BPMB

Malaysia Development Bank

PERBANKAN ISLAM

ANNUAL REPORT

2014

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2014 Annual Report

pullman
KUALA LUMPUR BANGSAR

CAHAYA SURIA

CORPORATE PROFILE

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

INFRASTRUCTURE

ROAD/HIGHWAYS
- Toll Road
- Federal Road
- Trunk Road
- City Road
- Bridges

COMMUNITY, SOCIAL & PUBLIC SERVICES
- Education
- Health (excluding Health Tourism)
- Flood Mitigation

UTILITIES
- Water
- Power
- Sewerage

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

TRANSPORTATION
- Inland
- Air

AREA DEVELOPMENT
- Public/Commercial/Residential
- Industrial

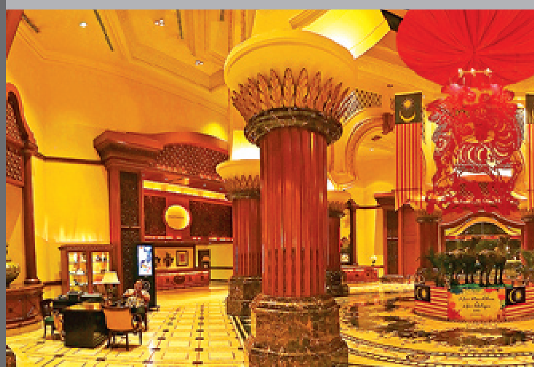
PORT
- Inland
- Port Facilities and Machinery & Equipment
- Airport
- Warehouse/Logistics Hub

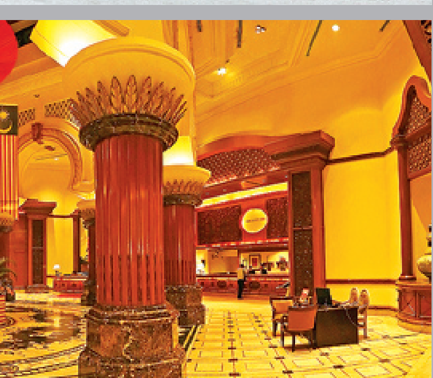
MARITIME

VESSELS
- Liquid Cargo Vessels
- Dry Cargo Vessels
- Specialised Vessels

SHIPYARD
- Shipbuilding
- Shiprepair
- Engineering Works
- Yard Facilities and Infrastructure

MARINE-RELATED
- Fabrication
- Vessel Services
- Machinery and Equipment





TECHNOLOGY

ADVANCED MANUFACTURING

- Pharmaceutical
- Electrical & Electronic
- Engineering & Support Service
- Instrumentation & Equipment
- Chemical
- Textiles
- Printing
- Plastic
- Food Processing
- Iron & Steel
- Pulp & Paper
- Aerospace
- Advanced Materials
- Products Related to Oil & Gas Activities

ENVIRONMENTAL CONSERVATION

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

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

- Telecommunication
- Communication
- System Integration

BIOTECHNOLOGY

- Biotechnology

OIL & GAS

OFFSHORE

- Oil and Gas Field Operators
- Offshore Structure Owners/Operators
- Platform Contractors
- Machinery and Equipment

ONSHORE

- Fabricators
- Tank Farm Owners/Operators
- Terminal Owners/Operators
- Machinery and Equipment

OFFSHORE SUPPORT VESSELS AND LOGISTIC

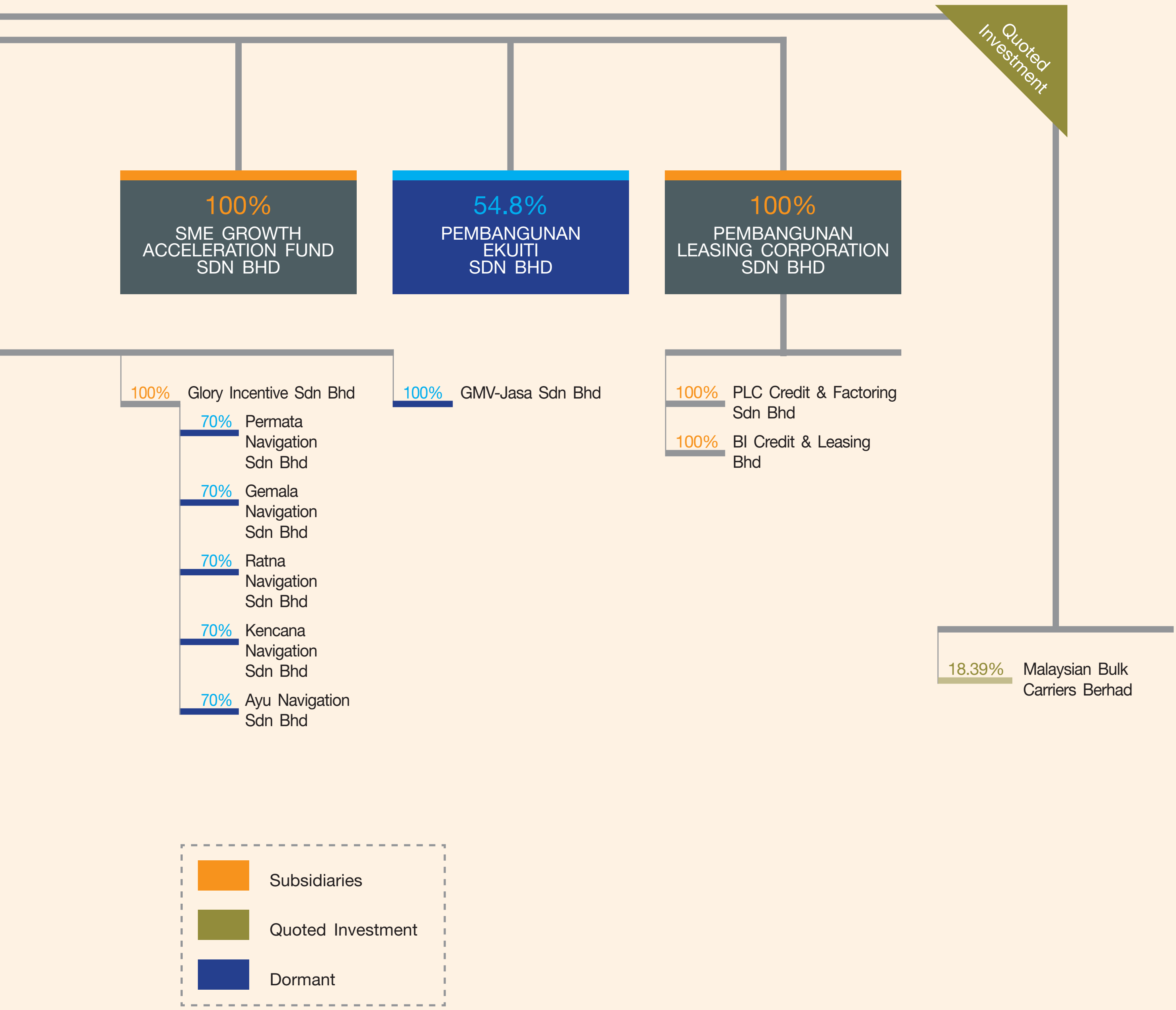
- Anchor Handling Tug/Anchor Handling Tug Supply
- Crew Boat
- Supply/Utility Vessels
- Pipe Lay Barge/Vessels
- Accommodation Work Barge/Work Boat
- Heavy Lift Vessels
- Well Intervention Vessels
- Diving Support Vessels
- Seismic Vessels
- Floating Storage/Production Vessels
- Other vessels involved in oil and gas activities
- Air transportation services
- Machinery and Equipment

CORPORATE STRUCTURE

BPMB
Malaysia Development Bank

SUBSIDIARIES

- **90% GLOBAL MARITIME VENTURES BERHAD**
  - 30% Wawasan Bulk Services Sdn Bhd
  - 70% Mutiara Navigation Sdn Bhd
  - 70% Intan Navigation Sdn Bhd
  - 70% Kasa Navigation Sdn Bhd
  - 70% Mayang Navigation Sdn Bhd
  - 70% Sari Navigation Sdn Bhd
  - 70% Nilam Navigation Sdn Bhd
  - 70% Tiara Navigation Sdn Bhd
  - 100% GMV-Regional Sdn Bhd
  - 100% GMV-Offshore Sdn Bhd
  - 100% GMV-Efogen Sdn Bhd
    - 49% Sea Weasel Limited Bhd
  - 100% GMV-Borcos Sdn Bhd
    - 100% Syarikat Borcos Shipping Sdn Bhd
  - 100% GMV-Bahtera Sdn Bhd
- **100% EMERALD UPLINE SDN BHD**
  - 100% GMV-Orkim Sdn Bhd
  - 100% GMV-Omni Sdn Bhd
  - 100% GMV-Gagasan Sdn Bhd
    - 40% Formasi Cekal Sdn Bhd
    - 40% Baycorp Ship Management Sdn Bhd
    - 60% Gagasan Ked Sdn Bhd
    - 60% Gagasan Paha Sdn Bhd
- **100% MAJU NOMINEES (TEMPATAN) SDN BHD**
  - 100% GMV-Alam Sdn Bhd
    - 40% Alam Explorasi (M) Sdn Bhd
    - 40% Alam Synergy I (L) Inc.
    - 40% Alam Synergy II (L) Inc.
    - 40% Alam Synergy III (L) Inc.
- **100% BPMB URUS HARTA SDN BHD**
  - 100% GMV-Global Sdn Bhd
    - 49% Global BMesra Sdn Bhd
    - 49% Global BMesra Dua Sdn Bhd
    - 49% Global BIkhlas Sdn Bhd
    - 100% Bahtera Berlian Sdn Bhd


Quoted Investment
100%
SME GROWTH ACCELERATION FUND SDN BHD
54.8%
PEMBANGUNAN EKUITI SDN BHD
100%
PEMBANGUNAN LEASING CORPORATION SDN BHD
100% Glory Incentive Sdn Bhd
70% Permata Navigation Sdn Bhd
70% Gemala Navigation Sdn Bhd
70% Ratna Navigation Sdn Bhd
70% Kencana Navigation Sdn Bhd
70% Ayu Navigation Sdn Bhd
100% GMV-Jasa Sdn Bhd
100% PLC Credit & Factoring Sdn Bhd
100% BI Credit & Leasing Bhd
18.39% Malaysian Bulk Carriers Berhad
Subsidiaries
Quoted Investment
Dormant

CHAIRMAN'S STATEMENT

IN THE NAME OF ALLAH, THE MOST BENEFICIENT, THE MOST MERCIFUL

INTRODUCTION

On behalf of the Board of Directors of Bank Pembangunan Malaysia Berhad, it is my great pleasure to present the 41st Annual Report and Audited Financial Statement of Bank Pembangunan and Group for the financial year ended December 31, 2014.

ECONOMIC REVIEW FOR 2014

The global economy continued to recover in 2014 supported by improved growth in the US, UK and in selected euro area economies as well as moderate growth in the emerging economies. Nevertheless, downside risks to growth include geopolitical tensions in Eastern Europe and the Middle East as well as sooner-than-expected interest rate normalization in the US.

The Malaysian economy recorded a stronger growth of 6.0% in 2014 (2013: 4.7%), driven primarily by the continued strength of domestic demand and supported by an improvement in external trade performance. Net exports turned around to contribute positively to growth after seven years of negative contribution, as Malaysia benefitted from the recovery in the advanced economies and the sustained demand from the regional economies. While the growth in private domestic demand remained strong, public sector expenditure registered slower growth, consistent with the Government's fiscal consolidation efforts.

All economic sectors recorded higher growth in 2014. The services sector remained the largest contributor to growth, underpinned largely by sub-sectors catering to domestic demand. The stronger performance of the export-oriented industries and the expansion in domestic-oriented industries contributed to the strong growth in the manufacturing sector during the year. The construction sector continued to expand at a double-digit rate, owing mainly to stronger growth in both the residential and non-residential sub-sectors, with further support from the infrastructure projects under the civil-engineering sub-sector.

Domestic financial stability continued to be preserved throughout the year. Global events as well as financial and economic developments had a significant impact on regional financial markets. In the case of Malaysia, portfolio flows were also influenced by concerns over the potential impact of sharply lower oil prices on the domestic economy in the last quarter of the year. The country's strong financial markets and strong domestic institutional investors in Malaysia have supported orderly conditions in the markets despite higher net outflows of portfolio funds during the year. Financial institutions also had maintained strong capitalisation and financial performance, with stable funding profiles and prudent risk taking. This in turn has ensured that domestic funding conditions, both in the banking system and capital markets, remained favourable and supportive of financing activities of businesses and households.

FINANCIAL PERFORMANCE IN 2014

In 2014, the business environment became more challenging for the financial services industry. Against this backdrop, BPMB Group was able to achieve Profit Before Tax of RM306.4 million in 2014 as compared to RM491.9 million in 2013. The decrease of 37.7% is mainly due to higher impairment of loans, advances and financing as well as assets, particularly vessels. Profit After Tax of BPMB Group also decreased to RM124.7 million as compared to RM304.1 million in the previous year.

BPMB Group's Total Assets increased slightly to RM30.0 billion as at end of 2014 from RM29.2 billion in the previous year mainly due to the increase in cash and short term deposits coupled with the increase in deposits and placements with financial institutions during the year under review. Total Liabilities of BPMB Group also rose to RM22.4 billion from RM21.6 billion in the previous year largely attributed to the issuance of RM3.0 billion Murabahah Medium-Term Notes on 12 September 2014.

Bank Pembangunan Malaysia Berhad (BPMB)

For the financial year ended 2014, BPMB recorded Profit Before Tax of RM247.0 million, a shortfall of RM322.3 million or 56.6% from RM569.3 million recorded in 2013. The decrease was mainly due to higher impairment of loans, advances and financing by RM162.5 million and higher impairment on other assets by RM164.1 million mainly contributed by impairment of investment in Global Maritime Ventures Berhad (GMVB).

BPMB's Total Assets increased from RM28.1 billion to RM29.2 billion, an increase of 3.9% from the previous year largely due to higher cash and short term deposits coupled with higher deposits and placements with financial institutions. Total Liabilities increased by RM1.1 billion to RM21.8 billion mainly contributed by new issuance of RM3.0 billion Murabahah Medium-Term Notes.

During the year, BPMB had the Issue Rating for its RM7.0 billion Conventional Medium-Term Notes (MTN) and/or Islamic Murabahah MTN Programmes reaffirmed at AAA by RAM. In addition, RAM and MARC have also assigned a Financial Institution Rating of AAA on Bank Pembangunan, premised on our established track record in infrastructure financing, strong capitalisation and strong regulatory and government support.

Global Maritime Venture Berhad (GMVB)

For the financial year ended 31 December 2014, GMVB Group recorded lower Revenue of RM273.1 million as compared to RM313.3 million in the previous year, a decline of 12.8%. The lower revenue was mainly due to lower charter hire income by its subsidiary. GMVB Group registered higher Loss Before Tax of RM281.7 million, as compared to RM141.1 million incurred in the year before due to lower charter hire income, coupled with impairment loss on vessels amounting to RM165.0 million.

Total Assets of RM1.1 billion recorded as at 31 December 2014 was lower by RM0.6 billion compared to the previous year mainly due to net impact on the disposal of investment in subsidiary and joint venture company amounting to RM483.1 million. Total Liabilities was lower by RM357.7 million mainly due to lower long term borrowings arising from the impact of deconsolidation of borrowings arising from GMVB's disposed subsidiary.

Pembangunan Leasing Corporation Sdn Bhd (PLC)

For the financial year ended 31 December 2014, PLC Group recorded lower Operating Profit by RM1.1 million compared to RM16.5 million in the previous year. Consequently, Profit Before Tax decreased to RM14.0 million, a shortfall of RM18.7 million from RM32.7 million recorded in 2013. The contraction was mainly due to higher net allowance on impairment of loans, advances and financing arising from changes in methodology. Total Assets of PLC Group decreased to RM365.6 million mainly due to decrease in cash and short term deposits.

OUTLOOK AND PROSPECT FOR 2015

The Malaysian economy is expected to sustain its positive growth trajectory in 2015, supported by improved global economic conditions and resilient domestic demand. Nonetheless, as a highly open economy amid an increasingly liberalized global environment, Malaysia remains vulnerable to external shocks. Despite a challenging external environment, the Malaysian economy is expected to register steady growth of 4.5% - 5.5% in 2015, supported mainly by sustained expansion in domestic demand amid strong domestic fundamentals and a resilient export sector. Domestic demand will continue to anchor growth in 2015, driven by private sector spending. The implementation of the GST in April and lower earnings in the commodity-related sectors are expected to affect spending. However, this will be partially offset by higher household disposable incomes from lower fuel prices, the favourable labour market conditions and the Government measures to assist low-and middle-income households.

In 2015, all economic sectors are expected to expand, albeit at a more moderate pace. The services sector would remain as the key driver to overall growth, benefiting from the resilience of domestic demand. In the finance and insurance sub-sector, growth is projected to be sustained, supported by stable demand for financing, particularly from businesses, and higher fee income from capital market activity.

The construction sector is expected to continue to record high growth, albeit at a more moderate pace in 2015. After several years of robust growth, activity in the residential sub-sector is expected to increase at a more moderate pace due to lower housing approvals and property launches. Nonetheless, growth in the non-residential sub-sector is projected to be sustained, amid higher construction activity for industrial and commercial buildings. New and existing multi-year civil engineering projects, particularly in the transport and utility segments, will continue to provide additional support to the sector.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to extend our deepest appreciation to the Government particularly the Ministry of Finance for their continuous support and assistance rendered throughout 2014. I would also like to extend our gratitude to Bank Negara Malaysia for their guidance and advice. To our clients, thank you for the continuous support and trust given throughout the year.

I would like to acknowledge and record our gratitude to Datuk Idris bin Abdullah @ Das Murthy, Datuk Dr Syed Jaafar bin Syed Aznan, Tuan Haji Ariffin Hew @ Hew Siak Tow and Tuan Haji Abdul Aziz bin Ishak, who resigned from the Board in 2014, for their dedicated service. Their commitment to the growth and successes of the Group are indeed commendable.

May I also place on record our appreciation to the former President/Group Managing Director, Dato' Mohd Zafer bin Mohd Hashim, who resigned from BPMB on 25 July 2014. Over the course of five years when he was with the Group, Dato' Zafer has earned enormous respect from everyone who came into contact with him. I wish him well in his future endeavors.

I would like to take this opportunity to welcome our new directors, Datuk Engku Nor Faizah binti Engku Atek who joined the Board on 1 December 2014 as well as Dato' Ir. Haji Mohamad bin Husin, Dato' Kapt. Haji Ahmad bin Othman and Datuk Wan Azhar bin Wan Ahmad who joined the Board on 2 May 2015. We are confident, given their vast experience and expertise, they would be able to contribute positively to BPMB.

I also would like to congratulate and welcome Encik Mohammed Rafidz bin Ahmed Rasiddi, whose extensive experience in the banking industry and outstanding track record will stand him in good stead as the newly appointed President/Group Managing Director with effect from 15 June 2015. I am confident that Encik Rafidz will be charting the Group's progress to the next level of achievement.

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

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

OPERATIONAL REVIEW

All economic sectors are expected to expand, albeit at a more moderate pace. The services and manufacturing sectors would remain as key drivers of overall growth, benefiting from the resilience of domestic demand.

OVERVIEW

As economic performance in several major economies remained below expectations, concerns over the global growth outlook increased towards the end of 2014, particularly following the downgrade of the global economic outlook by the International Monetary Fund (IMF). The weakness in global demand, together with the sizeable excess supply in the global crude oil market, led to a significant decline in the prices of crude oil and other commodities. Uncertainties over the magnitude and persistence of the decline in commodity prices consequently increased concerns over the growth prospects of a number of commodity-producing emerging economies. This in turn resulted in broad-based financial market volatility across the emerging economies, which further exacerbated concerns over global growth.

Nevertheless, in Malaysia, while overall growth was affected by the adverse developments in the external environment, economic expansion continued to be supported by domestic demand and exports. Despite all the challenges, Bank Pembangunan Malaysia Berhad (BPMB) continued to assist the Government in various developmental projects.

FINANCIAL PERFORMANCE

For the financial year ended 2014, despite a challenging business environment, BPMB was able to record Net Income of RM887.8 million, an increase of RM10.1 million from the previous year. However, the Profit Before Tax recorded RM247.0 million, a decline of 56.6% as compared to 2013. The decrease was contributed by higher impairment of loans, advances and financing by RM162.5 million from RM107.5 million recorded in 2013 and higher impairment on other assets by RM164.1 million mainly due to impairment of investment in Global Maritime Ventures Berhad (GMVB) amounting to RM293.8 million.

BPMB's total assets increased to RM29.2 billion as at 31 December 2014, from RM28.1 billion in the previous year. It was mainly attributable to higher deposits and placements with financial institutions by RM525.1 million and higher cash and short term deposits by RM504.8 million as compared to the year before.

BPMB's capital adequacy remained solid with risk-weighted capital ratio (RWCR) strengthening to 33.2% in 2014 from 32.8% in 2013.

CONTINUED EMPHASIS ON MANDATED ROLE

In supporting the national development agenda and contributing towards economic growth, BPMB had approved a total of 34 projects amounting to RM5.4 billion in 2014, a decrease of 14.3% from the previous year's approval of RM6.3 billion which were granted to 66 projects. RM4.7 billion or 87.0% was channelled to infrastructure sector, RM0.4 billion or 7.4% to oil & gas sector while the remaining RM0.3 billion or 5.6% to technology sector. There was no approval for maritime sector in 2014.

Infrastructure

The infrastructure sector has received the largest share of public sector development expenditure in every National Budget and Malaysia Plan. BPMB has always been at the forefront in supporting the Government's mission to uplift the nation's accessibility to infrastructure facilities.

Infrastructure continued to be the Bank's forte, accounting for 82.7% of the Bank's current loan portfolio as at 31 December 2014. For the period under review, 25 infrastructure projects worth RM4,729.8 million were approved.

In tandem with the government's initiative to further improve basic infrastructure to the nation, 39.5% of the infrastructure loans approved were channelled to roads/highways sub-sector (RM1,868.2 million for 4 projects), 29.9% to area development sub-sector (RM1,414.1 million for 6 projects), 21.5% to community, social and public services sub-sector (RM1,015.3 million for 5 projects) and 7.8% to tourism sub-sector (RM368.0 million for 7 projects). About 1.3% or RM64.1 million of the remaining balance was allocated to various projects under utilities and transportation sub-sectors.

A total of RM3,418.5 million or 72.3% of the approved loans under the infrastructure sector are government-backed projects with 3 projects under the "Private Finance Initiatives" (PFI) programme. PFI is a mechanism introduced by the Government to promote private sector involvement in the provision of public services and BPMB has actively participated in this programme. As at 31 December 2014, a total of 31 PFI projects amounting to RM5.1 billion are financed by BPMB.

Oil and Gas

The oil and gas sector has been volatile given the slow rollout of domestic developments, downscaled projects, declining marine charter rates, increasing competition from overseas fabrication players due to the relaxation of local content requirements and deteriorating visibility of regional prospects. Slower project rollouts and delays in new tenders had translated into a cut in earnings for local oil and gas players.

During the year under review, BPMB's loan approval to the oil and gas sector decreased significantly from RM749.6 million in 2013 to RM362.6 million in 2014, a decline of 51.6%. About RM337.6 million or 93.1% of the loan approved under the oil and gas sub-sector was to finance the purchase of offshore support vessels, whereas the remaining RM25.0 million or 6.9% was for financing of offshore works.

Technology

During the period under review, BPMB's technology sector formed about RM281.3 million of the total loans approved. Of the approval, RM271.3 million or 96.4% was approved for the advance manufacturing sub-sector and the remaining RM10.0 million or 3.6% was approved for the environment conservation sub-sector.

Maritime

The supply of shipping vessels remained higher than demand for most shipping services. Slow global economic growth and continued deliveries of new vessels has led to a capacity glut, which limits companies' ability to raise rates charged for shipping freight, thereby constraining revenue and earnings growth. Against the backdrop of weak market condition, there was no approval under BPMB's maritime sector in 2014.

SUBSIDIARIES' PERFORMANCE

Global Maritime Venture Berhad Group

The tough operating environment was mirrored in GMVB Group's performance which revealed a widening Net Loss of RM303.9 million in 2014 compared to RM158.9 million in 2013. This was primarily due to impairment on investments and assets. Several of the underperforming companies such as Syarikat Borcos Shipping Sdn Bhd (Borcos) and joint venture ship owning companies (JV SOCs) under the joint ventures with Global Carriers Bhd and Gagasan Carriers Sdn Bhd had been experiencing tight cash flow conditions, leading to conservation of cash for operations through more efficient financial management initiatives.

Pembangunan Leasing Corporation Group

PLC Group recorded lower Operating Profit of RM15.4 million in 2014 compared to RM16.5 in the previous year. Consequently, Profit Before Tax decreased to RM14.0 million, a shortfall of RM18.7 million from RM32.7 million recorded in 2013. The contraction was mainly due to higher net allowance on impairment of loans, advances and financing, arising from changes in methodology.

MOVING FORWARD

The international economic and financial landscape has become more challenging since late 2014. Beyond the sharp decline in commodity prices, the growth momentum in several major economies is also weaker than earlier expectations. Against this backdrop, the international financial markets are likely to remain volatile in 2015. As a highly open economy, Malaysia's economic outlook will be affected by these developments. All economic sectors are expected to expand, albeit at a more moderate pace. The services and manufacturing sectors would remain as key drivers of overall growth, benefiting from the resilience of domestic demand. The construction sector is expected to record growth in 2015 but at a slower rate compared to 2014.

Despite the challenging economic outlook, BPMB will continue to contribute further towards fulfilling its mandated role in 2015. The bulk of the new loan approval is targeted for infrastructure sector. It is expected that there will be less Private Finance Initiatives (PFI) projects coming on stream in 2015, while uncertain outlook in the oil & gas and maritime sectors will continue to have a negative bearing on future loan approvals for these sectors.

PERFORMANCE ASSES

DEVELOPMENT OUTCOME

OBJECTIVE	STRATEGIC ACTIONS	PERFORMANCE TARGET	ACTUAL PERFORMANCE
Contribution to the development of strategic sectors	To provide financing to mandated sectors	Value of loans approved in 2014: - Infrastructure: RM2,955 million - Oil & Gas: RM1,220 million - Maritime: RM570 million - Technology: RM255 million - TOTAL: RM5,000 million	Value of loans approved in 2014: RM4,731.0 million RM362.6 million - RM281.3 million RM5,374.9 million
Catalyst to the nation's socio-infrastructure development	To provide financing to developmental projects	Accumulated loans approved to developmental projects: - Area Development - Community, Social & Public Services - Port - Road / Highways - Tourism - Transportation - Utilities TOTAL	Cumulative no. of loans approved as at 31 Dec 2014: 25 41 10 22 55 10 5 168 loans amounting to RM22.4 billion in value

Development Outcome is defined as high level impact analysis on DFI's achievement.

SMENT

MANDATED SECTOR OUTPUT

OBJECTIVE	STRATEGIC ACTIONS	PERFORMANCE TARGET	ACTUAL PERFORMANCE
Implementation of Government specific initiatives	To effectively manage the Promoted Funds	Full utilization of Promoted Funds:	Cumulative value of loans approved as at 31 Dec 2014:
		• Maritime Fund (RM4 bil)	
		- Gross approval	RM4,018.8 million
		- Net approval	RM2,485.9 million
		• Tourism Infrastructure Fund (RM2.4 bil)	
		- Gross approval	RM2,976.0 million
		- Net approval	RM1,961.2 million

Mandated Sector Output is defined as institutional achievements in supporting the needs of targeted sectors.

ORGANIZATIONAL SOUNDNESS

OBJECTIVE	STRATEGIC ACTIONS	PERFORMANCE TARGET	ACTUAL PERFORMANCE
Achieve financial sustainability	To maintain profitability level	Profit Before Tax of RM688.1 million in 2014	Profit Before Tax of RM247.0 million in 2014
	To maintain Risk Weighted Capital Ratio (RWCR) above Internal Capital Target (ICT)	ICT of 18.9% RWCR	RWCR of 33.2% as at 31 Dec 2014
Strengthen asset quality	To consistently reduce Gross Impaired Loan Ratio	Gross Impaired Loan Ratio of 9.0% by 31 Dec 2016	Gross Impaired Loan Ratio of 10.9% as at 31 Dec 2014
Strengthen loan portfolio quality	To improve credit portfolio risk rating	Credit portfolio risk rating of Moderate Safety or better of at least 70% by 31 Dec 2016	Credit portfolio risk rating of Moderate Safety or better of 61.7% as at 31 Dec 2014

Organizational Soundness is defined as institutional requisites to facilitate DFI in achieving mandated activities.

5 - YEAR GROUP
FINANCIAL SUMMARY

	2014	2013	2012	2011	2010
PROFITABILITY (RM Million)					
Net Income *	1,172	1,196	926	1,152	1,244
Net Income from Islamic banking business	262	265	192	162	144
Operating profit	295	532	263	612	539
Profit before taxation & zakat	306	492	286	645	549
Profit for the financial year	125	304	188	474	424
KEY BALANCE SHEET DATA (RM Million)					
Total deposits and placements	2,568	1,288	1,532	3,877	4,007
Financial investment - available-for-sale	1,321	1,504	1,242	1,049	1,868
Financial investment - held-to-maturity	260	259	226	149	268
Loans, advances and financing	24,757	24,195	23,234	22,574	21,435
Total assets	**29,945**	**29,227**	**27,476**	**30,107**	**30,031**
Deposits from customers	5,967	7,426	5,568	6,960	7,486
Redeemable notes	5,964	3,025	4,134	4,234	4,536
Term loans	9,604	10,362	9,643	10,810	9,902
Infrastructure support fund	367	365	400	413	380
Deferred income	244	248	251	233	292
Total liabilities	**22,376**	**21,645**	**20,194**	**22,876**	**22,785**
Paid-up capital	3,079	3,079	3,079	3,079	3,079
Total equity	7,570	7,583	7,282	7,230	7,246
Commitments and contingencies	7,035	7,096	6,047	3,735	5,542
SHARE INFORMATION					
Earnings per share - basic (sen)	4.75	12.31	7.47	15.92	13.67
Gross dividend	1.20	3.25	3.25	3.25	3.25
FINANCIAL RATIOS (%)					
Profitability Ratios (%)					
Return on equity	4.05	6.49	3.94	8.91	7.41
Return on assets	1.02	1.68	0.99	2.15	1.92
Cost to Income Ratio	38.13	29.84	20.94	17.59	19.29
Asset Quality Ratio (%)					
Gross impaired loan	10.95	10.19	11.01	12.18	11.97
Net impaired loan	4.21	4.21	4.78	5.49	4.74

Note: * Net income includes net income from Islamic business

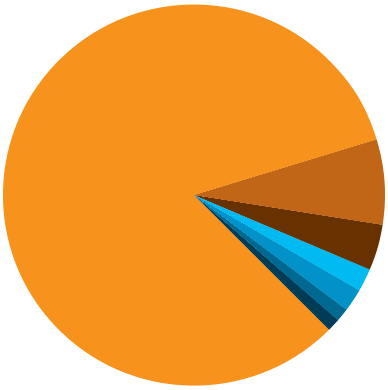
FINANCIAL HIGHLIGHT

	GROUP		BANK	
	2014	2013	2014	2013
PROFITABILITY (RM Million)				
Net Income *	1,172	1,196	888	878
Net Income from Islamic banking business	262	265	258	263
Operating profit	295	532	247	569
Profit before taxation & zakat	306	492	247	569
Profit for the financial year	125	304	93	396
KEY BALANCE SHEET DATA (RM Million)				
Total deposits and placements	2,568	1,288	2,123	1,089
Financial investment - available for sale	1,321	1,504	1,317	1,497
Financial investment - held to maturity	260	259	260	259
Investment in subsidiaries	-	-	654	956
Loans, advances and financing	24,757	24,195	24,543	24,026
Total assets	**29,945**	**29,227**	**29,170**	**28,138**
Deposits from customers	5,967	7,426	5,967	7,426
Redeemable Notes	5,964	3,025	5,964	3,025
Term Loans	9,604	10,362	9,232	9,583
Infrastructure support fund	367	365	367	365
Deferred income	244	248	244	248
Total liabilities	**22,376**	**21,645**	**21,835**	**20,715**
Paid-up capital	3,079	3,079	3,079	3,079
Total equity	7,570	7,583	7,335	7,423
Commitments and contingencies	7,035	7,096	6,692	6,442
SHARE INFORMATION				
Earnings per share - basic (sen)	4.75	12.31	3.04	12.87
Gross dividend	1.20	3.25	1.20	3.25
FINANCIAL RATIOS (%)				
Profitability Ratios (%)				
Return on equity	4.05	6.49	3.37	7.67
Return on assets	1.02	1.68	0.85	2.02
Cost to income ratio	38.13	29.84	9.23	8.71
Capital Adequacy (%)				
Risk weighted capital ratio (RWCR)			33.21	32.85
Core capital ratio			30.61	30.93
Asset Quality Ratio (%)				
Gross impaired loan	10.93	10.19	10.89	9.67
Net impaired loan	4.21	4.21	4.52	4.00

Note: * Net income includes net income from Islamic business

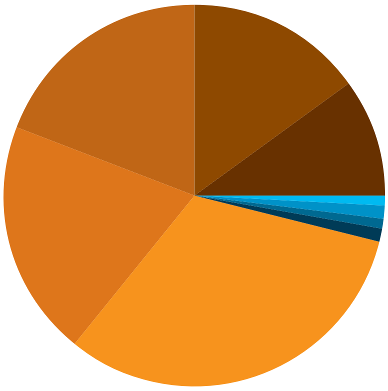
GROUP BALANCE SHEETS

ASSETS 2014



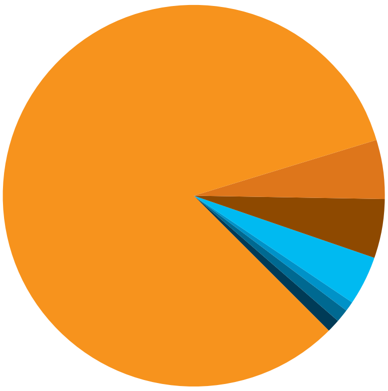
- Loans, advances and financing 83%
- Cash and short term deposits 7%
- Financial Investment-available for sale 4%
- Deposit and placement with financial institutions 2%
- Fixed asset 2%
- Financial Investment-held to maturity 1%
- Other assets 1%

