,000	500,000
Loan 4	21(a)(iv)	1,000,000	1,000,000
Loan 5	21(a)(v)	1,000,000	1,000,000
Loan 6	21(a)(vi)	1,000,000	1,000,000
		8,300,000	8,300,000

- (i) The loan is repayable in 5 equal instalments over a period of 5 years, commencing 2019.  
(ii) On 27 May 2010, the facility has been revised to 5 years maturity (bullet repayment in year 2015).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 21 TERM LOANS (CONT'D.)

### (a) Loan from EPF (cont'd.)

- (iii) The loan is repayable in 10 equal installments over a period of 6 years, commencing 2024.
- (iv) The loan was drawn down on 7 July 2010 and is repayable via bullet repayment in July 2015.
- (v) The loan was drawn down on 6 December 2010 and is repayable via bullet repayment in December 2015.
- (vi) The loan was drawn down on 5 December 2011 and is repayable via bullet repayment in December 2016.

All the above loans are guaranteed by the Government of Malaysia and bear interest at rates of 3.746% to 5.225% (2012: 3.746% to 5.225%) per annum.

### (b) Other Loan - unsecured:

	Note	Group and Bank Principal	
		2013	2012
		RM'000	RM'000
Loan from:			
Japan Bank of International Cooperation	21(b)(i)	498,597	647,858
Pension Trust Fund Council ("PTFC")	21(b)(ii)	500,000	500,000
Pusat Tenaga Malaysia	21(b)(iii)	4,125	4,125
Bank of Tokyo Mitsubishi Malaysia Berhad	21(b)(iv)	200,000	-
		1,202,722	1,151,983

Included in other loan - unsecured are:

- (i) IT7 Loan from Japan Bank for International Cooperation amounting to RM498,597,088 (¥15,390,520,000) [2012: RM647,857,851 (¥20,034,312,000)] out of total loan facility of RM1,747,580,000 (¥59,000,000,000). The loan will mature in March 2017.
- (ii) Loan from PTFC amounting to RM500,000,000 (2012: RM500,000,000) is repayable in 12 instalments over a period of 6 years, commencing from 2015. This loan will mature in 2020.
- (iii) Loans from Pusat Tenaga Malaysia amounting to RM4,124,970 (2012: RM4,124,970).
- (iv) Revolving Credit ("RC") Facility Bank of Tokyo Mitsubishi Berhad ("BOT") amounting to RM200,000,000. This facility will mature in February 2014.

Loan from Japan Bank for International Cooperation is guaranteed by Government of Malaysia. The interest rate on other loans - unsecured range from 0% to 5.875% (2012: 0% to 5.875%) per annum during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 21 TERM LOANS (CONT'D.)

### (c) Other Loan - secured:

	Group Principal	
	2013	2012
	RM'000	RM'000
Term loan 1	779,549	111,311
	779,549	111,311

## 22 INFRASTRUCTURE SUPPORT FUND

	Group and Bank	
	2013	2012
	RM'000	RM'000
At 1 January	399,535	413,296
Net receivable during the financial year	-	7,303
Impairment of financial investments made during the financial year against infrastructure support fund ("ISF")	(39,130)	(24,670)
Loan written off during the financial year against infrastructure support fund	-	(99,170)
Recoverable from loan written off	5,025	11,130
Individual assessment allowance written back	-	91,646
At 31 December	365,430	399,535

Included in ISF of the Group and of the Bank is an amount of RM303,973,978 (2012: RM303,973,978) relating to funds received from the Government to compensate for any interest rate differential and forex losses. This amount is restricted from being used in other operations.

The Government provides funds to the Bank in relation to its mandate to provide financing for Government infrastructure projects. The amounts received are non-repayable and are accounted for during the financial year as follows:

- (i) amounts to compensate against related costs are recognised in the income statements in relation to infrastructure financing.
- (ii) amounts utilised for purpose of payments on financing costs relating to the funding for an infrastructure loan are transferred to ISF.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 22 INFRASTRUCTURE SUPPORT FUND (CONT'D.)

The amount was accounted as at 31 December as follows:

	Group and Bank	
	2013	2012
	RM'000	RM'000
Amount received / receivable from Government during the financial year	-	5,790
Amount matched against costs and recognised as income	-	1,513
Transferred to ISF	-	(7,303)
	-	-

## 23 DEFERRED INCOME

	Group and Bank	
	2013	2012
	RM'000	RM'000
At 1 January	251,430	233,005
Received from Government during the financial year	4,233	25,011
Utilised during the financial year	(7,250)	(6,586)
At 31 December	248,413	251,430

Deferred income comprises claims received in relation to interest rate differentials on financing of Government infrastructure projects.

## 24 SHARE CAPITAL

Group	Amount	Number	Amount	Number
	31 December	of shares	31 December	of shares
	2013	31 December	2012	31 December
	RM'000	'000	RM'000	'000
<b>Authorised:</b>				
Ordinary shares of RM1.00 each	10,000,000	10,000,000	10,000,000	10,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM1.00 each	3,078,724	3,078,724	3,078,724	3,078,724

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 24 SHARE CAPITAL (CONT'D.)

Bank	Amount	Number	Amount	Number
	31 December	of shares	31 December	of shares
	2013	2013	2012	2012
	RM'000	'000	RM'000	'000
<b>Authorised:</b>				
Ordinary shares of RM1.00 each	10,000,000	10,000,000	10,000,000	10,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM1.00 each	3,078,724	3,078,724	3,078,724	3,078,724

## 25 RESERVES

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
<b>Non-distributable:</b>					
Capital reserve		1,000	1,000	-	-
Statutory reserve		1,844,879	1,745,855	1,844,879	1,745,855
PER		4,970	4,970	4,970	4,970
Unrealised holding reserve		18,654	(32,463)	136,078	87,347
Exchange translation reserve		(12,240)	(61,499)	-	-
		1,857,263	1,657,863	1,985,927	1,838,172
<b>Distributable:</b>					
Retained profits	26	2,575,082	2,392,671	2,358,224	2,161,151
		4,432,345	4,050,534	4,344,151	3,999,323

The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous financial years.

The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 ("the Act") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.

Unrealised holding reserve represents the cumulative fair value changes, net of tax, of AFS financial assets until they are disposed of or impaired.

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 25 RESERVES (CONT'D.)

Movements of the AFS reserve are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	(32,463)	(5,113)	87,347	111,618
Net unrealised gain/(loss) on financial investments AFS	51,272	(25,695)	48,886	(22,730)
Net realised gain on financial investments - AFS	(155)	(1,655)	(155)	(1,541)
At 31 December	18,654	(32,463)	136,078	87,347

## 26. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance of the Income Tax Act, 1967 ("Section 108") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the Section 108 balance to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2013, the Bank has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings. Any Section 108 balance which has not been utilised as at 31 December 2013 is disregarded. Thereafter, the Bank may distribute dividends out of its entire retained earnings under the single tier system.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 27. INTEREST INCOME

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	1,071,031	1,115,703	1,050,823	1,097,074
Compensation from the Government	112,865	113,810	112,865	113,810
Money at call and deposit placements with financial institutions	49,742	81,735	41,690	59,757
Financial investments - AFS	33,613	34,775	33,613	34,775
Financial investments - HTM	7,561	4,722	7,561	4,722
	1,274,812	1,350,745	1,246,552	1,310,138
Amortisation of premium less accretion of discount	22,676	21,342	22,676	21,342
	1,297,488	1,372,087	1,269,228	1,331,480
<i>Of which:</i>				
Interest income earned on impaired loans, advances and financing	81,036	62,690	81,036	62,690

Included in the interest income from loans, advances and financing of the Bank is interest income from a subsidiary amounting to RM6,742,834 (2012: RM7,944,290).

## 28. INTEREST EXPENSE

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposit from customers	188,826	188,289	188,465	187,836
Deposits and placements from financial institutions	3,471	367	3,471	367
Term loans	433,243	391,952	386,007	392,265
Redeemable notes	150,767	171,475	150,767	171,475
Others	829	644	-	84
	777,136	752,727	728,710	752,027



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 29. NON-INTEREST INCOME

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
(a) Other operating income:				
Charter hire, demurrage and freight income	320,349	65,968	-	-
	320,349	65,968	-	-
(b) Investment income:				
Net gain on sale of:				
Financial investments - AFS	155	1,655	155	1,541
Gain on bargain purchase	11,972	-	-	-
Loss on disposal of JVs	(6,775)	-	-	-
Gross dividends from:				
Financial investments - AFS	11,671	7,781	11,671	5,518
Subsidiaries	-	-	5,000	-
	17,023	9,436	16,826	7,059
(c) Other income:				
Fee income	21,663	13,926	17,142	11,719
Rental income:				
Subsidiaries	-	-	819	860
Others	2,269	2,536	2,109	2,292
Gain / (loss) on disposal of property, plant and equipment	4,733	(23,954)	689	679
Gain on disposal of prepaid land lease	58	1,283	58	1,283
Gain on disposal of investment property	2,462	4,320	2,050	4,213
Gain / (loss) on foreign exchange				
Realised	993	1,368	195	1,115
Unrealised	2,162	605	419	605
Compensation from the Government:				
ISF for allowance made written back	-	(91,646)	-	(91,646)
Loan written off during the financial year against ISF	-	99,170	-	99,170
Recoverable from loan written off against ISF	(5,025)	(11,130)	(5,025)	(11,130)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 29. NON-INTEREST INCOME (CONT'D.)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
(c) Other income: (cont'd.)				
Financial investments impairment made during the financial year against ISF	39,130	24,670	39,130	24,670
Interest income on amount due from Minister of Finance Incorporated	-	11,423	-	11,423
Others	6,667	6,236	162	361
	75,112	38,807	57,748	55,614
<b>Total non-interest income</b>	<b>412,484</b>	<b>114,211</b>	<b>74,574</b>	<b>62,673</b>

## 30. OVERHEAD EXPENSES

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Personnel costs	(i)	111,364	78,980	44,631	47,257
Establishment related expenses	(ii)	102,953	56,798	17,206	15,033
Promotion and marketing expenses	(iii)	3,365	2,896	3,135	2,706
General administrative expenses	(iv)	127,285	54,264	11,459	13,064
		344,967	192,938	76,431	78,060
(i) <b>Personnel costs</b>					
Salaries, allowances and bonuses		96,468	61,751	35,356	33,030
Directors' fees and remuneration:					
Current year		1,271	1,470	1,085	1,329
Underprovision in prior year		-	354	-	310
Social security cost		390	223	197	178
Pension costs - Defined contribution plan		7,204	4,686	4,271	3,972
Compensation paid on loss of employment		16	3,619	16	3,619
Other staff related expenses		6,015	6,877	3,706	4,819
		111,364	78,980	44,631	47,257

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 30. OVERHEAD EXPENSES (CONT'D.)

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
(ii) Establishment related expenses					
Depreciation:					
Property, plant and equipment		77,929	46,926	9,091	9,509
Investment properties		197	384	55	165
Amortisation of:					
Prepaid lease rental		61	72	61	72
Intangible assets		3,906	1,669	3,058	1,112
Repairs and maintenance of property, plant and equipment		16,860	4,866	1,461	1,916
Information technology expenses		4,000	2,881	3,480	2,259
		102,953	56,798	17,206	15,033
(iii) Promotion and marketing expenses					
Advertisement and publicity		3,365	2,896	3,135	2,706
(iv) General administrative expenses					
General administrative expenses		126,083	53,147	11,110	12,283
Auditors' remuneration:					
Statutory audit		717	568	314	300
Regulatory related services		13	13	13	13
Other services		411	518	22	450
Property, plant and equipment written off		61	18	-	18
		127,285	54,264	11,459	13,064

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 31. DIRECTORS' FEES AND REMUNERATION

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

Group 2013	Remuneration received from the bank						Remuneration received from subsidiary companies				
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Group total RM'000
<b>Executive Director:</b>											
Dato' Mohd Zafer bin Mohd Hashim	600	-	150	108	-	5	863	-	-	-	863
	600	-	150	108	-	5	863	-	-	-	863
<b>Non-Executive Directors:</b>											
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	198	-	-	68	-	266	-	-	-	266
Siti Zauyah binti Md Desa	-	9	-	-	20	-	29	-	-	-	29
Zainul Rahim bin Mohd Zain	-	36	-	-	84	-	120	-	-	-	120
Tan Sri Faizah binti Mohd Tahir	-	15	-	-	44	-	59	-	-	-	59
Datuk Dr. Syed Jaafar bin Syed Aznan	-	36	-	-	78	-	114	-	-	-	114
Datuk Idris bin Abdullah @ Das Murthy	-	36	-	-	32	-	68	36	14	-	118
Rosli bin Abdullah	-	36	-	-	114	-	150	28	14	-	192
Ariffin Hew @ Hew Siak Tow	-	36	-	-	62	-	98	10	22	-	130
Abdul Aziz bin Ishak	-	36	-	-	74	-	110	36	26	-	172
Datuk Nozirah binti Bahari	-	27	-	-	34	-	61	-	-	-	61
Dato' Abdul Rahman bin Md Khalid	-	6	-	-	4	-	10	-	-	-	10
	-	471	-	-	614	-	1,085	110	76	-	1,271
<b>Total</b>	<b>600</b>	<b>471</b>	<b>150</b>	<b>108</b>	<b>614</b>	<b>5</b>	<b>1,948</b>	<b>110</b>	<b>76</b>	<b>-</b>	<b>2,134</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 31. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

