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 39th Annual Report and Audited Financial Statement of Bank Pembangunan and Group for the financial year ended December 31, 2012.

MALAYSIAN ECONOMIC REVIEW FOR 2012

In 2012, global economic growth moderated, continuing a downtrend that had begun in early 2011. Most emerging regions expanded at rates significantly lower than their pre-crisis averages, as weakness in key economies spilled over to the rest of the world. The growth momentum in the advanced economies was uneven. The US continued to experience an ongoing but fragile recovery, while several other major economies registered weak growth. Despite the challenging external environment, the Malaysian economy performed better than expected in 2012, with a higher growth of 5.6% (2011: 5.1%). The strong growth was supported by resilient domestic demand, which cushioned the negative impact of the weak external environment. Domestic demand recorded its highest rate of expansion for the decade, supported by stronger consumption and investment spending.

On the supply side, all economic sectors continued to expand in 2012, with significant improvement registered in the construction sector. The construction sector recorded a robust growth of 18.5%, the highest since 1995 (21.1%), driven mainly by the civil engineering projects. This reflected the efforts to improve road and rail accessibility, enhance electricity generation capacity, and increase oil and gas output in Malaysia. The major projects are more broad-based in terms of sector and geographical location, covering areas beyond the Klang Valley. Growth in the construction sector was also contributed by the residential and non-residential sub-sectors. The performance of the residential sub-sector was underpinned by the construction of high-end properties in the Klang Valley, Penang and Johor, following robust launches in 2010 and 2011. Industrial projects in the Samalaju Industrial Park, tourism projects in Iskandar and commercial projects in the Klang Valley supported growth in the non-residential sub-sector. Construction of learning and health institutions, such as the University Teknologi Mara campuses and National Cancer Institute, also provided further impetus to this sub-sector.

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 2012, 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 capital position of financial institutions remained solid, both in the level and quality of capital. The banks' aggregate risk-weighted capital ratio (RWCR) and core capital ratio (CCR) stood at 15.2% and 13.4% respectively (2011: 15.7% and 13.7% respectively).

FINANCIAL PERFORMANCE IN 2012

During the period under review, the BPMB Group recorded Net Income of RM925.6 million and Profit Before Tax of RM286.1 million, a decline of 19.6% and 55.6% respectively as compared to the previous year. Substantial impairment charges on the Group's investments on the mid-range chemical tankers through its subsidiary, Global Maritime Ventures Berhad (GMVB) was the main contributing factor to the decline.

BANK PEMBANGUNAN MALAYSIA BERHAD (BPMB)

BPMB recorded Profit Before Tax of RM431.2 million, a decrease of 32.6% as compared to the previous year. The decrease was mainly due to lower interest income and non-interest income as well as higher impairment on loans and financing.

BPMB registered higher shareholders' funds at RM7.1 billion as at 31 December 2012, from RM6.9 billion as at 31 December 2011, 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 capitalization and strong regulatory and government support.

GLOBAL MARITIME VENTURE BERHAD (GMVB)

GMVB Group's financial performance during the financial year ended 31 December 2012 continued to be affected by the volatility of the maritime industry. The Group recorded total revenue of RM87.5 million, a decrease of 14.1% compared to 2011 mainly due to lower charter hire rates and freight income. Higher operating expenses were registered in 2012, arising from impairment losses on vessels of RM148.7 million and losses from disposal of vessels of RM24.7 million. As a result, GMVB Group recorded a loss before tax of RM177.5 million in 2012, as compared to a loss of RM24.4 million in 2011.

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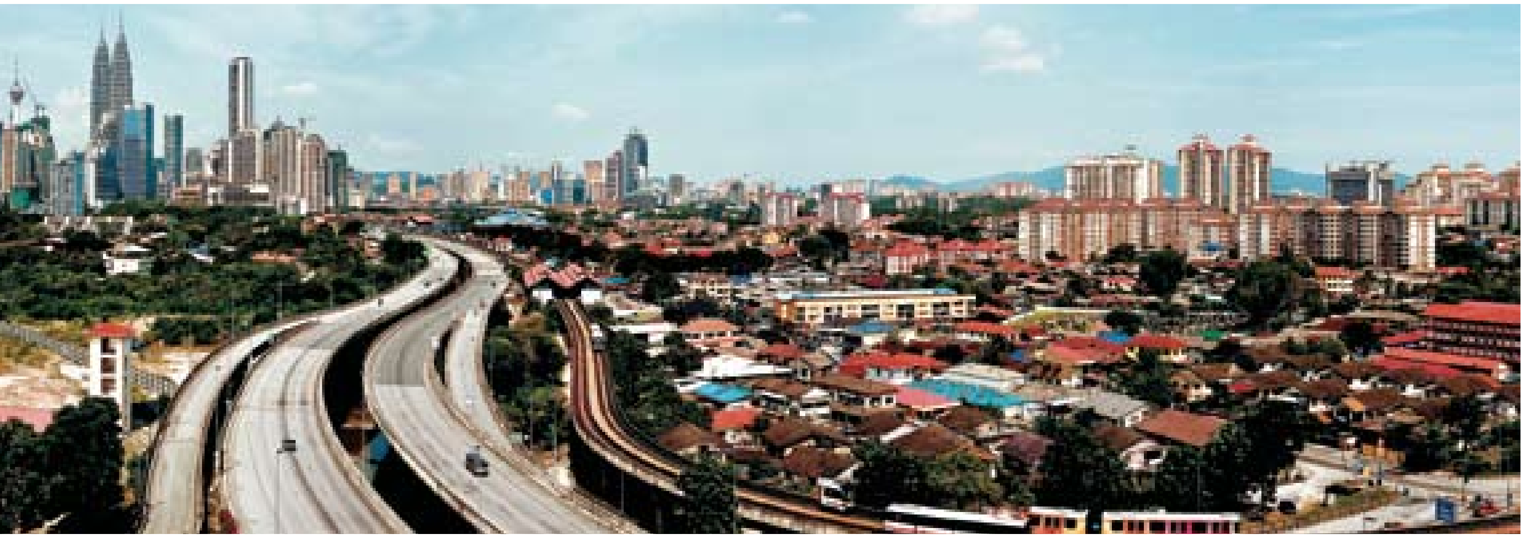

