BANK PEMBANGUNAN MALAYSIA BERHAD
(16562-K)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2017

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Contents

Bank Pembangunan Malaysia Berhad
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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2017.

Principal Activities

The Bank is principally engaged to provide medium to long term credit and financing facilities under both Conventional and Islamic financial business to finance infrastructure projects, maritime, oil & gas, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country's development policy.

Other information relating to the subsidiaries are disclosed in Note 45 to the financial statements.

Results

	Group RM'000	Bank RM'000
Profit from continuing operations, net of tax	215,009	199,377
Loss from discontinued operations, net of tax	(1,797)	-
Profit for the financial year	213,212	199,377
Attributable to:		
Equity holders of the Bank	225,848	199,377
Non-controlling interests	(12,636)	-
	213,212	199,377

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in Notes 7, 8, 34 and 35 to the financial statements and the statement of changes in equity .

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.

Dividends

Final single tier 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 2016 was declared on 22 June 2017 and paid on 22 June 2017.

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

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Dividends (cont'd.)

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2017, 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 2018.

Directors

The names of the directors of the Bank in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	
Datuk Wan Azhar bin Wan Ahmad	
Datuk Seri Hashmuddin bin Mohammad	(appointed on 23 January 2017)
Shaharuddin bin Zainuddin	(appointed on 13 February 2017 and resigned on 11 September 2017)
Musa bin Abdul Malek	(appointed on 13 February 2017)
Suffian bin Baharuddin	(appointed on 13 February 2017)
Datuk Jamaludin bin Nasir	(resigned on 27 February 2018)
Datuk Engku Nor Faizah binti Engku Atek	(resigned on 14 December 2017)
Mohammed Rafidz bin Ahmed Rasiddi	(ceased with effect from 15 June 2017)
Dato' Ir. Hj. Mohamad bin Husin	(ceased with effect from 8 March 2017)
Dato' Kapt. Haji Ahmad bin Othman	(ceased with effect from 8 March 2017)

The names of the directors of the subsidiaries of the Bank since the beginning of the financial year to the date of this report are:

(i) Global Maritime Ventures Berhad

Datuk Wan Azhar bin Wan Ahmad	
Datin Rashidah binti Mohd Sies	
Afidah binti Mohd Ghazali	(appointed on 1 April 2017)
Raja Datuk Zaharaton binti Raja Zainal Abidin	(resigned on 30 April 2017)
Mohammed Rafidz bin Ahmed Rasiddi	(resigned on 1 April 2017)
Darawati Hussain binti Dato' Seri Abdul Latiff	(resigned on 1 April 2017)
Mohamad Rafi bin Shahzada	(resigned on 1 April 2017)
Dato' Kapt. Haji Ahmad bin Othman	(resigned on 8 March 2017)

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Directors (cont'd.)

(ii) Pembangunan Leasing Corporation Sdn Bhd

Datuk Wan Azhar bin Wan Ahmad	
Mohamad Rafi bin Shahzada	(appointed on 1 March 2017)
Afidah binti Mohd Ghazali	(appointed on 15 June 2017)
Mohammed Rafidz bin Ahmed Rasiddi	(resigned on 11 April 2017)
Dato' Ir. Hj. Mohamad bin Husin	(resigned on 8 March 2017)

(iii) SME Growth Acceleration Fund Sdn Bhd

Datuk Wan Azhar bin Wan Ahmad	
Afidah binti Mohd Ghazali	
Mohammed Rafidz bin Ahmed Rasiddi	(resigned on 11 April 2017)

(iv) Emerald Upline Sdn Bhd

Azmahnor binti Siarap @ Abdul Wahab	
Zulkeefli bin Mad Karim	(appointed on 24 October 2017)
Fauziah Hanim binti Baharin	(resigned on 24 October 2017)

(v) Maju Nominees (Tempatan) Sdn Bhd

Mohd Yazid bin Safuan	(resigned on 26 March 2018)
Roslina binti Mohamed	

(vi) BPMB Urus Harta Sdn Bhd

Afidah binti Mohd Ghazali	
Zulkeefli bin Mad Karim	(appointed on 24 October 2017)
Fauziah Hanim binti Baharin	(resigned on 24 October 2017)

Directors' Benefits

Neither at the end of the financial year, nor at any time during the 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, or the fixed salary of a full time employee of the Bank as shown in Notes 32 and 33 to the financial statements) 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.

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Directors' Interest

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Indemnities to directors or officers

The Bank maintained a Directors' and Officers' Liability Insurance for purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Bank. The amount of insurance premium effected for any director and officer of the Bank during the financial year was RM418,720. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Rating by External Rating Agencies

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating
MARC Rating	24 October 2017	Financial Institution Rating	AAA
MARC Rating	24 October 2017	Islamic Commercial Papers and/or Conventional Commercial Papers Programme of up to RM2.0 billion in nominal value	MARC-1
RAM Rating	5 January 2018	Financial Institution Rating	AAA
RAM Rating	5 January 2018	RM7.0 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA

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Business Outlook

The outlook remains positive as the Malaysian economy continues to experience broad-based growth across a range of diversified sectors. Improvement in labour force skills, digitisation and stronger productivity growth will help to sustain growth and provide better conditions for businesses to thrive. As the global economic recovery is strengthening and the Malaysian economic growth is expected to remain strong, this sets a stable outlook for continued growth opportunities for the Malaysian banking sector. BPMB will continue to play its role in developing the nation and provide financing to the mandated sectors. BPMB will remain prudent, maintain strong corporate governance and implement sound risk management policies to ensure a sustainable growth.

Other Statutory Information

(a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances 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.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

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Other Statutory Information (cont'd.)

(e) 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.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations as and when they fall due other than those incurred in the normal course of business; 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 are disclosed in Note 9 to the financial statements.

Auditors

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

Auditors' remunerations are disclosed in Note 31 (iv) to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 4 June 2018.

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

Suffian bin Baharuddin

Kuala Lumpur, Malaysia

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Statement by Directors
Pursuant to Section 251 (2) of the Companies Act, 2016

We, Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah and Suffian bin Baharuddin, 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 20 to 210 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 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 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 4 June 2018.

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

Suffian bin Baharuddin

Kuala Lumpur, Malaysia

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Statutory Declaration
Pursuant to Section 251 (1) (b) of the Companies Act, 2016 and Section 73 (1) (e) of the Development Financial Institution Act, 2002

We, Suffian bin Baharuddin and Shaharuddin bin Zainuddin, the Director and President/Group Chief Executive Officer, respectively, of the Bank who are primarily being responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 20 to 210 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 4 June 2018

Suffian bin Baharuddin

Shaharuddin bin Zainuddin

Before me,

PESURUHJAYA SUMPAH
W 741
NAILAH
BINTI RAMLI
BC/N/1144
011017-300918
MALAYSIA

NAILAH RAMLI & PARTNERS
NO. 27-1 TINGKAT 1,
JALAN SETIAWANGSA 9,
TAMAN SETIAWANGSA,
54200 KUALA LUMPUR.

Bank Pembangunan Malaysia Berhad
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Shariah Committee's Report

In the Name of Allah, The Compassionate, The Most Merciful
Praise be to Allah and peace be upon His messenger, his family and his companions.

Assalamualaikum Warahmatullahi Wabarakatuh

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

INTRODUCTION

In carrying out the roles and the responsibilities of the Shariah Committee of the Bank as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia and in compliance with our terms of appointment, we hereby submit the Shariah Committee Report for the financial year ended 31 December 2017.

Management's Responsibility
The Management of the Bank shall at all times be responsible for ensuring that the Bank's aims and operations, business affairs and activities in relation to its Islamic financial business are conducted in accordance with Shariah.

Shariah Committee's Responsibility
The Shariah Committee of the Bank shall be responsible to form an independent opinion, based on our review of the aims and operations, business, affairs and activities in relation to the Islamic financial business of the Bank and to produce this report.

The Shariah Committee of the Bank is assisted by the Shariah compliance and research functions which are established to carry out the specified roles under the Shariah governance requirements. In general, Group Shariah is responsible to conduct Shariah research, providing Shariah advisory and acting as the Shariah Committee's secretariat. Group Risk Management is mandated to manage the Shariah non-compliance risks within the organisation while Group Compliance and Group Audit & Examination are obliged to conduct the Shariah review and Shariah audit in relation to Islamic financial business of the Bank respectively.

During the financial year, fourteen (14) meetings were held by the Shariah Committee of the Bank in which we reviewed and deliberated on, among others, the products and services, transactions, processes and documents which were presented to us by the Bank. In performing our roles and responsibilities, we had obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with Shariah. Accordingly, we have also assessed the work carried out by Shariah review and Shariah audit for this purpose.

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES

Among the key developments and activities during the financial year are the approval of enhancement on Islamic leasing product, enhancement on Shariah screening methodology for new facility and enhancement of Shariah Governance Framework for the Bank. The Shariah Committee also deliberated on various issues with regard to conversion of conventional facilities into Islamic facilities and improvements on zakat computation and management matters. The year also saw the appointment of three new members of Shariah Committee to succeed three members who retired at their end of term of appointment, and the appointment of an independent director of the Board as a member of Shariah Committee.

The following are the other major developments and initiatives in relation to Shariah governance that took place during the financial year:

a. Shariah Research

Group Shariah undertakes the review and perusal of the issues, proposals and documents prepared by internal business and support functions for Shariah Committee's approval, deliberation and information. They also provide Shariah advisory and endorsement as delegated by the Shariah Committee on the proposals by those functions. The documents among others include the financing proposal, draft guidelines and procedures, draft legal documentation, marketing decks and operational support activities.

Apart from that, Group Shariah had also conducted Shariah research on a number of Shariah issues identified from time to time in the course of advising the stakeholders within the Bank. Where applicable, these Shariah research are supervised by us for the purpose of guidance for Shariah Committee in making deliberation on matters presented in the meeting. Throughout the financial year, Group Shariah had conducted Shariah research among others in the areas of Shariah screening methodology, default in factoring facility, treatment of deposit in leasing facility and acceptability of conventional bank guarantee in Islamic financing.

b. Shariah Risk Management

The overall implementation of Shariah risk management in the Bank has been supported by Three Lines of Defense mechanism i.e. the Operational Risk Liaison Officer ("ORLO") of each business and support function as the First Line; Group Shariah, Group Compliance and Group Risk Management as the Second Line and Group Audit & Examination as the Third Line.

During the financial year, a few enhancements had been carried out by the Operational Risk Function ("ORF") under the Group Risk Management Function. These include two (2) engagement sessions with ORLO on the operational risk management tools and updates on the regulatory requirements regarding Shariah non-compliance reporting, workshop on risk control self-assessment ("RCSA") 2017, review and revision of Shariah non-compliance reporting procedure and initiation of new policy on Shariah risk management.

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

b. Shariah Risk Management (cont'd.)

Greater focus had also been given on the RCSA exercise whereby the Shariah non-compliance risk alongside the operational and information technology risks of the key business processes have been identified, assessed, controlled, monitored and reported to the ORF. Discussions between the ORLO of each business and support functions and ORF officers were held prior to finalisation of the risk issues, inherent and residual risk rating, controls and its effectiveness rating and action plan for mitigation of High and Medium Shariah non-compliance risk issues.

c. Shariah Review

Group Compliance, through its dedicated Shariah Compliance team continued to play a vital role in ensuring that the activities and operations in relation to Islamic financial business carried out by the Bank do not contravene Shariah principles. The scope generally covers the Bank's business operations, including end to end product development process, level of Shariah compliance as well as remedial rectifications measures to resolve Shariah non-compliances.

Shariah Compliance review plan for the financial year was approved by the Shariah Committee for implementation. The observations identified were deliberated in our meetings to measure Bank's compliance to the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and our decisions.

During financial year 2017, there were eight (8) Shariah reviews conducted by Shariah Compliance team which were presented and deliberated by the Shariah Committee as follows:

1) Kafalah Bank Guarantee-i
2) Accounts Under Group Credit Recovery
3) Conversion of Conventional Loan to Islamic Financing
4) Annual Report 2015 and 2016
5) Tawarruq Deposit
6) Murabahah Pricing
7) Utilisation of Islamic Fund
8) Zakat and Shariah Non-Compliance Fund

d. Shariah Audit

The performance of audit to ensure a sound and effective internal control system for Shariah compliance in the Bank is within the responsibility of Group Audit & Examination ("GAE"). This is to enable GAE to provide an independent assessment and objective assurance on the degree of Shariah compliance in relation to the Bank's business operations to the Shariah Committee.

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

d. Shariah Audit (cont'd.)

In 2017, the Shariah Committee acknowledged that GAE adopted an audit approach where Shariah coverage was embedded within the audits on specialised areas. Throughout the reporting year, issues arising from the audit on the following areas were presented to the Shariah Committee:

1. Audit of Bank Pembangunan Malaysia Berhad's Compliance with Bank Negara Malaysia Shariah Governance Framework ("SGF")

   The audit had assessed the effectiveness and adequacy of the roles and responsibilities of the Board of Directors, Shariah Committee and Senior Management in relation to Shariah matters, as well as the effectiveness and efficiency of the respective key organs i.e. Shariah Risk Management, Shariah Review and Shariah Research. Besides that, the audit assessed the Bank's Islamic operations and business activities are in compliance with Shariah principles, regulations, supervisory requirements and procedures.

2. Audit of Group Corporate Communication's Activities

   The audit had assessed on the management of zakat funds and also ascertained whether the utilisation of the funds is for the purposes as prescribed by Shariah and in accordance with the approval of Shariah Committee.

3. Independent Review of Bank Pembangunan Malaysia Berhad's Loss Event Reporting Processes

   The audit had assessed the timeliness of reporting Shariah non-compliance events and assessed the Bank's compliance with requirements on operational loss event and fraud risk management, as prescribed in the BNM guidelines including Shariah Governance Framework for Islamic Financial Institutions.

INITIATIVES ON TRAINING AND AWARENESS

During the year, we note that two (2) knowledge-sharing sessions and five (5) in-house training programs on Islamic financial business were organised for the staff of the Bank and a total of 110 staff attended these training programs.

INITIATIVES ON TRAINING AND AWARENESS (CONT'D.)

In line with the Bank's plan to upskill the relevant staff with necessary skills and competency in Islamic finance, we note that business and credit-related staff were required to undergo the Islamic Certified Credit Executive ("i-CCE") certification program. The i-CCE consists of 2 modules, i.e. Shariah & Ethics in Islamic Finance and Fundamentals of Credit Operations, with a total of fourteen (14) training days. In total, 62 staff had successfully passed their exams and attained the Islamic Certified Credit Executive qualification. In addition, during the year, 24 staff from various functions has attained the Associate Qualification in Islamic Finance ("AQIF") certification.

For all non-credit related staff and non-executives of the Bank, a Shariah awareness program entitled 'Fundamentals and Application of Shariah in Islamic Finance' had been organised for eight (8) groups which was attended by 194 staff. In December 2017, the Bank had also organised an Islamic Finance School training program for Board of Directors, Shariah Committee Members and Senior Management.

Apart from the in-house training program, 33 staff attended various Islamic finance and Shariah-related training programs and seminars externally and overseas, whereas four (4) Shariah Committee members attended various Islamic finance and Shariah-related courses and seminars organised by various training providers such as International Shari'ah Research Academy for Islamic Finance ("ISRA"), Association of Shariah Advisor in Islamic Finance ("ASAS") and Securities Commission.

SHARIAH NON-COMPLIANT EVENTS AND INCOME

During the financial year 2017, we confirmed that there were four (4) Shariah non-compliance events occurred in the Bank's business operations which were due to error in calculation of the amount of fee and profit for a particular bank guarantee and financing facilities.

We were informed that the causes of the events were due to operational lapses. We noted that the Bank's Management had taken necessary corrective as well as preventive measures to avoid the same incidences from recurrence where the rectification plan had been endorsed by the Shariah Committee.

We also noted that all Shariah non-compliance events together with the approved rectification plans were presented by the Bank's Management for the approval of the Board of Directors and reported to Bank Negara Malaysia in accordance with the Shariah non-compliance reporting requirement as prescribed by Bank Negara Malaysia.

For the financial year, an amount of RM221,301.61 had been de-recognised from the Bank's income and the Bank had taken corrective measures by refunding the identified amount to the customer or offsetting it with any amount due and payable by the customer to the Bank.

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Shariah Committee's Report (cont'd.)

ZAKAT ON BUSINESS AND CHARITY FUNDS

The zakat on business for the financial year had been computed using the growth capital computation method at the rate of 2.5775% as approved by the Shariah Committee. The zakat amount will be paid by the Bank to the states' zakat authorities in Malaysia based on the data on poverty level as reported by the Department of Statistics of Malaysia.

Throughout the year, the proposals for distribution of zakat fund by the Bank to eligible beneficiaries (asnaf) were approved by the Shariah Committee. We also noted that the Bank has carried out the distribution of the charity fund in accordance with the guidelines and as approved by the Shariah Committee.

SHARIAH OPINION

We had also reviewed the audited financial statements of the Bank's Islamic financial business for the financial year and confirmed that the financial statements are in compliance with Shariah.

Based on the above, in our opinion:

1. With the exception of the events mentioned above, the contracts, transactions and dealings entered into by the Bank in relation to its Islamic financial business during the financial year ended 31 December 2017 that were reviewed by us, are in compliance with Shariah;

2. The computation and distribution of zakat fund are in compliance with Shariah; and

3. The distribution of charity fund are in compliance with Shariah.

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Shariah Committee's Report (cont'd.)

SHARIAH OPINION (CONT'D.)

We, being two of the members of the Shariah Committee of Bank Pembangunan Malaysia Berhad, do hereby confirm that on behalf of the Shariah Committee, to the best of our knowledge and belief, the aims and operations, business, affairs and activities of the Bank in relation to its Islamic financial business for the financial year ended 31 December 2017 had been conducted in conformity with Shariah.

We bear witness only to what we know, and we could not well guard against the unseen! (Surah Yusuf, verse:81)

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

Signed on behalf of the Committee in accordance with a resolution of the Shariah Committee dated 4 June 2018.

Assoc. Prof. Dr. Aznan Hasan
Chairman

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

Kuala Lumpur, Malaysia
4 June 2018

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Independent auditors' report to the members of Bank Pembangunan Malaysia Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank Pembangunan Malaysia Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Bank, and income statements, statements of other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 210.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of Bank as at 31 December 2017, and of their financial performance and their 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, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

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Independent auditors' report to the members of Bank Pembangunan Malaysia Berhad (cont'd.) (Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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**Independent auditors' report to the members of
Bank Pembangunan Malaysia Berhad (cont'd.)
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent auditors' report to the members of
Bank Pembangunan Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 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

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
4 June 2018

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Financial Position
As at 31 December 2017

		Group		Bank	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term deposits	4	1,717,851	1,295,499	1,440,276	1,028,268
Financial investments - available-for-sale ("AFS")	5	5,224,019	3,697,485	5,219,209	3,693,962
Financial investments - held-to-maturity ("HTM")	6	22	185,744	-	185,722
Loans, financing and advances	7	19,743,299	21,210,083	19,557,642	21,006,098
Other assets	8	189,582	318,440	153,039	208,108
Investments in subsidiaries	9	-	-	284,304	389,051
Interest in associates	10	563	3,582	-	-
Interest in joint ventures	11	28,450	33,424	-	-
Property, plant and equipment	12	82,557	83,206	82,462	82,635
Prepaid land leases	13	359	883	359	883
Investment properties	14	641	1,563	352	1,155
Intangible assets	15	7,957	9,224	7,420	8,385
Deferred tax assets	16	2,949	18,127	433	13,205
		26,998,249	26,857,260	26,745,496	26,617,472
Assets classified as held for sale	44	311	2,886	-	-
Assets of a subsidiary classified as held for sale	9(b)	-	846	-	-
Subsidiary classified as held for sale		-	-	-	636
Total assets		26,998,560	26,860,992	26,745,496	26,618,108
Liabilities					
Deposits from customers	17	8,160,469	9,750,551	8,160,469	9,750,551
Deposits and placements from financial institutions	18	-	10,002	-	10,002
Bills and acceptance payable	2.2(l)	249,380	-	249,380	-
Other liabilities	19	152,432	109,444	99,999	62,130
Redeemable notes	20	7,393,215	5,920,316	7,393,215	5,920,316
Borrowings	21	2,784,026	2,943,584	2,784,026	2,943,584
Infrastructure support fund	22	304,166	306,579	304,166	306,579
Deferred income	23	227,030	234,011	227,030	234,011
Deferred tax liabilities	16	1,609	2,990	-	-
Liabilities of a subsidiary classified as held for sale	9(b)	-	215	-	-
Total liabilities		19,272,327	19,277,692	19,218,285	19,227,173

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Financial Position
As at 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Equity attributable to equity holders of the Bank					
Share capital	24	3,078,724	3,078,724	3,078,724	3,078,724
Reserves	25	4,629,055	4,472,770	4,448,487	4,312,211
		7,707,779	7,551,494	7,527,211	7,390,935
Non-controlling interests		18,454	31,806	-	-
Total equity		7,726,233	7,583,300	7,527,211	7,390,935
Total equity and liabilities		26,998,560	26,860,992	26,745,496	26,618,108
Commitments and contingencies	39(a)	9,334,983	8,351,414	9,047,981	8,136,425

The accompanying notes form an integral part of the financial statements

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Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Income Statements
For the Financial Year Ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Continuing operations:					
Interest income	27	882,033	1,105,528	858,292	1,074,871
Interest expense	28	(317,481)	(459,257)	(317,480)	(458,933)
Net interest income		564,552	646,271	540,812	615,938
Net income from Islamic financial business	48	272,957	258,992	267,606	253,367
Non-interest income	29	30,379	45,123	38,255	30,461
Compensation from the Government	30	2,413	30,547	2,413	30,547
Net income		870,301	980,933	849,086	930,313
Overhead expenses	31	(98,147)	(110,084)	(79,235)	(88,202)
Allowance for impairment losses of loans, financing and advances	34	(302,776)	(639,572)	(312,938)	(600,034)
Allowance for impairment losses on other assets	35	(138,662)	(24,894)	(162,869)	(116,419)
Writeback of corporate guarantee		-	7,060	-	-
Operating profit		330,716	213,443	294,044	125,658
Share of loss of associates and joint ventures		(5,405)	(5,880)	-	-
Profit before taxation and zakat from continuing operations		325,311	207,563	294,044	125,658
Taxation	36	(99,068)	(68,443)	(86,375)	(58,947)
Zakat		(11,234)	(17,805)	(8,292)	(14,555)
Profit from continuing operations, net of taxation		215,009	121,315	199,377	52,156
Discontinued operations:					
(Loss)/gain on deconsolidation of discontinued operations	9(b)	(1,792)	440,370	-	-
Impairment on amount due from discontinued operations	8(ii)	-	(210,781)	-	-
Loss from discontinued operations	9(c)	(5)	(119,751)	-	-
(Loss)/profit from discontinued operations, net of taxation		(1,797)	109,838	-	-
Net profit for the year		213,212	231,153	199,377	52,156

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Income Statements
For the Financial Year Ended 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Attributable to:					
Equity holders of the Bank					
Profit for the year from continuing operations		226,833	119,281	199,377	52,156
(Loss)/profit for the year from discontinued operations		(985)	98,854	-	-
Profit for the year attributable to equity holders of the Bank		225,848	218,135	199,377	52,156
Non-controlling interests					
(Loss)/profit for the year from continuing operations		(11,824)	2,034	-	-
(Loss)/profit for the year from discontinued operations		(812)	10,984	-	-
(Loss)/profit for the year attributable to non-controlling interest of the Bank		(12,636)	13,018	-	-
		213,212	231,153	199,377	52,156
Earnings per share attributable to the equity holders of the Bank:					
Basic earnings per share (sen)	38				
- from continuing operations		7.37	3.87		
- from discontinued operations		(0.03)	3.21		
		7.34	7.08		

The accompanying notes form an integral part of the financial statements

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Comprehensive Income
For the Financial Year Ended 31 December 2017