EQUITY & LIABILITIES 2014



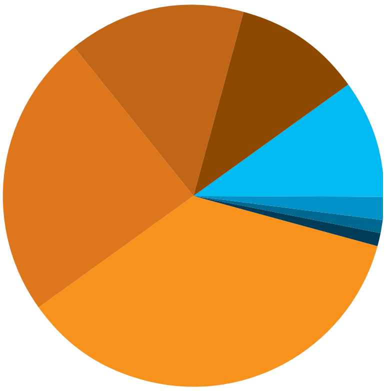
- Term loans 32%
- Redeemable notes 20%
- Deposits from customers 19%
- Reserves 15%
- Share Capital 10%
- Infrastructure support fund 1%
- Deposits and placements from FIs 1%
- Deferred Income 1%
- Other liabilities 1%

ASSETS 2013



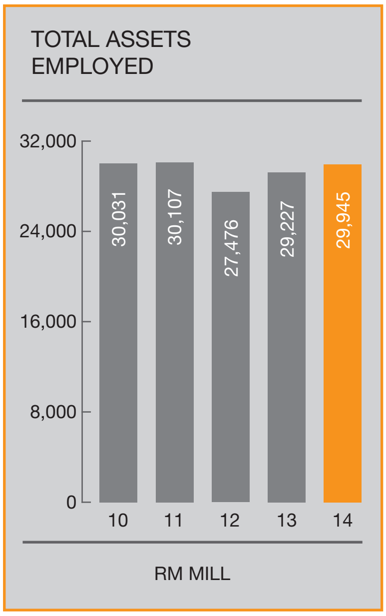
- Loans, advances and financing 83%
- Financial Investment-available for sale 5%
- Fixed asset 5%
- Cash and short term deposits 4%
- Other assets 1%
- Financial Investment-held to maturity 1%
- Deposit and placement with financial institutions 1%

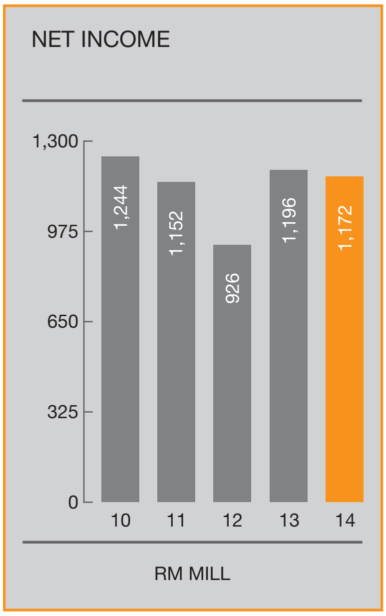
EQUITY & LIABILITIES 2013

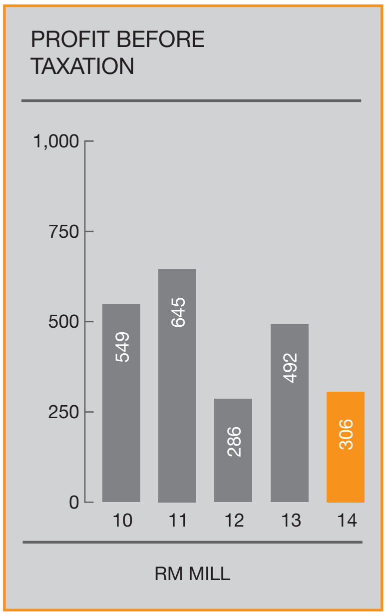


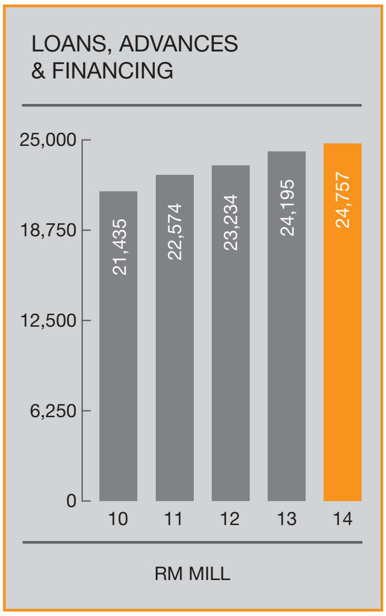
- Term loans 36%
- Deposits from customers 24%
- Reserves 15%
- Share Capital 11%
- Redeemable notes 10%
- Other liabilities 2%
- Infrastructure support fund 1%
- Deferred Income 1%

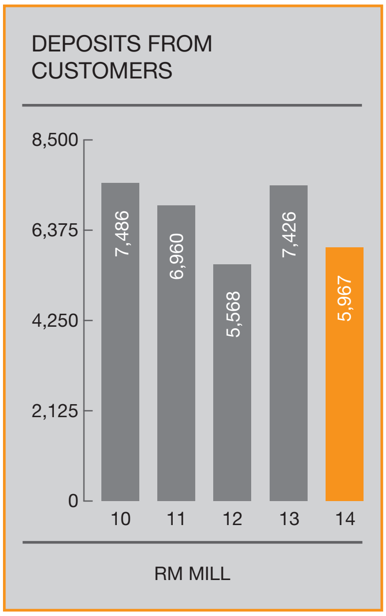
5 - YEAR GROWTH GROUP GROWTH

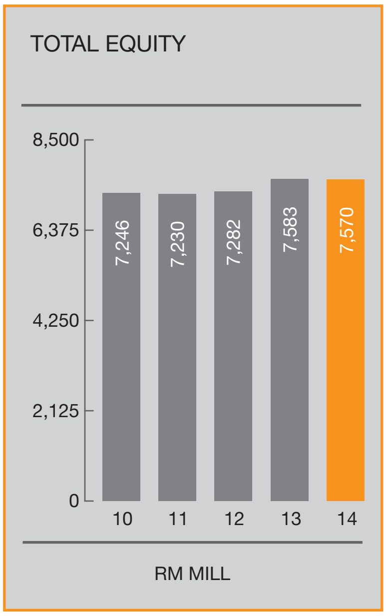












CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Mohammed Rafidz Ahmed Rasiddi
President/Group Managing Director

Tuan Haji Zainul Rahim Mohd Zain

Tuan Haji Rosli Abdullah

Datuk Nozirah Bahari

Dato' Abd Rahman Md Khalid

Datuk Engku Nor Faizah Engku Atek

Dato' Ir. Haji Mohamad Husin

Dato' Capt. Haji Ahmad Othman

Datuk Wan Azhar Wan Ahmad

COMPANY SECRETARIES

Razali Hassan
(LS 05531)

Hazlinda Ahmad Rosdi
(MAICSA 7053034)

SHARIAH COMMITTEE

Tan Sri Dato' Seri (Dr) Haji Harussani Haji Zakaria
Chairman

Assistant Prof. Dr. Miszairi Sitiris

Associate Prof. Dr. Noraini Mohd Ariffin

Prof. Dr. Haji Abdul Samat Musa

Dr. Rushdi Ramli

AUDITORS

Ernst & Young **(AF:0039)**

REGISTERED OFFICE

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

WEBSITE

www.bpmb.com.my

(as at 30 June 2015)

BOARD OF DIRECTORS' PROFILE

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

Non-Executive Chairman/
Non-Independent Non-Executive Director

- Chairman of Credit Committee of the Board
- Member of Nominating Committee
- Member of Remuneration Committee

Tan Sri Dato' Sri Dr. Wan Abdul Aziz Wan Abdullah, aged 63, was appointed as the Non-Executive Chairman of BPMB on December 1, 2012. He graduated with a Bachelor of Economics (Honours) from the University of Malaya, Masters in Philosophy (Development Studies) from the Institute of Development Studies, University of Sussex, Brighton, UK and obtained a Ph.D. (Economics) from the School of Business and Economic Studies, University of Leeds, UK. He also attended the Advance Management Program at Harvard Business School, Harvard University, Boston USA.

Tan Sri Dato' Sri Dr. Wan Abdul Aziz has spent more than 37 years in the public service with vast experience in the banking and economic sectors. He served in various capacities in the Economic Planning Unit in the Prime Minister's Department and the Ministry of Finance. He was appointed as an Alternate Executive Director of World Bank Group in Washington DC, USA (on secondment by the Government of Malaysia) representing South East Asia Group from 1998 to 2001. He was also appointed as the Executive Director of the Islamic Development Bank in Jeddah from 2008 to 2013. In 2007, he was appointed as Secretary General of Treasury in the Ministry of Finance. He retired from the public service on May 23, 2008 and subsequently continued to serve as Secretary General of Treasury until August 23, 2012.

Currently, he is the Chairman of Malaysia Airport Holdings Berhad and Group, Pembinaan BLT Sdn Bhd and GOM Resources Sdn Bhd. He is also a Board Member of Permodalan Nasional Berhad, Sime Darby Berhad, Sime Darby Motors Sdn Bhd and RAM Holdings Berhad.

MOHAMMED RAFIDZ AHMED RASIDDI

President/Group Managing Director

Encik Mohammed Rafidz, aged 48, was appointed as President/Group Managing Director of BPMB on June 15, 2015. Mohammed Rafidz holds a BSc Economics from the City University, London, United Kingdom and an MBA from Manchester Business School, Manchester, United Kingdom. He has over 25 years of experience in financial services and capital markets industry. His formative years as a banker started when he joined Bumiputera Merchant Bankers and later Amanah Merchant Bank during the 1990s.

Following this he held senior and leadership positions in established and leading Malaysian financial institutions including Director of Corporate Finance in CIMB, Head of Strategic Assets in CIMB, Country Head of CIMB-GK Securities in Thailand and Head of Investment Banking in RHB Investment Bank. In 2011 Encik Mohammed Rafidz was appointed as the CEO of Alliance Investment Bank. Immediately prior to joining Bank Pembangunan, he was the Deputy CEO and Head of Corporate Investment Banking at MIDF Amanah Investment Bank.

ZAINUL RAHIM MOHD ZAIN
Independent Non-Executive Director

- Chairman of Risk Management Committee
- Chairman of Nominating Committee
- Member of Credit Committee of the Board
- Member of Remuneration Committee
- Member of Audit and Examination Committee

Tuan Haji Zainul Rahim Mohd Zain, aged 62, was appointed to the Board of BPMB on March 8, 2010. He holds a Bachelor of Engineering (majoring in Mechanical Engineering) from University of Western Australia (1975).

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

He currently sits as the Chairman of Hibiscus Petroleum Berhad, Cenergi SEA Sdn Bhd and Malaysian Dutch Business Council. He is also a Director of UKM Holdings Sdn Bhd and Camco Clean Energy Plc.

ROSLI ABDULLAH
Independent Non-Executive Director

- Chairman of Audit & Examination Committee
- Member of Credit Committee of the Board
- Member of Risk Management Committee
- Member of Nominating Committee
- Member of Remuneration Committee

Tuan Haji Rosli Abdullah, aged 61, was appointed to the Board of BPMB on January 3, 2011. He graduated from Universiti Kebangsaan Malaysia with Master in Business Administration; Post-Graduate Diploma in Accounting and Bachelor in Economics (Honours) from Universiti of Malaya. He is a Chartered Accountant and Member of Malaysian Institute of Accountants (MIA).

He was formerly the Registrar and Chief Executive Officer of MIA. He had served in various capacities in the public and private sectors.

His current directorships in companies within BPMB Group include being the Chairman of SME Growth Acceleration Fund Sdn Bhd, Syarikat Borcos Shipping Sdn Bhd, Pembangunan Leasing Corporation Sdn Bhd, PLC Credit & Factoring Sdn Bhd, BI Credit & Leasing Berhad and Director of Global Maritime Ventures Berhad and GMV-Borcos Sdn Bhd. He also sits on the boards of i-VCAP Management Sdn Bhd, Keretapi Tanah Melayu Berhad and Group, CapitaMall Malaysia Reit Management Sdn Bhd, Dagang NeXchange Berhad and Malaysia Airports Holdings Berhad and Group.

DATUK NOZIRAH BAHARI
Non-Independent Non-Executive Director

- Member of Audit & Examination Committee
- Member of Credit Committee of the Board
- Member of Risk Management Committee
- Member of Nominating Committee
- Member of Remuneration Committee

Datuk Nozirah Bahari, aged 59, was appointed to the Board of BPMB on March 28, 2013. She holds a Bachelor of Social Science (Hons) (Urban Studies) from University of Science, Malaysia and a Diploma in Public Administrations from National Institute of Public Administration (INTAN). She has also attended several Senior Management Courses such as Global Leadership Development Programme organized by International Centre for Leadership in Finance and Advance Management Program at Harvard Business School.

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

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

DATO' ABD RAHMAN MD KHALID
Independent Non-Executive Director

- Chairman of Remuneration Committee
- Member of Audit & Examination Committee
- Member of Credit Committee of the Board
- Member of Risk Management Committee
- Member of Nominating Committee

Dato' Abd Rahman Md Khalid, aged 59, was appointed to the Board of BPMB on October 28, 2013. He holds a Diploma in Business Studies from Mara Institute of Technology, Shah Alam.

He started his career in banking by joining Maybank Berhad after he completed his study in 1978. After 16 years in various divisions and positions, he was appointed as Director, Credit/Marketing – PT Maybank Nusa International (PT MNI) in 1994 and later appointed as President Director (CEO) in 1998. In 2000, he was reassigned to head office as the Regional Manager for Selangor and was later appointed as Senior Manager/Vice President, Corporate Banking. In 2005, he was appointed as Senior Vice President, Head Credit Evaluation Manager. His last position held was the Group Chief Credit Officer, Maybank Group.

Dato' Abd Rahman had wide training and exposure in Business Development as well as Risk and Credit Management, whilst with the largest Malaysian Banking Group for 35 years before retiring on February 7, 2013.

Afther his retirement, he was appointed as the Group Managing Director of Amanah Raya Berhad from April 16, 2014.

His current directorships in companies within BPMB Group include being the Director of Pembangunan Leasing Corporation Sdn Bhd, PLC Credit & Factoring Sdn Bhd and BI Credit & Leasing Berhad. He also sits on the boards of B U Development Sdn Bhd, EastWest Consortium PDQ Sdn Bhd and Re Ventures (Labuan) Ltd.

DATUK ENGKU NOR FAIZAH ENGKU ATEK

Independent Non-Executive Director

Datuk Engku Nor Faizah Engku Atek, aged 55, was appointed to the Board of BPMB on December 1, 2014. She holds an LLB (Hons) from the University of Malaya and has attended a number of courses and seminars related to her work in the public sector, including the Government Legal Adviser's Course at the Institute of Advance Legal Studies in the UK sponsored by the British Council, Seminar on Industrial Property in Strasbourg and Munich sponsored by the European Union and Legislative Drafting Institute at the University of Loyola and Tulane, in the USA.

Datuk Engku Nor Faizah has over 30 years of experience in the public sector. She joined the Attorney General's Chambers ('AGC') in 1983 and has held various positions in AGC, including Senior Assistant Parliamentary Draftsman, Senior Federal Counsel and Deputy Public Prosecutor. She was State Legal Adviser of Negri Sembilan from 2003 to 2004 and State Legal Adviser of Perak from 2004 to 2007. She was appointed Deputy Parliamentary Draftsman in July 2007 before assuming the role of Parliamentary Draftsman in 2009 and Deputy Solicitor General 3 in April 2012. Currently she holds the position as Deputy Solicitor General 2.

In her work at AGC she has been involved in the drafting and/or approving of numerous legislation including the Central Bank of Malaysia Act 2009, the Limited Liability Partnerships Act 2012, the Netting of Financial Agreements Act 2015, the Special Measures Against Terrorism in Foreign Countries Act 2015, the Malaysian Airline System Berhad (Administration) Act 2015 and the Aviation Commission Bill 2015.

DATO' IR HAJI MOHAMAD HUSIN

Independent Non-Executive Director

Dato' Ir. Haji Mohamad Husin, aged 61, was appointed to the Board of BPMB on May 2, 2015. He graduated with a Bachelor of Civil Engineering from University of Southampton, England (1977) and Masters in Civil Engineering from University of Pittsburgh, USA.

He started his career in 1977 as a Water Engineer in the Public Works Department Malaysia ('PWD'). He had served PWD for over 30 years in various capacities since 1977, including District Engineer, Senior Engineer, Assistant Director, State and Branch Director. He was the Director of Roads before he was promoted to the post of Deputy Director General, which he held in 2007 until his retirement in 2013.

Prior to his retirement, he was the Deputy President of the Road Engineering Association of Malaysia ("REAM"), President of Intelligent Transport System Association of Malaysia ("ITS Malaysia") and a Board member of the Malaysian Institute of Road Safety Research ("MIROS"). He was also a past council member of Institution of Engineers Malaysia and served in the committees of Board of Engineers.

He currently sits on the boards of Sarawak Hydro Sdn Bhd, Johawaki Holdings Sdn Bhd and Bridgex Sdn Bhd.

DATO' CAPT. HAJI AHMAD OTHMAN
Independent Non-Executive Director

Dato' Capt. Haji Ahmad Othman, aged 60, was appointed to the Board of BPMB on May 2, 2015. He holds a Certificate of Competency, Deck Officer Class 1 (Master Mariner), UK (1982) and Ordinary National Certificate in Nautical Science from Riversdale College, Liverpool, UK (1975).

He began his career as a Mariner at Blue Funnel Line in Liverpool (later known as Ocean Fleets Ltd) and later served with Straits Steamship of Singapore. He joined Marine Department Peninsular Malaysia (now known as 'Marine Department Malaysia') in 1983 and served the Marine Department for 30 years in various capacities. During his career with the Marine Department, he was also the Chairman of Light Dues Board Peninsular Malaysia and Central Mercantile Marine Fund from 2006 until 2014. He retired in October 2014 as the Director General of Marine Department Malaysia.

DATUK WAN AZHAR WAN AHMAD
Independent Non-Executive Director

Datuk Wan Azhar Wan Ahmad, aged 56, was appointed to the Board of BPMB on May 2, 2015. He holds a Master in Business Administration (International Business) from the National University of San Diego CA, USA (1985) and obtained his Bachelor in Business Administration (Finance) from the University of Pacific, Stockton CA, USA (1983).

Datuk Wan Azhar started his career with Hong Leong Bank Berhad in 1985. He joined Credit Guarantee Corporation Malaysia Berhad (CGC) as a Manager following his appointment by Bank Negara Malaysia (BNM) in 1993. In 1995, he was promoted to Assistant General Manager and subsequently to GM/Chief Executive Officer (CEO) in 1997. He was later appointed to the Board of Directors of CGC as Managing Director in 2000. He retired as CGC President & CEO in 2014.

He was directly involved in the transformation of CGC from a traditional credit guarantee provider into a market-driven and financially sustainable SME – support institution, and was also instrumental in the setting up of Credit Bureau Malaysia (CBM) where he was appointed as Non-Executive Chairman for 6 years.

He is currently on the Board of Bina Darulaman Berhad, Alliance Bank Malaysia Berhad, NAMA Foundation and also the Chairman of BNM's Small Debt Resolution Committee (SDRC).

SHARIAH COMMITTEE PROFILE

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

Chairman

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

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

ASSISTANT PROF. DR. MISZAIRI SITIRIS

Member

Dr. Miszairi Sitiris, an Assistant Professor in the Department of Fiqh and Usul Al-Fiqh at the Kulliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia (IIUM), was appointed to the Shariah Committee on 1st July 2008. He holds a PhD, a Master and a Bachelor's degree with honor in Fiqh and Usul Al-Fiqh from International Islamic University Malaysia. He also has a second Bachelor's Degree with honor in Psychology from IIUM and Postgraduate Diploma in Law and Administration of Islamic Judiciary from the Harun M. Hashim Law Centre, IIUM. He has written several research papers on Islamic Family Law.

ASSOCIATE PROFESSOR DR. NORAINI MOHD ARIFFIN

Member

Dr. Noraini Mohd Ariffin is currently an Associate Professor and the Head of Department of Accounting, Kulliyah (Faculty) of Economics and Management Sciences, International Islamic University Malaysia (IIUM). She is also a member of the Shariah Committee of Bank Pembangunan Malaysia Berhad since June 2012. She holds a PhD in Accounting for Islamic banks from University of Surrey, England. She also holds a Masters in Accounting (with distinction) from the University of Dundee, Scotland and BSc (Econs) Accounting from the University College of Wales, Aberystwyth, Wales. She teaches several subjects such as Company Accounting, Accounting for Islamic Banks, Accounting, Auditing and Governance of Islamic Financial Institutions and Risk Management for Islamic Financial Institutions for undergraduate and postgraduate levels.

from left to right:

TAN SRI DATO' SERI (DR.) HAJI HARUSANI HAJI ZAKARIA

ASSISTANT PROF. DR. MISZAIRI SITIRIS

ASSOCIATE PROF. DR. NORAINI MOHD ARIFFIN

PROF. DR. HAJI ABDUL SAMAT MUSA

DR. RUSHDI RAMLI

Dr. Noraini Mohd Ariffin is also an Associate Member of the Malaysian Institute of Accountants. She has published numerous articles related to Islamic accounting and finance, mainly on risk management for Islamic banks and corporate governance of Islamic banks. She has also been invited as a speaker at national and international conferences.

PROFESSOR DR. HAJI ABDUL SAMAT MUSA

Member

Professor Dr. Haji Abdul Samat Musa is a former Dean of Faculty of Shariah and Law and Founding Director of World Fatwa Management and Research Institute at Universiti Sains Islam Malaysia (USIM). He was educated at Petaling Jaya and Kelang Muslim Colleges before he continued his studies at Universiti Kebangsaan Malaysia (UKM) where he obtained a Bachelor of Islamic Studies (Hon)(Shariah) in 1976. He holds a Master of Law (LL.M) from University of Malaya (1980) and a Ph.D in law from University of Manchester, England (1989).

He started his academic career in 1976 and was attached to the Department of Shariah at UKM. In 2002, he was appointed as Professor in the Faculty of Shariah and Law at USIM. He wrote and presented papers at seminars, and published works, particularly on Islamic and comparative constitutional and administrative law, human rights and the administration of Islamic law in Malaysia. Professor Abdul Samat is also a former member of Shariah Advisory Council of Securities Commission Malaysia and National Fatwa Council. He is currently Professor at the Faculty of Shariah and Law, USIM and a Panel Member of Shariah Index Malaysia, appointed by the Prime Minister.

DR. RUSHDI RAMLI

Member

Dr. Rushdi Ramli, aged 49, currently serves as a lecturer at the Department of Fiqh and Usul, Academy of Islamic Studies, University of Malaya. He graduated with a degree in Syariah (Bachelor of Shariah, First Class Hons) from University of Malaya. He obtained his Master (1993) and Doctoral Degrees (1999) at the University of Birmingham, United Kingdom. Previously he was a consultant in religious matters in the Non-Government Organization "Dewan Pemuda Masjid Malaysia" from 2007 to 2009. He was also a member of Shariah Advisory Committee at EXIM Bank a few years ago and at MBSB (till the end of April 2015). Presently, he is a representative for "Persatuan Kebajikan dan Pengubatan Islam Darussyifa" at the Traditional and Complementary Medicine Division, Ministry of Health, Malaysia. He was also one of the panelists in preparing the draft for the Code of Ethics for Islamic Medicine at the Ministry of Health. His areas of specialization are Principles of Islamic Jurisprudence, Islamic Fiqh, Principle of Quranic Exegesis, Issues in contemporary fiqh and principles of Islamic Medication.

GROUP MANAGEMENT

04. 02. 01. 03. 05.

01. **MOHAMMED RAFIDZ AHMED RASIDDI**
President/Group Managing Director

02. **AFIDAH MOHD GHAZALI**
Chief Operating Officer

03. **AHMAD MOCHTAR HASHIM**
Chief Credit Officer

04. **SITI ROHANI ATAN**
Chief Risk Officer

05. **DATO' AHMAD SHARIFUDDIN ABDUL KADIR**
Chief Executive Officer,
Global Maritime Ventures Berhad

06. **ZAKARIA SAAD**
Senior Vice President I/Head,
Business Banking I

COMMITTEE

07. 06. 08. 09. 10.

07. **KAMARUL BAHREIN KAMARULZAMAN**
Senior Vice President I/Head,
Business Banking II

08. **FAUZIAH HANIM BAHARIN**
Senior Vice President I/Head,
Group Human Resource Development

09. **RAZALI HASSAN**
Senior Vice President II/Head,
Group Legal & Corporate Secretarial

10. **MUSTAFA KAMAL ABD MUTALIB**
Chief Executive Officer, Pembangunan Leasing Corporation Sdn Bhd

STATEMENT OF
CORPORATE GOVERNANCE

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

Board Composition and Balance

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields, that they accumulated while serving the private and government sectors, brings to the Board the essential range of capability and experience required to effectively perform its functions. A brief profile of each Director is presented on pages 19 to 23 of the Annual Report.

The present Board comprises ten (10) members with one (1) Non-Executive Chairman/Non-Independent Non-Executive Director, one (1) Executive Director, who is the Bank's President/Group Managing Director, one (1) Non-Independent Non-Executive Director and seven (7) Independent Non-Executive Directors.

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

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

Duties and Responsibilities

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

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

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

Board Meeting And Supply Of Information

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

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

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

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

During the financial year ended 31 December 2014, the Board met 17 times. The attendance record of the Directors at the Board Meetings for 2014 is as follows:

NAME OF DIRECTOR	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah Non-Independent Non-Executive Director/Chairman	17/17
Dato' Mohd Zafer Mohd Hashim President/Group Managing Director (resigned on 25 July 2014)	7/8*
Tuan Haji Zainul Rahim Mohd Zain Independent Non-Executive Director	17/17
Datuk Dr Syed Jaafar Syed Aznan Independent Non-Executive Director (resigned on 1 June 2014)	4/6*
Datuk Idris Abdullah Independent Non-Executive Director (resigned on 17 March 2014)	1/3*
Tuan Haji Rosli Abdullah Independent Non-Executive Director	17/17
Tuan Haji Abdul Aziz Ishak Independent Non-Executive Director (resigned on 29 September 2014)	11/12*
Tuan Haji Ariffin Hew Independent Non-Executive Director (resigned on 27 September 2014)	12/12*
Datuk Nozirah Bahari Non-Independent Non-Executive Director	15/17
Dato' Abd Rahman Md Khalid Independent Non-Executive Director	17/17
Datuk Engku Nor Faizah Engku Atek Non-Independent Non-Executive Director (appointed on 1 December 2014)	1/1*

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

Training And Development Of Directors

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

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

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

D. COMMITTEES

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

CREDIT COMMITTEE OF THE BOARD

1. Objective

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

2. Functions and Responsibilities

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

- Appoint or obtain any outside legal or other professional consultation which it deems necessary, at the Bank's expense.

- To approve and endorse any recommendation from the approving authority in cases of ambiguity and/or enhancement in credit risk.

3. Committee Meeting and Attendance

Based on the Term of Reference of the CCB, the meeting is to be held twice a month or when necessary as proposed by the P/GMD. The CCB met 20 times during the financial year 2014. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah, Chairman	20/20
Tuan Haji Zainul Rahim Mohd Zain	20/20
Tuan Haji Rosli Abdullah	20/20
Tuan Haji Abdul Aziz Ishak (resigned on 29 September 2014)	11/13*
Datuk Nozirah Bahari	16/20
Tuan Haji Ariffin Hew (resigned on 27 September 2014)	13/13*
Dato' Abd Rahman bin Md Khalid (appointed on 14 October 2014)	5/6*

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

AUDIT AND EXAMINATION COMMITTEE

1. Objective

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

2. Functions and Responsibilities

The functions and responsibilities of the AEC are as follows:

- Recommend to the Board each year on the appointment/reappointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors.

- Review with the External Auditors:-
  (a) their audit plan;
  (b) their evaluation of the system of internal control;
  (c) their audit report;
  (d) their management letter and management's response; and
  (e) the assistance given by the management and staff to the External Auditors.

- With regards to the internal audit function:
  (a) Review the adequacy of scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
  (b) Review and approve internal audit plan, programme and processes.
  (c) Review audit reports and consider adequacy of Management's actions taken on audit findings or recommendations.
  (d) Recommend to the Nominating Committee of the Board on the appointment and termination of the Head of Internal Audit.
  (e) Recommend to the Remuneration Committee of the Board on the remuneration of the Head of Internal Audit.
  (f) Review any appraisal or assessment of members of the internal audit function as well as decide on their remuneration package.
  (g) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.
  (h) Review the assessment or findings arising from the Shariah audit and report the non-compliance events to the Board.

- Receive and consider reports relating to the perpetration and prevention of fraud.

- Review the Bank's compliance with the related Government's regulations including Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures.

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

3. Committee Meeting and Attendance

Based on the Term of Reference of the AEC, the meeting is to be held at least four (4) times a year and such additional meeting as the Chairman shall decide. The AEC met 12 times during the financial year 2014. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tuan Haji Rosli Abdullah, Chairman	12/12
Datuk Dr Syed Jaafar Syed Aznan (resigned on 1 June 2014)	5/8*
Tuan Haji Abdul Aziz Ishak (resigned on 29 September 2014)	8/9*
Tuan Haji Ariffin Hew (term ended on 27 September 2014)	7/9*
YBhg. Dato' Abd Rahman bin Md Khalid	12/12
Tuan Haji Zainul Rahim bin Mohd Zain (appointed on 26 September 2014)	3/3*
YBhg. Datuk Nozirah binti Bahari (appointed on 26 September 2014)	3/3*

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

NOMINATING COMMITTEE

1. Objective

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

2. Functions and Responsibilities

The functions and responsibilities of the NC are as follows:

- Establishing minimum requirements for the Board and the President/Group Managing Director to perform their responsibilities effectively. NC also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required through annual reviews.

- Recommending and assessing the nominees for directorship, the Directors to fill board committees, as well as nominees for the President/Group Managing Director position. This includes assessing the Directors and President/Group Managing Director proposed for reappointment, before an application is submitted to Bank Negara Malaysia for verification.

- Establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various Committees and the performance of the President/Group Managing Director.

- Recommending to the Board on removal of the President/Group Managing Director, if he is ineffective, errant or negligent in discharging his responsibilities.

- Ensuring that all Directors undergo appropriate induction programmes and received continuous training.

- Overseeing appointment and management succession planning of key senior executives (Senior Vice President/Head of Function and above), and performance evaluation of the Chief Operating Officer and President/Group Managing Director and recommending to the Board for the removal of key Senior Executives (Senior Vice President/Head of Function and above), if they are ineffective, errant and negligent in discharging their responsibilities.

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

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

3. Committee Meeting and Attendance

Based on the Term of Reference of the NC, the meeting is to be held at least once a year. The NC met 11 times during the financial year 2014. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Datuk Dr Syed Jaafar Syed Aznan, Chairman (resigned on 1 June 2014)	3/4*
Tuan Haji Zainul Rahim Mohd Zain, Chairman	11/11
Tuan Haji Rosli Abdullah	11/11
Datuk Nozirah Bahari	9/11
Datuk Idris Abdullah (resigned on 17 Mac 2014)	2/3*
Dato' Abd. Rahman Md Khalid (appointed on 26 Mac 2014)	5/8*
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah (appointed on 26 September 2014)	4/4*

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

REMUNERATION COMMITTEE

1. Objective

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

2. **Functions and Responsibilities**

The functions and responsibilities of the RC are as follows:

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

3. **Committee Meeting and Attendance**

Based on the Term of Reference of RC, the meeting is to be held at least once a year. The RC met 4 times during the financial year 2014. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Datuk Idris Abdullah, Chairman (resigned on 17 Mac 2014)	2/2*
Datuk Dr Syed Jaafar Syed Aznan (resigned on 1 June 2014)	2/3*
Tuan Haji Zainul Rahim Mohd Zain	4/4
Tuan Haji Rosli Abdullah	4/4
Datuk Nozirah Bahari	3/4
Dato' Abd. Rahman Md Khalid, Chairman (appointed on 26 Mac 2014)	2/2*
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah (appointed on 26 September 2014)	1/1*

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

RISK MANAGEMENT COMMITTEE

1. **Objective**

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

2. **Functions and Responsibilities**

The functions and responsibilities of the RMC are as follows:

- Provide oversight and strategic direction for the Management of all risks in the Bank.
- Review and endorse policies, including Group-wide policies for the management of the various risks for approval by the Board.
- Provide oversight on the management of risks exposures at Group-wide level, including the implementation of Group-wide risk management policies throughout the Group.

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

3. Committee Meeting and Attendance

Based on the Term of Reference of the RMC, the meeting is held once in every two months. The RMC met 6 times during the financial year 2014. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tuan Haji Zainul Rahim Mohd Zain, Chairman	6/6
Tuan Haji Rosli Abdullah	6/6
Tuan Haji Ariffin Hew (resigned on 27 September 2014)	4/4*
Datuk Nozirah Bahari	5/6
Dato' Abd Rahman Md Khalid	6/6

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

STATEMENT OF INTERNAL CONTROL

RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound internal control system as well as reviewing its adequacy and effectiveness.

The Board is of the view that the internal control system together with risk management system are designed to manage the Group's risks within the acceptable risk appetite.

Whilst total elimination of risks is not possible, the risk management and internal control system that is in place is designed to manage risks in meeting the Group's business objectives. The system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, managing and responding to significant risks faced by the Group in its achievement of the business goals and objectives. The control structure and process which have been instituted throughout the Group are reviewed and updated from time to time in response to the changes in the business environment, and this on-going process has been in place for the whole financial year under review.

KEY INTERNAL CONTROL PROCESS AND STRUCTURES

Key processes that the Board has established in reviewing the adequacy and effectiveness of the internal control system include the following:

<u>Establish Management's role with regards to internal controls</u>

The role of Management includes:

- Identifying and evaluating the risks faced, and the achievement of business objectives and strategies;
- Formulating relevant policies and procedures to manage these risks;
- Monitoring the effective implementation of internal control system;
- Reporting in a timely manner to the Board any changes to the risks and the corrective actions taken.