Group 2012	Remuneration Received From The Bank					Remuneration Received From Subsidiary Companies					
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Group total RM'000
<b>Executive Director:</b>											
Dato' Mohd Zafer bin Mohd Hashim	600	-	281	124	-	5	1,010	-	-	-	1,010
	600	-	281	124	-	5	1,010	-	-	-	1,010
<b>Non-Executive Directors:</b>											
Tan Sri Dr. Abdul Samad bin Hj Alias	-	-	-	-	21	-	21	-	-	-	21
Dato' Mohammed bin Haji Che Hussein	-	205	-	-	49	-	254	-	-	-	254
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	17	-	-	3	-	20	-	-	-	20
Siti Zauyah binti Md Desa	-	60	-	-	146	-	206	-	6	-	212
Zainul Rahim bin Mohd Zain	-	99	-	-	164	-	263	-	-	-	263
Tan Sri Faizah binti Mohd Tahir	-	60	-	-	164	-	224	-	-	-	224
Datuk Dr. Syed Jaafar bin Syed Aznan	-	60	-	-	122	-	182	-	-	-	182
Datuk Idris bin Abdullah @ Das Murthy	-	60	-	-	52	-	112	48	18	-	178
Rosli bin Abdullah	-	60	-	-	151	-	211	21	4	-	236
Ariffin Hew @ Hew Siak Tow	-	9	-	-	6	-	15	-	-	-	15
Abdul Aziz bin Ishak	-	42	-	-	89	-	131	38	50	-	219
	-	672	-	-	967	-	1,639	107	78	-	1,824
<b>Total</b>	600	672	281	124	967	5	2,649	107	78	-	2,834

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 32. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly, including any director of the Group and the Bank. The remuneration and compensation of Directors and other members of key management during the financial year was as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Short term employee benefits' (excluding benefits-in-kind)	1,450	1,925	750	881

Included in the total key management personnel are:

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Executive Director's remuneration	31	863	1,010	863	1,010

## 33. (WRITEBACK OF ALLOWANCE)/ALLOWANCE FOR IMPAIRMENT OF LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans, advances and financing:				
Collective assessment allowance:				
Additional/(Net written back)	48,831	(96,859)	62,512	(96,859)
Transferred to individual assessment allowance	(31,169)	(51,852)	(31,169)	(51,852)
Transferred from individual assessment allowance	4,998	-	4,998	-
Individual impairment allowance:				
Made during the financial year	230,942	542,633	221,965	528,986
Additional/(Net written back)	(178,159)	(164,797)	(159,711)	(137,750)
Transferred from collective assessment allowance	31,169	51,852	31,169	51,852
Transferred to collective assessment allowance	(4,998)	-	(4,998)	-
Bad debts and financing:				
Written off	1,802	407	1,802	407
Recovered	(22,531)	(22,636)	(19,081)	(16,953)
	80,867	258,748	107,487	277,831

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 34. IMPAIRMENT ON OTHER ASSETS

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Financial investments - AFS	34,871	22,532	28,047	22,532
Financial investments - HTM	39,130	24,670	39,130	24,670
Assets classified as held for sale	3,838	-	-	-
Property, plant and equipment - vessels	46,535	151,416	-	-
Investments in subsidiaries	-	-	29,635	(546)
Goodwill	76,664	-	-	-
Interest in JVs	11,555	8,435	-	-
Advance to JVs	-	3,695	-	-
Interest in associates:				
Made during the financial year	20,618	-	-	-
Amount due from subsidiaries	-	-	28,089	-
Allowance for doubtful debts others	3,347	-	-	-
Written off - resigned staff	32	176	32	176
Written back - resigned staff	(419)	(421)	(419)	(421)
	236,171	210,503	124,514	46,411

## 35. TAXATION

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
Current income tax	145,937	101,738	135,020	88,813
Over provision in prior years	(58,656)	(12,814)	(53,184)	(12,578)
	87,281	88,924	81,836	76,235
Deferred tax expense:				
Origination and reversal of temporary differences	(3,213)	(1,472)	(14,908)	(5,604)
Under provision in prior year	97,456	7,787	99,461	7,789
	94,243	6,315	84,553	2,185
Real property gains tax on disposal of investment properties	27	-	27	-
	181,551	95,239	166,416	78,420

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 35. TAXATION (CONT'D.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

### Reconciliation of effective taxation

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	494,698	286,083	569,316	431,183
Tax using Malaysian tax rate of 25% (2012: 25%)	123,675	71,521	142,329	107,796
Income not subject to tax	(51,359)	(32,326)	(24,959)	(31,211)
Effect of share of result of JVs	528	578	-	-
Non-deductible expenses	64,374	65,400	2,771	6,624
Income assessed separately	(6,782)	(2,667)	-	-
Tax losses/temporary differences not recognised	12,838	-	-	-
Effect of lower tax rate in other jurisdiction	6,514	-	-	-
Origination and reversal of temporary differences	4,580	-	-	-
Utilisation of previously unrecognised unabsorbed capital allowances and tax losses	(11,615)	(2,240)	-	-
	142,753	100,266	120,141	83,209
Under provision of deferred tax in prior years	97,456	7,787	99,461	7,789
Over provision of income tax in prior years	(58,656)	(12,814)	(53,184)	(12,578)
Real property gains tax on disposal of investment properties	27	-	27	-
Taxation	181,580	95,239	166,445	78,420



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 36. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2013		2012	
	Sen per Share	Total Amount	Sen per Share	Total Amount
		RM'000		RM'000
Final 2012 ordinary, net of tax	3.25	100,000	-	-
Final 2011 ordinary, net of tax	-	-	3.25	100,000
	3.25	100,000	3.25	100,000

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2013, of 3.25% on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM100,000,000 (3.25 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

## 37. EARNINGS PER SHARE ("EPS")

The basic EPS of the Group and the Bank are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit from continuing operations attributable to shareholders' of the Bank	381,435	230,072	396,097	349,760
Number of ordinary shares in issue ('000)	3,078,724	3,078,724	3,078,724	3,078,724
Basic EPS (sen) for:				
Net profit for the financial year	12.4	7.5	12.9	11.4

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 38. COMMITMENTS AND CONTINGENCIES

(a) Loan and financing related commitments and contingencies of the Group and the Bank not included in these financial statements are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Disbursement of loans to industries	5,634,674	5,057,735	5,081,232	5,057,735
Direct credit substitutes	5,198	520	5,198	520
Secured guarantees on behalf of borrowers given to:				
Subsidiary	155,000	-	155,000	-
Associate	-	155,000	-	155,000
Third parties	1,200,956	153,636	1,200,956	153,636
Corporate guarantees issued by a subsidiary to financial institutions for credit facilities granted to JVs	79,000	680,220	-	-
	7,074,828	6,047,111	6,442,386	5,366,891

The above contingent liability on corporate guarantees is based on the outstanding balances of the credit facilities granted to JVs.

(b) Capital commitments of the Group and the Bank not included in these financial statements are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Approved but not contracted for	18,515	318,983	16,971	13,473
Approved and contracted for	98,160	1,131,220	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 39. CAPITAL ADEQUACY

### Capital management

#### Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and able to provide cushion for any potential losses. In line with this objective, the Bank views capital position as an important key barometer of financial health.

#### Regulatory capital

In order to support its mandated roles, the Bank must have strong and adequate capital to support its business activities on an on-going basis. In line with this objective, Bank Negara Malaysia has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

In order to further strengthen the capital position of the Bank through a progressive and systematic building up of the reserve fund, the minimum RWCR under both normal and stress scenarios shall not be less than 20% and 12% respectively.

The following table sets forth capital resources and capital adequacy for the Bank as at 31 December 2013.

	Bank	
	2013	2012
	RM'000	RM'000
<b>Tier 1 capital</b>		
Paid-up share capital	3,078,724	3,078,724
Other reserves	4,203,103	3,907,006
<b>Total Tier 1 capital</b>	<b>7,281,827</b>	<b>6,985,730</b>
<b>Tier 2 capital</b>		
Government support funds	613,843	650,965
Collective assessment allowance	412,495	324,186
<b>Total Tier 2 capital</b>	<b>1,026,338</b>	<b>975,151</b>
<b>Total capital</b>	<b>8,308,165</b>	<b>7,960,881</b>
Less: Investment in subsidiaries	(955,679)	(928,549)
<b>Total capital base</b>	<b>7,352,486</b>	<b>7,032,332</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 39. CAPITAL ADEQUACY (CONT'D.)

### Capital management (cont'd.)

#### Regulatory capital (cont'd.)

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

	Bank	
	2013	2012
	RM'000	RM'000
10%	-	-
20%	244,581	244,146
50%	2,380,786	2,281,757
100%	20,914,651	17,946,092
	23,540,018	20,471,995

Without deducting proposed dividend:

	Bank	
	2013	2012*
	%	%
Core capital ratio	30.93	34.12
RWCR	31.23	34.35
After deducting proposed dividend:		
Core capital ratio	30.51	33.63
RWCR	30.81	33.86

\* The comparative has been restated to conform with current year classification.

#### Capital monitoring

The Bank's capital is closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Bank sets an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Bank a "well capitalised" status. Internal capital limit and regulatory capital requirement shall be closely monitored, regularly reviewed and reported to Management and Board of Directors.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 40. OTHER CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

### (i) Contingent liability as at 31 December 2013:

	2013	2012
	RM'000	RM'000
<u>Contingent liabilities not considered remote litigation (unsecured)</u>		
<u>Bank</u>		
(a) The Bank is being sued by a client for alleged unreasonable conduct, misrepresentation, breach of collateral contract, breach of fiduciary duties, breach of promise and breach of duty of care. The legal counsel of the Bank is of the view that the Bank has a good prospect of defending the claim. The trial has been part heard on 5 March 2014 and 6 March 2014. The trial will continue on 2 June 2014.	310,880	-
(b) The Bank is being sued by a client for allegedly making disbursement despite non-compliance of conditions and/or alternatively conspiring with a third party with the intent to cause loss to the client. The suit was successfully defended by the Bank and the High Court dismissed the client's suit with costs awarded to the Bank. The client has appealed against this decision and the matter is pending a hearing date to be set by Court of Appeal.	16,720	-
(c) The Bank filed a suit against a client for non-payment of various loans. The suits were consolidated and the client in turn filed a counter claim against the Bank alleging that it overpaid the Bank and claiming for losses sustained in losing vessel repair and maintenance contracts. After a full trial, the High Court allowed the Bank's claim and dismissed the clients counter claim. The client filed an appeal and the matter is pending a decision date to be set by the Court of Appeal.	6,117	-
<u>Subsidiaries of the Bank</u>		
(a) A subsidiary is being sued by a client alleging that the subsidiary failed to exercise due diligence by disposing of the client's collateral below market value even though proper valuation has been done by a certified valuer. The collateral was sold via a public auction conducted by the Land Office. The client alleged it suffers huge losses and claim for damages. The mediation date has been fixed on 05 February 2014 for both parties to attend in the presence of the High Court Judge. The full trial is expected to be fixed in May 2014.	5,601	-
(b) "A subsidiary is being sued by a client for losses and damages due to the client's vessel accident occurred on 18th June 2009. Statement of Defence has been filed due to the non-insurance coverage at the time of accident. The decision was in favour of the subsidiary.	-	397

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the directors and chief executive officers of the Group and the Bank.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and the Bank are as follows:

### 41.1 SIGNIFICANT BALANCES AND TRANSACTIONS WITH SHAREHOLDER

#### (a) Significant balances with shareholder

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Other assets</b>				
Amount receivable from Government in respect of compensation for:				
Foreign exchange differences	37,450	37,538	37,450	37,538
Infrastructure projects	85,361	85,361	85,361	85,361

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

### 41.1 SIGNIFICANT BALANCES AND TRANSACTIONS WITH SHAREHOLDER (CONT'D.)

#### (b) Significant transactions with shareholder

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Conventional</b>				
Interest Compensation from Government of Malaysia	112,865	113,810	112,865	113,810
Compensation from Government of Malaysia:				
- ISF for allowance made	-	(91,646)	-	(91,646)
- loan written off during the year against ISF	-	99,170	-	99,170
- recoverable from loan written off against ISF	(5,025)	(11,130)	(5,025)	(11,130)
- financial investments impairment made during the year against ISF	39,130	24,670	39,130	24,670
Interest income on amount due from Minister of Finance Incorporated	-	11,423	-	11,423
<b>Islamic</b>				
Profit Compensation from Government of Malaysia	7,525	6,586	7,525	6,586

### 41.2 SIGNIFICANT BALANCES AND TRANSACTIONS WITH SHAREHOLDER'S LINKED COMPANIES AND BODIES

#### (a) Significant balances with shareholder's linked companies and bodies

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>				
Short term deposits	1,133,766	1,464,531	936,690	1,071,185
Deposits and placements with financial institution	154,216	67,783	152,582	66,722
Financial investment - AFS	1,504,156	1,242,217	1,497,143	1,188,947
Financial investment - HTM	259,202	226,280	259,180	226,258
<b>Liabilities</b>				
Deposits from customers	7,115,241	5,414,142	7,115,241	5,414,142
Deposits and placements from financial institutions	311,122	153,556	311,122	153,556
Redeemable notes	3,025,348	4,133,991	3,025,348	4,133,991
Term loans	10,362,125	9,643,299	9,582,577	9,531,988
ISF	365,430	399,535	365,430	399,535
Deferred income	248,413	251,430	248,413	251,430

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

### 41.2 SIGNIFICANT BALANCES AND TRANSACTIONS WITH SHAREHOLDER'S LINKED COMPANIES AND BODIES (CONT'D.)

#### (b) Significant transactions with shareholder's linked companies and bodies

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Conventional</b>				
<b>Income</b>				
Money at call and deposit placements with financial institution	49,742	81,735	41,690	59,757
Financial investments - AFS	33,613	34,775	33,613	34,775
Financial investments - HTM	7,561	4,722	7,561	4,722
Amortisation of premium less accretion of discount	22,676	21,342	22,676	21,342
Dividend from Unit Trust	6,153	-	6,153	-
Management fee Income from related parties	75	-	75	-
Rental income	1,912	1,987	1,912	1,987
Fee Income from UKAS	5,000	5,000	5,000	5,000
Redeemable notes	(150,767)	(171,475)	(150,767)	(171,475)
<b>Islamic</b>				
<b>Income</b>				
Finance income from deposits and placements with financial institution	5,048	5,662	5,026	5,662
Amortisation of premium	(165)	(925)	(165)	(925)
<b>Expenses</b>				
Financial investment - AFS	7,000	-	7,000	-
Zakat	(6,803)	(3,003)	(6,803)	(3,003)