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year	213,212	231,153	199,377	52,156
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations				
- translation during the year	(8,156)	4,859	-	-
- transferred to profit or loss	-	(215,292)	-	-
Net unrealised gain/(loss) on revaluation of financial investments - AFS, net of tax				
- fair value adjustment during the year	37,877	(24,906)	36,899	(24,185)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	29,721	(235,339)	36,899	(24,185)
Total comprehensive income/ (loss) for the financial year, net of tax	242,933	(4,186)	236,276	27,971
Total comprehensive income/ (loss) attributable to:				
Equity holders of the Bank	256,285	(10,707)	236,276	27,971
Non-controlling interests	(13,352)	6,521	-	-
	242,933	(4,186)	236,276	27,971

The accompanying notes form an integral part of the financial statements

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2017

Group	Note	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Unrealised AFS reserve RM'000	Exchange translation reserve/ (deficit) RM'000	Distributable retained profits RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		<---------- Attributable to equity holders of the Bank					---------->			
		<---------- Non-distributable				---------->				
At 1 January 2017		3,078,724	1,000	1,910,715	(6,405)	(40,776)	2,608,236	7,551,494	31,806	7,583,300
Total comprehensive income/(loss) for the financial year		-	-	-	37,877	(7,440)	225,848	256,285	(13,352)	242,933
Transfer to statutory reserve		-	-	49,844	-	-	(49,844)	-	-	-
Dividends paid	37	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
At 31 December 2017		3,078,724	1,000	1,960,559	31,472	(48,216)	2,684,240	7,707,779	18,454	7,726,233
At 1 January 2016		3,078,724	1,000	1,897,676	18,501	163,160	2,403,140	7,562,201	25,285	7,587,486
Total comprehensive (loss)/income for the financial year		-	-	-	(24,906)	(203,936)	218,135	(10,707)	6,521	(4,186)
Transfer to statutory reserve		-	-	13,039	-	-	(13,039)	-	-	-
At 31 December 2016		3,078,724	1,000	1,910,715	(6,405)	(40,776)	2,608,236	7,551,494	31,806	7,583,300

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

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statement of Changes in Equity
For the Financial Year Ended 31 December 2017

Bank	Note	Share capital RM'000	Statutory reserve RM'000	Unrealised AFS reserve RM'000	Distributable retained profits RM'000	Total RM'000
		<------------------	Non-distributable	------------------>		
At 1 January 2017		3,078,724	1,910,715	(5,887)	2,407,383	7,390,935
Total comprehensive income/(loss) for the financial year		-	-	36,899	199,377	236,276
Transfer to statutory reserve		-	49,844	-	(49,844)	-
Dividends paid	37	-	-	-	(100,000)	(100,000)
At 31 December 2017		3,078,724	1,960,559	31,012	2,456,916	7,527,211
At 1 January 2016		3,078,724	1,897,676	18,298	2,368,266	7,362,964
Total comprehensive (loss)/income for the financial year		-	-	(24,185)	52,156	27,971
Transfer to statutory reserve		-	13,039	-	(13,039)	-
At 31 December 2016		3,078,724	1,910,715	(5,887)	2,407,383	7,390,935

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

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Cash Flows
For the Financial Year Ended 31 December 2017

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before taxation and zakat from continuing operations	325,311	207,563	294,044	125,658
(Loss)/profit before taxation and zakat from discontinued operations	(1,797)	109,838	-	-
Profit before taxation and zakat	323,514	317,401	294,044	125,658
Adjustment for:				
Share of loss of joint ventures	5,405	5,880	-	-
Depreciation of property, plant and equipment (Note 31(ii))	3,830	4,134	3,581	3,409
Amortisation of prepaid lease rental (Note 31(ii))	24	34	24	34
Depreciation of investment properties (Note 31(ii))	21	192	18	51
Amortisation of intangible assets (Note 31(ii))	4,267	3,891	3,791	3,720
Gain on disposal of property, plant and equipment (Note 29(b))	(154)	(205)	(116)	(196)
Gain on disposal of prepaid land lease (Note 29(b))	(1,925)	-	(1,925)	-
Gain on disposal of investment properties (Note 29(b))	(5,538)	-	(1,320)	-
Loss on disposal of subsidiaries (Note 29(b))	1,396	-	1,396	-
Loss on disposal of investment (Note 29(b))	5	-	-	-
Gain on sale of financial investments - AFS (Note 29(a) and 48(k))	-	(7,680)	-	(7,680)
Dividend income:				
Subsidiaries (Note 29(a))	-	-	(16,200)	-
Financial investments - AFS (Note 29(a))	(7,208)	(7,800)	(7,208)	(7,800)
Accretion of discount less amortisation of premium of financial investments (Note 27 and 48(k))	(29,421)	(26,516)	(29,421)	(26,516)
Impairment allowance/(written back) for:				
Financial investments - HTM (Note 35)	58,684	25,279	58,684	25,279
Prepaid land leases (Note 35)	320	-	320	-
Trade receivables (Note 35)	-	1,103	-	-
Investment in subsidiaries Made during the year (Note 35)	-	-	104,747	91,172
Balance carried forward	353,220	315,713	410,415	207,131

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Cash Flows
For the Financial Year Ended 31 December 2017 (cont'd.)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities (cont'd.)				
Balance brought forward	353,220	315,713	410,415	207,131
Written back during the year (Note 35)	(1,111)	-	(1,111)	-
Writeback of corporate guarantee	-	(7,060)	-	-
Property, plant and equipment written off (Note 31(iv))	39	157	39	11
Unrealised loss/(gain) on foreign exchange (Note 29(b))	(3,809)	879	(3,809)	879
Individual allowance (Note 34):				
Individual allowance made	262,267	716,895	250,720	687,648
Individual allowance written back	(38,854)	(115,905)	(19,624)	(95,771)
Transferred from collective allowance	7,103	350,922	7,103	350,922
Transferred to collective allowance	(109,738)	(22,317)	(109,738)	(22,317)
Collective allowance (Note 34):				
Collective allowance made	170,822	111,939	163,895	73,225
Collective allowance written back	(94,540)	(5,178)	(86,160)	-
Transferred from individual allowance	109,738	22,317	109,738	22,317
Transferred to individual allowance	(7,103)	(350,922)	(7,103)	(350,922)
Bad debts and financing written off (Note 34 and 35)	8,394	8,970	7,951	8,641
Provision for ex-staff loan/financing (Note 35)	412	-	412	-
Zakat (Note 48(r))	11,234	17,805	8,292	14,555
Individual allowance made during the year against ISF (Note 30)	(2,413)	(9,334)	(2,413)	(9,334)
Collective allowance written back during the year against ISF (Note 30)	-	7	-	7
Recoverable from loan written off against ISF (Note 30)	-	4,059	-	4,059
Financial investment impairment made during the year against ISF (Note 30)	-	(25,279)	-	(25,279)
Compensation from the Government (Note 27 and Note 48(l))	(139,283)	(136,381)	(139,283)	(136,381)
Operating cash flows before working capital changes	526,378	877,287	589,324	729,391

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Cash Flows
For the Financial Year Ended 31 December 2017 (cont'd.)

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Decrease in operating assets:				
Loans, financing and advances	1,171,589	731,838	1,144,568	900,952
Other assets	286,929	82,156	157,212	53,912
	1,458,518	813,994	1,301,780	954,864
(Decrease)/increase in operating liabilities:				
Deposits from customers	(1,590,082)	1,998,232	(1,590,082)	1,998,232
Deposit and placements from financial institutions	(10,002)	(435,638)	(10,002)	(435,638)
Other liabilities	(19,507)	(563,820)	35,409	(549,645)
	(1,619,591)	998,774	(1,564,675)	1,012,949
Cash generated from operating activities	365,305	2,690,055	326,429	2,697,204
Income taxes paid	(60,220)	(80,768)	(47,544)	(70,547)
Zakat paid	(18,644)	(20,488)	(16,444)	(19,602)
Net cash generated from operating activities	286,441	2,588,799	262,441	2,607,055
Cash flows from investing activities				
Dividend income from:				
Subsidiaries	-	-	16,200	-
Financial investments - AFS (Note 29(a))	7,208	7,800	7,208	7,800
Purchase of financial investments - AFS	(1,458,689)	(2,328,700)	(1,458,689)	(2,328,700)
Purchase of property, plant and equipment (Note 12)	(3,692)	(1,851)	(3,677)	(1,791)
Purchase of intangible assets (Note 15)	(3,000)	(4,291)	(2,826)	(3,920)
Net cash outflow on deconsolidation of a subsidiary (Note 9(b))	-	(7,397)	-	-
Proceeds from disposal/maturity of financial investments - AFS	-	717,675	-	717,675
Proceeds from disposal of subsidiaries	-	-	351	-
Proceeds from disposal of property, plant and equipment	346	6,657	346	6,657
Proceeds from disposal of investment properties	7,294	-	2,105	-
Balance carried forward	(1,450,533)	(1,610,107)	(1,438,982)	(1,602,279)

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Cash Flows
For the Financial Year Ended 31 December 2017 (cont'd.)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities (cont'd.)				
Balance brought forward	(1,450,533)	(1,610,107)	(1,438,982)	(1,602,279)
Proceeds from disposal of prepaid land leases	-	-	2,105	-
Net cash used in investing activities	(1,450,533)	(1,610,107)	(1,436,877)	(1,602,279)
Cash flows from financing activities				
Net repayments of long-term loans	(156,249)	(1,249,800)	(156,249)	(1,249,800)
Net receipt from/(repayment of) bills and acceptance payables	250,000	(1,742,193)	250,000	(1,742,193)
Net repayment of revolving credit	-	(255,042)	-	(255,042)
Net receipt from redeemable notes	1,472,900	2,021,544	1,472,900	2,021,544
Proceeds from Government compensation	119,793	122,773	119,793	122,773
Dividends paid	(100,000)	-	(100,000)	-
Net cash generated from/(used in) financing activities	1,586,444	(1,102,718)	1,586,444	(1,102,718)
Net increase/(decrease) in cash and cash equivalents	422,352	(124,026)	412,008	(97,942)
Cash and cash equivalents at beginning of financial year	1,295,499	1,419,525	1,028,268	1,126,210
Cash and cash equivalents at end of financial year	1,717,851	1,295,499	1,440,276	1,028,268
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 4)	1,717,851	1,295,499	1,440,276	1,028,268

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

Notes to the Financial Statements - 31 December 2017

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 holding and ultimate holding company of the Bank is the Minister of Finance (Incorporated) ("MOF (Inc.)") a corporate body established under the Minister of Finance (Incorporation) Act 1957 in Malaysia.

The Bank is principally engaged to provide medium to long term credit and financing facilities under both Conventional and Islamic Financial Business principles to finance infrastructure projects, maritime, oil & gas, 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 of the Bank during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 4 June 2018.

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, 2016 in Malaysia.

The financial statements incorporate those activities relating to Islamic Financial Business, which have been undertaken by the Group. Islamic Financial Business refers generally to the business activity in accordance with Shariah principles.

The Group and the Bank present the statements of financial position in order of liquidity. An analysis regarding the recovery or 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(c).

2. Significant Accounting Policies (cont'd.)

2.1 Statement of Compliance and Basis of Preparation (cont'd.)

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

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

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

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

(i) Subsidiaries (cont'd.)

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

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

(ii) Basis of consolidation

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

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

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

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.)

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

(iii) Business combinations and goodwill

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

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

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

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

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

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

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

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

(b) Investment in associates and joint ventures

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

A joint venture ("JV") is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group has interests in JVs that is disclosed in Note 12.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

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

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

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

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

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

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

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

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

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

(c) Foreign currency transactions

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(c) Foreign currency transactions (cont'd.)

(ii) Foreign currency transactions (cont'd.)

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

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

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to OCI. On disposal of a foreign operation, the cumulative amount recognised in OCI 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.

(d) Property, plant and equipment

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(d) Property, plant and equipment (cont'd.)

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 2.2(h), below. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation, respectively.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statements as incurred.

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

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

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

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

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(e) Investment properties

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

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

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

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

(f) Intangible assets

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

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

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(g) Leases

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance lease - the Group as lessee

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

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(g) Leases (cont'd.)

(ii) Finance lease - the Group as lessee (cont'd.)

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

(iii) Operating lease - the Group as lessee

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

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

(iv) Operating lease - the Group as lessor

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

(h) Impairment of non-financial assets

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Bank make 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")).

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

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

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 income statements. Impairment loss on goodwill is not reversed in a subsequent period.

(i) Financial assets

<u>Initial recognition and subsequent measurement</u>

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 ("FVTPL"), loans/financing and receivables, financial investments - held-to-maturity ("HTM") investments and financial investment - available-for-sale ("AFS").

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(i) Financial assets (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

The classification of financial assets at initial recognition depends on the purpose and the management's intention for which the financial assets were acquired and their characteristics. The Group and the Bank determine the classification of financial assets at initial recognition, in which the details are disclosed below.

Included in financial assets are the following :

(i) Financial assets at FVTPL

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

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

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

The Group and the Bank did not have any embedded derivatives during the years ended 31 December 2017 and 2016.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(i) Financial assets (cont'd.)

(ii) Loans 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/finance income on loans and receivables is recognised as "interest income" in the income statements. Impairment losses on loans and receivables are recognised in the income statements as "allowances for impairment on loans, financing and advances".

Loans stocks in organisations set up for socio-economic purposes which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are classified as receivables.

(iii) Financing and advances

Financing and advances consist of Murabahah, Tawarruq, Ijarah (includes Ijarah Muntahiyah bi Tamlik and Ijarah Thummal Bai'), Istisna', Kafalah, Bai' Bithaman Ajil and Bai' 'Inah. These contracts, except for Kafalah, are recognised at amortised cost, including direct and incremental transaction costs using effective profit method. These contracts are stated at net of unearned income and any amounts written off and/or impaired.

Definition of Shariah concept:

(a) Murabahah: It refers to a sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser. The sale price is payable by the purchaser usually on deferred terms.

(b) Tawarruq: It basically consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(i) Financial assets (cont'd.)

(iii) Financing and advances (cont'd.)

Definition of Shariah concept (cont'd.):

(c) Ijarah: It refers to a contract that transfers ownership of a permitted usufruct and/or service for a specified period in exchange for a specified consideration. It includes variations of this contract i.e. Ijarah Muntahiyah bi Tamlik and Ijarah Thummal Bai', where it is accompanied with an option to transfer the ownership of the leased asset to the lessee at the end of the lease period via acceptable means of ownership transfer. For financial reporting purpose the Ijarah contract meets the definition of finance lease.

(d) Istisna': It refers to a contract which a seller sells to a purchaser an asset which is yet to be constructed, built or manufactured according to agreed specifications and delivered on an agreed specified future date at an agreed pre-determined sale price.

(e) Kafalah: It refers to a contract where the guarantor conjoins the guaranteed party in assuming the latter's specified liability for a specified period.

(f) Bai' Bithaman Ajil: It refers to a sale contract where the sale price is deferred and paid gradually during the specified period.

(g) Bai' 'Inah: It refers to an arrangement that involves sale of an asset to the purchaser on a deferred basis and subsequent purchase of the asset at a cash price lower than the deferred sale price or vice versa, and which complies with the specific requirements.

(iv) Financial investments - HTM

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(i) Financial assets (cont'd.)

(iv) Financial investments - HTM (cont'd.)

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

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

(v) Financial investment - AFS

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

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

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

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(i) Financial assets (cont'd.)

Fair value determination

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

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

Derecognition

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

(j) Impairment of financial assets

The Group and the Bank assess at each statements of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an 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/customer or a group of borrowers/customers 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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

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

(i) Loans, financing and receivables

<u>Classification of impaired loans, financing and advances</u>

The Group and the Bank classify a loan, financing or advance as impaired when there is objective evidence that the loan is impaired. In addition, the Group and the Bank also comply 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 (see next page):

- Where the principal or interest/profit or both is past due more than 90 days or 3 months. In the case of revolving facilities, the facility shall be classified as impaired where the outstanding amount remains 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/customer.

<u>Impairment - individual allowance ("IA")</u>

The Group and the Bank first assess individually whether objective evidence of impairment exists individually for loans, financing and advances that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Bank determine 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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

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

Impairment - individual allowance ("IA") (cont'd.)

If there is an 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 statements. 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/finance income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/finance income is recorded as part of 'interest/finance income' in the income statements.

Impairment - collective allowance ("CA")

Loans, financing and advances 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.

As allowed by MFRS 139 in deriving the CA estimates, the Bank makes reference to the publicly available data particularly relating to Probability of Default ("PD") and Loss Given Default ("LGD") estimates as benchmarks. These estimates are mapped and calibrated to the Bank's loan, financing and advances portfolios using equivalent and comparable credit rating as references. The derived PD and LGD are then adjusted by management to reflect the effects of current conditions.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

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

Impairment - write-off accounts

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

(ii) Financial investments - HTM

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

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

(iii) Financial investments - AFS

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

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

(iii) Financial investments - AFS (cont'd.)

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

For debt instruments, impairment is assessed based on the same criteria as other AFS financial investments. Where impairment losses have been previously recognised in the income statements and 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 recognised in the income statements, the impairment loss is reversed through income statements.

(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 funds.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(l) Bills and acceptance payable

Bills and acceptance payable represents the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

(m) 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.

(n) Employee benefits

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

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

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

(o) 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" ("ISF") and "deferred income".

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(o) Government grants (cont'd.)

ISF relates to fund received from the Government to cover the potential risk of loan/financing default, any allowance for impaiment losses, write-off and other liquidity requirements that may arise. It is also to cover the contingent liabilities of Bank i.e guarantees, standby credits and performance bonds.

Deferred income comprises claims received in relation to profit rate differentials on financing of Government infrastructure project.

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

(p) Provisions

Provisions are recognised when the Group and the Bank have 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.

(q) Contingent liabilities

Contingent liabilities consist of secured guarantees given to third parties on behalf of borrowers/customers. 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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(r) 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: Non-current Assets Held for Sale and Discontinued Operations; that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statements.

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

(s) Revenue

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

(i) Interest/finance income and similar income

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(s) Revenue (cont'd.)

(i) Interest/finance income and similar income (cont'd.)

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

(ii) Islamic income recognition

Income from financing and receivables is recognised in the income statements using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The calculation of the effective profit rate includes all contractual terms of the financial instruments and includes any fees incremental costs that are directly attributable to the instruments and are an integral part of the effective profit rate.

Sale-based Financing (Murabahah, Tawarruq, Istisna', Bai' Bithaman Ajil and Bai' 'Inah)

Income are accrued on monthly basis on the cost outstanding at the prevailing effective profit rate over the duration of the financing.

Lease-based Financing (Ijarah, Ijarah Muntahiyah bi Tamlik and Ijarah Thummal Bai')

Ijarah income is recognised on the effective profit rate of the cost of the leased asset over the leased period.

Fee income

Fee-based income from charging administrative fees such processing fee, arrangement fee, facility fee and upfront fee is recognised on an accrual basis. Fee-based income is also derived from provision of guarantee based on kafalah contract.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(s) Revenue (cont'd.)

(iii) Income recognition for leasing, hire purchase financing, pre-factoring and factoring

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

(iv) Dividend income

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

(v) Charter hire income

Charter hire fees are accounted for on accrual basis.

(t) Income Taxes

(i) Current tax

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

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

(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.

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(t) Income Taxes (cont'd.)

(ii) Deferred tax (cont'd.)

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

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

2. Significant Accounting Policies (cont'd.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(u) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements with original maturity 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.

2.3 Changes in Accounting Policies

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

On 1 January 2017, the Group and the Bank adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual period beginning on or after
MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

MFRS 107 Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures, the application of these amendments has had no impact on the Group and on the Bank.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Application of the amendments have resulted in additional disclosures to be provided by the Group and the Bank.

2. Significant Accounting Policies (cont'd.)

2.3 Changes in Accounting Policies (cont'd.)

The Group and the Bank disclosed the additional disclosures in Notes 20 and 21.

MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Bank as the Group and the Bank already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to MFRS Standards 2014–2016 Cycle

Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective

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

Description	Effective for annual period beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

MFRS 9 *Financial Instruments*

In November 2014, the Malaysian Accounting Standards Board ('MASB') issued MFRS 9 "Financial Instruments", which replaces MFRS139, "Financial Instruments: Recognition and Measurement". MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures. MFRS 9 is effective for annual periods beginning on or after 1 January 2018.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

(i) Implementation program

The Bank has a centrally managed MFRS 9 program sponsored by the Bank's Chief Financial Officer and includes subject matter experts on methodology, data sourcing and modeling and reporting. The Bank's work to date has covered performing an assessment of the population of financial instruments impacted by the classification and measurement requirements of MFRS 9 and developing an impairment methodology to support the calculation of the Expected Credit Loss allowance. Specifically, during 2017 the Bank developed its approach for assessing significant increase in credit risk, incorporating forward looking information, including macro-economic factors and preparing the required IT systems and process architecture. The Bank performed parallel runs in 2017 to ensure procedural readiness and further improve the data quality of new data required.

Overall governance of the program's implementation is through the MFRS 9 Project Steering Committee and includes representation from Group Finance, Business Banking, Credit Review, Group Credit Recovery, Credit Appraisal, Group Risk Management, Group Compliance and Group Information Technology. Guidance and training on MFRS 9 across the Bank is delivered across businesses and functions as part of the Bank's internal control systems.

The Bank is in the process of enhancing its existing governance framework to ensure that appropriate validations and controls are in place over new key processes and significant areas of judgment.

(ii) Classification and measurement of financial assets and liabilities

MFRS 9 requires that an entity's business model and a financial instrument's contractual cash flows will determine its classification and measurement are appropriately determined in the financial statements. Upon initial recognition each financial asset will be classified as either fair value through profit or loss ('FVTPL'), amortised cost, or fair value through Other Comprehensive Income ('FVOCI'). As the requirements under MFRS 9 are different than the assessments under the existing MFRS 139 rules, some differences to the classification and measurement of financial assets under MFRS 139 are expected. The classification and measurement of financial liabilities remain largely unchanged under MFRS 9 from current requirements.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

(ii) Classification and measurement of financial assets and liabilities (cont'd.)

In 2017, the Bank made an initial determination of business models and assessed the contractual cash flow characteristics of the financial assets to determine the potential classification and measurement changes as a result of MFRS 9. As a result of the analysis performed thus far, the Bank has identified a population of financial assets which are expected to be measured at either amortised cost or fair value through other comprehensive income, which will be subject to the MFRS 9 impairment rules. However, the actual impact that MFRS 9 classification and measurement will have on the Bank is mainly dependent on the business models and the inventory of financial assets which exist at the effective date, and as such the Bank will roll forward its analysis during 2017 to take into consideration any changes in business strategies and composition of the financial assets.

(iii) Impairment on financial assets

The impairment requirements of MFRS 9 apply to financial assets that are measured at amortised cost or FVOCI, and off balance sheet lending commitments such as loan/financing commitments and financial guarantees.

The determination of impairment losses and allowance will move from an incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under MFRS 139, to an expected loss model under MFRS 9, where provisions are taken upon initial recognition of the financial asset (or the date that the Bank becomes a party to the loan/financing commitment or financial guarantee), based on expectations of potential credit losses at that time under MFRS 9. Currently, the Bank first evaluates individually whether objective evidence of impairment exists for loans that are individually significant.

Under MFRS 9 for financial assets originated or purchased, the Bank will recognise a loss allowance at an amount equal to 12-month expected credit losses, if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1). This amount represents the expected credit losses resulting from default events that are possible within the next 12 months. The interest/finance income is calculated on the gross carrying amount for financial assets in Stage 1.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

MFRS 9 *Financial Instruments (cont'd.)*

(iii) Impairment on financial assets (cont'd.)

MFRS 9 requires the recognition of credit losses over the remaining life of the financial assets ('lifetime expected losses') which are considered to have experienced a significant increase in credit risk (Stage 2) and for financial assets that are credit impaired at the reporting date (Stage 3). The lifetime expected credit losses represent all possible default events over the expected life of a financial instrument. The Bank leverages on existing watchlist trigger, credit rating changes and taking into consideration reasonable and supportable information which allows the Bank to identify whether the credit risk of financial assets has significantly increased. This process includes considering forward-looking information, including macro-economic factors. Furthermore, financial assets will be transferred to Stage 2 if 30 days past due. The interest/finance income is calculated on the gross carrying amount for financial assets in Stage 2.

