DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS 31 DECEMBER 2012

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Bank is principally engaged to provide medium to long term credit facilities 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 45 to the financial statements.

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

RESULTS

	Group	Bank
	RM'000	RM'000
Profit from continuing operations, net of tax	187,841	349,760
Loss from discontinued operations, net of tax	(4,416)	–
Profit for the year	183,425	349,760
Attributable to:		
Equity holders of the Bank	230,072	349,760
Minority interests	(46,647)	–
	183,425	349,760

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

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

In the opinion of the directors, the results of the operations of the Group and the Bank during the financial year, were not affected by any item, transaction or events of a material and unusual nature other than the first-time adoption of Malaysia Financial Reporting Standards ("MFRS") Framework and changes in the accounting policies as disclosed in Note 2.3 to the financial statements.

The MFRS Framework was issued by the Malaysian Accounting Standard Board ("MASB") is fully compliant with the International Financial Reporting Standards ("IFRS") that comprises standards as issued by the International Accounting Standard Board ("IASB") that are effective on 1 January 2012.

DIRECTORS' REPORT (CONT'D.)

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 2011 was declared on 31 May 2012 and paid on 6 June 2012.

The dividend has been accrued and 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 2012, 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 profits in the financial year ending 31 December 2013.

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	(appointed on 1 December 2012)
Dato' Mohd Zafer bin Mohd Hashim	
Siti Zauyah binti Md Desa	
Zainul Rahim bin Mohd Zain	
Tan Sri Faizah binti Mohd Tahir	
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	(appointed on 27 September 2012)
Dato' Mohammed bin Haji Che Hussein	(resigned on 18 June 2012)

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 31 or 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

None of the directors holding office at 31 December 2012 had any interest in the shares of the Bank or related corporations during the financial year.

DIRECTORS' REPORT (CONT'D.)

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Received
RAM Rating	22 October 2012	Issue rating on RM7 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA
MARC Rating	20 June 2012	Financial Institution rating	AAA
RAM Rating	22 October 2012	Financial Institution rating	AAA
MARC Rating	20 June 2012	Islamic Commercial Papers and/or Conventional Commercial Paper Programme of up to RM2.0 billion in nominal value	MARC-1

BUSINESS OUTLOOK

The global economy is expected to slightly improve in 2013 from the challenging financial and economic environment. Several macroeconomic issues weighed heavily on global growth have been partly resolved and various economic indicators continued to show improvement. Simultaneously, the domestic economy is expected to continue to perform well in 2013 supported by both public and private sectors, underpinned by robust domestic demand, conducive financial market, stable prices and a favourable labour market. The Bank will continue to support various initiatives outlined in the Economic Transformation Programme ("ETP") by providing financing to relevant projects in line with BPMB's mandated role. In order to ensure its sustainability, the Bank will further enhance its integrated risk management practices as well as managing its liquidity prudently.

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and income statements 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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 provision 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 financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT (CONT'D.)

OTHER STATUTORY INFORMATION (cont'd.)

(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.

(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 or of the Bank to meet its obligations 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.

SIGNIFICANT EVENTS

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

EVENTS OCCURRING AFTER REPORTING DATE

Details of events occurring after the reporting date are disclosed in Note 49 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 directors dated 28 February 2013.

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

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 83 to 260 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 2012 and of their financial performance and cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2013.

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 responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 83 to 260 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 28 February 2013.

Rosli bin Abdullah

Dato' Mohd Zafer bin Mohd Hashim

Before me,

PESURUHJAYA SUMPAH
W.490
S. ARULSAMY
MALAYSIA

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 transactions and applications introduced by the Bank from 1 January 2012 until 31 December 2012.

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 year ended 31 December 2012, are in compliance with the Shariah rules and principles;

(b) The contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2012, 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 year ended 31 December 2012 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

Dr. Ridzwan bin Ahmad
Member of the Committee

Kuala Lumpur, Malaysia
28 February 2013

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 statements of financial position as at 31 December 2012 of the Group and of the Bank, and income statements, statements of comprehensive income, statements 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 83 to 260.

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 judgment, 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 2012 and of their financial performance and 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 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.

(c) 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 (CONT'D.)

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

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

Nik Rahmat Kamarulzaman Bin Nik Ab. Rahman
No. 1759/02/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
28 February 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	Group		
		31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and short term deposits	3	1,506,858	2,586,442	3,834,577
Deposits and placements with financial institutions	4	67,783	1,374,331	239,096
Financial investments – available-for-sale ("AFS")	5	1,242,217	1,049,113	1,867,531
Financial investments – held-to-maturity ("HTM")	6	226,280	149,257	267,766
Loans, advances and financing	7	23,234,542	22,573,898	21,151,358
Other assets	8	272,229	1,330,697	1,452,750
Interest in associates	10	273,743	171,964	–
Interest in jointly controlled entities	11	209,727	257,226	211,303
Property, plant and equipment	12	159,173	485,983	559,996
Prepaid land leases	13	2,029	3,050	3,801
Investment properties	14	9,720	17,022	17,468
Intangible assets	15	8,762	4,231	2,313
Deferred tax assets	16	87,957	78,844	210,158
		27,301,020	30,082,058	29,818,117
Assets classified as held for sale	42	120,530	24,581	–
Assets of subsidiaries classified as held for sale	43	54,960	–	–
Total assets		27,476,510	30,106,639	29,818,117
Liabilities				
Deposits from customers	17	5,414,142	6,959,773	7,486,357
Deposits and placements from financial institutions	18	153,556	–	–
Bills and acceptances payable		–	99,835	–
Other liabilities	19	185,234	117,408	174,847
Redeemable notes	20	4,133,991	4,234,056	4,535,947
Term loans	21	9,643,299	10,810,352	9,901,658
Infrastructure support fund	22	399,535	413,296	380,294
Deferred income	23	251,430	233,005	292,208
Deferred tax liabilities	16	12,814	8,685	10,892
Liabilities of subsidiaries classified as held for sale	43	101	–	–
Total liabilities		20,194,102	22,876,410	22,782,203

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D.)

AS AT 31 DECEMBER 2012

		Group		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Equity attributable to equity holders of the Bank				
Share capital	24	3,078,724	3,078,724	3,078,724
Reserves	25	4,050,534	3,953,808	3,749,559
		7,129,258	7,032,532	6,828,283
Non-controlling interest		153,150	197,697	207,631
Total equity		7,282,408	7,230,229	7,035,914
Total equity and liabilities		27,476,510	30,106,639	29,818,117
Commitments and contingencies	38(a)	4,618,611	3,735,325	5,732,928

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	Bank		
		31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and short term deposits	3	1,074,564	2,435,932	3,086,574
Deposits and placements with financial institutions	4	66,722	920,227	239,050
Financial investments – available-for-sale ("AFS")	5	1,188,947	1,017,412	1,861,339
Financial investments – held-to-maturity ("HTM")	6	226,258	149,235	267,744
Loans, advances and financing	7	23,037,114	22,414,680	21,037,981
Other assets	8	201,932	1,288,822	1,271,156
Investments in subsidiaries	9	928,549	985,742	930,296
Property, plant and equipment	12	117,628	123,554	122,216
Prepaid land leases	13	2,029	3,050	3,801
Investment properties	14	3,461	7,913	8,090
Intangible assets	15	6,664	3,538	1,281
Deferred tax assets	16	87,957	78,844	210,158
		26,941,825	29,428,949	29,039,686
Subsidiaries classified as held for sale	43	56,765	–	–
Total assets		26,998,590	29,428,949	29,039,686
Liabilities				
Deposits from customers	17	5,414,142	6,959,773	7,486,357
Deposits and placements from financial institutions	18	153,556	–	–
Bills and acceptances payable		–	99,835	–
Other liabilities	19	35,901	31,994	74,246
Redeemable notes	20	4,133,991	4,234,056	4,535,947
Term loans	21	9,531,988	10,604,432	9,614,892
Infrastructure support fund	22	399,535	413,296	380,294
Deferred income	23	251,430	233,005	292,208
Total liabilities		19,920,543	22,576,391	22,383,944
Equity attributable to equity holders of the Bank				
Share capital	24	3,078,724	3,078,724	3,078,724
Reserves	25	3,999,323	3,773,834	3,577,018
Total equity		7,078,047	6,852,558	6,655,742
Total equity and liabilities		26,998,590	29,428,949	29,039,686
Commitments and contingencies	38(a)	3,938,391	3,024,862	5,195,231

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Interest income	27	1,372,087	1,447,189	1,331,480	1,394,745
Interest expense	28	(752,727)	(731,603)	(752,027)	(730,557)
Net interest income		619,360	715,586	579,453	664,188
Net income from Islamic banking business	48	192,034	161,681	191,359	160,957
Non-interest income	29	114,211	274,545	62,673	202,606
Net income		925,605	1,151,812	833,485	1,027,751
Overhead expenses	30	(192,938)	(201,234)	(78,060)	(67,621)
Allowance for impairment of loans and financing	33	(258,503)	(262,287)	(277,586)	(277,173)
Impairment on other assets	34	(210,748)	(75,999)	(46,656)	(43,287)
Operating profit		263,416	612,292	431,183	639,670
Share of results of jointly controlled entities		22,667	32,681	–	–
Profit before taxation and zakat		286,083	644,973	431,183	639,670
Zakat		(3,003)	(2,710)	(3,003)	(2,710)
Tax expense	35	(95,239)	(167,919)	(78,420)	(160,748)
Profit for the year		187,841	474,344	349,760	476,212
Discontinued operation					
Loss from discontinued operations	43	(4,416)	(9,858)	–	–
Profit for the year		183,425	464,486	349,760	476,212
Attributable to:					
Shareholders of the Bank		230,072	490,171	349,760	476,212
Non-controlling interest		(46,647)	(25,685)	–	–
		183,425	464,486	349,760	476,212
Earnings per share attributable to the equity holders of the Bank (sen) (Note 37):					
Basic earnings per share		7.47	15.92		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit for the year	183,425	464,486	349,760	476,212
Other comprehensive income				
Exchange difference on translation of foreign operations	(3,896)	(10,764)	–	–
Net unrealised loss on revaluation of financial investments - available-for-sale ("AFS")	(27,350)	(178,848)	(24,271)	(179,396)
Other comprehensive loss for the year, net of tax	(31,246)	(189,612)	(24,271)	(179,396)
Total comprehensive income for the year, net of tax	152,179	274,874	325,489	296,816
Total comprehensive income attributable to:				
Shareholders of the Bank	196,726	304,249	325,489	296,816
Non-controlling interest	(44,547)	(29,375)	–	–
	152,179	274,874	325,489	296,816

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	<---------- Attributable to equity holders of the Bank ---------->									
	<---------- Non-Distributable ---------->									
Group	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Profit equalisation reserve RM'000	Unrealised holding reserve RM'000	Exchange translation reserve RM'000	Distributable retained profits RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2012, as reported under FRS	3,078,724	1,000	1,654,896	–	(5,113)	(55,503)	2,559,894	7,233,898	197,697	7,431,595
Effect of MFRS adoption and prior year adjustments										
– Note 44(i)	–	–	3,519	–	–	–	(208,523)	(205,004)	–	(205,004)
– Note 44(ii)	–	–	–	–	–	–	3,638	3,638	–	3,638
At 1 January 2012, under MFRS	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 income for the 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 of the Islamic banking business	–	–	–	3,537	–	–	(3,537)	–	–	–
Provision for the period	–	–	–	1,433	–	–	(1,433)	–	–	–
Dividends paid (Note 36)	–	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
At 31 December 2012	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
At 1 January 2011, as reported under FRS	3,078,724	1,000	1,539,362	–	173,735	(48,429)	2,294,189	7,038,581	207,631	7,246,212
Effect of MFRS adoption and prior year adjustments										
– Note 44(i)	–	–	–	–	–	–	(212,804)	(212,804)	–	(212,804)
– Note 44(ii)	–	–	–	–	–	–	2,506	2,506	–	2,506
At 1 January 2011, under MFRS	3,078,724	1,000	1,539,362	–	173,735	(48,429)	2,083,891	6,828,283	207,631	7,035,914
Total comprehensive income for the year	–	–	–	–	(178,848)	(7,074)	490,171	304,249	(29,375)	274,874
Transfer to statutory reserve	–	–	119,053	–	–	–	(119,053)	–	–	–
Dividends paid (Note 36)	–	–	–	–	–	–	(100,000)	(100,000)	(21,187)	(121,187)
Issuance of CRPS	–	–	–	–	–	–	–	–	40,628	40,628
At 31 December 2011	3,078,724	1,000	1,658,415	–	(5,113)	(55,503)	2,355,009	7,032,532	197,697	7,230,229

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	<---------- Non distributable ---------->					
	Capital Share capital RM'000	Statutory reserve RM'000	Profit equalisation reserve RM'000	Unrealised holding reserve RM'000	Distributable retained profits RM'000	Total RM'000
Bank						
At 1 January 2012, as reported under FRS	3,078,724	1,654,896	–	111,618	2,206,047	7,051,285
Effects of MFRS adoption (Notes 44(i))	–	3,519	–	–	(202,246)	(198,727)
At 1 January 2012, under on MFRS	3,078,724	1,658,415	–	111,618	2,003,801	6,852,558
Total comprehensive income for the year	–	–	–	(24,271)	349,760	325,489
Transfer to statutory reserve	–	87,440	–	–	(87,440)	–
Transfer to Profit Equalisation Reserve of the Islamic banking business	–	–	3,537	–	(3,537)	–
Provision for the period	–	–	1,433	–	(1,433)	–
Dividends paid (Note 36)	–	–	–	–	(100,000)	(100,000)
At 31 December 2012	3,078,724	1,745,855	4,970	87,347	2,161,151	7,078,047
At 1 January 2011, as reported under FRS	3,078,724	1,539,362	–	291,014	1,959,446	6,868,546
Effects of MFRS adoption (Notes 44(i))	–	–	–	–	(212,804)	(212,804)
At 1 January 2011	3,078,724	1,539,362	–	291,014	1,746,642	6,655,742
Total comprehensive income for the year	–	–	–	(179,396)	476,212	296,816
Transfer to statutory reserve	–	119,053	–	–	(119,053)	–
Dividends paid (Note 36)	–	–	–	–	(100,000)	(100,000)
At 31 December 2011	3,078,724	1,658,415	–	111,618	2,003,801	6,852,558

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities				
Profit before taxation				
Continuing operations	286,083	644,973	431,183	639,670
Discontinued operations	(4,416)	(9,858)	–	–
Adjustment for:				
Share of profits in jointly controlled entities	(22,667)	(32,681)	–	–
Depreciation	46,926	57,782	9,509	11,238
Amortisation of prepaid lease rental	72	110	72	110
Depreciation of investment properties	384	446	165	177
Amortisation of intangible assets	1,669	1,452	1,112	1,113
Negative goodwill	–	(1,895)	–	–
Impairment of property, plant and equipment	151,416	40,406	–	–
Net loss/(gain) on disposal of property, plant and equipment	23,954	(1,293)	(679)	(1,293)
Net gain on disposal of prepaid land lease	(1,283)	(4,198)	(1,283)	(4,198)
Net gain on disposal of investment properties	(4,320)	–	(4,213)	–
Gain on sale of financial investments - available-for-sale ("AFS")	(1,541)	(2,811)	(1,541)	(2,811)
Dividend income:				
– subsidiaries	–	–	–	(21,600)
– financial investments - available-for-sale ("AFS")	(5,518)	(18,395)	(5,518)	(18,395)
Amortisation of premium less accretion of discount of financial investments	(20,417)	(18,395)	(20,417)	(18,395)
Impairment allowance/(written back) for:				
– financial investments - available-for-sale ("AFS")	22,532	2,152	22,532	(7,069)
– financial investments - held-to-maturity ("HTM")	24,670	42,662	24,670	42,662
– investment in subsidiaries	–	–	(546)	7,694
– Interest in jointly controlled entities	8,435	–	–	–
– Advance to jointly control entities	3,695	–	–	–
Property, plant and equipment written off	18	–	18	–
Unrealised (gain)/loss on foreign exchange	(605)	6,000	(605)	6,000
Balance carried forward	509,087	706,457	454,459	634,903

STATEMENTS OF CASH FLOWS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities (cont'd.)				
Balance brought forward	509,087	706,457	454,459	634,903
Individual impairment allowance	542,633	342,243	528,986	328,408
Transferred from collective assessment allowance	(51,852)	(67,477)	(51,852)	(67,477)
Collective impairment allowance	11,314	214,911	14,808	208,308
Collective impairment allowance written back	(108,173)	(171,966)	(108,173)	(171,387)
Individual impairment allowance written back	(164,797)	(106,351)	(137,750)	(77,599)
Transferred to individual assessment allowance	51,852	67,477	51,852	67,477
Bad debts and financing written off	162	78	162	78
Bad debts and financing recovered	(22,636)	(16,628)	(16,953)	(10,635)
Profit equalisation reserve	(158)	2,188	(158)	2,188
Infrastructure support fund for allowance made during the year	–	(146,257)	–	(146,257)
Infrastructure support fund for allowance made written back	91,646	172,406	91,646	172,406
Infrastructure support fund for loan written off made during the year	(99,170)	(131,939)	(99,170)	(131,939)
Recoverable from loan written off against infrastructure support fund	11,130	10,608	11,130	10,608
Financial investment impairment made during the year against infrastructure support fund	(24,670)	(43,684)	(24,670)	(43,684)
Compensation from the Government	(120,396)	(165,324)	(120,396)	(165,324)
Operating profit before working capital changes	625,972	666,742	593,921	610,074
(Increase)/decrease in operating capital changes:				
Deposits and placements with financial institutions	1,306,548	(1,135,235)	853,505	(681,177)
Loans, advances and financing	(900,967)	(1,734,829)	(881,840)	(1,598,917)
Other assets	1,015,491	(73,287)	1,109,342	(51,515)
Deposits from customers	(1,545,631)	(526,584)	(1,545,631)	(526,584)
Deposit and placements from financial institutions	153,556	–	153,556	–
Other liabilities	11,712	118,814	(97,027)	34,771
Cash generated from/(used in) operations	666,681	(2,684,379)	185,826	(2,213,348)

STATEMENTS OF CASH FLOWS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities (cont'd.)				
Income taxes paid	(113,691)	(99,756)	(98,917)	(93,258)
Zakat paid	(1,977)	–	(1,977)	–
Net Cash generated from/(used in) operations	551,013	(2,784,135)	84,932	(2,306,606)
Cash flows from investing activities				
Acquisition of associates	(101,779)	(37,764)	–	(63,140)
Dividends from financial investments - available-for-sale ("AFS")	5,518	18,395	5,518	18,395
Dividends from subsidiaries	–	–	–	21,600
Purchase of financial investments - available-for-sale ("AFS")	(557,345)	(110,749)	(557,345)	(110,749)
Purchase of property, plant and equipment	(20,898)	(44,204)	(4,007)	(14,594)
Purchase of intangible assets	(6,200)	(3,370)	(4,238)	(3,370)
Proceeds from disposal of subsidiary	–	–	1,053	–
Proceeds from disposal/maturity of financial investments	209,316	925,564	209,361	925,564
Proceeds from disposal of property, plant and equipment	28,215	3,311	1,083	3,311
Proceeds from disposal of investment properties	10,163	–	8,500	–
Proceeds from disposal of prepaid land leases	2,232	4,839	2,232	4,839
Net cash (used in)/generated from investing activities	(430,778)	756,022	(337,843)	781,856
Cash flows from financing activities				
Net receipt from long-term loans	(1,166,448)	888,960	(1,071,839)	983,090
Net receipt from commercial papers	(99,835)	99,835	(99,835)	99,835
Settlement of redeemable guaranteed notes	–	(300,000)	–	(300,000)
Proceeds from Government compensation	166,464	191,183	166,464	191,183
Dividends paid	(100,000)	(100,000)	(100,000)	(100,000)
Net cash (used in)/generated from financing activities	(1,199,819)	779,978	(1,105,210)	874,108
Net decrease in cash and cash equivalents	(1,079,584)	(1,248,135)	(1,361,368)	(650,642)
Cash and cash equivalents at beginning of year	2,586,442	3,834,577	2,435,932	3,086,574
Cash and cash equivalents at end of year	1,506,858	2,586,442	1,074,564	2,435,932
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 3)	1,506,858	2,586,442	1,074,564	2,435,932

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2012

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 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 45.

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 Directors on 28 February 2013.

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.

For all periods up to and including period ended 31 December 2011, the Group and the Bank prepared their financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia ("BNM")/Development Financial Institution Guidelines and the requirements of the Companies Act, 1965 in Malaysia. These financial statements for the year ended 31 December 2012 are the first the Group and the Bank have prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia. The effects of the first-time adoption of MFRS Framework are disclosed in Notes 2.3, 7, 16 and 44.

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 Syariah 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 46.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity.

In the Bank's separate financial statements, investments in subsidiaries are accounted for 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 Bank and its subsidiaries as at and for the year ended 31 December of each year.

(ii) Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed and included in administrative expenses.

The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. The accounting policy for goodwill is set out in Note 2.2g(i) below. Discount on acquisition which represents negative goodwill is recognised immediately as income in profit or loss.

In business combinations achieved in stages, previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in shareholders' equity.

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.)

If the Group loses control over a subsidiary, at the date the Group loses control, it:

Derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts.

- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration or distribution received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- 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 the above will be accounted for from the date of when control is lost.

(iii) Transaction with non-controlling interest

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the owners of the Bank, and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from shareholders' equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary (without loss of control), is accounted for as a transaction with owners in their capacity as owners.

(b) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. Interest in associates are accounted in the consolidated financial statements for using the equity method. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Under the equity method, the interest in associates is measured in the statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of net profit or loss of the associate is recognised in the income statements. Where there has been a change recognised directly in equity of the associates, the Group recognises each share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extend of the Group's interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Associates (cont'd.)

Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

The financial statements of the associates are prepared as of the same reporting date as the Bank unless it is impracticable to do so. When the financial statements of the associates used in applying the equity method are prepared as of a different reporting date from the Bank, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Bank. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2.2(i) below. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in jointly controlled entity is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entity. The Group's share of the net profit or loss of the jointly controlled entity is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the jointly controlled entity, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly controlled entity. The jointly controlled entity is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the jointly controlled entity.

Goodwill relating to the jointly controlled entity is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the jointly controlled entity's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in the jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Jointly controlled entities (cont'd.)

The most recent available audited financial statements of the jointly controlled entities are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

(d) 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 Company and its subsidiaries 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 profit or loss 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 profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss 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 (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(e) 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 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 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 profit or loss 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:

Building	50 years
Vessels	25 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 profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(f) 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. 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(i), 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 profit and loss in the year in which they arise.

(g) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(g) Intangible assets (cont'd.)

(ii) Other 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 statement 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.

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group 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.

(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 statement 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(e).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Leases (cont'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 statement 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.

(i) Impairment of non-financial assets

The Group 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 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")).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(j) 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, held-to-maturity investments and available-for-sale 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 profit or loss. 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 profit or loss as part of other losses or other income.

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

(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 profit or loss. Impairment losses on loans and receivables are recognised in profit or loss as "Allowances for impairment on loans, advances and financing".

(iii) Financial investment - held-to-maturity ("HTM")

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

Subsequent to initial recognition, financial investment - held-to-maturity ("HTM") are measured at amortised cost using the effective interest method, less impairment. Interest income on financial investment - held-to-maturity ("HTM") is recognised in "Interest income" in the profit or loss. Impairment losses on financial investment - held-to-maturity ("HTM") are recognised in profit or loss as "Impairment on financial investment - held-to-maturity ("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 securities financial investment - held-to-maturity ("HTM").

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(j) Financial assets (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

(iii) Financial investment - held-to-maturity ("HTM") (cont'd.)

Regular way purchases and sales of financial investment - held-to-maturity ("HTM") are recognised on settlement date.

(iv) Financial investment - available-for-sale ("AFS")

Financial investment - available-for-sale ("AFS") are financial assets that are designated as available for sale or are not classified in any of the three preceding categories. Financial investment - available-for-sale ("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, available-for-sale 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 profit or loss. 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 profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Bank's right to receive payment is established.

If a financial investment - available-for-sale ("AFS") is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is recognised in profit or loss.

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.

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 profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(k) 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.

Financial liabilities are derecognised when they are redeemed or extinguished.

(l) Impairment of financial assets

The Group and the Bank assesses at each statement 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.

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

(i) Loans and receivables

Classification of impaired loans, advances and financing

The Group classifies a loan, advance or financing as impaired when there is objective evidence that the loan is impaired. In addition, the Group 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 must be satisfied that once the account is de-classified, the account is unlikely to be classified again in the near future.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(l) Impairment of financial assets (cont'd.)