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

### 41.3 SIGNIFICANT BALANCES AND TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JVS

#### (a) Significant balances with subsidiaries, associates and JVs

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Conventional</b>				
Loans to subsidiaries	-	-	107,459	121,029
Loan to associate	-	38,025	-	38,025
Loans to JVs	282,103	251,744	242,185	220,978
Payment on behalf of subsidiary	-	-	15,079	40,402

#### (b) Significant transactions with subsidiaries, associates and JVs

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Conventional</b>				
Interest income from loan to:				
Subsidiaries	-	-	6,743	7,944
Associate	-	2,990	-	2,990
Dividend income from subsidiary	-	-	5,000	-
Rental income from subsidiaries	-	-	819	860
Fee Income from subsidiaries	-	-	1,111	1,096
<b>Islamic</b>				
Profit from financing to JVs	13,134	13,282	13,134	13,282

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

### 41.4 SIGNIFICANT BALANCES AND TRANSACTIONS WITH GROUP'S RELATED PARTIES

#### (a) Significant balances with Group's related parties

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Other assets</b>				
Trade amount due from related parties	28,889	89,167	-	-
<b>Other liabilities</b>				
Trade amount due to related parties	40,579	39,016	-	-

#### (b) Significant transactions with Group's related parties

<b>Income</b>				
Dividend from Unquoted Shares	5,518	5,518	5,518	5,518

### 41.5 DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Short term employee benefits:</b>				
Salaries, allowances and bonus	1,440	1,926	1,364	1,848
Pension cost - defined contribution plan	108	124	108	124
Directors' Fees	581	779	471	672
Other staff benefits	5	5	5	5
	2,134	2,834	1,948	2,649

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

### 41.5 DIRECTORS' FEES AND REMUNERATION (CONT'D.)

Included in the total directors' fees and remuneration are:

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Directors' remuneration including benefits in kind	31	2,134	2,834	1,948	2,649

### 41.6 GOVERNMENT-RELATED ENTITIES

Government of Malaysia is a shareholder with significant influence on the Bank, with direct shareholding of 99.99% (2012: 99.99%). Government of Malaysia and entities directly controlled by Government of Malaysia are collectively referred to as government-related entities to the Group and the Bank.

All the transactions entered into by the Group and the Bank with the government-related entities are conducted in the ordinary course of the Group's and Bank's business on terms comparable to those with other entities are not government-related. The Group established credit policies, pricing strategy and approval process for loans, which are independent of whether the counterparties are government-related entities or not.

### 41.7 COLLECTIVELY, BUT NOT INDIVIDUALLY, SIGNIFICANT TRANSACTIONS

The Group has transactions with other government-related entities including but not limited to provision of loans, deposits placement and acceptances.

For the financial year ended 31 December 2013, management estimates that the aggregate amount of the Group's and the Bank's significant transactions with other government-related entities are at least 49.88% and 49.93% respectively of its total interest expenses (31 December 2012: 45.54% and 45.61% respectively).

For the financial year ended 31 December 2013, management estimates that the aggregate amount of the significant balances due from other government-related entities for the Group and the Bank are 91.30% and 92.36% respectively of its total loans, advances and financing (31 December 2012: 81.44% and 83.02% respectively).

### 41.8 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Total credit exposures	24,212,336	23,234,542	24,025,868	23,037,114

The credit exposures above are based on paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with related parties as follows:

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

### 41.8 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES (CONT'D.)

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder of the Bank and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;
- (iv) Officers who are responsible for or have authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of an entity controlled by the Bank and its connected parties. Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments.

## 42. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2013	2012
	RM'000	RM'000
As at 1 January	120,530	24,581
Reclassified from property, plant and equipment	-	119,454
Reclassified from investment property	-	1,076
Acquisition of subsidiary	2,619	-
Impairment	(3,838)	-
Currency translation difference	66	-
Disposed during the financial year	(100,915)	(24,581)
As at 31 December	18,462	120,530

The vessels were classified as non-current assets held for sale. Memorandum of Agreements were signed between the purchaser and the subsidiaries as at year end. However, the risk and rewards were not transferred to the purchaser as at 31 December 2013.

## 43. ASSETS/LIABILITIES OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE

The proposed disposals of both SME Growth Acceleration Fund Sdn Bhd ("SME GAF") and Pembangunan Ekuiti Sdn Bhd ("PESB") were aborted due to Intrasy Sdn Bhd ("Intrasy") failure to obtain the required Bank Guarantee within the stipulated deadline on 27 November 2013 as per Sale and Purchase agreement dated 10 September 2013. The Management of PESB and SME GAF is considering the appointment of new fund manager or may propose to engage internal resources to operate of PESB and SME GAF. As such, the previous year's presentation in the financial statement as "Assets of subsidiaries classified as held for sale", "Liabilities of subsidiaries classified as held for sale" and "result from discontinuing operation, net of tax" had been reversed accordingly to original line items in 2013.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 43. ASSETS/LIABILITIES OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (CONT'D.)

### Statements of financial position disclosures

The major classes of assets and liabilities of both subsidiaries classified as held for sale as at the statements of financial position date are as follows:

Group	Carrying amount	Carrying amount
	2013	2012
	RM'000	RM'000
<b>Assets:</b>		
Cash and bank balances	-	26,576
Investment in a subsidiary	-	1,071
Financial investments - AFS	-	10,984
Other assets	-	912
Interest in associates	-	15,388
Property, plant and equipment	-	29
<b>Total assets</b>	<b>-</b>	<b>54,960</b>
<b>Liabilities:</b>		
Payables	-	101
<b>Bank</b>		
	2013	2012
	RM'000	RM'000
<b>Investment in subsidiaries</b>		
<b>At cost</b>		
At 1 January 2013	64,887	-
Transferred from investment in subsidiaries	-	64,887
Transferred to investment in subsidiaries	(64,887)	-
<b>At 31 December 2013</b>	<b>-</b>	<b>64,887</b>
<b>Accumulated impairment losses</b>		
At 1 January 2013	8,122	-
Transferred from investment in subsidiaries	-	8,122
Transferred to investment in subsidiaries	(8,122)	-
<b>At 31 December 2013</b>	<b>-</b>	<b>8,122</b>
<b>Net carrying amount</b>	<b>-</b>	<b>56,765</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 43. ASSETS/LIABILITIES OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (CONT'D.)

### Statements of financial position disclosures (cont'd.)

The results from discontinued operations for the financial years ended 31 December are as follows:

Group	2013	2012
	RM'000	RM'000
Revenue	-	1,900
Other income	-	179
	-	2,079
Operating and administrative expenses	-	(2,062)
Impairment allowances	-	(4,414)
Operating loss before tax	-	(4,397)
Tax expense	-	(19)
Loss, net of tax	-	(4,416)
<b>Statements of cash flow disclosures</b>		
Operating cash outflows	-	(446)
Investing cash inflows	-	12,955
Net cash inflows	-	12,509

## 44. COMPANIES IN THE GROUP

(a) The subsidiaries, all incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company
BPMB Urus Harta Sdn Bhd	100.00	100.00	Property investment

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 44. COMPANIES IN THE GROUP (CONT'D.)

(a) The subsidiaries, all incorporated in Malaysia, are as follows: (cont'd.)

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
PESB	54.80	54.80	Investment manager and provision of advisory, consultancy and related services pertaining to investments
GMVB	90.00	90.00	Venture capital investment
Emerald Upline Sdn Bhd	100.00	100.00	Ship-owning
SME GAF	100.00	100.00	Venture capital investment

(b) Details of subsidiary companies of GMVB, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
Mutiara Navigation Sdn Bhd	63.00	63.00	Dormant
Intan Navigation Sdn Bhd	63.00	63.00	Dormant
Nilam Navigation Sdn Bhd	63.00	63.00	Dormant
Kasa Navigation Sdn Bhd	63.00	63.00	Dormant
Mayang Navigation Sdn Bhd	63.00	63.00	Dormant
Sari Navigation Sdn Bhd	63.00	63.00	Dormant
Tiara Navigation Sdn Bhd	63.00	63.00	Dormant

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 44. COMPANIES IN THE GROUP (CONT'D.)

(b) Details of subsidiary companies of GMVB, all of which are incorporated in Malaysia, are as follows: (cont'd.)

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
Glory Incentive Sdn Bhd	90.00	90.00	Investment holding
GMV-ALAM Sdn Bhd	90.00	90.00	Investment holding
GMV-Gagasan Sdn Bhd	90.00	90.00	Investment holding
GMV-Bahtera Sdn Bhd	90.00	90.00	Investment holding
GMV-Efogen Sdn Bhd	90.00	90.00	Investment holding
GMV-Regional Sdn Bhd	90.00	90.00	Dormant
GMV-Orkim Sdn Bhd	90.00	90.00	Investment holding
GMV-Offshore Sdn Bhd	90.00	90.00	Investment holding
GMV-Global Sdn Bhd	90.00	90.00	Investment holding
GMV-Jasa Sdn Bhd	90.00	90.00	Investment holding
GMV-Omni Sdn Bhd	90.00	90.00	Investment holding
GMV-Borcoss Sdn Bhd	90.00	90.00	Investment holding

(c) Details of subsidiary companies of Glory Incentive Sdn Bhd (GISB), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
Permata Navigation Sdn Bhd	63.00	63.00	Dormant
Gemala Navigation Sdn Bhd	63.00	63.00	Dormant
Ratna Navigation Sdn Bhd	63.00	63.00	Dormant
Kencana Navigation Sdn Bhd	63.00	63.00	Dormant
Ayu Navigation Sdn Bhd	63.00	63.00	Dormant

(d) Details of a subsidiary companies of GMV-Bahtera Sdn Bhd (GMV-Bahtera), all of which are incorporated in Malaysia, are as follows:

Company	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
Magna Meridian Sdn Bhd	90.00	90.00	Ship-owning
Matlamat Emas Sdn Bhd	90.00	90.00	Ship-owning

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 44. COMPANIES IN THE GROUP (CONT'D.)

(e) Detail of a subsidiary company of GMV-Borcoss Sdn Bhd, which is incorporated in Malaysia, is as follow:

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
Syarikat Borcos Shipping Sdn Bhd <sup>1#</sup>	90.00	-	Ship-owning

(f) Details of subsidiary companies of Syarikat Borcos Shipping Sdn Bhd, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
Wijaya Navigation Sdn Bhd <sup>#</sup>	90.00	-	Dormant
Borcoss Tasneem Offshore Ltd <sup>#</sup>	90.00	-	Vessel chartering
Borcoss Firdaus Marine Offshore Ltd <sup>#</sup>	90.00	-	Vessel chartering
Borcoss SSV Marine Offshore Ltd <sup>#</sup>	90.00	-	Vessel chartering
Borcoss Franklin Offshore Mooring Sdn Bhd <sup>#</sup>	45.90	-	Dormant
Cendana Lagenda Sdn Bhd <sup>#</sup>	90.00	-	Vessel chartering
P.T. Borcos Nusantarajaya <sup>#</sup>	90.00	-	Vessel chartering

(g) Detail of a subsidiary company of GMV-Orkim Sdn Bhd, which is incorporated in Malaysia, is as follow:

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
Orkim Sdn Bhd <sup>2</sup>	81.90	-	Ship-owning

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 44. COMPANIES IN THE GROUP (CONT'D.)

(h) Details of subsidiary companies of Orkim Sdn Bhd, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
Orkim Merit Sdn Bhd	81.90	-	Ship owners
Orkim Express Sdn Bhd	81.90	-	Ship owners
Orkim Energy Sdn Bhd	81.90	-	Shipping and freight management
Orkim Energy Sdn Bhd	81.90	-	Shipping brokers, shipping and freight management
Orkim Marine Sdn Bhd	81.90	-	Shipping brokers, shipping and freight management
Orkim Ship Management Sdn Bhd	81.90	-	Shipping brokers, shipping and freight management
Delmar Marine Venture Sdn Bhd	81.90	-	Shipping brokers, shipping and freight management
Orkim Leader Sdn Bhd	81.90	-	Ship owners
Orkim Power Sdn Bhd	81.90	-	Ship owners
Orkim Challenger Sdn Bhd	81.90	-	Ship owners
Orkim Discovery Sdn Bhd	81.90	-	Ship owners
Orkim Reliance Sdn Bhd	81.90	-	Ship owners

(i) Details of subsidiary companies of Pembangunan Leasing Corporation Sdn Bhd (PLC), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, confirming and factoring, insurance agency and letting out properties.
BI Credit & Leasing Berhad	100.00	100.00	Credit and leasing



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 44. COMPANIES IN THE GROUP (CONT'D.)

(j) Detail of a subsidiary company of BI Credit & Leasing Berhad (BICL), which is incorporated in Malaysia, is as follow:

Subsidiary	Effective interest held by the bank		Principal activities
	2013	2012	
	%	%	
KIB Nominee (Tempatan) Sdn Bhd	100.00	100.00	Nominee services

# Audited by firms of auditors other than Ernst & Young, Malaysia.

<sup>1</sup> During the financial year, the Group, via its indirect subsidiary, GMV Borcos Sdn Bhd further acquired 65% equity interest in Syarikat Borcos Shipping Sdn Bhd for a total cash consideration of RM240,450,000. As a result, the company became a wholly owned subsidiary of the Group. Details are disclosed in Note 9(A).

<sup>2</sup> During the financial year, the Company, via its subsidiary, GMV-Orkim Sdn Bhd further acquired 51% equity interest in Orkim Sdn Bhd for a total cash consideration of RM110,000,000. As a result, the company became a 91% owned subsidiary of the Group. Details are disclosed in Note 9(B).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Bank's financial risk management policies seek to enhance shareholder value. The Group and the Bank focuses on the enterprise wide risk exposure, which include credit, market, liquidity and operation risk and seeks to minimise potential adverse effects on the financial performance of the Group and the Bank. As part of the Group's and the Bank's strategy to integrate the management and control of risks across the various risk segments, a dedicated function known as the Group Risk Management was established.