As the primary definition for credit impaired financial assets moving to Stage 3, the Bank will apply the default definition as laid out in Credit Operation Guideline. Interest/finance income is calculated on the net carrying amount for these financial assets only. Forward-looking information, including macro-economic factor was taken into account to measure MFRS 9 compliant expected credit losses.

The Bank uses three main components to measure expected credit losses which are a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD'). For the purpose of MFRS 9, the allowance for credit losses is affected by a variety of key characteristics, such as, but not limited to the expected balance at default and the related amortisation profile as well as the expected life of the financial asset. As a consequence, the allowance for credit losses for Stage 2 financial assets will increase with the expected lifetime or the expected EAD. Incorporating forecasts of future economic conditions into the measurement of expected credit losses will additionally cause an impact on the allowance for credit losses for each stage. To determine whether a financial asset is credit impaired and thus must be classified as Stage 3, one or more events must be identified that have a detrimental impact on the estimated future cash flows.

MFRS 9 is expected to result in an increase in the overall level of allowances for credit losses. This estimated increase is driven by the requirement to record an allowance equal to 12 months expected credit losses on those instruments whose credit risk has not significantly increased since initial recognition and driven by the larger population of financial assets to which lifetime expected losses must be applied.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

MFRS 15 *Revenue from Contracts with Customers*

The Group has assessed the impact of MFRS 15 and the impact is not significant as the standard excludes scopes covered by MFRS 9.

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

MFRS 16 *Leases*

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

MFRS 16 ***Leases (cont'd.)***

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2017.

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. The Group will apply these amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

Annual Improvements to MFRS Standards 2014–2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group and the Bank financial statements.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

Annual Improvements to MFRS Standards 2014–2016 Cycle (cont'd)

(a) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters.

This amendment is not applicable to the Group as the Group is not a first-time adopter of MFRS.

(b) MFRS 128 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The amendments clarify that:

- an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:

  (i) the investment entity associate or joint venture is initially recognised;
  (ii) the associate or joint venture becomes an investment entity; and
  (iii) the investment entity associate or joint venture first becomes a parent.

Earlier application of these amendments are permitted and must be disclosed. These amendments are not applicable to the Group as the Group is not a venture capital organisation and the Group does not have any associate or joint venture that is an investment entity.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and on the Bank as the Group and the Bank are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group and the Bank financial statements.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Bank do not expect the amendments to have any impact on the Group and the Bank financial statements.

Annual Improvements to MFRS Standards 2015–2017 Cycle

The Annual Improvements to MFRS Standards 2015-2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Bank's financial statements.

(a) MFRS 3 Business Combinations – Previously held interests in a joint operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

(b) MFRS 11 Joint Arrangements – Previously held interests in a joint operation

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

(c) MFRS 112 Income Taxes – Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(d) MFRS 123 Borrowing Costs – Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

2. Significant Accounting Policies (cont'd.)

2.4 Standards Issued but not yet Effective (cont'd.)

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Bank will apply the interpretation from its effective date. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

3. Significant Accounting Judgments and Estimates

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

3.1 Judgments

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgments which has the most significant effect and the amounts recognised in the financial statements.

(a) Impairment of financial investments portfolio (Note 5, Note 6 and Note 35)

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

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

(i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and

(ii) Determination of "significant" or "prolonged" requires judgment and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

(b) Impairment of loans, financing and advances (Note 7 and Note 34)

The Group and the Bank assess 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.

3. Significant Accounting Judgments and Estimates (cont'd.)

3.1 Judgments (cont'd.)

(c) Impairment of investment in subsidiaries (Note 9), interest in associates (Note 10) and JVs (Note 11)

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

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

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

(i) The Group and the Bank determine 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.

(d) Impairment of vessels (Note 35 and Note 44)

The Group and the Bank assess 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' recoverable amount.

3. Significant Accounting Judgments and Estimates (cont'd.)

3.2 Estimates

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(a) Allowance for impairment of loans, financing and advances (Note 7 and Note 34)

Management makes certain assumptions to estimate the recoverable amount of the loans, financing and advances once a suitable method of valuation is selected.

Amongst factors considered are the Group's and the Bank's aggregate exposure to the borrower/customer, the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the impairment made.

Collective assessment is performed on loans, financing and advances which the Group and the Bank have determined that no objective evidence of impairment exists based on individual assessment. These loans, financing and advances 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.

In deriving the collective allowance estimates, the Bank makes reference to the publicly available data particularly relating to Probability of Default ("PD") and Loss Given Default ("LGD") as benchmarks. The derived PD and LGD are then adjusted for by the management where deemed necessary.

For the subsidiaries involved in leasing and factoring business, future cash flows in a group of loans, financing and advances that are collectively evaluated for impairment are estimated based on the historical loss experience of those of the subsidiaries. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period during on which the historical loss experience is based on and to remove the effects of conditions in the historical period that do not currently exist.

3. Significant Accounting Judgments and Estimates (cont'd.)

3.2 Estimates (cont'd.)

(b) Allowance for impairment of financial investments portfolio (Note 5 and Note 6)

If there is objective evidence that an impairment loss has been incurred for financial investments - HTM, the amount of the loss is measured as the difference between the carrying amount and the present value of the estimated cash flows discounted at the original effective yield of the securities.

For financial investments - AFS, when there is evidence of impairment, the cumulative loss (which is measured as the difference between the acquisition cost and the current fair value, less any accumulated impairment loss on that investment previously recognised in the income statements) that had been recognised in other comprehensive income is reclassified from equity to income statements. Impairment losses on equity investments are not reversed through the income statements; increases in the fair value after impairment are recognised in other comprehensive income.

For quoted equity securities, its impairment losses are not reversed subsequent to its recognition until such equities are disposed.

In the case of debt instruments classified as financial investments AFS, the impairment is assessed based on the same criteria as financial investments HTM. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any accumulated impairment loss on that investment previously recognised in the income statements.

(c) Fair value estimation of financial investments - 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 flows method.

3. Significant Accounting Judgments and Estimates (cont'd.)

3.2 Estimates (cont'd.)

(d) Allowance for impairment of investment in subsidiaries (Note 9), interest in associates (Note 10) and JVs (Note 11)

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.

(e) Allowance for impairment of vessels (Note 35 and Note 44)

An asset's recoverable amount RA is the higher of the asset's value-in-use ("VIU") amount and fair value less costs to sell ("FVLCTS"). Estimating a VIU 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 FVLCTS of the assets are determined by an independent professional valuer. The valuer has utilised market approach in valuing the assets.

(f) Deferred tax (Note 16) and Income taxes (Note 36)

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

3. Significant Accounting Judgments and Estimates (cont'd.)

3.2 Estimates (cont'd.)

(f) Deferred tax (Note 16) and Income taxes (Note 36) (cont'd.)

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

4. Cash and Short Term Deposits

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and balances with other financial institutions	34,873	23,357	18,273	7,840
Money at call and deposit placements maturing within one month	1,682,978	1,272,142	1,422,003	1,020,428
	1,717,851	1,295,499	1,440,276	1,028,268

5. Financial Investments - AFS

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At fair value				
Money market instruments:				
Government investment issues	1,236,893	1,305,405	1,236,893	1,305,405
Quoted securities:				
(In Malaysia)				
Shares	153,806	133,205	148,996	129,682
Unit trust funds	201,008	201,073	201,008	201,073
	354,814	334,278	350,004	330,755

5. Financial Investments - AFS (cont'd.)

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted securities:				
(In Malaysia)				
Private debt securities	3,632,312	2,057,802	3,632,312	2,057,802
	3,632,312	2,057,802	3,632,312	2,057,802
	5,224,019	3,697,485	5,219,209	3,693,962

6. Financial Investments - HTM

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At amortised cost				
Money market instruments:				
Cagamas	-	5,037	-	5,037
Unquoted securities:				
(In Malaysia)				
Private debt securities	405,364	527,365	405,364	527,365
Loan stock	22	22	-	-
	405,386	527,387	405,364	527,365
Less: Accumulated impairment losses	(405,364)	(346,680)	(405,364)	(346,680)
	22	180,707	-	180,685
	22	185,744	-	185,722

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

	Group and Bank	
	2017	**2016**
	RM'000	**RM'000**
Cagamas	-	5,029
Unquoted private debt securities	-	207,329

6. Financial Investments - HTM (cont'd.)

The movements of the accumulated impairment losses are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
At 1 January	346,680	321,401	346,680	321,401
Provision during the financial year (Note 35)	58,684	25,279	58,684	25,279
At 31 December	405,364	346,680	405,364	346,680

7. Loans, Financing and Advances

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Loans, financing and advances to industries:				
Government guaranteed	3,056,106	4,342,616	3,056,106	4,342,616
Others	19,212,677	19,772,635	18,969,670	19,482,973
	22,268,783	24,115,251	22,025,776	23,825,589
Loans, financing and advances to others:				
Staff financing	7,470	8,562	7,470	8,562
	7,470	8,562	7,470	8,562
Gross loans, financing and advances	22,276,253	24,123,813	22,033,246	23,834,151
Allowance for impairment on loans, financing and advances				
Individual allowance	(1,678,836)	(2,238,529)	(1,630,661)	(2,163,480)
Collective allowance	(854,118)	(675,201)	(844,943)	(664,573)
	(2,532,954)	(2,913,730)	(2,475,604)	(2,828,053)
Net loans, financing and advances	19,743,299	21,210,083	19,557,642	21,006,098

7. Loans, Financing and Advances (cont'd.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bai' Bithaman Ajil	173,177	203,699	169,062	195,342
Bai' 'Inah	-	52,009	-	52,009
Bridging financing	15,955	15,869	13,456	13,456
Factoring	12,236	60,078	-	-
Hire purchase	139,420	144,047	-	-
Istisna'	3,743,519	3,997,381	3,743,519	3,997,381
Ijarah Muntahiyah bi Tamlik	164,742	160,956	122,604	124,918
Leasing	39,005	22,745	-	-
Murabahah	8,767	25,778	8,767	25,778
Revolving financing	620	2,546	-	-
Revolving working capital	173,855	253,146	173,855	253,146
Staff financing	7,470	8,562	7,470	8,562
Tawarruq	6,016,086	4,685,853	6,013,572	4,676,970
Term loan	11,781,401	14,491,144	11,780,941	14,486,589
Gross loans, financing and advances	22,276,253	24,123,813	22,033,246	23,834,151
Allowance for impairment on loans, financing and advances:				
Individual allowance	(1,678,836)	(2,238,529)	(1,630,661)	(2,163,480)
Collective allowance	(854,118)	(675,201)	(844,943)	(664,573)
Net loans, financing and advances	19,743,299	21,210,083	19,557,642	21,006,098

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7. Loans, Financing and Advances (cont'd.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Domestic business enterprises	22,268,783	24,115,251	22,025,776	23,825,589
Individuals	7,470	8,562	7,470	8,562
	22,276,253	24,123,813	22,033,246	23,834,151

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate:				
Housing loans/financing	8,736	16,919	7,470	8,562
Hire purchase receivables	139,420	144,047	-	-
Other fixed rate loans/ financing	13,626,584	15,196,777	13,524,263	15,059,519
Variable rate:				
Cost plus	3,177,126	3,100,511	3,177,126	3,100,511
Other variable rates	5,324,387	5,665,559	5,324,387	5,665,559
	22,276,253	24,123,813	22,033,246	23,834,151

7. Loans, Financing and Advances (cont'd.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Agriculture, hunting and forestry	235	5,756	-	-
Construction	10,142,214	11,019,192	10,139,747	10,993,823
Education	2,025,103	2,046,551	2,025,103	2,046,551
Electricity, gas and water supply	2,295,231	2,252,403	2,295,231	2,252,091
Finance, insurance and business	71,220	65,335	-	-
Hotel and restaurants	1,369,505	1,408,715	1,352,507	1,408,715
Housing	7,470	8,562	7,470	8,562
Manufacturing	428,467	552,400	403,033	538,971
Marine related	-	84,378	-	84,378
Materials technology	11,224	14,840	11,224	14,840
Medical and pharmaceuticals	14,708	43,371	14,708	43,371
Mining and quarrying	90	433	-	-
Other community, social and personal service activities	273,975	208,605	221,685	205,403
Public administration and defence	32,464	38,308	32,464	38,308
Real estate, renting and business activities	437,224	592,730	437,224	489,596
Shipping	1,092,197	1,434,745	1,092,197	1,434,745
Shipyard	182,567	201,369	182,567	201,369
Transport, storage and communication	3,892,359	4,146,120	3,818,086	4,073,428
	22,276,253	24,123,813	22,033,246	23,834,151

7. Loans, Financing and Advances (cont'd.)

(v) The maturity structure of loans, financing and advances is as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	4,662,598	4,508,249	4,618,888	4,480,690
One year to three years	3,827,532	5,159,757	3,683,643	5,028,630
Three years to five years	2,662,653	2,523,188	2,607,245	2,422,710
Over five years	11,123,470	11,932,619	11,123,470	11,902,121
	22,276,253	24,123,813	22,033,246	23,834,151

(vi) Loans, financing and advances analysed by geographical distribution are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Within Malaysia	22,276,253	24,123,813	22,033,246	23,834,151

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At 1 January	3,623,124	2,794,395	3,541,377	2,796,826
Impaired during the financial year	183,672	1,468,056	168,141	1,324,965
Reclassified as non-impaired	(253,151)	(17,817)	(245,897)	-
Recovered during the financial year	(143,255)	(508,180)	(143,255)	(467,084)
Amount written off	(704,058)	(113,330)	(667,049)	(113,330)
At 31 December	2,706,332	3,623,124	2,653,317	3,541,377
Gross impaired loans as a % of gross loans, financing and advances	12.15%	15.02%	12.04%	14.86%

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7. Loans, Financing and Advances (cont'd.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Construction	399,012	453,960	398,823	447,170
Education	74,177	77,551	74,177	77,551
Electricity, gas and water supply	111,260	118,783	111,260	118,783
Finance, insurance and business	1,865	2,641	-	-
Hotel and restaurants	542,417	484,304	531,857	474,029
Manufacturing	195,106	361,988	175,882	339,415
Marine related	-	84,378	-	84,378
Materials technology	11,224	14,841	11,224	14,841
Medical and pharmaceuticals	14,708	43,371	14,708	43,371
Other community, social and personal service activities	561	8,809	-	-
Real estate, renting and business activities	-	5,731	-	-
Shipping	778,764	1,339,807	778,764	1,339,807
Shipyard	-	639	-	-
Transport, storage and communication	577,238	626,321	556,622	602,032
	2,706,332	3,623,124	2,653,317	3,541,377

7. Loans, Financing and Advances (cont'd.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Individual allowance ("IA")				
At 1 January	2,238,529	1,426,339	2,163,480	1,352,430
Allowance made during the financial year	259,854	707,561	248,307	678,314
Allowance made during the year against ISF	2,413	9,334	2,413	9,334
Amount written back in respect of recoveries	(38,854)	(115,905)	(19,624)	(95,771)
Amount transferred from CA	7,103	350,922	7,103	350,922
Amount transferred to CA	(109,738)	(22,317)	(109,738)	(22,317)
Amount written off	(680,471)	(117,405)	(661,280)	(109,432)
At 31 December	1,678,836	2,238,529	1,630,661	2,163,480
Collective allowance ("CA")				
At 1 January	675,201	897,045	664,573	919,953
Allowance made during the financial year	170,822	111,946	163,895	73,232
Allowance made during the year against ISF	-	(7)	-	(7)
Amount written back	(94,540)	(5,178)	(86,160)	-
Amount transferred to IA	(7,103)	(350,922)	(7,103)	(350,922)
Amount transferred from IA	109,738	22,317	109,738	22,317
At 31 December	854,118	675,201	844,943	664,573

8. Other Assets

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Sundry receivables, deposits and prepayments	(i)	342,256	361,424	20,838	40,643
Less: Allowance for doubtful debts	(ii)	(294,333)	(215,421)	(830)	(601)
		47,923	146,003	20,008	40,042
Amount due from subsidiaries		-	-	1,650	726
Amount receivable from Government in respect of compensation for:					
Infrastructure projects		46,020	46,819	46,020	46,819
Foreign exchange differences		85,361	85,361	85,361	85,361
Tax recoverable		10,278	40,257	-	35,160
		189,582	318,440	153,039	208,108

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from Syarikat Borcos Shipping Sdn Bhd ("Borcos"), a former subsidiary of Global Maritime Ventures Berhad ("GMVB") amounting to RM289,463,000 (2016: RM289,463,000).

(ii) Allowance for doubtful debts

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
At 1 January	215,421	23,364	601	706
Provided during the financial year:				
- Trade receivables	78,683	-	-	-
- Staff resigned	412	-	412	-
Impairment on amount due from discontinued operation	-	210,781	-	-
Recovered during the financial year	(183)	(18,651)	(183)	(32)
Amount written off	-	(73)	-	(73)
At 31 December	294,333	215,421	830	601

9. Investments in Subsidiaries

	Bank 2017 RM'000	Bank 2016 RM'000
Unquoted shares, at cost	922,939	924,686
Additional capital contribution due to waiver of debt	68,750	68,750
	991,689	993,436
Less: Allowance for impairment on investments in subsidiaries	(707,385)	(603,749)
	284,304	389,687
Less: Transfer to subsidiary classified as held for sale, net of impairment allowance	-	(636)
	284,304	389,051

Movement of allowance for impairment:

	2017 RM'000	2016 RM'000
As at 1 January	603,749	512,577
Amount provided during the year	104,747	91,172
Amount written back during the year	(1,111)	-
At 31 December	707,385	603,749

(a) Subsidiary with significant non-controlling interest

The summarised financial information of Global Maritime Ventures Berhad ("GMVB") which have significant non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination:

(i) Summarised statement of financial position

	GMVB 2017 RM'000	GMVB 2016 RM'000
Non current assets	21,417	30,024
Current assets	122,651	225,034
Total assets	144,068	255,058
Non current liabilities		
Current liabilities	10,117	3,821
Total liabilities	10,117	3,821
Net assets	133,951	251,237
Equity attributable to the owners of the company	127,427	243,813
Carrying value of non-controlling interests	6,524	7,424

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9. Investments in Subsidiaries (cont'd.)

(a) Subsidiary with significant non-controlling interest (cont'd.)

(ii) Summarised statement of comprehensive income

	GMVB 2017 RM'000	2016 RM'000
Continuing operations:		
Other income	6,149	17,321
Administrative expenses	(93,743)	(7,903)
Finance costs	-	(4)
Share of loss of joint ventures and associates	(5,405)	(5,880)
(Loss)/profit before taxation	(92,999)	3,534
Income tax	(1,656)	(6,416)
Zakat	(1,004)	(1,050)
Loss for the financial year	(95,659)	(3,932)
Discontinued operations:		
Gain on deconsolidation of discontinued operations	-	440,370
Impairment on amount due from discontinued operations	-	(210,781)
Loss from discontinued operations	-	(119,746)
Profit from discontinued operations, net of tax	-	109,843
Net (loss)/profit for the year	(95,659)	105,911
Other comprehensive (loss)/income		
Foreign currency translation reserved transferred:		
- transferred to profit or loss	-	(215,292)
- to be reclassed to profit or loss in subsequent year	(3,627)	5,988
	(3,627)	(209,304)
Total comprehensive loss for the financial year	(99,286)	(103,393)

9. Investments in Subsidiaries (cont'd.)

(a) Subsidiary with significant non-controlling interest (cont'd.)

(ii) Summarised statement of comprehensive income (cont'd.)

	GMVB 2017 RM'000	2016 RM'000
(Loss)/profit for the year attributable to:		
Equity holders of the parent	(95,475)	106,031
Non-controlling interest	(184)	(120)
	(95,659)	105,911
Total comprehensive loss attributable to the owners of the company	(98,386)	(101,303)
Total comprehensive loss attributable to the non-controlling interests	(900)	(2,090)
	(99,286)	(103,393)

(iii) Summarised statement of cash flows

	GMVB 2017 RM'000	2016 RM'000
Net cash used in operating activities	(6,796)	(72,048)
Net cash generated from/(used in) investing activities	3,145	(3,064)
Net cash used in financing activities	(18,000)	(23,218)
Net decrease in cash and cash equivalents	(21,651)	(98,330)
Effects of foreign exchange rate changes	-	328
Cash and cash equivalents at beginning of financial year	111,985	209,987
Cash and cash equivalents at the end of the financial year	90,334	111,985

(b) Disposal of a subsidiary

On 23 November 2016, the Bank accepted the offer from Intrasys Sdn Bhd, to acquire the Bank's interest in Pembangunan Ekuiti Sdn Bhd ("PESB") at Net Tangible Assets ("NTA") as at 31 December 2016. The disposal of the subsidiary was completed on 31 March 2017.

9. Investments in Subsidiaries (cont'd.)

(b) Disposal of a subsidiary (cont'd.)

Details of the financial position of Pembangunan Ekuiti Sdn Bhd on the date of the deconsolidation were as follows:

	Total	
Assets	**2017 RM'000**	**2016 RM'000**
Asset held for sale	-	304,507
Cash and bank balances	714	7,397
Trade and other receivables	1	838
Amount due to holding company	-	64
Tax recoverable	-	45
	715	312,851
Liabilities		
Borrowings	-	(228,845)
Trade and other payables	(88)	(308,954)
Deferred tax liabilities	-	(4)
	(88)	(537,803)
Net asset/(liabilities)	627	(224,952)

	At the date of deconsolidation	
	2017 RM'000	**2016 RM'000**
Net identifiable asset/liabilities disposed	627	224,952
Reclassification of foreign exchange reserve to profit or loss	-	215,292
Transfer from non-controlling interest	(2,419)	126
(Loss)/gain on deconsolidation	(1,792)	440,370
The effect of the deconsolidation on cash flow is as follows:		
Cash and bank balances of Borcos	-	(7,397)
Cash outflow to the Group on deconsolidation	-	(7,397)
Included in results from operating activities are:		
Depreciation of property, plant and equipment	-	30,644
Amortisation of intangible assets	-	15,511
Impairment allowance for vessels	-	200,974

9. Investments in Subsidiaries (cont'd.)

(b) Disposal of a subsidiary (cont'd.)