Internal Audit Function - Group Audit & Examination (GAE)

The GAE undertakes regular reviews of the Group's systems of internal control. Operations and business processes (auditable entities) that are included in the annual audit plan are identified using risk-based approach taking into consideration input from Management, and the Audit & Examination Committee. The reviews are performed to examine and evaluate the adequacy and efficiency of internal controls relating to governance, risk management and compliance to the laws and regulation.

Significant risks and non-compliance impacting the Group are highlighted and recommendations are provided in the audit report and the Management follows through and reviews the status of actions on recommendations made by the GAE.

Management Audit & Examination Committee (MAEC)

The MAEC is a management committee chaired by the President/Group Managing Director, comprising senior level representatives from different Lines of Business. The MAEC meets quarterly or as and when required to deliberate on the findings of all signed audit and investigation reports and decide on the appropriate action required to resolve issues/concerns covering all aspects of the Bank's business and operations.

Minutes of the MAEC meeting are then tabled to the AEC together with the audit reports.

Audit & Examination Committee (AEC)

The AEC meet at least four (4) times yearly to review issues identified in audit reports prepared by the GAE as well as by external auditors. The AEC has active oversight on GAE's independence, scope of work and resources. It also reviews and approves the annual audit plan and frequency of the internal audit activities.

OTHER INTERNAL CONTROL PROCESSES AND STRUCTURES

The other key elements of the procedures established by the Board that provides effective internal control include:

Business Plan and Performance Review

An annual business plan and budget are submitted to the Board for approval. Performance achievements are reviewed against the targeted results on a monthly basis allowing timely responses and corrective actions to be taken to mitigate risks. The Board reviews regular reports from the management on the key operating statistics. The Board also approves any changes or amendments to the Group's policies.

Board Committees

Board Committees (other than the AEC) are also established to assist the Board in performing its oversight function namely Credit Committee of the Board, Nominating Committee, Remuneration Committee and Risk Management Committee. These Committees have the authority (terms of reference) to examine all matters within their scope and report to the Board with their recommendations.

Management Committees

Various Management Committees (Executive Level) are also established by Management to assist and support the various Board Committees to oversee the core areas of business operations. These committees include the Group Management Committee (GMC), Group Credit Committee (GCC), Executive Risk Management Committee (ERMC), Tender Committee and Information Technology Committee (ITC).

Policies, procedures and authority limits

Policies, procedures and processes governing the Group's businesses and operations are documented and are made available to employees across the Group. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured process of review to cater to changes in laws and regulations as well as changes to the business and operational environment.

Delegation of authority including authorisation limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.

Code of Ethics and Conduct

The Code of Ethics and Conduct ("the Code") sets out the standards of good and ethical banking practices, as well as aims to maintain confidence in the security and integrity of the Group's business practices. It is a requirement that all employees of the Group understand and observe the Code.

RISK MANAGEMENT

Against the backdrop of a dynamic and challenging global economy and continuous regulatory reforms, there was an increased need for Group Risk Management (GRM) to integrate seamlessly with the business and work more effectively to create greater synergies and value for the Group in 2014.

On the local front, the fall in commodity prices, coupled with the weakening of ringgit against currencies of Malaysia's major trading partners poses a new challenge for the banking Group.

Amidst such development, BPMB stays focused in fulfilling its mandated role whilst remaining steadfast in improving its asset quality.

RISK MANAGEMENT FRAMEWORK

Risk is an inherent component in all aspects of the Group's businesses. The management of risk has evolved into an important business driver for strategic decisions in support of the Group's business objectives, balancing the appropriate level of risk taken proportionate to the desired level of reward, while maintaining the sound financial position and capital of the Group.

The Group's approach to the management of risk involves the establishment of risk principles and strategies as the core foundation in driving strong risk management culture and practices across the Group. The Group manages its risk actively guided by its risk management governance and framework.

i. Risk Management Governance

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

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

BOARD LEVEL COMMITTEES		
Risk Management Committee (RMC)	**Credit Committee of the Board (CCB)**	**Remuneration Committee (RC)**
The RMC is a Board level Committee responsible to perform oversight on the Group's risks. It is primarily responsible to oversee Senior Management's activities in managing the key risk areas of the Group and to ensure the appropriate risk management infrastructure, resources and processes are in place and functioning effectively.	The CCB is tasked by the Board to review financing approvals and credit risk portfolio.	The RC is appointed to oversee the establishment and implementation of remuneration policies and structures; including to ensure such policies and structures do not induce excessive risk-taking and able to reinforce prudent risk-taking.

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

MANAGEMENT LEVEL COMMITTEES	
Executive Risk Management Committee (ERMC)	**Group Credit Committee (GCC)**
The ERMC is a Management level Committee responsible for the management of all material risks within the Group.	The GCC forms part of the risk governance for managing credit/ investment risks within the Group. The Committee is empowered to approve credit/investment related proposals, which falls within their authority.

ii. Risk Appetite Statement and Strategy

The risk appetite framework defines the Bank's boundaries and drivers of doing business. The risk appetite is a critical component of the Bank's robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of Management at all levels. The risk appetite enables the Board and Senior Management to communicate, understand and assess the types and levels of risk that the Bank is willing to accept in pursuit of its business objectives.

The Bank's development of its risk appetite has been integrated into the annual strategy and business planning process and is adaptable to changing business and market conditions. The Bank's risk appetite balances the needs of all stakeholders by acting both as a risk gatekeeper and as a driver of future and current business activities.

The articulation of the risk appetite is done through a set of risk appetite statements which includes a comprehensive view of all material risks to the Group and is as follows:

Risk Appetite Categories	Risk Appetite
Solvency & Capitalisation	• Maintain RAM rating equivalent to Malaysia's sovereign rating; • Maintain the Core Capital Ratio (CCR) and Risk Weighted Capital Ratio (RWCR) above the respective regulatory requirement.
Sustainable Earnings	• Achieve sustainable profitability whilst fulfilling its mandated role.
Liquidity	• Maintain the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) above Basel III liquidity ratio requirement under normal economic conditions (business-as-usual); • Reduce reliance on short term funding; • Full regulatory compliance to the New Liquidity Framework (NLF) at all times.
Asset Quality	• Maintain a single digit impaired rate
Operational Risk	• Low tolerance on operational risk.
Compliance	• Zero tolerance on Shariah non-compliance event; • Compliance to regulatory requirement and internal policies.

iii. Risk Management Ownership

Group Risk is moving towards adopting an integrated risk management approach towards the effective management of Group-wide risks.

In accordance with the Group's structure, GRM has continuously enhanced its integrated risk management approach towards the effective management of enterprise-wide risks. The Group's risk governance model provides a transparent and effective governance structure which promotes active involvement from the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Group.

The governance model aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties. The structure is premised on the three lines of defence and defines the lines of authority, roles and responsibilities to efficiently manage risk across the Group. Hence, the structure the Group adopts where risks are collectively managed by all functions based on their respective role can be reflected below:

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

iv. Risk Management Process

With the risk management process in place, the principal risks and how the Group manages these risks are given below (further details on the key risks can be found in the Bank's Key Risk Indicators).

Categories of Risk	Broad Definition	Risk Management Practices
Credit	Losses in principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.	• The Group has a strong credit culture which incorporates clear credit policies, robust credit evaluation and approval as well as sound credit portfolio management. • Credit risk in the portfolio is continuously evaluated and reviewed by the business sectors together with the risk units. Senior Management and the Board have good oversight of the credit risks and play an active role in the overall credit risk management.

Categories of Risk	Broad Definition	Risk Management Practices
Concentration	Concentration are exposures that have the potential to produce losses that are substantial enough to threaten the financial condition of the Group and its core operations.	• The Group adopts a proactive, robust and controlled policy-driven approach in portfolio diversification. • The Group's guiding principle in its lending activity is to diversify its loan portfolio mix and avoid any undue concentration of credit risks in its portfolio. Independent assessment on the Group's portfolio profile is undertaken to mitigate concentration risk.
Operational	Losses due to failed internal processes, people or systems or from external events.	• The Group has an Operational Risk Management Framework that is aimed at managing operational risk throughout the Group. It is periodically reviewed and aligned against the Group's business strategy and directions ensuring the business objectives and operational risk management objectives are aligned and consistent. • Various tools and techniques are also used to minimise operational risk to an acceptable level. • In addition, the Group also has in place a robust Crisis Management and Business Continuity Management program to ensure continuity of essential business services during unforeseen events.
Market	Losses or adverse impacts on earnings or capital from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices.	• The Group measures, manages and controls its market risk exposure using industry best practices. • The Group plans to further enhance the market risk triggers and controls to ensure prudence in managing the market risks are well contained. • Although it is non-compulsory for the Group to adopt Basel II initiatives, it is currently observing practices derived from Basel II.

Categories of Risk	Broad Definition	Risk Management Practices
Liquidity & Funding	Risk that the Group will not be able to meet both expected and unexpected current and future cash flow and collateral needs effectively without affecting either daily operations or the financial condition of the Group.	• The Group uses a range of tools to monitor and control liquidity risk exposure such as liquidity gaps, early warning signals, liquidity indicators and stress testing. • The liquidity positions of the Group are monitored regularly against the established policies, procedures and limits. • The Group plans to further enhance the market risk triggers and controls to ensure prudence in managing the market risks are well contained. • Although it is non-compulsory for the Group to adopt Basel II initiatives, it is currently observing practices derived from Basel II.
Interest Rate	Risk arising from the change in market interest rates that adversely impact the Group's financial condition in terms of earnings or economic value.	• The Group measures, manages and controls its interest rate risk by adopting and employing both qualitative and quantitative approaches. • Such controls include Earning at Risk (EAR), Economic Value of Capital (EVE), Total Rate Sensitive Asset/Liabilities Ratio, Stress Testing etc. • Each has a limit of which is monitored and reported regularly against the established frameworks, policies and procedures.
Reputational	Risk that the Group's reputation is damaged by one or more reputation event, as reflected from negative publicity about the Group's business practices, conduct or financial condition.	• The Group's reputation is preserved through managing all the risks that affect the Group's reputation through good corporate governance, effective risk management processes and a structured management of reputational events when they occur.
Information Technology (IT)	Risk which impacts information and services related to the Group's use of technology. This includes risks that customers or the Group may suffer from service disruptions, losses arising from system defects, illegal use of computer systems and breach of data via computer systems perpetrated either by internal or external parties, including any damage to the reputation of the Group.	• The Group ensures and creates awareness among its internal and external customers of this risk.
Regulatory	Change in regulations which could threaten the Group's competitive position and capacity to conduct business effectively.	• The Group keeps a close watch on all key regulatory developments in order to anticipate changes and potential impact on performance with the focus of continuously improving the risk governance structure and framework.

Categories of Risk	Broad Definition	Risk Management Practices
Business & Strategic Risk	Risk of current or prospective impact on the Group's earnings, capital, reputation or standing arising from changes in the environment the Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.	• The Group has a well-established risk governance structure and recently established a dedicated team that reviews the overall strategic risk facing the Group. • The Group adopts appropriate strategies to balance risk and return taking into account changing conditions through the economic cycle and monitoring of economic trends in the market closely. • The respective Risk Management Sub-Functions continuously review the suitability of its risk policies and controls.

v. Risk & Compliance Culture

A vital component in strengthening the Group's risk governance structure is its risk and compliance culture. Culture forms the fundamental building block of risk management and serves as the foundation upon which a strong enterprise wide risk management structure is built.

The risk and compliance culture of the Group is driven from the top and complimented with the tone from the middle, that are ingrained in all levels of business and activities. As an essential building block for effective risk governance, it is continuously promoted to ensure that the right risk and compliance culture is embraced and exhibited in the behaviour of each individual within the organisation.

As part of the risk and compliance culture, the Group has also tried to instil a compliance culture where the Board, Senior Management and every employee of the Group is committed to adhere to the requirement of relevant laws, rules, regulations and regulatory guidelines. The Group's commitment is clearly demonstrated through the establishment of strong compliance policies and guidelines to ensure that the Group's non-compliance risks are effectively managed. Such measures help lower the cost of doing business arising from regulatory penalties, as well as protects the Group's integrity and reputation.

STRATEGIC PRIORITIES FOR 2014

GRM's strategic priorities for 2014 continued to build around managing its key focus areas of asset and liabilities management. The notable risk management achievements for 2014 were:

a. Enhancement of risk & compliance culture;

b. Enhancement in the assessment of sectorial risk profile and portfolio management;

c. Enhancement in liquidity risk management;

d. Institutionalization of operational risk management;

e. Improvement in credit underwriting quality;

f. Optimization of capital management;

g. Enhancement in Stress Testing capabilities;

h. Formalization of the Risk Appetite.

GRM has considered both external and internal drivers during the setting of the Strategic Priority for 2014. They were:

i. Key External Drivers

- Challenging economic and cost environment;
- Increased data and IT infrastructure requirement;
- Regulatory pressures on business model and cost structure.

ii. Key Internal Drivers

- Compliance to regulatory requirement;
- Enhance shareholders' value;
- Optimization of resources;
- Risk ownership at various functions;
- Inculcate risk awareness culture at all levels.

KEY ACHIEVEMENTS IN 2014

Although Basel II-compliant is not yet a requirement, the Group has taken the initiative to adopt a more forward looking approach to capital management and develop a more rigorous risk management techniques.

Hence, to facilitate the Bank's aspiration in adopting the full Basel II, the following initiatives were undertaken:

i. Formalization of the Bank's Internal Capital Adequacy Assessment Process (ICAAP) Framework;

ii. Formalization of the Bank's Risk Appetite Statement;

iii. Enhancement of liquidity risk management controls namely Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR);

iv. Enhancement of the Stress Test Methodology;

v. Establishment of the Independent Model Validation Unit;

vi. Enhancement for the computation of the Collective Allowable Assessment (CAA) Methodology to include Model Risk Adjustment (MRA);

vii. Establishment of operational risk indicators for monitoring of Subsidiary's key risks.

viii. Enhancement of operational risk assessment templates and data collection.

ix. Facilitate Group-wide risk management awareness programs.

The Group's state of implementation of these initiatives were reported to the ERMC, RMC and Board on a regular basis, thus ensuring that the Management and Board of the Group are aware and continue to maintain oversight of the risks undertaken by the Group.

EMERGING RISKS

Identifying and monitoring top and emerging risks are integral to the Group's approach to risk management. The identification and prioritisation of key risks facing the Group will be important in order to enable the Group to proactively plan for a holistic management of these risks, amongst others, across the Group. Some of the key concerns for the Group going into 2015 are:

a. Challenging Business Environment

The prospects for economic growth in 2015 remain cautious with continued economic difficulties in Europe, slower growth in emerging markets and a slowing China. The spill-over effect may trickle domestically, hence impacting the Bank's existing customers and target market. The impact of lower energy and commodity prices are also expected to lead to further uncertainty in economic growth. Domestic weaknesses, such as infrastructure shortages/deferment, budget deficits and inflationary pressures coupled with external uncertainties are expected to impact economic growth.

b. Regulatory Changes and Requirements

One of the key risks going into 2015 is the evolving landscape of regulatory requirements and the burden of new regulations. Governments and regulators in numerous jurisdictions are expected to continue to develop regulations which may impose new requirements, including but not limited to the areas of capital and liquidity, corporate structures, conduct of business, corporate governance and operational risk.

c. Movement in Interest Rates

Rising interest rate will have an unfavourable impact on the margins of the Bank's fixed rate loan portfolio due to its inability to reprice. This portfolio is consistent with its mandated role, business model and product offering to finance infrastructure projects that is susceptible to interest rate risk. However, the interest rate risk is managed within the risk appetite of the Bank and controls established.

Notwithstanding this, BNM is expected to maintain the overnight policy rate (OPR) at 3.25% in the first half of 2015, reflecting the supportive monetary policy stance and taking into account emerging weaknesses in the external environment, falling commodity prices and continued moderation in aggregate domestic demand.

d. Money Laundering & Terrorist Financing Risk

The Bank has in place a Compliance structure that include the function of Anti-Money Laundering and Counter Financing of Terrorist (AML/CFT). Various initiatives have been proposed to nullify this ever growing threat as it is a statutory responsibility of the Bank.

In maximizing the results, one of the initiative was the recalibration of the Group Compliance structure to co-ordinate and manage the implementation of AML/CFT at the Group level. This will be strengthened with supporting network and system infrastructure in the form of subscription to AML/CFT systems such as World Check and Banker's Equity, for known persons/related persons and updates.

However, as of todate, the Bank has yet to be subjected to any of these intrusions.

SHARIAH COMPLIANCE

2014

SHARIAH GOVERNANCE

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

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

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

During the year, key measures undertaken include:-

1. Improvement to the guidelines and procedures as recommended as stipulated in the Shariah Audit Report 2013.
2. Training in Islamic Product has been conducted for internal audit officers, Business Banking officers, Shariah Advisory officers and Compliance officers throughout 2014.
3. Establishment of "Tabung Tazkiyah Al-A'mal" for non-Shariah compliance income where these funds will be channeled to identified NGOs for charity purposes.

SHARIAH COMMITTEE

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

Functions and Responsibilities

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

1. To be responsible and accountable for all Shariah decisions, opinions and views provided.
2. To advise the management and the board on Shariah matters in order to ensure that the Islamic banking operations comply with Shariah principles at all times.
3. To validate and endorse that:-
   a) The Islamic products of the bank comply with Shariah principles in all aspects including:-
      - The terms and conditions contained in the forms, contracts and agreements used in executing the transactions.
      - The guidelines and procedures of the products, schemes and funds offered by the bank.
      - The product manual, marketing advertisement, sales illustrations and brochures used to describe the product.

   b) To endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.
4. To confirm on Shariah compliance based on assessment of Shariah audit and review, and provide assurance on information to be disclosed in the annual report, with respect to the following:-
   - All transactions for the reporting year are Shariah-compliant;
   - The allocation of profit and charging of losses relating to investment accounts are Shariah-compliant;
   - Non-Shariah compliant income is to be channeled to charity;
   - Zakat calculation is Shariah-compliant
5. To uphold and observe corporate governance and compliance with the relevant legislation, rulings, regulations and guidelines issued by Bank Negara Malaysia.
6. To advise the bank to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC) on any Shariah matters which have not been resolved or endorsed by the Shariah Committee.
7. To provide written Shariah opinion(s) in the following circumstances:-
   - Where the Bank refers to the SAC for advice; or
   - Where the Bank submits applications to Bank Negara Malaysia for approval of Islamic Products
8. The number of Shariah Committee meetings held in the year, as well as the attendance of every Shariah Committee shall be disclosed in the bank's annual report.
9. And assist related parties such as legal counsel, auditor or consultant subject to the recommendation of management.
10. The Shariah Committee shall put on record in its report or statements directed to the board, its concerns over any Shariah non-compliance issues.

COMMITTEE MEETING AND ATTENDANCE

Based on the Terms of Reference of the Shariah Committee, the meeting is to be held a minimum 6 times a year. During the financial year 2014, the Shariah Committee held 8 meetings. The members of the Shariah Committee and their record of attendance are as follows:-

NAME OF SHARIAH COMMITTEE MEMBER	NO OF MEETING AND ATTENDANCE
YBhg.Tan Sri Dato' Seri (Dr) Haji Harussani Bin Haji Zakaria	8/8
YBrs. Prof Dr Abdul Jalil Bin Borham (Deceased on 13 November 2014)	7/7
YBrs. Dr. Ridzwan Bin Ahmad	8/8
YBrs. Asst. Prof. Dr. Miszairi Bin Sitiris	8/8
YBrs. Assoc. Prof. Dr Noraini Binti Mohd Ariffin	8/8

In view of the demised of one of the Shariah Committee, BNM has granted a temporary exemption until end of 31 March 2015 or upon the appointment of new Shariah Committee, whichever is earlier. Nevertheless, BPMB is required to comply with the minimum quorum of two-third with Shariah background when convening the Shariah Committee meetings as specified in the Guidelines on Shariah Governance Framework for Islamic Financial Institutions.

MOVING FORWARD

In ensuring full compliance with Shariah Governance Framework for Islamic Banking Institutions issued by Bank Negara Malaysia, the following key measures have been initiated and targeted to be completed in phases before the end of 2015:-

1. Management response to be undertaken and completed in appropriate period as stipulated in the Shariah Compliance (Governance) Internal Audit Report 2014.

2. Continuous knowledge enhancement through Islamic Financing training to all officers of the Bank.

3. Greater emphasis on promoting Islamic products by adopting "Islamic first" approach when marketing BPMB products whereas for existing customers will be approached and consulted to convert their conventional loans to Islamic financing.

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

CORPORATE HIGHLIGHTS 2014

17 JANUARY
Friendly badminton match between BPMB and DPI.

24 JANUARY
Friendly bowling tournament between BPMB and KPMG.

15 FEBRUARY
30 staff involved in post-flood relief mission to KAFA Alif, Kampung Sungai Isap Dalam, Kuantan, Pahang.

09 MARCH
Friendly badminton match between BPMB, UiTM and Johawaki.

18 MARCH
The past President/Managing Director, Dato' Zafer Hashim addresses his New Year mandate at the annual town hall meet.

4 APRIL
Kelab Sukan dan Rekreasi organized a fishing competition at the Sealion fishing pond, Port Klang.

12 APRIL
20 teams from 10 media houses participated in the friendly bowling meets held at Wangsa Bowl, Wangsa Walk.

24 APRIL
Secretaries from various functions were treated at the Secretary Super Program 2014 held at Heritage Hotel, Cameron Highlands.

03-04 MAY / 21-22 JUNE
200 students from five primary schools around Kuala Lumpur participated in *Seminar Bimbingan Peperiksaan* UPSR. The program was jointly organized with Unit Pendidikan Berita Harian and was held at Dewan Bestari, UniKL.

10 MAY
BPMB together with Kumpulan Media Karangkraf organized a CSR program at Kampung Seberang Takir, Kuala Terengganu.

10 MAY
Business tithe presentation for the state of Terengganu.

16 MAY
Business tithe presentation for the state of Johor.

23 MAY
GMVB Maritime Gathering held at Spices Restaurant, Concorde Hotel, Kuala Lumpur.

26 MAY
Health Awareness Campaign and blood donation rally organized by BPMB Group Human Resource.

13 JUNE
Business tithe presentation for the state of Perlis. The event was graced by the presence of DYTM Tuanku Raja Muda Perlis.

16 MAY
Kelab Sukan dan Rekreasi Bank Pembangunan chose Pulai Springs Resort, Johor as its annual Family Day celebration. The event was graced by the presence of Tan Sri Dato' Sri Dr. Wan Abdul Aziz Wan Abdullah.

26 – 27 MAY
BPMB participated in the Sabah Oil & Gas Expo 2014 held at Magellan Sutera Resort, Kota Kinabalu, Sabah.

20 JUNE
50 athletes from BPMB and its subsidiaries took part in Sukaneka ADFIM 2014 held at BSN Education Center, Bangi. Eleven agencies under ADFIM participated in this carnival which aimed at fostering friendship among the members.

21 JUNE

Business tithe presentation for the state of Kedah and CSR program at Masjid Rahayatul Islam, Alor Janggus, Kedah.

30 JUNE

Distribution of Ramadan gifts to BPMB staff and Board of Directors.

01 JULY

Distribution of iftar delicacies to the staff of BPMB and its subsidiaries.

02 JULY

BPMB organized Street Dakwah, to reach out to the community during the month of Ramadan.

11 JULY

Business tithe presentation for the state of Selangor and Wilayah Persekutuan in conjunction with Iftar feast held at the lobby of BPMB.

08 JULY

Kelab Sukan dan Rekreasi 34th Annual General Meeting held at BPMB main auditorium.

13 JULY

Business tithe presentation for the state of Kelantan. Yang Teramat Mulia Tengku Mahkota Kelantan had received on behalf of Majlis Agama Islam Kelantan.

14 – 15 AUGUST
Bank participated in Sarawak Oil & Gas Expo 2014 held at Bintulu Civic Center, Sarawak.

25 AUGUST
Staff Raya celebration held at BPMB premise.

19 SEPTEMBER
Business tithe presentation to the state of Perak.

23 SEPTEMBER
Business tithe presentation to the state of Pahang.

23-25 SEPTEMBER
Bank participated in the 2nd Malaysian Oil & Gas Services Exhibition and Conference (MOGSEC) held at Kuala Lumpur Convention Center. More than 270 companies which are involved in the oil and gas industry took part in this exhibition.

25 SEPTEMBER
Business tithe presentation to the state of Sabah and Sarawak.

30 SEPTEMBER
Staff birthday celebration.

12 OCTOBER

BPMB 2014 Annual Dinner themed “Colors of Generations” held at Sheraton Imperial, Kuala Lumpur.

14 OCTOBER

Business tithe presentation for the state of Melaka and Negeri Sembilan and contribution to Surau Nur Hidayah, Kampung Perigi Jernih, Negeri Sembilan.

17 – 19 OCTOBER

More than 100 students from 16 secondary schools around Johor Bharu participated in *Seminar Bimbingan Peperiksaan SPM*. The program was held in conjunction with *Kem Remaja BPMB* and jointly organized with Unit Pendidikan Berita Harian. The two day program was held at Le Grandeur, Senai, Johor.

21 OCTOBER

15 staff from BPMB participated in Bursa Bull Charge 2014 capital market charity run. The inaugural event organized by Bursa Malaysia was aimed to raise awareness and reminder to give back to communities.

07 NOVEMBER

BPMB organized Eco Challenge 2014 at Taman Negara Pahang. 24 teams participated in this event which took place at Orang Asli Settlement in Taman Negara.

08 NOVEMBER

BPMB contributed furniture and books for the mini library and electrical equipment to Masjid Kampung Pagi, Taman Negara.

09 NOVEMBER

10 families from Kampung Baharu, Jerantut, Pahang received 10 freshwater fish ponds from BPMB for their freshwater fish project.

21 NOVEMBER

BPMB donated 20 bicycles to the best students of SK (2) Taman Selayang under the "Kayuhan Menuju Kejayaan" program.

21 NOVEMBER

Students of Pusat Pengajian Tahfiz Ribat Al-Mustafa, Kuantan, received school supplies and cash contribution in a CSR program organized by GMVB.

22 NOVEMBER

Grand Hyatt Resort, Kuantan was chosen by GMVB as its annual Family Day celebration venue.

11 DECEMBER

GMVB Maritime Gathering at Sky Lobby, Grand Hyatt, Kuala Lumpur.

14 DECEMBER

BPMB donated a house completed with household needs to Encik Ibrahim Muda of Pasir Mas, Kelantan, to replace his old ramshackle hut.

14 DECEMBER

BPMB donated cash contributions to 21 families, 60 poor students and several mosques in the area of Ketereh, Kelantan. The delegation was led by the Chairman, Tan Sri Dato' Sri Dr. Wan Abdul Aziz Wan Abdullah.

30 DECEMBER

BPMB delegation led by the Chairman, Tan Sri Dato' Sri Dr. Wan Abdul Aziz Wan Abdullah donated home necessity to 300 families from a few villages in the area of Pengkalan Chepa, Kelantan for its post-flood relief mission.

31 DECEMBER

50 flood victims of Kampung Chekok, Kampung Bhorat and staff of Hotel Perdana, Kelantan, received donations from BPMB. The donations were distributed by the Chairman, Tan Sri Dato' Sri Dr. Wan Abdul Aziz Wan Abdullah.

Financial Statements 2014

Contents

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Bank is principally engaged to provide medium to long term credit and financing facilities under both Conventional and Shariah principles to finance infrastructure projects, maritime, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country's development policy. The principal activities of the subsidiary companies are as disclosed in Note 45 to the financial statements.

There have not been any significant changes in the nature of the principal activities during the financial year.

RESULTS

	GROUP	BANK
	RM'000	RM'000
Profit for the financial year	124,703	93,486
Attributable to:		
Equity holders of the Bank	146,174	93,486
Non-controlling interests	(21,471)	-
	124,703	93,486

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

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

DIVIDENDS

Final tax exempt dividend on 3,078,724,049 ordinary shares, amounting to RM100,000,000 (3.25 sen net per ordinary share), in respect of the financial year ended 31 December 2013 was declared on 27 May 2014 and paid on 28 May 2014.

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

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2014, of 1.20% on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM37,000,000 (1.20 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 2015.

DIRECTORS

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

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	
Zainul Rahim bin Mohd Zain	
Rosli bin Abdullah	
Datuk Nozirah binti Bahari	
Dato' Abd Rahman bin Md Khalid	
Datuk Engku Nor Faizah Engku Atek	(appointed on 1 December 2014)
Dato' Ir. Haji Mohamad bin Husin	(appointed on 2 May 2015)
Dato' Kapt. Haji Ahmad bin Othman	(appointed on 2 May 2015)
Datuk Wan Azhar bin Wan Ahmad	(appointed on 2 May 2015)
Datuk Idris bin Abdullah @ Das Murthy	(resigned on 17 March 2014)
Datuk Dr. Syed Jaafar bin Syed Aznan	(resigned on 1 June 2014)
Dato' Mohd Zafer bin Mohd Hashim	(resigned on 25 July 2014)
Ariffin Hew @ Hew Siak Tow	(resigned on 27 September 2014)
Abdul Aziz bin Ishak	(resigned on 29 September 2014)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, 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.

DIRECTORS' INTEREST

According to the register of directors' shareholdings, none of the directors holding office at year end held shares in the Bank and its related corporations during the financial year ended 31 December 2014.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

RATING AGENCY	DATE	RATING CLASSIFICATION	RECEIVED
MARC Rating	25 June 2014	Financial Institution Rating	AAA
MARC Rating	25 June 2014	Islamic Commercial Papers and/or Conventional Commercial Papers Programme of up to RM2.0 billion in nominal value	MARC-1
RAM Rating	12 November 2014	Financial Institution Rating	AAA
RAM Rating	12 November 2014	RM7 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA

BUSINESS OUTLOOK

The global economy is projected to expand at a slower pace in 2015 due to disappointing economic prospects in the euro zone, Japan and some major emerging economies that offset the benefit of lower oil prices. Simultaneously, the downside risk to economic growth is expected to increase for Malaysia in the face of falling global commodity prices and weakening ringgit. Against the backdrop of slower loan growth, the Bank will continue to provide financing to the mandated sectors. Strengthening risk management will be the Bank's focus to ensure risk awareness are embedded in all operational aspects of the Bank and therefore risks are promptly identified, assessed and effectively controlled.

OTHER STATUTORY INFORMATION

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

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

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

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

  (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent and the values attributed to current assets in the financial statements of the Group and of the Bank misleading;

  (ii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate; and

  (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(c) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.

(d) In the opinion of the directors:

  (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due other than as disclosed in Notes 20 (ii) and 22 (c) to the financial statements; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year which this report is made.

SIGNIFICANT EVENTS

Significant events during the financial year are in respect of the Bank's subsidiaries and disclosed in Note 10 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 29 May 2015.

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

Datuk Nozirah binti Bahari

Kuala Lumpur, Malaysia

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah and Datuk Nozirah binti Bahari, 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 65 to 212 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of the financial performance and the cash flows of the Group and of the Bank for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 29 May 2015.

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

Datuk Nozirah binti Bahari

Kuala Lumpur, Malaysia

Statutory Declaration

Pursuant to Section 169 (16) of the Companies Act, 1965 and Section 73 (1) (e) of the Development Financial Institution Act, 2002

We, Rosli bin Abdullah and Afidah binti Mohd Ghazali, the Director and Chief Operating 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 65 to 212 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 29 May 2015.

Rosli bin Abdullah

Before me,

PESURUHJAYA SUMPAH
W.490
S. ARULSAMY
MALAYSIA

16 - Tingkat Bawah Jalan Pudu.
55100 Kuala Lumpur.

Afidah binti Mohd Ghazali

Shariah Committee's Report

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

Assalamualaikum Warahmatullahi Wabarakatuh

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

We, members of the Shariah Committee of Bank Pembangunan Malaysia Berhad ("the Committee") do hereby confirm that we have reviewed the principles and the contracts relating to the Islamic Banking transactions and applications introduced by the Bank from 1 January 2014 until 31 December 2014 as set out on pages 193 to 209.

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

In carrying out the roles and the responsibilities of the Bank's Shariah Committee as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2014.

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

We have conducted eight (8) meetings in which we reviewed various products, transactions, services and processes of the Bank during the financial year. 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 evidences to give reasonable assurance that the Bank has complied with the Shariah rules and principles.

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

We found that no breach of Shariah rules and principles occurred in the Bank throughout the finacial year as reported by Compliance Department of the Bank.

We are of the opinion in the best of our knowledge that:

(a) The new products and enhanced processes introduced by the Bank during the financial year ended 31 December 2014, are in compliance with the Shariah rules and principles;

(b) The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2014, are in compliance with Shariah rules and principles;

(c) The main funding sources and investments of the Bank conforms to the basis that had been approved by us in accordance with the Shariah rules and principles;

(d) The allocation of profit relating to investment accounts of the Bank conforms to the basis that had been approved by us in accordance with Shariah rules and principles; and

(e) The financial statements of the Bank's Islamic portfolio for the financial year ended 31 December 2014 together with the calculation of Zakat are in compliance with the Shariah rules and principles.

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.