Financial risks management is carried out 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 policies, which cover the management of these risks.

The main areas of financial risks faced by the Group are set out as follows:

#### (a) Credit risk

Credit risk is the potential loss of revenue, either principal or interest or both, arising from customers or counterparties' failure or unwillingness to honour their financial and contractual obligations when they are due. These obligations are from lending, placement and other activities undertaken by the Bank.

Credit risk management activities conducted by the Bank are within Credit Risk Management Framework approved by the Board of Directors. This includes risk identification, assessment, measurement and monitoring.

Credit risk is principally managed through the establishment of lending directions, policies and guidelines to enhance loan asset quality. Credit processes are structured to ensure adherence to credit policies and to establish impartiality in loan origination, approval, documentation, disbursement and settlement.

All credit proposals are rated using an internal two dimensional credit rating system to measure each borrower's risk of default and facility risk. Only viable credit proposals with well-mitigated risk are considered for financing.

Credit reviews on existing customers are performed at least once a year and more frequent on watch-list accounts to proactively manage any delinquencies, maximize recoveries and to ensure timely recognition of asset impairment.

Prudential limits are established according to various categories such as customer and industry sector to minimize concentration risk. Single Customer Limit ("SCL") has been extended to capture the Group exposure to manage the Bank's and subsidiaries' concentration risk to common group of customers at group level. Sector limit for commercial lending is being observed to monitor undesirable concentration which could expose the Bank to higher risk of lending. Meanwhile, counterparty limits are in place to control over exposure to a single financial institution.

Collateral is taken whenever possible to mitigate credit risk. The value of collateral is monitored periodically through frequent valuation. Policies and processes are in place to monitor collateral value.

The overall credit risk management is subject to an ongoing process for reviewing and enhancement from time to time so as to be in line with regulatory requirements. Audit is periodically performed to ensure that credit policies and procedures are complied with.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (a) Credit risk (cont'd.)

#### (i) Credit exposure

Credit exposure	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
<b>On balance sheet:</b>					
Cash and short term deposits	3	1,251,935	1,506,858	942,112	1,074,564
Deposits and placements with banks and other financial institutions	4	154,216	67,783	152,582	66,722
Financial investments - AFS	5	1,504,156	1,242,217	1,497,143	1,188,947
Financial investments - HTM	6	259,202	226,280	259,180	226,258
Loans, advances and financing	7	24,212,336	23,234,542	24,025,868	23,037,114
		27,381,845	26,277,680	26,876,885	25,593,605
Other assets not subject to credit risk		1,864,096	1,198,830	1,261,119	1,404,985
		29,245,941	27,476,510	28,138,004	26,998,590
<b>Off balance sheet:</b>					
Commitments and Contingencies	38(a)	7,074,828	6,047,111	6,442,386	5,366,891
		36,320,769	33,523,621	34,580,390	32,365,481

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors:

Group 2013	Short-term deposits, and placements with financial institutions	Financial investments - HTM	Financial investments - AFS	Loans, advances and financing	Other assets	Total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting and forestry	-	-	-	5,876	-	5,876	-
Construction	-	29,631	24,160	13,003,724	-	13,057,515	1,881,674
Education	-	-	-	638,197	-	638,197	1,454,031
Electrical and electronics	-	-	-	34	-	34	-
Electrical, gas and water supply	-	101,633	117,157	2,206,266	-	2,425,056	144,271
Finance, insurance and business	1,406,151	127,938	921,418	18,312	-	2,473,819	-
Hotel and restaurants	-	-	-	800,996	-	800,996	927,745
Housing	-	-	-	12,688	-	12,688	-
Manufacturing	-	-	-	306,899	-	306,899	580,279
Marine related	-	-	-	160,890	-	160,890	80,470
Material technology	-	-	-	10,002	-	10,002	1,000
Medical and pharmaceuticals	-	-	-	18,874	-	18,874	-
Mining and quarrying	-	-	-	2,300	-	2,300	-
Other community, social and personal service activities	-	-	-	32,172	-	32,172	29,359
Production engineering	-	-	-	-	-	-	-
Public administration and defence	-	-	-	47,550	-	47,550	10,167
Real estate, renting and business activities	-	-	49,040	979,903	-	1,028,943	719,238
Shipping	-	-	388,985	1,347,038	-	1,736,023	869,353
Shipyard	-	-	-	281,258	-	281,258	11,386
Transport, storage and communications	-	-	3,396	4,339,357	-	4,342,753	365,855
	1,406,151	259,202	1,504,156	24,212,336	-	27,381,845	7,074,828
Other assets not subject to credit risk	-	-	-	-	1,864,096	1,864,096	-
	1,406,151	259,202	1,504,156	24,212,336	1,864,096	29,245,941	7,074,828

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2013 (CONT'D.)

### 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

#### (a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors: (cont'd.)

Group 2012	Short-term	Financial	Financial	Financial	Loans,	Other assets	Total	Commitments
	deposits, and placements with financial institutions	investments - HTM	investments - AFS	advances and financing	RM'000	RM'000	RM'000	and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting and forestry	-	-	-	3,513	-	-	3,513	-
Construction	-	48,272	41,493	12,714,504	-	-	12,804,269	1,197,913
Education	-	-	-	384,102	-	-	384,102	1,501,801
Electrical and electronics	-	-	-	-	-	-	-	96,340
Electrical, gas and water supply	-	51,237	173,041	2,137,674	-	-	2,361,952	268,521
Finance, insurance and business	1,574,641	126,771	588,032	15,512	-	-	2,304,956	-
Hotel and restaurants	-	-	-	727,128	-	-	727,128	442,981
Housing	-	-	-	14,109	-	-	14,109	-
Manufacturing	-	-	-	202,334	-	-	202,334	215,199
Marine related	-	-	-	62,531	-	-	62,531	72,979
Material technology	-	-	-	20,448	-	-	20,448	4,016
Medical and pharmaceuticals	-	-	-	19,251	-	-	19,251	-
Mining and quarrying	-	-	-	1,074	-	-	1,074	-
Other community, social and personal service activities	-	-	11,178	45,857	-	-	57,035	23,860
Production engineering	-	-	-	137	-	-	137	-
Public administration and defence	-	-	-	56,850	-	-	56,850	12,411
Real estate, renting and business activities	-	-	94,310	980,306	-	-	1,074,616	110,346
Shipping	-	-	327,783	1,224,918	-	-	1,552,701	1,092,803
Shipyard	-	-	-	276,944	-	-	276,944	228,290
Transport, storage and communications	-	-	6,380	4,347,350	-	-	4,353,730	779,651
	1,574,641	226,280	1,242,217	23,234,542	-	-	26,277,680	6,047,111
Other assets not subject to credit risk	-	-	-	-	1,198,830	-	1,198,830	-
	1,574,641	226,280	1,242,217	23,234,542	1,198,830	-	27,476,510	6,047,111



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors: (cont'd.)

Bank 2013	Short-term deposits, and placements with financial institutions							Total	Commitments and contingencies
	RM'000	Financial investments - HTM	Financial investments - AFS	Loans, advances and financing	Other assets	RM'000	RM'000		
Construction	-	29,609	24,160	12,978,566	-	13,032,335	1,881,674		
Education	-	-	-	638,197	-	638,197	1,454,031		
Electrical and electronics	-	-	-	34	-	34	-		
Electrical, gas and water supply	-	101,633	117,157	2,206,022	-	2,424,812	144,271		
Finance, insurance and business	1,094,694	127,938	921,418	66,452	-	2,210,502	-		
Hotel and restaurants	-	-	-	727,479	-	727,479	927,745		
Housing	-	-	-	12,688	-	12,688	-		
Manufacturing	-	-	-	282,913	-	282,913	580,279		
Marine related	-	-	-	160,890	-	160,890	80,470		
Material technology	-	-	-	10,002	-	10,002	1,000		
Medical and pharmaceuticals	-	-	-	18,874	-	18,874	-		
Other community, social and personal service activities	-	-	-	29,112	-	29,112	29,359		
Production engineering	-	-	-	-	-	-	-		
Public administration and defence	-	-	-	47,550	-	47,550	10,167		
Real estate, renting and business activities	-	-	42,130	962,642	-	1,004,772	165,796		
Shipping	-	-	388,883	1,379,546	-	1,768,429	790,353		
Shipyard	-	-	-	281,258	-	281,258	11,386		
Transport, storage and communications	-	-	3,395	4,223,643	-	4,227,038	365,855		
Other assets not subject to credit risk	1,094,694	259,180	1,497,143	24,025,868	-	26,876,885	6,442,386		
	-	-	-	-	1,261,119	1,261,119	-		
	1,094,694	259,180	1,497,143	24,025,868	1,261,119	28,138,004	6,442,386		

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors: (cont'd.)

Bank 2012	Short-term	Financial	Financial	Loans,	Other assets	Total	Commitments
	deposits, and placements with financial institutions	investments - HTM	investments - AFS	advances and financing	RM'000	RM'000	and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Construction	-	48,250	41,493	12,699,178	-	12,788,921	1,197,913
Education	-	-	-	384,012	-	384,012	1,501,801
Electrical and electronics	-	-	-	-	-	-	96,340
Electrical, gas and water supply	-	51,237	173,041	2,137,664	-	2,361,942	268,521
Finance, insurance and business	1,141,286	126,771	588,032	116,949	-	1,973,038	-
Hotel and restaurants	-	-	-	661,900	-	661,900	442,981
Housing	-	-	-	14,109	-	14,109	-
Manufacturing	-	-	-	168,799	-	168,799	215,199
Marine related	-	-	-	62,531	-	62,531	72,979
Material technology	-	-	-	20,448	-	20,448	4,016
Medical and pharmaceuticals	-	-	-	19,251	-	19,251	-
Other community, social and personal service activities	-	-	7,000	43,905	-	50,905	23,860
Production engineering	-	-	-	137	-	137	-
Public administration and defence	-	-	-	56,850	-	56,850	12,411
Real estate, renting and business activities	-	-	94,310	980,306	-	1,074,616	110,346
Shipping	-	-	278,691	1,224,918	-	1,503,609	412,583
Shipyard	-	-	-	276,944	-	276,944	228,290
Transport, storage and communications	-	-	6,380	4,169,213	-	4,175,593	779,651
	1,141,286	226,258	1,188,947	23,037,114	-	25,593,605	5,366,891
Other assets not subject to credit risk	-	-	-	-	1,404,985	1,404,985	-
	1,141,286	226,258	1,188,947	23,037,114	1,404,985	26,998,590	5,366,891

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (a) Credit risk (cont'd.)

(iii) Gross loans, advances and financing are rated based on internal rating by the Bank:

	2013					2012						
	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>												
High Quality	7,528,191	-	-	7,528,191	8,484,519	-	-	8,484,519				8,484,519
Upper-medium grade	1,764,600	589	-	1,765,189	212,980	359	-	213,339				213,339
Medium grade	6,782,662	60,505	8,875	6,852,042	4,545,846	21,899	7,451	4,575,196				4,575,196
Speculative	4,843,902	102,758	172,818	5,119,478	6,890,780	108,643	104,856	7,104,279				7,104,279
Considered speculative	2,799,968	-	1,694	2,801,662	2,275,232	28,188	2,708	2,306,128				2,306,128
Poor standing	99,421	-	-	99,421	192,421	72,555	-	264,976				264,976
Highly speculative	7,993	-	-	7,993	8,552	-	-	8,552				8,552
Impaired	-	-	2,532,287	2,532,287	1,061	50,189	2,716,582	2,767,832				2,767,832
	23,826,737	163,852	2,715,674	26,706,263	22,611,391	281,833	2,831,597	25,724,821				25,724,821
<b>Bank</b>												
High Quality	7,598,723	-	-	7,598,723	8,605,548	-	-	8,605,548				8,605,548
Upper-medium grade	1,759,431	-	-	1,759,431	212,309	-	-	212,309				212,309
Medium grade	6,719,202	43,822	-	6,763,024	4,482,944	14,056	-	4,497,000				4,497,000
Speculative	4,740,955	50,118	103,384	4,894,457	6,766,636	38,474	-	6,805,110				6,805,110
Considered speculative	2,812,052	24,563	-	2,836,615	2,273,080	25,695	-	2,298,775				2,298,775
Poor standing	99,421	-	-	99,421	192,421	72,555	-	264,976				264,976
Highly speculative	7,993	-	-	7,993	8,552	-	-	8,552				8,552
Impaired	-	-	2,451,798	2,451,798	-	50,189	2,622,744	2,672,933				2,672,933
	23,737,777	118,503	2,555,182	26,411,462	22,591,679	200,969	2,622,744	25,365,203				25,365,203

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (a) Credit risk (cont'd.)

- (iv) Aging analysis of past due but not impaired and impaired loans, advances and financing

Analysis of loans, advances and financing that are past due but not impaired based on the Group and the Bank's internal credit rating system are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Impaired:</b>				
0 month overdue	381,896	530,844	381,896	530,844
1 month overdue	10,930	108,065	10,834	108,065
2 months overdue	141	5,224	-	4,840
3 months overdue	-	310,469	-	310,118
> 3 months overdue	2,322,707	1,876,995	2,162,452	1,668,877
	2,715,674	2,831,597	2,555,182	2,622,744
<b>Past due but not impaired:</b>				
1 Month Overdue	70,649	183,229	70,010	150,780
2 Months Overdue	66,901	60,968	48,493	50,189
3 Months Overdue	26,302	37,636	-	-
	163,852	281,833	118,503	200,969

- (v) Collateral and credit enhancement for loans, advances and financing

Collateral represents the asset pledged by a customer and/or a third party on behalf of the customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Bank, and subject to seizure in the event of default. Collateral provides to the Bank with a secondary repayment source, i.e. a source of fund to help recover its investment should the customer is unable to repay the facility obtained from the Bank.

The Group and the Bank shall consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral types and amounts held by the Group and the Bank are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (a) Credit risk (cont'd.)