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

Impairment – individual assessment allowance

The Group 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 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 "stress discount percentage" of between 0% to 20% is assigned to each loan, advances or financing according to its respective segment and status to reduce its future expected present value of future loan, advances and financing repayment. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of financing, advances and other receivable.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(l) Impairment of financial assets (cont'd.)

(ii) Financial investment - held-to maturity ("HTM")

The Group assess at each reporting date whether objective evidence of impairment of financial investment - held-to maturity ("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 investment - available-for-sale ("AFS")

The Group assess at each reporting date whether objective evidence that financial investment classified as available-for-sale 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 profit and loss. 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 profit or loss on equity investments are not reversed through the profit and loss.

For debt instruments, impairment is assessed based on the same criteria as other Financial investment - available-for-sale ("AFS"). Where impairment losses have been previously recognised in the profit or loss, 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 profit or loss, the impairment loss is reversed through profit and loss.

(m) 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 statement. 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.

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(o) 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 statement. 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 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.

(p) 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.

(q) 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 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 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 has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(r) 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 rate differentials on financing of Government Infrastructure projects. Other claims received are recorded in the "Infrastructure Support Fund".

Grants that compensate the Group 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.

(s) Provisions

Provisions are recognised when the Group 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.

(t) 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.

(u) 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 profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(v) Revenue

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

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost, interest/profit bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest 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 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/financing income continues to be recognised using the rate of interest 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 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.

(w) 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 profit or loss 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 (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(w) 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.

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 profit or loss is recognised outside profit or loss. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(x) 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.

(y) 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.

(z) 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 FRSs. Then, on initial classification as held for sale, non current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.3 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

The adoption of the MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") as at 1 January 2012 by the Group and the Bank requires the Group and Bank's financial statements to also be fully compliant with IFRS Framework. These financial statements of the Group and the Bank for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with MFRS and IFRS including the application of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1").

For periods up to 31 December 2011, the Group and the Bank have prepared these financial statements in accordance with FRS in Malaysia as modified by BNM Development Financial Institutions Guidelines.

Accordingly, the Group and the Bank have prepared financial statements which comply with MFRS applicable for periods ending on or after 31 December 2012, together with the comparative period data as at and for the period ended 31 December 2011, as described in the summary of significant accounting policies.

In preparing these financial statements, the Group's and the Bank's opening statements of financial position was prepared as at 1 January 2011, being the Group's and the Bank's date of transition to MFRS. This note explains the principal adjustments made by the Group and the Bank in restating its statements of financial position as at 1 January 2011 and its previously published financial statements as at and for the year ended 31 December 2011, both of which was prepared in accordance with FRS in Malaysia as modified by BNM/Development Financial Institutions Guidelines.

An explanation of how the transition from FRS in Malaysia as modified by BNM Guidelines to MFRS has affected the Group and the Bank's financial position, financial performance and cash flows is set out in note 44. This note includes reconciliation of statements of financial position and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS in Malaysia as modified by BNM Guidelines to those reported for those periods and at the date of transition under MFRS.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.3 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd.)

The transition from FRS in Malaysia as modified by BNM Guidelines to MFRS did not have a material impact on the statements of cash flows.

(i) Optional exemptions under MFRS 1

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under MFRS. The Group and the Bank have not applied any of the optional exemption available under MFRS 1.

(ii) Significant change in accounting policy following the adoption of MFRS Framework

Prior to the transition to MFRS 139, the Bank had maintained collective assessment allowance at 1.5% of total outstanding loans, advances and financing, net of individual assessment allowance, in parallel with BNM's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loan/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Bank has applied the requirements of MFRS 139 in the determination of collective assessment allowance.

Under MFRS 139, collective assessment is performed on loans, advances and financing which the Group 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 "stress discount percentage" of between 0% to 20% is assigned to each loan, advances or financing according to its respective segment and status to reduce its future expected present value of future loan, advances and financing repayment. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of financing, advances and other receivable.

(iii) Estimates

The estimates at 1 January 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRS in Malaysia as modified by BNM Guidelines. The estimates used by the Group and the Bank to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date transition to MFRS and as of 31 December 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Standards and Interpretations issued but not yet effective

The Group and the Bank have not adopted the following new or revised standards and interpretations that have been issued but not yet effective:

MFRSs, Amendments to MFRSs and Interpretations	Effective for financial period beginning on or after
MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans (Amendments to MFRS 1)	1 January 2013
MFRS 7: Financial Instruments: Disclosures – Offsetting financial Assets and Financial Liabilities (Amendments to MFRS 7)	1 January 2013
MFRS 9: Financial Instruments	1 January 2015
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 101: Presentation of Financial Statements – Presentation of itemsof Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
MFRS 119: Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128: Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
MFRS 132: Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities (Amendments to MFRS 132)	1 January 2014
IC Interpretation 20: Stripping Costs in the Production Phase of Surface Mine	1 January 2013
<u>Annual improvements 2009-2011 Cycle:</u>	
MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Repeated application of MFRS 1 and borrowing	1 January 2013
MFRS 101: Presentation of Financial Statements – Clarification of the requirements for comparative information	1 January 2013
MFRS 116: Property, Plant and Equipment – Classification of servicing equipment	1 January 2013
MFRS 132: Financial Instruments: Presentation – Tax effect of distribution to holders of equity instruments	1 January 2013
MFRS 134: Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities	1 January 2013
MFRS 10, MFRS 11, MFRS 12 and MFRS 127: Investment entities	1 January 2014

The Group and Bank plan to apply the abovementioned standards when they become effective.

Except for the changes in accounting policies arising from the adoption of the new standards MFRS 9, MFRS 10 and MFRS 11, as well as the new disclosures required under MFRS 12, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements of the Group and the Bank in the period of initial application. The nature of the impending changes in accounting policy on adoption of the standards, and IC Interpretations are described below.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Standards and Interpretations issued but not yet effective (cont'd.)

MFRS 7: Financial Instruments: Disclosures – Offsetting financial Assets and Financial Liabilities (Amendments to MFRS 7)

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with MFRS 132 Financial Instruments: Presentation ("MFRS 132") The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with MFRS 132.

MFRS 9 Financial Instruments ("MFRS 9")

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 in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address impairment and hedge accounting. 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.

MFRS 10 Consolidated Financial Statements ("MFRS 10")

MFRS 10 replaces the requirements of MFRS 127 Consolidated and Separate Financial Statements ("MFRS 127") that address the accounting for consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities. What remains in MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group and the Bank are currently assessing the impact of adopting MFRS 10. The impact of the new standard if any, will be affected by the financial position and performance of the entity to be consolidated until the effective date of the new standard and by any possible change in the standard until such date.

MFRS 11 Joint Arrangements ("MFRS 11")

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. Because MFRS 11 uses the principle of control in MFRS 10 to define control, the determination of whether joint control exists may change.

MFRS 12 Disclosure of Interests in Other Entities ("MFRS 12")

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by MFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity.

The standard will affect the disclosures only if any, and will not have any impact on the financial position or performance of the Group and the Bank.

MFRS 13 Fair Value Measurement ("MFRS 13")

MFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by MFRS. There are also additional disclosure requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Standards and Interpretations issued but not yet effective (cont'd.)

MFRS 101 Presentation of Financial Statements – Presentation of items of Other Comprehensive Income (Amendments to MFRS 101)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on financial investments available-for-sale) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).

MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)

As a consequence of the new MFRS 10 and MFRS 12, what remains in MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

As a consequence of the new MFRS 11, and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

MFRS 132 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

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.

2.5 Significant accounting judgements and estimates

In the preparation of financial statements, management has been required to make judgements, estimates and assumptions that affect the application of policies 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 estimates are revised and in the future periods affected.

Significant areas of estimation, uncertainty and critical judgement used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(a) Fair value estimation of financial investments available-for-sale ("AFS") (Note 5)

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 flow method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.5 Significant accounting judgements and estimates (cont'd.)

(b) Deferred tax (Note 16)

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowance to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(c) Allowance for impairment on loans, advances and financing (Note 33)

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.

Prior to the transition to MFRS 139, the Bank had maintained collective assessment allowance at 1.5% of total outstanding loans, advances and financing, net of individual assessment allowance, in parallel with BNM's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loan/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Bank has applied the requirements of MFRS 139 in the determination of collective assessment allowance.

Under MFRS 139, collective assessment is performed on loans, advances and financing which the Group 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 "stress discount percentage" of between 0% to 20% is assigned to each loan, advances or financing according to its respective segment and status to reduce its future expected present value of future loan, advances and financing repayment. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of financing, advances and other receivable.

(d) Classification between investment properties and property, plant and equipment

The Group 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.5 Significant accounting judgements and estimates (cont'd.)

(e) Impairment of vessels

The Group 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) Impairment of investment in subsidiaries, interest in associates and jointly controlled entities

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

If indicators are present, these investments are subjected to impairment review 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 a associates and jointly controlled entities are as follows:

(i) The Group 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 (CONT'D.)

– 31 DECEMBER 2012

3. CASH AND SHORT TERM DEPOSITS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and balances with other financial institutions	42,327	83,399	66,514
Money at call and deposit placements maturing within one month	1,464,531	2,503,043	3,768,063
	1,506,858	2,586,442	3,834,577

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and balances with other financial institutions	3,379	4,296	26,066
Money at call and deposit placements maturing within one month	1,071,185	2,431,636	3,060,508
	1,074,564	2,435,932	3,086,574

4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	67,783	1,374,331	238,096
Other financial institutions	–	–	1,000
	67,783	1,374,331	239,096

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	66,722	920,227	238,050
Other financial institutions	–	–	1,000
	66,722	920,227	239,050

5. FINANCIAL INVESTMENTS – AVAILABLE-FOR-SALE ("AFS")

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At fair value			
Money market instruments:			
Malaysian Government Securities	40,568	40,910	40,989
Government Investment Issues	234,513	51,294	–
	275,081	92,204	40,989
Quoted securities:			
(In Malaysia)			
Shares	250,938	296,210	528,489
Unit trust funds	200,763	–	–
Others	–	–	21
	451,701	296,210	528,510
Unquoted securities:			
(In Malaysia)			
Shares	49,092	23,592	324
Loan stock	7,727	7,780	258,748
Private debt securities	458,616	629,327	1,038,960
	515,435	660,699	1,298,032
	1,242,217	1,049,113	1,867,531

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

5. FINANCIAL INVESTMENTS – AVAILABLE-FOR-SALE ("AFS") (cont'd.)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At fair value			
Money market instruments:			
Malaysian Government Securities	40,568	40,910	40,989
Government Investment Issues	234,513	51,294	–
	275,081	92,204	40,989
Quoted securities:			
(In Malaysia)			
Shares	246,760	288,029	522,318
Unit trust funds	200,763	–	–
	447,523	288,029	522,318
Unquoted securities:			
(In Malaysia)			
Shares	–	72	324
Loan stock	7,727	7,780	258,748
Private debt securities	458,616	629,327	1,038,960
	466,343	637,179	1,298,032
	1,188,947	1,017,412	1,861,339

6. FINANCIAL INVESTMENTS – HELD-TO-MATURITY ("HTM")

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At amortised cost			
Money market instruments:			
Cagamas	84,513	94,914	95,236
	84,513	94,914	95,236
Unquoted securities:			
(In Malaysia)			
Private debt securities	380,900	268,806	344,331
Loan stock	22	22	1,732
	380,922	268,828	346,063
Less: Accumulated impairment	(239,155)	(214,485)	(173,533)
Total financial investments held-to-maturity ("HTM")	226,280	149,257	267,766

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At amortised cost			
Money market instruments:			
Cagamas	84,513	94,914	95,236
	84,513	94,914	95,236
Unquoted securities:			
(In Malaysia)			
Private debt securities	380,900	268,806	344,331
	380,900	268,806	344,331
Less: Accumulated impairment	(239,155)	(214,485)	(171,823)
Total financial investments held-to-maturity ("HTM")	226,258	149,235	267,744

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

6. FINANCIAL INVESTMENTS – HELD-TO-MATURITY ("HTM") (cont'd.)

Indicative market values of the securities held-to-maturity are as follows:

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cagamas	86,222	96,244	95,562
Unquoted private debt securities	199,313	58,287	171,956
Others	–	342	219

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cagamas	86,222	96,244	95,562
Unquoted private debt securities	199,313	54,287	171,956

Other disclosures

The maturity structure of money market instruments available-for-sale and held-to-maturity are as follows:

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
One year to three years	120,180	50,390	51,806
Three years to five years	239,414	131,728	79,419
Over five years	–	5,000	5,000
	359,594	187,118	136,225

7. LOANS, ADVANCES AND FINANCING

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Loans, advances and financing to industries:			
– Government Guaranteed	8,594,110	8,427,359	7,619,498
– Others	16,715,302	16,457,105	15,871,440
	25,309,412	24,884,464	23,490,938
Allowance for impaired loans, advances and financing:			
– individual assessment allowance	(1,652,245)	(1,780,818)	(1,806,874)
– collective assessment allowance	(756,623)	(906,252)	(930,385)
	(2,408,868)	(2,687,070)	(2,737,259)
Net loans, advances and financing to industries	22,900,544	22,197,394	20,753,679
Staff financing	14,344	15,557	16,827
Loan to subsidiaries	–	–	–
Lease receivable	70,545	77,988	95,352
Block discounting and factoring receivables	72,383	66,709	71,186
Hire purchase receivables	231,898	262,090	241,117
Ijarah receivables	26,239	33,253	42,425
Other loans, advances and financing	415,409	455,597	466,907
Allowance for impaired loans, advances and financing:			
– individual assessment allowance	(68,725)	(67,325)	(57,061)
– collective assessment allowance	(12,686)	(11,768)	(12,167)
	(81,411)	(79,093)	(69,228)
Net other loans, advances and financing	333,998	376,504	397,679
Net loans, advances and financing	23,234,542	22,573,898	21,151,358
Gross loans, advances and financing	25,724,821	25,340,061	23,957,845
Allowance for impaired loans, advances and financing:			
– individual assessment allowance	(1,720,970)	(1,848,143)	(1,863,935)
– collective assessment allowance	(769,309)	(918,020)	(942,552)
	(2,490,279)	(2,766,163)	(2,806,487)
Net loans, advances and financing	23,234,542	22,573,898	21,151,358

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

7. LOANS, ADVANCES AND FINANCING (cont'd.)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Loans, advances and financing to industries:			
– Government Guaranteed	8,594,110	8,427,359	7,619,498
– Others	16,635,722	16,362,694	15,751,957
	25,229,832	24,790,053	23,371,455
Allowance for impaired loans, advances and financing:			
– individual assessment allowance	(1,572,665)	(1,686,560)	(1,687,391)
– collective assessment allowance	(751,111)	(899,822)	(930,385)
	(2,323,776)	(2,586,382)	(2,617,776)
Net loans, advances and financing to industries	22,906,056	22,203,671	20,753,679
Staff financing	14,342	15,322	16,613
Loan to subsidiaries	121,029	200,000	271,995
Other loans, advances and financing	135,371	215,322	288,608
Allowance for impaired loans, advances and financing:			
– collective assessment allowance	(4,313)	(4,313)	(4,306)
	(4,313)	(4,313)	(4,306)
Net other loans, advances and financing	131,058	211,009	284,302
Net loans, advances and financing	23,037,114	22,414,680	21,037,981
Gross loans, advances and financing	25,365,203	25,005,375	23,660,063
Allowance for impaired loans, advances and financing:			
– individual assessment allowance	(1,572,665)	(1,686,560)	(1,687,391)
– collective assessment allowance	(755,424)	(904,135)	(934,691)
	(2,328,089)	(2,590,695)	(2,622,082)
Net loans, advances and financing	23,037,114	22,414,680	21,037,981

7. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bai' Bithaman Ajil	475,553	471,686	294,050
Bai' 'Inah	51,366	72,314	72,137
Bai' Murabahah	36,906	7,811	96,583
Bai' Istisna'	3,694,878	3,014,018	2,193,637
Bridging financing	11,172	56,935	99,426
Murabahah Dayn	–	–	7,790
Hire purchase	244,165	262,090	241,117
Factoring	72,383	66,709	71,186
Ijarah	44,081	51,638	63,105
Ijarah Muntahia Bitamlik	283,469	301,881	290,863
Infra support loan	120,282	151,761	198,106
Leasing	64,812	77,988	95,353
Revolving financing	23,904	28,097	43,270
Revolving working capital	446,471	143,028	145,767
Term loan	20,133,281	20,546,696	19,912,450
Working capital	22,098	87,409	133,005
Gross loans, advances and financing	25,724,821	25,340,061	23,957,845
Allowance for impaired loans, advances and financing:			
– individual assessment allowance	(1,720,970)	(1,848,143)	(1,863,935)
– collective assessment allowance	(769,309)	(918,020)	(942,552)
	(2,490,279)	(2,766,163)	(2,806,487)
Net loans, advances and financing	23,234,542	22,573,898	21,151,358

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

7. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bai' Bithaman Ajil	450,636	441,809	251,479
Bai' 'Inah	51,366	72,314	72,137
Bai' Murabahah	36,906	7,811	96,583
Bai' Istisna'	3,694,878	3,014,018	2,193,637
Bridging financing	–	41,646	81,746
Murabahah Dayn	–	–	7,790
Ijarah	18,507	18,385	20,680
Ijarah Muntahia Bitamlik	283,469	301,881	290,863
Infra support loan	120,282	151,761	198,106
Revolving working capital	446,471	143,028	145,767
Term loan	20,240,590	20,725,313	20,168,270
Working capital	22,098	87,409	133,005
Gross loans, advances and financing	25,365,203	25,005,375	23,660,063
Allowance for impaired loans, advances and financing:			
– individual assessment allowance	(1,572,665)	(1,686,560)	(1,687,391)
– collective assessment allowance	(755,424)	(904,135)	(934,691)
	(2,328,089)	(2,590,695)	(2,622,082)
Net loans, advances and financing	23,037,114	22,414,680	21,037,981

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

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Domestic business enterprises	25,710,477	25,324,504	23,941,018
Individuals	14,344	15,557	16,827
Gross loans, advances and financing	25,724,821	25,340,061	23,957,845

7. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Domestic business enterprises	25,350,861	24,989,818	23,643,450
Individuals	14,342	15,557	16,613
Gross loans, advances and financing	25,365,203	25,005,375	23,660,063

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

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Fixed rate:			
– Housing loans/financing	39,114	45,015	24,317
– Hire purchase receivables	244,165	262,090	241,117
– Other fixed rate loans/financing	14,538,865	14,239,833	12,668,173
Variable rate:			
– Cost plus	2,305,545	2,380,678	2,708,494
– Other variable rates	8,597,132	8,412,445	8,315,744
Gross loans, advances and financing	25,724,821	25,340,061	23,957,845

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Fixed rate:			
– Housing loans/financing	14,342	15,322	16,613
– Other fixed rate loans/financing	14,448,184	14,196,930	12,619,212
Variable rate:			
– Cost plus	2,305,545	2,380,678	2,708,494
– Other variable rates	8,597,132	8,412,445	8,315,744
Gross loans, advances and financing	25,365,203	25,005,375	23,660,063

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

7. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Agriculture, hunting and forestry	3,765	2,582	776
Construction	13,063,234	12,203,177	10,164,643
Education	435,099	419,374	294,581
Electrical and electronics	–	8,604	10,812
Electricity, gas and water supply	2,427,239	2,462,683	3,411,926
Finance, insurance and business	25,268	47,617	63,999
Food processing	–	–	11,853
Hotel and restaurants	757,455	746,568	773,032
Housing	23,476	22,666	23,265
Manufacturing	970,370	1,044,340	1,023,598
Marine related	90,844	53,488	19,182
Materials technology	126,330	22,507	21,766
Medical and pharmaceuticals	39,107	55,301	55,340
Mining and quarrying	1,151	1,497	2,924
Other community, social and personal service activities	70,487	151,545	69,565
Production engineering	472	1,627	2,793
Public administration and defence	58,379	52,250	41,981
Real estate, renting and business activities	1,091,576	1,099,435	1,149,325
Shipping	1,581,765	1,797,449	1,346,116
Shipyard	279,557	245,772	341,759
Transport, storage and communication	4,679,247	4,901,579	5,128,609
Gross loans, advances and financing	25,724,821	25,340,061	23,957,845

7. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Construction	13,025,393	12,178,224	10,109,884
Education	435,099	419,374	294,581
Electrical and electronics	–	8,604	10,812
Electricity, gas and water supply	2,427,229	2,462,565	3,411,528
Finance, insurance and business	121,029	200,000	271,995
Food processing	–	–	11,853
Hotel and restaurants	757,455	746,568	675,246
Housing	14,342	15,322	16,613
Manufacturing	888,061	945,937	914,909
Marine related	90,844	53,488	19,182
Materials technology	126,330	22,507	21,766
Medical and pharmaceuticals	39,107	55,301	55,340
Other community, social and personal service activities	47,801	22,667	27,336
Production engineering	472	1,627	2,793
Public administration and defence	58,379	52,250	41,981
Real estate, renting and business activities	985,000	1,084,702	1,131,926
Shipping	1,581,765	1,797,449	1,346,116
Shipyard	279,557	245,772	341,759
Transport, storage and communication	4,487,340	4,693,018	4,954,443
Gross loans, advances and financing	25,365,203	25,005,375	23,660,063

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

7. LOANS, ADVANCES AND FINANCING (cont'd.)

(v) The maturity structure of the gross loans, advances and financing is as follows: (cont'd.)

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Maturity within one year	4,667,398	3,674,874	3,757,576
One year to three years	4,040,100	4,241,376	3,016,435
Three years to five years	4,807,914	4,674,522	3,924,690
Over five years	12,209,409	12,749,289	13,259,144
	25,724,821	25,340,061	23,957,845

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Maturity within one year	4,487,593	3,486,956	3,634,874
One year to three years	3,913,082	4,129,010	2,930,713
Three years to five years	4,719,211	4,488,019	3,745,321
Over five years	12,245,317	12,901,390	13,349,155
	25,365,203	25,005,375	23,660,063

(vi) The loans and advances to subsidiaries are repayable over a period of three to seven years commencing from the date of drawdown and are at interest rates ranging from 3.23% to 3.67% (2011: 3.23% to 3.67%, 1.1.2011: 3.40% to 3.67%) per annum. Included in these advances is a revolving facility amounting to RM60,000,000 (2011: RM60,000,000, 1.1.2011: RM60,000,000) at an interest rate equivalent to the Bank's average return on deposits.

7. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Group	
	31 December 2012 RM'000	31 December 2011 RM'000
At 1 January	3,086,860	2,866,659
Impaired during the year	738,037	859,066
Reclassified as non-impaired	(84,670)	(81,039)
Recovered during the year	(351,767)	(238,665)
Amount written off	(556,863)	(319,161)
At 31 December	2,831,597	3,086,860
Gross impaired loans as % of gross loans, advances and financing	11.01%	12.18%

	Bank	
	31 December 2012 RM'000	31 December 2011 RM'000
At 1 January	2,846,298	2,617,103
Impaired during the year	688,609	781,144
Reclassified as non-impaired	(31,734)	(48,796)
Recovered during the year	(323,445)	(184,036)
Amount written off	(556,984)	(319,117)
At 31 December	2,622,744	2,846,298
Gross impaired loans as % of gross loans, advances and financing	10.34%	11.38%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

7. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Construction	433,915	575,424	621,303
Education	78,918	21,742	22,651
Electrical and electronics	–	8,604	10,812
Electricity, gas and water supply	145,277	179,365	117,830
Finance, insurance and business	4,792	13,378	11,576
Food processing	–	–	11,854
Hotel and restaurants	307,618	209,260	282,237
Housing	–	12,401	–
Manufacturing	867,808	984,785	749,962
Marine related	90,844	–	18,898
Materials technology	107,417	–	–
Medical and pharmaceuticals	39,107	55,301	55,340
Other community, social and personal service activities	12,456	64,303	31,273
Production engineering	12	69	9
Real estate, renting and business activities	342,182	322,298	263,413
Shipping	352,013	503,045	418,838
Shipyard	10,236	98,354	98,729
Transport, storage and communication	39,002	38,531	151,934
	2,831,597	3,086,860	2,866,659

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Construction	407,289	561,701	571,787
Education	78,918	21,742	22,651
Electrical and electronics	–	8,604	10,812
Electricity, gas and water supply	145,277	179,365	117,830
Food processing	–	–	11,854
Hotel and restaurants	277,514	209,260	252,246
Manufacturing	786,872	901,057	672,207
Marine related	90,844	–	18,898
Materials technology	107,417	–	–
Medical and pharmaceuticals	39,107	55,301	55,340
Production engineering	12	69	9
Real estate, renting and business activities	327,244	307,800	246,014
Shipping	352,014	503,045	418,838
Shipyard	10,236	98,354	98,729
Transport, storage and communication	–	–	119,888
	2,622,744	2,846,298	2,617,103

7. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Group	
	31 December 2012 RM'000	31 December 2011 RM'000
Individual assessment allowance		
At 1 January		
– as previously stated	1,766,565	1,849,681
– effects of MFRS adoption	81,578	14,254
At 1 January	1,848,143	1,863,935
Allowance made during the year	542,633	327,981
Allowance made during the year against infrastructure support fund	–	14,262
Amount written back in respect of recoveries	(164,797)	(106,351)
Amount transferred from collective assessment allowance	51,852	67,477
Amount written off	(556,861)	(319,161)
At 31 December	1,720,970	1,848,143
Collective assessment allowance		
At 1 January		
– as previously stated	728,351	673,068
– effects of MFRS adoption	189,669	269,484
At 1 January	918,020	942,552
Allowance made during the year	11,314	6,603
Allowance made during the year against infrastructure support fund	–	208,308
Amount written back	(108,173)	(171,966)
Amount transferred to individual assessment allowance	(51,852)	(67,477)
At 31 December	769,309	918,020

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

7. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Bank	
	31 December 2012 RM'000	31 December 2011 RM'000
Individual assessment allowance		
At 1 January		
– as previously stated	1,604,829	1,673,137
– effects of MFRS adoption	81,731	14,254
At 1 January	1,686,560	1,687,391
Allowance made during the year	528,986	314,146
Allowance made during the year against infrastructure support fund	–	14,262
Amount written back in respect of recoveries	(137,750)	(77,599)
Amount transferred from collective assessment allowance	51,852	67,477
Amount written off	(556,983)	(319,117)
At 31 December	1,572,665	1,686,560
Collective assessment allowance		
At 1 January		
– as previously stated	720,896	665,207
– effects of MFRS adoption	183,239	269,484
At 1 January	904,135	934,691
Allowance made during the year	11,314	76,313
Allowance made during the year against infrastructure support fund	–	131,995
Amount written back	(108,173)	(171,387)
Amount transferred to individual assessment allowance	(51,852)	(67,477)
At 31 December	755,424	904,135

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

8. OTHER ASSETS

		Group		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Sundry receivables, deposits and prepayment	(i)	109,338	106,334	250,953
Less: Allowance for doubtful debts	(v)	(1,178)	(1,599)	(1,688)
		108,160	104,735	249,265
Trade receivables		–	1,036	4,829
Amount receivable from Government in respect of compensation for:				
– Foreign exchange differences		37,538	76,303	76,765
– Infrastructure projects		85,361	85,361	85,361
Amount due from Minister of Finance Incorporated	(ii)	–	1,050,693	1,029,607
Tax recoverable		37,181	7,746	–
Pool working fund	(iv)	2,446	3,010	2,929
Foreclosed properties		–	–	2,617
Inventories		1,543	1,813	1,377
		272,229	1,330,697	1,452,750

		Bank		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Sundry receivables, deposits and prepayment	(i)	9,597	31,503	46,149
Less: Allowance for doubtful debts	(v)	(1,178)	(1,599)	(1,688)
		8,419	29,904	44,461
Amount receivable from Government in respect of compensation for:				
– Foreign exchange differences		37,538	76,303	76,765
– Infrastructure projects		85,361	85,361	85,361
Amount due from Minister of Finance Incorporated	(ii)	–	1,050,693	1,029,607
Subsidiaries	(iii)	40,402	39,031	34,962
Tax recoverable		30,212	7,530	–
		201,932	1,288,822	1,271,156

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

8. OTHER ASSETS (contd.)

(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 RM89,168,000 (2011: RM78,751,000, 1.1.2011: RM205,270,000).

(ii) The amount due from Minister of Finance Incorporated relates to proceeds receivable from disposal of the Bank's interest in SME Bank. The amount bears interest of 2% per annum (2011: 2%, 1.1.2011: 2%) and was fully settled during the year.

(iii) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(iv) Pool working fund 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.

(v) Allowance for doubtful debt

	Group and Bank	
	31 December 2012 RM'000	31 December 2011 RM'000
1 January	1,599	1,688
Recovered during the year	(421)	(89)
31 December	1,178	1,599

9. INVESTMENT IN SUBSIDIARIES

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Unquoted shares, at cost	924,686	925,660	862,700
Additional capital contribution due to waiver of debt	68,750	68,750	68,570
	993,436	994,410	931,270
Less: Transfer to subsidiary classified as held for sale	(56,765)	–	–
Less: Impairment losses	(8,122)	(8,668)	(974)
	928,549	985,742	930,296

Details of the subsidiaries are disclosed in Note 45.

10. INTEREST IN ASSOCIATES

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At cost:			
Unquoted ordinary shares	326,055	230,700	15
Group's share of retained post acquisition reserve	22,198	386	978
Reclassified to asset of subsidiary held for sale	(74,495)	–	–
	273,758	231,086	993
Unquoted redeemable preference shares	6,527	6,527	5,627
Reclassified to asset of subsidiary held for sale	(900)	–	–
	5,627	6,527	5,627
Less: Accumulated impairment losses	(65,649)	(65,649)	(6,620)
Reclassified to asset of subsidiary held for sale	60,007	–	–
	(5,642)	(65,649)	(6,620)
	273,743	171,964	–

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At cost:			
Unquoted ordinary shares	15	15	15
Unquoted redeemable preference shares	5,627	5,627	5,627
	5,642	5,642	5,642
Less: Accumulated impairment losses	(5,642)	(5,642)	(5,642)
	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

10. INTEREST IN ASSOCIATES (cont'd.)

(i) Details of the associates are as follows:

Name of Associates (incorporated in Malaysia)	Proportion of Ownership Interest 31 December 2012 %	31 December 2011 %	1 January 2011 %	Principal Activities
Held by the Bank:				
Ekuiti Teroka (Malaysia) Sdn Bhd *	28.6	28.6	28.6	Venture capital company
Held through Global maritime Ventures ("GMV"), a subsidiary:				
Syarikat Borcos Shipping Sdn Bhd *	31.5	31.5	–	Ship-owning
Orkim Sdn Bhd [1]	40.0	–	–	Ship-owning
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary: [2]				
Abedeen 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 systems and Rich Internet Application (RIA) 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
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 services

10. INTEREST IN ASSOCIATES (cont'd.)

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

Name of Associates (incorporated in Malaysia)	Proportion of Ownership Interest 31 December 2012 %	31 December 2011 %	1 January 2011 %	Principal Activities
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary: [2] (cont'd.)				
Nature's Own Brand Sdn Bhd *	26.0	26.0	–	Trading of food products
NCM Global Sdn Bhd *	26.0	26.0	–	Engineering services
Orea Technologies Sdn Bhd *	26.0	26.0	–	Development of information technology security
Paximej (M) Sdn Bhd *	26.0	26.0	–	Event management
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 a firm other than Ernst & Young

[1] During the financial year, the Company, via its subsidiary, GMV-Orkim Sdn Bhd acquired 40% equity interest in Orkim Sdn Bhd. The total cash consideration for the company amounted to RM105,000,000.

[2] SME GAF is classified as discontinued operations during the current financial year as disclosed in Note 43. As a result, the associates held through SME GAF, have been reclassified to "Assets of subsidiaries classified as held-for-sale".

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

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:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets and liabilities			
Total assets	1,200,650	1,090,170	1,695
Total liabilities	816,390	779,613	4

	2012 RM'000	2011 RM'000
Results:		
Revenue	232,735	162,952
Profit for the year	45,483	96,101

11. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At cost:			
Unquoted ordinary shares	127,224	127,224	100,122
Group's share of retained post acquisition reserve	60,253	59,951	31,523
Less: Accumulated impairment losses	(8,516)	(81)	–
	178,961	187,094	131,645
Advances to jointly controlled entities:			
– within 1 year	3,077	7,013	7,966
– 1 year to 2 years	3,077	7,013	7,966
– 2 years to 5 years	9,230	21,040	23,897
– more than 5 years	19,077	35,066	39,829
Less: Allowance for doubtful debts	(3,695)	–	–
	30,766	70,132	79,658
	209,727	257,226	211,303

The advances to jointly controlled entities bear an interest of 2.4% to 7.0% (2011: 2.4% to 7.0%, 1.1.2011:7.0%) per annum and repayable on a quarterly basis over a period of 10 years.

11. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd.)

(i) Details of the jointly controlled entities are as follows:

Name of Jointly Controlled Entities (incorporated in Malaysia)	Proportion of Ownership Interest 31 December 2012 %	31 December 2011 %	1 January 2011 %	Principal Activities
Held through a subsidiary:				
Wawasan Bulk Services Sdn Bhd	27.00	27.00	27.00	Ship management
Alam Eksplorasi (M) Sdn Bhd	36.00	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	36.00	Ship-owning, ship operator, and charter hire of vessel
Alam Synergy II (L) Inc	36.00	36.00	36.00	Ship-owning, ship operator, and charter hire of vessel
Alam Synergy III (L) Inc	36.00	36.00	36.00	Ship-owning, ship operator, and charter hire of vessel
Baycorp Ship Management Sdn Bhd	36.00	36.00	36.00	Ship management
Gagasan Sembilan Sdn Bhd*	36.00	36.00	36.00	Ship-owning
Gagasan Ked Sdn Bhd	54.00	54.00	54.00	Ship-owning
Gagasan Paha Sdn Bhd	54.00	54.00	54.00	Ship-owning
Formasi Cekal Sdn Bhd	36.00	36.00	36.00	Ship-owning, ship operator, and to undertake all kinds of contract to carry merchant goods
Orkim Leader Sdn Bhd	36.00	36.00	36.00	Ship-owning and freighting
Orkim Power Sdn Bhd	36.00	36.00	36.00	Ship-owning and freighting
Orkim Merit Sdn Bhd	36.00	36.00	36.00	Ship-owning and freighting
Orkim Express Sdn Bhd	36.00	36.00	36.00	Ship-owning and freighting
Orkim Challenger Sdn Bhd	36.00	54.00	54.00	Ship-owning and freighting
Orkim Discovery Sdn Bhd	36.00	54.00	54.00	Ship-owning and freighting
Orkim Reliance Sdn Bhd	54.00	54.00	54.00	Ship-owning and freighting

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

11. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd.)

(i) Details of the jointly controlled entities are as follows: (cont'd.)

Name of Jointly Controlled Entities (incorporated in Malaysia)	Proportion of Ownership Interest 31 December 2012 %	31 December 2011 %	1 January 2011 %	Principal Activities
Held through a subsidiary: (cont'd.)				
JM Global 1 (Labuan) Plc	44.10	44.10	44.10	Ship-owning and freighting
JM Global 2 (Labuan) Plc	44.10	44.10	44.10	Ship-owning and freighting
JM Global 3 (Labuan) Plc	44.10	44.10	44.10	Ship-owning and freighting
JM Global 4 (Labuan) Plc	44.10	44.10	44.10	Ship-owning and freighting
Omni Offshore (L) Inc **	–	–	36.00	Ship-owning and freighting
Global BMesra Sdn Bhd	44.10	44.10	44.10	Ship-owning and freighting
Global BMesra Dua Sdn Bhd	44.10	44.10	44.10	Ship-owning and freighting
Global BIkhlas Sdn Bhd	44.10	44.10	44.10	Ship-owning and freighting
Sea Weasel Ltd	44.10	44.10	44.10	Ship-owning and freighting
Rimbun Astana Sdn Bhd***	36.00	36.00	–	Ship-owning and freighting

* In the process of winding up
** Disposed to Omni Petromaritime Sdn Bhd on 15 September 2011
*** Entered into receivership on 3 July 2012.

The voting rights for all the jointly controlled entities mentioned above are equal for both the joint venture parties.

11. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd.)

(i) Details of the jointly controlled entities are as follows: (cont'd.)

During the financial year:

(a) The Group, via its subsidiary, GMV-Alam Sdn Bhd ("GMV-Alam") subscribed 40% of 8,000,000 units of Redeemable Preference Shares (RPS) which is 3,200,000 units of RPS of RM0.01 each at a premium of RM0.99 per share issued by Alam Synergy III based on GMV-Alam's shareholding.

(b) The Group, via its subsidiary, GMV-Offshore Sdn Bhd entered into a joint venture agreement with Offshore works Sdn Bhd and Amir Ruddin Bin Salleh to set up a new joint venture ship-owning company, Rimbun Astana Sdn Bhd with a subscription of 40% equity interest. The total cash consideration for the company amounted to RM8,218,000.

(c) A subsidiary, GMV-Jasa Sdn Bhd increased its investment in JM Global 3 (Labuan) PLC and JM Global 4 (Labuan) PLC in the form of additional equity participation, for a total contribution to RM13,916,000. The effective interest in these companies remain unchanged.

(d) A subsidiary, GMV-Omni Sdn Bhd disposed of its existing 40% equity interest in Omni Offshore (L) Inc. to Omni Petromaritime Sdn Bhd.

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2,011 RM'000
Assets:			
Non-current assets	1,299,384	656,534	562,083
Current assets	349,649	114,645	100,641
Total assets	1,649,033	771,179	662,724
Liabilities:			
Non-current liabilities	965,018	367,032	259,383
Current liabilities	305,214	235,029	271,696
Total liabilities	1,270,232	602,061	531,079

	2012 RM'000	2011 RM'000
Results:		
Revenue	222,370	129,297
Profit for the year	21,426	20,506

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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12. PROPERTY, PLANT AND EQUIPMENT

Group 31 December 2012	Freehold land RM'000	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
Cost									
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
Accumulated depreciation									
At 1 January	–	12,408	41,612	1,418	20,045	347,469	–	27,187	450,139
Charge for the 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
Accumulated impairment losses									
At 1 January	–	–	–	–	–	9,699	–	–	9,699
Charge for the 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	–	–	–	–	–	–	–	–	–
Net carrying amount	19,740	73,547	6,691	984	12,948	39,609	5,654	–	159,173

12. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

Group 31 December 2011	Freehold land RM'000	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
Cost									
At 1 January	19,909	82,125	44,287	2,294	37,395	783,726	7,777	38,678	1,016,191
Additions	–	8,350	874	924	–	9,288	4,930	19,838	44,204
Disposal/write-off	–	(2,750)	(69)	(424)	–	(18)	–	–	(3,261)
Transfer to assets held for sale	–	–	–	–	–	(123,303)	–	(10,282)	(133,585)
Effect of movements in exchange rates	–	–	–	–	–	21,284	–	988	22,272
Reclassification	–	–	5,270	–	–	–	(5,270)	–	–
At 31 December	19,909	87,725	50,362	2,794	37,395	690,977	7,437	49,222	945,821
Accumulated depreciation									
At 1 January	–	11,537	37,281	1,526	14,435	369,457	–	21,959	456,195
Charge for the year	–	1,614	4,384	249	5,610	32,580	–	13,345	57,782
Disposals/write-off	–	(743)	(53)	(357)	–	–	–	–	(1,153)
Transfer to assets held for sale	–	–	–	–	–	(69,170)	–	(9,127)	(78,297)
Effect of movements in exchange rates	–	–	–	–	–	14,602	–	1,010	15,612
At 31 December	–	12,408	41,612	1,418	20,045	347,469	–	27,187	450,139
Accumulated impairment losses									
At 1 January	–	–	–	–	–	–	–	–	–
Charge for the year	–	–	–	–	–	40,406	–	–	40,406
Transfer to assets held for sale	–	–	–	–	–	(30,707)	–	–	(30,707)
At 31 December	–	–	–	–	–	9,699	–	–	9,699
Net carrying amount									
– At 1 January 2011	19,909	70,588	7,006	768	22,960	414,269	7,777	16,719	559,996
– At 31 December 2011	19,909	75,317	8,750	1,376	17,350	333,809	7,437	22,035	485,983

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

12. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

Bank 31 December 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
Cost							
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
Accumulated depreciation							
At 1 January	–	6,796	21,852	20,046	879	–	49,573
Charge for the 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

Bank 31 December 2011	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
Cost							
At 1 January	19,740	76,521	23,681	37,395	1,572	2,730	161,639
Additions	–	8,350	715	–	599	4,930	14,594
Disposals/write off	–	(2,750)	(16)	–	(340)	–	(3,106)
Reclassification	–	–	5,270	–	–	(5,270)	–
At 31 December	19,740	82,121	29,650	37,395	1,831	2,390	173,127
Accumulated depreciation							
At 1 January	–	5,927	18,007	14,436	1,053	–	39,423
Charge for the year	–	1,612	3,850	5,610	166	–	11,238
Disposals/write off	–	(743)	(5)	–	(340)	–	(1,088)
At 31 December	–	6,796	21,852	20,046	879	–	49,573
Net carrying amount							
At 1 January 2011	19,740	70,594	5,674	22,959	519	2,730	122,216
At 31 December 2011	19,740	75,325	7,798	17,349	952	2,390	123,554

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

13. PREPAID LAND LEASE

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cost			
At 1 January	4,509	5,521	5,521
Disposals	(1,362)	(1,012)	–
At 31 December	3,147	4,509	5,521
Depreciation			
At 1 January	1,459	1,720	1,610
Charge for the year	72	110	110
Disposals	(413)	(371)	–
At 31 December	1,118	1,459	1,720
Carrying amount	2,029	3,050	3,801

14. INVESTMENT PROPERTIES

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cost			
At 1 January	24,750	24,750	24,750
Disposals	(7,960)	–	–
Transfer to assets held for sale	(1,646)	–	–
At 31 December	15,144	24,750	24,750
Depreciation and impairment loss			
At 1 January	7,728	7,282	6,884
Charge for the year	384	446	398
Disposals	(2,118)	–	–
Transfer to assets held for sale	(570)	–	–
At 31 December	5,424	7,728	7,282
Carrying amount	9,720	17,022	17,468
Included in the above are:			
Freehold land	630	3,339	3,339
Buildings	9,090	13,683	14,129
	9,720	17,022	17,468

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

14. INVESTMENT PROPERTIES (cont'd.)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cost			
At 1 January	10,538	10,538	10,538
Disposals/write off	(5,317)	–	–
At 31 December	5,221	10,538	10,538
Depreciation and impairment loss			
At 1 January	2,625	2,448	2,271
Charge for the year	165	177	177
Disposals/write off	(1,030)	–	–
At 31 December	1,760	2,625	2,448
Carrying amount	3,461	7,913	8,090
Included in the above are:			
Freehold land	92	1,683	1,683
Buildings	3,369	6,230	6,407
	3,461	7,913	8,090

(i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank is RM16,517,000 (2011: RM26,174,000) and RM7,174,000 (2011: RM15,674,000) respectively based on comparison with indicative market value stated in the Property Market Report 2011 (2011: Property Market Report 2010).

15. INTANGIBLE ASSETS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cost			
At 1 January	11,046	7,676	–
Additions	6,200	3,370	–
Transfer from property, plant and equipment	–	–	7,676
At 31 December	17,246	11,046	7,676
Amortisation			
At 1 January	6,815	5,363	–
Transfer from property, plant and equipment	–	–	4,186
Amortisation charged	1,669	1,452	1,177
At 31 December	8,484	6,815	5,363
Carrying amount	8,762	4,231	2,313

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cost			
At 1 January	9,296	5,926	–
Additions	4,238	3,370	–
Transfer from property, plant and equipment	–	–	5,926
At 31 December	13,534	9,296	5,926
Amortisation			
At 1 January	5,758	4,645	–
Transfer from property, plant and equipment	–	–	3,468
Amortisation charged	1,112	1,113	1,177
At 31 December	6,870	5,758	4,645
Carrying amount	6,664	3,538	1,281

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	31 December 2012 RM'000	31 December 2011 RM'000
At 1 January, previously stated	3,916	128,332
Effect of MFRS adoption	66,243	70,935
At 1 January	70,159	199,267
Recognised in income statement	(6,314)	(185,997)
Recognised in equity	11,298	56,889
At 31 December	75,143	70,159

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Presented after appropriate offsetting as follows:			
Deferred tax assets	87,957	78,844	210,158
Deferred tax liabilities	(12,814)	(8,685)	(10,892)
	75,143	70,159	199,266

	Bank	
	31 December 2012 RM'000	31 December 2011 RM'000
At 1 January, previously stated	12,601	139,224
Effect of MFRS adoption	66,243	70,934
At 1 January	78,844	210,158
Recognised in income statement	(2,185)	(188,706)
Recognised in equity	11,298	57,392
At 31 December	87,957	78,844

16. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd.)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Presented after appropriate offsetting as follows:			
Deferred tax assets	87,957	78,844	210,158
Deferred tax liabilities	–	–	–
	87,957	78,844	210,158

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.

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Loan loss and allowances RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2012, as previously stated	55,150	365	55,515
Effect of MFRS adoption	66,243	–	66,243
At 1 January 2012, as restated	121,393	365	121,758
Recognised in income statement	(11,220)	(106)	(11,326)
Recognised in equity	–	–	–
At 31 December 2012	110,173	259	110,432
At 1 January 2011, as previously stated	240,443	365	240,808
Effect of MFRS adoption	70,934	–	70,934
At 1 January 2011, as restated	311,377	365	311,742
Recognised in income statement	(189,984)	–	(189,984)
Recognised in equity	–	–	–
At 31 December 2011	121,393	365	121,758

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

16. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd.)

Deferred tax liabilities of the Group:

	Impairment loss on securities RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2012, as previously stated	39,612	11,987	51,599
Effect of MFRS adoption	–	–	–
At 1 January 2012, as restated	39,612	11,987	51,599
Recognised in income statement	(8,306)	3,294	(5,012)
Recognised in equity	(11,298)	–	(11,298)
At 31 December 2012	20,008	15,281	35,289
At 1 January 2011, as previously stated	97,004	15,472	112,476
Effect of MFRS adoption	–	–	–
At 1 January 2011, as restated	97,004	15,472	112,476
Recognised in income statement	–	(3,988)	(3,988)
Recognised in equity	(57,392)	503	(56,889)
At 31 December 2011	39,612	11,987	51,599

Deferred tax assets of the Bank:

	Loan loss and allowances RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2012, previously stated	55,150	365	55,515
Effect of MFRS adoption	66,243	–	66,243
At 1 January 2012	121,393	365	121,758
Recognised in income statement	(11,220)	(106)	(11,326)
Recognised in equity	–	–	–
At 31 December 2012	110,173	259	110,432
At 1 January 2012, previously stated	240,443	365	240,808
Effect of MFRS adoption	70,934	–	70,934
At 1 January 2012	311,377	365	311,742
Recognised in income statement	(189,984)	–	(189,984)
Recognised in equity	–	–	–
At 31 December 2011	121,393	365	121,758

16. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd.)

Deferred tax liabilities of the Bank:

	Impairment loss on securities RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2012, previously stated	39,612	3,302	42,914
Effect of MFRS adoption	–	–	–
At 1 January 2012	39,612	3,302	42,914
Recognised in income statement	(8,306)	(835)	(9,141)
Recognised in equity	(11,298)	–	(11,298)
At 31 December 2012	20,008	2,467	22,475
At 1 January 2012, previously stated	97,004	4,580	101,584
Effect of MFRS adoption	–	–	–
At 1 January 2012	97,004	4,580	101,584
Recognised in income statement	–	(1,278)	(1,278)
Recognised in equity	(57,392)	–	(57,392)
At 31 December 2011	39,612	3,302	42,914

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

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Unutilised tax losses	16,139	54,836	54,836
Unabsorbed capital allowances	13,388	10,663	10,663
	29,527	65,499	65,499

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

17. DEPOSITS FROM CUSTOMERS

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Fixed deposits and negotiable instruments of deposits			
– One year or less	5,414,142	6,959,773	7,486,357
	5,414,142	6,959,773	7,486,357

(a) The deposits are sourced from the following types of deposit:

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Non-Mudharabah			
– Others	4,788,678	5,310,983	6,656,655
Mudharabah			
– General investment deposit	625,464	1,648,790	829,702
	5,414,142	6,959,773	7,486,357

(b) The deposits are sourced from the following types of customers:

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Business enterprises	1,435,347	2,712,845	3,684,891
Government and statutory bodies	3,978,795	4,246,928	3,801,466
	5,414,142	6,959,773	7,486,357

(c) The deposits maturity structure are as follows:

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Less than six months	4,847,411	6,738,417	6,667,134
Six months to one year	566,731	221,356	819,223
	5,414,142	6,959,773	7,486,357

18. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At amortised cost			
Licensed banks	30,073	–	–
Licensed Islamic banks	30,070	–	–
Licensed investment banks	80,156	–	–
Other financial institutions	13,257	–	–
	153,556	–	–

19. OTHER LIABILITIES

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Amounts due to related companies	47,273	2,247	9,820
Provision for taxation	2,866	4,810	32,558
Provision for zakat	3,070	2,400	2,458
Trade creditors	9,141	4,541	7,769
Sundry creditors and accruals	120,854	98,822	119,842
Profit equalisation reserve (Note 19 (i))	2,030	2,188	–
Dividend payable	–	2,400	2,400
	185,234	117,408	174,847

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Provision for taxation	–	–	30,958
Provision for zakat	3,070	2,400	2,458
Trade creditors	7,061	3,115	2,874
Sundry creditors and accruals	23,740	24,291	37,956
Profit equalisation reserve (Note 19 (i))	2,030	2,188	–
	35,901	31,994	74,246

The amounts due to related companies are unsecured, non-interest bearing and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

19. OTHER LIABILITIES (cont'd.)

(i) Movement in profit equalisation reserve ("PER")

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At 1 January	2,188	–	1,071
Provided during the year	3,379	2,188	21,219
Transfer to reserve	(3,537)	–	–
Written back during the year	–	–	(22,290)
At 31 December	2,030	2,188	–

During the year, upon the adoption of the revised PER Guidelines as per Note 44(iii), the PER of the Islamic Banking Institution ("IBI") (shareholders' portion) is now classified as a separate reserve in equity. The new guideline is applied retrospectively. Total PER at 31 December 2012 is RM6,999,999 of which the shareholders' portion of RM4,970,421 is classified as a separate reserve in equity. In prior year, total shareholders' portion included in other liability was RM1,562,804 (1.1.2011: NIL).