(i) Statement of financial position disclosure

The major classes of assets and liabilities of a subsidiary classified as held for sale as at 31 December 2016 are as follows:

Group	Carrying amount 2016 RM'000
Assets:	
Cash and bank balances	842
Tax recoverable	4
Total assets	846
Liabilities:	
Payables	215

(ii) Statement of cash flow disclosure

	2016 RM'000
Cash outflow from operating activities	(3)
Cash inflow from investing activities	24
Cash and cash equivalents at beginning of financial year	821
Cash and cash equivalents at the end of the financial year	842

9. Investments in Subsidiaries (cont'd.)

(c) Discontinued operations

The result from discontinued operation for the financial year ended 31 December 2017 is as follows:

	PESB 2017 RM'000
Interest income	6
Interest expense	-
Net interest income	6
Non-interest income	-
Net income	6
Overhead expenses	(7)
Allowance for impairment losses on other assets	-
Loss before taxation	(1)
Tax expense	(4)
Loss, net of taxation	(5)

	Borcos RM'000	**PESB RM'000**	**2016 RM'000**
Interest income	88	19	107
Interest expense	(12,598)	-	(12,598)
Net interest income	(12,510)	19	(12,491)
Non-interest income	16,366	-	16,366
Net income	3,856	19	3,875
Overhead expenses	(28,818)	(19)	(28,837)
Allowance for impairment losses on other assets	(94,737)	-	(94,737)
Loss before taxation	(119,699)	-	(119,699)
Tax expense	(47)	(5)	(52)
Loss, net of taxation	(119,746)	(5)	(119,751)

10. Interest in Associates

	Group 2017 RM'000	Group 2016 RM'000
At cost:		
Unquoted ordinary shares	300	74,975
Less: Result from deconsolidation exercise	-	(343)
	300	74,632
Group's share of post acquisition reserve	3,263	3,282
	3,563	77,914
Less: Accumulated impairment losses	-	(74,675)
Less: Dividend from associates	(3,000)	-
Add: Result from deconsolidation exercise	-	343
	(3,000)	(74,332)
	563	3,582

(i) Details of the associates incorporated in Malaysia are as follows:

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group 2017 %	Effective interest held by the Group 2016 %	Principal Activities
Held through GMVB, a subsidiary:			
Wawasan Bulk Services Sdn Bhd	27.0	27.0	Ship management

10. Interest in Associates (cont'd.)

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

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2017 %	2016 %	
Held through SME Growth Acceleration Fund Sdn Bhd ("SME GAF"), a subsidiary:			
Ambang Wibawa Sdn Bhd *	26.0	26.0	Dormant
Cantuman Wawasan Sdn Bhd *	26.0	26.0	Dormant
Internexia Sdn Bhd *	26.0	26.0	Dormant
MS Time Ventures Sdn Bhd *	26.0	26.0	Dormant
Nano C Sdn Bhd *	26.0	26.0	Dormant
Profound Kestrel Laboratories Sdn Bhd *	49.0	49.0	Dormant
Schiffs & Industries Tehcnic Sdn Bhd *	26.0	26.0	Dormant
Wellad Communications Sdn Bhd *	26.0	26.0	Dormant

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

10. Interest in Associates (cont'd.)

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

(a) Summarised statement of financial position

	Group 2017 RM'000	Group 2016 RM'000
Total assets	23,942	38,245
Total liabilities	22,065	26,303

(b) Summarised statement of comprehensive income

	Group 2017 RM'000	Group 2016 RM'000
Revenue	2,208	3,524
(Loss)/profit for the financial year	(564)	773

(c) Reconciliation of the summarised financial information

	Group 2017 RM'000	Group 2016 RM'000
Net assets at 1 January	11,942	11,092
(Loss)/Profit for the financial year	(564)	773
Other comprehensive income	499	77
Dividend	(10,000)	-
Net assets at 31 December	1,877	11,942
Interest in associates	30%	30%
Carrying value of Group's interest in associates	563	3,582

11. Interest in JVs

	Group 2017 RM'000	Group 2016 RM'000
At cost:		
Unquoted ordinary shares	53,979	53,979
Group's share of post acquisition deficit	(14,568)	(9,182)
Less: Accumulated impairment losses	(18,585)	(18,585)
	20,826	26,212
Advances to JVs:		
within 1 year	32,396	5,057
1 year to 2 years	3,083	10,202
2 years to 5 years	3,583	15,303
More than 5 years	16,907	24,995
Less: Allowance for doubtful debts	(48,345)	(48,345)
	7,624	7,212
	28,450	33,424

11. Interest in JVs (cont'd.)

The advances to JVs bear an interest of 2.4% to 7.0% (2016: 2.4% to 7.0%) per annum and are repayable on a quarterly basis over a period of 10 years.

(i) Details of the JVs are as follows:

Name of JVs (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2017 %	2016 %	
Held through GMVB, a subsidiary:			
Alam Eksplorasi (M) Sdn Bhd ^	36.00	36.00	Ship-owning, ship operator, ship agency, chartering and other related to shipping industry
Alam Synergy I (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy II (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy III (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Baycorp Ship Management Sdn Bhd #	36.00	36.00	Ship management
Formasi Cekal Sdn Bhd #	36.00	36.00	Ship-owning, ship operator and to undertake all kinds of contract to carry merchant goods
Gagasan Ked Sdn Bhd #	54.00	54.00	Ship-owning

11. Interest in JVs (cont'd.)

(i) Details of the JVs are as follows:

Name of JVs (incorporated in Malaysia)	**Effective interest held by the Group**		**Principal Activities**
	2017 %	**2016 %**	
Held through GMVB, a subsidiary (cont'd.):			
Gagasan Paha Sdn Bhd #	54.00	54.00	Ship-owning
Global BMesra Sdn Bhd @	44.10	44.10	Ship-owning and freighting
Global BMesra Dua Sdn Bhd @	44.10	44.10	Ship-owning and freighting
Global BIkhlas Sdn Bhd @	44.10	44.10	Ship-owning and freighting
Sea Weasel Limited	44.10	44.10	Ship-owning and freighting

^ Collectively known as Alam Group
\# Collectively known as Gagasan Group
@ Collectively known as Global Group

The aggregate current assets, non-current assets, current liabilities and result of the JVs are as follows:

(a) Summarised statement of financial position

	2017 RM'000	**2016 RM'000**
Assets:		
Non current assets	84,431	97,204
Current assets	70,709	55,385
Total assets	155,140	152,589
Liabilities:		
Non current liabilities	69,927	59,824
Current liabilities	211,960	199,694
Total liabilities	281,887	259,518
Net liabilities	(126,747)	(106,929)

11. Interest in JVs (cont'd.)

The aggregate current assets, non-current assets, current liabilities and result of the JVs are as follows:

(b) Summarised statement of comprehensive income

	2017 RM'000	2016 RM'000
Revenue	1,976	19,690
Cost of sales	(4,719)	(27,174)
Gross loss	(2,743)	(7,484)
Other income	1,463	7,824
Administrative expenses	(3,885)	(60,218)
Operating expenses	(10,685)	(13,286)
Loss from operations	(15,850)	(73,164)
Finance costs	(3,928)	(8,271)
Loss before taxation	(19,778)	(81,435)
Taxation	(40)	(60)
Loss for the financial year	(19,818)	(81,495)

(c) Reconciliation of the summarised financial information

	2017 RM'000	2016 RM'000
Net liabilities at 1 January	(106,929)	(25,434)
Loss for the year	(19,818)	(81,495)
Net liabilities at 31 December	(126,747)	(106,929)
Interests in joint ventures	58,174	47,826
Carrying value of Group's interest in joint ventures	(68,573)	(59,103)
Less: Cumulative unrecognised losses b/f	(86,409)	(51,649)
Share of unrecognised losses for the year	(2,990)	(33,666)
Net carrying value of Group's interest in joint ventures	20,826	26,212

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12. Property, Plant and Equipment

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Capital work-in progress RM'000	Total RM'000
2017							
Cost							
At 1 January	18,373	71,747	32,120	1,564	38,994	720	163,518
Additions	-	-	2,029	11	1,386	266	3,692
Disposals/write-off	(230)	-	(6,837)	(48)	-	-	(7,115)
Reclassification	(170)	-	(30)	-	-	-	(200)
At 31 December	17,973	71,747	27,282	1,527	40,380	986	159,895
Accumulated depreciation							
At 1 January	-	12,550	27,881	1,439	38,442	-	80,312
Charge for the financial year	-	1,432	1,933	65	400	-	3,830
Disposals/write-off	-	-	(6,799)	(5)	-	-	(6,804)
At 31 December	-	13,982	23,015	1,499	38,842	-	77,338
Net carrying amount	17,973	57,765	4,267	28	1,538	986	82,557

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12. Property, Plant and Equipment (cont'd.)

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Capital work-in progress RM'000	Total RM'000
2016							
Cost							
At 1 January	18,373	78,912	36,358	2,111	39,003	2,163	176,920
Additions	-	-	1,370	-	-	481	1,851
Disposals/write-off	-	(7,165)	(5,393)	(547)	(9)	-	(13,114)
Reclassification	-	-	(215)	-	-	(1,924)	(2,139)
At 31 December	18,373	71,747	32,120	1,564	38,994	720	163,518
Accumulated depreciation							
At 1 January	-	11,678	31,224	1,785	38,203	-	82,890
Charge for the financial year	-	1,486	2,199	201	248	-	4,134
Disposals/write-off	-	(614)	(5,542)	(547)	(9)	-	(6,712)
At 31 December	-	12,550	27,881	1,439	38,442	-	80,312
Net carrying amount	18,373	59,197	4,239	125	552	720	83,206

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12. Property, Plant and Equipment (cont'd.)

Bank	**Freehold land RM'000**	**Buildings RM'000**	**Furniture and quipment RM'000**	**Mechanical and electricals RM'000**	**Motor vehicles RM'000**	**Renovation RM'000**	**Capital work-in progress RM'000**	**Total RM'000**
2017								
Cost								
At 1 January	18,203	71,617	27,538	38,995	806	820	720	158,699
Additions	-	-	680	1,385	11	1,335	266	3,677
Disposals/write off	(230)	-	(6,837)	-	(4)	-	-	(7,071)
At 31 December	17,973	71,617	21,381	40,380	813	2,155	986	155,305
Accumulated depreciation								
At 1 January	-	12,420	24,360	38,443	803	38	-	76,064
Charge for the financial year	-	1,432	1,236	400	2	511	-	3,581
Disposals/write off	-	-	(6,798)	-	(4)	-	-	(6,802)
At 31 December	-	13,852	18,798	38,843	801	549	-	72,843
Net carrying amount	17,973	57,765	2,583	1,537	12	1,606	986	82,462

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12. Property, Plant and Equipment (cont'd.)

Bank	Freehold land RM'000	Buildings RM'000	Furniture and quipment RM'000	Mechanical and electricals RM'000	Motor vehicles RM'000	Renovation RM'000	Capital work-in progress RM'000	Total RM'000
2016								
Cost								
At 1 January	18,203	78,782	31,991	39,004	1,336	-	2,163	171,479
Additions	-	-	490	-	-	820	481	1,791
Disposals/write off	-	(7,165)	(4,943)	(9)	(530)	-	-	(12,647)
Reclassification	-	-	-	-	-	-	(1,924)	(1,924)
At 31 December	18,203	71,617	27,538	38,995	806	820	720	158,699
Accumulated depreciation								
At 1 January	-	11,646	27,729	38,204	1,251	-	-	78,830
Charge for the financial year	-	1,484	1,557	248	82	38	-	3,409
Disposals/write off	-	(710)	(4,926)	(9)	(530)	-	-	(6,175)
At 31 December	-	12,420	24,360	38,443	803	38	-	76,064
Net carrying amount	18,203	59,197	3,178	552	3	782	720	82,635

13. Prepaid Land Leases

	Group and Bank	
	2017 RM'000	2016 RM'000
Cost		
At 1 January	1,662	1,662
Disposals	(562)	-
At 31 December	1,100	1,662
Depreciation		
At 1 January	779	745
Charge for the financial year	24	34
Disposals	(382)	-
Impairment	320	-
At 31 December	741	779
Carrying amount	359	883

14. Investment Properties

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost				
At 1 January	5,206	7,510	2,516	2,149
Disposals	(2,150)	-	(2,134)	-
Transfer (to)/from assets held for sale (Note 44)	(2,374)	(2,519)	-	367
Transfer from property, plant and equipment	-	215	-	-
At 31 December	682	5,206	382	2,516
Depreciation and impairment loss				
At 1 January	3,643	3,436	1,361	1,310
Charge for the financial year	21	192	18	51
Disposals	(1,560)	15	(1,349)	-
Transfer (to)/from assets held for sale (Note 44)	(2,063)	-	-	-
At 31 December	41	3,643	30	1,361
Carrying amount	641	1,563	352	1,155

14. Investment Properties (cont'd.)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Included in the above are:				
Buildings	641	1,563	352	1,155

(i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank to be RM830,000 (2016: RM11,080,000) and RM440,000 (2016: RM3,830,000 respectively based on comparison with indicative market value stated in the Property Market Report 2017 (2016: Property Market Report 2016).

15. Intangible Assets

Group

2017	Computer software RM'000	Total RM'000
Cost		
At 1 January	32,768	32,768
Addition	3,000	3,000
At 31 December	35,768	35,768
Amortisation		
At 1 January	23,544	23,544
Amortisation charged	4,267	4,267
At 31 December	27,811	27,811
Carrying amount	7,957	7,957

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15. Intangible Assets (cont'd.)

Group (cont'd.)

2016	Computer software RM'000	Contract based related intangibles RM'000	Goodwill RM'000	Total RM'000
Cost				
At 1 January	28,477	62,089	76,664	167,230
Addition	2,367	-	-	2,367
Transfer from property, plant and equipment (Note 12)	1,924	-	-	1,924
Deconsolidation of a subsidiary	-	(62,089)	(76,664)	(138,753)
At 31 December	32,768	-	-	32,768
Amortisation				
At 1 January	19,653	62,089	-	81,742
Amortisation charged	3,891	-	-	3,891
Amount written off due to deconsolidation of a subsidiary	-	(62,089)	-	(62,089)
At 31 December	23,544	-	-	23,544
Accumulated impairment losses				
At 1 January	-	-	76,664	76,664
Deconsolidation of a subsidiary	-	-	(76,664)	(76,664)
At 31 December	-	-	-	-
Carrying amount	9,224	-	-	9,224

15. Intangible Assets (cont'd.)

Group (cont'd.)

Contract based related intangibles

Contract based related intangibles relate to the customer contracts that were acquired in business combinations. The intangibles are in respect of contracts that will expire by 2017; and is amortised on a straight line basis up to expiry. The subsidiary of the Bank has fully amortised the intangible assets as its Petronas license has been revoked, where all of the existing contracts has been suspended.

Bank

	Computer software 2017 RM'000	Computer software 2016 RM'000
Cost		
At 1 January	28,857	24,937
Additions	2,826	3,920
At 31 December	31,683	28,857
Amortisation		
At 1 January	20,472	16,752
Amortisation charged	3,791	3,720
At 31 December	24,263	20,472
Carrying amount	7,420	8,385

16. Deferred Tax Assets/(Liabilities)

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
At 1 January	15,137	(540)	13,205	6,026
Recognised in income statement	(1,835)	7,487	(1,119)	(779)
Recognised in equity	(11,962)	8,186	(11,653)	7,958
Deconsolidation of subsidiaries	-	4	-	-
At 31 December	1,340	15,137	433	13,205

16. Deferred Tax Assets/(Liabilities) (cont'd.)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	2,949	18,127	433	13,205
Deferred tax liabilities	(1,609)	(2,990)	-	-
	1,340	15,137	433	13,205

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

Group	Loan loss and allowances RM'000	Unrealised AFS reserve RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2017	4,762	2,019	14,345	21,126
Recognised in income statement	(2,226)	-	(677)	(2,903)
Recognised in equity	-	(11,962)	-	(11,962)
At 31 December 2017	2,536	(9,943)	13,668	6,261
At 1 January 2016	2,978	(6,167)	13,835	10,646
Recognised in income statement	1,784	-	506	2,290
Recognised in equity	-	8,186	-	8,186
Deconsolidation of subsidiaries	-	-	4	4
At 31 December 2016	4,762	2,019	14,345	21,126

16. Deferred Tax Assets/(Liabilities) (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax liabilities

Group	Loan loss and allowances RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2017	(5,920)	(69)	(5,989)
Recognised in income statement	1,492	(424)	1,068
At 31 December 2017	(4,428)	(493)	(4,921)
At 1 January 2016	(3,545)	(7,641)	(11,186)
Recognised in income statement	(2,375)	7,572	5,197
At 31 December 2016	(5,920)	(69)	(5,989)

Deferred tax assets

Bank	Unrealised AFS reserve RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2017	1,859	12,787	14,646
Recognised in income statement	-	(707)	(707)
Recognised in equity	(11,653)	-	(11,653)
At 31 December 2017	(9,794)	12,080	2,286
At 1 January 2016	(6,099)	12,281	6,182
Recognised in income statement	-	506	506
Recognised in equity	7,958	-	7,958
At 31 December 2016	1,859	12,787	14,646

16. Deferred Tax Assets/(Liabilities) (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax liabilities

Bank	Property, plant and equipment RM'000
At 1 January 2017	(1,441)
Recognised in income statement	(412)
At 31 December 2017	(1,853)
At 1 January 2016	(156)
Recognised in income statement	(1,285)
At 31 December 2016	(1,441)

17. Deposits from Customers

	Group and Bank 2017 RM'000	2016 RM'000
Fixed deposits and negotiable instruments of deposits:		
One year or less	8,160,469	9,750,551

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

	2017 RM'000	2016 RM'000
Tawarruq	5,813,823	6,020,848
Others	2,346,646	3,729,703
	8,160,469	9,750,551

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17. Deposits from Customers (cont'd.)

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
(b) The deposits are sourced from the following types of customers:		
Business enterprises	750,570	1,232,673
Government and statutory bodies	7,409,899	8,517,878
	8,160,469	9,750,551
(c) The deposits maturity structure are as follows:		
Less than six months	6,927,768	7,713,416
Six months to one year	1,232,701	2,037,135
	8,160,469	9,750,551

18. Deposits and Placements from Financial Institutions

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Licensed banks	-	10,002
(a) The deposits maturity structure are as follows:		
Less than six months	-	10,002

19. Other Liabilities

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Provision for taxation		4,906	1,747	2,202	-
Zakat payables		15,178	19,339	12,236	17,137
Trade creditors		116	7,949	-	-
Sundry creditors and accruals		132,232	80,409	85,561	44,993
Provision for corporate guarantees	(i)	-	-	-	-
		152,432	109,444	99,999	62,130

19. Other Liabilities (cont'd.)

(i) Corporate guarantees payable in prior year was related to amounts due to certain banks as a result of payment default by certain joint ventures, which a subsidiary of the Group has provided corporate guarantees on the loan facilities granted to the joint ventures.

The movement of the provision for corporate guarantees are as follows:

	Group 2017 RM'000	Group 2016 RM'000
At 1 January	-	69,160
Recovered during the financial year	-	(69,160)
At 31 December	-	-

20. Redeemable Notes

	Note	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Redeemable non-guaranteed notes			
Medium term notes	(i)	404,695	404,695
Medium term notes - Murabahah	(ii)	3,034,269	1,511,090
		3,438,964	1,915,785
Redeemable guaranteed notes			
Medium term notes - Murabahah	(iii)	3,041,671	3,041,671
Medium term notes	(iv)	510,586	510,718
		3,552,257	3,552,389
Infrastructure notes - nominal value	(v)	405,178	455,733
Less: Unaccreted discount		(3,184)	(3,591)
		401,994	452,142
		7,393,215	5,920,316

(i) This note carries a coupon rate of 6.30% per annum with a tenure of 15 years. This note will mature in April 2021.

(ii) These notes carry profit rates ranging between 4.28% to 4.98% per annum and for tenures of 5 years to 15 years. These notes will mature in March 2022, 2027 and 2032 respectively.

20. Redeemable Notes (cont'd.)

(iii) These notes carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These notes will mature in September 2021, 2024, 2029 and 2034 respectively.

(iv) These notes carry coupon rates ranging between 4.52% to 5.08% per annum and for tenures of 7 to 15 years. These notes will mature in January 2023 and 2031.

(v) This note has a maturity of 25 years with nominal value of RM400,000,000 (2016: RM450,000,000), which carries coupon rate of 7.50% (2016: 7.20%) per annum. The note will mature in October 2025.

The movements in the redeemable notes are as follows:

	Non-Murabahah		Murabahah	
	2017	2016	2017	2016
Group and Bank	RM'000	RM'000	RM'000	RM'000
Redeemable non-guaranteed notes				
Principal				
At 1 January	400,000	400,000	1,500,000	-
Issued during the financial year	-	-	1,500,000	1,500,000
At 31 December	400,000	400,000	3,000,000	1,500,000
Accrued interest/profit payable				
At 1 January	4,695	4,626	11,090	-
Charge for the financial year	20,988	25,269	110,767	11,090
Repayment during the financial year	(20,988)	(25,200)	(87,588)	-
At 31 December	4,695	4,695	34,269	11,090
	404,695	404,695	3,034,269	1,511,090
Redeemable guaranteed notes				
Principal				
At 1 January	500,000	-	3,000,000	3,000,000
Issued during the financial year	-	500,000	-	-
At 31 December	500,000	500,000	3,000,000	3,000,000

20. Redeemable Notes (cont'd.)

The movements in the redeemable notes are as follows (cont'd):

Group and Bank	Non-Murabahah 2017 RM'000	Non-Murabahah 2016 RM'000	Murabahah 2017 RM'000	Murabahah 2016 RM'000
Accrued interest/profit payable				
At 1 January	10,718	-	41,671	41,671
Charge for the financial year	19,923	22,686	114,692	114,692
Repayment during the financial year	(20,055)	(11,968)	(114,692)	(114,692)
At 31 December	10,586	10,718	41,671	41,671
	510,586	510,718	3,041,671	3,041,671

	2017 RM'000	2016 RM'000
Infrastructure notes		
Principal		
At 1 January	450,000	450,000
Repayment during the financial year	(50,000)	-
At 31 December	400,000	450,000
Unaccreted discount		
At 1 January	(3,591)	(3,998)
Unaccreted discount during the financial year	407	407
At 31 December	(3,184)	(3,591)
Accrued interest payable		
At 1 January	5,733	6,473
Charge for the financial year	27,462	36,966
Repayment during the financial year	(28,017)	(37,706)
At 31 December	5,178	5,733
	401,994	452,142

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21. Borrowings

Group and Bank	Note	31 December 2017 Due after twelve months RM'000	31 December 2017 Due within twelve months RM'000	31 December 2016 Due after twelve months RM'000	31 December 2016 Due within twelve months RM'000
Loans from Employees Provident Fund ("EPF")					
Unsecured:	21 (a)				
Principal		2,500,000	-	2,500,000	-
Interest		-	27,829	-	28,267
		2,500,000	27,829	2,500,000	28,267
Other loans					
Unsecured:	21 (b)				
Principal		250,000	-	250,000	156,249
Interest		-	6,197	-	9,068
		250,000	6,197	250,000	165,317
		2,750,000	34,026	2,750,000	193,584
Total borrowings			2,784,026		2,943,584

The movements in borrowings are as follows:

Group and Bank	Loans from EPF 2017 RM'000	Loans from EPF 2016 RM'000	Other loans 2017 RM'000	Other loans 2016 RM'000
Unsecured:				
Principal				
At 1 January	2,500,000	3,500,000	406,249	646,161
Repayment during the financial year	-	(1,000,000)	(156,249)	(239,912)
At 31 December	2,500,000	2,500,000	250,000	406,249
Accrued interest payable				
At 1 January	28,267	30,714	9,068	16,758
Charge for the financial year	116,434	151,544	16,866	33,415
Forex gain	-	-	106	878
Repayment during the financial year	(116,872)	(153,991)	(19,843)	(41,983)
At 31 December	27,829	28,267	6,197	9,068
Total borrowings	2,527,829	2,528,267	256,197	415,317

21. Borrowings (cont'd.)

(a) Loan from EPF

	Note	Group and Bank Principal 2017 RM'000	2016 RM'000
Loan 1	21(a)(i)	2,000,000	2,000,000
Loan 2	21(a)(ii)	500,000	500,000
		2,500,000	2,500,000

(i) The loan is repayable in 5 equal instalments over a period of 5 years, commencing 2019.

(ii) The loan is repayable in 10 equal instalments over a period of 5 years, commencing 2024.

All the above loans are guaranteed by the Government of Malaysia and bear interest at rates of 4.518% to 5.225% (2016: 4.518% to 5.225%) per annum.

(b) Other Loans - unsecured:

	Note	Group and Bank Principal 2017 RM'000	2016 RM'000
Loan from:			
Japan Bank of International Cooperation	21(b)(i)	-	56,249
Pension Trust Fund Council ("PTFC")	21(b)(ii)	250,000	350,000
		250,000	406,249

Included in other loan - unsecured are:

(i) The loan from Japan Bank for International Cooperation ("JBIC") amounting to NIL [2016: RM56,248,500 (¥1,750,000,000)] out of total loan facility of RM1,747,580,000 (¥59,000,000,000). This is guaranteed by Government of Malaysia and matured in March 2017.

(ii) The Loan from PTFC amounting to RM250,000,000 (2016: RM350,000,000) is repayable in 10 instalments over a period of 6 years, commencing from 2015. This loan will mature in 2020.

21. Borrowings (cont'd.)

(b) Other Loans - unsecured: (cont'd.)

The interest rate on other loans - unsecured range from 1.84% to 5.875% (2016: 1.84% to 5.875%) per annum during the financial year.