(v) Collateral and credit enhancement for loans, advances and financing (cont'd.).

	2013				2012			
	Secured	Unsecured	Total	Estimated fair value of collateral	Secured	Unsecured	Total	Estimated fair value of collateral
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>								
Past due but not impaired	89,606	74,246	163,852	227,657	111,029	120,614	231,643	243,643
Impaired	2,044,195	671,479	2,715,674	2,810,253	2,116,135	715,462	2,831,597	3,019,202
	2,133,801	745,725	2,879,526	3,037,910	2,277,354	836,076	3,113,430	3,262,845
<b>Bank</b>								
Past due but not impaired	114,169	4,334	118,503	227,657	161,218	39,751	200,969	243,643
Impaired	1,973,125	582,057	2,555,182	2,810,253	2,116,136	506,608	2,622,744	3,019,202
	2,087,294	586,391	2,673,685	3,037,910	2,277,354	546,359	2,823,713	3,262,845



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (a) Credit risk (cont'd.)

(v) Collateral and credit enhancement for loans, advances and financing (cont'd.).

	2013			2012		
	Properties, equipment and vessels	Cash	Total	Properties, equipment and vessels	Cash	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
Past due but not impaired	227,657	-	227,657	243,643	-	243,643
Impaired	2,810,253	-	2,810,253	3,019,202	-	3,019,202
	3,037,910	-	3,037,910	3,262,845	-	3,262,845
<b>Bank</b>						
Past due but not impaired	227,657	-	227,657	243,643	-	243,643
Impaired	2,810,253	-	2,810,253	3,019,202	-	3,019,202
	3,037,910	-	3,037,910	3,262,845	-	3,262,845

(vi) Restructured loans

Restructured loans refer to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The total restructured loans held by the Group and the Bank stood at RM429.2 million.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (a) Credit risk (cont'd.)

- (vii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparties' rating:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Financial investments - AFS</b>				
Sovereign	449,009	314,970	449,009	314,970
AAA	42,130	94,258	42,130	94,258
AA	188,436	260,747	188,436	260,747
A	3,395	61,691	3,395	61,691
B	1,206	-	1,206	-
BB	22,954	-	22,954	-
BBB	61,622	-	61,622	-
Non-rated	735,404	510,551	728,391	457,281
	1,504,156	1,242,217	1,497,143	1,188,947
<b>Financial investments - HTM</b>				
Sovereign	145,404	93,495	145,404	93,495
AAA	84,167	84,513	84,167	84,513
B	-	48,250	-	48,250
C2	29,609	-	29,609	-
Non-rated	22	22	-	-
	259,202	226,280	259,180	226,258

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk

#### (i) Foreign exchange risk

The Group and the Bank is exposed to foreign currency risk as a result of its borrowings made in currencies other than Ringgit Malaysia. The Group's and the Bank's policy in managing its exposure to foreign currency risks is by hedging through forward contract deals.

The net unhedged financial assets and financial liabilities of the Group and the Bank that are not denominated in its functional currency are as follows:

	Net financial assets/(liabilities) held in non-functional currencies			
	Ringgit Malaysia 2013	Total 2013	Ringgit Malaysia 2012	Total 2012
	RM'000	RM'000	RM'000	RM'000
<b>Functional currency of the Group</b>				
Japanese Yen (JPY)	(498,597)	(498,597)	(647,858)	(647,858)
United states dollar (USD)	44,890	44,890	74,795	74,795
Singapore dollar (SGD)	(7,144)	(7,144)	-	-
<b>Functional currency of the Bank</b>				
JPY	(498,597)	(498,597)	(647,858)	(647,858)

The table below shows the Group's and the Bank's foreign currency sensitivity based on reasonable possible movements in foreign exchange (FX) rates.

	Strengthening / weakening in FX rate (+/-)	Effect on profit/loss		Effect on equity	
		Increase in FX rate 2013	Decrease in FX rate 2013	Increase in FX rate 2013	Decrease in FX rate 2013
		%	RM'000	RM'000	RM'000
<b>Group</b>					
USD	10	(4,002)	4,002	(4,002)	4,002
JPY	10	(15,301)	15,301	(15,301)	15,301
SGD	10	(538)	538	(538)	538
<b>Bank</b>					
JPY	10	(15,301)	15,301	(15,301)	15,301

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk (cont'd.)

#### (i) Foreign exchange risk (cont'd.)

	Strengthening / weakening in FX rate (+/-)	Effect on profit/loss		Effect on equity	
		Increase in FX rate 2012	Decrease in FX rate 2012	Increase in FX rate 2012	Decrease in FX rate 2012
	%	RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
USD	10	(4,896)	4,896	(4,896)	4,896
JPY	10	(24,982)	24,982	(24,982)	24,982
<b>Bank</b>					
JPY	10	(24,982)	24,982	(24,982)	24,982

#### (ii) Interest / profit rate risk

Interest rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest rates.

Interest rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the Board.

The Group and the Bank may be exposed to a loss in earnings due to the interest rates structure of the balance sheet arising from interest rates and yield curve changes. The sensitivity to interest rates arises from the mismatches in the repricing rates, cash flows and other characteristic of the assets and their corresponding liability funding. The Group and the Bank manages its interest rate risk exposure through the use of fixed/ floating rate debts and financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk (cont'd.)

#### (ii) Interest / profit rate risk (cont'd.)

The table below shows the Group's and the Bank's net interest/profit income sensitivity based on possible parallel shift in interest rate.

	Group			
	Impact on profit	Impact on profit	Impact on equity	Impact on equity
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest/profit rate - parallel shift				
+ 50 basis points	3,420	2,303	144,798	144,406
- 50 basis points	(3,420)	(2,303)	(144,798)	(144,406)

	Bank			
	Impact on profit	Impact on profit	Impact on equity	Impact on equity
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest/profit rate - parallel shift				
+ 50 basis points	3,420	2,300	144,798	144,406
- 50 basis points	(3,420)	(2,300)	(144,798)	(144,406)



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk (cont'd.)

#### (ii) Interest / profit rate risk (cont'd.)

The table below summarises the Group's and the Bank's exposure to interest/profit rate risk. The table indicates effective average interest rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 2013	NON-TRADING BOOK							Effective interest/profit rate
	Up to 1 months RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Total RM'000	
Cash and short term deposits	1,162,082	-	-	-	-	89,853	1,251,935	3.08
Deposits and placements with financial institutions	1,606	150,962	1,620	-	28	-	154,216	3.41
Financial investments - AFS	435,516	202,938	516,949	727	348,026	-	1,504,156	5.44
Financial investments - HTM	22	84,167	101,633	43,771	29,609	-	259,202	4.48
Loans, advances and financing								
- non-impaired	1,384,633	194,229	1,912,831	10,129,522	10,369,374	-	23,990,589	6.86
- impaired *	-	-	-	-	-	221,747	221,747	-
Other assets	-	-	-	-	-	290,650	290,650	-
Interest in JVs	-	-	-	-	-	79,075	79,075	-
Property, plant and equipment	-	-	-	-	-	1,253,505	1,253,505	-
Prepaid land lease	-	-	-	-	-	1,795	1,795	-
Investment properties	-	-	-	-	-	4,392	4,392	-
Intangible assets	-	-	-	-	-	200,360	200,360	-
Deferred tax assets	-	-	-	-	-	15,857	15,857	-
Assets classified as held for sale	-	-	-	-	-	18,462	18,462	-
<b>Total assets</b>	<b>2,983,859</b>	<b>632,296</b>	<b>2,533,033</b>	<b>10,174,020</b>	<b>10,747,037</b>	<b>2,175,696</b>	<b>29,245,941</b>	

\* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk (cont'd.)

(ii) Interest / profit rate risk (cont'd.)

Group 2013 (cont'd.)	NON-TRADING BOOK							Effective interest/profit rate %
	Up to 1 months RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	
<b>Equity and liabilities</b>								
Deposits from customers	2,063,050	2,895,469	2,156,722	-	-	-	7,115,241	3.44
Deposits and placements from financial institutions	271,108	40,014	-	-	-	-	311,122	3.22
Other liabilities	-	-	-	-	-	186,514	186,514	-
Redeemable notes	-	-	-	2,119,570	905,778	-	3,025,348	5.39
Term loans	79,143	313,011	142,667	6,499,336	3,327,968	-	10,362,125	4.32
Infrastructure support fund	-	-	-	-	-	365,430	365,430	-
Deferred income	-	-	-	-	-	248,413	248,413	-
Deferred tax liabilities	-	-	-	-	-	39,302	39,302	-
<b>Total liabilities</b>	<b>2,413,301</b>	<b>3,248,494</b>	<b>2,299,389</b>	<b>8,618,906</b>	<b>4,233,746</b>	<b>839,659</b>	<b>21,653,495</b>	
Shareholders' equity	-	-	-	-	-	7,511,069	7,511,069	-
Non-controlling interest	-	-	-	-	-	81,377	81,377	-
<b>Total equity and liabilities</b>	<b>2,413,301</b>	<b>3,248,494</b>	<b>2,299,389</b>	<b>8,618,906</b>	<b>4,233,746</b>	<b>8,432,105</b>	<b>29,245,941</b>	
On-balance sheet interest/profit sensitivity gap	570,558	(2,616,198)	233,644	1,555,114	6,513,291	(6,256,409)	-	-
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-	-
<b>Total interest/profit sensitivity gap</b>	<b>570,558</b>	<b>(2,616,198)</b>	<b>233,644</b>	<b>1,555,114</b>	<b>6,513,291</b>	<b>(6,256,409)</b>	<b>-</b>	

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2013 (CONT'D.)

### 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

#### (b) Market risk (cont'd.)

(ii) Interest / profit rate risk (cont'd.)

Group 2012	NON-TRADING BOOK							Effective/ interest/profit rate
	Up to 1 months RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	
<b>Assets</b>								
Cash and short term deposits	1,464,531	-	-	-	-	42,327	1,506,858	2.36
Deposits and placements with financial institutions	1,033	66,722	-	-	28	-	67,783	3.10
Financial investments - AFS	364,877	255,269	355,486	727	265,858	-	1,242,217	6.06
Financial investments - HTM	22	126,771	51,237	-	48,250	-	226,280	4.68
Loans, advances and financing								
- non-impaired	1,080,240	283,503	1,710,346	8,110,136	11,658,810	-	22,843,035	7.31
- impaired *	-	-	-	-	-	391,507	391,507	-
Interest in associates	-	-	-	-	-	273,743	273,743	-
Other assets	-	-	-	-	-	272,229	272,229	-
Interest in JVs	-	-	-	-	-	209,727	209,727	-
Property, plant and equipment	-	-	-	-	-	159,173	159,173	-
Prepaid land lease	-	-	-	-	-	2,029	2,029	-
Investment properties	-	-	-	-	-	9,720	9,720	-
Intangible assets	-	-	-	-	-	8,762	8,762	-
Deferred tax assets	-	-	-	-	-	87,957	87,957	-
Assets classified as held for sale	-	-	-	-	-	120,530	120,530	-
Assets of subsidiaries classified as held for sale	-	-	-	-	-	54,960	54,960	-
<b>Total assets</b>	<b>2,910,703</b>	<b>732,265</b>	<b>2,117,069</b>	<b>8,110,863</b>	<b>11,972,946</b>	<b>1,632,664</b>	<b>27,476,510</b>	

\* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk (cont'd.)

(ii) Interest / profit rate risk (cont'd.)

Group 2012 (cont'd.)	NON-TRADING BOOK							Effective/ interest/profit rate
	Up to 1 months RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	
<b>Equity and liabilities</b>								
Deposits from customers	1,400,697	1,661,819	2,351,626	-	-	-	5,414,142	3.58
Deposits and placements from financial institutions	10,019	62,826	80,711	-	-	-	153,556	3.39
Other liabilities	-	-	-	-	-	185,234	185,234	-
Redeemable notes	-	-	1,008,055	2,220,565	905,371	-	4,133,991	5.05
Term loans	80,005	74,630	74,630	6,659,908	2,754,126	-	9,643,299	4.19
Infrastructure support fund	-	-	-	-	-	399,535	399,535	-
Deferred income	-	-	-	-	-	251,430	251,430	-
Deferred tax liabilities	-	-	-	-	-	12,814	12,814	-
Liabilities of subsidiaries classified as held for sale	-	-	-	-	-	101	101	-
<b>Total liabilities</b>	<b>1,490,721</b>	<b>1,799,275</b>	<b>3,515,022</b>	<b>8,880,473</b>	<b>3,659,497</b>	<b>849,114</b>	<b>20,194,102</b>	
<b>Shareholders' equity</b>								
Shareholders' equity	-	-	-	-	-	7,129,258	7,129,258	-
Non-controlling interest	-	-	-	-	-	153,150	153,150	-
<b>Total equity and liabilities</b>	<b>1,490,721</b>	<b>1,799,275</b>	<b>3,515,022</b>	<b>8,880,473</b>	<b>3,659,497</b>	<b>8,131,522</b>	<b>27,476,510</b>	
On-balance sheet interest / profit sensitivity gap	1,419,982	(1,067,010)	(1,397,953)	(769,610)	8,313,449	(6,498,858)	-	-
Off-balance sheet interest / profit sensitivity gap	-	-	-	-	-	-	-	-
<b>Total interest/profit sensitivity gap</b>	<b>1,419,982</b>	<b>(1,067,010)</b>	<b>(1,397,953)</b>	<b>(769,610)</b>	<b>8,313,449</b>	<b>(6,498,858)</b>	<b>-</b>	

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk (cont'd.)

(ii) Interest / profit rate risk (cont'd.)