20. REDEEMABLE NOTES

		Group and Bank		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Redeemable non guaranteed notes				
Medium term notes	(i)	808,812	808,812	1,010,674
		808,812	808,812	1,010,674
Redeemable guaranteed notes				
Medium term notes-GGC	(ii)	2,017,875	2,017,875	2,017,876
Medium term notes-GGM	(iii)	503,994	503,994	503,994
		2,521,869	2,521,869	2,521,870
Infrastructure notes – nominal value	(iv)	810,097	911,126	1,012,116
Less: Unamortised discount		(6,787)	(7,751)	(8,713)
		803,310	903,375	1,003,403
		4,133,991	4,234,056	4,535,947
Discount upon issuance		18,500	18,500	18,500
Amortisation to date		(11,713)	(10,749)	(9,787)
Unamortised discount		6,787	7,751	8,713

20. REDEEMABLE NOTES (cont'd.)

(i) These notes carry coupon rates ranging between 5.70% to 6.30% (2011: 5.70% to 6.30%, 1.1.2011: 5.00% 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 (RM500.0 million) and 4.15% per annum (RM1.50 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 (2011: 7.00% and 7.50%, 1.1.2011: 7.00% and 7.50%) respectively.

21. TERM LOANS

	31 December 2012	
Group	Due after twelve months RM'000	Due within twelve months RM'000
Loans from Employees Provident Fund		
– Unsecured: (Note 21(b))		
Principal	8,300,000	–
Interest	–	63,661
	8,300,000	63,661
Other loans		
– Unsecured: (Note 21(c))		
Principal	1,002,722	149,261
Interest	–	16,344
	1,002,722	165,605
Other loans		
– Secured: (Note 21(d))		
Principal	–	111,311
	9,302,722	340,577

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

21. TERM LOANS (cont'd.)

	31 December 2011	
Group	Due after twelve months RM'000	Due within twelve months RM'000
Loans from Government of Malaysia		
– Unsecured: (Note 21(a))		
Principal	776,088	–
Interest	2,152	–
	778,240	–
Loans from Employees Provident Fund		
– Unsecured: (Note 21(b))		
Principal	8,300,000	–
Interest	–	61,338
	8,300,000	61,338
Other loans		
– Unsecured: (Note 21(c))		
Principal	1,123,265	322,357
Interest	–	19,232
	1,123,265	341,589
Other loans		
– Secured: (Note 21(d))		
Principal	183,111	22,809
	10,384,616	425,736

21. TERM LOANS (cont'd.)

Group	1 January 2011 Due after twelve months RM'000	1 January 2011 Due within twelve months RM'000
Loans from Government of Malaysia		
– Unsecured: (Note 21(a))		
Principal	764,935	–
Interest	2,152	–
	767,087	–
Loans from Employees Provident Fund		
– Unsecured: (Note 21(b))		
Principal	7,150,000	–
Interest	–	56,922
	7,150,000	56,922
Other loans		
– Unsecured: (Note 21(c))		
Principal	1,354,816	266,550
Interest	–	19,517
	1,354,816	286,067
Other loans		
– Secured: (Note 21(d))		
Principal	243,597	43,169
	9,515,500	386,158

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Total term loans	9,643,299	10,810,352	9,901,658

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

21. TERM LOANS (cont'd.)

Bank	31 December 2012 Due after twelve months RM'000	Due within twelve months RM'000
Loans from Employees Provident Fund		
– Unsecured: (Note 21(b))		
Principal	8,300,000	–
Interest	–	63,661
	8,300,000	63,661
Other loans		
– Unsecured: (Note 21(c))		
Principal	1,002,722	149,261
Interest	–	16,344
	1,002,722	165,605
	9,302,722	229,266

Bank	31 December 2011 Due after twelve months RM'000	Due within twelve months RM'000
Loans from Government of Malaysia		
– Unsecured: (Note 21(a))		
Principal	776,088	–
Interest	2,152	–
	778,240	–
Loans from Employees Provident Fund		
– Unsecured: (Note 21(b))		
Principal	8,300,000	–
Interest	–	61,338
	8,300,000	61,338
Other loans		
– Unsecured: (Note 21(c))		
Principal	1,123,265	322,357
Interest	–	19,232
	1,123,265	341,589
	10,201,505	402,927

21. TERM LOANS (cont'd.)

Bank	1 January 2011 Due after twelve months RM'000	1 January 2011 Due within twelve months RM'000
Loans from Government of Malaysia		
– Unsecured: (Note 21(a))		
Principal	764,935	–
Interest	2,152	–
	767,087	–
Loans from Employees Provident Fund		
– Unsecured: (Note 21(b))		
Principal	7,150,000	–
Interest	–	56,922
	7,150,000	56,922
Other loans		
– Unsecured: (Note 21(c))		
Principal	1,354,816	266,550
Interest	–	19,517
	1,354,816	286,067
	9,271,903	342,989

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Total term loans	9,531,988	10,604,432	9,614,892

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

21. TERM LOANS (cont'd.)

(a) Loans from Government of Malaysia

The loans from the Government of Malaysia due after twelve months are repayable as follows:

	Group and Bank		
	Principal		
Year due	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Due after year end	–	767,087	764,935

Interest on the loan is charged at NIL (2011: 0% to 2.00%, 1.1.2011: 0% to 2.00%) per annum.

(b) Loan from Employees Provident Fund

		Group and Bank		
		Principal		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Loan 1	21(b)(i)	2,000,000	2,000,000	2,000,000
Loan 2	21(b)(ii)	2,800,000	2,800,000	2,800,000
Loan 3	21(b)(iii)	500,000	500,000	350,000
Loan 4	21(b)(iv)	1,000,000	1,000,000	1,000,000
Loan 5	21(b)(v)	1,000,000	1,000,000	1,000,000
Loan 6	21(b)(vi)	1,000,000	1,000,000	–
		8,300,000	8,300,000	7,150,000

(i) The loan is repayable in 5 equal installments 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).

(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% (2011: 3.746% to 5.225%, 1.1.2011: 3.840% to 5.225%) per annum.

21. TERM LOANS (cont'd.)

(c) Other Loan – unsecured:

		Group and Bank		
		Principal		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Loan from:				
Japan Bank of International Corporation	21(c)(i)	647,858	797,119	974,110
Export Credit Agency	21(c)(ii)	–	44,378	132,912
Pension Trust Fund Council	21(c)(iii)	500,000	500,000	500,000
Bank Negara Malaysia	21(c)(iv)	–	–	219
Pusat Tenaga Malaysia	21(c)(v)	4,125	4,125	14,125
AmBank Berhad	21(c)(vi)	–	50,000	–
Bank of Tokyo Mitsubishi Malaysia Berhad	21(c)(vii)	–	50,000	–
		1,151,983	1,445,622	1,621,366

Included in other loan – unsecured are:

(i) IT7 Loan from Japan Bank for International Cooperation amounting to RM797,118,613 (¥24,678,104,000) [2011: RM797,118,613 (¥24,678,104,000)] out of total loan facility of RM1,747,580,000 (¥59,000,000,000). The loan will mature in March 2017.

(ii) Loan from Export Credit Agency ("ECA") lenders matured in June 2012 [2011: RM44,377,755 (€10,832,034)].

(iii) Loan from Pension Trust Fund amounting to RM500,000,000 (2011: RM500,000,000) is repayable in 12 instalments over a period of 6 years, commencing from 2015. This loan will mature in 2020.

(iv) Loan from Bank Negara Malaysia ("BNM") amounting RM219,080 was fully settled in November 2011.

(v) Loans from Pusat Tenaga Malaysia amounting to RM4,124,970 (2011: RM4,124,970).

(vi) Revolving Credit ("RC") Facility from AmBank Berhad ("AmBank") amounting to RM50,000,000. This facility matured in January 2012.

(vii) Revolving Credit ("RC") Facility Bank of Tokyo Mitsubishi Malaysia Berhad ("BOT") amounting to RM50,000,000. This facility matured in January 2012.

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% (2011: 0% to 5.875%, 1.1.2011: 0% to 5.875%) per annum during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

21. TERM LOANS (cont'd.)

(d) Other Loan – secured:

		Group		
		Principal		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Term loan 1	21(d)(i)	111,311	205,920	286,766
		111,311	205,920	286,766

Included in other loan – secured of the Group are:

(i) The term loans for tankers are secured by a first preferred cross-collaterised mortgage of the vessels concerned, an assignment of earnings derived from the pool and insurance of the vessels amounting to RM447,079,000 (2011: RM967,645,000, 1.1.2011: RM70,327,358,000).

The weighted average effective interest rate of the term loans during the year ranged from 0.94% to 0.97% (2011: 0.89% to 1.13%, 1.1.2011: 0.97% to 1.45%) per annum.

22. INFRASTRUCTURE SUPPORT FUND

	Group and Bank	
	31 December 2012 RM'000	31 December 2011 RM'000
At 1 January	413,296	380,294
Net receivable during the year	7,303	19,636
Transferred from deferred income	–	152,232
Allowance made during the year against Infrastructure Support Fund	–	(146,257)
Impairment of financial investments made during the year against Infrastructure Support Fund	(24,670)	(43,684)
Loan written off during the year against Infrastructure Support Fund	(99,170)	(131,939)
Recoverable from loan written off	11,130	10,608
Individual assessment allowance written back	91,646	172,406
At 31 December	399,535	413,296

22. INFRASTRUCTURE SUPPORT FUND (cont'd.)

Included in Infrastructure Support Fund of the Group and of the Bank are amount of RM303,973,978 (2011: RM296,671,024, 1.1.2011: RM277,034,712) relating to the claims from the Government on interest rate differential and forex losses are 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 year as follows:

(i) amounts to compensate against related costs are recognised in the income statement 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 Infrastructure Support Fund.

The amount was accounted as at 31 December as follows:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Amount received/receivable from Government during the year	5,790	20,086	15,794
Amount matched against costs and recognised as income	1,513	(450)	17,116
Transferred to Infrastructure Support Fund	(7,303)	(19,636)	(32,910)
	–	–	–

23. DEFERRED INCOME

	Group and Bank	
	31 December 2012 RM'000	31 December 2011 RM'000
At 1 January	233,005	292,208
Received from Government during the year	18,425	104,458
Transferred to Infrastructure Support Fund	–	(152,232)
Utilised during the year	–	(11,429)
At 31 December	251,430	233,005

Deferred income comprises claims received in relation to interest rate differentials on financing of Government Infrastructure projects.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

24. SHARE CAPITAL

	Group and Bank					
	Number of ordinary shares of RM1 each			Amount		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Authorised	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid	3,078,724	3,078,724	3,078,724	3,078,724	3,078,724	3,078,724

25. RESERVES

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Non-distributable:			
Capital reserve	1,000	1,000	1,000
Statutory reserve	1,745,855	1,658,415	1,539,362
Profit equalisation reserve	4,970	–	–
Unrealised holding reserve	(32,463)	(5,113)	173,735
Exchange translation reserve	(61,499)	(55,503)	(48,429)
	1,657,863	1,598,799	1,665,668
Distributable:			
Retained profits (Note 26)	2,392,671	2,355,009	2,083,891
	4,050,534	3,953,808	3,749,559

25. RESERVES (cont'd.)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Non-distributable:			
Statutory reserve	1,745,855	1,658,415	1,539,362
Profit equalisation reserve	4,970	–	–
Unrealised holding reserve	87,347	111,618	291,014
	1,838,172	1,770,033	1,830,376
Distributable:			
Retained profits (Note 26)	2,161,151	2,003,801	1,746,642
	3,999,323	3,773,834	3,577,018

The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous 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 available-for-sale financial assets until they are disposed 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.

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 dividend 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 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 of the Income Tax Act 1962 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 shareholdings as defined under the Finance Act 2007. As at 31 December 2012, the Bank has sufficient credit in Section 108 balance to pay franked dividend amounting to approximately RM225,000,000 all of its retained earnings. If the balance of retained earnings of RM1,254,018,000 were to be distributed as dividends, the Bank may then distribute such dividend under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

27. INTEREST INCOME

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loans, advances and financing	1,115,703	1,142,341	1,097,074	1,113,744
Compensation from the Government	113,810	153,894	113,810	153,894
Money at call and deposit placement with financial institutions	81,735	79,724	59,757	55,877
Financial investments - available-for-sale ("AFS")	35,700	44,814	35,700	44,814
Financial investments - held-to-maturity ("HTM")	4,722	8,021	4,722	8,021
	1,351,670	1,428,794	1,311,063	1,376,350
Amortisation of premium less accretion of discount	20,417	18,395	20,417	18,395
	1,372,087	1,447,189	1,331,480	1,394,745
Of which:				
Interest income earned on impaired loans, advances and financing	62,690	81,222	62,690	81,222

Included in the interest income from loans, advances and financing of the Bank is interest income from a subsidiary amounting to RM7,944,290 (2011: RM9,254,516).

28. INTEREST EXPENSE

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits and acceptances	188,656	191,303	188,203	190,815
Term loans	391,952	356,400	392,265	356,591
Redeemable notes	171,475	181,145	171,475	181,145
Others	644	2,755	84	2,006
	752,727	731,603	752,027	730,557

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

29. NON-INTEREST INCOME

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(a) Other operating income:				
Charter hire, demurrage and freight income	65,968	78,864	–	–
	65,968	78,864	–	–
(b) Investment income:				
Gain/(loss) on sale of:				
– financial investments - available-for-sale ("AFS")	1,655	(3,144)	1,541	(3,144)
Gross dividends from:				
– financial investments - available-for-sale ("AFS")	7,781	18,395	5,518	18,395
– subsidiaries	–	–	–	21,600
	9,436	15,251	7,059	36,851
(c) Other income:				
Fee income	13,926	17,917	11,719	14,061
Rental income:				
– subsidiaries	–	–	860	779
– others	2,536	2,720	2,292	2,710
(Loss)/gain on disposal of property, plant and equipment	(23,954)	1,293	679	1,293
Gain on disposal of prepaid land lease	1,283	4,198	1,283	4,198
Gain on disposal of investment property	4,320	–	4,213	–
Gain/(loss) on foreign exchange				
– realised	1,368	(1,037)	1,115	(1,387)
– unrealised	605	(6,000)	605	(6,000)
Compensation from the Government:				
– Infrastructure support fund ("ISF") for allowance made written back	(91,646)	(172,406)	(91,646)	(172,406)
– allowance on impaired loans made during the year against ISF	–	146,257	–	146,257
– loan written off during the year against ISF	99,170	131,939	99,170	131,939
– recoverable from loan written off against ISF	(11,130)	(10,608)	(11,130)	(10,608)
– financial investments impairment made during the year against ISF	24,670	43,684	24,670	43,684
– on foreign exchange	–	1,319	–	1,319
Interest income on amount due from Minister of Finance Incorporated	11,423	9,898	11,423	9,898
Negative goodwill	–	1,895	–	–
Others	6,236	9,361	361	18
	38,807	180,430	55,614	165,755
Total non-interest income	114,211	274,545	62,673	202,606

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

30. OVERHEAD EXPENSES

	Note	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Personnel costs	(i)	78,980	69,992	47,257	33,299
Establishment related expenses	(ii)	56,798	80,076	15,033	18,361
Promotion and marketing expenses	(iii)	2,896	2,400	2,706	2,339
General administrative expenses	(iv)	54,264	48,766	13,064	13,622
		192,938	201,234	78,060	67,621
(i) Personnel costs					
Salaries, allowances and bonuses		61,751	59,421	33,030	24,839
Social security cost		223	587	178	184
Pension costs – Defined contribution plan		4,686	4,628	3,972	3,822
Compensation paid/(reversal made) on loss of employment					
– Current year		3,619	–	3,619	–
– Over provision in prior year		–	(286)	–	(286)
Other staff related expenses		8,701	5,642	6,458	4,740
		78,980	69,992	47,257	33,299
(ii) Establishment related expenses					
Depreciation:					
– Property, plant and equipment		46,926	57,782	9,509	11,238
– Investment properties		384	446	165	177
Amortisation of:					
– Prepaid lease rental		72	110	72	110
– Intangible assets		1,669	1,452	1,112	1,113
Repairs and maintenance of property, plant and equipment		4,866	15,233	1,916	1,689
Information technology expenses		2,881	5,053	2,259	4,034
		56,798	80,076	15,033	18,361
(iii) Promotion and marketing expenses					
Advertisement and publicity		2,896	2,400	2,706	2,339
(iv) General administrative expenses					
General administrative expenses		53,147	48,113	12,283	13,361
Auditors' remuneration:					
– Statutory audit		568	584	300	230
– Non-audit services					
– Regulatory related services		13	13	13	13
– Other services		518	56	450	18
Property, plant and equipment written off		18	–	18	–
		54,264	48,766	13,064	13,622

31. DIRECTORS' FEES AND REMUNERATION

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

	Remuneration received from the Bank						Remuneration received from Subsidiary Companies			
Group 2012	Salary RM'000	Fees RM'000	Bonus 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
Executive Director:										
Dato' Mohd Zafer bin Mohd Hashim	600	–	281	124	5	1,010	–	–	–	1,010
	600	–	281	124	5	1,010	–	–	–	1,010
Non-Executive Directors:										
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
Total Directors' remuneration	600	672	281	1,091	5	2,649	107	78	–	2,834

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

31. DIRECTORS' FEES AND REMUNERATION (cont'd.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

	Remuneration received from the Bank						Remuneration received from Subsidiary Companies			
Group 2011	Salary RM'000	Fees RM'000	Bonus 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
Executive Director:										
Dato' Mohd Zafer bin Mohd Hashim	564	–	180	106	5	855	–	–	–	855
	564	–	180	106	5	855	–	–	–	855
Non-Executive Directors:										
Tan Sri Dr. Abdul Samad bin Hj Alias	–	70	–	14	4	88	84	15	–	187
Dato' Mohammed bin Haji Che Hussein	–	35	–	9	1	45	–	–	–	45
Siti Zauyah binti Md Desa	–	12	–	38	–	50	–	5	–	55
Zainul Rahim bin Mohd Zain	–	12	–	44	–	56	–	–	–	56
A Ghani bin Ishak	–	2	–	5	–	7	2	1	–	10
Tan Sri Faizah binti Mohd Tahir	–	12	–	41	–	53	–	–	–	53
Dato' Dr. Syed Jaafar bin Syed Aznan	–	12	–	32	–	44	–	–	–	44
Datuk Idris bin Abdullah @ Das Murthy	–	12	–	18	–	30	–	15	–	45
Rosli bin Abdullah	–	12	–	29	–	41	–	–	–	41
Abdul Aziz bin Ishak	–	3	–	4	–	7	–	–	–	7
	–	182	–	234	5	421	86	36	–	543
Total Directors' remuneration	564	182	180	340	10	1,276	86	36	–	1,398

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 year was as follows:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short term employee benefits' total (excluding benefits-in-kind)	1,925	1,620	1,005	850

Included in the total key management personnel are:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive Directors' remuneration (Note 31)	1,010	855	1,010	855

33. LOANS, ADVANCES AND FINANCING LOSS AND ALLOWANCES

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Allowance for impaired loans, advances and financing:				
Collective assessment allowance:				
– made during the year	11,314	214,911	11,314	208,308
– written back	(108,173)	(171,966)	(108,173)	(171,387)
– transferred to individual assessment allowance	(51,852)	(67,477)	(51,852)	(67,477)
Individual impairment allowance:				
– made during the year	542,633	342,243	528,986	328,408
– written back	(164,797)	(106,351)	(137,750)	(77,599)
– transferred from collective assessment allowance	51,852	67,477	51,852	67,477
Bad debts and financing:				
– other receivables	–	(89)	–	(89)
– written off – resigned staff	176	33	176	33
– written back – resigned staff	(421)	–	(421)	–
– written off	407	134	407	134
– recovered	(22,636)	(16,628)	(16,953)	(10,635)
	258,503	262,287	277,586	277,173

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

34. IMPAIRMENT/(WRITEBACK) OF IMPAIRMENT ON OTHER ASSETS

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financial investments - available-for-sale ("AFS")	22,532	(7,069)	22,532	(7,069)
Financial investments - held-to-maturity ("HTM")	24,670	42,662	24,670	42,662
Property, plant and equipment – vessels	151,416	40,406	–	–
Investments in subsidiaries	–	–	(546)	7,694
Interest in jointly controlled entities	8,435	–	–	–
Advance to jointly controlled entities	3,695	–	–	–
	210,748	75,999	46,656	43,287

35. TAX EXPENSE

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax expense:				
Current income tax	101,738	106,312	88,813	87,065
(Over)/under provision in prior years	(12,814)	(115,005)	(12,578)	(115,024)
	88,924	(8,693)	76,235	(27,959)
Deferred tax expense:				
Origination and reversal of temporary differences	(1,472)	40,611	(5,604)	58,260
Under provision in prior year	7,787	136,001	7,789	130,447
	6,315	176,612	2,185	188,707
	95,239	167,919	78,420	160,748

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation 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:

35. TAX EXPENSE (cont'd.)

Reconciliation of effective tax expense

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax	286,083	644,973	431,183	639,670
Tax using Malaysian tax rate of 25% (2011: 25%)	71,521	166,614	107,796	159,918
Income not subject to tax	(32,326)	(19,277)	(31,211)	(15,692)
Effect of share of result jointly control entities	578	(8,160)	–	–
Non-deductible expenses	65,400	25,302	6,624	3,330
Income assessed separately	(2,667)	(9,819)	–	–
Utilisation of previously unrecognised unabsorbed capital allowances and tax losses	(2,240)	(7,737)	–	(2,232)
	100,266	146,923	83,209	145,324
Under provision of deferred tax in prior years	7,787	136,001	7,789	130,447
Over provision of income tax in prior years	(12,814)	(115,005)	(12,578)	(115,023)
Tax expense	95,239	167,919	78,420	160,748

36. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2012		2011	
	Sen per share	Total amount RM'000	Sen per share	Total amount RM'000
Final 2011 ordinary, net of tax	3.25	100,000	–	–
Final 2010 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 2012, 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 2013.

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37. EARNINGS PER SHARE

The basic earnings per share ("EPS") of the Group and the Bank are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit from continuing operations attributable to shareholders' of the Bank	230,072	490,171	349,760	476,212
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 year	7.47	15.92	11.36	15.47

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		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Disbursement of loans to industries	3,629,235	2,680,026	4,728,253
Direct credit substitutes	520	6,602	21,823
Corporate guarantees issued by a subsidiary to financial institutions for credit facilities granted to jointly controlled entities	988,856	1,048,697	982,852
	4,618,611	3,735,325	5,732,928

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Disbursement of loans to industries	3,629,235	2,680,026	4,728,253
Direct credit substitutes	520	6,602	21,823
Corporate guarantees issued by a subsidiary to financial institutions for credit facilities granted to jointly controlled entities	308,636	338,234	445,155
	3,938,391	3,024,862	5,195,231

The above contingent liability on corporate guarantees is based on the outstanding balances of the credit facilities granted to jointly controlled entities.

38. COMMITMENTS AND CONTINGENCIES (cont'd.)

(b) Capital commitments of the Group and the Bank not included in these financial statements are as follows:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Capital expenditure				
– approved but not contracted for	318,983	42,355	13,473	16,165
– approved and contracted for	1,131,220	661,610	–	–

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 2012.