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

Noraini

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

Kuala Lumpur, Malaysia

Independent Auditors' Report

to the members of Bank Pembangunan Malaysia Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank Pembangunan Malaysia Berhad, which comprise the statements of financial position of the Group and of the Bank as at 31 December 2014 and the income statements, statements of comprehensive income, statement of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 65 to 212.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of their financial performance and the cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 45 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants
Kuala Lumpur, Malaysia

Wan Daneena Liza bt Wan Abdul Rahman
No. 2978/03/16(J)
Chartered Accountant

Consolidated Statement of Financial Position

As at 31 December 2014

		GROUP		
	Note	31 December 2014 RM'000	31 December 2013 RM'000 Restated	1 January 2013 RM'000 Restated
Assets				
Cash and short term deposits	3	1,921,024	1,251,935	1,506,858
Deposits and placements with financial institutions	4	708,805	154,216	67,783
Financial investments - fair value through profit or loss	5	4,247	-	-
Financial investments - available-for-sale	6	1,321,313	1,504,156	1,242,217
Financial investments - held-to-maturity	7	259,979	259,202	226,280
Loans, advances and financing	8	24,757,054	24,195,361	23,220,347
Other assets	9	225,491	290,650	272,229
Interest in associates	11	2,845	2,602	273,743
Interest in joint ventures	12	62,911	76,473	209,727
Property, plant and equipment	13	624,628	1,253,505	159,173
Prepaid land leases	14	1,174	1,795	2,029
Investment properties	15	5,447	4,392	9,720
Intangible assets	16	26,668	200,360	8,762
Deferred tax assets	17	5,235	14,103	87,957
		29,926,821	29,208,750	27,286,825
Assets classified as held for sale	43	18,534	18,462	175,490
Total assets		29,945,355	29,227,212	27,462,315
Liabilities				
Deposits from customers	18	5,666,779	7,115,241	5,414,142
Deposits and placements from financial institutions	19	300,510	311,122	153,556
Other liabilities	20	206,202	185,394	185,013
Redeemable notes	21	5,964,175	3,025,348	4,133,991
Term loans	22	9,604,190	10,362,124	9,643,299
Infrastructure support fund	23	367,322	365,430	399,535
Deferred income	24	243,977	248,413	251,430
Deferred tax liabilities	17	22,452	31,438	6,290
Liabilities of subsidiaries classified as held for sale		-	-	101
Total liabilities		22,375,607	21,644,510	20,187,357
Equity attributable to equity holders of the Bank				
Share capital	25	3,078,724	3,078,724	3,078,724
Reserves	26	4,443,583	4,422,601	4,043,084
		7,522,307	7,501,325	7,121,808
Non-controlling interests		47,441	81,377	153,150
Total equity		7,569,748	7,582,702	7,274,958
Total equity and liabilities		29,945,355	29,227,212	27,462,315
Commitments and contingencies	39(a)	7,035,001	7,096,388	5,366,891

Statement of Financial Position

As at 31 December 2014

	Note	BANK 31 December 2014 RM'000	BANK 31 December 2013 RM'000
Assets			
Cash and short term deposits	3	1,446,941	942,112
Deposits and placements with financial institutions	4	677,667	152,582
Financial investments - available-for-sale	6	1,317,113	1,497,143
Financial investments - held-to-maturity	7	259,957	259,180
Loans, advances and financing	8	24,542,895	24,025,868
Other assets	9	162,331	188,058
Investments in subsidiaries	10	653,743	955,679
Property, plant and equipment	13	95,820	103,282
Prepaid land leases	14	1,174	1,795
Investment properties	15	1,939	772
Intangible assets	16	10,173	11,533
Total assets		29,169,753	28,138,004
Liabilities			
Deposits from customers	18	5,666,779	7,115,241
Deposits and placements from financial institutions	19	300,510	311,122
Other liabilities	20	47,768	39,877
Redeemable notes	21	5,964,175	3,025,348
Term loans	22	9,231,556	9,582,577
Infrastructure support fund	23	367,322	365,430
Deferred income	24	243,977	248,413
Deferred tax liabilities	17	12,538	27,121
Total liabilities		21,834,625	20,715,129
Equity attributable to equity holders of the Bank			
Share capital	25	3,078,724	3,078,724
Reserves	26	4,256,404	4,344,151
		7,335,128	7,422,875
Total equity		7,335,128	7,422,875
Total equity and liabilities		29,169,753	28,138,004
Commitments and contingencies	39(a)	6,692,429	6,442,386

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

Income Statements

For the Financial Year Ended 31 December 2014

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	BANK 2014 RM'000	BANK 2013 RM'000
Interest income	28	1,315,559	1,295,459	1,288,151	1,269,228
Interest expense	29	(734,396)	(777,136)	(691,741)	(728,710)
Net interest income		581,163	518,323	596,410	540,518
Net income from Islamic banking business	48	262,176	264,825	257,967	262,656
Non-interest income	30	329,102	412,484	33,378	74,574
Net income		1,172,441	1,195,632	887,755	877,748
Overhead expenses	31	(452,355)	(344,967)	(82,122)	(76,431)
Allowance for impairment of loans, advances and financing	34	(241,324)	(82,841)	(269,997)	(107,487)
Impairment on other assets	35	(184,248)	(236,171)	(288,597)	(124,514)
Operating profit		294,514	531,653	247,039	569,316
Share of profit/(loss) of joint ventures		11,876	(39,735)	-	-
Profit before taxation and zakat		306,390	491,918	247,039	569,316
Taxation	36	(166,336)	(181,065)	(140,775)	(166,416)
Zakat		(15,351)	(6,803)	(12,778)	(6,803)
Profit for the financial year		124,703	304,050	93,486	396,097
Attributable to:					
Shareholders of the Bank		146,174	379,141	93,486	396,097
Non-controlling interests		(21,471)	(75,091)	-	-
		124,703	304,050	93,486	396,097
Earnings per share attributable to the equity holders of the Bank:					
Basic earnings per share (sen)	38	4.7	12.3		

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

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2014

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Profit for the financial year	124,703	304,050	93,486	396,097
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	44,389	52,577	-	-
Net unrealised (loss)/gain on revaluation of financial investment - AFS, net of tax	(82,046)	51,117	(81,233)	48,731
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(37,657)	103,694	(81,233)	48,731
Total comprehensive income for the financial year, net of tax	87,046	407,744	12,253	444,828
Total comprehensive income/(loss) attributable to:				
Shareholders of the Bank	120,982	479,517	12,253	444,828
Non-controlling interests	(33,936)	(71,773)	-	-
	87,046	407,744	12,253	444,828

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

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2014

GROUP	Note	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Profit equalisation 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 2014		3,078,724	1,000	1,844,879	4,970	18,654	(12,240)	2,575,082	7,511,069	81,377	7,592,446
Effects of prior period adjustments	44	-	-	-	-	118,237	-	(127,981)	(9,744)	-	(9,744)
At 1 January 2014, restated		3,078,724	1,000	1,844,879	4,970	136,891	(12,240)	2,447,101	7,501,325	81,377	7,582,702
Total comprehensive income/(loss) for the financial year		-	-	-	-	(82,046)	56,854	146,174	120,982	(33,936)	87,046
Transfer to statutory reserve		-	-	23,372	-	-	-	(23,372)	-	-	-
Provision for the year		-	-	-	5,479	-	-	(5,479)	-	-	-
Transfer to retained profits		-	-	-	(10,449)	-	-	10,449	-	-	-
Dividends paid	37	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
At 31 December 2014		3,078,724	1,000	1,868,251	-	54,845	44,614	2,474,873	7,522,307	47,441	7,569,748
At 1 January 2013		3,078,724	1,000	1,745,855	4,970	(32,463)	(61,499)	2,392,671	7,129,258	153,150	7,282,408
Effects of prior period adjustments	44	-	-	-	-	118,237	-	(125,687)	(7,450)	-	(7,450)
At 1 January 2013, restated		3,078,724	1,000	1,745,855	4,970	85,774	(61,499)	2,266,984	7,121,808	153,150	7,274,958
Total comprehensive income/(loss) for the financial year		-	-	-	-	51,117	49,259	379,141	479,517	(71,773)	407,744
Transfer to statutory reserve		-	-	99,024	-	-	-	(99,024)	-	-	-
Dividends paid	37	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
At 31 December 2013		3,078,724	1,000	1,844,879	4,970	136,891	(12,240)	2,447,101	7,501,325	81,377	7,582,702

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

BANK	Note	<---- Share capital RM'000	Non-distributable Statutory reserve RM'000	Profit equalisation reserve RM'000	Unrealised AFS reserve RM'000 ---->	Distributable retained profits RM'000	Total RM'000
At 1 January 2014		3,078,724	1,844,879	4,970	136,078	2,358,224	7,422,875
Total comprehensive (loss)/income for the financial year		-	-	-	(81,233)	93,486	12,253
Transfer to statutory reserve		-	23,372	-	-	(23,372)	-
Provision for the year		-	-	5,479	-	(5,479)	-
Transfer to retained profits		-	-	(10,449)	-	10,449	-
Dividends paid	37	-	-	-	-	(100,000)	(100,000)
At 31 December 2014		3,078,724	1,868,251	-	54,845	2,333,308	7,335,128
At 1 January 2013		3,078,724	1,745,855	4,970	87,347	2,161,151	7,078,047
Total comprehensive income for the financial year		-	-	-	48,731	396,097	444,828
Transfer to statutory reserve		-	99,024	-	-	(99,024)	-
Dividends paid	37	-	-	-	-	(100,000)	(100,000)
At 31 December 2013		3,078,724	1,844,879	4,970	136,078	2,358,224	7,422,875

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

Statements of Cash Flows

For the Financial Year Ended 31 December 2014

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	306,390	491,918	247,039	569,316
Adjustment for:				
Share of (profit)/loss of joint ventures	(11,876)	39,735	-	-
Depreciation of property, plant and equipment (Note 13)	81,473	77,929	9,359	9,091
Amortisation of prepaid lease rental (note 14)	54	61	54	61
Depreciation of investment properties (Note 15)	171	197	59	55
Amortisation of intangible assets (Note 16)	49,908	3,906	3,218	3,058
Net (loss)/gain on disposal of property, plant and equipment (Note 30)	3,833	(4,733)	1	(689)
Net (loss)/gain on disposal of prepaid land lease (Note 30)	372	(58)	372	(58)
Net gain on disposal of investment properties (Note 30)	-	(2,462)	-	(2,050)
Net gain on sale of financial investments - available-for-sale (Note 30)	(1,327)	(155)	(1,327)	(155)
Dividend income:				
Subsidiaries (Note 30)	-	-	-	(5,000)
Financial investments - available-for-sale (Note 30)	(17,880)	(11,671)	(17,791)	(11,671)
Gain on bargain purchase	-	(11,972)	-	-
Loss on disposal of joint ventures	-	6,775	-	-
Accretion of discount less amortisation of premium of financial investments (Note 28)	(23,298)	(22,511)	(23,298)	(22,511)
Impairment allowance/(written back) for:				
Financial investments - available-for-sale (Note 35)	(33,960)	34,871	(35,586)	28,047
Financial investments - held-to-maturity (Note 35)	21,951	39,130	21,951	39,130
Investment in subsidiaries (Note 35)	-	-	301,935	29,635
Amount due from subsidiaries (Note 35)	-	-	-	28,089
Interest in joint ventures (Note 35)	28,827	11,555	-	-
Assets classified as held for sale (Note 35)	-	3,838	-	-
Goodwill (Note 35)	-	76,664	-	-
Vessels (Note 35)	164,964	46,535	-	-
Balance carried forward	569,602	779,552	505,986	664,348

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Cash flows from operating activities (cont'd)				
Balance brought forward	569,602	779,552	505,986	664,348
Impairment allowance/(written back) for:				
Interest in associates (Note 35)	-	20,618	-	-
Other assets (Note 35)	6,333	3,347	293	-
Property, plant and equipment written off (Note 31)	5	61	5	-
Unrealised gain on foreign exchange (Note 30)	(120)	(2,162)	(120)	(419)
Individual assessment allowance (Note 34):				
Individual assessment allowance made	512,620	230,942	472,658	221,965
Individual assessment allowance written back	(163,631)	(178,159)	(148,044)	(159,711)
Transferred from collective assessment allowance	83,909	31,169	83,909	31,169
Transferred to collective assessment allowance	(18,985)	(4,998)	(18,985)	(4,998)
Collective assessment allowance (Note 34):				
Collective assessment allowance made	214,601	122,477	244,292	122,477
Collective assessment allowance written back	(273,496)	(71,690)	(271,736)	(59,965)
Transferred from individual assessment allowance	18,985	4,998	18,985	4,998
Transferred to individual assessment allowance	(83,909)	(31,169)	(83,909)	(31,169)
Bad debts and financing written off (Note 34)	362	1,415	361	1,415
Bad debts and financing recovered (Note 34)	(49,129)	(22,531)	(27,531)	(19,081)
Zakat (Note 48 (n))	(15,351)	(6,803)	(12,778)	(6,803)
Recoverable from loan written off against infrastructure support fund (Note 30)	24,693	5,025	24,693	5,025
Financial investment impairment made during the year against infrastructure support fund (Note 30)	(21,951)	(39,130)	(21,951)	(39,130)
Compensation from the Government	(129,076)	(120,390)	(129,076)	(120,390)
Operating profit before working capital changes	675,462	722,572	637,052	609,731
(Increase)/decrease in operating assets:				
Deposits and placements with financial institutions	(554,589)	(86,433)	(525,085)	(85,860)
Loans, advances and financing	(800,001)	(1,084,136)	(680,541)	(1,098,871)
Other assets	474,605	(114,279)	89,904	(24,633)
	(879,985)	(1,284,848)	(1,115,722)	(1,209,364)
Increase/(decrease) in operating liabilities:				
Deposits from customers	(1,448,461)	1,701,099	(1,448,462)	1,701,099
Deposit and placements from financial institutions	10,612	157,566	(10,612)	157,566
Other liabilities	(82,066)	(119,618)	(38,661)	7,035
	(1,519,915)	1,739,047	(1,497,735)	1,865,700
Cash (used in)/generated from operations	(1,724,438)	1,176,771	(1,976,405)	1,266,067
Income taxes paid	(134,969)	(95,640)	(95,958)	(79,567)
Zakat paid	(9,304)	(3,059)	(6,730)	(3,059)
Net cash (used in)/generated from operations	(1,868,711)	1,078,072	(2,079,093)	1,183,441

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Cash flows from investing activities				
Net cash outflow on acquisition of subsidiaries	-	(601,995)	-	-
Dividend income from:				
Subsidiaries	-	-	-	5,000
Financial investments - available-for-sale (Note 30)	17,880	11,671	17,791	11,671
Purchase of financial investments - available-for-sale	(322,847)	(427,362)	(322,847)	(425,866)
Purchase of financial investments - held-to-maturity	-	(50,850)	-	(50,850)
Purchase of property, plant and equipment (Note 13)	(66,305)	(90,444)	(1,902)	(3,733)
Purchase of intangible assets (Note 16)	(1,704)	(1,446)	(1,858)	(1,446)
Purchase of investment properties (Note 15)	(1,226)	-	(1,226)	-
Proceeds from disposal of subsidiaries	257,464	-	-	-
Proceeds from disposal/maturity of financial investments available-for-sale	237,873	178,305	237,873	178,306
Proceeds from disposal of property, plant and equipment	26,477	9,462	-	3,196
Proceeds from disposal of investment properties	-	8,353	-	4,755
Proceeds from disposal of prepaid land leases	195	231	195	231
Net cash generated from/(used in) investing activities	147,807	(964,075)	(71,974)	(278,736)
Cash flows from financing activities				
Net receipt/(repayment) from long-term loans	(416,092)	719,245	(150,189)	51,008
Net repayment from revolving credit	(200,712)	-	(200,712)	-
Proceeds from issuance redeemable guaranteed notes	3,000,000	-	3,000,000	-
Settlement of redeemable guaranteed notes	-	(1,108,643)	-	(1,108,643)
Proceeds from Government compensation	106,797	120,478	106,797	120,478
Dividends paid	(100,000)	(100,000)	(100,000)	(100,000)
Net cash generated from/(used in) financing activities	2,389,993	(368,920)	2,655,896	(1,037,157)
Net increase/(decrease) in cash and and cash equivalents	669,089	(254,923)	504,829	(132,452)
Cash and cash equivalents at beginning of year	1,251,935	1,506,858	942,112	1,074,564
Cash and cash equivalents at end of year	1,921,024	1,251,935	1,446,941	942,112
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 3)	1,921,024	1,251,935	1,446,941	942,112

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

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 Shariah principles to finance infrastructure projects, maritime, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country’s development policy. The principal activities of the subsidiary companies are as disclosed in Note 45.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 29 May 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Preparation

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

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

The Group and the Bank present the statements of financial position in order of liquidity. An analysis regarding the recovery of settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 46.

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

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

- Power over the investee (i.e. existing rights that give in the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and

- The ability to use its power over the investee to affect its return.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

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

(i) Subsidiaries (cont'd)

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

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

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

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

(ii) Basis of consolidation

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

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

(ii) Basis of consolidation (cont'd)

- Recognises 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.

(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.

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 of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(c) Foreign currency transactions

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statements except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the income 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 other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to income statement (as a reclassification) when the gain or loss on disposal is recognised.

(d) Property, plant and equipment

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

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

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

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

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(f) Intangible assets (cont'd)

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

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 up to financial year 2017 and are amortised on a straight line basis up to expiry.

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(g) Leases (cont'd)

(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 makes an estimate of the asset's recoverable amount.

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

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

Impairment losses are recognised in profit or loss.

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

(i) Financial assets

Initial recognition and subsequent measurement

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

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

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL"), loans / financing and receivables, financial investments - held-to-maturity ("HTM") investments and financial investment - available-for-sale ("AFS").

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(i) Financial assets (cont'd)

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 2014 and 2013.

(ii) Loan and receivables

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

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

(iii) Financing and receivables

Financing and receivables consists of Bai' Murabahah, Tawarruq, Ijarah, Bai' Istina', Kafalah, Ijarah Muntahia Bitamalik, Bai' Bithman Ajil and Bai' 'Inah. These contracts are recognised at amortised cost (except for kafalah contract), 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 concepts:

(a) Bai' Murabahah: Sale of an asset by the Bank to a customer at cost plus a mark-up in which the profit and the rate has to be disclosed to the customer. The sale price is payable by the customer on deferred terms.

(b) Tawarruq: An arrangement that involves sale of commodity by the Bank to the customer in which the sale price is payable on a deferred basis and subsequent sale of the commodity to a third party on a cash basis to obtain cash.

(c) Ijarah: A lease contract to transfer the usufruct (benefits) of a particular property of the Bank to a customer in exchange for a rental payment for a specified period.

(d) Bai' Istina': An agreement to sell to a customer an asset that is to be manufactured or build according to the agreed specifications and delivered on a specified future date at a predetermined selling price.

(e) Kafalah: The Bank on behalf of a customer to guarantee a third party for specific tasks by the customer at the specified period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(i) Financial assets (cont'd)

(iii) Financing and receivables (cont'd)

Definition of Shariah concepts: (cont'd)

(f) Ijarah Muntahia Bitamlik: A lease contract to transfer the usufruct (benefits) of a particular property of the Bank to a customer in exchange for a rental payment for a specified period. At the end of the rental period, the Bank sells the property to the customer.

(g) Bai' Bithaman Ajil: Sale of an asset by the Bank to a customer with deferred sale price price paid gradually during the specified period.

(h) Bai' 'Inah: Sale of an asset by the Bank to a customer with deferred sale price price paid gradually during the specified period. Then, the Bank buys back the asset at the cash price.

(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.

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

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

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

(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 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 income calculated using the effective interest method is recognised in the income statements. Dividends on an AFS equity instrument are recognised in profit or loss when the Group's and the Bank's right to receive payment is established.

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

Regular way purchases and sales of financial assets that require delivery of assets within the period 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 reporting date.

Derecognition

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

(j) Financial liabilities

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

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

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

(k) Impairment of financial assets

The Group and the Bank 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 objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

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

(i) Loans and receivables

Classification of impaired loans, advances and financing

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Impairment of financial assets (cont'd)

(i) Loans and receivables (cont'd)

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

Impairment - individual assessment allowance ("IAA")

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income 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/profit 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/profit income is recorded as part of 'interest/profit income' in the income statements.

Impairment - collective assessment allowance ("CAA")

Loans, advances and financing and receivables that have been assessed individually and found not to be impaired are then assessed collectively, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

In prior year, the Bank segmentised its loans, advances and financing portfolio into either government or commercial projects and its respective status, whether completed or under construction. A discount rate of between 0% to 20% is assigned to each loan, advances or financing according to its respective segment and status to reflect the risk of the operating cash flows. CAA, is made on any shortfall in these discounted cash flows against the carrying value of the group of loans, advances, financing and other receivable.

During the year, as allowed by MFRS 139 in deriving the CAA 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 caliberated to the Bank's loan, advances and financing 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.

For the subsidiaries involved in leasing and factoring business, future cash flows in a group of loans, advances and financing that are collectively evaluated for impairment are estimated based on the historical loss experience 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Impairment of financial assets (cont'd)

(i) Loans and receivables (cont'd)

Impairment - write-off accounts

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

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

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

(l) Financial derivatives

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

(m) Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(n) Profit equalisation reserve ("PER")

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

PER is accounted for as follows:

(i) The creation of PER establishes an obligation to manage distribution to the Investment Account Holders ("IAH") from a Shariah perspective. The PER of the IAH is classified as a liability and recognised at cost. The subsequent apportionments of profit to the IAH are recognised in the income statements. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH; and

(ii) The PER of the Islamic banking business operations is allocated from retained profits and classified as a separate reserve in equity and is non-distributable. Subsequent apportionments from and distributions to retained profits are treated as transfer between reserves.

(o) Equity instruments

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

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

(p) Employee benefits

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

A provision is recognised for the amount expected to be paid under short term cash bonus if the Group and the Bank 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.

(q) Government grants

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

Deferred income comprises claims received in relation to interest/profit rate differentials on financing of Government infrastructure projects. Other claims received are recorded in the "IFS".

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(r) 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.

(s) Contingent liabilities

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

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

(t) Disposal groups assets held for sale and discontinued operation

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

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

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

(u) Revenue

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(u) Revenue (cont'd)

(i) Interest/profit and similar income and expense

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

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

(ii) 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.

Bai' Murabahah, Tawarruq, Bai' Istina', 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.

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

Fee income
Fee income from processing fee arrangement, facility fee and upfront fee is recognised on an accrual basis. Fee income is also derived from kafalah contract.

(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, demurrage and freight income

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

(v) Income Taxes

(i) Current tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(v) Income Taxes (cont'd)

(i) Current tax (cont'd)

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.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affect neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

(w) Cash and cash equivalent

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies

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

On 1 January 2014, the Group and the Bank adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21: Levies	1 January 2014

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Bank.

(a) Amendments to MFRS 132 : Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group and the Bank, since none of the entities in the Group and the Bank have any offsetting arrangements.

(b) Amendments to MFRS 10, 12 and 127 : Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under MFRS 10.

(c) Amendments to MFRS 136 : Recoverable Amount Disclosured for Non-Financial Assets

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangibles assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation technique used which are in line with the disclosure required by MFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's and the Bank's financial statements.

(d) Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group and the Bank have not novated its derivatives during the current period.

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's and the Bank's financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

MFRSs, Amendments to MFRSs and Interpretations	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual improvements to MFRSs 2011 - 2013 Cycle	1 July 2014
Annual improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments	1 January 2018

The adoption of the above standards and interpretations will not have any significant effect on the financial performance and position of the Group and of the Bank except as discussed below:

MFRS 9: Financial Instruments (IFRS 9 Financial Instruments as issued by IASB by July)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and intriduces 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. MFRS 9 when effective will replace MFRS 139.

Classification and Measurement of Financial Assets

MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which as assets in order to collect contractual cash flows are measured at amortised cost. Financial assets that are held in a business model whose objective is to achive both collecting contractual cash flows and selling the financial assets are classified and measured at fair value through other comprehensive income (FVTOCI). Financial assets that are held in one of the two business models mentioned above are measured at fair value through profit or loss. Financial assets are also required to be reclassified when and only when the business model for managing the said financial assets changes.

Classification and Measurement of Financial Liabilities

MFRS 9 does not change the basic accounting model for financial liabilities under MFRS 139. Two measurement categories continue to exist: fair value through profit or loss (FVTPL) and amortised cost.

MFRS 9 however requires gains and losses on financial liabilities designated at FVTPL to be split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount presented in profit or loss. Amounts presented in other comprehensive income are not subsequently reclassified to profit or loss. All other MFRS 139 requirements in respect of financial liabilities have been carried forward to MFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Standards Issued but not yet Effective (Cont'd)

MFRS 9: Financial Instruments (IFRS 9 Financial Instruments as issued by IASB by July) (cont'd)

Impairment

MFRS 9 also introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, MFRS 9 requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect change in the credit risk of financial instruments. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occured before credit losses are recognised.

Hedge Accounting

MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The initial application of MFRS 9 in the future may have impact on the financial statements of the Group and of the Bank. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

2.5 Significant Accounting Judgments and Estimates

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

(a) Impairment of financial investments portfolio (Note 6, Note 7 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) Fair value estimation of financial investments - AFS

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

(c) Impairment losses on loans, advances and financing (Note 8 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Significant Accounting Judgments and Estimates (Cont'd)

(c) Impairment losses on loans, advances and financing (Note 8 and Note 34) (cont'd)

Under MFRS 139, collective assessment is performed on loans, advances and financing which the Group and the Bank have determined that no objective evidence of impairment exists based on individual assessment. These loans, advances and financing are then assessed collectively, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

In prior year, the Bank segmentised its loans, advances and financing portfolio into either government or commercial projects and its respective status, whether completed or under construction. A discount rate of between 0% to 20% is assigned to each loan, advances or financing according to its respective segment and status to reflect the risk of the operating cash flows. CAA, is made on any shortfall in these discounted cash flows against the carrying value of the group of loans, advances, financing and other receivable.

During the year, in deriving the CAA 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.

(d) Impairment of investments in subsidiaries (Note 10), interest in associates (Note 11) and JVs (Note 12)

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.

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) Impairment of vessels (Note 13)

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 ("RA").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Significant Accounting Judgments and Estimates (Cont'd)

(e) Impairment of vessels (Note 13) (cont'd)

An assets' RA is the higher of the assets' 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.

The carrying amount of the vessels is disclosed in Note 13.

(f) Impairment of goodwill (Note 16)

The Group had tested annually whether the goodwill that had an indefinite life was impaired by measuring the recoverable amount of the goodwill based on the VIU method, which required the use of estimates of future cash flow projections, terminal growth rates and discount rates. The goodwill was fully impaired as at 31 December 2013.

(g) Deferred tax (Note 17) 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.

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.

3. CASH AND SHORT TERM DEPOSITS

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and balances with other financial institutions	61,750	118,169	1,433	5,422
Money at call and deposit placements maturing within one month	1,859,274	1,133,766	1,445,508	936,690
	1,921,024	1,251,935	1,446,941	942,112

4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Licensed banks	576,511	1,620	576,511	1,620
Other financial institutions	132,294	152,596	101,156	150,962
	708,805	154,216	677,667	152,582

5. FINANCIAL INVESTMENTS - FVTPL

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At fair value				
Quoted securities:				
(In Malaysia)				
Unit trust funds	4,247	-	-	-
	4,247	-	-	-

6. FINANCIAL INVESTMENTS - AFS

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At fair value				
Money market instruments:				
Government investment issues	568,379	409,344	568,379	409,344
	568,379	409,344	568,379	409,344
At fair value				
Quoted securities:				
(In Malaysia)				
Shares	226,774	333,444	222,574	326,534
Unit trust funds	199,899	401,130	199,899	401,130
	426,673	734,574	422,473	727,664
Unquoted securities:				
(In Malaysia)				
Shares, at cost	-	103	-	-
Loan stock, at cost	727	727	727	727
Private debt securities	325,534	359,408	325,534	359,408
	326,261	360,238	326,261	360,135
	1,321,313	1,504,156	1,317,113	1,497,143

6. FINANCIAL INVESTMENTS - AFS (CONT'D)

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

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
One year to three years	231,451	101,477
Three years to five years	326,984	307,867
Over five years	9,944	-
	568,379	409,344

7. FINANCIAL INVESTMENTS - HTM

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At amortised cost				
Money market instruments:				
Cagamas	83,783	84,167	83,783	84,167
	83,783	84,167	83,783	84,167
Unquoted securities:				
(In Malaysia)				
Private debt securities	476,409	453,298	476,409	453,298
Loan stock	22	22	-	-
	476,431	453,320	476,409	453,298
Less: Accumulated impairment losses	(300,235)	(278,285)	(300,235)	(278,285)
	176,196	175,035	176,174	175,013
	259,979	259,202	259,957	259,180

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

Cagamas	84,059	84,497	84,059	84,497
Unquoted private debt securities	211,842	173,699	211,842	173,699

Other disclosures

The maturity structure of the financial investments - HTM is as follows:

One year to three years	230,370	185,822	230,348	185,800
Three years to five years	-	43,771	-	43,771
Over five years	29,609	29,609	29,609	29,609
	259,979	259,202	259,957	259,180

8. LOANS, ADVANCES AND FINANCING

	GROUP		
	31 December 2014 RM'000	31 December 2013 RM'000 Restated	1 January 2013 RM'000 Restated
Loans, advances and financing to industries:			
Government guaranteed	6,633,481	7,622,669	8,594,110
Others	20,380,354	18,732,072	16,715,302
	27,013,835	26,354,741	25,309,412
Allowance for impairment on loans, advances and financing:			
IAA	(1,889,006)	(1,657,488)	(1,652,245)
CAA	(656,466)	(778,953)	(756,623)
	(2,545,472)	(2,436,441)	(2,408,868)
Net loans, advances and financing to industries	24,468,363	23,918,300	22,900,544
Staff financing	11,318	12,921	14,344
Lease receivables	55,922	55,605	70,190
Tawarruq receivables	19,007	-	-
Pre-factoring and factoring receivables	65,769	72,150	72,589
Hire purchase receivables	187,898	180,000	230,136
Ijarah receivables	42,425	27,599	25,725
Other loans, advances and financing	382,339	348,275	412,984
Allowance for impairment on loans, advances and financing:			
IAA	(68,254)	(44,488)	(68,725)
CAA	(25,394)	(26,726)	(24,456)
	(93,648)	(71,214)	(93,181)
Net other loans, advances and financing	288,691	277,061	319,803
Net loans, advances and financing	24,757,054	24,195,361	23,220,347
Gross loans, advances and financing	27,396,174	26,703,016	25,722,396
Allowance for impairment on loans, advances and financing:			
IAA	(1,957,260)	(1,701,976)	(1,720,970)
CAA	(681,860)	(805,679)	(781,079)
	(2,639,120)	(2,507,655)	(2,502,049)
Net loans, advances and financing	24,757,054	24,195,361	23,220,347

8. LOANS, ADVANCES AND FINANCING (CONT'D)

	BANK	
	2014 RM'000	2013 RM'000
Loans, advances and financing to industries:		
Government guaranteed	6,633,481	7,622,669
Others	20,333,910	18,668,413
	26,967,391	26,291,082
Allowance for impairment on loans, advances and financing:		
IAA	(1,842,562)	(1,593,829)
CAA	(656,466)	(778,953)
	(2,499,028)	(2,372,782)
Net loans, advances and financing to industries	24,468,363	23,918,300
Staff financing	11,318	12,921
Loan to subsidiaries	106,145	107,459
Other loans, advances and financing	117,463	120,380
Allowance for impairment on loans, advances and financing:		
IAA	-	-
CAA	(42,931)	(12,812)
	(42,931)	(12,812)
Net other loans, advances and financing	74,532	107,568
Net loans, advances and financing	24,542,895	24,025,868
Gross loans, advances and financing	27,084,854	26,411,462
Allowance for impairment on loans, advances and financing:		
IAA	(1,842,562)	(1,593,829)
CAA	(699,397)	(791,765)
	(2,541,959)	(2,385,594)
Net loans, advances and financing	24,542,895	24,025,868

8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Bai' Bithaman Ajil	360,389	435,019	344,480	408,117
Bai' 'Inah	79,260	78,652	79,260	78,652
Bai' Murabahah	53,908	47,759	53,908	47,579
Bai' Istisna'	5,247,483	5,106,434	5,257,121	5,116,293
Bridging financing	75,554	10,914	68,385	-
Hire purchase	187,898	179,999	-	-
Factoring	59,332	72,149	-	-
Ijarah	351,406	193,083	308,981	165,500
Ijarah Muntahia Bitamlik	121,914	276,361	121,914	276,361
Infra support loan	59,278	89,327	59,278	89,327
Leasing	55,921	55,296	-	-
Revolving financing	18,464	20,936	-	-
Revolving working capital	407,615	471,421	407,615	471,421
Tawarruq	811,716	25,101	792,709	25,101
Term loan	19,419,127	19,611,318	19,504,294	19,703,684
Working capital	86,909	29,247	86,909	29,427
Gross loans, advances and financing	27,396,174	26,703,016	27,084,854	26,411,462
Allowance for impairment on loans, advances and financing:				
IAA	(1,957,260)	(1,701,976)	(1,842,562)	(1,593,829)
CAA	(681,860)	(805,679)	(699,397)	(791,765)
Net loans, advances and financing	24,757,054	24,195,361	24,542,895	24,025,868

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

	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	BANK 2014 RM'000	BANK 2013 RM'000
Domestic business enterprises	27,384,856	26,690,095	27,073,536	26,398,541
Individuals	11,318	12,921	11,318	12,921
	27,396,174	26,703,016	27,084,854	26,411,462

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

	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	BANK 2014 RM'000	BANK 2013 RM'000
Fixed rate:				
Housing loans/financing	27,227	33,582	11,318	12,921
Hire purchase receivables	187,898	183,232	-	-
Other fixed rate loans/financing	15,397,372	14,461,968	15,289,859	14,374,307
Variable rate:				
Cost plus	3,236,032	2,713,056	3,236,032	2,713,056
Other variable rates	8,547,645	9,311,178	8,547,645	9,311,178
	27,396,174	26,703,016	27,084,854	26,411,462

8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Agriculture, hunting and forestry	9,857	6,001	-	-
Construction	12,733,253	13,314,884	12,717,666	13,278,822
Education	1,249,257	733,620	1,249,257	733,620
Electrical and electronics	-	34	-	34
Electricity, gas and water supply	2,486,801	2,490,958	2,484,755	2,490,709
Finance, insurance and business	26,625	22,820	20,326	70,532
Hotel and restaurants	1,141,183	803,118	1,141,183	803,118
Housing	11,318	20,675	11,318	12,921
Manufacturing	1,027,308	990,869	990,981	932,231
Marine related	399,416	262,655	399,416	262,655
Materials technology	120,194	126,377	120,194	126,377
Medical and pharmaceuticals	40,087	38,672	40,087	38,672
Mining and quarrying	1,050	2,349	-	-
Other community, social and personal service activities	89,836	62,633	22,130	32,895
Production engineering	13	11	13	11
Public administration and defence	50,869	56,097	50,869	56,097
Real estate, renting and business activities	1,083,647	1,059,850	991,660	965,936
Shipping	1,693,876	1,745,580	1,779,695	1,782,507
Shipyard	222,135	286,765	222,135	286,765
Transport, storage and communication	5,009,449	4,679,048	4,843,169	4,537,560
	27,396,174	26,703,016	27,084,854	26,411,462

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

Maturity within one year	5,279,958	5,250,516	5,143,595	5,117,479
One year to three years	5,014,668	5,123,905	4,915,225	4,984,796
Three years to five years	4,971,209	5,684,372	4,906,186	5,675,439
Over five years	12,130,339	10,644,223	12,119,848	10,633,748
	27,396,174	26,703,016	27,084,854	26,411,462

(vi) Included in loan to susidiaries are:

(a) Loans to subsidiaries amounting to RM20,326,027 (2013: RM70,582,288) repayable over a period of five years commencing from the date of drawdown and bear interest/profit of 5.00% (2013:5.05%) per annum.