Bank 2013	NON-TRADING BOOK							Effective/ interest/profit rate
	Up to 1 months RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	
Cash and short term deposits	936,690	-	-	-	-	5,422	942,112	3.20
Deposits and placements with financial institutions	-	150,962	1,620	-	-	-	152,582	3.43
Financial investments - AFS	428,503	202,938	516,949	727	348,026	-	1,497,143	5.19
Financial investments - HTM	-	84,167	101,633	43,771	29,609	-	259,180	4.35
Loans, advances and financing								
- non-impaired	1,385,165	194,229	1,813,224	10,111,320	10,352,342	-	23,856,280	6.86
- impaired *	-	-	-	-	-	169,588	169,588	-
Other assets	-	-	-	-	-	188,058	188,058	-
Investment in subsidiaries	-	-	-	-	-	955,679	955,679	-
Property, plant and equipment	-	-	-	-	-	103,282	103,282	-
Prepaid land lease	-	-	-	-	-	1,795	1,795	-
Investment properties	-	-	-	-	-	772	772	-
Intangible assets	-	-	-	-	-	11,533	11,533	-
Deferred tax	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>2,750,358</b>	<b>632,296</b>	<b>2,433,426</b>	<b>10,155,818</b>	<b>10,729,977</b>	<b>1,436,129</b>	<b>28,138,004</b>	

\* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk (cont'd.)

(ii) Interest / profit rate risk (cont'd.)

Bank 2013 (cont'd.)	NON-TRADING BOOK							Effective/ interest/profit rate
	Up to 1 months RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	
<b>Equity and liabilities</b>								
Deposits from customers	2,063,050	2,895,469	2,156,722	-	-	-	7,115,241	3.44
Deposits and placements from financial institutions	271,108	40,014	-	-	-	-	311,122	3.22
Other liabilities	-	-	-	-	-	39,877	39,877	-
Redeemable notes	-	-	-	2,119,570	905,778	-	3,025,348	5.39
Term loans	79,143	275,341	74,630	6,499,336	2,654,127	-	9,582,577	4.43
Infrastructure support fund	-	-	-	-	-	365,430	365,430	-
Deferred tax liabilities	-	-	-	-	-	27,121	27,121	-
Deferred income	-	-	-	-	-	248,413	248,413	-
<b>Total liabilities</b>	<b>2,413,301</b>	<b>3,210,824</b>	<b>2,231,352</b>	<b>8,618,906</b>	<b>3,559,905</b>	<b>680,841</b>	<b>20,715,129</b>	
Shareholders' equity	-	-	-	-	-	7,422,875	7,422,875	-
<b>Total equity and liabilities</b>	<b>2,413,301</b>	<b>3,210,824</b>	<b>2,231,352</b>	<b>8,618,906</b>	<b>3,559,905</b>	<b>8,103,716</b>	<b>28,138,004</b>	
On-balance sheet interest/profit sensitivity gap	337,057	(2,578,528)	202,074	1,536,912	7,170,072	(6,667,587)	-	-
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-	-
<b>Total interest/profit sensitivity gap</b>	<b>337,057</b>	<b>(2,578,528)</b>	<b>202,074</b>	<b>1,536,912</b>	<b>7,170,072</b>	<b>(6,667,587)</b>	<b>-</b>	

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk (cont'd.)

(ii) Interest / profit rate risk (cont'd.)

Bank 2012	NON-TRADING BOOK							Effective/ interest/profit rate
	Up to 1 months RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	
Cash and short term deposits	1,071,185	-	-	-	-	3,379	1,074,564	3.15
with financial institutions Deposits and placements	-	66,722	-	-	-	-	66,722	3.15
Financial investments - AFS	311,607	255,269	355,486	727	265,858	-	1,188,947	5.47
Financial investments - HTM	-	126,771	51,237	-	48,250	-	226,258	4.48
Loans, advances and financing								
- non-impaired	1,201,268	283,503	1,710,346	7,791,854	11,705,299	-	22,692,270	7.29
- impaired *	-	-	-	-	-	344,844	344,844	-
Other assets	-	-	-	-	-	201,932	201,932	-
Investment in subsidiaries	-	-	-	-	-	928,549	928,549	-
Property, plant and equipment	-	-	-	-	-	117,628	117,628	-
Prepaid land lease	-	-	-	-	-	2,029	2,029	-
Investment properties	-	-	-	-	-	3,461	3,461	-
Intangible assets	-	-	-	-	-	6,664	6,664	-
Deferred tax	-	-	-	-	-	87,957	87,957	-
Subsidiaries classified as held for sale	-	-	-	-	-	56,765	56,765	-
<b>Total assets</b>	<b>2,584,060</b>	<b>732,265</b>	<b>2,117,069</b>	<b>7,792,581</b>	<b>12,019,407</b>	<b>1,753,208</b>	<b>26,998,590</b>	

\* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (b) Market risk (cont'd.)

(ii) Interest / profit rate risk (cont'd.)

Bank 2012 (cont'd.)	NON-TRADING BOOK							Effective interest/profit rate
	Up to 1 months RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	
<b>Equity and liabilities</b>								
Deposits from customers	1,400,697	1,661,819	2,351,626	-	-	-	5,414,142	3.39
Deposits and placements from financial institutions	10,019	62,826	80,711	-	-	-	153,556	3.39
Other liabilities	-	-	-	-	-	35,901	35,901	-
Redeemable notes	-	-	1,008,055	2,220,565	905,371	-	4,133,991	5.01
Term loans	80,005	74,630	74,630	6,548,597	2,754,126	-	9,531,988	4.35
Infrastructure support fund	-	-	-	-	-	399,535	399,535	-
Deferred income	-	-	-	-	-	251,430	251,430	-
<b>Total liabilities</b>	<b>1,490,721</b>	<b>1,799,275</b>	<b>3,515,022</b>	<b>8,769,162</b>	<b>3,659,497</b>	<b>686,866</b>	<b>19,920,543</b>	
<b>Shareholders' equity</b>								
						7,078,047	7,078,047	-
<b>Total equity and liabilities</b>	<b>1,490,721</b>	<b>1,799,275</b>	<b>3,515,022</b>	<b>8,769,162</b>	<b>3,659,497</b>	<b>7,764,913</b>	<b>26,998,590</b>	
On-balance sheet interest/profit sensitivity gap	1,093,339	(1,067,010)	(1,397,953)	(976,581)	8,359,910	(6,011,705)	-	-
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-	-
<b>Total interest/profit sensitivity gap</b>	<b>1,093,339</b>	<b>(1,067,010)</b>	<b>(1,397,953)</b>	<b>(976,581)</b>	<b>8,359,910</b>	<b>(6,011,705)</b>	<b>-</b>	

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

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## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt repayments over a range of maturities.

The Group and the Bank manages its liquidity requirement on a day-to-day basis to ensure that funds are readily available for its operational needs, withdrawals of deposits and repayments to fund providers. The Group and the Bank may raise funds locally and globally either through government-to-government arrangements or direct negotiations. Other sources of funding through the capital market are being explored on an on-going basis to ensure a diversity of funding source.

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Group and the Bank.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (c) Liquidity risk (cont'd.)

Group 2013	NON-TRADING BOOK							Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- specific maturity RM'000		
<b>Assets</b>								
Cash and short term deposits	1,162,082	-	-	-	-	89,853	1,251,935	
Deposits and placements from financial institutions	1,606	150,962	1,620	-	28	-	154,216	
Financial investments - AFS	435,781	200,000	543,401	727	674,899	-	1,854,808	
Financial investments - HTM	22	83,000	100,000	50,000	29,609	-	262,631	
Loans, advances and financing	1,384,633	194,229	1,912,831	10,129,522	10,369,374	221,747	24,212,336	
Other assets	-	-	-	-	-	290,650	290,650	
<b>Total undiscounted financial assets</b>	<b>2,984,124</b>	<b>628,191</b>	<b>2,557,852</b>	<b>10,180,249</b>	<b>11,073,910</b>	<b>602,250</b>	<b>28,026,576</b>	
<b>Liabilities</b>								
Deposits from customers	2,053,036	2,905,483	2,156,722	-	-	-	7,115,241	
Deposits and placements from financial institutions	281,122	30,000	-	-	-	-	311,122	
Other liabilities	-	-	-	-	-	186,514	186,514	
Redeemable notes	-	-	-	2,119,570	905,778	-	3,025,348	
Term loans	79,143	313,011	142,667	6,499,336	3,327,968	-	10,362,125	
<b>Total undiscounted financial liabilities</b>	<b>2,413,301</b>	<b>3,248,494</b>	<b>2,299,389</b>	<b>8,618,906</b>	<b>4,233,746</b>	<b>186,514</b>	<b>21,000,350</b>	
<b>Net maturity mismatches</b>	<b>570,823</b>	<b>(2,620,303)</b>	<b>258,463</b>	<b>1,561,343</b>	<b>6,840,164</b>	<b>415,736</b>	<b>7,026,226</b>	



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (c) Liquidity risk (cont'd.)

Group 2012	NON-TRADING BOOK						Non- specific maturity RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- specific maturity RM'000		
<b>Assets</b>								
Cash and short term deposits	1,464,531	-	-	-	-	42,327	1,506,858	
Deposits and placements from financial institutions	1,033	66,722	-	-	28	-	67,783	
Financial investments - AFS	363,145	251,100	382,124	727	412,277	-	1,409,373	
Financial investments - HTM	22	132,997	50,173	-	48,250	-	231,442	
Loans, advances and financing	1,080,240	283,503	1,710,346	8,110,136	11,705,300	344,844	23,234,369	
Other assets	-	-	-	-	-	272,229	272,229	
<b>Total undiscounted financial assets</b>	<b>2,908,971</b>	<b>734,322</b>	<b>2,142,643</b>	<b>8,110,863</b>	<b>12,165,855</b>	<b>659,400</b>	<b>26,722,054</b>	
<b>Liabilities</b>								
Deposits from customers	1,400,697	1,661,819	2,351,626	-	-	-	5,414,142	
Deposits and placements from financial institutions	10,019	62,826	80,711	-	-	-	153,556	
Other liabilities	-	-	-	-	-	35,901	35,901	
Redeemable notes	-	-	1,008,055	2,220,565	905,371	-	4,133,991	
Term loans	80,005	74,630	74,630	6,659,908	2,754,126	-	9,643,299	
<b>Total undiscounted financial liabilities</b>	<b>1,490,721</b>	<b>1,799,275</b>	<b>3,515,022</b>	<b>8,880,473</b>	<b>3,659,497</b>	<b>35,901</b>	<b>19,380,889</b>	
<b>Net maturity mismatches</b>	<b>1,418,250</b>	<b>(1,064,953)</b>	<b>(1,372,379)</b>	<b>(769,610)</b>	<b>8,506,358</b>	<b>623,499</b>	<b>7,341,165</b>	

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (c) Liquidity risk (cont'd.)

Bank 2013	NON-TRADING BOOK							Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- specific maturity RM'000		
<b>Assets</b>								
Cash and short term deposits	936,690	-	-	-	-	5,422	942,112	
Deposits and placements from financial institutions	-	150,962	1,620	-	-	-	152,582	
Financial investments - AFS	428,768	200,000	543,401	727	492,591	-	1,665,487	
Financial investments - HTM	-	83,000	100,000	50,000	29,609	-	262,609	
Loans, advances and financing	1,385,165	194,229	1,813,224	10,111,320	10,378,928	143,002	24,025,868	
Other assets	-	-	-	-	-	188,058	188,058	
<b>Total undiscounted financial assets</b>	<b>2,750,623</b>	<b>628,191</b>	<b>2,458,245</b>	<b>10,162,047</b>	<b>10,901,128</b>	<b>336,482</b>	<b>27,236,716</b>	
<b>Liabilities</b>								
Deposits from customers	2,063,050	2,895,469	2,156,722	-	-	-	7,115,241	
Deposits and placements from financial institutions	281,122	30,000	-	-	-	-	311,122	
Other liabilities	-	-	-	-	-	39,877	39,877	
Redeemable notes	-	-	-	2,119,570	905,778	-	3,025,348	
Term loans	79,143	275,341	74,630	6,499,336	2,654,127	-	9,582,577	
<b>Total undiscounted financial liabilities</b>	<b>2,423,315</b>	<b>3,200,810</b>	<b>2,231,352</b>	<b>8,618,906</b>	<b>3,559,905</b>	<b>39,877</b>	<b>20,074,165</b>	
<b>Net maturity mismatches</b>	<b>327,308</b>	<b>(2,572,619)</b>	<b>226,893</b>	<b>1,543,141</b>	<b>7,341,223</b>	<b>296,605</b>	<b>7,162,551</b>	

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 45. FINANCIAL INSTRUMENTS RISK (CONT'D.)

### (c) Liquidity risk (cont'd.)

Bank 2012	NON-TRADING BOOK							Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- specific maturity RM'000		
<b>Assets</b>								
Cash and short term deposits	1,071,185	-	-	-	-	3,379	1,074,564	
Deposits and placements from financial institutions	-	66,722	-	-	-	-	66,722	
Financial investments - AFS	309,875	251,100	382,124	727	412,277	-	1,356,103	
Financial investments - HTM	-	132,997	50,173	-	48,250	-	231,420	
Loans, advances and financing	1,201,268	283,503	1,710,346	7,791,853	11,705,300	344,844	23,037,114	
Other assets	-	-	-	-	-	201,932	201,932	
<b>Total undiscounted financial assets</b>	<b>2,582,328</b>	<b>734,322</b>	<b>2,142,643</b>	<b>7,792,580</b>	<b>12,165,827</b>	<b>550,155</b>	<b>25,967,855</b>	
<b>Liabilities</b>								
Deposits from customers	1,400,697	1,661,819	2,351,626	-	-	-	5,414,142	
Deposits and placements from financial institutions	10,019	62,826	80,711	-	-	-	153,556	
Other liabilities	-	-	-	-	-	35,901	35,901	
Redeemable notes	-	-	1,008,055	2,220,565	905,371	-	4,133,991	
Term loans	80,005	74,630	74,630	6,548,597	2,754,126	-	9,531,988	
<b>Total undiscounted financial liabilities</b>	<b>1,490,721</b>	<b>1,799,275</b>	<b>3,515,022</b>	<b>8,769,162</b>	<b>3,659,497</b>	<b>35,901</b>	<b>19,269,578</b>	
<b>Net maturity mismatches</b>	<b>1,091,607</b>	<b>(1,064,953)</b>	<b>(1,372,379)</b>	<b>(976,582)</b>	<b>8,506,330</b>	<b>514,254</b>	<b>6,698,277</b>	

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 46. FAIR VALUES MEASUREMENTS

### (a) Financial assets and liabilities measured at fair value

#### Determination of fair value and the fair value hierarchy

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

The Group and the Bank classify its financial assets and financial liabilities which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical assets and liabilities instruments;

Level 2 - Valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the valuation of the financial instruments and non-financial assets.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain government sukus and corporate sukuk, financing, derivatives and investment properties.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 46. FAIR VALUES MEASUREMENTS (CONT'D.)