22. Infrastructure Support Fund ("ISF")

	Note	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
ISF - Novated loans			
At 1 January/31 December	(i)	303,974	303,974
Infrastructure Support Fund	(ii)		
At 1 January		2,605	33,152
IA made during the financial year against ISF (Note 30)		(2,413)	(9,334)
ISF for CA written back (Note 30)		-	7
Impairment of financial investments made during the financial year against ISF (Note 30)		-	(25,279)
Recoverable from loan written off against ISF (Note 30)		-	4,059
At 31 December		192	2,605
		304,166	306,579

(i) The amount relates to financial assistance given by the Government of Malaysia upon novation of loans and the related borrowing to finance the loans to the Bank. The Fund will be utilised to cover any future losses, costs and expenses incurred by the Bank upon the final settlement of the loans.

(ii) The amount relates to funds received from the Government to cover losses arising from loan/financing default, any allowance for impaiment losses, write-off and other liquidity requirements that may arise from loans given for government infrastructure projects.

23. Deferred Income

	Group and Bank	
	2017	2016
	RM'000	RM'000
At 1 January	234,011	239,420
Utilised during the financial year	(6,981)	(5,409)
At 31 December	227,030	234,011

Deferred income relates to amount received from the government for interest rate differentials on a loan given for a government infrastructure project.

24. Share capital

	Number of shares		Amount	
	2017	2016	2017	2016
Group and Bank	'000	'000	RM'000	RM'000
Issued and fully paid:				
Ordinary shares of RM1.00 each	3,078,724	3,078,724	3,078,724	3,078,724

25. Reserves

		Group		Bank	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Non-distributable:					
Capital reserve	25 (i)	1,000	1,000	-	-
Statutory reserve	25 (ii)	1,960,559	1,910,715	1,960,559	1,910,715
Unrealised AFS reserve	25 (iii)	31,472	(6,405)	31,012	(5,887)
Exchange translation reserve	25 (iv)	(48,216)	(40,776)	-	-
		1,944,815	1,864,534	1,991,571	1,904,828
Distributable:					
Retained profits	26	2,684,240	2,608,236	2,456,916	2,407,383
		4,629,055	4,472,770	4,448,487	4,312,211

25. Reserves (cont'd.)

(i) The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous financial years.

(ii) 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.

(iii) Unrealised AFS reserve represents the cumulative fair value changes, net of tax, of AFS financial assets until they are disposed of or impaired.

Movements of the AFS reserve are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	(6,405)	18,501	(5,887)	18,298
Unrealised loss on fair value changes	49,839	(33,092)	48,552	(32,143)
Transfer to deferred tax	(11,962)	8,186	(11,653)	7,958
At 31 December	31,472	(6,405)	31,012	(5,887)

(iv) 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

The retained earnings of the Bank can be distributed as dividends under the single-tier system.

27. Interest Income

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances	706,504	933,561	689,451	911,014
Compensation from the Government	122,149	120,092	122,149	120,092
Money at call and deposit placements with financial institutions	27,220	35,327	20,532	27,217
Financial investments - AFS	26,910	17,047	26,910	17,047
	882,783	1,106,027	859,042	1,075,370
Accretion of discount less amortisation of premium	(750)	(499)	(750)	(499)
	882,033	1,105,528	858,292	1,074,871
Of which:				
Interest income earned on impaired loans, financing and advances	66,121	52,616	65,896	52,354

28. Interest Expense

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	99,785	149,571	99,785	149,571
Deposits and placements from financial institutions	1,686	5,443	1,686	5,443
Bills and acceptance payable	1,860	33,632	1,860	33,632
Borrowings	133,300	176,388	133,300	176,388
Redeemable notes	80,849	85,327	80,849	85,327
Others	1	8,896	-	8,572
	317,481	459,257	317,480	458,933

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29. Non-Interest Income

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
(a) Investment income:				
Gross dividends from:				
Financial investments - AFS	7,208	7,800	7,208	7,800
Subsidiaries	-	-	16,200	-
Recoverable from associates written off	567	-	567	-
	7,775	7,800	23,975	7,800

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
(b) Other income:				
Fee income	10,071	24,907	5,977	20,184
Rental income:				
- Subsidiaries	-	-	500	825
- Others	1,914	2,167	1,819	2,051
Gain on disposal of property, plant and equipment	154	205	116	196
Gain on disposal of prepaid land lease	1,925	-	1,925	-
Gain on disposal of investment property	5,538	-	1,320	-
Loss on disposal of a subsidiary	(1,396)	-	(1,396)	-
Loss on disposal of investment	(5)	-	-	-
Gain/(loss) on foreign exchange				
Realised	-	290	-	-
Unrealised	3,809	(879)	3,809	(879)
Others	594	10,633	210	284
	22,604	37,323	14,280	22,661
Total non-interest income	30,379	45,123	38,255	30,461

30. Compensation from/(to) the Government

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
IA made during the financial year against ISF	2,413	9,334	2,413	9,334
CA written back during the financial year against ISF	-	(7)	-	(7)
Recoverable from loan written off against ISF	-	(4,059)	-	(4,059)
Financial investments impairment made during the financial year against ISF	-	25,279	-	25,279
	2,413	30,547	2,413	30,547

31. Overhead Expenses

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Personnel costs	(i)	60,996	79,078	52,754	56,196
Establishment related expenses	(ii)	15,157	17,468	13,570	13,884
Promotion and marketing expenses	(iii)	916	2,316	883	2,316
General administrative expenses	(iv)	21,078	11,222	12,028	15,806
		98,147	110,084	79,235	88,202

(i) Personnel costs

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Salaries, allowances and bonuses	43,718	58,720	38,558	42,842
Non-executive Directors' fees and remuneration:	3,502	2,350	3,009	1,696
Social security cost	339	322	286	238
Pension costs - Defined contribution plan	6,197	6,613	5,383	5,260
Compensation paid on loss of employment	1,738	3,803	370	-
Other staff related expenses	5,502	7,270	5,148	6,160
	60,996	79,078	52,754	56,196

31. Overhead Expenses (cont'd.)

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
(ii) Establishment related expenses				
Depreciation:				
Property, plant and equipment	3,830	4,134	3,581	3,409
Investment properties	21	192	18	51
Amortisation of:				
Prepaid lease rental	24	34	24	34
Intangible assets	4,267	3,891	3,791	3,720
Repairs and maintenance of property, plant and equipment	1,986	3,507	1,790	1,919
Information technology expenses	5,029	5,710	4,366	4,751
	15,157	17,468	13,570	13,884
(iii) Promotion and marketing expenses				
Advertisement and publicity	916	2,316	883	2,316
(iv) General administrative expenses				
General administrative expenses	20,316	9,148	11,573	14,900
Auditors' remuneration:				
- Statutory audit				
- Current year	825	1,180	429	424
- Over provision in respect of prior year	(215)	-	(52)	-
- Non-audit services regulatory related services	15	-	15	-
- Other services	98	737	24	471
Property, plant and equipment written off	39	157	39	11
	21,078	11,222	12,028	15,806

32. President/Group Chief Executive Officer and Directors' Fees and Remuneration

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer and Directors of the Bank are as follows:

	Remuneration received from the Bank							Remuneration received from Subsidiary Companies			
2017	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Group total RM'000
President/Group Chief Executive Officer											
Shaharuddin bin Zainuddin	289	-	-	45	18	-	352	-	-	-	352
	289	-	-	45	18	-	352	-	-	-	352
Executive Director:											
Mohammed Rafidz bin Ahmed Rasiddi	362	-	-	57	148	4	571	-	-	-	571
	362	-	-	57	148	4	571	-	-	-	571
Non-Executive Directors:											
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	258	-	-	374	-	632	-	-	-	632
Datuk Engku Nor Faizah binti Engku Atek	-	60	-	-	91	-	151	-	-	-	151
Dato' Ir. Hj. Mohamad bin Husin	-	11	-	-	46	-	57	12	15	-	84
Dato' Capt. Haji Ahmad bin Othman	-	11	-	-	37	-	48	13	6	-	67
Datuk Wan Azhar bin Wan Ahmad	-	60	-	-	399	-	459	280	164	-	903
Shaharuddin bin Zainuddin	-	34	-	-	230	-	264	-	-	-	264
Datuk Jamaludin bin Nasir	-	60	-	-	399	-	459	-	-	-	459
Suffian bin Baharuddin	-	53	-	-	286	-	339	-	3	-	342
Musa bin Abdul Malek	-	53	-	-	327	-	380	-	-	-	380
Datuk Seri Hashmudin bin Mohammad	-	57	-	-	163	-	220	-	-	-	220
	-	657	-	-	2,352	-	3,009	305	188	-	3,502
Total	651	657	-	102	2,518	4	3,932	305	188	-	4,425

32. President/Group Chief Executive Officer and 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			
2016	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Group total RM'000
Executive Director:											
Mohammed Rafidz bin Ahmed Rasiddi	821	-	90	100	36	9	1,056	-	-	-	1,056
	821	-	90	100	36	9	1,056	-	-	-	1,056
Non-Executive Directors:											
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	255	-	-	260	-	515	-	-	-	515
Zainul Rahim bin Mohd Zain	-	11	-	-	40	-	51	-	-	-	51
Rosli bin Abdullah	-	8	-	-	36	-	44	49	16	-	109
Dato' Abdul Rahman bin Md Khalid	-	8	-	-	31	-	39	14	6	-	59
Datuk Engku Nor Faizah binti Engku Atek	-	57	-	-	137	-	194	-	-	-	194
Dato' Ir. Hj. Mohamad bin Husin	-	57	-	-	210	-	267	66	55	-	388
Dato' Capt. Haji Ahmad bin Othman	-	57	-	-	195	-	252	70	73	-	395
Datuk Wan Azhar bin Wan Ahmad	-	60	-	-	267	-	327	180	125	-	632
Datuk Jamaludin bin Nasir	-	4	-	-	3	-	7	-	-	-	7
	-	517	-	-	1,179	-	1,696	379	275	-	2,350
Total	821	517	90	100	1,215	9	2,752	379	275	-	3,406

33. Compensation to Key Management Personnel

Key management personnel are defined as President/Group Chief Executive Officer and Directors of the Bank, executive and non-executive having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly. The remuneration and compensation of the President/Group Chief Executive Officer and Directors of the Bank during the financial year are as follows:

		Group		Bank	
	Note	**2017**	**2016**	**2017**	**2016**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employee benefits' (excluding benefits-in-kind)	32	4,421	3,397	3,928	2,743

Included in the above are:

		Group		Bank	
	Note	**2017**	**2016**	**2017**	**2016**
		RM'000	**RM'000**	**RM'000**	**RM'000**
President/Group Chief Executive Officer and Executive Director's remuneration (excluding benefits-in-kind)	32	919	1,047	919	1,047

34. Allowances for/(Writeback of) Impairment Losses of Loans, Financing and Advances

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Individual allowances ("IA"):				
Made during the financial year	262,267	716,895	250,720	687,648
Written back	(38,854)	(115,905)	(19,624)	(95,771)
Transferred from CA	7,103	350,922	7,103	350,922
Transferred to CA	(109,738)	(22,317)	(109,738)	(22,317)
Balance carried forward	120,778	929,595	128,461	920,482

34. Allowances for/(Writeback of) Impairment Losses of Loans, Financing and Advances (cont'd.)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Balance brought forward	120,778	929,595	128,461	920,482
Collective allowances ("CA"):				
Made during the financial year	170,822	111,939	163,895	73,225
Written back	(94,540)	(5,178)	(86,160)	-
Transferred to IA	(7,103)	(350,922)	(7,103)	(350,922)
Transferred from IA	109,738	22,317	109,738	22,317
Bad debts and financing:				
Written off	8,577	9,002	8,134	8,673
Recovered	(5,496)	(77,181)	(4,027)	(73,741)
	302,776	639,572	312,938	600,034

35. Allowances for/(Writeback of) Impairment Losses on Other Assets

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial investments - HTM	58,684	25,279	58,684	25,279
Investments in subsidiaries				
- Made during the financial year	-	-	104,747	91,172
- Written back	(1,111)	-	(1,111)	-
Amount due from subsidiaries	78,683	-	-	-
Investment in JVs	1,857	-	-	-
Interest in associates	-	(1,456)	-	-
Impairment on prepaid land leases	320	-	320	-
Trade receivables	-	1,103	-	-
Provision for ex-staff loan/financing				
- Made during the financial year	412	-	412	-
- Written back	(183)	(32)	(183)	(32)
	138,662	24,894	162,869	116,419

36. Taxation

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax expense:				
Current income tax	94,836	76,598	89,432	54,740
Under/(over) provision in prior years	2,397	(668)	(4,176)	3,428
	97,233	75,930	85,256	58,168
Deferred tax expense:				
Origination and reversal of temporary differences	826	(9,452)	2,254	196
Under/(over) provision in prior years	1,009	1,965	(1,135)	583
	1,835	(7,487)	1,119	779
	99,068	68,443	86,375	58,947

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

36. Taxation (cont'd.)

	Group		Bank	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit before taxation and zakat	325,311	207,563	294,044	125,658
Tax using Malaysian tax rate of 24% (2016: 24%)	78,074	49,815	70,570	30,158
Income not subject to tax	(7,412)	(99,567)	(6,491)	(4,459)
Non-deductible expenses	22,258	82,459	27,607	29,237
Deferred tax assets not recognised during the year	2,753	34,439	-	-
Utilisation of previously unrecognised capital allowances and tax losses	(11)	-	-	-
	95,662	67,146	91,686	54,936
Under/(over) provision of deferred tax in prior years	1,009	1,965	(1,135)	583
Under/(over) provision of income tax in prior years	2,397	(668)	(4,176)	3,428
Taxation	99,068	68,443	86,375	58,947

37. Dividends

Dividends recognised in the current year by the Bank are:

	2017		2016	
	Sen per share	**Total amount RM'000**	**Sen per share**	**Total amount RM'000**
Final 2016 ordinary, net of tax	3.25	100,000	-	-
	3.25	100,000	-	-

37. Dividends (cont'd.)

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2017, 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 2018.

38. Earnings Per Share ("EPS")

The basic EPS of the Group and the Bank are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group 2017	Group 2016
Profit/(loss) attributable to equity holders of the Bank (RM'000)		
- continuing operations	226,833	119,281
- discontinued operations	(985)	98,854
	225,848	218,135
Number of ordinary shares in issue ('000)	3,078,724	3,078,724
Basic EPS (sen) for:		
- continuing operations	7.37	3.87
- discontinued operations	(0.03)	3.21
	7.34	7.08

39. Commitments and Contingencies

(a) Loan and financing related commitments and contingencies of the Group and the Bank which are not included in these financial statements are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Disbursement of loans to industries	7,683,441	7,036,816	7,396,439	6,821,827
Secured guarantees on behalf of borrowers/ customers given to third parties	1,651,542	1,314,598	1,651,542	1,314,598
	9,334,983	8,351,414	9,047,981	8,136,425

The above corporate guarantees issued by a subsidiary to financial institutions related to contingent liability on corporate guarantees based on the outstanding balances of the credit facilities granted to JVs.

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure: Approved but not contracted for	9,417	10,128	9,390	10,128

40. 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 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.

40. Capital Adequacy (cont'd.)

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 reporting date.

	Bank	
	2017 RM'000	2016 RM'000
Tier 1 capital		
Paid-up share capital	3,078,724	3,078,724
Other reserves	4,417,475	4,312,211
Less: Deferred tax asset	(433)	(13,205)
Total Tier 1 capital	7,495,766	7,377,730
Tier 2 capital		
Government support funds	531,196	540,590
Collective allowance*	829,020	647,023
Total Tier 2 capital	1,360,216	1,187,613
Total capital	8,855,982	8,565,343
Less: Investment in subsidiaries	(284,304)	(389,051)
Total capital base	8,571,678	8,176,292

* The eligible amount for Tier 2 capital is after excluding CA on impaired loans, financing and advances of the Bank.

40. Capital Adequacy (cont'd.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

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

	Bank	
	2017	2016
	RM'000	RM'000
20%	294,285	215,197
50%	1,853,918	1,694,456
100%	23,229,009	21,727,110
	25,377,212	23,636,763

Without deducting proposed dividend:

	Bank	
	2017	2016
	%	%
Core capital ratio	29.537	31.213
RWCR	33.777	34.591

After deducting proposed dividend:

Core capital ratio	29.143	30.790
RWCR	33.383	34.168

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.

41. Other Contingencies

Contingent liabilities not considered remote litigation (unsecured)

<u>Subsidiary of the Bank</u>

A subsidiary is being sued by a client alleging that the subsidiary has failed to exercise due diligence and duty of care in foreclosing the client's collateral. The client alleged to have suffered significant loss and has applied the Interlocutory Injunction from the Court to refrain the subsidiary from foreclosing the remaining collateral value of RM3.0 million. Mediation which was conducted on 5 February 2015 failed to reach an amicable settlement. A full trial was held from 20 March 2017 to 23 March 2017. The trial was concluded and the High Court Judge had on 21 December 2017 dismissed the Defendant's suit against subsidiary and ruled in favor of the subsidiary. The Defendant has filed an appeal against the High Court's decision to the Court of Appeal on 19 January 2018 and case management was fixed on 26 February 2018 and later adjourned to 10 April 2018, pending the filing of the appeal record by the subsidiary.

The subsidiary is of the opinion that a provision is not required in respect of this matter as there is low probability that a future outflow of economic benefits will occur.

42. Significant Related Party Transactions and Balances

For the purpose of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Government of Malaysia ("GOM") is a shareholder with significant influence on the Bank, with direct shareholding of 99.99% (2016: 99.99%). GOM and entities directly controlled by GOM are collectively referred to as government-related entities to the Group and the Bank.

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 and the Bank either directly or indirectly. The key management personnel includes all the Directors of the Bank as disclosed in Note 33.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

42. Significant Related Party Transactions and Balances (cont'd.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The Group established credit policies, pricing strategy and approval process for loans, which are independent of whether the counter parties are government-related entities or not. The significant related party transactions and balances of the Group and the Bank are as follows:

42.1 Significant balances and transactions with a significant shareholder

(a) Significant balances with a significant shareholder

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Other assets		
Amount receivable from Government in respect of compensation for:		
Foreign exchange differences	85,361	85,361
Infrastructure projects	46,020	46,819

(b) Significant transactions with a significant shareholder

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Conventional		
Interest compensation from Government of Malaysia	122,149	120,092
Compensation from Government of Malaysia:		
- IA made during the financial year against ISF	2,413	9,334
- ISF for CA written back	-	(7)
- recoverable from loan written off against ISF	-	(4,059)
- impairment of financial investments made during the financial year against ISF	-	25,279
Islamic		
Profit compensation from Government of Malaysia	17,134	16,289
Fee income from Unit Kerjasama Awam Swasta ("UKAS")	-	7,693

42. Significant Related Party Transactions and Balances (cont'd.)

42.2 Significant balances and transactions with a significant shareholder's linked companies and bodies

(a) Significant balances with a significant shareholder's linked companies and bodies

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets				
Short term deposits	1,432,306	1,102,692	1,170,728	850,380
Financial investments - AFS	5,224,019	3,667,451	5,219,209	3,663,793
Financial investments - HTM	22	185,744	-	185,722
Liabilities				
Deposits from customers	8,160,068	9,750,551	8,160,068	9,750,551
Deposits and placements from financial institutions	-	10,002	-	10,002
Redeemable notes	7,393,215	5,920,316	7,393,215	5,920,316
Bills and acceptance payable	249,380	-	249,380	-
Borrowings	2,784,026	2,887,055	2,784,026	2,887,055
ISF	304,165	306,579	304,165	306,579
Deferred income	227,030	234,011	227,030	234,011

42. Significant Related Party Transactions and Balances (cont'd.)

42.2 Significant balances and transactions with a significant shareholder's linked companies and bodies (cont'd.)

(b) Significant transactions with a significant shareholder's linked companies and bodies

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Conventional				
Income				
Money at call and deposit placements with financial institutions	27,081	24,882	20,532	16,690
Financial investments - AFS	26,910	16,202	26,910	16,202
Amortisation of premium less accretion of discount	(750)	(499)	(750)	(499)
Dividend from Unit Trust	7,208	7,800	7,208	7,800
Rental income	2,413	2,175	2,318	2,051
Expenses				
Interest expense on:				
Deposits from customers and financial institutions	(101,471)	(155,014)	(101,471)	(155,014)
Borrowings	(127,236)	(187,147)	(127,236)	(176,388)
Bills and acceptance payable	(1,860)	(33,632)	(1,860)	(33,632)
Redeemable notes	(80,849)	(85,327)	(80,849)	(85,327)

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42. Significant Related Party Transactions and Balances (cont'd.)

42.2 Significant balances and transactions with a significant shareholder's linked companies and bodies (cont'd.)

(b) Significant transactions with a significant shareholder's linked companies and bodies (cont'd.)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Islamic				
Income				
Finance income from deposits and placements with financial institutions	19,952	21,507	18,004	20,133
Financial investments - AFS	154,701	92,198	154,701	92,198
Financial investments - HTM	1,939	4,264	1,939	4,264
Accretion of discount less amortisation of premium	30,171	27,015	30,171	27,015
Expenses				
Income attributable to the depositors:				
Deposits from customers and financial institutions	(230,001)	(213,343)	(230,001)	(213,343)
Redeemable notes	(267,773)	(161,596)	(267,773)	(161,596)

42.3 Significant balances and transactions with subsidiaries, associates and JVs

(a) Significant balances with subsidiaries, associates and JVs

	Bank	
	2017 RM'000	2016 RM'000
Conventional		
Loans to subsidiaries	30	18
Payment on behalf of subsidiary	1,620	708

42. Significant Related Party Transactions and Balances (cont'd.)

42.3 Significant balances and transactions with subsidiaries, associates and JVs (cont'd.)

(b) Significant transactions with subsidiaries, associates and JVs

	Bank	
	2017	2016
	RM'000	RM'000
Conventional		
Income		
Rental income from subsidiaries	500	825
Fee Income from subsidiaries	829	1,029
Expenses		
Management fee expense from subsidiaries	(12)	(12)

42.4 Significant balances and transactions with Group's related parties

(a) Significant balances with the Group's related parties

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other assets				
Trade receivables due from related parties	29,677	101,277	-	-
Other liabilities				
Trade payables due to related parties	2	2	-	-

42. Significant Related Party Transactions and Balances (cont'd.)

42.4 Significant balances and transactions with Group's related parties (cont'd.)

The credit exposures above are based on paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with related 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/financing commitments.

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43. Financing Facilities with Connected Parties

	Group and Bank			
	2017		2016	
Items	Total Exposure RM'000	Impaired RM'000	Total Exposure RM'000	Impaired RM'000
Credit facility and leasing (except guarantee)	995,673	-	1,325,780	-
Off-balance sheet exposures	-	-	1,600,000	-
Equities and PDS held	1,997,774	-	-	-
Total	**2,993,447**	**-**	**2,925,780**	**-**
Total exposure to connected parties as % of total capital	**37%**	**0%**	**35%**	**0%**
Total exposure to connected parties as % of total outstanding financial exposure	**11%**	**0%**	**9%**	**0%**

The above disclosure on financing facilities with connected parties is presented in accordance with para 14.1 as per BNM's policy on financing facilities with connected parties, which became effective on 13 July 2016.

44. Assets Classified as Held For Sale

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January		2,886	394,541	-	367
Disposed during the financial year	(i)	(2,886)	-	-	-
Transfer from/(to) investment properties		311	2,519	-	(367)
Impairment of vessels		-	(89,667)	-	-
Deconsolidation of a subsidiary		-	(304,507)	-	-
At 31 December		311	2,886	-	-

(i) On 14 July 2016, a subsidiary have approved to dispose off certain leasehold lands in Selangor. Following various discussion and negotiations with potential purchasers, on 13 February 2017, the subsidiary had entered into SPAs with a purchaser for the disposal of investment properties for a total cash consideration of RM7,520,000 subject to the terms and conditions as stipulated in the SPAs. The transaction was completed during the year.