(b) Loan to a subsidiary amounting to RM85,818,550 (2013: RM36,927,159) bears interest rate of 4.10% (2013: 4.10%) per annum.

8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
At 1 January	2,720,199	2,831,597	2,555,182	2,622,744
Impaired during the financial year	742,746	522,098	771,253	471,606
Reclassified as non-impaired	(1,615)	(195,668)	-	(193,157)
Recovered during the financial year	(302,552)	(318,623)	(234,892)	(278,714)
Amount written off	(158,629)	(119,205)	(140,805)	(67,297)
At 31 December	3,000,149	2,720,199	2,950,738	2,555,182
Gross impaired loans as a % of gross loans, advances and financing	10.95%	10.19%	10.89%	9.67%

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

Construction	329,329	400,615	308,529	375,153
Education	81,992	80,418	81,992	80,418
Electricity, gas and water supply	152,641	99,690	152,641	99,690
Finance, insurance and business	1,209	4,345	-	-
Hotel and restaurants	263,969	140,341	248,387	125,609
Housing	7,620	7,754	-	-
Manufacturing	700,013	787,214	661,368	735,046
Marine related	98,732	101,765	98,732	101,765
Materials technology	120,194	114,979	120,194	114,979
Medical and pharmaceuticals	40,087	38,672	40,087	38,672
Mining and quarrying				
Other community, social and personal service activities	9,870	20,882	-	-
Production engineering	13	12	13	12
Public administration and defence				
Real estate, renting and business activities	384,917	352,247	363,073	342,171
Shipping	571,413	516,182	657,231	516,182
Shipyard	12,612	11,259	12,612	11,259
Transport, storage and communication	225,538	43,824	205,879	14,226
	3,000,149	2,720,199	2,950,738	2,555,182

8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Individual assessment allowance ("IAA")				
At 1 January	1,701,976	1,720,970	1,593,829	1,572,665
Allowance made during the financial year	512,620	230,942	472,658	221,965
Amount written back in respect of recoveries	(163,631)	(178,159)	(148,044)	(159,711)
Amount transferred from CAA	83,909	31,169	83,909	31,169
Amount transferred to CAA	(18,985)	(4,998)	(18,985)	(4,998)
Amount written off	(158,629)	(97,948)	(140,805)	(67,261)
At 31 December	1,957,260	1,701,976	1,842,562	1,593,829
Collective assessment allowance ("CAA")				
At 1 January				
- as previously stated	791,951	769,309	791,765	755,424
- effects of prior period adjustments (Note 44(ii))	13,728	11,754	-	-
At 1 January	805,679	781,063	791,765	755,424
Allowance made during the financial year	213,075	122,477	242,766	122,477
Allowance made during the year against infrastructure support fund	1,526	-	1,526	-
		-		-
Amount written back	(273,496)	(71,690)	(271,736)	(59,965)
Amount transferred to IAA	(83,909)	(31,169)	(83,909)	(31,169)
Amount transferred from IAA	18,985	4,998	18,985	4,998
At 31 December	681,860	805,679	699,397	791,765

9. OTHER ASSETS

		GROUP		BANK	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sundry receivables, deposits and prepayment	(i)	90,202	132,061	16,429	21,760
Less: Allowance for doubtful debts	(ii)	(7,624)	(7,060)	(1,035)	(758)
		82,578	125,001	15,394	21,002
Subsidiaries	(iii)	-	-	43,343	43,168
Less: Allowance for doubtful debts		-	-	(28,089)	(28,089)
		-	-	15,254	15,079

9. OTHER ASSETS (CONT'D)

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
Amount receivable from Government in respect of compensation for:					
Foreign exchange differences		46,322	37,450	46,322	37,450
Infrastructure projects		85,361	85,361	85,361	85,361
Tax recoverable		8,650	38,729	-	29,166
Pool working funds	(iv)	2,098	1,965	-	-
Inventories		482	2,144	-	-
		225,491	290,650	162,331	188,058

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from related parties of Global Maritime Ventures Berhad (""GMVB"") amounting to RM24,577,000 (2013: RM28,889,000).

(ii) Allowance for doubtfuls debt

	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
At 1 January	7,060	5,786	758	1,177
Provided during the financial year	2,463	3,347	294	-
Recovered during the financial year	(1,899)	(2,073)	(17)	(419)
At 31 December	7,624	7,060	1,035	758

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

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

10. INVESTMENT IN SUBSIDIARIES

	BANK 2014 RM'000	BANK 2013 RM'000
Unquoted shares, at cost	924,686	924,686
Additional capital contribution due to waiver of debt	68,750	68,750
	993,436	993,436
Less: Impairment allowances	(339,693)	(37,757)
	653,743	955,679

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

A. 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	
	2014 RM'000	2013 RM'000
Non current assets	609,957	1,420,089
Current assets	484,306	294,392
Total assets	1,094,263	1,714,481
Non current liabilities	99	640,683
Current liabilities	533,543	250,644
Total liabilities	533,642	891,327
Net assets	560,621	823,154
Equity attributable to the owners of the Company	561,496	805,006
Carrying value of non-controlling interests	47,441	81,377

(ii) Summarised statement of comprehensive income

	2014 RM'000	2013 RM'000
Revenue	273,116	313,339
Cost of sales	(216,623)	(210,379)
Other income	35,002	34,986
Administrative expenses	(341,587)	(195,231)
Finance costs	(43,469)	(49,015)
Share of profit/(loss) of joint ventures and associates	11,876	(34,836)
(Loss)/profit before tax	(281,685)	(141,136)
Income tax	(19,600)	(17,723)
Zakat	(2,573)	
(Loss)/profit for the year	(303,858)	(158,859)
(Loss)/profit for the financial representing total comprehensive (loss)/income for the year	(303,858)	(158,859)
Other comprehensive income		
Foreign currency translation reserve	53,790	43,530
Total comprehensive loss for the year	(250,068)	(115,329)
Total comprehensive (loss)/income attributable to the owners of the Company	(228,597)	(40,238)
Total comprehensive (loss)/income attributable to the non-controlling interests	(21,471)	(75,091)
	(250,068)	(115,329)
Dividends paid to non-controlling interest	-	-

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

A. 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 (cont'd):

(iii) Summarised statement of cash flows

	GMVB	
	2014 RM'000	2013 RM'000
Net cash (used in)/generated from operating activities	55,597	150,247
Net cash generated from/(used in) investing activities	216,956	(268,122)
Net cash used in financing activities	(65,192)	(61,216)
Net increase in cash and cash equivalents	207,361	(179,091)
Effects of foreign exchange rate changes	20,178	(12,462)
Cash and cash equivalents at beginning of financial year	180,628	372,181
Cash and cash equivalents at the end of the financial year	408,167	180,628

B. Acquisition of Syarikat Borcos Shipping Sdn Bhd in prior year

On 31 January 2013, the GMVB, via its subsidiary, GMV-Borcos Sdn Bhd further acquired 2,925,000 units of ordinary shares and 25,000,000 units of irredeemable convertible preference shares, representing the remaining 65% equity interest in Syarikat Borcos Shipping Sdn Bhd ("Borcos") (2012: 35% owned associate), for a total cash consideration of RM240,450,000.

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

Details of net assets acquired, goodwill and intangible assets arising from the above acquisition in the previous financial year were as follows:

GROUP	Note	Fair value recognised on acquisition RM'000
Assets		
Property, plant and equipment		724,553
Deferred tax assets		26,968
Intangible assets - contract based related intangible	16	52,040
Cash and cash equivalents		84,147
Trade and other receivables		52,545
Inventories		988
		941,241

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

B. Acquisition of Syarikat Borcos Shipping Sdn Bhd in prior year (cont'd)

Details of net assets acquired, goodwill and intangible assets arising from the above acquisition in the previous financial year were as follows (cont'd):

GROUP	Note	Fair value recognised on acquisition RM'000
Liabilities		
Borrowings		(568,207)
Trade and other payables		(26,287)
Provision for taxation		(6,551)
		(601,045)
Total identifiable net assets at fair value		340,196
Deconsolidation of an associate		(29,865)
Goodwill arising on acquisition	16	76,664
Purchase consideration transferred		386,995

C. Acquisition of Orkim Sdn Bhd in prior year

On 29 March 2013, the GMVB, via its subsidiary, GMV-Orkim Sdn Bhd further acquired 19,186,286 units of ordinary shares, representing 51% equity interest in Orkim Sdn Bhd ("Orkim") (2012: 51% owned associate), for a total cash consideration of RM110,000,000. Orkim is incorporated in Malaysia and is principally engaged in investment holding, whilst the principal activities of the subsidiaries are stated in Note 45.

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

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

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

GROUP	Note	Fair value recognised on acquisition RM'000
Assets		
Property, plant and equipment		194,182
Investment in Associates		27,128
Goodwill	16	518
Cash and cash equivalents		21,701
Trade and other receivables		65,234
		308,763

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

C. Acquisition of Orkim Sdn Bhd in prior year (cont'd)

Details of net assets acquired and intangible assets arising from the acquisition are as follows (cont'd):

GROUP	Note	Fair value recognised on acquisition RM'000
Liabilities		
Borrowings		(190,411)
Trade and other payables		(11,652)
Deferred tax liabilities		(26)
Provision for taxation		(1,037)
		(203,126)
Total identifiable net assets at fair value		105,637
Non-controlling interest measured at fair value		(19,412)
Deconsolidation of an associate		(6,244)
Provisional intangible assets	16	135,019
Purchase consideration transferred		215,000

D. Internal restructuring exercise during the year

On 30 September 2014, pursuant to the internal restructuring exercise, GMV-Bahtera Sdn Bhd's entire shareholdings in Magna Meridian Sdn Bhd ("MMSB") and Matlamat Emas Sdn Bhd ("MESB"), were transferred to Orkim. The consideration for this exercise was satisfied by the isuance of a total of 1,215,218 ordinary shares in Orkim to GMV-Bahtera Sdn Bhd.

E. Disposal of a subsidiary during the year

On 31 December 2014, Global Maritime Ventures Berhad ("GMVB") disposed 35,449,504 ordinary shares of RM1.00 each in Orkim, representing 91.28% of the issued and paid-up share capital of Orkim to Ekuiti National Berhad for a total cash consideration of RM298,981,981.

Details of the disposal of subsidiaries as at date of disposal were as follows:

	MMSB RM'000	MESB RM'000	Orkim RM'000	Total RM'000
Assets				
Property, plant and equipment	21,670	21,763	409,009	452,442
Goodwill (Note 16)	-	-	518	518
Cash and cash equivalents	2,905	918	37,695	41,518
Trade and other receivables	1,162	1,441	18,216	20,819
Inventories	-	-	707	707
Tax recoverable	433	715	48	1,196
	26,170	24,837	466,193	517,200

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

E. Disposal of a subsidiary during the year (cont'd)

Details of the disposal of subsidiaries as at date of disposal were as follows (cont'd):

	MMSB RM'000	MESB RM'000	Orkim RM'000	Total RM'000
Liabilities				
Borrowings	(14,857)	(14,857)	(286,405)	(316,119)
Trade and other payables	(4,571)	(2,805)	(24,889)	(32,265)
Deferred tax liabilities	(1,031)	(1,037)	314	(1,754)
Provision for taxation	-	-	(32)	(32)
	(20,459)	(18,699)	(311,012)	(350,170)
Net assets	5,711	6,138	155,181	167,030

	At the date of disposal RM'000
Net identifiable assets disposed @ 91.28%	152,465
Goodwill recognised upon acquisition (Note 16)	82,149
Intangible assets recognised upon acquisition (Note 16)	52,870
Amortisation of intangible assets	(10,049)
Proceed from disposal	(298,982)
Gain on disposal	(21,547)

The net cash flows on disposal was determined as follows:

Total proceeds from disposal – cash consideration	298,982
Cash and bank balances of subsidiary disposed	(41,518)
Cash inflow to the Group on disposal	257,464

F. Disposal of investments in redeemable convertible cumulative preference shares ("RCCPS") and redeemable cumulative preference shares ("RCPS") in prior year

In the previous financial year:

(i) A subsidiary, GMV-Omni Sdn Bhd disposed its existing 11,722,022 units of RCCPS for a total cash consideration of RM13,811,000 to Icon Fleet Sdn Bhd.

(ii) A subsidiary, GMV-Efogen Sdn Bhd disposed its existing 37,299,600 units of RCPS for a total cash consideration of RM37,299,600 to Efogen Sdn Bhd.

11. INTEREST IN ASSOCIATES

	GROUP	
	2014 RM'000	2013 RM'000
At cost:		
Unquoted ordinary shares	75,138	326,473
Group's share of post acquisition reserve/(deficit)	2,545	(21,291)
Reclassified from subsidiary held for sale	-	74,495
Reclassified to subsidiaries held for sale	-	(302,237)
	77,683	77,440
Unquoted redeemable preference shares	-	5,627
Reclassified to asset of subsidiary held for sale	-	-
Reclassified to subsidiaries held for sale	-	(5,627)
	-	-
Less: Accumulated impairment losses		
At 1 January	(74,838)	(5,985)
Made during the financial year	-	(8,846)
Reclassified from subsidiary held for sale	-	(60,007)
At 31 December	(74,838)	(74,838)
	2,845	2,602

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

Name of Associates (incorporated in Malaysia)	Effective interest held by the Bank		Principal Activities
	2014 %	2013 %	
Held through GMVB, a subsidiary:			
Wawasan Bulk Services Sdn Bhd*	27.0	27.0	Ship management
Held through Syarikat Borcos Shipping Sdn Bhd			
Berkat Perkapalan Sdn Bhd*	44.1	44.1	Dormant
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary:			
Abedeen Hotel Management Sdn Bhd *	26.0	26.0	Hotel management
Agrotech Farm & Industries Sdn Bhd *	26.0	26.0	Supply of agriculture products
Alpha Interocean Sdn Bhd *	26.0	26.0	Trading of consumable goods

11. 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 Bank		Principal Activities
	2014 %	2013 %	
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary (cont'd):			
Ambang Wibawa (M) Sdn Bhd *	26.0	26.0	Food supplies and catering services
Arahe Solution Sdn Bhd *	26.0	26.0	Provider of web acceleration system and Rich Internet application solutions
Cantuman Wawasan Sdn Bhd *	26.0	26.0	Information computer network services
Delphax Sdn Bhd *	22.0	22.0	Trading of medical products
Enviro Green Biotech Sdn Bhd *	26.0	26.0	Supply of agricultural product
IIFIN Planners Sdn Bhd *	26.0	26.0	Financial and advisory consultancy services
Internexia Sdn Bhd *	26.0	26.0	Provision of multimedia services
MS Time Ventures Sdn Bhd *	26.0	26.0	Provision of heavy machinery rental services
Nano C Sdn Bhd *	26.0	26.0	Research and development services
Nature's Own Brand Sdn Bhd *	26.0	26.0	Trading of food products
NCM Global Sdn Bhd *	26.0	26.0	Engineering services
Orea Technologies Sdn Bhd *	26.0	26.0	Development of information technology security
Paximej (M) Sdn Bhd *	26.0	26.0	Event management
Sal's Food Industries Sdn Bhd *	26.0	26.0	Manufacturing of food and beverage products
Schiffs & Industries Technic Sdn Bhd *	26.0	26.0	Manufacturing of fuel treatment system for marine
Serene Quest Marine Sdn Bhd *	26.0	26.0	Oil and gas services industries
Profound Vaccine Sdn Bhd *	49.0	49.0	Research and development in vaccination

11. 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 Bank 2014 %	2013 %	Principal Activities
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary (cont'd):			
Sutrasegi Sdn Bhd *	26.0	26.0	Manufacturing of foam rubber product
Swift Application Sdn Bhd *	26.0	26.0	ICT-Product and services
Wellad Communications Sdn Bhd *	26.0	26.0	Advertising agents and creative designer
Angel Holdings Sdn Bhd	26.0	26.0	Bakery/cake business and retailing
MMSC Learning Group Sdn Bhd	9.0	9.0	Providing content development, end-to-end e-learning solution to the education market and non-education market
Simfoni Maya Sdn Bhd	26.0	26.0	Indoor advertising digital network

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

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 2014 RM'000	GROUP 2013 RM'000
Assets and liabilities		
Total assets	34,647	38,027
Total liabilities	(25,165)	(29,356)
(b) Summarised statement of comprehensive income		
Revenue	3,677	17,759
Loss for the financial year	811	1,088
(c) Reconciliation of the summarised financial information		
Net assets at 1 January	8,672	7,584
Profit for the year	811	775
Other comprehensive income	-	313
Net assets at 31 December	9,483	8,672
Interests in joint ventures	30%	30%
Carrying value of Group's interest in joint ventures	2,845	2,602

12. INTEREST IN JVs

	GROUP 2014 RM'000	GROUP 2013 RM'000
At cost:		
Unquoted ordinary shares	62,415	61,032
Group's share of retained post acquisition reserve/(deficit)	6,670	(4,406)
Less: Accumulated impairment losses	(20,071)	(20,071)
	49,014	36,555
Advances to JVs:		
within 1 year	6,120	3,992
1 year to 2 years	6,079	3,992
2 years to 5 years	7,390	11,975
more than 5 years	30,087	26,911
Less: Allowance for doubtful debts	(35,779)	(6,952)
	13,897	39,918
	62,911	76,473

The advances to JVs bear an interest of 2.4% to 7% (2013: 2.4% to 7.0%) per annum and 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 Bank 2014 %	Effective interest held by the Bank 2013 %	Principal Activities
Held through 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
Gagasan Sembilan Sdn Bhd $	36.00	36.00	Ship-owning
Gagasan Ked Sdn Bhd #	54.00	54.00	Ship-owning
Gagasan Paha Sdn Bhd #	54.00	54.00	Ship-owning

12. INTEREST IN JVs (CONT'D)

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

Name of JVs (incorporated in Malaysia)	Effective interest held by the Bank		Principal Activities
	2014 %	2013 %	
Held through a subsidiary (cont'd):			
Formasi Cekal Sdn Bhd #	36.00	36.00	Ship-owning, ship operator and to undertake all kinds of contract to carry merchant goods
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
JM Global 1 (Labuan) Plc *	-	-	Ship-owning and freighting
JM Global 2 (Labuan) Plc *	-	-	Ship-owning and freighting
JM Global 3 (Labuan) Plc *	-	-	Ship-owning and freighting
JM Global 4 (Labuan) Plc *	-	-	Ship-owning and freighting

^ Collectively known as Alam Group
# Collectively known as Gagasan Group
$ In the process of winding up
@ Collectively known as Global Group

* In the previous year, the Group via it's subsidiary, GMV-Jasa Sdn Bhd disposed its existing 49% equity interest in JM Global 1 (Labuan) Plc, JM Global 2 (Labuan) Plc, JM Global 3 (Labuan) Plc, JM Global 4 (Labuan) Plc, for a total cash consideration of RM49,463,000 to Jasa Merin (Malaysia) Sdn Bhd
~ Known as Efogen Group

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

(a) Summarised statement of financial position

	2014 RM'000	2013 RM'000
Assets:		
Non current assets	307,056	414,311
Current assets	181,295	97,006
Total assets	488,351	511,317

12. INTEREST IN JVs (CONT'D)

(a) Summarised statement of financial position (cont'd)

	2014 RM'000	2013 RM'000
Liabilities:		
Non current liabilities	245,251	229,925
Current liabilities	237,582	191,780
Total liabilities	482,833	421,705
Net assets	5,518	89,612

(b) Summarised statement of comprehensive income

	2014 RM'000	2013 RM'000
Revenue	139,876	116,355
Cost of sales	(89,740)	(130,275)
Gross profit/(loss)	50,136	(13,920)
Other income	2,688	829
Administrative expenses	(87,027)	(13,845)
Operating expenses	(34,114)	(32,229)
Loss from operations	(68,317)	(59,165)
Finance costs	(15,467)	(14,967)
Loss before taxation	(83,784)	(74,132)
Taxation	(163)	2,108
Loss for the year	(83,947)	(72,024)

(c) Reconciliation of the summarised financial information

	2014 RM'000	2013 RM'000
Net assets at 1 January	89,612	157,156
Loss for the year	(83,947)	(72,024)
Dividend paid	-	(2,000)
Issuance of share capital	-	6,480
Net assets at 31 December	5,665	89,612
Interests in joint ventures	(11,262)	(52,913)
Carrying value of Group's interest in joint ventures	(5,597)	36,699
Less: Cumulative unrecognised losses b/f	(39,402)	(441)
Share of unrecognised losses for the year	(15,209)	585
Net carrying value of Group's interest in joint ventures	49,014	36,555

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Leasehold land RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry-docking expenses RM'000	Total RM'000
2014									
Cost									
At 1 January	19,190	81,480	38,120	3,468	38,774	1,427,289	22,196	21,185	1,651,702
Additions	-	40	2,975	172	140	-	24,625	38,353	66,305
Disposal of subsidiaries	-	-	(2,375)	-	-	(622,991)	(9,913)	(8,058)	(643,337)
Disposals/write-off	-	-	(1,214)	-	-	(46,299)	(114)	(5,433)	(53,060)
Effect of movements in exchange rates	-	-	-	-	-	42,623	1,056	2,958	46,637
Reclassification	1,193	(1,193)	-	-	-	1,011	(19,220)	18,209	-
Transfer to assets held for sale	-	-	-	17	-	-	-	-	17
At 31 December	20,383	80,327	37,506	3,657	38,914	801,633	18,630	67,214	1,068,264
Accumulated depreciation									
At 1 January	-	9,248	32,549	2,466	31,642	269,628	-	6,129	351,662
Charge for the financial year		1,677	3,435	481	5,820	58,055	-	12,005	81,473
Disposal of subsidiaries	-	-	(1,192)	-	-	(184,976)	-	(4,727)	(190,895)
Disposals/write-off	-	-	(1,558)	-	-	(17,770)	-	(3,422)	(22,750)
Transfer to assets held for sale	-	-	-	17	-	-	-	-	17
Effect of movements in exchange rates	-	-	-	-	-	11,421	-	1,209	12,630
At 31 December	-	10,925	33,234	2,964	37,462	136,358	-	11,194	232,137

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Freehold land RM'000	Leasehold land RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry-docking expenses RM'000	Total RM'000
2014 (cont'd)									
Accumulated impairment losses									
At 1 January	-	-	-	-	-	46,535	-	-	46,535
Charge for the financial year	-	-	-	-	-	164,964	-	-	164,964
At 31 December	-	-	-	-	-	211,499	-	-	211,499
Net carrying amount	20,383	69,402	4,272	693	1,452	453,776	18,630	56,020	624,628

* Included in the leasehold land and buildings is a land where title has not been transferred to one of its subsidiary being Syarikat Borcos Shipping Sdn Bhd.

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry-docking expenses RM'000	Total RM'000
2013									
Cost									
At 1 January	19,740	81,837	35,278	2,005	38,774	40,280	5,654	-	223,568
Additions	-	-	937	202	-	49,657	23,215	16,433	90,444
Acquisition of subsidiaries	-	2,998	4,142	2,862	-	1,250,079	37,661	4,752	1,302,494
Disposals/write-off	(550)	(3,355)	(1,274)	(1,601)	-	(1,768)	(26)	-	(8,574)
Transfer from assets of a subsidiary previously held for sale	-	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-	(4,669)	-	-	(4,669)
Transfer to intangible assets	-	-	(963)	-	-	-	(5,518)	-	(6,481)
Effect of movements in exchange rates	-	-	-	-	-	54,797	123	-	54,920
Reclassification	-	-	-	-	-	38,913	(38,913)	-	-
At 31 December	19,190	81,480	38,120	3,468	38,774	1,427,289	22,196	21,185	1,651,702
Accumulated depreciation									
At 1 January	-	8,290	28,587	1,021	25,826	671	-	-	64,395
Charge for the financial year	-	1,730	2,681	443	5,816	61,522	-	5,737	77,929
Acquisition of subsidiaries	-	626	2,521	2,518	-	204,313	-	392	210,370
Disposals/write-off	-	(1,398)	(1,240)	(1,516)	-	(1,634)	-	-	(5,788)
Transfer from assets of a subsidiary previously held for sale	-	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-	(2,050)	-	-	(2,050)
Effect of movements in exchange rates	-	-	-	-	-	6,806	-	-	6,806
At 31 December	-	9,248	32,549	2,466	31,642	269,628	-	6,129	351,662

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry-docking expenses RM'000	Total RM'000
2013 (cont'd)									
Accumulated impairment losses									
At 1 January	-	-	-	-	-	-	-	-	-
Charge for the financial year	-	-	-	-	-	46,535	-	-	46,535
At 31 December	-	-	-	-	-	46,535	-	-	46,535
Net carrying amount	19,190	72,232	5,571	1,002	7,132	1,111,126	22,196	15,056	1,253,505

BANK	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Mechanical and electricals RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
2014							
Cost							
At 1 January	19,190	78,182	28,616	38,774	1,335	3,272	169,369
Additions	-	-	787	140	4	971	1,902
Disposals/write off	-	-	(12)	-	-	-	(12)
Reclassification	-	-	1,628	-	-	(1,628)	-
At 31 December	19,190	78,182	31,019	38,914	1,339	2,615	171,259

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

BANK	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Mechanical and electricals RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
2014 (cont'd)							
Accumulated depreciation							
At 1 January	-	8,496	25,076	31,642	873	-	66,087
Charge for the financial year	-	1,575	1,718	5,820	246	-	9,359
Disposals/write off	-	-	(7)	-	-	-	(7)
At 31 December	-	10,071	26,787	37,462	1,119	-	75,439
Net carrying amount	19,190	68,111	4,232	1,452	220	2,615	95,820
2013							
Cost							
At 1 January	19,740	81,537	28,985	38,774	1,339	5,654	176,029
Additions	-	-	597	-	-	3,136	3,733
Disposals/write off	(550)	(3,355)	(3)	-	(4)	-	(3,912)
Transfer to intangible asset	-	-	(963)	-	-	(5,518)	(6,481)
At 31 December	19,190	78,182	28,616	38,774	1,335	3,272	169,369
Accumulated depreciation							
At 1 January	-	8,266	23,677	25,826	632	-	58,401
Charge for the financial year	-	1,628	1,402	5,816	245	-	9,091
Disposals/write off	-	(1,398)	(3)	-	(4)	-	(1,405)
At 31 December	-	8,496	25,076	31,642	873	-	66,087
Net carrying amount	19,190	69,686	3,540	7,132	462	3,272	103,282

14. PREPAID LAND LEASES

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Cost		
At 1 January	2,862	3,147
Disposals	(850)	(285)
At 31 December	2,012	2,862
Depreciation		
At 1 January	1,067	1,118
Charge for the financial year	54	61
Disposals	(283)	(112)
At 31 December	838	1,067
Carrying amount	1,174	1,795

15. INVESTMENT PROPERTIES

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cost				
At 1 January	7,591	15,144	2,000	5,221
Addition	1,226	-	1,226	-
Disposals	-	(7,553)	-	(3,221)
At 31 December	8,817	7,591	3,226	2,000
Depreciation and impairment loss				
At 1 January	3,888	5,424	1,228	1,760
Charge for the financial year	171	197	59	55
Adjustment for the financial year	-	(71)	-	(71)
Disposals	-	(1,662)	-	(516)
At 31 December	4,059	3,888	1,287	1,228

15. INVESTMENT PROPERTIES (CONT'D)

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Accumulated impairment losses				
At 1 January	(689)	-	-	-
Charge for the financial year	-	(689)	-	-
At 31 December	(689)	(689)	-	-
Carrying amount	5,447	4,392	1,939	772
Included in the above are:				
Freehold land	-	-	-	-
Buildings	5,447	4,392	1,939	772
	5,447	4,392	1,939	772

(i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank are RM13,350,000 (2013: RM16,517,000) and RM5,850,000 (2013: RM7,174,000) respectively based on comparison with indicative market value stated in the Property Market Report 2013. (2013: Property Market Report 2012).

16. INTANGIBLE ASSETS

GROUP 2014	Computer software RM'000	Contract based related intangibles RM'000	Provisional amount RM'000	Goodwill RM'000	Total RM'000
Cost					
At 1 January	25,155	52,040	135,019	77,182	289,396
Reclassification of provisional amount	-	52,870	(135,019)	82,149	-
Disposal of subsidiaries	-	(42,821)	-	(82,667)	(125,488)
Additions	1,704	-	-	-	1,704
At 31 December	26,859	62,089	-	76,664	165,612
Amortisation					
At 1 January	12,372	-	-	-	12,372
Amortisation charged	3,329	46,579	-	-	49,908
Disposal	-	-	-	-	-
At 31 December	15,701	46,579	-	-	62,280

16. INTANGIBLE ASSETS (CONT'D)

GROUP (CONT"D) 2014	Computer software RM'000	Contract based related intangibles RM'000	Provisional amount RM'000	Goodwill RM'000	Total RM'000
Accumulated impairment losses					
At 1 January	-	-	-	76,664	76,664
Charge for the financial year	-	-	-	-	-
At 31 December	-	-	-	76,664	76,664
Carrying amount	11,158	15,510	-	-	26,668

GROUP 2013	Computer software RM'000	Contract based related intangibles RM'000	Provisional amount RM'000	Goodwill RM'000	Total RM'000
Cost					
At 1 January	17,246	-	-	-	17,246
Acquisition of subsidiaries	-	52,040	135,019	77,182	264,241
Additions	1,446	-	-	-	1,446
Transfer from property, plant and equipment	6,481	-	-	-	6,481
Disposal	(18)	-	-	-	(18)
At 31 December	25,155	52,040	135,019	77,182	289,396
Amortisation					
At 1 January	8,484	-	-	-	8,484
Amortisation charged	3,906	-	-	-	3,906
Disposal	(18)	-	-	-	(18)
At 31 December	12,372	-	-	-	12,372
Accumulated impairment losses					
At 1 January	-	-	-	-	-
Charge for the financial year	-	-	-	76,664	76,664
At 31 December	-	-	-	76,664	76,664
Carrying amount	12,783	52,040	135,019	518	200,360

16. INTANGIBLE ASSETS (CONT'D)

	BANK	
	2014 Computer software RM'000	2013 Computer software RM'000
Cost		
At 1 January	21,461	13,534
Additions	1,858	1,446
Transfer from property, plant and equipment	-	6,481
At 31 December	23,319	21,461
Amortisation		
At 1 January	9,928	6,870
Amortisation charged	3,218	3,058
At 31 December	13,146	9,928
Carrying amount	10,173	11,533

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 up to FY2017 and are amortised on a straight line basis up to expiry.

Provisional amount

The purchase price allocation ("PPA") exercise on the acquisition of Orkim Sdn Bhd was carried out by the Group during the previous financial year. Upon the completion of the PPA exercise, the intangible assets had been allocated accordingly into goodwill and contract based related intangible assets.

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

Goodwill

The goodwill recognised during the previous financial year was from the acquisition of subsidiaries, as disclosed in Note 10.

(a) Impairment testing of goodwill

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

- Borcos

- Orkim

16. INTANGIBLE ASSETS (CONT'D)

Goodwill (cont'd)

(a) Impairment testing of goodwill (cont'd)

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

	Borcos RM'000	Orkim RM'000	Total RM'000
Goodwill			
2013	76,664	518	77,182
2014	-	-	-

Borcos

The recoverable amount of the Borcos was RM730,329,000 as at 31 December 2013, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a 15-year period. The pre-tax discount rate applied to cash flow projections is 10% and cash flows beyond the 5-year period are extrapolated using a 3.0% growth rate. As a result of this analysis, management has recognised an impairment charge of RM76,664,000 against goodwill with a carrying amount of RM806,993,000 as at 31 December 2013. The impairment charge was recorded within income statements in the previous financial year.

Orkim

The annual impairment test of goodwill was based on its recoverable amount. The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management and board. The cash flow projections are based on best estimates assumptions derived from CGU's experience. There was no impairment of goodwill as at 31 December 2013 as all the recoverable amount of the CGU was in excess of the carrying amounts.

Goodwill arising from the acquisition of Orkim has been derecognised as Orkim has been disposed off during the financial year.

(b) Key assumptions value in use calculation in prior year

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

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

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

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

Discount rates - Discount rates represented the current market assessment of the risks specific to each CGU, taking into considerations the time value of money and individual risks of the underlying assets that had not been incorporated in the cash flow estimates. The discount rate calculation was based on the specific circumstances of the Group and its operating segments and was derived from its weighted average cost of capital ("WACC"). The WACC took into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt was based on the interest-bearing borrowings the Group was obliged to service. Segment-specific risk was incorporated by applying individual beta factors. The beta factors were evaluated annually based on publicly available market data.

17. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	(23,445)	75,143	(27,121)	87,957
Prior period adjustment	6,110	6,524	-	-
At 1 January - Restated	(17,335)	81,667	(27,121)	87,957
Recognised in income statement	(13,295)	(94,243)	(12,230)	(84,553)
Recognised in equity	26,813	(31,701)	26,813	(30,525)
(Disposal)/acquisition of subsidiaries	(13,400)	26,942	-	-
At 31 December	(17,217)	(17,335)	(12,538)	(27,121)
Presented after appropriate offsetting as follows:				
Deferred tax assets	5,235	14,103	-	-
Deferred tax liabilities	(22,452)	(31,438)	(12,538)	(27,121)
	(17,217)	(17,335)	(12,538)	(27,121)

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	Other temporary differences RM'000	Total RM'000
At 1 January 2014	-	45,867	45,867
Prior period adjustment	5,603	1,657	7,260
At 1 January - Restated	5,603	47,524	53,127
Recognised in income statements	(334)	(16,611)	(16,945)
Disposal of subsidiaries	-	(15,154)	(15,154)
At 31 December 2014	5,269	15,759	21,028
At 1 January 2013	110,173	(244)	109,929
Prior period adjustment	6,453	484	6,937
At 1 January - Restated	116,626	240	116,866
Recognised in income statements	(111,023)	20,368	(90,655)
Acquisition of subsidiaries	-	26,916	26,916
At 31 December 2013	5,603	47,524	53,127

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Deferred tax liabilities

GROUP	Unrealised holding reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2014	(50,533)	(18,779)	(69,312)
Prior period adjustment	(271)	(879)	(1,150)
At 1 January - Restated	(50,804)	(19,658)	(70,462)
Recognised in income statements	271	3,379	3,650
Recognised in equity	26,813	-	26,813
Disposal of subsidiaries	-	1,754	1,754
At 31 December 2014	(23,720)	(14,525)	(38,245)
At 1 January 2013	(20,008)	(14,778)	(34,786)
Prior period adjustment	905	(1,318)	(413)
At 1 January - Restated	(19,103)	(16,096)	(35,199)
Recognised in income statements	-	(3,588)	(3,588)
Recognised in equity	(31,701)	-	(31,701)
Acquisition of subsidiaries	-	26	26
At 31 December 2013	(50,804)	(19,658)	(70,462)

Deferred tax assets

BANK	Loan loss and allowances RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2014	-	30,360	30,360
Recognised in income statements	-	(18,480)	(18,480)
At 31 December 2014	-	11,880	11,880
At 1 January 2013	110,173	30,430	140,603
Recognised in income statements	(110,173)	(70)	(110,243)
At 31 December 2013	-	30,360	30,360

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Deferred tax liabilities

BANK	Unrealised AFS reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2014	50,533	6,948	57,481
Recognised in income statements	-	(6,250)	(6,250)
Recognised in equity	(26,813)	-	(26,813)
At 31 December 2014	23,720	698	24,418
At 1 January 2013	20,008	2,467	22,475
Recognised in income statements	-	4,481	4,481
Recognised in equity	30,525	-	30,525
At 31 December 2013	50,533	6,948	57,481

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

	GROUP	
	2014 RM'000	2013 RM'000
Other deductible temporary differences	16,986	-
Unutilised tax losses	170,930	56,135
Unabsorbed capital allowances	90,749	27,025
	278,665	83,160

The unutilised tax losses and unabsorbed capital allowances of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

18. DEPOSITS FROM CUSTOMERS

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Fixed deposits and negotiable instruments of deposits:		
One year or less	5,666,779	7,115,241

18. DEPOSITS FROM CUSTOMERS (CONT'D)

	GROUP AND BANK 2014 RM'000	GROUP AND BANK 2013 RM'000
(a) The deposits are sourced from the following types of deposit:		
Non-Mudharabah:		
Others	5,666,779	6,833,844
Mudharabah:		
General investment deposit	-	281,397
	5,666,779	7,115,241
(b) The deposits are sourced from the following types of customers:		
Business enterprises	1,595,080	2,974,541
Government and statutory bodies	4,071,699	4,140,700
	5,666,779	7,115,241
(c) The deposits maturity structure are as follows:		
Less than six months	5,438,797	5,977,953
Six months to one year	227,982	1,137,288
	5,666,779	7,115,241

19. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	GROUP AND BANK 2014 RM'000	GROUP AND BANK 2013 RM'000
At amortised cost		
Licensed banks	300,510	140,260
Licensed Islamic banks	-	170,862
	300,510	311,122

20. OTHER LIABILITIES

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
Amounts due to related companies	(i)	191	4,522	-	-
Provision for taxation		3,628	4,004	2,630	-
Zakat payables		12,868	6,821	12,868	6,821
Trade creditors		13,132	3,741	-	2,016
Sundry creditors and accruals		117,083	164,276	32,270	29,010
Corporate guarantees payable	(ii)	59,300	-	-	-
PER	(iii)	-	2,030	-	2,030
		206,202	185,394	47,768	39,877

(i) Related companies refer to companies within the Group owned by non-controlling interest of Wawasan Group, subsidiaries of GMVB. The amounts due to related companies are unsecured, non-interest profit bearing and are repayable on demand.

(ii) Corporate guarantees payable are related to amount 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.

(iii) Movement in PER

	GROUP AND BANK 2014 RM'000	GROUP AND BANK 2013 RM'000
At 1 January	2,030	2,030
Provided during the financial year	2,130	-
Transfer to other liabilities	(4,160)	-
At 31 December	-	2,030

Total PER at 31 December 2014 is NIL (2013: RM6,999,999) of which the shareholders' portion of NIL (2013: RM4,970,421) is classified as a separate reserve in equity.

In the current year, the Bank has ceased its Mudharabah-General Investment Deposit. As a result, remaining balance of the PER for Investment Account Holder has been transferred to "other liabilities" as the Bank is in the process of seeking BNM's approval to utilise the amount for charities. The remaining balance of PER for the shareholders' portion included in reserve has been transferred to retained earnings.

21. REDEEMABLE NOTES

	Note	GROUP AND BANK 2014 RM'000	2013 RM'000
Redeemable non guaranteed notes			
Medium term notes	(i)	808,674	808,812
Redeemable guaranteed notes			
Medium term notes - Government Guaranteed Commercial	(ii)	1,513,644	1,513,473
Medium term notes - Government Guaranteed Murabahah	(iii)	3,039,041	-
		4,552,685	1,513,473
Infrastructure notes - nominal value	(iv)	607,680	708,889
Less: Unamortised discount		(4,864)	(5,826)
		602,816	703,063
		5,964,175	3,025,348
Discount upon issuance		18,500	18,500
Amortisation to date		(13,636)	(12,674)
Unamortised discount		4,864	5,826

(i) These notes carry coupon rates ranging between 5.70% to 6.30% (2013: 5.70% to 6.30%) per annum and are for tenures of 10 to 15 years.

(ii) These notes were issued on 12 April 2010 and are guaranteed by the Government of Malaysia. These 5-year notes carry a coupon rate of 4.15% per annum (nominal value of RM1.5 billion).

(iii) These notes were issued on 12 September 2014 and are guaranteed by the Government of Malaysia. These notes carry coupon rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years.

(iv) These notes are guaranteed by the Government of Malaysia. These 15 years and 25 years notes with nominal value of RM101,208,219 and RM506,472,603, respectively carry coupon rates of 7.00% and 7.50% per annum (2013: 7.00% and 7.50%) respectively.

22. TERM LOANS

		31 December 2014		31 December 2013	
GROUP	Note	Due after twelve months RM'000	Due within twelve months RM'000	Due after twelve months RM'000	Due within twelve months RM'000
Loans from Employees Provident Fund ("EPF")					
Unsecured:	22 (a)				
Principal		3,500,000	4,800,000	8,300,000	-
Interest		-	63,920	-	64,022
		3,500,000	4,863,920	8,300,000	64,022

22. TERM LOANS (CONT'D)

GROUP	Note	31 December 2014 Due after twelve months RM'000	31 December 2014 Due within twelve months RM'000	31 December 2013 Due after twelve months RM'000	31 December 2013 Due within twelve months RM'000
Other loans					
Unsecured:	22 (b)				
Principal		654,200	219,297	853,461	349,261
Interest		-	14,175	-	15,832
		654,200	233,472	853,461	365,093
Other loans					
Secured:	22 (c)				
Principal		98	352,500	602,002	177,546
		4,154,298	5,449,892	9,755,463	606,661
Total term loans			9,604,190		10,362,124
BANK					
Loans from EPF					
Unsecured:	22 (a)				
Principal		3,500,000	4,800,000	8,300,000	-
Interest		-	63,920	-	64,022
		3,500,000	4,863,920	8,300,000	64,022
Other loans					
Unsecured:	22 (b)				
Principal		654,200	199,261	853,461	349,261
Interest		-	14,175	-	15,833
		654,200	213,436	853,461	365,094
		4,154,200	5,077,356	9,153,461	429,116
Total term loans			9,231,556		9,582,577

22. TERM LOANS (CONT'D)

(a) Loan from EPF

		GROUP AND BANK	
		Principal	
	Note	2014 RM'000	2013 RM'000
Loan 1	22(a)(i)	2,000,000	2,000,000
Loan 2	22(a)(ii)	2,800,000	2,800,000
Loan 3	22(a)(iii)	500,000	500,000
Loan 4	22(a)(iv)	1,000,000	1,000,000
Loan 5	22(a)(v)	1,000,000	1,000,000
Loan 6	22(a)(vi)	1,000,000	1,000,000
		8,300,000	8,300,000

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

(ii) On 27 May 2010, the facility has been revised to 5 years maturity (bullet repayment in year 2015).

(iii) The loan is repayable in 10 equal instalments over a period of 6 years, commencing 2024.

(iv) The loan was drawn down on 7 July 2010 and is repayable via bullet repayment in July 2015.

(v) The loan was drawn down on 6 December 2010 and is repayable via bullet repayment in December 2015.

(vi) The loan was drawn down on 5 December 2011 and is repayable via bullet repayment in December 2016.

All the above loans are guaranteed by the Government of Malaysia and bear interest at rates of 3.746% to 5.225% (2013: 3.746% to 5.225%) per annum.

(b) Other Loan - unsecured:

		GROUP AND BANK	
		Principal	
	Note	2014 RM'000	2013 RM'000
Loan from:			
Japan Bank of International Cooperation	22(b)(i)	349,336	498,597
Pension Trust Fund Council ("PTFC")	22(b)(ii)	500,000	500,000
Pusat Tenaga Malaysia	22(b)(iii)	4,125	4,125
Bank of Tokyo Mitsubishi Malaysia Berhad	22(b)(iv)	-	200,000
Bank Islam Malaysia Berhad	22(b)(v)	20,036	-
		873,497	1,202,722

22. TERM LOANS (CONT'D)

(b) Other Loan - unsecured (cont'd):

Included in other loan - unsecured are:

(i) IT7 Loan from Japan Bank for International Cooperation ("JBIC") amounting to RM349,336 (¥10,746,728,000) [2013: RM498,597,088 (¥15,390,520,000] out of total loan facility of RM1,747,580,000 (¥59,000,000,000). The loan will mature in March 2017.

(ii) Loan from PTFC amounting to RM500,000,000 (2013: RM500,000,000) is repayable in 12 instalments over a period of 6 years, commencing from 2015. This loan will mature in 2020.

(iii) Loans from Pusat Tenaga Malaysia amounting to RM4,124,970 (2013: RM4,124,970).

(iv) Revolving Credit ("RC") Facility Bank of Tokyo Mitsubishi Berhad amounting to RM200,000,000.

(v) The borrowing from BIMB is a revolving credit facility with interest of 4.65% per annum.

Loan from JBIC is guaranteed by Government of Malaysia. The interest rate on other loans - unsecured range from 0% to 5.875% (2013: 0% to 5.875%) per annum during the financial year.

(c) Other Loan - secured:

	GROUP	
	Principal	
	2014 RM'000	2013 RM'000
Islamic Debt facility	271,680	417,810
Term loans	76,926	357,960
Finance lease liabilities	127	175
Overdrafts	3,865	3,603
	352,598	779,548

(a) Term loan and Islamic debt facility

The term loans and Islamic debt facility bear interest at the rate ranging from 4.10% to 7.25% (2013: 4.80% to 8.00%) per annum, repayable monthly and secured by the following:

(i) negative pledges over the leasehold land of the Company;

(ii) equitable assignment of contract with customers;

(iii) statutory mortgages over the vessels of the Group; and

(iv) jointly and severally guaranteed by the Directors of the Group.

In connection with the Islamic debt facility agreements, the Group, via its subsidiary, Syarikat Borcos Shipping Sdn Bhd has agreed on a covenant with the lenders to maintain at all times an annual debt to equity ratio of not more than three times.

As at 31 December 2014, Syarikat Borcos Shipping Sdn Bhd's debt to equity ratio was 6.95 times, hence, a breach of the covenant. Therefore, the Islamic debt facility outstanding amount has been classified as current. Correspondingly, due to the cross default, the entire term loan amount relating to Syarikat Borcos Shipping Sdn Bhd amounting to RM85.8 million have also been classified as current.

22. TERM LOANS (CONT'D)

(c) Other Loan - secured (cont'd):

(b) Finance lease liabilities

The hire purchase liabilities bear flat interest at the rate of 2.50% (2013: 2.38% to 2.80%) per annum.

(c) Overdrafts

Bank overdrafts are denominated in RM, bear interest at the rate ranging from 7.0% to 7.5% (2013: 7.6% to 8.1%) per annum and secured by deposit placed with licensed banks.

23. INFRASTRUCTURE SUPPORT FUND ("ISF")

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
At 1 January	365,430	399,535
CAA during the financial year against ISF	(1,526)	-
Impairment of financial investments made during the financial year against ISF	(21,951)	(39,130)
Recoverable from loan written off against ISF	24,693	5,025
ISF for IAA written back	676	-
At 31 December	367,322	365,430

Included in ISF of the Group and of the Bank is an amount of RM303,973,978 (2013: RM303,973,978) relating to funds received from the Government to compensate for any interest rate differential and forex losses. This amount is restricted from being used in other operations.

24. DEFERRED INCOME

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
At 1 January	248,413	251,430
Received from Government during the financial year	-	4,233
Utilised during the financial year	(4,436)	(7,250)
At 31 December	243,977	248,413

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

25. SHARE CAPITAL

GROUP AND BANK	Amount 31 December 2014 RM'000	Number of shares 31 December 2013 '000	Amount 31 December 2014 RM'000	Number of shares 31 December 2013 '000
Authorised:				
Ordinary shares of RM1.00 each	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each	3,078,724	3,078,724	3,078,724	3,078,724

26. RESERVES

		GROUP		BANK	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-distributable:					
Capital reserve		1,000	1,000	-	-
Statutory reserve		1,868,251	1,844,879	1,868,251	1,844,879
PER		-	4,970	-	4,970
Unrealised AFS reserve		54,845	136,891	54,845	136,078
Exchange translation reserve/(deficit)		44,614	(12,240)	-	-
		1,968,710	1,975,500	1,923,096	1,985,927
Distributable:					
Retained profits	27	2,474,873	2,447,101	2,333,308	2,358,224
		4,443,583	4,422,601	4,256,404	4,344,151

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

The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 (""the Act"") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.

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

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

26. RESERVES (CONT'D)

Movements of the AFS reserve are as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January, restated	136,891	85,774	136,078	87,347
Net unrealised (loss)/gain on financial investments - AFS	(80,719)	51,272	(79,906)	48,886
Net realised gain on financial investments - AFS	(1,327)	(155)	(1,327)	(155)
At 31 December	54,845	136,891	54,845	136,078

27. RETAINED EARNINGS

The retained earnings of the Bank as at 31 December 2014 and 31 December 2013 are distributable retained profits and may be distributed as dividends under the single-tier system.

28. INTEREST INCOME

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loans, advances and financing	1,099,246	1,069,524	1,079,010	1,050,823
Compensation from the Government	114,647	112,865	114,647	112,865
Money at call and deposit placements with financial institutions	34,790	49,220	27,618	41,690
Financial investments - AFS	35,674	33,613	35,674	33,613
Financial investments - HTM	7,904	7,561	7,904	7,561
	1,292,261	1,272,783	1,264,853	1,246,552
Accretion of discount less amortisation of premium	23,298	22,676	23,298	22,676
	1,315,559	1,295,459	1,288,151	1,269,228
Of which:				
Interest income earned on impaired loans, advances and financing	67,795	81,036	67,795	81,036

Included in the interest income from loans, advances and financing of the Bank are interest income from subsidiaries amounting to RM3,859,842 (2013: RM8,529,298).

29. INTEREST EXPENSE

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits from customers	165,443	188,826	165,443	188,465
Deposits and placements from financial institutions	4,972	3,471	4,720	3,471
Term loans	424,536	433,243	382,875	386,007
Redeemable notes	138,703	150,767	138,703	150,767
Others	742	829	-	-
	734,396	777,136	691,741	728,710

30. NON-INTEREST INCOME

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(a) Other operating income:				
Charter hire, demurrage and freight income	277,809	320,349	-	-
	277,809	320,349	-	-
(b) Investment income:				
Net gain on sale of:				
Financial investments - AFS	1,327	155	1,327	155
Gain on bargain purchase	-	11,972	-	-
Loss on disposal of JVs	-	(6,775)	-	-
Gross dividends from:				
Financial investments - AFS	17,880	11,671	17,791	11,671
Subsidiaries	-	-	-	5,000
	19,207	17,023	19,118	16,826
(c) Other income:				
Fee income	16,263	21,663	13,381	17,142
Rental income:				
- Subsidiaries	-	-	807	819
- Others	2,291	2,269	2,177	2,109
(Loss)/gain on disposal of property, plant and equipment	(3,833)	4,733	(1)	689
(Loss)/gain on disposal of prepaid land lease	(372)	58	(372)	58
Gain on disposal of investment property	-	2,462	-	2,050
Gain on disposal of a subsidiary	21,547	-	-	-
(Loss)/gain on foreign exchange Realised	(6,069)	993	-	195
Unrealised	120	2,162	120	419
Compensation from the Government:				
ISF for IAA allowance written back	(676)	-	(676)	-
Allowance on CAA made during the year against ISF	1,526	-	1,526	-
Recoverable from loan written off against ISF	(24,693)	(5,025)	(24,693)	(5,025)

30. NON-INTEREST INCOME (CONT'D)

	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
(c) Other income (cont'd):				
Financial investments impairment made during the financial year against ISF	21,951	39,130	21,951	39,130
Others	4,031	6,667	40	162
	32,086	75,112	14,260	57,748
Total non-interest income	329,102	412,484	33,378	74,574

31. OVERHEAD EXPENSES

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
Personnel costs	(i)	119,191	111,364	47,772	44,631
Establishment related expenses	(ii)	174,133	102,953	17,479	17,206
Promotion and marketing expenses	(iii)	3,624	3,365	3,466	3,135
General administrative expenses	(iv)	155,407	127,285	13,405	11,459
		452,355	344,967	82,122	76,431

	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
(i) Personnel costs				
Salaries, allowances and bonuses	102,236	96,468	36,788	35,356
Directors' fees and remuneration:				
Current year	3,543	1,271	1,369	1,085
Social security cost	304	390	206	197
Pension costs - Defined contribution plan	6,716	7,204	4,592	4,271
Compensation paid on loss of employment	-	16	-	16
Other staff related expenses	6,392	6,015	4,817	3,706
	119,191	111,364	47,772	44,631
(ii) Establishment related expenses				
Depreciation:				
Property, plant and equipment	81,473	77,929	9,359	9,091
Investment properties	171	197	59	55
Amortisation of:				
Prepaid lease rental	54	61	54	61
Intangible assets	49,908	3,906	3,218	3,058
Repairs and maintenance of property, plant and equipment	38,702	16,860	1,908	1,461
Information technology expenses	3,825	4,000	2,881	3,480
	174,133	102,953	17,479	17,206

31. OVERHEAD EXPENSES (CONT'D)

		GROUP		BANK	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(iii)	Promotion and marketing expenses				
	Advertisement and publicity	3,624	3,365	3,466	3,135
(iv)	General administrative expenses				
	General administrative expenses	154,501	126,472	12,980	11,110
	Auditors' remuneration:				
	- Statutory audit	805	717	382	314
	- Non-audit services regulatory related services	13	13	13	13
	- Other services	83	22	25	22
	Property, plant and equipment written off	5	61	5	-
		155,407	127,285	13,405	11,459

32. DIRECTORS' FEES AND REMUNERATION

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

	Remuneration received from the Bank							Remuneration received from Subsidiary Companies			
2014	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:											
Dato' Mohd Zafer bin Mohd Hashim	350	-	250	83	-	5	688	-	-	-	688
	350	-	250	83	-	5	688	-	-	-	688
Non-Executive Directors:											
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	198	-	-	101	-	299	-	-	-	299
Zainul Rahim bin Mohd Zain	-	36	-	-	130	-	166	-	-	-	166
Rosli bin Abdullah	-	36	-	-	148	-	184	47	44	-	275
Datuk Nozirah binti Bahari	-	36	-	-	110	-	146	-	-	-	146
Dato' Abdul Rahman bin Md Khalid	-	36	-	-	94	-	130	9	13	-	152
Datuk Engku Nor Faizah Engku Atek	-	3	-	-	2	-	5	-	-	-	5
Datuk Idris bin Abdullah @ Das Murthy	-	8	-	-	10	-	18	8	-	-	26
Datuk Dr. Syed Jaafar bin Syed Aznan	-	15	-	-	28	-	43	-	-	-	43
Ariffin Hew @ Hew Siak Tow	-	27	-	-	76	-	103	21	19	-	143
Abdul Aziz bin Ishak	-	27	-	-	66	-	93	27	20	-	140
	-	422	-	-	765	-	1,187	112	96	-	1,395
Total	350	422	250	83	765	5	1,875	112	96	-	2,083

32. 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			
2013	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:											
Dato' Mohd Zafer bin Mohd Hashim	600	-	150	108	-	5	863	-	-	-	863
	600	-	150	108	-	5	863	-	-	-	863
Non-Executive Directors:											
Tan Sri Dr. Abdul Samad bin Haji Alias	-	198	-	-	68	-	266	-	-	-	266
Dato' Mohammed bin Haji Che Hussein	-	9	-	-	20	-	29	-	-	-	29
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	36	-	-	84	-	120	-	-	-	120
Siti Zauyah binti Md Desa	-	15	-	-	44	-	59	-	-	-	59
Zainul Rahim bin Mohd Zain	-	36	-	-	78	-	114	-	-	-	114
Tan Sri Faizah binti Mohd Tahir	-	36	-	-	32		68	36	14	-	118
Datuk Dr. Syed Jaafar bin Syed Aznan	-	36	-	-	114	-	150	28	14	-	192
Datuk Idris bin Abdullah @ Das Murthy	-	36	-	-	62	-	98	10	22	-	130
Rosli bin Abdullah	-	36	-	-	74	-	110	36	26	-	172
Ariffin Hew @ Hew Siak Tow	-	27	-	-	34	-	61	-	-	-	61
Abdul Aziz bin Ishak	-	6	-	-	4	-	10	-	-	-	10
	-	471	-	-	614	-	1,085	110	76	-	1,271
Total	600	471	150	108	614	5	1,948	110	76	-	2,134

33. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly, including any director of the Group and the Bank. The remuneration and compensation of Directors and other members of key management during the financial year was as follows:

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short term employee benefits' (excluding benefits-in-kind)	2,078	2,129	1,870	1,943

Included in the total key management personnel are:

		GROUP		BANK	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive Director's remuneration	31	683	858	683	858

34. ALLOWANCES FOR IMPAIRMENT/(WRITEBACK OF ALLOWANCE) OF LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CAA:				
Made during the financial year	214,601	122,477	244,292	122,477
Written back	(273,496)	(71,690)	(271,736)	(59,965)
Transferred to IAA	(83,909)	(31,169)	(83,909)	(31,169)
Transferred from IAA	18,985	4,998	18,985	4,998
IAA:				
Made during the financial year	512,620	230,942	472,658	221,965
Written back	(163,631)	(178,159)	(148,044)	(159,711)
Transferred from CAA	83,909	31,169	83,909	31,169
Transferred to CAA	(18,985)	(4,998)	(18,985)	(4,998)
Bad debts and financing:				
Written off	359	1,802	358	1,802
Recovered	(49,129)	(22,531)	(27,531)	(19,081)
	241,324	82,841	269,997	107,487

35. IMPAIRMENT ON OTHER ASSETS

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial investments - AFS	(33,960)	34,871	(35,586)	28,047
Financial investments - HTM	21,951	39,130	21,951	39,130
Assets classified as held for sale	-	3,838	-	-
Property, plant and equipment				
- vessels	164,964	46,535	-	-
Investments in subsidiaries	-	-	301,935	29,635
Goodwill	-	76,664	-	-
Interest in JVs	28,827	11,555	-	-
Interest in associates	-	20,618	-	-
Amount due from subsidiaries	-	-	-	28,089
Additional - resigned staff	2,463	3,347	294	-
Written off - resigned staff	3	32	3	32
Written back - resigned staff	-	(419)	-	(419)
	184,248	236,171	288,597	124,514

36. TAXATION

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income tax expense:				
Current income tax	133,932	145,937	123,463	135,020
Under/(over) provision in prior years	3,970	(59,142)	5,094	(53,184)
	137,902	86,795	128,557	81,836
Deferred tax expense:				
Origination and reversal of temporary differences	23,745	(3,213)	7,529	(14,908)
Under provision in prior year	4,701	97,456	4,701	99,461
	28,446	94,243	12,230	84,553
Real property gains tax (refund)/paid on disposal of investment properties	(12)	27	(12)	27
	166,336	181,065	140,775	166,416

36. TAXATION (CONT'D)

The Bank was exempted from paying tax on its statutory income from infrastructure projects approved by the Government of Malaysia via Income Tax Act 1967: Income Tax Order (Exemption) (No. 46) 2002 from year assessment 2000 to year assessment 2010.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year.

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

Reconciliation of effective taxation

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation and zakat	306,390	491,918	247,039	569,316
Tax using Malaysian tax rate of 25% (2013: 25%)	76,598	122,980	61,760	142,329
Income not subject to tax	(38,866)	(57,365)	(10,400)	(24,959)
Effect of share of result of JVs	462	528		-
Non-deductible expenses	70,723	68,924	79,632	2,742
Deferred tax assets not recognised during the year	51,284	12,838	-	-
Effect of lower tax rate in other jurisdiction	-	6,514	-	-
Utilisation of previously unrecognised capital allowances and tax losses	(2,524)	(11,615)	-	-
	157,677	142,804	130,992	120,112
Under provision of deferred tax in prior years	4,701	97,376	4,701	99,461
Over provision of income tax in prior years	3,970	(59,142)	5,094	(53,184)
Real property gains tax (refund)/paid on disposal of investment properties	(12)	27	(12)	27
Taxation	166,336	181,065	140,775	166,416

37. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2014		2013	
	Sen per share	Total amount RM'000	Sen per share	Total amount RM'000
Final 2013 ordinary, net of tax	3.25	100,000	-	-
Final 2012 ordinary, net of tax	-	-	3.25	100,000
	3.25	100,000	3.25	100,000

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2014, of 1.20% on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM37,000,000 (1.20 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

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		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit from continuing operations attributable to shareholders' of the Bank	146,174	379,141	93,486	396,097
Number of ordinary shares in issue ('000)	3,078,724	3,078,724	3,078,724	3,078,724
Basic EPS (sen) for:				
Net profit for the financial year	4.7	12.3	3.0	12.9

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Disbursement of loans to industries	4,847,881	5,634,674	4,547,547	5,081,232
Direct credit substitutes	88,512	5,198	88,512	5,198
Secured guarantees on behalf of borrowers given to:				
Subsidiary	159,220	155,000	159,220	155,000
Third parties	1,897,150	1,200,956	1,897,150	1,200,956
Corporate guarantees issued by a subsidiary to financial institutions for credit facilities granted to JVs	42,238	100,560	-	-
	7,035,001	7,096,388	6,692,429	6,442,386

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Capital expenditure:				
Approved but not contracted for	5,560	3,075	5,560	1,531
Approved and contracted for investments	34,000	15,440	34,000	15,440
Approved but not contracted for investment	763,570	966,160	-	-

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 able to provide cushion for any potential losses. In line with this objective, the Bank views capital position as an important key barometer of financial health.

Regulatory capital

In order to support its mandated roles, the Bank must have strong and adequate capital to support its business activities on an on-going basis. In line with this objective, Bank Negara Malaysia has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

In order to further strengthen the capital position of the Bank through a progressive and systematic building up of the reserve fund, the minimum RWCR under both normal and stress scenarios shall not be less than 20% and 12% respectively.

The following table sets forth capital resources and capital adequacy for the Bank as at 31 December 2014.

	BANK	
	2014 RM'000	2013 RM'000
Tier 1 capital		
Paid-up share capital	3,078,724	3,078,724
Other reserves	4,201,559	4,203,103
Total Tier 1 capital	7,280,283	7,281,827
Tier 2 capital		
Government support funds	611,299	613,843
Collective assessment allowance*	659,432	791,765
Total Tier 2 capital	1,270,731	1,405,608
Total capital	8,551,014	8,687,435
Less: Investment in subsidiaries	(653,743)	(955,679)
Total capital base	7,897,271	7,731,756

* The eligible amount for Tier 2 capital is after excluding CAA on impaired loans 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	
	2014 RM'000	2013 RM'000
20%	469,790	244,581
50%	2,070,744	2,380,786
100%	21,240,799	20,914,651
	23,781,333	23,540,018

Without deducting proposed dividend:

	BANK	
	2014 %	2013 %
Core capital ratio	30.613	30.934
RWCR	33.208	32.845
After deducting proposed dividend:		
Core capital ratio	30.458	30.509
RWCR	33.052	32.420

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

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

41. OTHER CONTINGENCIES (CONT'D)

(i) Contingent liability as at 31 December 2014:

	2014 RM'000	2013 RM'000
Contingent liabilities not considered remote litigation (unsecured)		
<u>Bank</u>		
(a) The Bank is being sued by a client for alleged unreasonable conduct, misrepresentation, breach of collateral contract, breach of fiduciary duties, breach of promise and breach of duty of care. The legal counsel of the Bank is of the view that the Bank has a good prospect of defending the claim. After a full trial, the Court dismissed the suit against the Bank. The Court has appealed against this decision and the matter is fixed for trial on 29 June 2015.	310,880	310,880
(b) The Bank is being sued by a client for allegedly making disbursement despite non-compliance of conditions and/or alternatively conspiring with a third party with the intent to cause loss to the client. The suit was successfully defended by the Bank and the High Court dismissed the client's suit with costs awarded to the Bank. The client appealed against this decision. The Court of Appeal dismissed the appeal with costs awarded to the Bank. The file is to be closed.	-	16,720
(c) The Bank filed a suit against a client for non-payment of various loans. The suits were consolidated and the client in turn filed a counter claim against the Bank alleging that it overpaid the Bank and claiming for losses sustained in losing vessel repair and maintenance contracts. After a full trial, the High Court allowed the Bank's claim and dismissed the client's counter claim. The client filed an appeal against this decision. The Court of Appeal struck out the appeal. The case is closed.	-	6,117
<u>Subsidiaries of the Bank</u>		
(a) 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 as it was sold undervalued and directly minimising its returns. This is despite the subsidiary had appointed a qualified valuer for the valuation of the client's collateral. The client alleged suffering significant due to the failure and applied the Interlocutory Injunction from Court to refrain the subsidiary from foreclosing the remaining collateral. Mediation which conducted on 5 February 2014 failed to reach amicable settlement. Full trial has been fixed to be held on 18 May 2015, 20 May 2015 and 27 May 2015 at Kuala Lumpur High Court.	5,601	5,601

The Directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required.

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.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the directors and chief executive officers of the Group and the Bank.

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

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 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		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other assets				
Amount receivable from Government in respect of compensation for:				
Foreign exchange differences	85,361	85,361	85,361	85,361
Infrastructure projects	46,322	37,450	46,322	37,450

(b) Significant transactions with a significant shareholder

	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
Conventional				
Interest compensation from Government of Malaysia	114,647	112,865	114,647	112,865
Fee income from Unit Kerjasama Awam Swasta ("UKAS")	5,712	5,000	5,712	5,000
Compensation from Government of Malaysia:				
- recoverable from loan written off against ISF	(24,693)	(5,025)	(24,693)	(5,025)
- financial investments impairment made during the year against ISF	21,951	39,130	21,951	39,130
Islamic				
Profit compensation from Government of Malaysia	14,429	7,525	14,429	7,525

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 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
Assets				
Short term deposits	1,065,721	1,133,766	651,955	936,690
Deposits and placements with financial institution	638,010	154,216	606,873	152,582
Financial investments - AFS	1,281,989	1,504,156	1,279,415	1,497,143
Financial investments - HTM	259,979	259,202	259,957	259,180
Liabilities				
Deposits from customers	5,666,779	7,115,241	5,666,779	7,115,241
Deposits and placements from financial institutions	300,510	311,122	300,510	311,122
Redeemable notes	5,966,805	3,025,348	5,966,805	3,025,348
Term loans	9,318,856	10,362,124	8,880,439	9,582,577
ISF	368,173	365,430	368,173	365,430
Deferred income	243,977	248,413	243,977	248,413

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Conventional				
Income				
Money at call and deposit placements with financial institutions	34,432	49,742	27,618	41,690
Financial investments - AFS	3,398	33,613	3,569	4,491
Amortisation of premium less accretion of discount	67	290	67	290
Dividend from Unit Trust	12,273	6,153	12,273	6,153
Management fee income from related parties	-	75	-	75
Rental income	2,038	1,912	2,038	1,912
Expenses				
Term loans interest espense	(374,455)	(374,455)	(374,455)	(374,455)
Redeemable notes	(138,703)	(150,767)	(138,703)	(150,767)
Islamic				
Income				
Finance income from deposits and placements with financial institutions	22,755	5,048	22,389	5,026
Financial investments - AFS	30,954	29,122	30,817	28,967
Financial investments - HTM	7,904	7,561	7,904	7,561
Accretion of discount less amortisation of premium	23,231	22,220	23,231	22,220
Expenses				
Redeemable notes	(64,471)	(27,906)	(64,471)	(27,906)
Zakat	(12,778)	(6,803)	(12,778)	(6,803)

42.3 Significant balances and transactions with subsidiaries, associates and JVs

(a) Significant balances with subsidiaries, associates and JVs

	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
Conventional				
Loans to subsidiaries	-	-	33,805	107,459
Loans to JVs	145,689	282,103	55,700	242,185
Payment on behalf of subsidiary	-	-	1,774	15,079

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Conventional				
Interest income from loan to:				
Subsidiaries	-	-	4,649	6,743
JVs	-	-	1,651	1,781
Dividend income from subsidiary	-	-	-	5,000
Rental income from subsidiaries	-	-	807	819
Fee Income from subsidiaries	-	-	1,153	1,111
Expenses				
Management fee expense from subsidiaries	-	-	(15)	(9)
Islamic				
Profit from financing to JVs	-	-	352	5

42.4 Significant balances and transactions with Group's related parties

(a) Significant balances with Group's related parties

	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
Other assets				
Trade amount due from related parties	24,577	28,889	-	-
Other liabilities				
Trade amount due to related parties	191	40,579	-	-

(b) Significant transactions with Group's related parties

	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
Income				
Dividend from Quoted Shares	5,518	5,518	5,518	5,518

42.5 Directors' Fees and Remuneration

	GROUP 2014 RM'000	GROUP 2013 RM'000	BANK 2014 RM'000	BANK 2013 RM'000
Short term employee benefits:				
Salaries, allowances and bonus	1,461	1,440	1,365	1,364
Pension cost - defined contribution plan	83	108	83	108
Directors' Fees	534	581	422	471
Other staff benefits	5	5	5	5
	2,083	2,134	1,875	1,948

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

42.5 Directors' Fees and Remuneration (cont'd)

Included in the total directors' fees and remuneration are:

	Note	GROUP		BANK	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors' remuneration including benefits in kind	32	2,083	2,134	1,875	1,948

42.6 Government-related entities

Government of Malaysia ("GOM") is a shareholder with significant influence on the Bank, with direct shareholding of 99.99% (2013: 99.99%). GOM and entities directly controlled by GOM are collectively referred to as government-related entities to the Group and the Bank.