### (a) Financial assets and liabilities measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's and Bank's assets and liabilities.

Group	2013						2012		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets measured at fair value:</b>									
Financial assets at fair value through profit and loss									
Financial investments - AFS	734,574	769,582	-	1,504,156	451,701	790,516	-	1,242,217	
Total financial assets carried at fair value	734,574	769,582	-	1,504,156	451,701	790,516	-	1,242,217	
<b>Assets for which fair values are disclosed (Note 46 (b)):</b>									
Loans, financing and advances	-	223,560	23,788,580	24,012,140	-	197,255	22,742,578	22,939,833	
Financial investments - HTM	-	258,196	-	258,196	-	285,535	-	285,535	
Investment properties	-	7,295	-	7,295	-	16,517	-	16,517	
<b>Liabilities for which fair values are disclosed (Note 46 (b)):</b>									
Redeemable notes	-	-	3,165,142	3,165,142	-	-	4,164,826	4,164,826	
Term loans	-	-	9,585,656	9,585,656	-	-	9,030,975	9,030,975	

There have been no transfer between Level 1 and Level 2 during the financial year and no movement in Level 3. The fair value of loans, financing and advances that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.0% to 13.01% (2012: 0.75% to 13.01%) whilst the fair value of redeemable notes and term loans that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 3.64% to 7.20% (2012: 3.64% to 7.70%).



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 46. FAIR VALUES MEASUREMENTS (CONT'D.)

### (a) Financial assets and liabilities measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's and Bank's assets and liabilities. (cont'd.)

Bank	2013					2012			Total	Level 3	Level 2	Level 1	Level 2	Level 3	Total	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Level 1								Level 2
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets measured at fair value:</b>																
Financial investments - AFS	727,664	769,479	-	1,497,143	447,523	741,424	-	1,188,947	447,523	741,424	-	1,188,947	447,523	741,424	-	1,188,947
Total financial assets	727,664	769,479	-	1,497,143	447,523	741,424	-	1,188,947	447,523	741,424	-	1,188,947	447,523	741,424	-	1,188,947
Total financial assets carried at fair value				1,497,143				1,188,947				1,188,947				1,188,947
<b>Assets for which fair values are disclosed (Note 46 (b)):</b>																
Loans, financing and advances	-	-	23,788,580	23,788,580	-	-	-	22,742,578	-	-	-	22,742,578	-	-	-	22,742,578
Financial investments - HTM	-	258,196	-	258,196	-	285,535	-	285,535	-	285,535	-	285,535	-	-	-	285,535
Investment properties	-	3,830	-	3,830	-	7,174	-	7,174	-	7,174	-	7,174	-	-	-	7,174
Liabilities for which fair values are disclosed (Note 46 (b)):																
Redeemable notes	-	-	3,165,142	3,165,142	-	-	-	4,164,826	-	-	-	4,164,826	-	-	-	4,164,826
Term loans	-	-	8,769,180	8,769,180	-	-	-	8,919,664	-	-	-	8,919,664	-	-	-	8,919,664

There have been no transfer between Level 1 and Level 2 during the financial year and no movement in Level 3. The fair value of loans, financing and advances that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.0% to 13.01% (2012: 0.75% to 13.01%) whilst the fair value of redeemable notes and term loans that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 3.64% to 7.20% (2012: 3.64% to 7.70%).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 46. FAIR VALUES MEASUREMENTS (CONT'D.)

### (b) Financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts and the estimated fair values of those financial assets not presented on the Group's statements of financial position at their fair value.

	Group		Bank	
	Carrying value	Carrying fair value	Carrying value	Carrying fair value
	RM'000	RM'000	RM'000	RM'000
<b>2013</b>				
<b>Financial assets</b>				
Loans, advances and financing	24,212,336	24,012,140	24,025,868	23,788,580
Financial investments - HTM	259,202	258,196	259,180	258,196
Investment properties	4,392	7,295	772	3,830
<b>Financial liabilities</b>				
Redeemable notes	3,025,348	3,165,142	3,025,348	3,165,142
Term loans	10,362,125	9,585,656	9,582,577	8,769,180
<b>2012</b>				
<b>Financial assets</b>				
Loans, advances and financing	23,234,542	22,939,833	23,037,114	22,742,578
Financial investments - HTM	226,280	285,535	226,258	285,535
Investment properties	9,720	16,517	3,461	7,174
<b>Financial liabilities</b>				
Redeemable notes	4,133,991	4,164,826	4,133,991	4,164,826
Term loans	9,643,299	9,030,975	9,531,988	8,919,664

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 46. FAIR VALUES MEASUREMENTS (CONT'D.)

### (b) Financial assets and liabilities not carried at fair value (cont'd.)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Financial investments HTM

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Loans, advances and financing

Loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the reporting date.

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Deposits from customers, deposits and placements from financial institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(iv) Recourse obligation on loans and financing sold to Cagamas

The fair values of recourse obligation on housing and hire purchase loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at reporting date.

(v) Subordinated obligations and borrowings

The fair values of capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for securities as at reporting date.

(vi) Investment properties

The fair values of investment properties are estimated based on comparison with indicative market value stated in the Property Market Report 2012 (2012: Property Market Report 2011).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2013 and results for the financial year ended on this date under the Islamic banking business of the Group and the Bank included in the Group financial statements are summarised as follows:

### STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
<b>Assets</b>					
Cash and short term deposits	(a)	297,136	308,825	274,540	288,727
Deposits and placements with financial institutions	(b)	3,065	1,399	3,065	1,399
Financial investments - AFS	(c)	-	38,457	-	38,457
Advances and financing	(d)	5,515,908	3,967,283	5,515,908	3,967,284
Other assets	(e)	503	273	503	273
<b>Total assets</b>		<b>5,816,612</b>	<b>4,316,237</b>	<b>5,794,016</b>	<b>4,296,140</b>
<b>Liabilities</b>					
Other liabilities	(f)	2,729,841	1,834,218	2,728,886	1,829,265
Deposits from customers					
Mudharabah		281,397	595,394	281,397	595,394
Non-Mudharabah		1,111,264	-	1,111,264	-
Deposits and placements from financial institutions Mudharabah		170,861	30,070	170,861	30,070
Long term advances	(g)	4,125	4,125	4,125	4,125
Redeemable notes		404,117	908,111	404,117	908,111
Deferred income		248,413	251,430	248,413	251,430
Islamic general funds		866,594	692,889	844,953	677,745
<b>Total liabilities and Islamic banking funds</b>		<b>5,816,612</b>	<b>4,316,237</b>	<b>5,794,016</b>	<b>4,296,140</b>
Commitments and contingencies	(p)	2,122,067	2,201,660	2,122,067	2,201,660

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	(h)	73,206	54,460	73,206	54,460
Income derived from investment of shareholders' funds	(i)	259,597	209,638	258,651	208,963
Allowance for losses on financing and advances	(j)	(62,587)	(153,836)	(68,253)	(161,408)
Impairment on other assets	(k)	(7,000)	-	(7,000)	-
Profit equalisation reserve		-	158	-	158
<b>Total distributable income</b>		<b>263,216</b>	<b>110,420</b>	<b>256,604</b>	<b>102,173</b>
Income attributable to the depositors	(l)	(41,295)	(31,140)	(41,295)	(31,140)
<b>Total net income</b>		<b>221,921</b>	<b>79,280</b>	<b>215,309</b>	<b>71,033</b>
Overhead expenses	(m)	(13,383)	(9,995)	(13,268)	(10,076)
Finance cost	(n)	(27,906)	(41,082)	(27,906)	(41,082)
Profit before zakat		180,632	28,203	174,135	19,875
Zakat	(o)	(6,803)	(3,003)	(6,803)	(3,003)
<b>Profit for the financial year</b>		<b>173,829</b>	<b>25,200</b>	<b>167,332</b>	<b>16,872</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	173,829	25,200	167,332	16,872
<b>Other comprehensive income</b>				
Net (loss) / gain on revaluation of financial investments - AFS	(124)	148	(124)	148
Other comprehensive (loss) / income for the financial year, net of tax	(124)	148	(124)	148
<b>Total comprehensive income for the financial year, net of tax</b>	<b>173,705</b>	<b>25,348</b>	<b>167,208</b>	<b>17,020</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Bank	173,705	25,348	167,208	17,020
Non-controlling interests	-	-	-	-
	<b>173,705</b>	<b>25,348</b>	<b>167,208</b>	<b>17,020</b>
<b>Net income from Islamic banking business:</b>	<b>231,827</b>	<b>25,348</b>	<b>225,330</b>	<b>17,020</b>
Income derived from investment of depositors' funds	73,206	54,460	73,206	54,460
Income derived from investment of shareholders' funds	259,597	209,638	258,651	208,963
Income attributable to the depositors	(41,295)	(31,140)	(41,295)	(31,140)
Finance cost	(27,906)	(41,082)	(27,906)	(41,082)
PER	-	158	-	158
<b>Net income from Islamic banking business reported in the income statement of the Bank</b>	<b>263,602</b>	<b>192,034</b>	<b>262,656</b>	<b>191,359</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Capital funds	Unrealised holding reserve	Profit equalisation reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	587,626	124	4,970	100,169	692,889
Total comprehensive (loss) / income for the financial year	-	(124)	-	173,829	173,705
At 31 December 2013	587,626	-	4,970	273,998	866,594
At 1 January 2012	587,626	(24)	-	79,939	667,541
Total comprehensive income for the financial year	-	148	-	25,200	25,348
Transfer to PER of Islamic banking business	-	-	3,537	(3,537)	-
Provision for the financial year	-	-	1,433	(1,433)	-
At 31 December 2012	587,626	124	4,970	100,169	692,889

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Bank	Capital funds	Unrealised holding reserve	Profit equalisation reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	597,400	124	4,970	75,251	677,745
Total comprehensive (loss) / income for the financial year	-	(124)	-	167,332	167,208
At 31 December 2013	597,400	-	4,970	242,583	844,953
At 1 January 2012	597,400	(24)	-	63,349	660,725
Total comprehensive income for the financial year	-	148	-	16,872	17,020
Transfer to PER of Islamic banking business	-	-	3,537	(3,537)	-
Provision for the financial year	-	-	1,433	(1,433)	-
At 31 December 2012	597,400	124	4,970	75,251	677,745

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

Cash flows from operating activities	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before zakat	180,632	28,203	174,135	19,875
Adjustments for:				
Individual impairment allowance	55,219	276,130	55,218	275,985
Transferred from collective assessment allowance	11,309	28,114	11,309	28,114
Transferred from individual assessment allowance	743	-	743	-
Collective assessment allowance written back	34,553	44,752	34,553	44,752
Individual impairment allowance written back	(25,346)	(161,654)	(21,978)	(155,052)
Transferred to individual impairment allowance	(11,309)	(28,114)	(11,309)	(28,114)
Transferred to collective assessment allowance	(743)	-	(743)	-
Amortisation of premium	165	925	165	925
Bad debts and financing recovered	(2,359)	(5,471)	(60)	(4,277)
Bad debts written off	520	79	520	-
PER	-	(158)	-	(158)
Zakat payables	(6,803)	(3,003)	(6,803)	(3,003)
Compensation from the Government	(7,525)	(6,586)	(7,525)	(6,586)
Operating profit before working capital changes	229,056	173,217	228,225	172,461
(Increase) / decrease in operating assets:				
Other assets	38,062	14,259	38,062	14,259
Advances and financing	(1,606,828)	(794,304)	(1,612,492)	(801,876)
Deposits and placements with financial institutions	(1,666)	148,977	(1,666)	148,977
	(1,570,432)	(631,068)	(1,576,096)	(638,640)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

Cash flows from operating activities (cont'd.)	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Increase / (decrease) in operating liabilities:				
Other liabilities	394,800	1,719,978	398,797	1,724,216
Deposits from customers	797,267	(1,053,396)	797,267	(1,053,396)
Deposits and placements from financial institutions	140,791	30,070	140,791	30,070
	1,332,858	696,652	1,336,855	700,890
Cash (used in) / generated from operations activities	(8,518)	238,801	(11,016)	234,711
Zakat paid	(3,059)	(1,977)	(3,059)	(1,977)
Net cash (used in) / generated from operations activities	(11,577)	236,824	(14,075)	232,734
<b>Cash flows from financing activities</b>				
Net proceeds from long-term financing	-	(498,390)	-	(498,390)
Net cash used in financing activities	-	(498,390)	-	(498,390)
<b>Cash and cash equivalents (Note A)</b>				
Net decrease in cash and cash equivalents	(11,577)	(261,566)	(14,075)	(265,656)
Cash and cash equivalents at beginning of year	308,713	570,279	288,615	554,271
Cash and cash equivalents at end of year	297,136	308,713	274,540	288,615

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### Cash and cash equivalents

Cash and cash equivalents included in the cash flows statements comprise the following statements of financial position amounts:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and short term deposits	297,136	308,825	274,540	288,727
Bank overdraft	-	(112)	-	(112)
	297,136	308,713	274,540	288,615

### (a) Cash and short term deposits

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with financial institutions	25,567	20,104	2,971	6
Money at call and deposit placements maturing within one month	271,569	288,721	271,569	288,721
	297,136	308,825	274,540	288,727

### (b) Deposits and placements with financial institutions

	Group and Bank	
	2013	2012
	RM'000	RM'000
Licensed banks	3,065	1,399



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (c) Financial investments - AFS

	Group and Bank	
	2013	2012
	RM'000	RM'000
At fair value		
Unquoted securities:		
(In Malaysia)		
Loan stock	-	7,000
Private debt securities	-	31,457
	-	38,457

### (d) Advances and financing

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	491,605	569,225	471,982	546,213
Bai' 'Inah	171,591	146,649	171,591	146,649
Bai' Murabahah	49,100	37,418	49,100	37,418
Bai' Istisna'	8,948,309	7,186,238	8,948,309	7,186,239
Ijarah	205,248	26,594	205,116	26,455
Ijarah Muntahia Bitamlik	407,543	381,447	407,543	381,447
Ijarah Thummal Bai'	545	549	-	-
Tawarruq	29,261	-	29,261	-
Staff financing	22,309	24,695	22,309	24,695
Unearned income	(4,191,028)	(3,817,316)	(4,189,986)	(3,816,241)
Gross advances and financing	6,134,483	4,555,499	6,115,225	4,532,875
Gross advances and financing:				
Individual assessment allowance	(462,524)	(456,152)	(443,266)	(433,527)
Collective assessment allowance	(156,051)	(132,064)	(156,051)	(132,064)
	(618,575)	(588,216)	(599,317)	(565,591)
Net advances and financing	5,515,908	3,967,283	5,515,908	3,967,284

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (d) Advances and financing (cont'd.)