45. Companies in the Group

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

Subsidiary	Effective interest held by the Bank 2017 %	Effective interest held by the Bank 2016 %	Principal activities
BPMB Urus Harta Sdn Bhd	100.00	100.00	Dormant
Emerald Upline Sdn Bhd	100.00	100.00	Ship-owning
Global Maritime Ventures Berhad	90.00	90.00	Venture capital investment
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company

45. Companies in the Group (cont'd.)

(a) The subsidiaries, all incorporated in Malaysia, are as follows: (cont'd.)

Subsidiary	Effective interest held by the Bank 2017 %	2016 %	Principal activities
Pembangunan Ekuiti Sdn Bhd	-	54.80	Dormant
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
SME Growth Acceleration Fund Sdn Bhd	100.00	100.00	Venture capital investment

(b) Details of subsidiary companies of GMVB, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2017 %	2016 %	Principal activities
Mutiara Navigation Sdn Bhd	63.00	63.00	Dormant
Nilam Navigation Sdn Bhd	63.00	63.00	Dormant
Sari Navigation Sdn Bhd	63.00	63.00	Dormant
Glory Incentive Sdn Bhd	90.00	90.00	Investment holding
GMV-ALAM Sdn Bhd	90.00	90.00	Investment holding
GMV-Bahtera Sdn Bhd	90.00	90.00	Investment holding

45. Companies in the Group (cont'd.)

(b) Details of subsidiary companies of GMVB, all of which are incorporated in Malaysia, are as follows: (cont'd.)

Subsidiary	Effective interest held by the Bank 2017 %	Effective interest held by the Bank 2016 %	Principal activities
GMV-Borcos Sdn Bhd	90.00	90.00	Investment holding
GMV-Gagasan Sdn Bhd	90.00	90.00	Investment holding
GMV-Global Sdn Bhd	90.00	90.00	Investment holding
GMV-Efogen Sdn Bhd	90.00	90.00	Investment holding
GMV-Jasa Sdn Bhd	90.00	90.00	Investment holding
GMV-Omni Sdn Bhd	90.00	90.00	Investment holding
GMV-Regional Sdn Bhd	90.00	90.00	Dormant
GMV-Orkim Sdn Bhd	90.00	90.00	Investment holding
GMV-Offshore Sdn Bhd	90.00	90.00	Investment holding

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

Subsidiary	Effective interest held by the Bank 2017 %	Effective interest held by the Bank 2016 %	Principal activities
Permata Navigation Sdn Bhd	63.00	63.00	Dormant
Gemala Navigation Sdn Bhd	63.00	63.00	Dormant
Ratna Navigation Sdn Bhd	63.00	63.00	Dormant

45. Companies in the Group (cont'd.)

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

Subsidiary	Effective interest held by the Bank 2017 %	Effective interest held by the Bank 2016 %	Principal activities
Kencana Navigation Sdn Bhd	63.00	63.00	Dormant
Ayu Navigation Sdn Bhd	63.00	63.00	Dormant

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

Subsidiary	Effective interest held by the Bank 2017 %	Effective interest held by the Bank 2016 %	Principal activities
Bahtera Berlian Sdn Bhd	90.00	90.00	Ship-management

(e) Details of subsidiary companies of Pembangunan Leasing Corporation Sdn Bhd ("PLC"), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2017 %	Effective interest held by the Bank 2016 %	Principal activities
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, confirming and factoring, insurance agency.
BI Credit & Leasing Berhad	100.00	100.00	Credit and leasing

46. Financial Instruments Risk

Financial risk management objectives and policies

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the enterprise wide risk exposure, which include credit, market, liquidity and operational risk and seek to minimise potential adverse effects on the financial performance of the Group and the Bank. As part of the Group's and the Bank's strategy to integrate the management and control of risks across the various risk segments, a dedicated function known as the Group Risk Management had been established.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence 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/profit 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, risk appetite and policies and guidelines to enhance loan/financing asset quality. Credit processes are structured to ensure adherence to credit policies and to establish impartiality in loan/financing origination, approval, documentation, disbursement and settlement.

All credit proposals are rated using an internal two dimensional credit rating system to measure each borrower's/customer's risk of default and facility risk. Only viable financing 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, maximise recoveries and to ensure timely recognition of asset impairment.

46. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

Prudential limits are established according to various categories such as customer and industry sector to minimise concentration risk. Single Customer Limit ("SCL") captures 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 updated 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 by the Group Audit & Examination to ensure that credit policies and procedures are complied with.

Credit risk oversight is provided by Credit Committee of the Board (CCB) and Board of Directors (BOD) for connected parties transactions.

(i) Credit exposure

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
On balance sheet:					
Cash and short term deposits	4	1,717,851	1,295,499	1,440,276	1,028,268
Financial investments - AFS	5	5,224,019	3,697,485	5,219,209	3,693,962
Financial investments - HTM	6	22	185,744	-	185,722
Loans, financing and advances	7	19,743,299	21,210,083	19,557,642	21,006,098
Other assets	8	189,582	318,440	153,039	208,108
		26,874,773	26,707,251	26,370,166	26,122,158
Other assets not subject to credit risk		123,787	153,741	375,330	495,950
		26,998,560	26,860,992	26,745,496	26,618,108
Off balance sheet:					
Commitments and Contingencies	39(a)	9,334,983	8,351,414	9,047,981	8,136,425
		36,333,543	35,212,406	35,793,477	34,754,533

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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:

Group 2017	Short-term deposits, and placements with financial institutions RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	-	-	-	235	-	235	-
Construction	-	-	657,232	9,732,878	-	10,390,110	6,493,619
Education	-	-		1,849,521	-	1,849,521	659,431
Electrical, gas and water supply	-	-	333,080	2,052,656	-	2,385,736	85,793
Finance, insurance and business	1,717,851	-	3,072,083	69,792	-	4,859,726	7,497
Hotel and restaurants	-	-	-	1,108,165	-	1,108,165	525,938
Housing	-	-	-	7,238	-	7,238	
Manufacturing	-	-	-	255,572	-	255,572	101,704
Material technology	-	-	-	4,387	-	4,387	-
Medical and pharmaceuticals	-	-	-	13,463	-	13,463	-
Mining and quarrying	-	-	-	90	-	90	-
Other community, social and personal service activities	-	-	-	161,469	-	161,469	448,733
Public administration and defence	-	-	59,076	31,286	-	90,362	-
Real estate, renting and business activities	-	-	948,742	431,512	-	1,380,254	-
Shipping	-	-	148,996	493,831	-	642,827	2,306
Shipyard	-	-	-	159,153	-	159,153	-
Transport, storage and communications	-	-	-	3,337,605	-	3,337,605	989,780
Others	-	22	4,810	34,446	189,582	228,860	20,182
	1,717,851	22	5,224,019	19,743,299	189,582	26,874,773	9,334,983
Other assets not subject to credit risk	-	-	-	-	123,787	123,787	-
	1,717,851	22	5,224,019	19,743,299	313,369	26,998,560	9,334,983

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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: (cont'd.)

Group 2016	Short-term deposits, and placements with financial institutions RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	-	-	-	5,756	-	5,756	-
Construction	-	31,671	646,004	10,533,104	-	11,210,779	6,252,227
Education	-	-	-	1,932,235	-	1,932,235	194,692
Electrical, gas and water supply	-	100,368	266,438	2,008,155	-	2,374,961	119,500
Finance, insurance and business	1,295,499	53,705	2,085,999	57,048	-	3,492,251	195,964
Hotel and restaurants	-	-	-	1,192,330	-	1,192,330	610,067
Housing	-	-	-	8,330	-	8,330	-
Manufacturing	-	-	-	211,120	-	211,120	75,938
Material technology	-	-	-	5,502	-	5,502	-
Medical and pharmaceuticals	-	-	-	13,596	-	13,596	-
Mining and quarrying	-	-	-	433	-	433	-
Other community, social and personal service activities	-	-	-	183,764	-	183,764	4,191
Public administration and defence	-	-	-	36,918	-	36,918	-
Real estate, renting and business activities	-	-	569,362	496,750	-	1,066,112	-
Shipping	-	-	129,682	807,841	-	937,523	3,775
Shipyard	-	-	-	199,517	-	199,517	-
Transport, storage and communications	-	-	-	3,517,684	-	3,517,684	895,060
Others	-	-	-	-	318,440	318,440	-
	1,295,499	185,744	3,697,485	21,210,083	318,440	26,707,251	8,351,414
Other assets not subject to credit risk	-	-	-	-	153,741	153,741	-
	1,295,499	185,744	3,697,485	21,210,083	472,181	26,860,992	8,351,414

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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: (cont'd.)

Bank 2017	Short-term deposits, and placements with financial institutions RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	-	657,232	9,730,616	-	10,387,848	6,477,453
Education	-	-	-	1,849,521	-	1,849,521	659,431
Electrical, gas and water supply	-	-	333,080	2,052,656	-	2,385,736	85,793
Finance, insurance and business	1,440,276	-	3,072,083		-	4,512,359	-
Hotel and restaurants	-	-	-	1,098,888	-	1,098,888	362,947
Housing	-	-	-	7,238	-	7,238	-
Manufacturing	-	-	-	242,140	-	242,140	79,318
Material technology	-	-	-	4,387	-	4,387	-
Medical and pharmaceuticals	-	-	-	13,463	-	13,463	-
Other community, social and personal service activities	-	-	-	160,828	-	160,828	448,733
Public administration and defence	-	-	59,076	31,286	-	90,362	-
Real estate, renting and business activities	-	-	948,742	431,512	-	1,380,254	-
Shipping	-	-	148,996	493,831	-	642,827	2,306
Shipyard	-	-	-	159,153	-	159,153	-
Transport, storage and communications	-	-	-	3,282,123	-	3,282,123	932,000
Others	-	-	-	-	153,039	153,039	-
	1,440,276	-	5,219,209	19,557,642	153,039	26,370,166	9,047,981
Other assets not subject to credit risk	-	-	-	-	375,330	375,330	-
	1,440,276	-	5,219,209	19,557,642	528,369	26,745,496	9,047,981

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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: (cont'd.)

Bank 2016	Short-term deposits, and placements with financial institutions RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	31,671	646,004	10,530,173	-	11,207,848	6,247,845
Education	-	-	-	1,932,235	-	1,932,235	194,692
Electrical, gas and water supply	-	100,368	266,438	2,008,155	-	2,374,961	119,500
Finance, insurance and business	1,028,268	53,683	2,082,476	-	-	3,164,427	-
Hotel and restaurants	-	-	-	1,144,509	-	1,144,509	605,337
Housing	-	-	-	8,330	-	8,330	-
Manufacturing	-	-	-	202,034	-	202,034	71,347
Material technology	-	-	-	5,502	-	5,502	-
Medical and pharmaceuticals	-	-	-	13,596	-	13,596	-
Other community, social and personal service activities	-	-	-	181,831	-	181,831	4,023
Public administration and defence	-	-	-	36,918	-	36,918	-
Real estate, renting and business activities	-	-	-	487,574	-	487,574	-
Shipping	-	-	129,682	807,841	-	937,523	3,775
Shipyard	-	-	569,362	199,517	-	768,879	-
Transport, storage and communications	-	-	-	3,447,883	-	3,447,883	889,906
Others	-	-	-	-	208,108	208,108	-
	1,028,268	185,722	3,693,962	21,006,098	208,108	26,122,158	8,136,425
Other assets not subject to credit risk	-	-	-	-	495,950	495,950	-
	1,028,268	185,722	3,693,962	21,006,098	704,058	26,618,108	8,136,425

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46. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

(iii) Gross loans, financing and advances are rated based on internal rating by the Bank:

	2017				2016			
Group	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**
Upper-medium grade	3,096,781	581	-	3,097,362	4,355,971	1,040	-	4,357,011
Medium grade	4,209,652	18,883	-	4,228,535	5,271,679	22,485	-	5,294,164
Speculative	10,064,563	44,096	-	10,108,659	8,798,445	19,896	-	8,818,341
Considered speculative	1,502,463	621	-	1,503,084	1,814,995	10,366	-	1,825,361
Poor standing	632,281	-	-	632,281	205,812	-	-	205,812
Impaired	-	-	2,706,332	2,706,332	-	-	3,623,124	3,623,124
	19,505,740	64,181	2,706,332	22,276,253	20,446,902	53,787	3,623,124	24,123,813
Bank								
Upper-medium grade	3,066,920	-	-	3,066,920	4,338,187	-	-	4,338,187
Medium grade	4,166,632	-	-	4,166,632	5,169,871	-	-	5,169,871
Speculative	10,011,931	-	-	10,011,931	8,756,730	-	-	8,756,730
Considered speculative	1,502,165	-	-	1,502,165	1,814,509	7,665	-	1,822,174
Poor standing	632,281	-	-	632,281	205,812	-	-	205,812
Impaired	-	-	2,653,317	2,653,317	-	-	3,541,377	3,541,377
	19,379,929	-	2,653,317	22,033,246	20,285,109	7,665	3,541,377	23,834,151

46. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

(iv) Aging analysis of impaired and past due but not impaired loans, financing and advances

Analysis of loans, financing and advances that are impaired and past due but not impaired based on the Group's and the Bank's internal credit rating system are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Impaired:				
0 month overdue	803,994	781,838	803,994	772,838
1 month overdue	137,206	133,926	125,339	129,586
2 months overdue	65	32,136	-	22,862
3 months overdue	-	425,781	-	418,694
> 3 months overdue	1,765,067	2,249,443	1,723,984	2,197,397
	2,706,332	3,623,124	2,653,317	3,541,377
Past due but not impaired:				
1 Month Overdue	57,431	37,784	-	6,706
2 Months Overdue	3,623	12,641	-	959
3 Months Overdue	3,127	3,362	-	-
	64,181	53,787	-	7,665

(v) Collateral and credit enhancement for loans, financing and advances

Collateral represents the asset pledged by a borrower/customer and/or a third party on behalf of the borrower/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 if the borrower/customer is unable to repay the facility obtained from the Bank.

The Group and the Bank would consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral amounts and types held by the Group and the Bank are as in the next page:

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46. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

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

Collateral by amount

	2017				2016			
Group	**Secured RM'000**	**Unsecured RM'000**	**Total RM'000**	**Total Estimated fair value of collateral RM'000**	**Secured RM'000**	**Unsecured RM'000**	**Total RM'000**	**Total Estimated fair value of collateral RM'000**
Past due but not impaired	-	64,181	64,181	-	959	52,828	53,787	12,600
Impaired	1,721,949	984,383	2,706,332	3,309,226	2,344,054	1,279,070	3,623,124	4,058,422
	1,721,949	1,048,564	2,770,513	3,309,226	2,345,013	1,331,898	3,676,911	4,071,022
Bank								
Past due but not impaired	-	-	-	-	959	6,706	7,665	12,600
Impaired	1,721,949	931,368	2,653,317	3,309,226	2,344,054	1,197,323	3,541,377	4,058,422
	1,721,949	931,368	2,653,317	3,309,226	2,345,013	1,204,029	3,549,042	4,071,022

46. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

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

Collateral by type

	2017		2016	
	Properties, equipment and vessels RM'000	**Total RM'000**	**Properties, equipment ınd vessels RM'000**	**Total RM'000**
Group				
Past due but not impaired	-	-	12,600	12,600
Impaired	3,309,226	3,309,226	4,058,422	4,058,422
	3,309,226	3,309,226	4,071,022	4,071,022
Bank				
Past due but not impaired	-	-	12,600	12,600
Impaired	3,309,226	3,309,226	4,058,422	4,058,422
	3,309,226	3,309,226	4,071,022	4,071,022

46. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

(vi) Restructured loans/financing

Restructured loans/financing refer to the financial assets that would otherwise be past due or impaired where there are fundamental revision in the principal terms and conditions of the facilities. 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/financing held by the Group and the Bank stood at RM9,646.3 million (2016: RM9,262.2 million).

(vii) Credit quality for treasury credit risk exposures

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial investments - AFS				
Sovereign	4,233,045	2,959,889	4,233,045	2,959,889
AAA	304,832	299,382	304,832	299,382
AA	-	30,383	-	30,383
BBB	77,210	73,553	77,210	73,553
Non-rated	608,932	334,278	604,122	330,755
	5,224,019	3,697,485	5,219,209	3,693,962
Financial investments - HTM				
Sovereign	22	149,036	-	149,014
AAA	-	5,037	-	5,037
B	-	31,671	-	31,671
	22	185,744	-	185,722

46. Financial Instruments Risk (cont'd.)

(b) Market risk

(i) Foreign exchange risk

The Group and the Bank are exposed to foreign currency risk as a result of its borrowings made in currencies other than Ringgit Malaysia. The Group's and the Bank's policy in managing their 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 2017 RM'000	Ringgit Malaysia 2016 RM'000
Functional currency of the Group		
Japanese Yen ("JPY")	-	4,167
USD	-	24,801
Functional currency of the Bank		
JPY	-	4,167

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 Increase in FX rate 2017 RM'000	Effect on profit/loss Decrease in FX rate 2016 RM'000	Effect on equity Increase in FX rate 2017 RM'000	Effect on equity Decrease in FX rate 2016 RM'000
Group					
USD	10	-	2,480	-	2,480
JPY	10	-	(417)	-	(417)
Bank					
JPY	10	-	(417)	-	(417)

46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

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

	Strengthening/ weakening in FX rate (-)	Effect on profit/loss		Effect on equity	
		Increase in FX rate 2017	Decrease in FX rate 2016	Increase in FX rate 2017	Decrease in FX rate 2016
	%	RM'000	RM'000	RM'000	RM'000
Group					
USD	10	-	(2,480)	-	(2,480)
JPY	10	-	(3,022)	-	(3,022)
Bank					
JPY	10	-	(3,022)	-	(3,022)

(ii) Interest/profit rate risk

Interest/profit rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest/profit rates.

Interest/profit 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/profit rate risk management process which is conducted in accordance with the Group's policies as approved by the Board.

The Group and the Bank may be exposed to a loss in earnings due to the interest/profit rates structure of the financial position arising from interest/profit rates and yield curve changes. The sensitivity to interest/profit rates arises from the mismatches in the reprising rates, cash flows and other characteristic of the assets and their corresponding liability funding. The Group and the Bank manage their interest profit rate risk exposure through the use of fixed/floating rate debts and financial instruments.

46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

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

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

	Group and Bank			
	Impact on interest/ profit 2017 RM'000	Impact on interest/ profit 2016 RM'000	Impact on equity 2017 RM'000	Impact on equity 2016 RM'000
Interest/profit rate				
- parallel shift				
+ 50 basis points	14,818	10,416	113,728	101,845
- 50 basis points	(14,818)	(10,416)	(113,728)	(101,845)

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46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

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

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

Group 2017	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/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Assets								
Cash and short term deposits	1,680,149	2,828	-	-	-	34,874	1,717,851	3.37
Financial investments - AFS	15,356	-	181,223	657,106	4,365,524	4,810	5,224,019	4.52
Financial investments - HTM	-	-	-	-	22	-	22	-
Loans, financing and advances								
- non-impaired	791,649	266,796	2,187,148	5,501,930	10,822,398	-	19,569,921	6.41
- impaired *	-	-	-	-	-	173,378	173,378	-
Other assets	-	-	-	-	-	189,582	189,582	-
Interest in associates	-	-	-	-	-	563	563	-
Interest in JVs	-	-	-	-	-	28,450	28,450	-
Property, plant and equipment	-	-	-	-	-	82,557	82,557	-
Prepaid land lease	-	-	-	-	-	359	359	-
Investment properties	-	-	-	-	-	641	641	-
Intangible assets	-	-	-	-	-	7,957	7,957	-
Deferred tax assets	-	-	-	-	-	2,949	2,949	-
Assets classified as held for sale	-	-	-	-	-	311	311	-
Total assets	2,487,154	269,624	2,368,371	6,159,036	15,187,944	526,431	26,998,560	

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

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46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

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

Group 2017 (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/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Equity and liabilities								
Deposits from customers	921,502	3,425,455	3,813,512	-	-	-	8,160,469	3.94
Bills and acceptance payable	249,380	-	-	-	-	-	249,380	-
Other liabilities	-	-	-	-	-	152,432	152,432	-
Redeemable notes	-	-	-	1,620,649	5,772,566	-	7,393,215	4.50
Borrowings	84,026	-	450,000	1,350,000	900,000	-	2,784,026	4.35
Infrastructure support fund	-	-	-	-	-	304,166	304,166	-
Deferred income	-	-	-	-	-	227,030	227,030	-
Deferred tax liabilities	-	-	-	-	-	1,609	1,609	-
Total liabilities	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	685,237	19,272,327	
Shareholders' equity	-	-	-	-	-	7,707,779	7,707,779	-
Non-controlling interest	-	-	-	-	-	18,454	18,454	-
Total equity and liabilities	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	8,411,470	26,998,560	
On-balance sheet interest/profit sensitivity gap	1,232,246	(3,155,831)	(1,895,141)	3,188,387	8,515,378	(7,885,039)	-	
Total interest/profit sensitivity gap	1,232,246	(3,155,831)	(1,895,141)	3,188,387	8,515,378	(7,885,039)	-	

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46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

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

	<------ Non-trading book					------>		
Group 2016	**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/profit sensitive RM'000**	**Total RM'000**	**Effective interest/ profit rate %**
Assets								
Cash and short term deposits	1,269,131	2,771	-	-	-	23,597	1,295,499	3.50
Financial investments - AFS	187,901	-	201,659	603,428	2,700,974	3,523	3,697,485	4.36
Financial investments - HTM	-	-	128,771	-	56,951	22	185,744	4.04
Loans, financing and advances								
- non-impaired	881,183	153,480	1,870,791	6,172,011	11,423,224	-	20,500,689	6.44
- impaired *	-	-	-	-	-	709,394	709,394	-
Other assets	-	-	-	-	-	318,440	318,440	-
Interest in associates	-	-	-	-	-	3,582	3,582	-
Interest in JVs	-	-	-	-	-	33,424	33,424	-
Property, plant and equipment	-	-	-	-	-	83,206	83,206	-
Prepaid land lease	-	-	-	-	-	883	883	-
Investment properties	-	-	-	-	-	1,563	1,563	-
Intangible assets	-	-	-	-	-	9,224	9,224	-
Deferred tax assets	-	-	-	-	-	18,127	18,127	-
Assets classified as held for sale	-	-	-	-	-	2,886	2,886	-
Assets of subsidiaries classified as held for sale	-	-	-	-	-	846	846	-
Total assets	2,338,215	156,251	2,201,221	6,775,439	14,181,149	1,208,717	26,860,992	

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

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46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

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

Group 2016 (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/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Equity and liabilities								
Deposits from customers	2,431,773	2,517,697	4,660,027	141,054	-	-	9,750,551	3.94
Deposits and placements from financial institutions	10,002	-	-	-	-	-	10,002	3.15
Other liabilities	-	-	-	-	-	109,444	109,444	-
Redeemable notes	-	-	-	1,113,575	4,806,741	-	5,920,316	4.48
Borrowings	87,335	56,249	50,000	1,450,000	1,300,000	-	2,943,584	4.35
Infrastructure support fund	-	-	-	-	-	306,579	306,579	-
Deferred income	-	-	-	-	-	234,011	234,011	-
Deferred tax liabilities	-	-	-	-	-	2,990	2,990	-
Liabilities of subsidiaries classified as helc	-	-	-	-	-	215	215	-
Total liabilities	2,529,110	2,573,946	4,710,027	2,704,629	6,106,741	653,239	19,277,692	
Shareholders' equity	-	-	-	-	-	7,551,494	7,551,494	-
Non-controlling interest	-	-	-	-	-	31,806	31,806	-
Total equity and liabilities	2,529,110	2,573,946	4,710,027	2,704,629	6,106,741	8,236,539	26,860,992	
On-balance sheet interest/profit sensitivity gap	(190,895)	(2,417,695)	(2,508,806)	4,070,810	8,074,408	(7,027,822)	-	
Total interest/profit sensitivity gap	(190,895)	(2,417,695)	(2,508,806)	4,070,810	8,074,408	(7,027,822)	-	

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46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

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

	<------ Non-trading book					------>		
Bank 2017	**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/profit sensitive RM'000**	**Total RM'000**	**Effective interest/ profit rate %**
Assets								
Cash and short term deposits	1,422,003	-	-	-	-	18,273	1,440,276	3.47
Financial investments - AFS	15,356	-	181,223	657,106	4,365,524	-	5,219,209	4.52
Loans, financing and advances								
- non-impaired	774,774	245,532	2,160,920	5,376,305	10,822,398	-	19,379,929	6.32
- impaired *	-	-	-	-	-	177,713	177,713	-
Other assets	-	-	-	-	-	153,039	153,039	-
Investment in subsidiaries	-	-	-	-	-	284,304	284,304	-
Property, plant and equipment	-	-	-	-	-	82,462	82,462	-
Prepaid land lease	-	-	-	-	-	359	359	-
Investment properties	-	-	-	-	-	352	352	-
Intangible assets	-	-	-	-	-	7,420	7,420	-
Deferred tax assets	-	-	-	-	-	433	433	-
Total assets	2,212,133	245,532	2,342,143	6,033,411	15,187,922	724,355	26,745,496	

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

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46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

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

Bank 2017 (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/profit sensitive RM'000**	**Total RM'000**	**Effective interest/ profit rate %**
Equity and liabilities								
Deposits from customers	921,502	3,425,455	3,813,512	-	-	-	8,160,469	3.94
Bills and acceptance payable	249,380	-	-	-	-	-	249,380	-
Other liabilities	-	-	-	-	-	99,999	99,999	-
Redeemable notes	-	-	-	1,620,649	5,772,566	-	7,393,215	4.50
Borrowings	84,026	-	450,000	1,350,000	900,000	-	2,784,026	4.80
Infrastructure support fund	-	-	-	-	-	304,166	304,166	-
Deferred income	-	-	-	-	-	227,030	227,030	-
Total liabilities	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	631,195	19,218,285	
Shareholders' equity	-	-	-	-	-	7,527,211	7,527,211	-
Total equity and liabilities	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	8,158,406	26,745,496	
On-balance sheet interest/profit sensitivity gap	957,225	(3,179,923)	(1,921,369)	3,062,762	8,515,356	(7,434,051)	-	
Total interest/profit sensitivity gap	957,225	(3,179,923)	(1,921,369)	3,062,762	8,515,356	(7,434,051)	-	

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46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/profit rate rosk (cont'd.)