All the transactions entered into by the Group and the Bank with the government-related entities are conducted in the ordinary course of the Group's and Bank's business on terms comparable to those with other entities are not government-related. The Group established credit policies, pricing strategy and approval process for loans, which are independent of whether the counterparties are government-related entities or not.

42.7 Collectively, but not individually, significant transactions

The Group has transactions with other government-related entities including but not limited to provision of loans, deposits placement and acceptances.

For the financial year ended 31 December 2014, management estimates that the aggregate amount of the Group's and the Bank's significant transactions with other government-related entities are at least 61.73% and 66.58% respectively of its total interest expenses (31 December 2013: 49.88% and 49.93% respectively).

For the financial year ended 31 December 2014, management estimates that the aggregate amount of the significant balances due from other government-related entities for the Group and the Bank are 75.09% and 75.76% respectively of its total loans, advances and financing (31 December 2013: 91.30% and 92.36% respectively).

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 commitments.

43. ASSETS CLASSIFIED AS HELD FOR SALE ("HFS")

	GROUP	
	2014 RM'000	2013 RM'000
As at 1 January	18,462	175,490
Acquisition of subsidiary	-	2,619
Impairment	-	(3,838)
Currency translation difference	72	66
Disposed during the financial year	-	(100,915)
Transfer from assets previously held for sale of a subsidiary	-	(54,960)
As at 31 December	18,534	18,462

The vessels were classified as non-current assets HFS. Memorandum of Agreements were signed between the purchaser and the subsidiaries as at year end. However, the risk and rewards were not transferred to the purchaser as at 31 December 2014.

44. PRIOR PERIOD ADJUSTMENTS (PYA) AND RECLASSIFICATION OF COMPARATIVE FIGURES

GROUP:

Details of the prior period adjustments are as follows:

(i) Interest/profit income on impaired financing

This relates to an over-recognition of interest/profit income for impaired loans, advances and financing for the year ended 31 December 2012 and 31 December 2013.

(ii) Collective Assessment Allowance ("CAA")

This relates to an under-recognition of CAA on loans, advances and financing for the year ended 31 December 2012 and 31 December 2013.

(iii) Reserves

This relates to adjustments to "Unrealised AFS reserve" and "Distributable retained profits" as at 1 January 2013 and 31 December 2013 for the realisation of unrealised AFS reserves on certain quoted investments which had already been disposed by a subsidiary in prior period.

(iv) Deferred tax and provision for tax

This relates to provision of tax and deferred tax for the year ended 31 December 2012 and 31 December 2013.

The following balances were reclassed to conform with current year's presentation:

(v) Reclassification of Interest in Joint Ventures to Interest in associates to reflect the significant influence instead of joint control that the Group has over these companies as stipulated in the shareholders' agreements.

(vi) Reclassification of the "Net income from Islamic Banking business" to Islamic banking business from net income from conventional business in respect of certain subsidiaries.

(vii) Reclassification of the "Deferred tax liabilities" to "Deferred tax assets" to conform with current year presentation.

44. PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATION OF COMPARATIVE FIGURES (CONT'D)

The effect of the prior period adjustment and reclassification to the Group are as follows:

At 1 January 2013:	As previously stated RM'000	Adjustments 44(i) RM'000	44(ii) RM'000	44(iii) RM'000	44(iv) RM'000	44(v) RM'000	44(vi) RM'000	44(vii) RM'000	Total RM'000	As restated RM'000
Statement of financial position:										
Assets										
Loans, advances and financing	23,234,542	(2,441)	(11,754)	-	-	-	-	-	(14,195)	23,220,347
Liabilities										
Deferred tax liabilities	12,814	-	-	-	(6,524)	-	-	-	(6,524)	6,290
Other liabilities	185,234	-	-	-	(221)	-	-	-	(221)	185,013
Equity Reserves	4,050,434	(2,441)	(11,754)	-	6,745	-	-	-	(7,450)	4,042,984
Consolidated Statement of Changes in Equity:										
Unrealised AFS reserve	(32,463)	-	-	118,237	-	-	-	-	118,237	85,774
Distributable retained profits	2,392,671	(2,441)	(11,754)	(118,237)	6,745	-	-	-	(125,687)	2,266,984
As at 31 December 2013:										
Statement of financial position:										
Assets										
Loans, advances and financing	24,212,336	(3,247)	(13,728)	-	-	-	-	-	(16,975)	24,195,361
Interest in associates	-	-	-	-	-	2,602	-	-	2,602	2,602
Interest in joint ventures	79,075	-	-	-	-	(2,602)	-	-	(2,602)	76,473
Deferred tax assets	15,857	-	-	-	-	-	-	(1,754)	(1,754)	14,103

44. PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATION OF COMPARATIVE FIGURES (CONT'D)

The effect of the prior period adjustment and reclassification to the Group are as follows (cont'd):

At 1 January 2013: (cont'd)	As previously stated RM'000	Adjustments 44(i) RM'000	44(ii) RM'000	44(iii) RM'000	44(iv) RM'000	44(v) RM'000	44(vi) RM'000	44(vii) RM'000	Total RM'000	As restated RM'000
Liabilities										
Deferred tax liabilities	39,302	-	-	-	(6,110)	-	-	(1,754)	(7,864)	31,438
Other liabilities	186,514	-	-	-	(1,120)	-	-	-	(1,120)	185,394
Equity										
Reserves	4,432,345	(3,247)	(13,728)	-	7,231	-	-	-	(9,744)	4,422,601
Consolidated Statement of Changes in Equity:										
Unrealised AFS reserve	18,654	-	-	118,237	-	-	-	-	118,237	136,891
Distributable retained profits	2,575,082	(3,247)	(13,728)	(118,237)	7,231	-	-	-	(127,981)	2,447,101
Income statement:										
Interest income	1,297,488	(806)	-	-	-	-	(1,223)	-	(2,029)	1,295,459
Net income from Islamic banking business	263,602	-	-	-	-	-	1,223	-	1,223	264,825
Allowance for impairment of loans, advances and financing	(80,867)	-	(1,974)	-	-	-	-	-	(1,974)	(82,841)
Profit before taxation and zakat	494,698	(806)	(1,974)	-	-	-	-	-	(2,780)	491,918
Taxation	(181,551)	-	-	-	486	-	-	-	486	(181,065)
Zakat	(6,803)	-	-	-	-	-	-	-	-	(6,803)
Profit for the financial year	306,344	(806)	(1,974)	-	486	-	-	-	(2,294)	304,050

45. COMPANIES IN THE GROUP

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

Subsidiary	Effective interest held by the Bank 2014 %	2013 %	Principal activities
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company
BPMB Urus Harta Sdn Bhd	100.00	100.00	Property investment
Pembangunan Ekuiti Sdn Bhd	54.80	54.80	Investment manager and provision of advisory, consultancy and related services pertaining to investments
Global Maritime Ventures Berhad ("GMVB")	90.00	90.00	Venture capital investment
Emerald Upline Sdn Bhd	100.00	100.00	Ship-owning
SME GAF	100.00	100.00	Venture capital investment

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

Subsidiary	Effective interest held by the Bank 2014 %	2013 %	Principal activities
Mutiara Navigation Sdn Bhd	63.00	63.00	Dormant
Intan Navigation Sdn Bhd	63.00	63.00	Dormant
Nilam Navigation Sdn Bhd	63.00	63.00	Dormant
Kasa Navigation Sdn Bhd	63.00	63.00	Dormant
Mayang Navigation Sdn Bhd	63.00	63.00	Dormant
Sari Navigation Sdn Bhd	63.00	63.00	Dormant
Tiara Navigation Sdn Bhd	63.00	63.00	Dormant
Glory Incentive Sdn Bhd	90.00	90.00	Investment holding
GMV-ALAM 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)

	Effective interest held by the Bank		
Subsidiary	2014 %	2013 %	Principal activities
GMV-Gagasan Sdn Bhd	90.00	90.00	Investment holding
GMV-Bahtera Sdn Bhd	90.00	90.00	Investment holding
GMV-Efogen Sdn Bhd	90.00	90.00	Investment holding
GMV-Regional Sdn Bhd	90.00	90.00	Dormant
GMV-Orkim Sdn Bhd	90.00	90.00	Investment holding
GMV-Offshore Sdn Bhd	90.00	90.00	Investment holding

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

	Effective interest held by the Bank		
Subsidiary	2014 %	2013 %	Principal activities
GMV-Global Sdn Bhd	90.00	90.00	Investment holding
GMV-Jasa Sdn Bhd	90.00	90.00	Investment holding
GMV-Omni Sdn Bhd	90.00	90.00	Investment holding
GMV-Borcos Sdn Bhd	90.00	90.00	Investment holding
Permata Navigation Sdn Bhd	63.00	63.00	Dormant
Gemala Navigation Sdn Bhd	63.00	63.00	Dormant
Ratna Navigation Sdn Bhd	63.00	63.00	Dormant
Kencana Navigation Sdn Bhd	63.00	63.00	Dormant
Ayu Navigation Sdn Bhd	63.00	63.00	Dormant

45. COMPANIES IN THE GROUP (CONT'D)

(d) Details of a subsidiary companies of GMV-Bahtera Sdn Bhd (GMV-Bahtera), all of which are incorporated in Malaysia, are as follows:

	Effective interest held by the Bank		
Subsidiary	2014 %	2013 %	Principal activities
Magna Meridian Sdn Bhd	90.00	90.00	Ship-owning
Matlamat Emas Sdn Bhd	90.00	90.00	Ship-owning

(e) Detail of a subsidiary company of GMV-Borcos Sdn Bhd, which is incorporated in Malaysia, is as follow:

	Effective interest held by the Bank		
Subsidiary	2014 %	2013 %	Principal activities
Syarikat Borcos Shipping Sdn Bhd #	90.00	90.00	Ship-owning

(f) Details of subsidiary companies of Syarikat Borcos Shipping Sdn Bhd, all of which are incorporated in Malaysia, are as follows:

	Effective interest held by the Bank		
Subsidiary	2014 %	2013 %	Principal activities
Wijaya Navigation Sdn Bhd #	90.00	90.00	Dormant
Borcos Tasneem Offshore Ltd #	90.00	90.00	Vessel chartering
Borcos Firdaus Marine Offshore Ltd #	90.00	90.00	Vessel chartering
Borcos SSV Marine Offshore Ltd #	90.00	90.00	Vessel chartering
Borcos Franklin Offshore Mooring Sdn Bhd #	45.90	45.90	Dormant
Cendana Lagenda Sdn Bhd #	90.00	90.00	Vessel chartering
P.T. Borcos Nusantarajaya #	90.00	90.00	Vessel chartering

45. COMPANIES IN THE GROUP (CONT'D)

(g) Detail of a subsidiary company of GMV-Orkim Sdn Bhd, which is incorporated in Malaysia, is as follow:

Subsidiary	Effective interest held by the Bank 2014 %	2013 %	Principal activities
Orkim Sdn Bhd	-	81.90	Ship-owning

(h) Details of subsidiary companies of Orkim Sdn Bhd, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2014 %	2013 %	Principal activities
Orkim Merit Sdn Bhd	-	81.90	Ship owners
Orkim Express Sdn Bhd	-	81.90	Ship owners
Orkim Energy Sdn Bhd	-	81.90	Shipping brokers, shipping and freight management
Orkim Marine Sdn Bhd	-	81.90	Shipping brokers, shipping and freight management
Orkim Ship Management Sdn Bhd	-	81.90	Shipping brokers, shipping and freight management
Delmar Marine Venture Sdn Bhd	-	81.90	Shipping brokers, shipping and freight management

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

Subsidiary	Effective interest held by the Bank 2014 %	2013 %	Principal activities
Orkim Leader Sdn Bhd	-	81.90	Ship owners
Orkim Power Sdn Bhd	-	81.90	Ship owners
Orkim Challenger Sdn Bhd	-	81.90	Ship owners
Orkim Discovery Sdn Bhd	-	81.90	Ship owners
Orkim Reliance Sdn Bhd	-	81.90	Ship owners

45. COMPANIES IN THE GROUP (CONT'D)

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

Subsidiary	Effective interest held by the Bank 2014 %	2013 %	Principal activities
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, confirming and factoring, insurance agency and letting out properties.
BI Credit & Leasing Berhad	100.00	100.00	Credit and leasing

(j) Detail of a subsidiary company of BI Credit & Leasing Berhad ("BICL"), which is incorporated in Malaysia, is as follow:

Subsidiary	Effective interest held by the Bank 2014 %	2013 %	Principal activities
KIB Nominee (Tempatan) Sdn Bhd	100.00	100.00	Nominee services

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

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 value. The Group and the Bank focus on the enterprise wide risk exposure, which include credit, market, liquidity and operation 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 was established.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adhered to Group financial risk management policies, which are reported to and approved by the Board of Directors. The Board also approves the treasury policies, which cover the management of these risks.

The main areas of financial risks faced by the Group are set out as follows:

(a) Credit risk

Credit risk is the potential loss of revenue, either principal or interest or both, arising from customers or counterparties' failure or unwillingness to honour their financial and contractual obligations when they are due. These obligations are from lending, placement and other activities undertaken by the Bank.

Credit risk management activities conducted by the Bank are within Credit Risk Management Framework approved by the Board of Directors. This includes risk identification, assessment, measurement and monitoring.

Credit risk is principally managed through the establishment of lending directions, policies and guidelines to enhance loan asset quality. Credit processes are structured to ensure adherence to credit policies and to establish impartiality in loan origination, approval, documentation, disbursement and settlement.

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

All credit proposals are rated using an internal two dimensional credit rating system to measure each borrower's risk of default and facility risk. Only viable credit proposals with well-mitigated risk are considered for financing.

Credit reviews on existing customers are performed at least once a year and more frequent on watch-list accounts to proactively manage any delinquencies, maximise recoveries and to ensure timely recognition of asset impairment.

Prudential limits are established according to various categories such as customer and industry sector to minimise concentration risk. Single Customer Limit ("SCL") has been extended to capture the Group exposure to manage the Bank's and subsidiaries' concentration risk to common group of customers at group level.

Sector limit for commercial lending is being observed to monitor undesirable concentration which could expose the Bank to higher risk of lending. Meanwhile, counterparty limits are in place to control over exposure to a single financial institution.

Collateral is taken whenever possible to mitigate credit risk. The value of collateral is monitored periodically through frequent valuation. Policies and processes are in place to monitor collateral value.

The overall credit risk management is subject to an ongoing process for reviewing and enhancement from time to time so as to be in line with regulatory requirements. Audit is periodically performed by the Group Internal Audit to ensure that credit policies and procedures are complied with.

(i) Credit exposure

		GROUP		BANK	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
On balance sheet:					
Cash and short term deposits	3	1,921,024	1,251,935	1,446,941	942,112
Deposits and placements with banks and other financial institutions	4	708,805	154,216	677,667	152,582
Financial investments - FVTPL	5	4,247	-	-	-
Financial investments - AFS	6	1,321,313	1,504,156	1,317,113	1,497,143
Financial investments - HTM	7	259,979	259,202	259,957	259,180
Loans, advances and financing	8	24,757,054	24,195,361	24,542,895	24,025,868
Other assets		225,491	290,650	162,331	188,058
		29,197,913	27,655,520	28,406,904	27,064,943
Other assets not subject to credit risk		747,442	1,571,692	762,849	1,073,061
		29,945,355	29,227,212	29,169,753	28,138,004
Off balance sheet:					
Commitments and Contingencies	39(a)	7,035,001	7,096,388	6,692,429	6,442,386
		36,980,356	36,323,600	35,862,182	34,580,390

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 2014	Short-term deposits, and placements with financial institutions RM'000	Financial investments - FVTPL RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	-	-	-	-	7,214		7,214	4,277
Construction	-	-	29,631	66,936	12,162,417	-	12,258,984	2,508,623
Education	-	-	-	-	1,153,223	-	1,153,223	1,034,225
Electrical, gas and water supply	-	-	101,226	53,380	2,188,089	-	2,342,695	37,164
Finance, insurance and business	2,629,829	4,247	129,122	878,829	20,760	-	3,662,787	19,345
Hotel and restaurants	-	-	-	-	1,052,147	-	1,052,147	618,854
Housing	-	-	-	-	11,086	-	11,086	-
Manufacturing	-	-	-	-	411,975	-	411,975	561,542
Marine related	-	-	-	-	300,358	-	300,358	172,091
Material technology	-	-	-	-	9,840	-	9,840	1,000
Medical and pharmaceuticals	-	-	-	-	14,978	-	14,978	778,100
Mining and quarrying	-	-	-	-	969		969	1,188
Other community, social and personal service activities	-	-	-	-	65,048	-	65,048	75,566
Public administration and defence	-	-	-	-	41,331	-	41,331	10,166
Real estate, renting and business activities	-	-	-	94,667	1,018,655	-	1,113,322	161,601
Shipping	-	-	-	227,501	1,336,183	-	1,563,684	496,338
Shipyard	-	-	-	-	216,379	-	216,379	271,112
Transport, storage and communications	-	-	-	-	4,746,402	-	4,746,402	283,809
Others	-	-	-	-	-	225,491	225,491	-
	2,629,829	4,247	259,979	1,321,313	24,757,054	225,491	29,197,913	7,035,001
Other assets not subject to credit risk	-	-	-	-	-	747,442	747,442	-
	2,629,829	4,247	259,979	1,321,313	24,757,054	972,933	29,945,355	7,035,001

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 (CONT'D) 2013	Short-term deposits, and placements with financial institutions RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	-	-	-	5,876	-	5,876	-
Construction	-	29,631	24,160	13,003,945	-	13,057,736	1,881,674
Education	-	-	-	638,197	-	638,197	1,454,031
Electrical and electronics	-	-	-	34	-	34	-
Electrical, gas and water supply	-	101,633	117,157	2,206,266	-	2,425,056	144,271
Finance, insurance and business	1,406,151	127,938	921,418	18,312	-	2,473,819	-
Hotel and restaurants	-	-	-	800,996	-	800,996	927,745
Housing	-	-	-	12,688	-	12,688	-
Manufacturing	-	-	-	306,899	-	306,899	580,279
Marine related	-	-	-	160,890	-	160,890	80,470
Material technology	-	-	-	10,002	-	10,002	1,000
Medical and pharmaceuticals	-	-	-	18,874	-	18,874	-
Mining and quarrying	-	-	-	2,300	-	2,300	-
Other community, social and personal service activities	-	-	-	32,172	-	32,172	29,359
Public administration and defence	-	-	-	47,550	-	47,550	10,167
Real estate, renting and business activities	-	-	49,040	979,903	-	1,028,943	719,238
Shipping	-	-	388,985	1,347,038	-	1,736,023	890,913
Shipyard	-	-	-	281,258	-	281,258	11,386
Transport, storage and communications	-	-	3,396	4,322,161	-	4,325,557	365,855
Others	-	-	-	-	290,650	290,650	-
	1,406,151	259,202	1,504,156	24,195,361	290,650	27,655,520	7,096,388
Other assets not subject to credit risk	-	-	-	-	1,571,692	1,571,692	-
	1,406,151	259,202	1,504,156	24,195,361	1,862,342	29,227,212	7,096,388

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 2014	Short-term deposits, and placements with financial institutions RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	29,609	66,936	12,160,621	-	12,257,166	2,494,429
Education	-	-	-	1,153,223	-	1,153,223	1,034,225
Electrical, gas and water supply	-	101,226	53,380	2,186,204	-	2,340,810	33,991
Finance, insurance and business	2,124,608	129,122	878,829	16,246	-	3,148,805	-
Hotel and restaurants	-	-	-	1,052,147	-	1,052,147	618,854
Housing	-	-	-	11,086	-	11,086	-
Manufacturing	-	-	-	383,701	-	383,701	532,048
Marine related	-	-	-	300,358	-	300,358	172,091
Material technology	-	-	-	9,840	-	9,840	1,000
Medical and pharmaceuticals	-	-	-	14,978	-	14,978	778,100
Other community, social and personal service activities	-	-	-	21,915	-	21,915	3,244
Public administration and defence	-	-	-	41,331	-	41,331	10,166
Real estate, renting and business activities	-	-	94,667	969,769	-	1,064,436	24,919
Shipping	-	-	223,301	1,383,384	-	1,606,685	454,100
Shipyard	-	-	-	216,379	-	216,379	271,112
Transport, storage and communications	-	-	-	4,621,713	-	4,621,713	264,150
Others	-	-	-	-	162,331	162,331	-
	2,124,608	259,957	1,317,113	24,542,895	162,331	28,406,904	6,692,429
Other assets not subject to credit risk	-	-	-	-	762,849	762,849	-
	2,124,608	259,957	1,317,113	24,542,895	925,180	29,169,753	6,692,429

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 (CONT'D) 2013	Short-term deposits, and placements with financial institutions RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	29,609	24,160	12,978,566	-	13,032,335	1,881,674
Education	-	-	-	638,197	-	638,197	1,454,031
Electrical and electronics	-	-	-	34	-	34	-
Electrical, gas and water supply	-	101,633	117,157	2,206,022	-	2,424,812	144,271
Finance, insurance and business	1,094,694	127,938	921,418	66,452	-	2,210,502	-
Hotel and restaurants	-	-	-	727,479	-	727,479	927,745
Housing	-	-	-	12,688	-	12,688	-
Manufacturing	-	-	-	282,913	-	282,913	580,279
Marine related	-	-	-	160,890	-	160,890	80,470
Material technology	-	-	-	10,002	-	10,002	1,000
Medical and pharmaceuticals	-	-	-	18,874	-	18,874	-
Other community, social and personal service activities	-	-	-	29,112	-	29,112	29,359
Production engineering	-	-	-	-	-	-	-
Public administration and defence	-	-	-	47,550	-	47,550	10,167
Real estate, renting and business activities	-	-	42,130	962,642	-	1,004,772	165,796
Shipping	-	-	388,883	1,379,546	-	1,768,429	790,353
Shipyard	-	-	-	281,258	-	281,258	11,386
Transport, storage and communications	-	-	3,395	4,223,643	-	4,227,038	365,855
Others	-	-	-	-	188,058	188,058	-
	1,094,694	259,180	1,497,143	24,025,868	188,058	27,064,943	6,442,386
Other assets not subject to credit risk	-	-	-	-	1,073,061	1,073,061	-
	1,094,694	259,180	1,497,143	24,025,868	1,261,119	28,138,004	6,442,386

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

	2014				2013			
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
High Quality	6,553,367	-	-	6,553,367	7,528,191	-	-	7,528,191
Upper-medium grade	775,374	901	-	776,275	1,764,600	589	-	1,765,189
Medium grade	10,374,694	487,654	-	10,862,348	6,774,890	60,505	8,875	6,844,270
Speculative	4,924,825	23,980	-	4,948,805	4,843,902	102,758	172,818	5,119,478
Considered speculative	1,111,428	-	-	1,111,428	2,799,968	-	1,694	2,801,662
Poor standing	133,432	10,370	-	143,802	99,421	-	-	99,421
Highly speculative	-	-	-	-	7,993	-	-	7,993
Impaired	-	-	3,000,149	3,000,149	-	-	2,536,812	2,536,812
	23,873,120	522,905	3,000,149	27,396,174	23,818,965	163,852	2,720,199	26,703,016
BANK								
High Quality	6,573,693	-	-	6,573,693	7,598,723	-	-	7,598,723
Upper-medium grade	769,243	-	-	769,243	1,759,431	-	-	1,759,431
Medium grade	10,237,074	442,560	-	10,679,634	6,719,202	43,822	-	6,763,024
Speculative	4,853,411	2,905	-	4,856,316	4,740,955	50,118	103,384	4,894,457
Considered speculative	1,111,428	-	-	1,111,428	2,812,052	24,563	-	2,836,615
Poor standing	133,432	10,370	-	143,802	99,421	-	-	99,421
Highly speculative	-	-	-	-	7,993	-	-	7,993
Impaired	-	-	2,950,738	2,950,738	-	-	2,451,798	2,451,798
	23,678,281	455,835	2,950,738	27,084,854	23,737,777	118,503	2,555,182	26,411,462

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

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

	Note	GROUP		BANK	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Impaired:					
0 month overdue		618,400	381,896	704,219	381,896
1 month overdue		66,214	10,930	28,385	10,834
2 months overdue		68,603	141	67,431	-
3 months overdue		1,475	-	303	-
> 3 months overdue		2,245,457	2,327,232	2,150,400	2,162,452
		3,000,149	2,720,199	2,950,738	2,555,182
Past due but not impaired:					
1 Month Overdue		53,020	70,649	13,275	70,010
2 Months Overdue		462,471	66,901	442,560	48,493
3 Months Overdue		7,414	26,302	-	-
		522,905	163,852	455,835	118,503

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

Collateral represents the asset pledged by a customer and/or a third party on behalf of the customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Bank, and subject to seizure in the event of default. Collateral provides to the Bank with a secondary repayment source, i.e. a source of fund to help recover its investment should the customer is unable to repay the facility obtained from the Bank.

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

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

	2014				2013			
GROUP	Secured RM'000	Unsecured RM'000	Total RM'000	Estimated fair value of collateral RM'000	Secured RM'000	Unsecured RM'000	Total RM'000	Estimated fair value of collateral RM'000
Past due but not impaired	13,275	509,630	522,905	29,250	89,606	74,246	163,852	227,657
Impaired	1,973,921	1,026,228	3,000,149	2,234,345	2,044,195	671,479	2,715,674	2,810,253
	1,987,196	1,535,858	3,523,054	2,263,595	2,133,801	745,725	2,879,526	3,037,910
BANK								
Past due but not impaired	13,275	442,560	455,835	29,250	114,169	4,334	118,503	227,657
Impaired	2,059,740	890,998	2,950,738	2,498,945	1,973,125	582,057	2,555,182	2,810,253
	2,073,015	1,333,558	3,406,573	2,528,195	2,087,294	586,391	2,673,685	3,037,910

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

	2014			2013		
GROUP	Properties, equipment and vessels RM'000	Cash RM'000	Total RM'000	Properties, equipment and vessels RM'000	Cash RM'000	Total RM'000
Past due but not impaired	12,900	-	12,900	227,657	-	227,657
Impaired	3,922,872	-	3,922,872	2,810,253	-	2,810,253
	3,935,772	-	3,935,772	3,037,910	-	3,037,910
Bank						
Past due but not impaired	86,366	-	86,366	227,657	-	227,657
Impaired	3,922,872	-	3,922,872	2,810,253	-	2,810,253
	4,009,238	-	4,009,238	3,037,910	-	3,037,910

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(vi) Restructured loans

Restructured loans refer to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The total restructured loans held by the Group and the Bank stood at RM9,548.1 million (2013: RM8,707.4 million).

(vii) Credit quality for treasury credit risk exposures

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial investments - AFS				
Sovereign	618,125	449,009	618,125	449,009
AAA	41,691	42,130	41,691	42,130
AA	124,308	188,436	124,308	188,436
A	42,853	3,395	42,853	3,395
B	-	1,206	-	1,206
BB	-	22,954	-	22,954
BBB	66,936	61,622	66,936	61,622
Non-rated	427,400	735,404	423,200	728,391
	1,321,313	1,504,156	1,317,113	1,497,143
Financial investments - HTM				
Sovereign	146,565	145,404	146,565	145,404
AAA	83,783	84,167	83,783	84,167
C2	29,609	29,609	29,609	29,609
Non-rated	22	22	-	-
	259,979	259,202	259,957	259,180

(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.

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

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	
Functional currency of the Group	Ringgit Malaysia 2014 RM'000	Ringgit Malaysia 2013 RM'000
Japanese Yen ("JPY")	(119,484)	(498,597)
United states dollar ("USD")	36,958	44,890
Singapore dollar ("SGD")	(6,468)	(7,144)
Functional currency of the Bank		
JPY	(119,484)	(498,597)

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	Effect on profit/loss		Effect on equity	
GROUP	FX rate (+/-) %	Increase in FX rate 2014 RM'000	Decrease in FX rate 2014 RM'000	Increase in FX rate 2014 RM'000	Decrease in FX rate 2014 RM'000
USD	10	(3,416)	3,416	(3,416)	3,416
JPY	10	(11,948)	11,948	(11,948)	11,948
SGD	10	(485)	485	(485)	485
BANK					
JPY	10	(11,948)	11,948	(11,948)	11,948

	Strengthening/ weakening in	Effect on profit/loss		Effect on equity	
GROUP	FX rate (+/-) %	Increase in FX rate 2013 RM'000	Decrease in FX rate 2013 RM'000	Increase in FX rate 2013 RM'000	Decrease in FX rate 2013 RM'000
USD	10	(4,002)	4,002	(4,002)	4,002
JPY	10	(15,301)	15,301	(15,301)	15,301
SGD	10	(538)	538	(538)	538
BANK					
JPY	10	(15,301)	15,301	(15,301)	15,301

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

(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 balance sheet 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.