(i) Advances and financing analysed by type of customers are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprises	6,105,205	4,522,031	6,104,683	4,521,419
Individual	29,278	33,468	10,542	11,456
	6,134,483	4,555,499	6,115,225	4,532,875

(ii) Advances and financing analysed by profit rate sensitivity are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Housing financing	29,278	33,468	10,542	11,456
Other fixed rate financing	3,002,666	2,426,174	3,002,144	2,425,562
Variable rate:				
Cost plus	817,459	687,646	817,459	687,646
Other variable rates	2,285,080	1,408,211	2,285,080	1,408,211
	6,134,483	4,555,499	6,115,225	4,532,875

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (d) Advances and financing (cont'd.)

(iii) Advances and financing analysed by industry are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Construction	3,654,568	2,587,413	3,651,347	2,583,629
Education	486,611	160,675	486,611	160,675
Electricity, gas and water supply	236,915	184,380	236,915	184,380
Finance, takaful and business	227	267	-	-
Hotel and restaurants	74,907	48,094	74,907	48,094
Housing	15,403	17,166	10,542	11,456
Manufacturing	128,273	94,943	126,563	92,935
Marine Related	156,799	-	156,799	-
Materials technology	109,062	107,417	109,062	107,417
Other community, social and personal service activities	5,634	6,619	-	-
Public administration and defence	56,097	58,379	56,097	58,379
Real estate, renting and business activities	2,376	2,791	-	-
Shipping	1,055,222	1,135,020	1,055,222	1,135,020
Transport, storage and communication	152,389	152,335	151,160	150,890
	6,134,483	4,555,499	6,115,225	4,532,875

(iv) The maturity structure of the gross advances and financing are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Receivable after 12 months	5,169,837	3,833,517	5,156,008	3,821,138
Receivable within 12 months	964,646	721,982	959,217	711,737
	6,134,483	4,555,499	6,115,225	4,532,875

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (d) Advances and financing (cont'd.)

(v) Movements in impaired advances and financing are as follows:

Impaired financing	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	707,599	735,054	633,888	633,226
Impaired during the financial year	92,290	282,365	92,290	282,365
Reclassified as non-impaired	(66,648)	(25,626)	(66,648)	(3,319)
Recovered during the financial year	(46,674)	(129,540)	(44,749)	(123,730)
Amount written off	(34,801)	(154,654)	(34,085)	(154,654)
At 31 December	651,766	707,599	580,696	633,888
Ratio of gross impaired financing	10.62%	15.53%	9.50%	13.98%

(vi) Impaired advances and financing analysed by industry are as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Construction	51,698	23,217	26,586	1,689
Education	56,518	56,477	56,518	56,477
Electrical & Electronics				
Electricity, gas and water supply	19,979	28,516	19,979	28,516
Finance, takaful and business	3,910	51,366	-	47,219
Housing	7,754	9,134	-	-
Manufacturing	70,591	53,653	59,876	40,672
Materials technology	109,062	107,418	109,062	107,418
Other community, social and personal service activities	12,501	13,852	-	-
Real estate, renting and business activities	10,076	10,905	-	-
Shipping	308,675	351,897	308,675	351,897
Transport, storage and communication	1,002	1,164	-	-
	651,766	707,599	580,696	633,888

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (d) Advances and financing (cont'd.)

(vii) Movements in allowance for impaired advances and financing are as follows:

Individual assessment allowance	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	456,152	468,216	433,527	439,134
Allowance made during the financial year	55,219	276,130	55,218	275,985
Amount written back	(25,346)	(161,654)	(21,978)	(155,052)
Amount transferred from collective assessment allowance	11,309	28,114	11,309	28,114
Amount transferred to collective assessment allowance	(743)	-	(743)	-
Amount written off	(34,067)	(154,654)	(34,067)	(154,654)
At 31 December	462,524	456,152	443,266	433,527

Collective assessment allowance	Group and Bank	
	2013	2012
	RM'000	RM'000
At 1 January	132,064	115,426
(Net amount written back)/allowance made	34,553	44,752
Amount transferred to individual assessment allowance	(11,309)	(28,114)
Amount transferred from individual assessment allowance	743	-
At 31 December	156,051	132,064

### (e) Other assets

Other receivables	Group and Bank	
	2013	2012
	RM'000	RM'000
Other receivables	503	273



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (f) Other liabilities

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Bank overdraft	-	112	-	112
Other payables	4,410	5,500	4,295	3,520
Zakat payables	6,821	3,070	6,821	3,070
PER	2,030	2,030	2,030	2,030
Inter divisions	2,716,580	1,823,506	2,715,740	1,820,533
	2,729,841	1,834,218	2,728,886	1,829,265

### (g) Long term advances

	Group and Bank	
	2013	2012
	RM'000	RM'000
Other financing:		
Unsecured - Principal	4,125	4,125

### (h) Income derived from investment of depositors' funds

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Finance Income				
Advances and financing	71,467	53,213	71,467	53,213
Other income:				
Fee income	1,739	1,247	1,739	1,247
	73,206	54,460	73,206	54,460

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (i) Income derived from investment of shareholders' funds

Finance Income	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Advances and financing	241,107	191,021	240,254	190,358
Compensation from the Government	7,525	6,586	7,525	6,586
Deposits and placements with financial institution	5,048	5,662	5,026	5,662
Financial investments - AFS	610	3,215	610	3,215
	254,290	206,484	253,415	205,821
Amortisation of premium	(165)	(925)	(165)	(925)
	254,125	205,559	253,250	204,896
Other income:				
Fee income	5,472	4,079	5,401	4,067
	259,597	209,638	258,651	208,963
<b>Of which:</b>				
Profit income earned on impaired advances and financing	13,473	9,199	13,473	9,199

### (j) Advances and financing loss and allowance

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Bad debts and financing written off	520	79	520	-
Bad debts recovered	(2,359)	(5,471)	(60)	(4,277)
Individual impairment allowance:				
Made during the financial year	55,219	276,130	55,218	275,985
Written back	(25,346)	(161,654)	(21,978)	(155,052)
Transferred from collective assessment allowance	11,309	28,114	11,309	28,114
Transferred to collective assessment allowance	(743)	-	(743)	-
Collective assessment allowance:				
(Net written back)/allowance made	34,553	44,752	34,553	44,752
Transferred to individual assessment allowance	(11,309)	(28,114)	(11,309)	(28,114)
Transferred from individual assessment allowance	743	-	743	-
	62,587	153,836	68,253	161,408

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (k) Impairment on other assets

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Financial investments - AFS	7,000	-	7,000	-

### (l) Income attributable to the depositors

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposit from customers:				
Mudharabah fund	34,224	31,140	34,224	31,140
Non Mudharabah fund	4,176	-	4,176	-
Deposits and placements from financial institutions:				
Mudharabah fund	2,895	-	2,895	-
	41,295	31,140	41,295	31,140

### (m) Overhead expenses

	Note	Group		Bank	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Personnel costs	(i)	9,080	6,540	9,080	6,540
General administrative expenses	(ii)	4,303	3,455	4,188	3,536
		13,383	9,995	13,268	10,076

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (m) Overhead expenses (cont'd.)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
(i) Personnel costs				
Salaries, allowances and bonuses	7,316	4,314	7,316	4,314
Social security cost	41	30	41	30
Pension costs - Defined contribution plan	880	671	880	671
Other staff related expenses	843	1,525	843	1,525
	9,080	6,540	9,080	6,540
(ii) General administrative expenses				
General administrative expenses	4,303	3,455	4,188	3,536

The above has been determined after charging amongst other items the following:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Shariah committees' remuneration	192	132	192	132

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 47. ISLAMIC BANKING BUSINESS (CONT'D.)

### (n) Finance cost

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Redeemable notes	27,906	41,000	27,906	41,000
Commercial papers programme	-	82	-	82
	27,906	41,082	27,906	41,082

### (o) Zakat

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Zakat	6,803	3,003	6,803	3,003

### (p) Commitments and contingencies

	Group and Bank	
	2013	2012
	RM'000	RM'000
Contingencies as at the financial year end constitute the following:		
Secured guarantees on behalf of borrowers given to:		
subsidiary	155,000	155,000
third parties	117,616	124,484
Disbursement of advances and financing to industries	1,849,451	1,922,176
	2,122,067	2,201,660



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 48. GOVERNMENT FUNDS

### 48.1 TYPE OF FUND

#### (a) Tourism Fund

The objective of the tourism fund is to develop and promote tourism industry, which is in line with efforts initiated by the Government.

The fund was allocated for the purpose of financing the cost of new/existing projects and acquisition of land related to tourism industry.

The sources of the fund principally from Government in the form of share capital and borrowings.

BPMB act as a financier that bears the credit risk and recognise its credit losses in the financial statements.

#### (b) Maritime Fund

The objective of the maritime fund is to provide financial assistance to existing and new companies to stimulate growth in shipping, shipyard, marine and oil & gas related activities and services.

The purpose of the fund are as follows:-

- i) To finance the acquisition of all type of brand new/second hand vessels;
- ii) To finance the acquisition of land for construction of shipyard infrastructure and its related machinery and equipment;
- iii) To finance the acquisition of land and construction of building, plant and machinery of port, bonded warehouse, port yard and haulage of maritime activities;
- iv) To finance oil and gas related activities and services;and
- v) To part finance working capital requirements.

The source of the fund principally from borrowings.

BPMB act as a financier that bears the credit risk and recognise its credit losses in the financial statements.

#### (c) Public Transport Fund

The objective of the public transport fund is to spur the growth in the public transportation industry and improve the quality of the nation's public transportation services.

The purpose of the fund is to finance the acquisition of brand new rails, buses and taxies to companies which involved in this industry.

The source of the fund come from borrowings.

BPMB and Group act as a financier that bear the credit risk and recognise its credit losses in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 48. GOVERNMENT FUNDS (CONT'D.)

### 48.2 PERFORMANCE OF THE FUND

Group	2013				2012			
	Tourism fund	Maritime fund	Public Transport fund	Total	Tourism fund	Maritime fund	Public Transport fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Allocation received								
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Borrowings	2,200,000	4,494,258	505,742	7,200,000	2,200,000	4,000,000	1,000,000	7,200,000
Net approval	2,400,000	4,494,258	505,742	7,400,000	2,400,000	4,000,000	1,000,000	7,400,000
Fund available	(2,094,150)	(2,326,391)	(285,026)	(4,705,567)	(1,478,900)	(1,472,007)	(235,713)	(3,186,620)
	305,850	2,167,867	220,716	2,694,433	921,100	2,527,993	764,287	4,213,380
Loans, advances and financing:								
Disbursed	1,133,586	2,014,252	222,146	3,369,984	919,839	1,419,291	192,144	2,531,274
Repayment	(375,882)	(519,205)	(122,683)	(1,017,770)	(203,474)	(434,670)	(71,451)	(709,595)
Outstanding	757,704	1,495,047	99,463	2,352,214	716,365	984,621	120,693	1,821,679
Number of beneficiaries	56	40	71	167	47	23	67	137

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (CONT'D.)

## 48. GOVERNMENT FUNDS (CONT'D.)

### 48.2 PERFORMANCE OF THE FUND (CONT'D.)

Bank	2013					2012						
	Tourism fund	Maritime fund	Public Transport fund	Total	Tourism fund	Maritime fund	Public Transport fund	Total	Tourism fund	Maritime fund	Public Transport fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Allocation received												
Share capital	200,000	-	-	200,000	200,000	-	-	200,000				200,000
Borrowings	2,200,000	4,494,258	5,742	6,700,000	2,200,000	4,000,000	750,000	6,950,000				6,950,000
Net approval	2,400,000 (2,094,150)	4,494,258 (2,326,391)	5,742 (5,742)	6,900,000 (4,426,283)	2,400,000 (1,478,900)	4,000,000 (1,472,007)	750,000 (5,742)	7,150,000 (2,956,649)				7,150,000 (2,956,649)
Fund available	305,850	2,167,867	-	2,473,717	921,100	2,527,993	744,258	4,193,351				4,193,351
Loans, advances and financing:												
Disbursed	1,133,586	2,014,252	5,741	3,153,579	919,839	1,419,291	2,400	2,341,530				2,341,530
Repayment	(375,882)	(519,205)	(1,435)	(896,522)	(203,474)	(434,670)	(474)	(638,618)				(638,618)
Outstanding	757,704	1,495,047	4,306	2,257,057	716,365	984,621	1,926	1,702,912				1,702,912
Number of beneficiaries	56	40	1	97	47	23	67	137				137

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