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39. CAPITAL ADEQUACY (cont'd.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

	Bank		
	2012 RM'000	2011* RM'000	1.1.2011* RM'000
Tier 1 capital			
Paid-up share capital	3,078,724	3,078,724	3,078,724
Other reserves	3,907,006	3,860,943	3,498,808
Total Tier 1 capital	6,985,730	6,939,667	6,577,532
Tier 2 capital			
Governments grants and subsidies	650,965	646,301	672,502
Collective assessment allowance	755,424	699,731	650,975
Total Tier 2 capital	1,406,389	1,346,032	1,323,477
Total capital	8,392,119	8,285,699	7,901,009
Less: Investment in subsidiaries	(928,549)	(985,742)	(930,296)
Total capital base	7,463,570	7,299,957	6,970,713

Breakdown of risk-weighted assets in the various categories of risk-weights:

	Bank		
	2012 RM'000	2011* RM'000	1.1.2011* RM'000
20%	244,146	638,280	817,460
50%	1,355,624	993,400	892,109
100%	18,094,015	19,408,868	20,228,154
	19,693,785	21,040,548	21,937,723

39. CAPITAL ADEQUACY (cont'd.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

Without deducting proposed dividend:

	Bank		
	2012 RM'000 %	2011* RM'000 %	1.1.2011* RM'000 %
Core capital ratio	35.47	32.98	29.98
Risk-weighted capital adequacy ratio	37.90	34.69	31.78
After deducting proposed dividend:			
Core capital ratio	34.96	32.51	29.53
Risk-weighted capital adequacy ratio	37.39	34.22	31.32

* Prepared in accordance with FRS in Malaysia, as modified by Bank Negara Malaysia/Development Financial Institution Guidelines.

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.

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 2012:

	Group	
	2012 RM'000	2011 RM'000
Contingent liabilities not considered remote litigation (unsecured)		
(a) A subsidiary is being sued by its client for losses and damages arising from withdrawal of the bridging loan and financial guarantee. No defence is filed yet pending serving of the amended statement of claim. Hearing of application to strike out the client suit has been adjourned because the client has wound up.	15,196	15,196
(b) A subsidiary is being sued by an insured client for losses and damages due to the client's vessel accident which occurred on 18th June 2009. Statement of Defence has been filed due to the non-insurance coverage during the accident time. The matter has been fixed for a full trial.	397	397

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

40. OTHER CONTINGENCIES (cont'd.)

(ii) Contingent liabilities as at 31 December 2011, settled or dismissed during the year:

	Group	
	2012 RM'000	2011 RM'000
(a) A subsidiary was defending an action brought up by a client on a negligence issue which has resulted in collateral being forfeited by the Government. The suit has been dismissed by the Court and the appeal made by client has been rejected by the Court on 29 February 2012.	-	13,848
(b) A subsidiary was being sued by a client for Specific Performance to transfer the collateral to the client. The client claimed that the subsidiary failed to release the collateral after receipt of settlement sum of RM55,808.00. The case has been settled out of court with a final and full settlement of RM15,000 made on 28 March 2012.	-	155
(c) The client claimed against a subsidiary for a court's declaration that a Letter of Offer existed for full and final settlement and the transfer to be concluded after the settlement sum of RM120,000.00 was paid but declined by the subsidiary. The case has been settled out of court for a final and full settlement of RM170,000 of which RM154,000 has been paid during the year and RM16,000 has been paid on 8 January 2013.	-	120
(d) A subsidiary was summoned for Specific Performance by a client for the failure to accept the balance of settlement sum (RM20,000.00) as full and final settlement and to transfer the collateral after its receipt. The case has been settled out of court with a final and full settlement of RM10,000 made on 31 May 2012.	-	68

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, indirectly 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:-

(a) Significant transactions with subsidiaries & shareholder

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income:				
Conventional				
Interest compensation from Government of Malaysia	113,810	153,894	113,810	153,894
Interest from loan to Subsidiary	–	–	7,944	9,255
Dividend income	–	–	–	21,600
Rental of premises	–	–	860	779
Compensation from Government of Malaysia:				
– Infrastructure support fund ("ISF") for allowance made written back	(91,646)	(172,406)	(91,646)	(172,406)
– allowance on impaired loans made during the year against ISF	–	146,257	–	146,257
– loan written off during the year against ISF	99,170	131,939	99,170	131,939
– recoverable from loan written off against ISF	(11,130)	(10,608)	(11,130)	(10,608)
– financial investments impairment made during the year against ISF	24,670	43,684	24,670	43,684
– on foreign exchange	–	1,319	–	1,319
Interest income on amount due from Minister of Finance Incorporated	11,423	9,898	11,423	9,898
Islamic				
Interest compensation from Government of Malaysia	6,586	11,430	6,586	11,430
Expenditure:				
Interest expense from loan from Government of Malaysia	–	–	–	–
Other expenses	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd.)

(b) Balances with subsidiaries, jointly controlled entities and related parties

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Amount due from subsidiaries:				
– Loans, advances and financing	–	–	121,029	200,000
– Other receivables	–	–	40,402	39,031
Advances to jointly controlled entities	30,766	70,132	–	–
Amount due from related parties	89,168	78,751	–	–
Amount due to related parties:				
– Trade	8,257	18	–	–
– Non-trade	39,016	2,247	–	–
Loan to related company by virtue of common directorship	38,025	51,226	38,025	51,226

(c) Key management personnel compensation

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term employee benefits				
– Fees	779	268	672	182
– Salaries, allowances and bonus	1,926	1,014	1,848	978
– Pension cost – defined contribution plan	124	106	124	106
– Other staff benefits	5	10	5	10
	2,834	1,398	2,649	1,276

Included in the total key management personnel compensation are:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Director's remuneration including benefits in kind (Note 31)	2,834	1,398	2,649	1,276

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd.)

(d) Government-related entities

Government of Malaysia is a shareholder with significant influence on the Bank, with direct shareholding of 99.99% (31 December 2011: 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.

(i) Individual significant transactions with Government of Malaysia because of size of transaction

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Transactions during the year:				
Interest compensation income	113,810	153,894	113,810	153,894

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Amount due from Government of Malaysia in respect of compensation for:			
– Foreign exchange difference	37,538	76,303	76,765
– Infrastructure projects	85,361	85,361	85,361
Amount due from Minister of Finance Incorporated:			
– Proceeds receivable from disposal of the bank's interest in SME Bank	–	1,050,693	1,029,607
Loans from Government of Malaysia	–	(778,240)	(767,087)

(ii) 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, brokerage fees and insurance premium.

For the financial year ended 31 December 2012, 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 2011: 45.54% and 45.61%).

For the financial year ended 31 December 2012, 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 2011: 81.44% and 83.02% , 31 December 2010: 77.30% and 79.61%).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd.)

(e) Credit exposure arising from credit transactions with connected parties

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Outstanding credit exposures with connected parties/ government related entities of which total credit exposure which is impaired or in default	–	–	–
Total credit exposures	23,234,542	22,573,898	21,151,358
Percentage of outstanding credit exposures to connected parties/ government related entities:			
– as a proportion of total credit exposures	–	–	–
– as a proportion of capital base which is impaired or in default	–	–	–

The credit exposures above are based on Paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with Connected Parties as follows:

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		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
As at 1 January	24,581	–	–
Reclassified from property, plant and equipment	119,454	24,581	–
Reclassified from investment property	1,076	–	–
Disposed of during the year	(24,581)	–	–
As at 31 December	120,530	24,581	–

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 2012.

43. ASSETS/LIABILITIES OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE

On 5 February 2013, the Bank has accepted the offer from Intrasys Sdn Bhd ("Intrasys"), to purchase its wholly owned subsidiary, SME Growth Acceleration Fund Sdn Bhd ("SME GAF") for a consideration of RM70 million. In addition to the above, Intrasys has also been given the approval to acquire the Bank's interest in Pembangunan Ekuiti Sdn Bhd ("PESB") at current Net Tangible Assets ("NTA"). The proposed disposals of both subsidiaries are expected to complete in 2013. As at 31 December 2012, the assets and liabilities of both subsidiaries have been presented in the statements of financial position as "Assets of subsidiaries classified as held for sale" and "Liabilities of subsidiaries classified as held for sale" and their results are presented separately on the income statements as "Profit from discontinuing operation, net of tax".

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:-

	Carrying amount 31.12.2012 RM'000
Group	
Assets:	
Cash and bank balances	26,576
Investment in a subsidiary	1,071
Financial investments – available-for-sale ("AFS")	10,984
Other assets	912
Interest in associates	15,388
Property, plant and equipment	29
Total assets	54,960
Liabilities:	
Payables	101

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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43. ASSETS/LIABILITIES OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (cont'd.)

Bank

Investment in subsidiaries

	2012 RM'000
At cost	
At 1 January 2012	–
Transferred from investment in subsidiaries	64,887
At 31 December 2012	64,887
Accumulated impairment losses	
At 1 January 2012	–
Transferred from investment in subsidiaries	8,122
At 31 December 2012	8,122
Net carrying amount	56,765

Statements of income statements disclosures

The results from discontinued operations for the years ended 31 December are as follows:

	2012 RM'000	2011 RM'000
Revenue	1,900	1,806
Other income	179	50
	2,079	1,856
Operating and administrative expenses	(2,062)	(2,554)
Impairment allowances	(4,414)	(9,081)
Operating loss before tax	(4,397)	(9,779)
Tax expense	(19)	(79)
Loss, net of tax	(4,416)	(9,858)

Statements of cash flow disclosures

	2012 RM'000	2011 RM'000
Operating cash outflows	(446)	(10,478)
Investing cash inflows	12,955	6,646
Net cash inflows	12,509	(3,832)

44. ADOPTION OF MFRS, PRIOR YEAR ADJUSTMENTS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES

Adjustments relate to prior year adjustments, effects of adopting MFRS Framework and other change in accounting policies.

(i) Effects of adopting MFRS framework

The Group and the Bank have applied MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards upon their adoption of the MFRS framework on 1 January 2012. The policy elections made on transition date are listed in the audited financial statements of the Group and the Bank for the financial year ended 31 December 2011. The MFRS adoption did not result in any financial impact to the Group and the Bank other than the financial arising from the change in accounting policy on collective assessment allowance.

The adoption of the MFRS framework has resulted in the following changes:

Prior to the transition to MFRS 139, the Bank and its domestic banking subsidiary companies had maintained their collective assessment at 1.5% of total outstanding loans, advances and financing, net of individual assessment allowance, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing. Upon the transition to MFRS to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Bank and its domestic banking subsidiary companies have applied the requirements of MFRS 139 in the determination of collective assessment allowance.

(ii) Prior year adjustments

	Retained earnings	
	31 December 2011 RM'000	1 January 2011 RM'000
(a) The Group has adjusted the retained earnings as at 31 December 2011 and 1 January 2011, to recognise the effect of over recognition of dividend payable on Cummulative Convertible Redeemable Preference Shares of RM490,000 for financial year ended 31 December 2011 and RM2,506,000 for periods prior to financial year ended 1 January 2011 of a subsidiary.	2,996	2,506
(b) The Group has adjusted the retained earnings as at 31 December 2011, to recognise the effect of under recognition of vessel charter hire of RM642,000 of a subsidiary.	642	-
	3,638	2,506

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

44. PRIOR YEAR ADJUSTMENTS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES (cont'd.)

(iii) Other change in accounting policies

During the financial year, the Group and the Bank have also adopted the following change in accounting policies:

(a) Guidelines on Profit Equalisation Reserve issued by Bank Negara Malaysia
On 19 May 2011, Bank Negara Malaysia issued its revised Guidelines on Profit Equalisation Reserve ("revised PER Guidelines"), which was effective for annual periods beginning on or after 1 July 2011. The Islamic banking subsidiary company of the Group has adopted these revised PER Guidelines with effect from 1 January 2012 in its management of displaced commercial risk.

Upon the adoption of these revised PER Guidelines, the Group will continue to set aside a portion of its profits into a Profit Equalisation Reserve ("PER"). The PER of the Investment Account Holder ("IAH") continues to be classified as a liability and is recognised at cost, with subsequent apportionments being recognised in the income statement. The eventual distribution of PER as profit distributable to the IAH will be treated as an outflow of funds due to the settlement of the obligation to the IAH. The PER of the Islamic Banking Institution ("IBI") is now classified as a separate reserve in equity and subsequent apportionments to and distributions from retained profits are treated as a transfer between reserves. This change in accounting policy is accounted for prospectively, and hence had no effect on comparative figures.

The effects of the adjustments are as follows:

	Group			
	FRS 31 December 2011 RM'000	MFRS adoption RM'000 Note 44(i)	Prior year adjustment RM'000 Note 44(ii)	MFRS 31 December 2011 RM'000
Income statement				
Financial Year Ended 31 December 2011				
Interest income	1,447,189	-	-	1,447,189
Interest expense	(731,603)	-	-	(731,603)
Net interest income	715,586			715,586
Net income from Islamic banking business	161,681	-	-	161,681
Non-interest income	273,903	-	642	274,545
Net income	1,151,170			1,151,812
Overhead expenses	(201,724)	-	490	(201,234)
Allowance for impairment of loans and financing	(265,557)	12,491	-	(253,066)
Impairment losses on other assets, net	(85,220)	-	-	(85,220)
Operating profit	598,669			612,292
Share of results of jointly controlled entities	32,681	-	-	32,681
Profit before taxation	631,350			644,973
Zakat	(2,710)	-	-	(2,710)
Tax expense	(163,228)	(4,691)	-	(167,919)

44. PRIOR YEAR ADJUSTMENTS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES (cont'd.)

	Group			
	FRS 31 December 2011 RM'000	MFRS adoption RM'000 Note 44(i)	Prior year adjustment RM'000 Note 44(ii)	MFRS 31 December 2011 RM'000
Income statement (cont'd.)				
Profit for the year	465,412			474,344
Discontinued operation				
Loss from discontinued operations	(9,858)	-	-	(9,858)
Profit for the year	455,554			464,486
Attributable to:				
Shareholders of the Bank	481,239	7,800	1,132	490,171
Non-controlling interest	(25,685)	-	-	(25,685)
	455,554			464,486
Earnings per share attributable to the equity holders of the Bank (sen) (Note 37):				
Basic earnings per share	15.63%			15.92%
Statement of comprehensive income				
Financial year ended 31 December 2011				
Profit for the year	455,554	7,800	1,132	464,486
Other comprehensive income				
Exchange difference on translation of foreign operations	(10,764)	-	-	(10,764)
Net unrealised loss on revaluation of financial investments - available-for-sale ("AFS")	(178,848)	-	-	(178,848)
Other comprehensive loss for the year, net of tax	(189,612)			(189,612)
Total comprehensive income for the year, net of tax	265,942			274,874
Total comprehensive income attributable to:				
Shareholders of the Bank	295,317	7,800	1,132	304,249
Non-controlling interest	(29,375)	-	-	(29,375)
	265,942			274,874

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44. PRIOR YEAR ADJUSTMENTS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES (cont'd.)

	Bank			
	FRS 31 December 2011 RM'000	MFRS adoption RM'000 Note 44(i)	Prior year adjustment RM'000 Note 44(ii)	MFRS 31 December 2011 RM'000
Income statement				
Financial year ended 31 December 2011				
Interest income	1,394,745	-	-	1,394,745
Interest expense	(730,557)	-	-	(730,557)
Net interest income	664,188			664,188
Net income from Islamic banking business	160,957	-	-	160,957
Non-interest income	202,606	-	-	202,606
Net income	1,027,751			1,027,751
Overhead expenses	(70,331)	-	-	(70,331)
Allowance for impairment of loans and financing	(295,941)	18,768	-	(277,173)
Impairment losses on other assets, net	(43,287)	-	-	(43,287)
Profit before taxation	618,192			636,960
Tax expense	(156,057)	(4,691)	-	(160,748)
Profit for the year	462,135			476,212
Statement of comprehensive income				
Profit for the year	462,135	14,077	-	476,212
Other comprehensive income				
Net unrealised loss on revaluation of financial investments - available-for-sale ("AFS")	(179,396)	-	-	(179,396)
Total comprehensive income for the year, net of tax	282,739			296,816

44. PRIOR YEAR ADJUSTMENTS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES (cont'd.)

	Group			
	FRS 31 December 2011 RM'000	MFRS adoption RM'000 Note 44(i)	Prior year adjustment RM'000 Note 44(ii)	MFRS 31 December 2011 RM'000
Statements of financial position				
As at 31 December 2011				
Assets				
Cash and short term deposits	2,586,442	-	-	2,586,442
Deposits and placements with financial institutions	1,374,331	-	-	1,374,331
Financial investments - available-for-sale ("AFS")	1,049,113	-	-	1,049,113
Financial investments - held-to-maturity ("HTM")	149,257	-	-	149,257
Loans, advances and financing	22,845,145	(271,247)	-	22,573,898
Other assets	1,330,055	-	642	1,330,697
Interest in associates	171,964	-	-	171,964
Interest in jointly controlled entities	257,226	-	-	257,226
Property, plant and equipment	485,983	-	-	485,983
Prepaid land leases	3,050	-	-	3,050
Investment properties	17,022	-	-	17,022
Intangible assets	4,231	-	-	4,231
Assets classified as held for sale	24,581	-	-	24,581
Deferred tax assets	12,601	66,243	-	78,844
Total assets	30,311,001			30,106,639
Liabilities				
Deposits from customers	6,959,773	-	-	6,959,773
Bills and acceptances payable	99,835	-	-	99,835
Other liabilities	120,404	-	(2,996)	117,408
Redeemable notes	4,234,056	-	-	4,234,056
Term loans	10,810,352	-	-	10,810,352
Infrastructure support fund	413,296	-	-	413,296
Deferred income	233,005	-	-	233,005
Deferred tax liabilities	8,685	-	-	8,685
Total liabilities	22,879,406			22,876,410

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44. PRIOR YEAR ADJUSTMENTS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES (cont'd.)

	Group			
	FRS 31 December 2011 RM'000	MFRS adoption RM'000 Note 44(i)	Prior year adjustment RM'000 Note 44(ii)	MFRS 31 December 2011 RM'000
Statements of financial position (cont'd.)				
Equity attributable to equity holders of the Bank				
Share capital	3,078,724	-	-	3,078,724
Retained profits	2,559,894	(208,523)	3,638	2,355,009
Statutory reserve	1,654,896	3,519	-	1,658,415
Other reserves	(59,616)	-	-	(59,616)
	7,233,898			7,032,532
Non-controlling interest	197,697	-	-	197,697
Total equity	7,431,595			7,230,229
Total equity and liabilities	30,311,001			30,106,639

	Group			
	FRS 1 January 2011 RM'000	MFRS adoption RM'000 Note 44(i)	Prior year adjustment RM'000 Note 44(ii)	MFRS 1 January 2011 RM'000
Statements of financial position				
Assets				
Cash and short term deposits	3,834,577	-	-	3,834,577
Deposits and placements with financial institutions	239,096	-	-	239,096
Financial investments - available-for-sale ("AFS")	1,867,531	-	-	1,867,531
Financial investments - held-to-maturity ("HTM")	267,766	-	-	267,766
Loans, advances and financing	21,435,096	(283,738)	-	21,151,358
Other assets	1,452,750	-	-	1,452,750
Interest in jointly controlled entities	211,303	-	-	211,303
Property, plant and equipment	559,996	-	-	559,996
Prepaid land leases	3,801	-	-	3,801
Investment properties	17,468	-	-	17,468
Intangible assets	2,313	-	-	2,313
Deferred tax assets	139,224	70,934	-	210,158
Total assets	30,030,921			29,818,117

44. PRIOR YEAR ADJUSTMENTS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES (cont'd.)

	Group			
	FRS 1 January 2011 RM'000	MFRS adoption RM'000 Note 44(i)	Prior year adjustment RM'000 Note 44(ii)	MFRS 1 January 2011 RM'000
Liabilities				
Deposits from customers	7,486,357	-	-	7,486,357
Other liabilities	177,353	-	(2,506)	174,847
Redeemable notes	4,535,947	-	-	4,535,947
Term loans	9,901,658	-	-	9,901,658
Infrastructure support fund	380,294	-	-	380,294
Deferred income	292,208	-	-	292,208
Deferred tax liabilities	10,892	-	-	10,892
Total liabilities	22,784,709			22,782,203
Equity attributable to equity holders of the Bank				
Share capital	3,078,724	-	-	3,078,724
Retained profits	2,294,189	(212,804)	2,506	2,083,891
Statutory reserve	1,539,362	-	-	1,539,362
Other reserves	126,306	-	-	126,306
	7,038,581			6,828,283
Non-controlling interest	207,631	-	-	207,631
Total equity	7,246,212			7,035,914
Total equity and liabilities	30,030,921			29,818,117

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44. PRIOR YEAR ADJUSTMENTS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES (cont'd.)

	Bank			
	FRS 1 January 2011 RM'000	MFRS adoption RM'000 Note 44(i)	Prior year adjustment RM'000 Note 44(ii)	MFRS 31 December 2011 RM'000
Statements of financial position				
As at 31 December 2011				
Assets				
Cash and short term deposits	2,435,932	-	-	2,435,932
Deposits and placements with financial institutions	920,227	-	-	920,227
Financial investments - available-for-sale ("AFS")	1,017,412	-	-	1,017,412
Financial investments - held-to-maturity ("HTM")	149,235	-	-	149,235
Loans, advances and financing	22,679,650	-	(264,970)	22,414,680
Other assets	1,288,822	-	-	1,288,822
Investments in subsidiaries	985,742	-	-	985,742
Property, plant and equipment	123,554	-	-	123,554
Prepaid land leases	3,050	-	-	3,050
Investment properties	7,913	-	-	7,913
Intangible assets	3,538	-	-	3,538
Deferred tax assets	12,601	-	66,243	78,844
Total assets	29,627,676			29,428,949
Liabilities				
Deposits from customers	6,959,773	-	-	6,959,773
Bills and acceptances payable	99,835	-	-	99,835
Other liabilities	31,994	-	-	31,994
Redeemable notes	4,234,056	-	-	4,234,056
Term loans	10,604,432	-	-	10,604,432
Infrastructure support fund	413,296	-	-	413,296
Deferred income	233,005	-	-	233,005
Total liabilities	22,576,391			22,576,391
Equity attributable to equity holders of the Bank				
Share capital	3,078,724	-	-	3,078,724
Retained profits	2,206,047	(202,246)	-	2,003,801
Statutory reserve	1,654,896	3,519	-	1,658,415
Other reserves	111,618	-	-	111,618
Total equity	7,051,285			6,852,558
Total equity and liabilities	29,627,676			29,428,949

44. PRIOR YEAR ADJUSTMENTS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES (cont'd.)

	Bank			
	FRS 1 January 2011 RM'000	MFRS adoption RM'000 Note 44(i)	Prior year adjustment RM'000 Note 44(ii)	MFRS 31 December 2011 RM'000
Statements of financial position				
As at 1 January 2011				
Assets				
Cash and short term deposits	3,086,574	-	-	3,086,574
Deposits and placements with financial institutions	239,050	-	-	239,050
Financial investments - available-for-sale ("AFS")	1,861,339	-	-	1,861,339
Financial investments - held-to-maturity ("HTM")	267,744	-	-	267,744
Loans, advances and financing	21,321,719	(283,738)	-	21,037,981
Other assets	1,271,156	-	-	1,271,156
Investments in subsidiaries	930,296	-	-	930,296
Property, plant and equipment	122,216	-	-	122,216
Prepaid land leases	3,801	-	-	3,801
Investment properties	8,090	-	-	8,090
Intangible assets	1,281	-	-	1,281
Deferred tax assets	139,224	70,934	-	210,158
Total assets	29,252,490			29,039,686
Liabilities				
Deposits from customers	7,486,357	-	-	7,486,357
Other liabilities	74,246	-	-	74,246
Redeemable notes	4,535,947	-	-	4,535,947
Term loans	9,614,892	-	-	9,614,892
Infrastructure support fund	380,294	-	-	380,294
Deferred income	292,208	-	-	292,208
Total liabilities	22,383,944			22,383,944
Equity attributable to equity holders of the Bank				
Share capital	3,078,724	-	-	3,078,724
Retained profits	1,959,446	(212,804)	-	1,746,642
Statutory reserve	1,539,362	-	-	1,539,362
Other reserves	291,014	-	-	291,014
Total equity	6,868,546			6,655,742
Total equity and liabilities	29,252,490			29,039,686

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45. COMPANIES IN THE GROUP

(a) The subsidiaries, all incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Bank 31 December 2012 %	31 December 2011 %	1 January 2011 %	Principal activities
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
Maju Nominees Tempatan Sdn Bhd	100.00	100.00	100.00	Nominee for the holding company
BPF Properties Sdn Bhd*	–	100.00	100.00	Property investment
BPMB Urus Harta Sdn Bhd	100.00	100.00	100.00	Property investment
Pembangunan Ekuiti Sdn Bhd **	54.80	54.80	54.80	Investment manager and provision of advisory, consultancy and related services pertaining to investments
Global Maritime Ventures Berhad	90.00	90.00	90.00	Venture capital investment
Emerald Upline Sdn Bhd	100.00	100.00	100.00	Ship-owning
SME Growth Acceleration Fund Sdn Bhd **	100.00	100.00	–	Venture capital investment

* In members' voluntary liquidation which has no significant effect on the financial statements.