	<------	------	------	Non-trading book	------	------>		
Bank 2016	**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/profit sensitive RM'000**	**Total RM'000**	**Effective interest/ profit rate %**
Assets								
Cash and short term deposits	1,020,428	-	-	-	-	7,840	1,028,268	3.66
Financial investments - AFS	187,901	-	201,659	603,428	2,700,974	-	3,693,962	4.36
Financial investments - HTM	-	-	128,771	-	56,951	-	185,722	4.04
Loans, financing and advances								
- non-impaired	829,286	139,470	1,828,331	6,072,464	11,423,223	-	20,292,774	6.35
- impaired *	-	-	-	-	-	713,324	713,324	-
Other assets	-	-	-	-	-	208,108	208,108	-
Investment in subsidiaries	-	-	-	-	-	389,051	389,051	-
Property, plant and equipment	-	-	-	-	-	82,635	82,635	-
Prepaid land lease	-	-	-	-	-	883	883	-
Investment properties	-	-	-	-	-	1,155	1,155	-
Intangible assets	-	-	-	-	-	8,385	8,385	-
Deferred tax assets	-	-	-	-	-	13,205	13,205	-
Subsidiaries classified as held for sale	-	-	-	-	-	636	636	-
Total assets	2,037,615	139,470	2,158,761	6,675,892	14,181,148	1,425,222	26,618,108	

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

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46. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

(ii) Interest/profit rate rosk (cont'd.)

Bank 2016 (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/profit sensitive RM'000**	**Total RM'000**	**Effective interest/ profit rate %**
Equity and liabilities								
Deposits from customers	2,431,773	2,517,697	4,660,027	141,054	-	-	9,750,551	3.94
Deposits and placements from financial institutions	10,002	-	-	-	-	-	10,002	3.15
Other liabilities	-	-	-	-	-	62,130	62,130	-
Redeemable notes	-	-	-	1,113,575	4,806,741	-	5,920,316	4.48
Borrowings	87,335	56,249	50,000	1,450,000	1,300,000	-	2,943,584	4.43
Infrastructure support fund	-	-	-	-	-	306,579	306,579	-
Deferred income	-	-	-	-	-	234,011	234,011	-
Total liabilities	2,529,110	2,573,946	4,710,027	2,704,629	6,106,741	602,720	19,227,173	
Shareholders' equity	-	-	-	-	-	7,390,935	7,390,935	-
Total equity and liabilities	2,529,110	2,573,946	4,710,027	2,704,629	6,106,741	7,993,655	26,618,108	
On-balance sheet interest/profit sensitivity gap	(491,495)	(2,434,476)	(2,551,266)	3,971,263	8,074,407	(6,568,433)	-	
Total interest/profit sensitivity gap	(491,495)	(2,434,476)	(2,551,266)	3,971,263	8,074,407	(6,568,433)	-	

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 and the Bank manage their liquidity requirement on a day-to-day basis to ensure that funds are readily available for its operational needs, withdrawals of deposits and repayments to fund providers. The Group and the Bank may raise funds locally and globally either through government-to-government arrangements or direct negotiations. Other sources of funding through the capital market are being explored on an on-going basis to ensure a diversity of funding source.

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46. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Group and the Bank.

	<---- Non-trading book					---->	
Group 2017	**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**
Assets							
Cash and short term deposits	1,680,149	2,828	-	-	-	34,874	1,717,851
Financial investments - AFS	15,000	-	180,000	650,000	4,320,499	4,810	5,170,309
Financial investments - HTM	-	-	-	-	22	-	22
Loans, financing and advances	791,649	266,796	2,187,148	5,501,931	10,822,398	173,377	19,743,299
Other assets	-	-	-	-	-	189,582	189,582
	2,486,798	269,624	2,367,148	6,151,931	15,142,919	402,643	26,821,063
Liabilities							
Deposits from customers	921,502	3,425,455	3,813,512	-	-	-	8,160,469
Bills and acceptance payable	249,380	-	-	-	-	-	249,380
Other liabilities	-	-	-	-	-	152,432	152,432
Redeemable notes	-	-	-	1,620,649	5,772,566	-	7,393,215
Borrowings	84,026	-	450,000	1,350,000	900,000	-	2,784,026
	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	152,432	18,739,522
Net maturity mismatches	1,231,890	(3,155,831)	(1,896,364)	3,181,282	8,470,353	250,211	8,081,541

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46. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Group and the Bank.

	<---------- Non-trading book					---------->	
Group 2016	**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**
Assets							
Cash and short term deposits	1,269,131	2,771	-	-	-	23,597	1,295,499
Financial investments - AFS	212,650	-	200,000	600,000	2,681,177	3,658	3,697,485
Financial investments - HTM	-	-	155,000	-	56,951	22	211,973
Loans, financing and advances	881,183	153,480	1,870,791	6,172,011	11,423,224	709,394	21,210,083
Other assets	-	-	-	-	-	318,440	318,440
	2,362,964	156,251	2,225,791	6,772,011	14,161,352	1,055,111	26,733,480
Liabilities							
Deposits from customers	2,431,773	2,517,697	4,660,027	141,054	-	-	9,750,551
Deposits and placements from financial	10,002	-	-	-	-	-	10,002
Other liabilities	-	-	-	-	-	109,444	109,444
Redeemable notes	-	-	-	1,113,575	4,806,741	-	5,920,316
Borrowings	87,335	56,249	50,000	1,450,000	1,300,000	-	2,943,584
	2,529,110	2,573,946	4,710,027	2,704,629	6,106,741	109,444	18,733,897
Net maturity mismatches	(166,146)	(2,417,695)	(2,484,236)	4,067,382	8,054,611	945,667	7,999,583

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46. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (cont'd.)

	<---------- Non-trading book					---------->	
Bank 2017	**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**
Assets							
Cash and short term deposits	1,422,003	-	-	-	-	18,273	1,440,276
Financial investments - AFS	15,000	-	180,000	650,000	4,320,499	-	5,165,499
Loans, financing and advances	774,774	245,532	2,160,920	5,376,305	10,822,399	177,712	19,557,642
Other assets	-	-	-	-	-	153,039	153,039
	2,211,777	245,532	2,340,920	6,026,305	15,142,898	349,024	26,316,456
Liabilities							
Deposits from customers	921,502	3,425,455	3,813,512	-	-	-	8,160,469
Bills and acceptance payable	249,380	-	-	-	-	-	249,380
Other liabilities	-	-	-	-	-	99,999	99,999
Redeemable notes	-	-	-	1,620,649	5,772,566	-	7,393,215
Borrowings	84,026	-	450,000	1,350,000	900,000	-	2,784,026
	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	99,999	18,687,089
Net maturity mismatches	956,869	(3,179,923)	(1,922,592)	3,055,656	8,470,332	249,025	7,629,367

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46. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (cont'd.)

Bank 2016	<------ 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
Assets							
Cash and short term deposits	1,020,428	-	-	-	-	7,840	1,028,268
Financial investments - AFS	187,901	-	200,000	600,000	2,681,177	-	3,669,078
Financial investments - HTM	-	-	155,000	-	56,951	-	211,951
Loans, financing and advances	829,286	139,470	1,828,331	6,072,464	11,423,223	713,324	21,006,098
Other assets	-	-	-	-	-	208,108	208,108
	2,037,615	139,470	2,183,331	6,672,464	14,161,351	929,272	26,123,503
Liabilities							
Deposits from customers	2,431,773	2,517,697	4,660,027	141,054	-	-	9,750,551
Deposits and placements from financial	10,002	-	-	-	-	-	10,002
Other liabilities	-	-	-	-	-	62,130	62,130
Redeemable notes	-	-	-	1,113,575	4,806,741	-	5,920,316
Borrowings	87,335	56,249	50,000	1,450,000	1,300,000	-	2,943,584
	2,529,110	2,573,946	4,710,027	2,704,629	6,106,741	62,130	18,686,583
Net maturity mismatches	(491,495)	(2,434,476)	(2,526,696)	3,967,835	8,054,610	867,142	7,436,920

46. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities as at 31 December 2017 and 31 December 2016. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage interest liquidity risk based on discounted expected cash flows.

	<---- Non-trading book					---->	
Group	**Up to 1 month**	**>1 - 3 months**	**>3 - 12 months**	**>1 - 5 years**	**Over 5 years**	**Non-specific maturity**	**Total**
2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities							
Deposits from customers	919,411	3,427,604	3,865,684	-	-	-	8,212,699
Bills and acceptance payable	250,000	-	-	-	-	-	250,000
Other liabilities	-	-	-	-	-	152,432	152,432
Redeemable notes	-	-	-	1,687,420	9,069,646	-	10,757,066
Borrowings	51,207	-	55,827	1,963,895	1,214,653	-	3,285,582
Total liabilities	1,220,618	3,427,604	3,921,511	3,651,315	10,284,299	152,432	22,657,779
2016							
Liabilities							
Deposits from customers	2,425,881	2,517,402	4,720,503	147,854	-	-	9,811,640
Deposits and placements from financial	10,000	-	-	-	-	-	10,000
Other liabilities	-	-	-	-	-	109,444	109,444
Redeemable notes	-	-	-	2,504,251	4,235,226	-	6,739,477
Borrowings	106,554	56,887	50,000	3,521,166	-	-	3,734,607
Total liabilities	2,542,435	2,574,289	4,770,503	6,173,271	4,235,226	109,444	20,405,168

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46. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

	<------- Non-trading book					------->	
Bank 2017	**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**
Liabilities							
Deposits from customers	919,411	3,427,604	3,865,684	-	-	-	8,212,699
Bills and acceptance payable	250,000	-	-	-	-	-	250,000
Other liabilities	-	-	-	-	-	99,999	99,999
Redeemable notes	-	-	-	1,687,420	9,069,646	-	10,757,066
Borrowings	51,207	-	55,827	1,963,895	1,214,653	-	3,285,582
Total liabilities	1,220,618	3,427,604	3,921,511	3,651,315	10,284,299	99,999	22,605,346
2016							
Liabilities							
Deposits from customers	2,425,881	2,517,402	4,720,503	147,854	-	-	9,811,640
Deposits and placements from financial	10,000	-	-	-	-	-	10,000
Other liabilities	-	-	-	-	-	62,130	62,130
Redeemable notes	-	-	-	2,504,251	4,235,226	-	6,739,477
Borrowings	106,554	56,887	50,000	3,521,166	-	-	3,734,607
Total liabilities	2,542,435	2,574,289	4,770,503	6,173,271	4,235,226	62,130	20,357,854

47. Fair Values Measurements

(a) Financial assets and liabilities measured at fair value

Determination of fair value and the fair value hierarchy

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

The Group and the Bank classify their financial assets and financial liabilities which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical assets and liabilities instruments;

Level 2 - Valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the valuation of the financial instruments and non-financial assets.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain government sukuk and corporate sukuk, financing, derivatives and investment properties.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

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Notes to the Financial Statements - 31 December 2017 (cont'd.)

47. Fair Values Measurements

(a) Financial assets and liabilities measured at fair value (cont'd.)

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

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities.

	2017				2016			
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets measured at fair value:								
Financial investments - AFS	354,814	4,869,205	-	5,224,019	334,278	3,363,207	-	3,697,485
Total financial assets	354,814	4,869,205	-	5,224,019	334,278	3,363,207	-	3,697,485
Total financial assets carried at fair value				5,224,019				3,697,485
Assets for which fair values are disclosed (Note 47 (b)):								
Loans, financing and advances	-	-	19,859,102	19,859,102	-	-	21,270,164	21,270,164
Financial investments - HTM	-	-	-	-	-	253,233	-	253,233
Investment properties	-	830	-	830	-	11,080	-	11,080
Liabilities for which fair values are disclosed (Note 47 (b)):								
Redeemable notes	-	-	7,274,960	7,274,960	-	-	5,819,421	5,819,421
Borrowings	-	-	2,459,406	2,459,406	-	-	2,603,108	2,603,108

47. Fair Values Measurements (cont'd.)

(a) Financial assets and liabilities measured at fair value (cont'd.)

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

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities. (cont'd.)

Bank	2017				2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:								
Financial investments - AFS	350,004	4,869,205	-	5,219,209	330,755	3,363,207	-	3,693,962
Total financial assets	350,004	4,869,205	-	5,219,209	330,755	3,363,207	-	3,693,962
Total financial assets carried at fair value				5,219,209				3,693,962
Assets for which fair values are disclosed (Note 47 (b)):								
Loans, financing and advances	-	-	19,621,968	19,621,968	-	-	21,066,277	21,066,277
Financial investments - HTM	-	-	-	-	-	212,358	-	212,358
Investment properties	-	440	-	440	-	3,830	-	3,830
Liabilities for which fair values are disclosed (Note 47 (b)):								
Redeemable notes	-	-	7,274,960	7,274,960	-	-	5,819,421	5,819,421
Borrowings	-	-	2,459,406	2,459,406	-	-	2,603,108	2,603,108

47. Fair Values Measurements (cont'd.)

(a) Financial assets and liabilities measured at fair value (cont'd.)

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

There have been no transfer between Level 1 and Level 2 during the financial year. The fair value of loans, financing and advances that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.0% to 13.0% (2016: 2.0% to 13.0%) whilst the fair value of redeemable notes and term loans that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 3.6% to 7.2% (2016: 3.6% to 7.2%).

(b) Financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts and the estimated fair values of those financial assets not presented on the Group's statements of financial position at their fair value.

	Group		Bank	
2017	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets				
Loans, financing and advances	19,743,299	19,859,102	19,557,642	19,621,968
Financial investments - HTM	22	-	-	-
Investment properties	641	830	352	440
Financial liabilities				
Redeemable notes	7,393,215	7,274,960	7,393,215	7,274,960
Borrowings	2,784,026	2,459,406	2,784,026	2,459,406
2016				
Financial assets				
Loans, financing and advances	21,210,083	21,270,164	21,006,098	21,066,277
Financial investments - HTM	185,744	253,233	185,722	212,358
Investment properties	1,563	11,080	1,155	3,830
Financial liabilities				
Redeemable notes	5,920,316	5,819,421	5,920,316	5,819,421
Borrowings	2,943,584	2,603,108	2,943,584	2,603,108

47. Fair Values Measurements (cont'd.)

(b) Financial assets and liabilities not carried at fair value (cont'd.)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Financial investments - HTM

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earning multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Loans, financing and advances

Loans, financing and advances to borrowers/customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group and the Bank could realise in a sale transaction at the reporting date.

The fair values of variable rate loans/financing are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers/customers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

47. Fair Values Measurements (cont'd.)

(b) Financial assets and liabilities not carried at fair value (cont'd.)

(iii) Deposits from customers, deposits and placements from financial institutions, and bills and acceptance payable

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(iv) Subordinated obligations and borrowings

The fair values of capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for securities as at reporting date.

(v) Investment properties

The fair values of investment properties are estimated based on comparison with indicative market value stated in the Property Market Report 2017 (2016: Property Market Report 2016).

48. Islamic Financial Business

The state of affairs as at 31 December 2017 and results for the financial year ended on this date under the Islamic financial business of the Group and the Bank included in the Group financial statements are summarised as follows:

Statements of Financial Position
As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Assets					
Cash and short term deposits	(a)	769,136	457,802	764,795	399,627
Deposits and placements with financial institutions	(b)	18,000	-	-	-
Financial investments - AFS	(c)	4,275,360	2,753,065	4,275,360	2,753,065
Financial investments - HTM	(d)	-	185,722	-	185,722
Financing and advances	(e)	9,161,491	8,224,744	9,125,280	8,191,107
Other assets	(f)	70,040	87,698	68,672	71,034
Total assets		14,294,027	11,709,031	14,234,107	11,600,555
Liabilities					
Deposits from customers	(g)	5,813,823	6,020,848	5,813,823	6,020,848
Other liabilities	(h)	122,328	104,002	91,428	58,342
Redeemable notes	(i)	6,075,940	4,552,761	6,075,940	4,552,761
Bills and acceptance payable	2.2(l)	249,380	-	249,380	-
Deferred income		227,030	234,011	227,030	234,011
Total liabilities		12,488,501	10,911,622	12,457,601	10,865,962
Equity					
Islamic financial business funds		1,805,526	797,409	1,776,506	734,593
Total liabilities and equity		14,294,027	11,709,031	14,234,107	11,600,555
Commitments and contingencies	(s)	8,250,277	6,940,785	8,250,277	6,940,785

48. Islamic Financial Business (cont'd.)

Income Statements
For the Financial Year Ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Income derived from investment of depositors' funds	(k)	238,425	278,726	238,425	278,726
Income derived from investment of shareholders' funds	(l)	532,307	355,205	526,956	349,580
Allowance for impaiment losses on financing and advances	(m)	(162,875)	(126,645)	(160,288)	(129,227)
Allowance for impairment losses on other assets	(n)	(58,971)	(25,279)	(58,971)	(25,279)
Total distributable income		548,886	482,007	546,122	473,800
Income attributable to the depositors	(o)	(230,001)	(213,343)	(230,001)	(213,343)
Total net income		318,885	268,664	316,121	260,457
Overhead expenses	(p)	(31,228)	(26,348)	(31,300)	(25,925)
Finance cost	(q)	(267,774)	(161,596)	(267,774)	(161,596)
Profit before zakat		19,883	80,720	17,047	72,936
Zakat	(r)	(11,234)	(17,805)	(8,292)	(14,555)
Profit for the financial year		8,649	62,915	8,755	58,381

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48. Islamic Financial Business (cont'd.)

Statements of Comprehensive Income
For the Financial Year Ended 31 December 2017

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	8,649	62,915	8,755	58,381
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Net profit/(loss) on revaluation of financial investments - AFS	33,158	(19,491)	33,158	(19,491)
Other comprehensive income/(loss) for the financial year, net of tax	33,158	(19,491)	33,158	(19,491)
Total comprehensive income for the financial year, net of zakat	41,807	43,424	41,913	38,890
Total comprehensive income attributable to:				
Shareholders of the Bank	41,807	43,424	41,913	38,890
	41,807	43,424	41,913	38,890
Net income from Islamic financial business:				
Income derived from investment of depositors' funds	238,425	278,726	238,425	278,726
Income derived from investment of shareholders' funds	532,307	355,205	526,956	349,580
Income attributable to the depositors	(230,001)	(213,343)	(230,001)	(213,343)
Finance cost	(267,774)	(161,596)	(267,774)	(161,596)
Net income from Islamic financial business reported in the income statement	272,957	258,992	267,606	253,367

48. Islamic Financial Business (cont'd.)

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2017

Group	Capital funds RM'000	Unrealised AFS reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2017	602,400	(19,491)	214,500	797,409
Total comprehensive income for the financial year	-	33,158	8,649	41,807
Share re-allocation	1,000,000	-	-	1,000,000
Dividend paid	-	-	(33,690)	(33,690)
At 31 December 2017	1,602,400	13,667	189,459	1,805,526
At 1 January 2016	602,400	-	151,585	753,985
Total comprehensive (loss)/income for the financial year	-	(19,491)	62,915	43,424
At 31 December 2016	602,400	(19,491)	214,500	797,409

Statement of Changes in Equity
For the Financial Year Ended 31 December 2017

Bank	Capital funds RM'000	Unrealised AFS reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2017	597,400	(19,491)	156,684	734,593
Total comprehensive income for the financial year	-	33,158	8,755	41,913
Share re-allocation	1,000,000	-	-	1,000,000
At 31 December 2017	1,597,400	13,667	165,439	1,776,506
At 1 January 2016	597,400	-	98,303	695,703
Total comprehensive (loss)/ income for the financial year	-	(19,491)	58,381	38,890
At 31 December 2016	597,400	(19,491)	156,684	734,593

48. Islamic Financial Business (cont'd.)

Statements of Cash Flows
For the Financial Year Ended 31 December 2017

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
Profit before zakat	19,883	80,720	17,047	72,936
Adjustments for:				
Net gain on sale of financial investments - AFS (Note 48(l))	-	(7,680)	-	(7,680)
Accreation of discount less amortisation of premium of financial investments (Note 48(l))	(30,171)	(27,015)	(30,171)	(27,015)
Individual allowance (Note 48(m)):				
Individual allowance made	91,845	187,510	86,847	185,869
Individual allowance written back	(14,321)	(16,924)	(11,408)	(13,818)
Transferred from collective allowance	134	63,794	134	63,794
Transferred to collective allowance	(19,660)	(22,317)	(19,660)	(22,317)
Collective allowance (Note 48(m)):				
Collective allowance made	134,649	-	133,852	-
Collective allowance written back	(59,367)	(47,088)	(58,852)	(47,201)
Transferred from individual allowance	19,660	22,317	19,660	22,317
Transferred to individual allowance	(134)	(63,794)	(134)	(63,794)
Transferred from Conventional collective allowance	7,212	-	7,212	-
Impairment allowance for:				
Financial investments - HTM (Note 48(n))	58,684	25,279	58,684	25,279
Bad debts and financing recovered (Note 48(m))	(4)	(6,721)	-	(5,490)
Bad debts and financing written off (Note 48(m))	2,861	9,868	2,637	9,867
Zakat (Note 48(r))	11,234	17,805	8,292	14,555
Compensation from the Government (Note 48(l))	(17,134)	(16,289)	(17,134)	(16,289)
Operating cash flows before working capital changes	205,371	199,465	197,006	191,013

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48. Islamic Financial Business (cont'd.)

Statements of Cash Flows
For the Financial Year Ended 31 December 2017 (cont'd.)