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PEMBANGUNAN LEASING CORPORATION SDN BHD (PLC)

For the financial year ended 31 December 2012, PLC recorded Net Income of RM30.4 million and Profit Before Tax of RM40.3 million, a decrease of 23.8% and 20.2% respectively compared to the previous year. The decline in financial performance was mainly due to lower interest income. Nevertheless, shareholders' funds increased by 9.3% to RM220.3 million, from RM201.5 million as at end 2011.

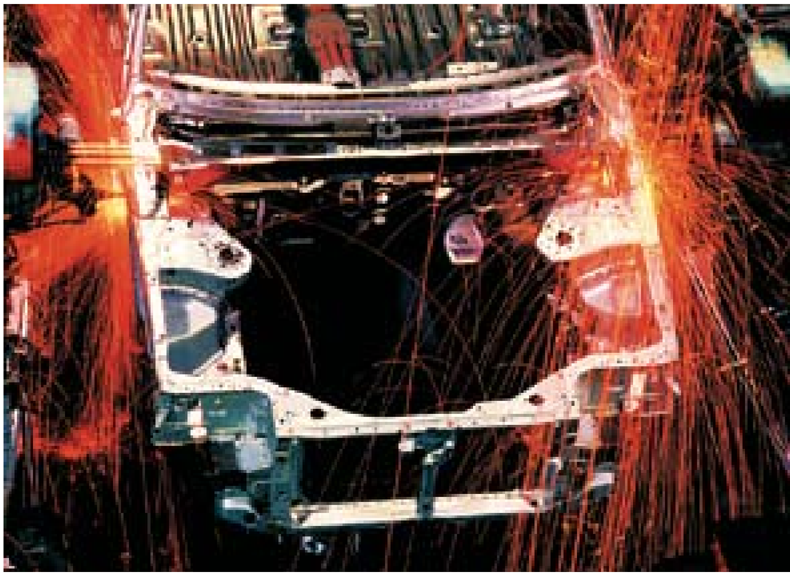
OUTLOOK AND PROSPECT FOR 2013

The global growth outlook is expected to improve in 2013. Financial and policy risks have receded compared to the situation over the recent two years. Policy measures introduced in the latter half of 2012 have reduced policy uncertainties and stress in the financial markets.

The Malaysian economy is expected to remain on a steady growth path with an expansion of 5-6% in 2013. Economic activity will be anchored by the continued resilience of domestic demand, and supported by a gradual improvement in the external sector. Domestic demand, which recorded the highest rate of expansion over the recent decade in 2012, is expected to remain the key driver of growth in 2013, albeit at a more moderate pace.

The financial system continues to demonstrate resilience against the challenging external environment, with financial intermediation expected to continue to provide strong support to domestic economic activity. The strength of Malaysia's external position remains intact, with international reserves at healthy levels and external debt continuing to be low and within prudent limits.

The National Budget 2013 has created significant impact on the construction sector as the Government is serious in attracting investments on all Entry Point Projects (EPP) under the Economic Transformation Programme (ETP). The higher allocation for the economic sector to support the needs of infrastructure will raise the level of construction activities and provide more business opportunities. In 2013, the construction and services sector are expected to grow by 15.9% and 5.5% respectively.



The mining sector is projected to expand by 5% in 2013, due to a recovery in the production of natural gas, and supported by higher output of crude oil and condensates. The former is due to higher output of several gas fields offshore Sabah to meet the higher demand for liquefied natural gas (LNG) from PR China, while the latter is largely driven by the commencement of production from both marginal and new fields, such as Gumusut-Kakap in Sabah, and new wells in Sarawak and Terengganu.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our deepest gratitude to the Ministry of Finance, Bank Negara Malaysia, other ministries and regulators, customers, partners and other stakeholders for their continuous support and guidance. I also wish to express our sincere appreciation to Management and staff of Bank Pembangunan Group for their dedication, commitment and loyalty.

I am privileged to serve as Chairman of Bank Pembangunan's Board of Directors and I wish to thank fellow Board Members for their support, contribution and commitment. To Encik Ariffin Hew @ Hew Siak Tow who joined the Board on 27 September 2012, I wish him a warm welcome.

I would like to take this opportunity to record my heartfelt appreciation to Dato' Mohammed Haji Che Hussein who resigned as Chairman of Bank Pembangunan's Board of Directors on 18 June 2012. His wisdom and invaluable contribution and advice throughout his tenure with Bank Pembangunan will continue to be cherished and deeply missed.

TAN SRI DATO' SRI DR. WAN ABDUL AZIZ WAN ABDULLAH
Chairman