** Classified as discontinued operation during the financial year as disclosed in Note 43.

45. COMPANIES IN THE GROUP (cont'd.)

(b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Bank			Principal activities
	31 December 2012 %	31 December 2011 %	1 January 2011 %	
Mutiara Navigation Sdn Bhd	63.00	63.00	63.00	Dormant
Intan Navigation Sdn Bhd	63.00	63.00	63.00	Dormant
Nilam Navigation Sdn Bhd	63.00	63.00	63.00	Dormant
Kasa Navigation Sdn Bhd	63.00	63.00	63.00	Dormant
Mayang Navigation Sdn Bhd	63.00	63.00	63.00	Dormant
Sari Navigation Sdn Bhd	63.00	63.00	63.00	Ship-owning
Tiara Navigation Sdn Bhd	63.00	63.00	63.00	Dormant
Glory Incentive Sdn Bhd	90.00	90.00	90.00	Investment holding
GMV-ALAM Sdn Bhd	90.00	90.00	90.00	Investment holding
GMV-Gagasan Sdn Bhd	90.00	90.00	90.00	Investment holding
GMV-Bahtera Sdn Bhd	90.00	90.00	90.00	Dormant
GMV-Efogen Sdn Bhd (formerly known as GMV-Orion Sdn Bhd)	90.00	90.00	90.00	Investment holding
GMV-Regional Sdn Bhd	90.00	90.00	90.00	Investment holding
GMV-Orkim Sdn Bhd	90.00	90.00	90.00	Investment holding
GMV-Offshore Sdn Bhd	90.00	90.00	90.00	Investment holding
GMV-Global Sdn Bhd	90.00	90.00	90.00	Investment holding
GMV-Jasa Sdn Bhd	90.00	90.00	90.00	Investment holding
GMV-Omni Sdn Bhd	90.00	90.00	90.00	Investment holding
GMV-Borcos Sdn Bhd (formerly known as Exiwealth Resources Sdn Bhd)	90.00	90.00	90.00	Investment holding

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45. COMPANIES IN THE GROUP (cont'd.)

(c) Details of subsidiary companies of Glory Incentive Sdn Bhd, all of which are incorporated in Malaysia, are as follows:

	Effective interest held by the Bank			
Name of the Company	31 December 2012 %	31 December 2011 %	1 January 2011 %	Principal activities
Permata Navigation Sdn Bhd	63.00	63.00	63.00	Dormant
Gemala Navigation Sdn Bhd	63.00	63.00	63.00	Ship-owning
Ratna Navigation Sdn Bhd	63.00	63.00	63.00	Ship-owning
Kencana Navigation Sdn Bhd	63.00	63.00	63.00	Ship-owning
Ayu Navigation Sdn Bhd	63.00	63.00	63.00	Dormant

(d) Details of subsidiaries of Pembangunan Leasing Corporation Sdn Bhd, which are incorporated in Malaysia, are as follows:

	Effective interest held by the Bank			
Name of the Company	31 December 2012 %	31 December 2011 %	1 January 2011 %	Principal activities
PLC Credit & Factoring Sdn Bhd	100.00	100.00	100.00	Hire purchase financing, confirming and factoring, insurance agency and letting out properties.
BI Credit & Leasing Berhad	100.00	100.00	100.00	Credit and leasing

(e) Details of a subsidiary company of BI Credit & Leasing Berhad, which is incorporated in Malaysia, are as follows:

	Effective interest held by the Bank			
Name of the Company	31 December 2012 %	31 December 2011 %	1 January 2011 %	Principal activities
KIB Nominee (Tempatan) Sdn Bhd	100.00	100.00	100.00	Nominee services

45. COMPANIES IN THE GROUP (cont'd.)

(f) Details of a subsidiary company of GMV-Bahtera Sdn Bhd, which is incorporated in Malaysia, are as follows:

	Effective interest held by the Bank			
Name of the Company	31 December 2012 %	31 December 2011 %	1 January 2011 %	Principal activities
Magna Meridian Sdn Bhd *	90.00	–	–	Ship-owning
Matlamat Emas Sdn Bhd **	90.00	–	–	Ship-owning

* The Company, via its subsidiary, GMV-Bahtera Sdn Bhd acquired two units of ordinary shares of RM1 each, representing 90% equity interest in Magna Meridian Sdn Bhd ("MMSB") for a total consideration of RM2.

** The Company, via its subsidiary, GMV-Bahtera Sdn Bhd acquired two units of ordinary shares of RM1 each, representing 90% equity interest in Matlamat Emas Sdn Bhd ("MMSB") for a total consideration of RM2.

The above acquisition have no significant effects on the consolidated financial statements of the Bank.

46. FINANCIAL INSTRUMENTS RISK

Financial risk management objectives and policies

The Group's financial risk management policies seek to enhance shareholder value. The Group 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.

As part of the Group'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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

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.

(i) Credit exposure

		Group	Bank
	Note	2012 RM'000	2012 RM'000
On balance sheet:			
Cash and short term deposits	3	1,506,858	1,074,564
Deposits and placements with banks and other financial institutions	4	67,783	66,722
Financial investments - available-for-sale ("AFS")	5	1,242,217	1,188,947
Financial investments - held-to-maturity ("HTM")	6	226,280	226,258
Loans, advances and financing	7	23,234,542	23,037,114
		26,277,680	25,593,605
Other assets not subject to credit risk		1,198,830	1,404,985
		27,476,510	26,998,590
Off balance sheet:			
Commitments	38(a)	4,618,611	3,938,391
		32,095,121	30,936,981

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(i) Credit exposure (cont'd.)

	Note	Group 2011 RM'000	Bank 2011 RM'000
On balance sheet:			
Cash and short term deposits	3	2,586,442	2,435,932
Deposits and placements with banks and other financial institutions	4	1,374,331	920,227
Financial investments - available-for-sale ("AFS")	5	1,049,113	1,017,412
Financial investments - held-to-maturity ("HTM")	6	149,257	149,235
Loans, advances and financing	7	22,573,898	22,414,680
Amount due from MOF	8	1,050,693	1,050,693
Others		324,464	–
		29,108,198	27,988,179
Other assets not subject to credit risk		998,441	1,440,770
		30,106,639	29,428,949
Off balance sheet:			
Commitments	38(a)	3,735,325	3,024,862
		33,841,964	32,453,811

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors:

Group 31 December 2012	Short-term funds, and placements with financial institutions RM'000	Financial investments-held-to maturity ("HTM") RM'000	Financial investments-available-for-sale ("AFS") RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies 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	597,481
Electrical and electronics	–	–	–	–	–	–	96,340
Electrical, gas and water supply	–	51,237	173,041	2,137,674	–	2,361,952	143,151
Finance, insurance and business	1,574,641	126,771	588,032	15,512	–	2,304,956	–
Hotel and restaurants	–	–	–	727,128	–	727,128	331,981
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 nd 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	20,236
Shipping	–	–	327,783	1,224,918	–	1,552,701	1,045,103
Shipyard	–	–	–	276,944	–	276,944	228,290
Transport, storage and communications	–	–	6,380	4,347,350	–	4,353,730	629,651
	1,574,641	226,280	1,242,217	23,234,542	–	26,277,680	4,618,611
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	4,618,611

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors:

Group 31 December 2011	Short-term funds, and placements with financial institutions RM'000	Financial investments-held-to maturity ("HTM") RM'000	Financial investments-available-for-sale ("AFS") RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	–	–	–	2,582	–	2,582	–
Construction	–	53,641	100,574	11,696,992	–	11,851,207	1,660,137
Education	–	–	–	372,016	–	372,016	48,061
Electrical, gas and water supply	–	–	283,131	2,201,130	–	2,484,261	105,539
Finance, insurance and business	3,960,773	95,040	197,501	26,841	1,050,693	5,330,848	–
Hotel and restaurants	–	–	–	701,317	–	701,317	359,123
Housing	–	–	–	15,089	–	15,089	–
Manufacturing	–	–	–	326,505	–	326,505	53,465
Marine related	–	–	–	53,488	–	53,488	–
Material technology	–	–	–	20,919	–	20,919	4,084
Medical and pharmaceuticals	–	–	–	23,140	–	23,140	–
Mining and quarrying	–	–	–	1,497	–	1,497	–
Other community, social and personal service activities	–	–	7,000	20,950	–	27,950	352,263
Production Engineering	–	–	–	1,056	–	1,056	–
Public administration and defence	–	576	–	52,250	–	52,826	7,176
Real estate, renting and business activities	–	–	92,990	1,074,766	–	1,167,756	36,971
Shipping	–	–	357,076	1,384,757	324,464	2,066,297	1,088,967
Shipyard	–	–	–	144,383	–	144,383	–
Transport, storage and communications	–	–	10,841	4,454,220	–	4,465,061	19,539
	3,960,773	149,257	1,049,113	22,573,898	1,375,157	29,108,198	3,735,325
Other assets not subject to credit risk	–	–	–	–	998,441	998,441	–
	3,960,773	149,257	1,049,113	22,573,898	2,373,598	30,106,639	3,735,325

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– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors:

Group 31 December 2011	Short-term funds, and placements with financial institutions RM'000	Financial investments-held-to maturity ("HTM") RM'000	Financial investments-available-for-sale ("AFS") RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	–	–	15,021	776	–	15,797	4,765
Construction	–	490	267,858	9,545,455	–	9,813,803	2,870,240
Diversified holdings	–	–	101,635	278,910	–	380,545	–
Education	–	–	–	–	–	–	137,281
Electrical, gas and water supply	–	–	–	3,284,905	–	3,284,905	91,936
Finance, insurance and business	4,073,673	–	140,786	45,324	1,050,693	5,310,476	190,557
Food processing	–	–	–	4,344	–	4,344	–
Hotel and restaurants	–	–	–	678,417	–	678,417	280,338
Housing	–	–	–	23,016	–	23,016	–
Infrastructure and utilities	–	171,557	528,183	–	–	699,740	–
Manufacturing	–	–	–	336,166	–	336,166	644,340
Marine related	–	–	–	258	–	258	–
Material technology	–	–	–	19,771	–	19,771	–
Medical and pharmaceuticals	–	–	–	23,633	–	23,633	–
Mining and quarrying	–	–	152,321	–	–	152,321	–
Other community, social and personal service activities	–	22	6,192	17,004	–	23,218	8,067
Production engineering	–	–	–	2,455	–	2,455	26,700
Public administration and defence	–	95,697	40,471	40,894	–	177,062	24,278
Real estate, renting and business activities	–	–	97,072	1,036,084	–	1,133,156	37,162
Shipping	–	–	517,992	1,033,178	324,464	1,875,634	786,642
Shipyard	–	–	–	245,708	–	245,708	70,408
Transport, storage and communications	–	–	–	4,535,060	–	4,535,060	560,214
	4,073,673	267,766	1,867,531	21,151,358	1,375,157	28,735,485	5,732,928
Other assets not subject to credit risk	–	–	–	–	1,082,632	1,082,632	–
	4,073,673	267,766	1,867,531	21,151,358	2,457,789	29,818,117	5,732,928

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors:

Bank 31 December 2012	Short-term funds, and placements with financial institutions RM'000	Financial investments-held-to maturity ("HTM") RM'000	Financial investments-available-for-sale ("AFS") RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	–	48,250	41,493	12,699,178	–	12,788,921	1,197,913
Education	–	–	–	384,012	–	384,012	597,481
Electrical and electronics	–	–	–	–	–	–	96,340
Electrical, gas and water supply	–	51,237	173,041	2,137,664	–	2,361,942	143,151
Finance, insurance and business	1,141,286	126,771	588,032	116,949	–	1,973,038	–
Hotel and restaurants	–	–	–	661,900	–	661,900	331,981
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	20,236
Shipping	–	–	278,691	1,224,918	–	1,503,609	364,883
Shipyard	–	–	–	276,944	–	276,944	228,290
Transport, storage and communications	–	–	6,380	4,169,213	–	4,175,593	629,651
	1,141,286	226,258	1,188,947	23,037,114	–	25,593,605	3,938,391
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	3,938,391

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors:

Bank 31 December 2011	Short-term funds, and placements with financial institutions RM'000	Financial investments-held-to maturity ("HTM") RM'000	Financial investments-available-for-sale ("AFS") RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry							
Construction	–	53,641	100,574	11,685,419	–	11,839,634	1,660,137
Education	–	–	–	372,016	–	372,016	48,061
Electrical, gas and water supply	–	–	283,131	2,201,012	–	2,484,143	105,539
Finance, insurance and business	3,356,159	95,018	182,496	195,920	1,050,693	4,880,286	–
Hotel and restaurants	–	–	–	643,623	–	643,623	359,123
Housing	–	–	–	15,089	–	15,089	–
Manufacturing	–	–	–	268,019	–	268,019	53,465
Marine related	–	–	–	53,488	–	53,488	–
Material technology	–	–	–	20,919	–	20,919	4,084
Medical and pharmaceuticals	–	–	–	23,140	–	23,140	–
Mining and quarrying							
Other community, social and personal service activities	–	–	7,000	20,671	–	27,671	–
Production engineering	–	–	–	1,056	–	1,056	–
Public administration and defence	–	576	–	52,250	–	52,826	7,176
Real estate, renting and business activities	–	–	92,990	1,074,531	–	1,167,521	36,971
Shipping	–	–	340,380	1,384,757	–	1,725,137	730,767
Shipyard	–	–	–	144,383	–	144,383	–
Transport, storage and communications	–	–	10,841	4,258,387	–	4,269,228	19,539
	3,356,159	149,235	1,017,412	22,414,680	1,050,693	27,988,179	3,024,862
Other assets not subject to credit risk	–	–	–	–	1,440,770	1,440,770	–
	3,356,159	149,235	1,017,412	22,414,680	2,491,463	29,428,949	3,024,862

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors:

Bank 1 January 2011	Short-term funds, and placements with financial institutions RM'000	Financial investments-held-to maturity ("HTM") RM'000	Financial investments-available-for-sale ("AFS") RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	–	–	15,021	–	–	15,021	–
Construction	–	–	267,858	9,539,784	–	9,807,642	1,660,137
Education	–	–	–	278,910	–	278,910	48,061
Diversified holdings	–	490	101,635	–	–	102,125	–
Electrical, gas and water supply	–	–	–	3,284,507	–	3,284,507	105,539
Finance, insurance and business	3,325,624	–	140,786	267,938	1,029,607	4,763,955	–
Food processing	–	–	–	4,344	–	4,344	–
Hotel and restaurants	–	–	–	598,717	–	598,717	359,123
Housing	–	–	–	16,364	–	16,364	–
Infrastructure and utilities	–	171,557	528,183	–	–	699,740	–
Manufacturing	–	–	–	264,684	–	264,684	53,465
Marine related	–	–	–	258	–	258	–
Material technology	–	–	–	19,771	–	19,771	4,084
Medical and pharmaceuticals	–	–	–	23,633	–	23,633	–
Mining and quarrying	–	–	152,321	–	–	152,321	–
Other community, social and personal service activities	–	–	–	24,143	–	24,143	8,067
Production engineering	–	–	–	2,455	–	2,455	26,700
Public administration and defence	–	95,697	40,471	40,894	–	177,062	24,278
Real estate, renting and business activities	–	–	97,072	1,036,084	–	1,133,156	37,163
Shipping	–	–	517,992	1,033,178	–	1,551,170	439,502
Shipyard	–	–	–	245,708	–	245,708	70,408
Transport, storage and communications	–	–	–	4,356,609	–	4,356,609	560,213
	3,325,624	267,744	1,861,339	21,037,981	1,029,607	27,522,295	5,195,231
Other assets not subject to credit risk	–	–	–	–	1,517,391	1,517,391	–
	3,325,624	267,744	1,861,339	21,037,981	2,546,998	29,039,686	5,195,231

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. 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:

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Group				
2012				
Highest safety	8,484,519	–	–	8,484,519
Adequate safety	1,771,535	–	–	1,771,535
Moderate safety	8,336,357	14,416	–	8,350,773
Low safety	3,617,610	67,901	–	3,685,511
High risk	368,950	74,279	–	443,229
Very high risk	32,419	75,048	–	107,467
Impaired	50,190	–	2,831,597	2,881,787
	22,661,580	231,644	2,831,597	25,724,821
Group				
2011				
Highest safety	8,302,272	–	–	8,302,272
Adequate safety	349,311	–	–	349,311
Moderate safety	9,966,404	12,355	–	9,978,759
Low safety	3,108,370	86,465	–	3,194,835
High risk	315,702	7,422	–	323,124
Very high risk	104,900	–	–	104,900
Impaired	–	–	3,086,860	3,086,860
	22,146,959	106,242	3,086,860	25,340,061
Bank				
2012				
Highest safety	8,605,548	–	–	8,605,548
Adequate safety	1,771,535	–	–	1,771,535
Moderate safety	8,335,686	14,056	–	8,349,742
Low safety	3,554,565	60,058	–	3,614,623
High risk	244,806	4,111	–	248,917
Very high risk	29,350	72,555	–	101,905
Impaired	50,190	–	2,622,743	2,672,933
	22,591,680	150,780	2,622,743	25,365,203

46. 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: (cont'd.)

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Bank				
2011				
Highest safety	8,502,272	–	–	8,502,272
Adequate safety	349,311	–	–	349,311
Moderate safety	9,906,907	–	–	9,906,907
Low safety	2,981,743	4,122	–	2,985,865
High risk	307,881	1,941	–	309,822
Very high risk	104,900	–	–	104,900
Impaired	–	–	2,846,298	2,846,298
	22,153,014	6,063	2,846,298	25,005,375

(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 Bank's internal credit rating system are as follows:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Impaired:				
0 month overdue	530,844	377,112	530,844	377,112
1 month overdue	108,065	42,520	108,065	42,520
2 months overdue	5,224	104,453	4,840	104,876
3 months overdue	310,469	140,948	310,118	140,948
> 3 months overdue	1,876,995	2,421,827	1,668,876	2,180,842
	2,831,597	3,086,860	2,622,743	2,846,298
Past due but not impaired:				
1 Month Overdue	183,228	48,242	150,780	4,505
2 Months Overdue	10,779	25,193	–	1,558
3 Months Overdue	37,636	32,807	–	–
	231,643	106,242	150,780	6,063

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(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:

	Secured RM'000	Unsecured RM'000	Total RM'000	Estimated fair value of collateral RM'000
2012				
Group				
Past due but not impaired	111,029	120,614	231,643	185,123
Impaired	2,116,135	715,462	2,831,597	3,019,202
	2,227,164	836,076	3,063,240	3,204,325
Bank				
Past due but not impaired	111,029	39,751	150,780	185,123
Impaired	2,116,135	506,608	2,622,743	3,019,202
	2,227,164	546,359	2,773,523	3,204,325

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(v) Collateral and credit enhancement for loans, advances and financing (cont'd.)

Estimated fair value of collateral for secured past due but not impaired and impaired loans, advances and financing:

	Secured RM'000	Unsecured RM'000	Total RM'000	Estimated fair value of collateral RM'000
2011				
Group				
Past due but not impaired	1,869	117,056	106,242	5,197
Impaired	2,009,144	1,077,716	3,086,860	2,463,367
	2,011,013	1,194,772	3,205,785	2,468,564
Bank				
Past due but not impaired	1,869	4,194	6,063	5,197
Impaired	2,009,144	837,154	2,846,298	2,463,367
	2,011,013	841,348	2,852,361	2,468,564

	Properties, equipment and vessels RM'000	Cash RM'000	Total RM'000
2012			
Group			
Past due but not impaired	185,123	–	185,123
Impaired	3,019,202	–	3,019,202
	3,204,325	–	3,204,325
Bank			
Past due but not impaired	185,123	–	185,123
Impaired	3,019,202	–	3,019,202
	3,204,325	–	3,204,325

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.).

(v) Collateral and credit enhancement for loans, advances and financing (cont'd.)

Estimated fair value of collateral for secured past due but not impaired and impaired loans, advances and financing:

	Properties, equipment and vessels RM'000	Cash RM'000	Total RM'000
2011			
Group			
Past due but not impaired	5,197	–	5,197
Impaired	2,463,367	–	2,463,367
	2,468,564	–	2,468,564
Bank			
Past due but not impaired	5,197	–	5,197
Impaired	2,463,367	–	2,463,367
	2,468,564	–	2,468,564

(vi) Restructured items

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 RM999.4 million.

(vii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparties' rating:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financial investments – available-for-sale ("AFS")				
Sovereign	314,970	91,439	314,970	91,439
AAA	94,258	92,990	94,258	92,990
AA	260,747	413,428	260,747	413,428
A	61,691	123,674	61,691	123,674
Non-rated	510,551	327,582	457,281	295,881
	1,242,217	1,049,113	1,188,947	1,017,412

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(a) Credit risk (cont'd.)

(vii) Credit quality for treasury credit risk exposures (cont'd.)

The table below shows treasury credit risk exposures by the current counterparties' rating:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financial investments – held-to-maturity ("HTM")				
Sovereign	93,495	–	93,495	–
AAA	84,513	95,018	84,513	95,018
BB	–	576	–	576
B	48,250	53,641	48,250	53,641
Non-rated	22	22	–	–
	226,280	149,257	226,258	149,235

(b) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of its borrowings made in currencies other than Ringgit Malaysia. The Group'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 2012 RM'000	Total 2012 RM'000	Ringgit Malaysia 2011 RM'000	Total 2011 RM'000
Functional currency of the Group				
Euro (EUR)	–	–	(44,378)	(44,378)
Japanese Yen (JPY)	(249,817)	(249,817)	(797,119)	(797,119)
United states dollar (USD)	(49,863)	(49,863)	(95,439)	(95,439)
Functional currency of the Bank				
EUR	–	–	(44,378)	(44,378)
JPY	(249,817)	(249,817)	(797,119)	(797,119)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(i) Foreign exchange risk (cont'd.)

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 2012	Decrease in FX rate 2012	Increase in FX rate 2012	Decrease in FX rate 2012
	%	RM'000	RM'000	RM'000	RM'000
Group					
USD	10	(4,896)	4,896	(4,896)	4,896
JPY	10	(24,982)	24,982	(24,982)	24,982
Bank					
JPY	10	(24,982)	24,982	(24,982)	24,982

	Strengthening/ weakening in FX rate (+/-)	Effect on profit/loss		Effect on equity	
		Increase in FX rate 2011	Decrease in FX rate 2011	Increase in FX rate 2011	Decrease in FX rate 2012
	%	RM'000	RM'000	RM'000	RM'000
Group					
USD	10	(9,544)	9,544	(9,544)	9,544
EUR	10	(4,438)	4,438	(4,438)	4,438
JPY	10	(79,712)	79,712	(79,712)	79,712
Bank					
EUR	10	(4,438)	4,438	(4,438)	4,438
JPY	10	(79,712)	79,712	(79,712)	79,712

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk

Interest rate risk is the impact to earnings and economic value of the Group 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 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 reprising rates, cash flows and other characteristic of the assets and their corresponding liability funding. The Group manages its interest rate risk exposure through the use of fixed/floating rate debts and financial instruments.

The table below shows the Group's and the Bank's net interest income sensitivity based on possible parallel shift in interest rate.