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
(Increase)/decrease in operating assets:				
Other assets	109,990	704,117	129,122	674,919
Financing and advances	(1,089,472)	(2,153,511)	(1,084,308)	(2,163,974)
Deposits and placements with financial institutions	(18,000)	16,000	-	-
	(997,482)	(1,433,394)	(955,186)	(1,489,055)
(Decrease)/increase in operating liabilities:				
Other liabilities	13,892	3,231	32,829	31,358
Deposits from customers	(207,025)	932,187	(207,025)	932,187
Deposits and placements from financial institutions	-	(50,004)	-	(50,004)
	(193,133)	885,414	(174,196)	913,541
Cash used in from operating activities	(985,244)	(348,515)	(932,376)	(384,501)
Zakat paid	(17,292)	(20,488)	(16,326)	(19,602)
Net cash used in from operating activities	(1,002,536)	(369,003)	(948,702)	(404,103)
Cash flows from investing activities				
Purchase of financial investments - AFS	(1,458,689)	(1,078,573)	(1,458,689)	(1,078,573)
Issuance of shares	1,000,000	-	1,000,000	-
Net cash used in investing activities	(458,689)	(1,078,573)	(458,689)	(1,078,573)

48. Islamic Financial Business (cont'd.)

Statements of Cash Flows
For the Financial Year Ended 31 December 2017 (cont'd.)

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Receipt from issuance of redeemable notes	1,523,179	1,106,974	1,523,179	1,106,974
Proceeds from issuance of bond	249,380	-	249,380	-
Net cash generated from financing activities	1,772,559	1,106,974	1,772,559	1,106,974
Cash and cash equivalents (Note A)				
Net increase/(decrease) in cash and cash equivalents	311,334	(340,602)	365,168	(375,702)
Cash and cash equivalents at beginning of financial year	457,802	798,404	399,627	775,329
Cash and cash equivalents at end of financial year	769,136	457,802	764,795	399,627

(A) Cash and cash equivalents

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and short term deposits	769,136	457,802	764,795	399,627

48. Islamic Financial Business (cont'd.)

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
(a) Cash and short term deposits				
Cash and bank balances with financial institutions	19,883	12,993	15,542	4,828
Money at call and deposit placements maturing within one month	749,253	444,809	749,253	394,799
	769,136	457,802	764,795	399,627
(b) Deposits and placements with financial institutions				
Licensed banks	18,000	-	-	-

(c) Financial investments - AFS

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
At fair value		
Money market instruments:		
Government investment issues	1,071,874	1,141,858
At fair value		
Unquoted securities:		
(In Malaysia)		
Private debt securities	3,203,486	1,611,207
	4,275,360	2,753,065

48. Islamic Financial Business (cont'd.)

(d) Financial investments - HTM

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
At amortised cost		
Money market instruments:		
Cagamas	-	5,037
Unquoted securities:		
(In Malaysia)		
Private debt securities	405,364	527,365
Less: Accumulated impairment losses	(405,364)	(346,680)
	-	180,685
	-	185,722

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

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Cagamas	-	5,029
Unquoted private debt securities	-	207,329

48. Islamic Financial Business (cont'd.)

(e) Financing and advances

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Bai' Bithaman Ajil	185,549	219,355	183,289	219,349
Bai' 'Inah	-	52,009	-	52,009
Murabahah	8,767	25,778	8,767	25,778
Istisna'	5,386,381	5,787,662	5,386,381	5,787,662
Ijarah Muntahiyah bi Tamlik	168,045	167,420	125,419	131,382
Tawarruq	10,387,500	8,442,488	10,384,986	8,425,248
Staff financing	11,930	13,861	11,930	13,861
Unearned income	(6,036,879)	(5,575,694)	(6,036,879)	(5,575,694)
Gross financing and advances	10,111,293	9,132,879	10,063,893	9,079,595
Allowance for impairment on financing and advances:				
Individual allowance	(587,529)	(647,882)	(578,122)	(629,735)
Collective allowance	(362,273)	(260,253)	(360,491)	(258,753)
	(949,802)	(908,135)	(938,613)	(888,488)
Net financing and advances	9,161,491	8,224,744	9,125,280	8,191,107

(i) Financing and advances analysed by type of customers are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Domestic business enterprises	10,098,968	9,125,681	10,057,525	9,072,397
Individual	12,325	7,198	6,368	7,198
	10,111,293	9,132,879	10,063,893	9,079,595

48. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(ii) Financing and advances analysed by profit rate sensitivity are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Housing financing	12,325	7,198	6,368	7,198
Other fixed rate financing	6,815,450	6,137,351	6,774,007	6,084,067
Variable rate:				
Cost plus	1,894,994	1,424,769	1,894,994	1,424,769
Other variable rates	1,388,524	1,563,561	1,388,524	1,563,561
	10,111,293	9,132,879	10,063,893	9,079,595

(iii) Financing and advances analysed by industry are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting & forestry	-	5,227	-	-
Construction	4,170,174	3,818,165	4,169,399	3,817,852
Education	1,456,782	1,470,948	1,456,782	1,470,948
Electricity, gas and water supply	225,211	217,432	225,211	217,432
Finance, takaful and business	29,204	17,138	-	-
Hotel and restaurants	151,549	146,840	149,455	146,840
Housing	6,368	15,060	6,368	7,198
Manufacturing	259,128	286,419	259,113	283,470
Materials technology	10,735	10,259	10,735	10,259
Balance carried forward	6,309,151	5,987,488	6,277,063	5,953,999

48. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(iii) Financing and advances analysed by industry are as follows (cont'd.):

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Balance brought forward	6,309,151	5,987,488	6,277,063	5,953,999
Other community, social and personal service activities	73,286	74,468	68,273	72,997
Public administration and defence	32,464	38,308	32,464	38,308
Shipping	719,954	751,170	719,954	751,170
Shipyard	-	201,369	-	201,369
Transport, storage and communication	2,976,438	2,080,076	2,966,139	2,061,752
	10,111,293	9,132,879	10,063,893	9,079,595

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Receivable after 12 months	8,548,714	7,733,305	8,508,682	7,727,506
Receivable within 12 months	1,562,579	1,399,574	1,555,211	1,352,089
	10,111,293	9,132,879	10,063,893	9,079,595

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48. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(v) Financing and advances analysed by type and Shariah contract are as follows:

Group 2017	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
At amortised cost						
Term facility						
Sale-based financing	185,549	-	5,386,381	-	9,862,681	15,434,611
Lease-based financing	-	-	-	168,045	-	168,045
Revolving facility						
Sale-based financing	-	8,767	-	-	524,819	533,586
Staff financing	11,930	-	-	-	-	11,930
Unearned income	-	-	-	-	-	(6,036,879)
Gross financing and advances	197,479	8,767	5,386,381	168,045	10,387,500	10,111,293
Allowance for impairment on financing and advances:						
Individual allowance	-	-	-	-	-	(587,529)
Collective allowance	-	-	-	-	-	(362,273)
Net financing and advances	-	-	-	-	-	9,161,491

48. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(v) Financing and advances analysed by type and Shariah contract are as follows (cont'd.):

Group 2016	Bai' Bithaman Ajil RM'000	Bai' 'Inah RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
At amortised cost							
Term facility							
Sale-based financing	219,355	52,009	-	5,787,662	-	8,019,236	14,078,262
Lease-based financing	-	-	-	-	167,420	-	167,420
Revolving facility							
Sale-based financing	-	-	25,778	-	-	423,252	449,030
Staff financing	13,861	-	-	-	-	-	13,861
Unearned income	-	-	-	-	-	-	(5,575,694)
Gross financing and advances	233,216	52,009	25,778	5,787,662	167,420	8,442,488	9,132,879
Allowance for impairment on financing and advances:							
Individual allowance	-	-	-	-	-	-	(647,882)
Collective allowance	-	-	-	-	-	-	(260,253)
Net financing and advances	-	-	-	-	-	-	8,224,744

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48. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(v) Financing and advances analysed by type and Shariah contract are as follows (cont'd.):

Bank 2017	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
At amortised cost						
Term facility						
Sale-based financing	183,289	-	5,386,381	-	10,195,218	15,764,888
Lease-based financing	-	-	-	125,419	-	125,419
Revolving facility						
Sale-based financing	-	8,767	-	-	189,768	198,535
Staff financing	11,930	-	-	-	-	11,930
Unearned income	-	-	-	-	-	(6,036,879)
Gross financing and advances	195,219	8,767	5,386,381	125,419	10,384,986	10,063,893
Allowance for impairment on financing and advances:						
Individual allowance	-	-	-	-	-	(578,122)
Collective allowance	-	-	-	-	-	(360,491)
Net financing and advances	-	-	-	-	-	9,125,280

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48. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(v) Financing and advances analysed by type and Shariah contract are as follows (cont'd.):

Bank	Bai' Bithaman Ajil RM'000	Bai' 'Inah RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
2016							
At amortised cost							
Term facility							
Sale-based financing	219,349	52,009	-	5,787,662	-	8,001,996	14,061,016
Lease-based financing	-	-	-	-	131,382	-	131,382
Revolving facility							
Sale-based financing	-	-	25,778	-	-	423,252	449,030
Staff financing	13,861	-	-	-	-	-	13,861
Unearned income	-	-	-	-	-	-	(5,575,694)
Gross financing and advances	233,210	52,009	25,778	5,787,662	131,382	8,425,248	9,079,595
Allowance for impairment on financing and advances:							
Individual allowance	-	-	-	-	-	-	(629,735)
Collective allowance	-	-	-	-	-	-	(258,753)
Net financing and advances	-	-	-	-	-	-	8,191,107

48. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	1,084,444	894,765	1,067,025	866,841
Impaired during the financial year	47,766	372,261	34,655	359,181
Reclassified as non-impaired	(53,242)	(14,911)	(53,242)	-
Recovered during the financial year	(82,131)	(52,691)	(64,712)	(45,667)
Amount written off	(108,886)	(114,980)	(108,886)	(113,330)
At 31 December	887,951	1,084,444	874,840	1,067,025
Gross impaired financing as a % of gross financing and advances	8.78%	11.87%	8.69%	11.75%

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Construction	490	52,009	-	52,009
Education	51,691	56,626	51,691	56,626
Electricity, gas and water supply	76,170	74,257	76,170	74,257
Hotel and restaurants	110,510	102,935	107,643	102,935
Housing	-	7,862	-	-
Manufacturing	31,961	88,973	31,961	83,915
Materials technology	10,735	10,259	10,735	10,259
Other community, social and personal service activities	6,091	905	-	-
Shipping	433,809	687,024	433,809	687,024
Transport, storage and communication	166,494	3,594	162,831	-
	887,951	1,084,444	874,840	1,067,025

48. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Individual allowance ("IA")				
At 1 January	647,882	547,319	629,735	525,639
Allowance made during the financial year	91,845	187,510	86,847	185,869
Amount written back in respect of recoveries	(14,321)	(16,924)	(11,408)	(13,818)
Amount transferred from CA	134	63,794	134	63,794
Amount transferred to CA	(19,660)	(22,317)	(19,660)	(22,317)
Amount written off	(118,351)	(111,500)	(107,526)	(109,432)
At 31 December	587,529	647,882	578,122	629,735
Collective allowance ("CA")				
At 1 January	260,253	348,818	258,753	347,431
Allowance made during the financial year	134,649	-	133,852	-
Amount written back	(59,367)	(47,088)	(58,852)	(47,201)
Amount transferred to IA	(134)	(63,794)	(134)	(63,794)
Amount transferred from IA	19,660	22,317	19,660	22,317
Transferred from conventional collective allowance	7,212	-	7,212	-
At 31 December	362,273	260,253	360,491	258,753

(ix) Financing and advances analysed by geographical distribution are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Within Malaysia	10,111,293	9,132,879	10,063,893	9,079,595

48. Islamic Financial Business (cont'd.)

(f) Other assets

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Other receivables	70,040	87,698	68,672	71,034
	70,040	87,698	68,672	71,034

(g) Deposits from Customers

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
(a) The deposits are sourced from the following types of customers:		
Business enterprises	680,607	984,759
Government and statutory bodies	5,133,216	5,036,089
	5,813,823	6,020,848
(b) The deposits maturity structure are as follows:		
Less than six months	3,541,847	1,603,991
Six months to one year	2,271,976	4,416,857
	5,813,823	6,020,848

(h) Other liabilities

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Other payables		22,660	16,742	20,948	13,379
Zakat payables		15,180	19,337	12,237	17,137
Charity payables	(ii)	1,017	1,901	1,017	1,901
Interfund payables	(iii)	83,471	66,022	57,226	25,925
		122,328	104,002	91,428	58,342

48. Islamic Financial Business (cont'd.)

(h) Other liabilities (cont'd.)

(i) Shariah non-compliant events

	No. of events	2017 RM'000
Error in calculation of the amount of fee and profit for a particular bank guarantee and financing facilities	4	221
	4	221

The Bank has taken necessary corrective as well as preventive measures to avoid the same incidences from recurrence where the rectification plan had been endorsed by the Shariah Committee.

During the financial year 2016, there was no incident of Shariah non-compliance event.

Group and Bank	Charity Funds RM'000	Shariah Non-Compliance Income RM'000	Total RM'000
Undistributed funds as at 1 January 2016	1,101	800	1,901
Funds collected/received during the year	-	221	221
Undistributed funds as at 31 December 2016/1 January 2017	1,101	1,021	2,122
Uses of funds during the year			
Contribution to Non-profit Organisation	(1,043)	-	(1,043)
Refund to customers	-	(62)	(62)
	(1,043)	(62)	(1,105)
Undistributed funds as at 31 December 2017	58	959	1,017

(ii) Interfund payables are unsecured, profit free and are repayable on demand.

48. Islamic Financial Business (cont'd.)

(i) Redeemable Notes

	Note	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Redeemable non-guaranteed notes			
Medium term notes - Murabahah	(i)	3,034,269	1,511,090
		3,034,269	1,511,090
Redeemable guaranteed notes			
Medium term notes - Murabahah	(ii)	3,041,671	3,041,671
		3,041,671	3,041,671
		6,075,940	4,552,761

(i) These notes carry profit rates ranging between 4.28% to 4.98% per annum and for tenures of 5 years to 15 years. These notes will mature in March 2022, 2027 and 2032 respectively.

(ii) These notes carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These notes will mature in September 2021, 2024, 2029 and 2034 respectively.

The movements in the redeemable notes are as follows:

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Redeemable non-guaranteed notes		
Medium term notes		
Principal		
At 1 January	1,500,000	-
Issued during the financial year	1,500,000	1,500,000
At 31 December	3,000,000	1,500,000
Accrued profit payable		
At 1 January	11,090	-
Charge for the financial year	110,767	11,090
Repayment during the financial year	(87,588)	-
At 31 December	34,269	11,090
	3,034,269	1,511,090

48. Islamic Financial Business (cont'd.)

(i) Redeemable Notes (cont'd.)

The movements in the redeemable notes are as follows (cont'd.):

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Redeemable guaranteed notes		
Medium term notes		
Principal		
At 1 January/31 December	3,000,000	3,000,000
Accrued profit payable		
At 1 January	41,671	41,671
Charge for the financial year	114,692	114,692
Repayment during the financial year	(114,692)	(114,692)
At 31 December	41,671	41,671
	3,041,671	3,041,671

(j) Reserves

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Non-distributable:				
Unrealised AFS reserve /(deficit)	13,667	(19,491)	13,667	(19,491)
	13,667	(19,491)	13,667	(19,491)
Distributable:				
Retained profits	189,459	214,500	165,439	156,684
	203,126	195,009	179,106	137,193

Movements of the AFS reserve are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
At 1 January	(19,491)	-	(19,491)	-
Unrealised profit/(loss) on fair value changes	33,158	(27,171)	33,158	(27,171)
Realised gain transferred to profit or loss	-	7,680	-	7,680
At 31 December	13,667	(19,491)	13,667	(19,491)

48. Islamic Financial Business (cont'd.)

(k) Income derived from investment of depositors' funds

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Finance Income				
Financing and advances	224,937	242,991	224,937	242,991
Other income:				
Fee income	13,488	35,735	13,488	35,735
	238,425	278,726	238,425	278,726
Of which:				
Finance income earned on impaired financing and advances	13,252	16,272	13,381	16,166

(l) Income derived from investment of shareholders' funds

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Finance Income				
Financing and advances	292,248	168,655	288,964	164,604
Compensation from the Government	17,134	16,289	17,134	16,289
Deposits and placements with financial institution	19,952	21,507	18,004	20,133
Financial investments - AFS	154,701	93,068	154,701	93,068
Financial investments - HTM	1,939	4,264	1,939	4,264
	485,974	303,783	480,742	298,358
Accretion of discount less amortisation of premium	30,171	27,015	30,171	27,015
	516,145	330,798	510,913	325,373
Other income:				
Net gain on sale of :				
Financial investments - AFS	-	7,680	-	7,680
Fee income	16,162	16,727	16,043	16,527
	532,307	355,205	526,956	349,580
Of which:				
Finance income earned on impaired financing and advances	17,218	10,883	17,031	10,777

48. Islamic Financial Business (cont'd.)

(m) Allowances for/(Writeback on) impairment losses on financing and advances

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Individual allowance:				
Made during the financial year	91,845	187,510	86,847	185,869
Written back	(14,321)	(16,924)	(11,408)	(13,818)
Transferred from CA	134	63,794	134	63,794
Transferred to CA	(19,660)	(22,317)	(19,660)	(22,317)
Collective allowance:				
Made during the financial year	134,649	-	133,852	-
Written back	(59,367)	(47,088)	(58,852)	(47,201)
Transferred to IA	(134)	(63,794)	(134)	(63,794)
Transferred from IA	19,660	22,317	19,660	22,317
Transferred from conventional CA	7,212	-	7,212	-
Bad debts and financing:				
Written off	2,861	9,868	2,637	9,867
Recovered	(4)	(6,721)	-	(5,490)
	162,875	126,645	160,288	129,227

(n) Allowances for/(Writeback on) impairment losses on other assets

	Group and Bank	
	2017 RM'000	2016 RM'000
Financial investments - HTM	58,684	25,279
Provision for ex-staff financing		
- Made during the financial year	412	-
- Written back	(125)	-
	58,971	25,279

48. Islamic Financial Business (cont'd.)

(o) Income attributable to the depositors

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Deposit from customers	229,566	212,549
Deposits and placements from financial institutions	435	794
	230,001	213,343

(p) Overhead expenses

	Note	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Personnel costs	(i)	21,775	17,464	22,823	17,464
General administrative expenses	(ii)	9,453	8,884	8,478	8,461
		31,228	26,348	31,300	25,925

(i) Personnel costs

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Salaries, allowances and bonuses	15,760	13,591	16,808	13,591
Social security cost	125	76	125	76
Pension costs - Defined contribution plan	2,349	1,666	2,349	1,666
Other staff related expenses	3,541	2,131	3,541	2,131
	21,775	17,464	22,823	17,464

(ii) General administrative expenses

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
General administrative expenses	9,453	8,884	8,478	8,461

48. Islamic Financial Business (cont'd.)

(p) Overhead expenses (cont'd.)

The above overhead expenses have been determined after charging amongst other items the following:

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Shariah Committee's remuneration	170	306	170	306

(q) Finance cost

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Redeemable notes	265,914	156,004	265,914	156,004
Bills and acceptance payable	1,860	5,592	1,860	5,592
	267,774	161,596	267,774	161,596

(r) Zakat

	Group 2017 RM'000	Group 2016 RM'000	Bank 2017 RM'000	Bank 2016 RM'000
Zakat	11,234	17,805	8,292	14,555

(s) Commitments and contingencies

	Group and Bank 2017 RM'000	Group and Bank 2016 RM'000
Contingencies as at the financial year end constitute the following:		
Secured guarantees on behalf of customers given to third parties	1,604,223	1,266,310
Disbursement of financing and advances to industries	6,646,054	5,674,475
	8,250,277	6,940,785

48. Islamic Financial Business (cont'd.)

(t) Capital Adequacy

Capital management

Regulatory capital

The following table sets forth capital resources and capital adequacy for the Bank as at reporting date.

	Bank 2017 RM'000	Bank 2016 RM'000
Tier 1 capital		
Capital funds	1,597,400	597,400
Other reserves	165,439	137,193
Total Tier 1 capital	1,762,839	734,593
Tier 2 capital		
Government support funds	227,030	234,011
Collective allowance*	360,492	258,269
Total Tier 2 capital	587,522	492,280
Total capital base	2,350,361	1,226,873

* The eligible amount for Tier 2 capital is after excluding CA on impaired financing and advances of the Bank.

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

	Bank 2017 RM'000	Bank 2016 RM'000
10%	-	-
20%	157,401	87,233
50%	1,683,966	1,431,652
100%	14,150,354	11,473,431
	15,991,721	12,992,316

48. Islamic Financial Business (cont'd.)

(t) Capital Adequacy (cont'd.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

Without deducting proposed dividend:

	Bank 2017 %	Bank 2016 %
Core capital ratio	11.02%	5.65%
RWCR	14.70%	9.44%

49. Government Funds

As a development financial institutution, the Bank perform its mandated roles to promote strategic sectors identified by the Government of Malaysia as follows:

(a) Tourism Fund

The objective of the tourism fund is to develop and promote tourism industry.

(b) Maritime Fund

The objective of the maritime fund is to provide financial assistance to existing and new companies to stimulate growth in shipping, shipyard, marine and oil & gas related activities and services.

(c) Public Transport Fund

The objective of the public transport fund is to spur the growth in the public transportation industry and improve the quality of the nation's public transportation services.

For all the above funds, the Group and the Bank act as a financier that bear the credit risk and recognise its credit losses in the financial statements.

49. Government Funds (cont'd.)

49.1 Performance of the fund

	2017				2016			
Group	Tourism fund RM'000	Maritime fund RM'000	Public Transport fund RM'000	Total RM'000	Tourism fund RM'000	Maritime fund RM'000	Public Transport fund RM'000	Total RM'000
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Borrowings/Islamic Funding	4,200,000	7,494,258	1,000,000	12,694,258	4,200,000	7,494,258	505,742	12,200,000
	4,400,000	7,494,258	1,000,000	12,894,258	4,400,000	7,494,258	505,742	12,400,000
Net approved	(2,719,850)	(3,552,491)	(328,873)	(6,601,214)	(2,947,290)	(3,088,241)	(411,894)	(6,447,425)
Fund available	1,680,150	3,941,767	671,127	6,293,044	1,452,710	4,406,017	93,848	5,952,575
Loans, financing and advances:								
Disbursement	2,263,773	4,063,544	318,022	6,645,339	2,147,691	3,405,968	296,069	5,849,728
Repayment	(807,346)	(2,798,357)	(259,430)	(3,865,133)	(618,247)	(1,886,140)	(234,720)	(2,739,107)
Outstanding	1,456,427	1,265,187	58,592	2,780,206	1,529,444	1,519,828	61,349	3,110,621
Number of beneficiaries	68	45	109	222	69	43	105	217

Bank Pembangunan Malaysia Berhad
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49. Government Funds (cont'd.)

49.1 Performance of the fund (cont'd.)

Bank	2017 Tourism fund RM'000	2017 Maritime fund RM'000	2017 Public Transport fund RM'000	2017 Total RM'000	2016 Tourism fund RM'000	2016 Maritime fund RM'000	2016 Public Transport fund RM'000	2016 Total RM'000
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Borrowings/Islamic Funding	4,200,000	7,494,258	5,742	11,700,000	4,200,000	7,494,258	5,742	11,700,000
	4,400,000	7,494,258	5,742	11,900,000	4,400,000	7,494,258	5,742	11,900,000
Net approved	(2,719,850)	(3,552,491)	(5,742)	(6,278,083)	(2,947,290)	(3,088,241)	(5,742)	(6,041,273)
Fund available	1,680,150	3,941,767	-	5,621,917	1,452,710	4,406,017	-	5,858,727
Loans, financing and advances:								
Disbursement	2,263,773	4,063,544	5,661	6,332,978	2,147,691	3,405,968	5,661	5,559,320
Repayment	(807,346)	(2,798,357)	(5,661)	(3,611,364)	(618,247)	(1,886,140)	(5,661)	(2,510,048)
Outstanding	1,456,427	1,265,187	-	2,721,614	1,529,444	1,519,828	-	3,049,272
Number of beneficiaries	68	45	1	114	69	43	1	113