	Group		Group	
	Impact on profit 2012 RM'000	Impact on profit 2011 RM'000	Impact on equity 2012 RM'000	Impact on equity 2011 RM'000
Interest rate – parallel shift				
+ 50 basis points	2,303	6,105	144,406	107,304
– 50 basis points	(2,303)	(6,105)	(144,406)	(107,304)

	Bank		Bank	
	Impact on profit 2012 RM'000	Impact on profit 2011 RM'000	Impact on equity 2012 RM'000	Impact on equity 2011 RM'000
Interest rate – parallel shift				
+ 50 basis points	2,300	6,105	144,406	107,304
– 50 basis points	(2,300)	(6,105)	(144,406)	(107,304)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

The table below summarises the Group's and Bank's exposure to interest rate risk. The table indicates effective average interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Group								
31 December 2012								
Assets								
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 – available-for-sale ("AFS")	364,877	255,269	355,486	727	265,858	–	1,242,217	6.06
Financial investments – held-to-maturity ("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 jointly controlled entities	–	–	–	–	–	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	
Total Assets	2,910,703	732,265	2,117,069	8,110,863	11,972,946	1,632,664	27,476,510	

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Group								
31 December 2012 (cont'd.)								
Liabilities and Shareholders' Equity								
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	
Total Liabilities	1,490,721	1,799,275	3,515,022	8,880,473	3,659,497	849,114	20,194,102	
Shareholders' equity	–	–	–	–	–	7,129,258	7,129,258	–
Minority interests	–	–	–	–	–	153,150	153,150	–
Total Liabilities and Shareholders' Equity	1,490,721	1,799,275	3,515,022	8,880,473	3,659,497	8,131,522	27,476,510	
On-balance sheet interest sensitivity gap	1,419,982	(1,067,010)	(1,397,953)	(769,610)	8,313,449	(6,498,858)	–	–
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–
Total interest sensitivity gap	1,419,982	(1,067,010)	(1,397,953)	(769,610)	8,313,449	(6,498,858)	–	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Group								
31 December 2011								
Assets								
Cash and short term deposits	2,503,043	–	–	–	–	83,399	2,586,442	3.06
Deposits and placements with financial institutions	1,792	1,372,511	–	–	28	–	1,374,331	3.43
Financial investments – available-for-sale ("AFS")	87,303	15,028	133,884	427,159	385,739	–	1,049,113	6.14
Financial investments – held-to-maturity ("HTM")	22	–	10,576	79,914	58,745	–	149,257	4.68
Loans, advances and financing								
– non-impaired	960,225	72,979	1,019,603	7,868,676	12,331,718	–	22,253,201	7.33
– impaired *	–	–	–	–	–	320,697	320,697	–
Interest in associates	–	–	–	–	–	171,964	171,964	–
Other assets	–	–	–	1,050,693	–	280,004	1,330,697	–
Interest in jointly controlled entities	–	–	–	–	–	257,226	257,226	–
Property, plant and equipment	–	–	–	–	–	485,983	485,983	–
Prepaid land lease	–	–	–	–	–	3,050	3,050	–
Investment properties	–	–	–	–	–	17,022	17,022	–
Intangible assets	–	–	–	–	–	4,231	4,231	–
Deferred tax assets	–	–	–	–	–	78,844	78,844	–
Assets classified as held for sale	–	–	–	–	–	24,581	24,581	–
Total assets	3,552,385	1,460,518	1,164,063	9,426,442	12,776,230	1,727,001	30,106,639	

446. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Group								
31 December 2011 (cont'd.)								
Equity and liabilities								
Deposits from customers	1,924,607	2,734,079	2,301,087	–	–	–	6,959,773	3.58
Bills and acceptances payable	99,835	–	–	–	–	–	99,835	–
Other liabilities	–	–	–	–	–	117,408	117,408	–
Redeemable notes	–	–	–	3,329,195	904,861	–	4,234,056	5.05
Term loans	182,723	74,630	119,008	6,743,615	3,690,376	–	10,810,352	4.19
Infrastructure support fund	–	–	–	–	–	413,296	413,296	–
Deferred income	–	–	–	–	–	233,005	233,005	–
Deferred tax liabilities	–	–	–	–	–	8,685	8,685	–
Total liabilities	2,207,165	2,808,709	2,420,095	10,072,810	4,595,237	772,394	22,876,410	
Shareholders' equity	–	–	–	–	–	7,032,532	7,032,532	–
Non-controlling interest	–	–	–	–	–	197,697	197,697	–
Total equity and liabilities	2,207,165	2,808,709	2,420,095	10,072,810	4,595,237	8,002,623	30,106,639	
On-balance sheet interest sensitivity gap	1,345,220	(1,348,191)	(1,256,032)	(646,368)	8,180,993	(6,275,622)	–	–
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–
Total interest sensitivity gap	1,345,220	(1,348,191)	(1,256,032)	(646,368)	8,180,993	(6,275,622)	–	–

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Group								
1 January 2011								
Assets								
Cash and short term deposits	3,764,254	–	–	–	–	70,323	3,834,577	3.03
Deposits and placements with financial institutions	–	189,078	–	50,000	18	–	239,096	3.07
Financial investments – available-for-sale ("AFS")	29,638	25,604	183,064	805,001	807,391	16,833	1,867,531	6.06
Financial investments – held-to-maturity ("HTM")	–	–	92,353	90,778	5,037	79,598	267,766	5.59
Loans, advances and financing								
– non-impaired	1,083,338	31,745	1,198,536	6,062,661	12,714,906	–	21,091,186	7.01
– impaired *	–	–	–	–	–	60,172	60,172	–
Interest in associates	–	–	–	–	–	–	–	–
Other assets	–	–	–	1,029,607	3,561	419,582	1,452,750	–
Interest in jointly controlled entities	–	–	–	–	–	211,303	211,303	–
Property, plant and equipment	–	–	–	–	–	559,996	559,996	–
Prepaid land lease	–	–	–	–	–	3,801	3,801	–
Investment properties	–	–	–	–	–	17,468	17,468	–
Intangible assets	–	–	–	–	–	2,313	2,313	–
Deferred tax assets	–	–	–	–	–	210,158	210,158	–
Total assets	4,877,230	246,427	1,473,953	8,038,047	13,530,913	1,651,547	29,818,117	

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Group								
1 January 2011 (cont'd.)								
Equity and liabilities								
Deposits from customers	2,805,133	3,746,111	935,113	–	–	–	7,486,357	3.17
Bills and acceptances payable	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	174,847	174,847	–
Redeemable notes	–	–	231,320	2,997,319	1,307,308	–	4,535,947	5.09
Term loans	77,342	102,361	207,543	2,691,903	6,822,509	–	9,901,658	4.57
Infrastructure support fund	–	–	–	–	–	380,294	380,294	–
Deferred income	–	–	–	–	–	292,208	292,208	–
Deferred tax liabilities	–	–	–	–	–	10,892	10,892	–
Total liabilities	2,882,475	3,848,472	1,373,976	5,689,222	8,129,817	858,241	22,782,203	
Shareholders' equity	–	–	–	–	–	6,828,283	6,828,283	–
Non-controlling interest	–	–	–	–	–	207,631	207,631	–
Total equity and liabilities	2,882,475	3,848,472	1,373,976	5,689,222	8,129,817	7,894,155	29,818,117	
On-balance sheet interest sensitivity gap	1,994,755	(3,602,045)	99,977	2,348,825	5,401,096	(6,242,608)	–	–
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–
Total interest sensitivity gap	1,994,755	(3,602,045)	99,977	2,348,825	5,401,096	(6,242,608)	–	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Bank								
2012								
Assets								
Cash and short term deposits	1,071,185	–	–	–	–	3,379	1,074,564	3.15
Deposits and placements with financial institutions	–	66,722	–	–	–	–	66,722	3.15
Financial investments – available-for-sale ("AFS")	311,607	255,269	355,486	727	265,858	–	1,188,947	5.47
Financial investments – held-to-maturity ("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	–
Total assets	2,584,060	732,265	2,117,069	7,792,581	12,019,407	1,753,208	26,998,590	

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Bank								
2012 (cont'd.)								
Equity and liabilities								
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	–
Deferred tax liabilities	–	–	–	–	–	–	–	–
Total liabilities	1,490,721	1,799,275	3,515,022	8,769,162	3,659,497	686,866	19,920,543	
Shareholders' equity	–	–	–	–	–	7,078,047	7,078,047	–
Total equity and liabilities	1,490,721	1,799,275	3,515,022	8,769,162	3,659,497	7,764,913	26,998,590	
On-balance sheet interest sensitivity gap	1,093,339	(1,067,010)	(1,397,953)	(976,581)	8,359,910	(6,011,705)	–	–
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–
Total interest sensitivity gap	1,093,339	(1,067,010)	(1,397,953)	(976,581)	8,359,910	(6,011,705)	–	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Bank								
2011								
Assets								
Cash and short term deposits	2,431,637	–	–	–	–	4,296	2,435,933	3.16
Deposits and placements with financial institutions	–	920,226	–	–	–	–	920,226	3.50
Financial investments – available-for-sale ("AFS")	55,602	15,028	133,884	427,159	385,739	–	1,017,412	6.33
Financial investments – held-to-maturity ("HTM")	–	–	10,576	79,914	58,745	–	149,235	4.68
Loans, advances and financing								
– non-impaired	960,188	72,979	992,532	7,724,400	12,408,978	–	22,159,077	7.31
– impaired *	–	–	–	–	–	255,603	255,603	–
Other assets	–	–	–	1,050,693	–	238,129	1,288,822	–
Investment in subsidiaries	–	–	–	–	–	985,742	985,742	–
Property, plant and equipment	–	–	–	–	–	123,554	123,554	–
Prepaid land lease	–	–	–	–	–	3,050	3,050	–
Investment properties	–	–	–	–	–	7,913	7,913	–
Intangible assets	–	–	–	–	–	3,538	3,538	–
Deferred tax	–	–	–	–	–	78,844	78,844	–
Total assets	3,447,427	1,008,233	1,136,992	9,282,166	12,853,462	1,700,669	29,428,949	

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Bank								
2011 (cont'd.)								
Equity and liabilities								
Deposits from customers	1,924,607	2,734,079	2,301,088	–	–	–	6,959,774	3.58
Bills and acceptances payable	99,835	–	–	–	–	–	99,835	–
Other liabilities	–	–	–	–	–	31,994	31,994	–
Redeemable notes	–	–	–	3,329,194	904,861	–	4,234,055	5.05
Term loans	182,723	74,630	119,008	6,537,695	3,690,376	–	10,604,432	4.25
Infrastructure support fund	–	–	–	–	–	413,296	413,296	–
Deferred income	–	–	–	–	–	233,005	233,005	–
Total liabilities	2,207,165	2,808,709	2,420,096	9,866,889	4,595,237	678,295	22,576,391	
Shareholders' equity	–	–	–	–	–	6,852,558	6,852,558	–
Total equity and liabilities	2,207,165	2,808,709	2,420,096	9,866,889	4,595,237	7,530,853	29,428,949	
On-balance sheet interest sensitivity gap	1,240,262	(1,800,476)	(1,283,104)	(584,723)	8,258,225	(5,830,184)	–	–
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–
Total interest sensitivity gap	1,240,262	(1,800,476)	(1,283,104)	(584,723)	8,258,225	(5,830,184)	–	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Bank								
1 January 2011								
Assets								
Cash and short term deposits	3,060,509	–	–	–	–	26,065	3,086,574	3.07
Deposits and placements with financial institutions	–	189,050	–	50,000	–	–	239,050	3.07
Financial investments – available-for-sale ("AFS")	23,445	25,604	183,063	815,130	797,262	16,835	1,861,339	6.08
Financial investments – held-to-maturity ("HTM")	–	–	92,353	90,778	5,037	79,576	267,744	5.59
Loans, advances and financing								
– non-impaired	1,084,537	41,790	1,128,366	5,904,384	12,883,883	–	21,042,960	7.00
– impaired *	–	–	–	–	–	(4,979)	(4,979)	–
Other assets	–	–	–	1,029,607	–	241,549	1,271,156	3.50
Investment in subsidiaries	–	–	–	–	–	930,296	930,296	–
Property, plant and equipment	–	–	–	–	–	122,216	122,216	–
Prepaid land lease	–	–	–	–	–	3,801	3,801	–
Investment properties	–	–	–	–	–	8,090	8,090	–
Intangible assets	–	–	–	–	–	1,281	1,281	–
Deferred tax	–	–	–	–	–	210,158	210,158	–
Total Assets	4,168,491	256,444	1,403,782	7,889,899	13,686,182	1,634,888	29,039,686	

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	<---------- Non-trading book ---------->							
	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-interest sensitive RM'000	Total RM'000	Effective interest rate %
Bank								
1 January 2011 (cont'd.)								
Equity and liabilities								
Deposits from customers	2,805,133	3,746,110	935,114	–	–	–	7,486,357	3.17
Bills and acceptances payable	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	74,246	74,246	–
Redeemable notes	–	–	201,863	3,025,038	1,309,046	–	4,535,947	5.09
Term loans	77,342	102,361	207,543	2,597,043	6,630,603	–	9,614,892	4.67
Infrastructure support fund	–	–	–	–	–	380,294	380,294	–
Deferred income	–	–	–	–	–	292,208	292,208	–
Total liabilities	2,882,475	3,848,471	1,344,520	5,622,081	7,939,649	746,748	22,383,944	
Shareholders' equity	–	–	–	–	–	6,655,742	6,655,742	–
Total equity and liabilities	2,882,475	3,848,471	1,344,520	5,622,081	7,939,649	7,402,490	29,039,686	
On-balance sheet interest sensitivity gap	1,286,016	(3,592,027)	59,262	2,267,818	5,746,533	(5,767,602)	–	–
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–	–	–
Total interest sensitivity gap	1,286,016	(3,592,027)	59,262	2,267,818	5,746,533	(5,767,602)	–	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. 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 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 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 assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, 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 Bank.

	<---------- Non-trading book ---------->						
	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	Total RM'000
Group							
31 December 2012							
Assets							
Cash and short term deposits	1,464,531	–	–	–	–	42,327	1,506,858
Deposits and placements with financial institutions	1,033	66,722	–	–	28	–	67,783
Financial investments – available-for-sale ("AFS")	363,145	251,100	382,124	727	412,277	–	1,409,373
Financial investments – held-to-maturity ("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
Total undiscounted financial assets	2,908,971	734,322	2,142,643	8,110,863	12,165,855	659,400	26,722,054

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(c) Liquidity risk (cont'd.)

	<---------- Non-trading book ---------->						
	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	Total RM'000
Group							
31 December 2012 (cont'd.)							
Liabilities							
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
Bills and acceptances payable	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	185,234	185,234
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
Total undiscounted financial liabilities	1,490,721	1,799,275	3,515,022	8,880,473	3,659,497	185,234	19,530,222
Net maturity mismatches	1,418,250	(1,064,953)	(1,372,379)	(769,610)	8,506,358	474,166	7,191,832

	<---------- Non-trading book ---------->						
	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	Total RM'000
Group							
31 December 2011							
Assets							
Cash and short term deposits	2,503,043	–	–	–	–	83,399	2,586,442
Deposits and placements with financial institutions	1,792	1,372,511	–	–	28	–	1,374,331
Financial investments – available-for-sale ("AFS")	87,298	15,000	133,393	422,968	420,405	–	1,079,064
Financial investments – held-to-maturity ("HTM")	22	–	10,576	78,643	58,744	–	147,985
Loans, advances and financing	960,225	72,979	1,019,603	7,868,677	12,331,717	320,697	22,573,898
Other assets	–	–	–	1,050,693	–	280,004	1,330,697
Total undiscounted financial assets	3,552,380	1,460,490	1,163,572	9,420,981	12,810,894	684,100	29,092,417

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(c) Liquidity risk (cont'd.)

	<---------- Non-trading book ---------->						
	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	Total RM'000
Group							
31 December 2011 (cont'd.)							
Liabilities							
Deposits from customers	1,924,607	2,734,079	2,301,087	–	–	–	6,959,773
Bills and acceptances payable	99,835	–	–	–	–	–	99,835
Other liabilities	–	–	–	–	–	117,408	117,408
Redeemable notes	–	–	–	3,329,195	904,861	–	4,234,056
Term loans	182,723	74,630	119,008	6,743,615	3,690,376	–	10,810,352
Total undiscounted financial liabilities	2,207,165	2,808,709	2,420,095	10,072,810	4,595,237	117,408	22,221,424
Net maturity mismatches	1,345,215	(1,348,219)	(1,256,523)	(651,829)	8,215,657	566,692	6,870,993

	<---------- Non-trading book ---------->						
	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	Total RM'000
Group							
1 January 2011							
Assets							
Cash and short term deposits	3,764,254	–	–	–	–	70,323	3,834,577
Deposits and placements with financial institutions	–	189,078	–	50,000	18	–	239,096
Financial investments – available-for-sale ("AFS")	35,005	25,463	182,771	803,298	826,055	–	1,872,592
Financial investments – held-to-maturity ("HTM")	–	–	91,996	89,206	84,613	–	265,815
Loans, advances and financing	1,083,338	31,745	1,198,536	6,062,661	12,714,906	60,172	21,151,358
Other assets	–	–	–	1,029,607	–	423,143	1,452,750
Total undiscounted financial assets	4,882,597	246,286	1,473,303	8,034,772	13,625,592	553,638	28,816,188

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(c) Liquidity risk (cont'd.)

	<---------- Non-trading book ---------->						
	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	Total RM'000
Group							
1 January 2011 (cont'd.)							
Liabilities							
Deposits from customers	2,796,343	3,759,302	930,712	–	–	–	7,486,357
Other liabilities	–	–	–	–	–	174,847	174,847
Redeemable notes	–	–	200,000	3,041,979	1,293,968	–	4,535,947
Term loans	77,342	102,361	207,543	2,691,903	6,822,509	–	9,901,658
Total undiscounted financial liabilities	2,873,685	3,861,663	1,338,255	5,733,882	8,116,477	174,847	22,098,809
Net maturity mismatches	2,008,912	(3,615,377)	135,048	2,300,890	5,509,115	378,791	6,717,379

	<---------- Non-trading book ---------->						
	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	Total RM'000
Bank							
31 December 2012							
Assets							
Cash and short term deposits	1,071,185	–	–	–	–	3,379	1,074,564
Deposits and placements with financial institutions	–	66,722	–	–	–	–	66,722
Financial investments – available-for-sale ("AFS")	309,875	251,100	382,124	727	412,277	–	1,356,103
Financial investments – held-to-maturity ("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
Total undiscounted financial assets	2,582,328	734,322	2,142,643	7,792,580	12,165,827	550,155	25,967,855

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(c) Liquidity risk (cont'd.)

	<---------- Non-trading book ---------->						
	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	Total RM'000
Bank							
31 December 2012 (cont'd.)							
Liabilities							
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
Total undiscounted financial liabilities	1,490,721	1,799,275	3,515,022	8,769,162	3,659,497	35,901	19,269,578
Net maturity mismatches	1,091,607	(1,064,953)	(1,372,379)	(976,582)	8,506,330	514,254	6,698,277

	<---------- Non-trading book ---------->						
	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	Total RM'000
Bank							
31 December 2011							
Assets							
Cash and short term deposits	2,431,637	–	–	–	–	4,296	2,435,933
Deposits and placements with financial institutions	–	920,227	–	–	–	–	920,227
Financial investments – available-for-sale ("AFS")	55,597	15,000	133,393	422,968	420,405	–	1,047,363
Financial investments – held-to-maturity ("HTM")	–	–	10,576	78,643	58,744	–	147,963
Loans, advances and financing	960,188	72,979	992,532	7,724,400	12,408,978	255,603	22,414,680
Other assets	–	–	–	1,050,693	–	238,129	1,288,822
Total undiscounted financial assets	3,447,422	1,008,206	1,136,501	9,276,704	12,888,127	498,028	28,254,988

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(c) Liquidity risk (cont'd.)

	<---------- Non-trading book ---------->						
	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	Total RM'000
Bank							
31 December 2011 (cont'd.)							
Liabilities							
Deposits from customers	1,924,607	2,734,079	2,301,087	–	–	–	6,959,773
Bills and acceptances payable	99,835	–	–	–	–	–	99,835
Other liabilities	–	–	–	–	–	31,994	31,994
Redeemable notes	–	–	–	3,329,195	904,861	–	4,234,056
Term loans	182,723	74,630	119,008	6,537,695	3,690,376	–	10,604,432
Total undiscounted financial liabilities	2,207,165	2,808,709	2,420,095	9,866,890	4,595,237	31,994	21,930,090
Net maturity mismatches	1,240,257	(1,800,503)	(1,283,594)	(590,186)	8,292,890	466,034	6,324,898

The Bank is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 37(a). These have been incorporated in the net off-balance sheet position for year ended 31 December 2012. The total outstanding contractual amounts of these items do not represent future cash requirements since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

In the previous financial year, the Group and the Bank 's disclosure on exposure to liquidity risk was based on discounted contractual terms whereas under the new FRS7 disclosure, the Group and the Bank's liquidity risk as at 31 December 2012 are based on contractual undiscounted repayment obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

46. FINANCIAL INSTRUMENTS RISK (cont'd.)

(c) Liquidity risk (cont'd.)

	<---------- Non-trading book ---------->						
	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	Total RM'000
Bank							
1 January 2011							
Assets							
Cash and short term deposits	3,060,509	–	–	–	–	26,065	3,086,574
Deposits and placements with financial institutions	–	189,050	–	50,000	–	–	239,050
Financial investments – available-for-sale ("AFS")	28,812	25,463	182,771	803,298	826,055	–	1,866,399
Financial investments – held-to-maturity ("HTM")	–	–	91,996	89,185	84,613	–	265,794
Loans, advances and financing	1,084,537	41,790	1,128,366	5,904,384	12,883,883	(4,979)	21,037,981
Other assets	–	–	–	1,029,607	–	241,549	1,271,156
Total undiscounted financial assets	4,173,858	256,303	1,403,133	7,876,474	13,794,551	262,635	27,766,954
Liabilities							
Deposits from customers	2,796,343	3,759,302	930,712	–	–	–	7,486,357
Bills and acceptances payable	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	74,246	74,246
Redeemable notes	–	–	200,000	3,041,979	1,293,968	–	4,535,947
Term loans	77,342	102,361	207,543	2,597,043	6,630,603	–	9,614,892
Total undiscounted financial liabilities	2,873,685	3,861,663	1,338,255	5,639,022	7,924,571	74,246	21,711,442
Net maturity mismatches	1,300,173	(3,605,360)	64,878	2,237,452	5,869,980	188,389	6,055,512

The Bank is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 37(a). These have been incorporated in the net off-balance sheet position for year ended 31 December 2012. The total outstanding contractual amounts of these items do not represent future cash requirements since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

In the previous financial year, the Group and the Bank 's disclosure on exposure to liquidity risk was based on discounted contractual terms whereas under the new FRS7 disclosure, the Group and the Bank's liquidity risk as at 31 December 2012 are based on contractual undiscounted repayment obligation.

47. (i) Fair values

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

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 judgements 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 value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with FRS132 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associated companies, property, plant and equipment and provision for current and deferred taxation.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	Group		Bank	
	Carrying value RM'000	Carrying fair value RM'000	Carrying value RM'000	Carrying fair value RM'000
31 December 2012				
Financial assets				
Loans, advances and financing	23,120,278	22,939,833	22,923,022	22,742,578
Financial liabilities				
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
31 December 2011				
Financial assets				
Loans, advances and financing	22,845,145	22,636,851	22,679,650	22,471,355
Financial liabilities				
Redeemable notes	4,234,056	4,188,784	4,234,056	4,188,784
Term loans	10,810,352	10,200,190	10,604,432	9,994,270

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

47. (i) Fair values (cont'd.)

	Group		Bank	
	Carrying value RM'000	Carrying fair value RM'000	Carrying value RM'000	Carrying fair value RM'000
1 January 2011				
Financial assets				
Loans, advances and financing	21,435,096	21,706,337	21,321,719	21,598,951
Financial liabilities				
Redeemable notes	4,491,287	4,585,050	4,491,287	4,585,050
Term loans	9,901,658	9,164,347	9,614,892	8,877,581

The methods and assumptions used in estimating the fair values of other financial instruments are as follows:

(a) Cash and short-term funds

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

(b) Deposits and placements with financial institutions

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the reporting date.

(c) Securities

Fair values of securities that are actively traded are 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 net tangible assets.

(d) Loans, advances and financing

The fair values of variable and fixed rate loans with remaining maturity of less than one year are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at reporting date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of Government infrastructure loans, the fair values are estimated after taking into account the Government compensation received on these loans. For non-performing loans, the fair values are deemed to approximate the carrying values, net of allowances for bad and doubtful debts and financing.

(e) Deposits from customers, deposits and placements of banks and other 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.

47. (i) Fair values (cont'd.)

(f) Redeemable notes

The fair values are estimated based on expected future cash flows of coupon and face value payments and discounted at their quoted bid prices at reporting date or prevailing rates at reporting date obtained for similar notes with similar maturities, where applicable.

(g) Term loans

The fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at reporting date obtained for similar loans with similar maturities, where applicable.

(ii) Fair value of financial assets and financial liabilities

(a) Determination of fair value and fair value hierarchy

Presented below is the Group's and the Bank's classified financial instruments carried at fair value by level of the following fair value measurement hierarchy:

Level 1 – Unadjusted quoted prices in active market for identical financial instrument

Level 2 – Inputs other than quoted prices that are observable either directly or indirectly

Level 3 – Inputs that are not based on observable market data

	2012			
	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial investments - available-for-sale ("AFS")	250,938	991,279	–	1,242,217
Total financial assets	250,938	991,279	–	1,242,217
Total financial assets carried at fair value				1,242,217

	2012			
	Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial investments - available-for-sale ("AFS")	246,760	942,187	–	1,188,947
Total financial assets	246,760	942,187	–	1,188,947
Total financial assets carried at fair value				1,188,947

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

47. (ii) Fair value of financial assets and financial liabilities (cont'd.)

(a) Determination of fair value and fair value hierarchy (cont'd.)

	2011			
	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial investments - available-for-sale ("AFS")	296,210	752,903	–	1,049,113
Total financial assets	296,210	752,903	–	1,049,113
Total financial assets carried at fair value				1,049,113

	2011			
	Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial investments - available-for-sale ("AFS")	288,029	729,383	–	1,017,412
Total financial assets	288,029	729,383	–	1,017,412
Total financial liabilities carried at fair value				1,017,412

Where available, quoted and observable market prices are used as the measure of fair values, such as for government treasury bills and securities and quoted securities. Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions, the principal ones being as follows:

(i) 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 unquoted equity securities are estimated using a number of methods, including net tangible assets, earnings multiples and discounted cash flow analysis. Where discounted cash flow 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) For financial derivatives, where quoted and observable market prices are not available, fair values are arrived at using internal pricing models. As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

47. (ii) Fair value of financial assets and financial liabilities (cont'd.)

(b) Fair value of financial instruments that are not carried at fair value and whose fair value could not be reliably measured

Included in the financial investments - available-for-sale ("AFS") assets as at 31 December 2012 were investment equity securities of RM12,679,000 (2011: RM13,179,000) of the Group and the Bank that were carried at cost as their fair values could not be reliably measured. These securities were acquired for long term investment purpose.

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs. The Group and Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant.

(c) Fair value of financial instruments carried at cost or amortised cost

For cash and short term funds, securities purchased under resale agreements, deposits and placements with/of banks and other financial institutions, deposits from customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts.

For loans, advances and financing and deposits from customers with longer-term maturity, fair values are estimated using discounted cash flow method.

For subordinated bonds issued, fair values are determined based on quoted market prices.

The estimated fair values of these financial instruments carried at cost or amortised cost approximate their carrying amounts as shown in the statements of financial position as at the reporting date.

48. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2012 and results for the financial year ended on this date under the Islamic Banking business of the Group included in the Group financial statements are summarised as follows:

Statements of financial position

As at 31 December 2012

		Group		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and short-term funds	(a)	308,825	570,279	467,613
Deposits and placements with financial institutions	(b)	1,399	150,376	189,051
Financial investments – available-for-sale ("AFS")	(c)	31,457	52,594	138,913
Advances and financing	(d)	3,972,934	3,301,659	2,391,484
Other assets	(e)	974	1,312	1,253
Deferred tax assets		–	8	1,298
Total assets		4,315,589	4,076,228	3,189,612

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

Statements of financial position (cont'd.)

As at 31 December 2012 (cont'd.)

		Group		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Liabilities				
Other liabilities	(f)	1,832,046	66,349	170,515
Deposit from customers		595,394	1,648,790	829,702
Deposits and placements from financial institutions		30,070	–	–
Long term advances		–	502,515	502,515
Redeemable notes		908,111	958,028	908,110
Deferred income		251,430	233,005	139,977
Islamic general fund		698,539	667,541	638,793
Total liabilities and Islamic banking funds		4,315,589	4,076,228	3,189,612
Commitments and contingencies	(n)	1,922,176	2,772,019	4,395,405

		Bank		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and short-term funds	(a)	288,727	554,271	456,597
Deposits and placements with financial institutions	(b)	1,399	150,376	189,051
Financial investments - available-for-sale ("AFS")	(c)	31,457	52,594	138,913
Advances and financing	(d)	3,972,933	3,301,657	2,391,483
Other assets	(e)	974	1,312	1,253
Deferred tax assets		-	8	1,298
Total assets		4,295,490	4,060,218	3,178,595

48. ISLAMIC BANKING BUSINESS (cont'd.)

Statements of financial position (cont'd.)

As at 31 December 2012 (cont'd.)

		Bank		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Liabilities				
Other liabilities	(f)	1,827,091	57,155	161,630
Deposit from customers		595,394	1,648,790	829,702
Deposits and placements from financial institutions		30,070	-	
Long term advances		-	502,515	502,515
Redeemable notes		908,111	958,028	908,110
Deferred income		251,430	233,005	139,977
Islamic general fund		683,395	660,726	636,662
Total liabilities and Islamic banking funds		4,295,490	4,060,219	3,178,596
Commitments and contingencies	(n)	1,922,176	2,772,019	4,395,405

Income statements for the financial year ended 31 December 2012

		Group		Bank	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income derived from investment of depositors' funds	(g)	54,460	75,035	54,460	75,035
Income derived from investment of shareholder's funds	(h)	209,638	169,332	208,963	168,608
Allowance for losses on financing and advances	(i)	(148,187)	(126,237)	(155,759)	(130,377)
Profit equalisation reserve		158	(2,188)	158	(2,188)
Total distributable income		116,069	115,942	107,822	111,078
Income attributable to the depositors	(j)	(31,140)	(37,800)	(31,140)	(37,800)
Total net income		84,929	78,142	76,682	73,278
Overhead expenses	(k)	(9,995)	(7,857)	(10,076)	(7,677)
Finance cost	(l)	(41,082)	(42,698)	(41,082)	(42,698)
Profit before taxation and zakat		33,852	27,587	25,524	22,903
Taxation and zakat	(m)	(3,003)	(2,710)	(3,003)	(2,710)
Profit after taxation and zakat		30,849	24,877	22,521	20,193
Profit for the year		30,849	24,877	22,521	20,193

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

Statements of comprehensive income

For the financial year ended 31 December 2012

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit for the year	30,849	24,877	22,521	20,193
Other comprehensive income				
Net gain on revaluation of financial investments – available-for-sale ("AFS")	148	3,537	148	3,871
Other comprehensive income for the year, net of tax	148	3,537	148	3,871
Total comprehensive income for the year, net of tax	30,997	28,414	22,669	24,064
Total comprehensive income attributable to:				
Shareholders of the Bank	30,997	28,414	22,669	24,064
Non-controlling interest	–	–		
	30,997	28,414	22,669	24,064

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net income from Islamic banking business:				
Income derived from investment of depositors' fund	54,460	75,035	54,460	75,035
Income derived from investment of shareholder's fund	209,638	169,332	208,963	168,608
Income attributable to depositors	(31,140)	(37,800)	(31,140)	(37,800)
Finance cost	(41,082)	(42,698)	(41,082)	(42,698)
Profit equalisation reserve	158	(2,188)	158	(2,188)
Net income from Islamic Banking business reported in the income statement of the Bank	192,034	161,681	191,359	160,957

48. ISLAMIC BANKING BUSINESS (cont'd.)

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Capital funds	Unrealised holding reserve RM'000	Profit equalisation reserve RM'000	Retained profits RM'000	Total RM'000
Group					
As at 1 January 2012					
– as previously stated	587,626	(24)	–	183,120	770,722
– effects of MFRS adoption	–	–	–	(103,181)	(103,181)
At 1 January 2012	587,626	(24)	–	79,939	667,541
Total comprehensive income for the period	–	148	–	30,849	30,997
Transfer to profit equalisation reserve of Islamic banking	–	–	3,537	(3,537)	–
Provision for the period	–	–	1,433	(1,433)	–
As at 31 December 2012	587,626	124	4,970	105,818	698,538
As at 1 January 2011					
– as previously stated	587,626	(3,895)	–	122,323	706,054
– effects of MFRS adoption	–	–	–	(67,261)	(67,261)
At 1 January 2011	587,626	(3,895)	–	55,062	638,793
Total comprehensive income for the period	–	3,871	–	24,877	28,748
As at 31 December 2011	587,626	(24)	–	79,939	667,541

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

Statement of changes in equity

For the year ended 31 December 2012

	Capital funds	Unrealised holding reserve RM'000	Profit equalisation reserve RM'000	Retained profits RM'000	Total RM'000
Bank					
As at 1 January 2012					
– as previously stated	597,400	(24)	–	166,530	763,906
– effects of MFRS adoption	–	–	–	(103,181)	(103,181)
At 1 January 2012	597,400	(24)	–	63,349	660,725
Total comprehensive income for the period	–	148	–	22,521	22,669
Transfer to profit equalisation reserve of Islamic banking	–	–	3,537	(3,537)	–
Provision for the period	–	–	1,433	(1,433)	–
As at 31 December 2012	597,400	124	4,970	80,900	683,394
At 1 January 2011					
– as previously stated	597,400	(3,895)	–	110,417	703,922
– effects of MFRS adoption	–	–	–	(67,261)	(67,261)
At 1 January 2011	597,400	(3,895)	–	43,156	636,661
Total comprehensive income for the period	–	3,871	–	20,193	24,064
As at 31 December 2011	597,400	(24)	–	63,349	660,725

48. ISLAMIC BANKING BUSINESS (cont'd.)

Cash flows statements for the financial year ended 31 December 2012

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities				
Profit before tax and zakat	33,852	27,587	25,524	22,903
Adjustments for:				
Individual impairment allowance	276,130	102,578	275,985	102,523
Transferred from collective assessment allowance	28,114	20,956	28,114	20,956
Collective impairment allowance	41,343	38,439	41,343	38,439
Collective impairment allowance written back	(2,240)	(2,522)	(2,240)	(2,522)
Individual impairment allowance written back	(161,654)	(8,102)	(155,052)	(5,544)
Transferred from individual assessment allowance	(28,114)	(20,956)	(28,114)	(20,956)
Bad debts and financing recovered	(5,471)	(1,637)	(4,277)	–
Bad debts written off	79	–	–	–
Profit equalisation reserve	(158)	2,188	(158)	2,188
Provision for zakat	(3,003)	(2,710)	(3,003)	(2,710)
Compensation from the Government	6,586	11,430	6,586	11,430
Operating profit before working capital changes	185,464	167,251	184,708	166,707
Changes in working capital:				
Other assets	21,483	76,120	21,483	76,120
Other liabilities	1,717,803	(55,756)	1,722,042	(56,064)
Deposits and placements with financial institutions	148,977	38,675	148,977	38,675
Deposits from customers	(1,053,396)	819,088	(1,053,396)	819,088
Deposits and placements from financial institutions	30,070	–	30,070	–
Advances and financing	(807,475)	(939,512)	(815,048)	(943,652)
Cash generated from operations	242,926	105,866	238,836	100,874
Zakat paid	(1,977)	(3,200)	(1,977)	(3,200)
Net cash generated operating activities	240,949	102,666	236,859	97,674

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

Cash flows statements for the financial year ended 31 December 2012 (cont'd.)

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from financing activities				
Net proceeds from long-term financing	(502,515)	–	(502,515)	–
Net cash (used in)/generated from financing activity	(502,515)	–	(502,515)	–
Cash and cash equivalents (Note A)				
Net increase in cash and cash equivalents	(261,566)	102,666	(265,656)	97,674
Cash and cash equivalents at beginning of year	570,279	467,613	554,271	456,597
Cash and cash equivalents at end of year	308,713	570,279	288,615	554,271

(A) Cash and cash equivalents

Cash and cash equivalents included in the cash flows statements comprise the following statement of financial position amounts:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and short term funds	308,825	570,279	288,727	554,271
Bank overdraft	(112)	–	(112)	–
	308,713	570,279	288,615	554,271

48. ISLAMIC BANKING BUSINESS (cont'd.)

(a) Cash and shor-term funds

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and bank balances with financial institutions	20,104	16,833	12,253
Money at call and deposit placements maturing within one month	288,721	553,446	455,360
	308,825	570,279	467,613

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and bank balances with financial institutions	6	825	1,237
Money at call and deposit placements maturing within one month	288,721	553,446	455,360
	288,727	554,271	456,597

(b) Deposits and placements with financial institutions

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	1,399	150,376	189,051

(c) Financial investments – available-for sale ("AFS")

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At fair value			
Unquoted securities:			
(In Malaysia)			
Private debt securities	31,457	52,594	138,913
	31,457	52,594	138,913

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

(d) Advances and financing

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bai' Bithaman Ajil	569,225	542,708	285,626
Bai' 'Inah	146,649	149,108	172,799
Ijarah	26,594	20,839	23,910
Bai' Istisna'	7,186,238	5,795,144	4,333,656
Ijarah Muntahia Bitamlik	381,447	381,297	394,375
Bai' Murabahah	37,418	7,811	123,654
Murabahah Dayn	–	–	6,005
Bai' Dayn	–	–	1,894
Staff financing	24,695	26,397	27,438
Ijarah Thummal Bai'	549	561	567
Unearned income	(3,817,316)	(3,038,566)	(2,409,228)
Gross advances and financing	4,555,499	3,885,299	2,960,696
Allowance for impaired financing:			
– individual assessment allowance	(456,150)	(468,214)	(466,228)
– collective assessment allowance	(126,415)	(115,426)	(102,984)
	(582,565)	(583,640)	(569,212)
Net advances and financing	3,972,934	3,301,659	2,391,484

48. ISLAMIC BANKING BUSINESS (cont'd.)

(d) Advances and financing (cont'd.)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bai' Bithaman Ajil	546,213	513,066	253,475
Bai' 'Inah	146,649	149,108	172,799
Ijarah	26,455	20,700	23,771
Bai' Murabahah Dayn	–	–	6,005
Bai' Dayn	–	–	1,894
Bai' Istisna'	7,186,239	5,795,144	4,333,656
Ijarah Muntahia Bitamlik	381,447	381,297	394,375
Bai' Murabahah	37,418	7,811	123,654
Staff financing	24,695	26,397	27,438
Unearned income	(3,816,241)	(3,037,306)	(2,407,955)
Gross advances and financing	4,532,875	3,856,217	2,929,112
Allowance for impaired financing:			
– individual assessment allowance	(433,527)	(439,134)	(434,645)
– collective assessment allowance	(126,415)	(115,426)	(102,984)
	(559,942)	(554,560)	(537,629)
Net advances and financing	3,972,933	3,301,657	2,391,483

(i) Advances and financing analysed by type of customers are as follows:

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Domestic business enterprises	4,522,031	3,849,059	2,307,982
Individual	33,468	36,240	652,714
Gross advances and financing	4,555,499	3,885,299	2,960,696

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

(d) Advances and financing (cont'd.)

(i) Advances and financing analysed by type of customers are as follows: (cont'd.)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Domestic business enterprises	4,521,419	3,844,115	2,285,302
Individual	11,456	12,102	643,810
Gross advances and financing	4,532,875	3,856,217	2,929,112

(ii) Advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Fixed rate			
– Housing financing	33,468	40,484	12,557
– Other fixed rate financing	2,426,174	2,425,728	1,989,526
Variable rate			
– Cost plus	687,646	574,158	497,800
– Other variable rates	1,408,211	844,929	460,813
Gross advances and financing	4,555,499	3,885,299	2,960,696

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Fixed rate			
– Housing financing	11,456	12,102	12,557
– Other fixed rate financing	2,425,562	2,425,028	1,957,942
Variable rate			
– Cost plus	687,646	574,158	497,800
– Other variable rates	1,408,211	844,929	460,813
Gross advances and financing	4,532,875	3,856,217	2,929,112

48. ISLAMIC BANKING BUSINESS (cont'd.)

(d) Advances and financing (cont'd.)

(iii) Advances and financing analysed by industry are as follows:

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Construction	2,587,413	1,871,130	1,238,098
Education	160,675	129,240	5,567
Electricity, gas and water supply	184,380	197,265	251,387
Finance, takaful and business	267	324	–
Hotel and restaurants	48,094	42,983	25,248
Housing	17,166	19,223	12,555
Manufacturing	94,943	108,237	102,024
Materials technology	107,417	–	–
Other community, social and personal service activities	6,619	9,436	–
Public administration and defence	58,379	53,100	34,522
Real estate, renting and business activities	2,791	–	–
Shipping	1,135,020	1,247,579	958,113
Shipyard	–	54,053	105,047
Transport, storage and communication	152,335	152,729	228,135
Gross advances and financing	4,555,499	3,885,299	2,960,696

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Construction	2,583,629	1,866,526	1,206,514
Education	160,675	129,240	5,567
Electricity, gas and water supply	184,380	197,265	251,387
Hotel and restaurants	48,094	42,983	25,248
Housing	11,456	12,102	12,555
Manufacturing	92,935	105,794	102,024
Materials technology	107,417	–	–
Public administration and defence	58,379	49,700	34,522
Shipping	1,135,020	1,247,579	958,113
Shipyard	–	54,053	105,047
Transport, storage and communication	150,890	150,975	228,135
Gross advances and financing	4,532,875	3,856,217	2,929,112

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

(d) Advances and financing (cont'd.)

(iv) The maturity structure of the gross advances and financing are as follows:

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Receivable after 12 months	3,833,517	3,214,311	2,307,982
Receivable within 12 months	721,982	670,988	652,714
	4,555,499	3,885,299	2,960,696

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Receivable after 12 months	3,821,138	3,193,428	2,285,302
Receivable within 12 months	711,737	662,789	643,810
	4,532,875	3,856,217	2,929,112

(v) Movements in impaired advances and financing are as follows:

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Impaired financing			
At 1 January	735,054	741,692	593,638
Impaired during the year	282,365	212,610	189,611
Reclassified as non-imapired	(25,626)	–	–
Recovered during the year	(129,540)	(105,700)	(18,115)
Amount written off	(154,654)	(113,548)	(23,442)
Balance at end of year	707,599	735,054	741,692
Ratio of gross impaired financing	15.53%	18.92%	25.05%

48. ISLAMIC BANKING BUSINESS (cont'd.)

(d) Advances and financing (cont'd.)

(v) Movements in impaired advances and financing are as follows: (cont'd.)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At 1 January	633,226	616,281	432,540
Impaired during the year	282,365	211,118	189,611
Reclassified as non-imapired	(3,319)	–	–
Recovered during the year	(123,730)	(80,669)	(5,870)
Amount written off	(154,654)	(113,504)	–
Balance at end of year	633,888	633,226	616,281
Ratio of gross impaired financing	13.98%	16.42%	21.04%

(vi) Impaired advances and financing analysed by industry are as follows:

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Construction	23,217	13,231	48,283
Education	56,477	–	–
Electricity, gas and water supply	28,516	66,019	85,684
Finance, takaful and business	51,366	12,503	6,652
Housing	9,314	12,401	–
Manufacturing	53,653	118,853	111,707
Materials technology	107,418	–	–
Other community, social and personal service activities	13,852	12,214	–
Real estate, renting and business activities	10,905	34,766	46,726
Shipping	351,897	461,413	361,512
Transport, storage and communication	1,164	3,654	81,128
	707,599	735,054	741,692

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

(d) Advances and financing (cont'd.)

(vi) Impaired advances and financing analysed by industry are as follows: (cont'd.)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Construction	1,689	–	–
Education	56,477	–	–
Electricity, gas and water supply	28,516	66,019	75,209
Finance, takaful and business	47,219	–	–
Manufacturing	40,672	105,794	102,024
Materials technology	107,418	–	–
Shipping	351,897	461,413	361,512
Transport, storage and communication	–	–	77,536
	633,888	633,226	616,281

(vii) Movements in allowance for impaired advances and financing are as follows:

	Group	
	31 December 2012 RM'000	31 December 2011 RM'000
Individual assessment allowance		
At 1 January		
– as previously stated	445,476	464,446
– effects of MFRS adoption	22,738	1,782
At 1 January	468,214	466,228
Allowance made during the year	276,130	102,578
Amount written back	(161,654)	(8,102)
Amount transferred from collective assessment allowance	28,114	20,956
Amount written off	(154,654)	(113,446)
Balance at end of year	456,150	468,214

48. ISLAMIC BANKING BUSINESS (cont'd.)

(d) Advances and financing (cont'd.)

(vii) Movements in allowance for impaired advances and financing are as follows: (cont'd.)

	Bank	
	31 December 2012 RM'000	31 December 2011 RM'000
Individual assessment allowance		
At 1 January		
– as previously stated	416,396	432,863
– effects of MFRS adoption	22,738	1,782
At 1 January	439,134	434,645
Allowance made during the year	275,985	102,523
Amount written back	(155,052)	(5,544)
Amount transferred from collective assessment allowance	28,114	20,956
Amount written off	(154,654)	(113,446)
Balance at end of year	433,527	439,134

	Group and Bank	
	31 December 2012 RM'000	31 December 2011 RM'000
Collective assessment allowance		
At 1 January		
– as previously stated	34,983	37,505
– effects of MFRS adoption	80,443	65,479
At 1 January	115,426	102,984
Allowance made during the year	41,343	35,920
Amount written back	(2,240)	(2,522)
Amount transferred to individual assessment allowance	(28,114)	(20,956)
Balance at end of year	126,415	115,426

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

(e) Other assets

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Other receivables	974	1,312	1,253

(f) Other liabilities

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bank overdraft	112	–	–
Other payables	5,500	4,104	169
Allowance for zakat	3,070	2,064	2,132
Profit equalisation reserve	2,030	2,188	–
Inter divisions	1,821,334	57,993	168,214
	1,832,046	66,349	170,515

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bank overdraft	112	–	–
Other payables	3,520	1,162	–
Allowance for zakat	3,070	2,064	2,132
Profit equalisation reserve	2,030	2,188	–
Inter divisions	1,818,359	51,741	159,498
	1,827,091	57,155	161,630

48. ISLAMIC BANKING BUSINESS (cont'd.)

(g) Income derived from investment of depositors' funds

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance Income:				
Advances and financing	53,213	73,252	53,213	73,252
Other income:				
– Fee income	1,247	1,783	1,247	1,783
	54,460	75,035	54,460	75,035

(h) Income derived from investment of shareholders funds

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance Income:				
Advances and financing	191,021	128,941	190,358	128,237
Compensation from the Government	6,586	11,430	6,586	11,430
Deposit placement with financial institution	5,662	12,959	5,662	12,959
Financial investments – available-for-sale ("AFS")	2,290	5,785	2,290	5,785
	205,559	159,115	204,896	158,411
Other income:				
Gain/(loss) on sale of:				
– financial investments – available-for-sale ("AFS")	–	5,955	–	5,955
Fee income	4,079	4,262	4,067	4,242
	209,638	169,332	208,963	168,608
Of which:				
Profit income earned on impaired financing, advances and financing	9,199	16,633	9,199	16,633

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

(i) Advances and financing loss and allowance (cont'd.)

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Bad debts and financing written off	79	–	–	–
Bad debts recovered	(5,471)	(1,637)	(4,277)	–
Individual impairment allowance:				
– made during the year	276,130	102,578	275,985	102,523
– written back	(161,654)	(8,102)	(155,052)	(5,544)
– transferred from collective assessment allowance	28,114	20,956	28,114	20,956
Collective assessment allowance:				
– made during the year	41,343	35,920	41,343	35,920
– written back	(2,240)	(2,522)	(2,240)	(2,522)
– transferred to individual assessment allowance	(28,114)	(20,956)	(28,114)	(20,956)
	148,187	126,237	155,759	130,377

(j) Income attributable to depositors

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposit from customers				
– Mudharabah Fund	31,140	37,800	31,140	37,800

(k) Overhead expenses

		Group		Bank	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Personnel costs	(i)	6,540	4,603	6,540	4,603
General administrative expenses	(ii)	3,455	3,254	3,536	3,074
		9,995	7,857	10,076	7,677

48. ISLAMIC BANKING BUSINESS (cont'd.)

(k) Overhead expenses

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(i) Personnel costs				
Salaries, allowances and bonuses	4,314	3,500	4,314	3,500
Social security cost	30	26	30	26
Pension costs – Defined contribution plan	671	545	671	545
Other staff related expenses	1,525	532	1,525	532
	6,540	4,603	6,540	4,603
(ii) General administrative expenses				
General administrative expenses	3,455	3,254	3,536	3,074
	3,455	3,254	3,536	3,074

The above has been determined after charging amongst other items the following:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Shariah Committee's remuneration	132	68	132	68

(l) Finance cost

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Bonds and notes	41,000	41,000	41,000	41,000
Commercial papers programme	82	1,698	82	1,698
	41,082	42,698	41,082	42,698

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

– 31 DECEMBER 2012

48. ISLAMIC BANKING BUSINESS (cont'd.)

(m) Taxation and zakat

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Zakat	3,003	2,710	3,003	2,710

(n) Commitments and contingencies

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Contingencies as at year-end constitute the following:			
Disbursement of advances and financing to industries	1,922,176	2,772,019	4,395,405
	1,922,176	2,772,019	4,395,405

49. EVENTS OCCURRING AFTER THE REPORTING DATE

The financial statements for the year ended 31 December 2012 have not been adjusted for the financial effect of these events.

On 13 January 2013, the Group completed the disposal of its existing 60% equity interest in Orkim Discovery Sdn Bhd, Orkim Challenger 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 RM52,155,737 to Orkiim Sdn Bhd.

On 31 January 2013, the Group has further acquired 65% equity interest of 2,952,000 units in Syarikat Borcos Shipping Sdn Bhd for a total cash consideration of RM190,450,000.