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

	GROUP			
	Impact on profit 2014 RM'000	Impact on profit 2013 RM'000	Impact on equity 2014 RM'000	Impact on equity 2013 RM'000
Interest/profit rate - parallel shift				
+ 50 basis points	19,585	3,420	57,404	144,798
- 50 basis points	(19,585)	(3,420)	(57,404)	(144,798)

	BANK			
	Impact on profit 2014 RM'000	Impact on profit 2013 RM'000	Impact on equity 2014 RM'000	Impact on equity 2013 RM'000
Interest/profit rate - parallel shift				
+ 50 basis points	19,585	3,420	57,404	144,798
- 50 basis points	(19,585)	(3,420)	(57,404)	(144,798)

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 2014	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 %
	<------ Non-trading book ------>							
Assets								
Cash and short term deposits	1,859,273	-	-	-	-	61,751	1,921,024	4.16
Deposits and placements with financial institutions	-	708,777	-	-	28	-	708,805	4.37
Financial investments - FVTPL	4,247	-	-	-	-	-	4,247	5.42
Financial investments - AFS	198,029	-	10,151	801,154	307,779	4,200	1,321,313	4.38
Financial investments - HTM	-	-	78,747	151,601	29,609	22	259,979	4.35
Loans, advances and financing								
- non-impaired	1,228,150	257,318	2,027,102	9,107,265	11,776,190	-	24,396,025	6.90
- impaired *	-	-	-	-	-	361,029	361,029	-
Other assets	-	-	-	-	-	225,491	225,491	-
Interest in associates	-	-	-	-	-	2,845	2,845	-
Interest in JVs	-	-	-	-	-	62,911	62,911	-
Property, plant and equipment	-	-	-	-	-	624,628	624,628	-
Prepaid land lease	-	-	-	-	-	1,174	1,174	-
Investment properties	-	-	-	-	-	5,447	5,447	-
Intangible assets	-	-	-	-	-	26,668	26,668	-
Deferred tax assets	-	-	-	-	-	5,235	5,235	-
Assets classified as held for sale	-	-	-	-	-	18,534	18,534	-
Total assets	3,289,699	966,095	2,116,000	10,060,020	12,113,606	1,399,935	29,945,355	

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

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

GROUP 2014 (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	1,580,590	2,398,052	1,688,137	-	-	-	5,666,779	3.87
Deposits and placements from financial institutions	200,428	100,082	-	-	-	-	300,510	3.39
Other liabilities	-	-	-	-	-	206,202	206,202	-
Redeemable notes	-	-	1,614,393	404,557	3,945,225	-	5,964,175	4.96
Term loans	449,631	74,630	4,925,630	2,000,105	2,154,194	-	9,604,190	4.45
Infrastructure support fund	-	-	-	-	-	367,322	367,322	-
Deferred income	-	-	-	-	-	243,977	243,977	-
Deferred tax liabilities	-	-	-	-	-	22,452	22,452	-
Total liabilities	2,230,649	2,572,764	8,228,160	2,404,662	6,099,419	839,953	22,375,607	
Shareholders' equity	-	-	-	-	-	7,522,307	7,522,307	
Non-controlling interest	-	-	-	-	-	47,441	47,441	
Total equity and liabilities	2,230,649	2,572,764	8,228,160	2,404,662	6,099,419	8,409,701	29,945,355	
On-balance sheet interest/profit sensitivity gap	1,059,050	(1,606,669)	(6,112,160)	7,655,358	6,014,187	(7,009,766)	-	
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-	
Total interest/profit sensitivity gap	1,059,050	(1,606,669)	(6,112,160)	7,655,358	6,014,187	(7,009,766)	-	

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

GROUP 2013	<---- 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	1,162,082	-	-	-	-	89,853	1,251,935	3.08
Deposits and placements with financial institutions	1,606	150,962	1,620	-	28	-	154,216	3.41
Financial investments - AFS	435,516	202,938	516,949	727	348,026	-	1,504,156	5.44
Financial investments - HTM	22	84,167	101,633	43,771	29,609	-	259,202	4.48
Loans, advances and financing								
- non-impaired	1,384,633	194,229	1,912,831	10,129,522	10,361,602	-	23,982,819	6.86
- impaired *	-	-	-	-	-	212,544	212,544	-
Other assets	-	-	-	-	-	290,650	290,650	-
Interest in associates	-	-	-	-	-	2,602	2,602	
Interest in JVs	-	-	-	-	-	76,473	76,473	-
Property, plant and equipment	-	-	-	-	-	1,253,505	1,253,505	-
Prepaid land lease	-	-	-	-	-	1,795	1,795	-
Investment properties	-	-	-	-	-	4,392	4,392	-
Intangible assets	-	-	-	-	-	200,360	200,360	-
Deferred tax assets	-	-	-	-	-	14,103	14,103	-
Assets classified as held for sale	-	-	-	-	-	18,462	18,462	-
Total assets	2,983,859	632,296	2,533,033	10,174,020	10,361,602	2,164,739	29,227,212	

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

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

GROUP 2013 (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	2,063,050	2,895,469	2,156,722	-	-	-	7,115,241	3.44
Deposits and placements from financial institutions	271,108	40,014	-	-	-	-	311,122	3.22
Other liabilities	-	-	-	-	-	185,394	185,394	-
Redeemable notes	-	-	-	2,119,570	905,778	-	3,025,348	5.39
Term loans	79,143	313,011	142,667	6,499,336	3,327,967	-	10,362,124	4.32
Infrastructure support fund	-	-	-	-	-	365,430	365,430	-
Deferred income	-	-	-	-	-	248,413	248,413	-
Deferred tax liabilities	-	-	-	-	-	31,438	31,438	-
Total liabilities	2,413,301	3,248,494	2,299,389	8,618,906	4,233,745	830,675	21,644,510	
Shareholders' equity	-	-	-	-	-	7,501,325	7,501,325	
Non-controlling interest	-	-	-	-	-	81,377	81,377	
Total equity and liabilities	2,413,301	3,248,494	2,299,389	8,618,906	4,233,745	8,413,377	29,227,212	
On-balance sheet interest/profit sensitivity gap	570,558	(2,616,198)	233,644	1,555,114	6,505,520	(6,248,638)	-	
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-	
Total interest/profit sensitivity gap	570,558	(2,616,198)	233,644	1,555,114	6,505,520	(6,248,638)	-	

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

BANK 2014	<---- 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	1,445,508	-	-	-	-	1,433	1,446,941	4.50
Deposits and placements with financial institutions	-	677,667	-	-	-	-	677,667	4.50
Financial investments - AFS	198,029	-	10,151	801,154	307,779	-	1,317,113	4.39
Financial investments - HTM	-	-	78,747	151,601	29,609	-	259,957	4.35
Loans, advances and financing								
- non-impaired	1,148,155	319,306	1,965,772	8,964,876	11,736,007	-	24,134,116	6.86
- impaired *	-	-	-	-	-	408,779	408,779	-
Other assets	-	-	-	-	-	162,331	162,331	-
Investment in subsidiaries	-	-	-	-	-	653,743	653,743	-
Property, plant and equipment	-	-	-	-	-	95,820	95,820	-
Prepaid land lease	-	-	-	-	-	1,174	1,174	-
Investment properties	-	-	-	-	-	1,939	1,939	-
Intangible assets	-	-	-	-	-	10,173	10,173	-
Total assets	2,791,692	996,973	2,054,670	9,917,631	12,073,395	1,335,392	29,169,753	

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

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

BANK 2014 (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	1,580,590	2,398,052	1,688,137	-	-	-	5,666,779	3.87
Deposits and placements from financial institutions	200,428	100,082	-	-	-	-	300,510	3.87
Other liabilities	-	-	-	-	-	47,768	47,768	-
Redeemable notes	-	-	1,614,393	404,557	3,945,225	-	5,964,175	4.96
Term loans	78,095	74,630	4,924,630	2,000,075	2,154,126	-	9,231,556	4.26
Infrastructure support fund						367,322	367,322	-
Deferred income	-	-	-	-	-	243,977	243,977	-
Deferred tax liabilities	-	-	-	-	-	12,538	12,538	-
Total liabilities	1,859,113	2,572,764	8,227,160	2,404,632	6,099,351	671,605	21,834,625	
Shareholders' equity	-	-	-	-	-	7,335,128	7,335,128	
Total equity and liabilities	1,859,113	2,572,764	8,227,160	2,404,632	6,099,351	8,006,733	29,169,753	
On-balance sheet interest/profit sensitivity gap	932,579	(1,575,791)	(6,172,490)	7,512,999	5,974,044	(6,671,341)	-	
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-	
Total interest/profit sensitivity gap	932,579	(1,575,791)	(6,172,490)	7,512,999	5,974,044	(6,671,341)	-	

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

BANK 2013	<------ 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	936,690	-	-	-	-	5,422	942,112	3.20
Deposits and placements with financial institutions	-	150,962	1,620	-	-	-	152,582	3.43
Financial investments - AFS	428,503	202,938	516,949	727	348,026	-	1,497,143	5.19
Financial investments - HTM	-	84,167	101,633	43,771	29,609	-	259,180	4.35
Loans, advances and financing								
- non-impaired	1,385,165	194,229	1,813,224	10,111,320	10,352,342	-	23,856,280	6.86
- impaired *	-	-	-	-	-	169,588	169,588	-
Other assets	-	-	-	-	-	188,058	188,058	-
Investment in subsidiaries	-	-	-	-	-	955,679	955,679	-
Property, plant and equipment	-	-	-	-	-	103,282	103,282	-
Prepaid land lease	-	-	-	-	-	1,795	1,795	-
Investment properties	-	-	-	-	-	772	772	-
Intangible assets	-	-	-	-	-	11,533	11,533	-
Deferred tax	-	-	-	-	-	-	-	-
Total assets	2,750,358	632,296	2,433,426	10,155,818	10,729,977	1,436,129	28,138,004	

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

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

BANK 2013 (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	2,063,050	2,895,469	2,156,722	-	-	-	7,115,241	3.44
Deposits and placements from financial institutions	271,108	40,014	-	-	-	-	311,122	3.22
Other liabilities	-	-	-	-	-	39,877	39,877	-
Redeemable notes	-	-	-	2,119,570	905,778	-	3,025,348	5.39
Term loans	79,143	275,341	74,630	6,499,336	2,654,127	-	9,582,577	4.43
Infrastructure support fund	-	-	-	-	-	365,430	365,430	-
Deferred income	-	-	-	-	-	248,413	248,413	-
Deferred tax liabilities	-	-	-	-	-	27,121	27,121	-
Total liabilities	2,413,301	3,210,824	2,231,352	8,618,906	3,559,905	680,841	20,715,129	
Shareholders' equity	-	-	-	-	-	7,422,875	7,422,875	
Total equity and liabilities	2,413,301	3,210,824	2,231,352	8,618,906	3,559,905	8,103,716	28,138,004	
On-balance sheet interest/profit sensitivity gap	337,057	(2,578,528)	202,074	1,536,912	7,170,072	(6,667,587)	-	
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-	
Total interest/profit sensitivity gap	337,057	(2,578,528)	202,074	1,536,912	7,170,072	(6,667,587)	-	

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.

(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 2014	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	1,859,273	-	-	-	-	61,751	1,921,024
Deposits and placements with financial institutions		708,777	-	-	28	-	708,805
Financial investments - FVTPL	4,247	-	-	-	-	-	4,247
Financial investments - AFS	198,029	-	10,000	795,727	329,069	4,200	1,337,025
Financial investments - HTM		-	78,000	155,000	29,609	22	262,631
Loans, advances and financing	1,228,150	257,318	2,027,102	9,107,265	11,776,190	361,029	24,757,054
Other assets	-	-	-	-	-	225,009	225,009
	3,289,699	966,095	2,115,102	10,057,992	12,134,896	652,011	29,215,795

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

GROUP 2014 (Cont'd)	<------ Non-trading book ------> Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	1,580,590	2,398,052	1,688,137	-	-	-	5,666,779
Deposits and placements from financial institutions	200,428	100,082	-	-	-	-	300,510
Other liabilities	-	-	-	-	-	206,202	206,202
Redeemable notes	-	-	1,614,393	404,557	3,945,225	-	5,964,175
Term loans	449,631	74,630	4,928,630	2,000,105	2,154,194	-	9,604,190
	2,230,649	2,572,764	8,228,160	2,404,662	6,099,419	206,202	21,741,856
Net maturity mismatches	1,058,050	(1,606,669)	(6,112,058)	7,653,330	6,035,477	445,809	7,473,939

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

	<------ Non-trading book					------>	
GROUP 2013	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	1,162,082	-	-	-	-	89,853	1,251,935
Deposits and placements with financial institutions	1,606	150,962	1,620	-	28	-	154,216
Financial investments - AFS	435,781	200,000	543,401	727	674,899	-	1,854,808
Financial investments - HTM	22	83,000	100,000	50,000	29,609	-	262,631
Loans, advances and financing	1,384,633	194,229	1,912,831	10,129,522	10,361,602	212,544	24,195,361
Other assets	-	-	-	-	-	288,506	288,506
	2,984,124	628,191	2,557,852	10,180,249	11,066,138	590,903	28,007,457
Liabilities							
Deposits from customers	2,053,036	2,905,483	2,156,722	-	-	-	7,115,241
Deposits and placements from financial institutions	281,122	30,000	-	-	-	-	311,122
Other liabilities	-	-	-	-	-	185,394	185,394
Redeemable notes	-	-	-	2,119,570	905,778	-	3,025,348
Term loans	79,143	313,011	142,667	6,499,336	3,327,967	-	10,362,124
	2,413,301	3,248,494	2,299,389	8,618,906	4,233,745	185,394	20,999,229
Net maturity mismatches	570,823	(2,620,303)	258,463	1,561,343	6,832,393	405,509	7,008,228

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 2014	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	1,445,508	-	-	-	-	1,433	1,446,941
Deposits and placements with financial institutions	-	677,667	-	-	-	-	677,667
Financial investments - AFS	198,029	-	10,000	795,727	329,069	-	1,332,825
Financial investments - HTM	-	-	78,000	155,000	29,609	-	262,609
Loans, advances and financing	1,148,155	319,306	1,965,772	8,964,876	11,736,007	408,779	24,542,895
Other assets	-	-	-	-	-	162,331	162,331
	2,791,692	996,973	2,053,772	9,915,603	12,094,685	572,543	28,425,268
Liabilities							
Deposits from customers	1,580,590	2,398,052	1,688,137	-	-	-	5,666,779
Deposits and placements from financial institutions	200,428	100,082	-	-	-	-	300,510
Other liabilities	-	-	-	-	-	47,768	47,768
Redeemable notes	-	-	1,614,393	404,557	3,945,225	-	5,964,175
Term loans	78,095	74,630	4,924,630	2,000,075	2,154,126	-	9,231,556
	1,859,113	2,572,764	8,227,160	2,404,632	6,099,351	47,768	21,210,788
Net maturity mismatches	932,579	(1,575,791)	(6,173,388)	7,510,971	5,995,334	524,775	7,214,480

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

BANK 2013	<------ 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	936,690	-	-	-	-	5,422	942,112
Deposits and placements with financial institutions	-	150,962	1,620	-	-	-	152,582
Financial investments - AFS	428,768	200,000	543,401	727	492,591	-	1,665,487
Financial investments - HTM	-	83,000	100,000	50,000	29,609	-	262,609
Loans, advances and financing	1,385,165	194,229	1,813,224	10,111,320	10,378,928	143,002	24,025,868
Other assets	-	-	-	-	-	188,058	188,058
	2,750,623	628,191	2,458,245	10,162,047	10,901,128	336,482	27,236,716
Liabilities							
Deposits from customers	2,063,050	2,895,469	2,156,722	-	-	-	7,115,241
Deposits and placements from financial institutions	281,122	30,000	-	-	-	-	311,122
Other liabilities	-	-	-	-	-	39,877	39,877
Redeemable notes	-	-	-	2,119,570	905,778	-	3,025,348
Term loans	79,143	275,341	74,630	6,499,336	2,654,127	-	9,582,577
	2,423,315	3,200,810	2,231,352	8,618,906	3,559,905	39,877	20,074,165
Net maturity mismatches	327,308	(2,572,619)	226,893	1,543,141	7,341,223	296,605	7,162,551

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

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 2014 and 31 December 2013. 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 2014	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	1,582,054	2,413,192	1,710,669	5,438	-	-	5,711,353
Deposits and placements from financial institutions	200,492	100,452	-	-	-	-	300,944
Other liabilities	-	-	-	-	-	206,202	206,202
Redeemable notes	-	59,307	1,606,424	1,330,994	5,070,363	-	8,067,088
Term loans	451,042	77,610	5,076,356	2,225,066	2,971,989	-	10,802,063
Total liabilities	2,233,588	2,650,561	8,393,449	3,561,498	8,042,352	206,202	25,087,650
2013							
Liabilities							
Deposits from customers	2,066,277	2,910,657	2,169,653	43,272	-	-	7,189,859
Deposits and placements from financial institutions	281,718	30,217	-	-	-	-	311,935
Other liabilities	-	-	-	-	-	185,394	185,394
Redeemable notes	-	32,880	55,212	2,998,448	2,193,815	-	5,280,355
Term loans	256,689	79,076	78,273	7,538,347	3,820,594	-	11,772,979
Total liabilities	2,604,684	3,052,830	2,303,138	10,580,067	6,014,409	185,394	24,740,522

46. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

BANK 2014	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
Liabilities							
Deposits from customers	1,582,054	2,413,192	1,710,669	5,438	-	-	5,711,353
Deposits and placements from financial institutions	200,492	100,452	-	-	-	-	300,944
Other liabilities	-	-	-	-	-	47,768	47,768
Redeemable notes	-	59,307	1,606,424	1,330,994	5,070,363	-	8,067,088
Term loans	78,095	77,604	5,056,068	2,224,957	2,971,989	-	10,408,713
Total liabilities	1,860,641	2,650,555	8,373,161	3,561,389	8,042,352	47,768	24,535,866
2013							
Liabilities							
Deposits from customers	2,066,277	2,910,657	2,169,653	43,272	-	-	7,189,859
Deposits and placements from financial institutions	281,718	30,217	-	-	-	-	311,935
Other liabilities	-	-	-	-	-	39,877	39,877
Redeemable notes	-	32,880	55,212	2,998,448	2,193,815	-	5,280,355
Term loans	79,143	79,076	78,273	7,042,884	3,677,128	-	10,956,504
Total liabilities	2,427,138	3,052,830	2,303,138	10,084,604	5,870,943	39,877	23,778,530

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 sukuks 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.

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.

	2014				2013			
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 assets at fair value through profit and loss	4,247	-	-	4,247	-	-	-	-
Financial investments - AFS	426,673	894,640	-	1,321,313	734,574	769,582	-	1,504,156
Total financial assets	430,920	894,640	-	1,325,560	734,574	769,582	-	1,504,156
Total financial assets carried at fair value				1,325,560				1,504,156
Assets for which fair values are disclosed (Note 47 (b)):								
Loans, advances and financing	-	-	24,757,054	24,757,054	-	223,560	23,788,580	24,012,140
Financial investments - HTM	-	259,979	-	259,979	-	258,196	-	258,196
Investment properties	-	13,320	-	13,330	-	7,295	-	7,295
Liabilities for which fair values are disclosed (Note 47 (b)):								
Redeemable notes	-	-	5,382,097	5,382,097	-	-	3,165,142	3,165,142
Term loans	-	-	8,971,570	8,971,570	-	-	9,585,656	9,585,656

There have been no transfer between Level 1 and Level 2 during the financial year and no movement in Level 3. The fair value of loans, financing and advances that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2% to 13.01% (2013: 2.0% to 13.01%) whilst the fair value of redeemable notes and term loans that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 3.64% to 7.20% (2013: 3.64% to 7.20%).

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).

	2014				2013			
BANK	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	422,473	894,640	-	1,317,113	727,664	769,479	-	1,497,143
Total financial assets	422,473	894,640	-	1,317,113	727,664	769,479	-	1,497,143
Total financial assets carried at fair value				1,317,113				1,497,143
Assets for which fair values are disclosed (Note 47 (b)):								
Loans, advances and financing	-	-	24,374,419	24,374,419	-	-	24,012,140	24,012,140
Financial investments - HTM	-	295,901	-	295,901	-	258,196	-	258,196
Investment properties	-	5,850	-	5,850	-	7,295	-	7,295
Liabilities for which fair values are disclosed (Note 47 (b)):								
Redeemable notes	-	-	5,382,097	5,382,097	-	-	3,165,142	3,165,142
Term loans	-	-	8,618,973	8,618,973	-	-	9,585,656	9,585,656

There have been no transfer between Level 1 and Level 2 during the financial year and no movement in Level 3. The fair value of loans, financing and advances that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.0% to 13.01% (2013: 2.0% to 13.01%) whilst the fair value of redeemable notes and term loans that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 3.64% to 7.20% (2013: 3.64% to 7.20%).

47. FAIR VALUES MEASUREMENTS (CONT'D)

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

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

	GROUP		BANK	
2014	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Loans, advances and financing	24,757,054	24,656,104	24,542,895	24,374,419
Financial investments - HTM	259,957	295,901	259,957	295,901
Investment properties	5,447	13,320	1,939	5,850
Financial liabilities				
Redeemable notes	5,964,175	5,382,097	5,964,175	5,382,097
Term loans	9,604,190	8,971,570	9,231,556	8,618,973
2013				
Financial assets				
Loans, advances and financing	24,195,361	24,012,140	24,025,868	23,788,580
Financial investments - HTM	259,202	258,196	259,180	258,196
Investment properties	4,392	7,295	772	7,174
Financial liabilities				
Redeemable notes	3,025,348	3,165,142	3,025,348	3,165,142
Term loans	10,362,124	9,585,656	9,582,577	8,769,180

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

(i) Financial investments HTM

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

(ii) Loans, advances and financing

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

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

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

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

(iv) Recourse obligation on loans and financing sold to Cagamas

The fair values of recourse obligation on housing and hire purchase loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at reporting date.

(v) Subordinated obligations and borrowings

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

(vi) Investment properties

The fair values of investment properties are estimated based on comparison with indicative market value stated in the Property Market Report 2013 (2013: Property Market Report 2012).

48. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2014 and results for the financial year ended on this date under the Islamic banking business of the Group and of the Bank included in the Group financial statements are summarised as follows:

Statements of Financial Position
As at 31 December 2014

		GROUP		
	Note	31 December 2014 RM'000	31 December 2013 RM'000	1 January 2013 RM'000
Assets				
Cash and short term deposits	(a)	536,925	306,717	331,042
Deposits and placements with financial institutions	(b)	677,667	3,065	1,399
Financial investments - AFS		-	-	38,457
Advances and financing	(c)	6,206,433	5,540,300	3,989,748
Other assets	(d)	28,851	11,373	2,106
Total assets		7,449,876	5,861,455	4,362,752

48. ISLAMIC BANKING BUSINESS (CONT'D)

Statements of Financial Position
As at 31 December 2014 (Cont'd)

	Note	GROUP 31 December 2014 RM'000	31 December 2013 RM'000	1 January 2013 RM'000
Liabilities				
Other liabilities	(e)	138,290	2,758,394	1,865,268
Deposits from customers Mudharabah		-	281,397	595,394
Non-Mudharabah		2,790,573	1,111,264	-
Deposits and placements from financial institutions Mudharabah		-	170,861	30,070
Long term advances	(f)	4,125	4,125	4,125
Redeemable notes		3,445,788	404,117	908,111
Deferred income		243,977	248,413	251,430
Islamic banking funds		827,123	882,884	708,354
Total liabilities and Islamic banking funds		7,449,876	5,861,455	4,362,752
Commitments and contingencies	(o)	4,112,884	2,122,067	2,201,660

Statements of Financial Position
As at 31 December 2014

	Note	BANK 2014 RM'000	2013 RM'000
Assets			
Cash and short term deposits	(a)	514,466	274,540
Deposits and placements with financial institutions	(b)	677,667	3,065
Financial investments - AFS		-	-
Advances and financing	(c)	6,149,384	5,515,908
Other assets	(d)	5,470	503
Total assets		7,346,987	5,794,016
Liabilities			
Other liabilities	(e)	95,307	2,728,886
Deposits from customers Mudharabah		-	281,397
Non-Mudharabah		2,790,573	1,111,264
Deposits and placements from financial institutions Mudharabah		-	170,861
Long term advances	(f)	4,125	4,125
Redeemable notes		3,445,788	404,117
Deferred income		243,977	248,413
Islamic banking funds		767,217	844,953
Total liabilities and Islamic banking funds		7,346,987	5,794,016
Commitments and contingencies	(o)	4,112,884	2,122,067

48. ISLAMIC BANKING BUSINESS (CONT'D)

Income Statements

For the Financial Year Ended 31 December 2014

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	BANK 2014 RM'000	BANK 2013 RM'000
Income derived from investment of depositors' funds	(g)	137,168	73,206	137,168	73,206
Income derived from investment of shareholders' funds	(h)	279,539	260,820	275,330	258,651
Allowance for losses on advances and financing	(i)	(287,362)	(62,984)	(305,226)	(68,253)
Impairment on other assets	(j)	-	(7,000)	-	(7,000)
Profit equalisation reserve		(2,130)	-	(2,130)	-
Total distributable income		127,215	264,042	105,142	256,604
Income attributable to the depositors	(k)	(87,930)	(41,295)	(87,930)	(41,295)
Total net income		39,285	222,747	17,212	215,309
Overhead expenses	(l)	(17,797)	(13,384)	(17,699)	(13,268)
Finance cost	(m)	(64,471)	(27,906)	(64,471)	(27,906)
(Loss)/profit before zakat		(42,983)	181,457	(64,958)	174,135
Zakat	(n)	(12,778)	(6,803)	(12,778)	(6,803)
(Loss)/profit for the financial year		(55,761)	174,654	(77,736)	167,332

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2014

	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	BANK 2014 RM'000	BANK 2013 RM'000
(Loss)/profit for the financial year	(55,761)	174,654	(77,736)	167,332
Other comprehensive income				
Net loss on revaluation of financial investments - AFS	-	(124)	-	(124)
Other comprehensive loss for the financial year, net of tax	-	(124)	-	(124)
Total comprehensive (loss)/income for the financial year, net of zakat	(55,761)	174,530	(77,736)	167,208

48. ISLAMIC BANKING BUSINESS (CONT'D)

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2014 (Cont'd)

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Total comprehensive (loss)/income attributable to:				
Shareholders of the Bank	(55,761)	174,530	(77,736)	167,208
Non-controlling interests	-	-	-	-
	(55,761)	174,530	(77,736)	167,208
Net income from Islamic banking business:				
Income derived from investment of depositors' funds	137,168	73,206	137,168	73,206
Income derived from investment of shareholders' funds	279,539	260,820	275,330	258,651
Income attributable to the depositors	(87,930)	(41,295)	(87,930)	(41,295)
Finance cost	(64,471)	(27,906)	(64,471)	(27,906)
PER	(2,130)	-	(2,130)	-
Net income from Islamic banking business reported in the income statement of the Bank	262,176	264,825	257,967	262,656

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2014

	Capital funds RM'000	Unrealised holding reserve RM'000	Profit equalisation reserve RM'000	Retained profits RM'000	Total RM'000
GROUP					
At 1 January 2014	587,626	-	4,970	273,998	866,594
Prior period adjustments	14,774	-	-	1,516	16,290
At 1 January 2014, restated	602,400	-	4,970	275,514	882,884
Total comprehensive income for the financial year	-	-	-	(55,761)	(55,761)
Provision for the period	-	-	5,479	(5,479)	-
Transfer to retained profits	-	-	(10,449)	10,449	-
At 31 December 2014	602,400	-	-	224,723	827,123
At 1 January 2013	587,626	124	4,970	100,169	692,889
Prior period adjustments	14,774	-	-	691	15,465

48. ISLAMIC BANKING BUSINESS (CONT'D)

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2014 (Cont'd)

	Capital funds RM'000	Unrealised holding reserve RM'000	Profit equalisation reserve RM'000	Retained profits RM'000	Total RM'000
GROUP (CONT'D)					
At 1 January 2013, restated	602,400	124	4,970	100,860	708,354
Total comprehensive (loss)/income for the financial year	-	(124)	-	174,654	174,530
At 31 December 2013	602,400	-	4,970	275,514	882,884

Statement of Changes in Equity

For the Financial Year Ended 31 December 2014

	Capital funds RM'000	Unrealised holding reserve RM'000	Profit equalisation reserve RM'000	Retained profits RM'000	Total RM'000
BANK					
At 1 January 2014	597,400	-	4,970	242,583	844,953
Total comprehensive income for the financial year	-	-	-	(77,736)	(47,736)
Provision for the period	-	-	5,479	(5,479)	-
Transfer to retained profits	-	-	(10,449)	10,449	-
At 31 December 2014	597,400	-	-	169,817	767,217
At 1 January 2013	597,400	124	4,970	75,251	677,745
Total comprehensive (loss)/income for the financial year	-	(124)	-	167,332	167,208
At 31 December 2013	597,400	-	4,970	242,583	844,953

48. ISLAMIC BANKING BUSINESS (CONT'D)

Statements of Cash Flows for the Financial Year Ended 31 December 2014

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Cash flows from operating activities				
(Loss)/profit before zakat	(42,983)	181,457	(64,958)	174,135
Adjustments for:				
Individual assessment allowance	229,917	55,758	226,623	55,218
Transferred from collective assessment allowance	26,612	11,309	26,612	11,309
Transferred from individual assessment allowance	18,985	743	18,985	743
Collective assessment allowance additional	107,588	34,553	107,588	34,553
Individual assessment allowance written back	(125,170)	(25,488)	(116,925)	(21,978)
Transferred to individual assessment allowance	(26,612)	(11,309)	(26,612)	(11,309)
Transferred to collective assessment allowance	(18,985)	(743)	(18,985)	(743)
Amortisation of premium	-	165	-	165
Bad debts and financing recovered	(13,050)	(2,359)	(137)	(60)
Bad debts written off	88,077	520	88,077	520
PER	(2,030)	-	(2,030)	-
Zakat	(12,778)	(6,803)	(12,778)	(6,803)
Compensation from the Government	(14,429)	(7,525)	(14,429)	(7,525)
Operating profit before working capital changes	215,142	230,278	211,031	228,225
(Increase)/decrease in operating assets:				
Other assets	(17,478)	27,192	(4,967)	38,062
Advances and financing	(943,502)	(1,631,616)	(928,709)	(1,612,492)
Deposits and placements with financial institutions	(674,602)	(1,666)	(674,602)	(1,666)
	(1,635,582)	(1,606,090)	(1,608,278)	(1,576,096)
(Decrease)/Increase in operating liabilities:				
Other liabilities	(2,569,673)	438,817	(2,583,148)	398,797
Deposits from customers	1,397,912	797,267	1,397,912	797,267
Deposits and placements from financial institutions	(170,861)	140,791	(170,861)	140,791
	(1,342,622)	1,376,875	(1,356,097)	1,336,855
Cash (used in)/generated from operations activities	(2,763,062)	1,063	(2,753,344)	(11,016)
Zakat paid	(6,730)	(3,059)	(6,730)	(3,059)
Net cash used in from operations activities	(2,769,792)	(1,996)	(2,760,074)	(14,075)
Cash flows from financing activities				
Receipt from issuance of bond	3,000,000	-	3,000,000	-
Net cash used in financing activities	3,000,000	-	3,000,000	-
Cash and cash equivalents (Note A)				
Net increase/(decrease) in cash and cash equivalents	230,208	(1,996)	239,926	(14,075)
Cash and cash equivalents at beginning of year	306,717	308,713	274,540	288,615
Cash and cash equivalents at end of year	536,925	306,717	514,466	274,540

48. ISLAMIC BANKING BUSINESS (CONT'D)

(A) Cash and cash equivalents

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

	GROUP		
	31 December 2014 RM'000	31 December 2013 RM'000 Restated	1 January 2013 RM'000 Restated
Cash and short term deposits	536,925	306,717	331,042
	536,925	306,717	331,042

	BANK	
	2014 RM'000	2013 RM'000
Cash and short term deposits	514,466	274,540

(a) Cash and short term deposits

	GROUP		
	31 December 2014 RM'000	31 December 2013 RM'000 Restated	1 January 2013 RM'000 Restated
Cash and bank balances with financial institutions	23,004	18,648	22,821
Money at call and deposit placements maturing within one month	513,921	288,069	308,221
	536,925	306,717	331,042

	BANK	
	2014 RM'000	2013 RM'000
Cash and bank balances with financial institutions	545	2,971
Money at call and deposit placements maturing within one month	513,921	271,569
	514,466	274,540

48. ISLAMIC BANKING BUSINESS (CONT'D)

(b) Deposits and placements with financial institutions

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Licensed banks	677,667	3,065

(c) Advances and financing

	GROUP		
	31 December 2014 RM'000	31 December 2013 RM'000 Restated	1 January 2013 RM'000 Restated
Bai' Bithaman Ajil	404,977	491,606	569,225
Bai' 'Inah	170,084	171,591	146,649
Bai' Murabahah	55,773	49,100	37,418
Bai' Istisna'	9,457,620	8,948,309	7,186,239
Ijarah	410,063	233,009	52,029
Ijarah Muntahia Bitamlik	182,696	407,543	381,447
Ijarah Thummal Bai'	505	545	549
Tawarruq	1,147,530	29,261	-
Staff financing	18,749	22,309	24,695
Unearned income	(4,807,284)	(4,191,028)	(3,817,316)
Gross advances and financing	7,040,713	6,162,245	4,580,935
Allowance for impairment on advances and financing:			
IAA	(577,648)	(465,274)	(458,504)
CAA	(256,632)	(156,671)	(132,683)
	(834,280)	(621,945)	(591,187)
Net advances and financing	6,206,433	5,540,300	3,989,748

48. ISLAMIC BANKING BUSINESS (CONT'D)

(c) Advances and financing (cont'd)

	BANK 2014 RM'000	BANK 2013 RM'000
Bai' Bithaman Ajil	391,366	471,982
Bai' 'Inah	170,084	171,591
Bai' Murabahah	55,773	49,100
Bai' Istisna'	9,457,620	8,948,309
Ijarah	367,437	205,116
Ijarah Muntahia Bitamlik	182,696	407,543
Ijarah Thummal Bai'	-	-
Tawarruq	1,128,523	29,261
Staff financing	18,749	22,309
Unearned income	(4,806,261)	(4,189,986)
Gross advances and financing	6,965,987	6,115,225
Allowance for impairment on advances and financing:		
IAA	(560,591)	(443,266)
CAA	(256,012)	(156,051)
	(816,603)	(599,317)
Net advances and financing	6,149,384	5,515,908

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

	GROUP 31 December 2014 RM'000	GROUP 31 December 2013 RM'000 Restated	BANK 2014 RM'000	BANK 2013 RM'000
Domestic business enterprises	7,018,545	6,151,703	6,956,693	6,104,683
Individual	22,168	10,542	9,294	10,542
	7,040,713	6,162,245	6,965,987	6,115,225

48. ISLAMIC BANKING BUSINESS (CONT'D)

(c) Advances and financing (cont'd)

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

	GROUP		BANK	
	31 December 2014 RM'000	31 December 2013 RM'000 Restated	2014 RM'000	2013 RM'000
Fixed rate:				
Housing financing	22,168	10,542	9,294	10,542
Other fixed rate financing	4,666,436	3,049,163	4,604,584	3,002,144
Variable rate:				
Cost plus	817,047	817,459	817,047	817,459
Other variable rates	1,535,062	2,285,081	1,535,062	2,285,080
	7,040,713	6,162,245	6,965,987	6,115,225

(iii) Included in the financing i.e Bai Istina' is financing to a subsidiary, Syarikat Borcos Shipping Sdn Bhd at profit rate of 4.10% (2013: 4.10%) per annum.

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

	GROUP		BANK	
	31 December 2014 RM'000	31 December 2013 RM'000 Restated	2014 RM'000	2013 RM'000
Agriculture, hunting & forestry	5,037	5,041	-	-
Construction	3,510,537	3,654,569	3,507,547	3,651,347
Education	905,462	486,611	905,462	486,611
Electricity, gas and water supply	257,059	236,915	257,059	236,915
Finance, takaful and business	11,369	3,868	-	-
Hotel and restaurants	110,318	74,912	110,318	74,907
Housing	12,995	15,403	9,294	10,542
Manufacturing	204,874	129,312	199,589	126,563
Marine Related	298,411	156,799	298,411	156,799
Materials technology	110,552	109,062	110,552	109,062
Other community, social and personal service activities	7,984	5,896	-	-
Public administration and defence	50,868	56,097	50,868	56,097
Real estate, renting and business activities	1,570	2,376	-	-
Shipping	1,016,548	1,055,222	1,016,548	1,055,222
Transport, storage and communication	537,129	170,162	500,339	151,160
	7,040,713	6,162,245	6,965,987	6,115,225

48. ISLAMIC BANKING BUSINESS (CONT'D)

(c) Advances and financing (cont'd)

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

	GROUP		BANK	
	31 December 2014 RM'000	31 December 2013 RM'000 Restated	2014 RM'000	2013 RM'000
Receivable after 12 months	6,167,874	5,186,516	6,116,303	5,156,008
Receivable within 12 months	872,839	975,729	849,684	959,217
	7,040,713	6,162,245	6,965,987	6,115,225

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	651,766	707,599	580,696	633,888
Impaired during the financial year	73,562	92,290	73,562	92,290
Reclassified as non-impaired	-	(66,648)	-	(66,648)
Recovered during the financial year	(69,201)	(46,674)	(22,066)	(44,749)
Amount written off	(87,763)	(34,801)	(87,763)	(34,085)
At 31 December	568,364	651,766	544,429	580,696
Ratio of gross impaired financing	8.07%	10.58%	7.82%	9.50%

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Construction	80,596	51,698	78,466	26,586
Education	56,556	56,518	56,556	56,518
Electricity, gas and water supply	3,609	19,979	3,609	19,979
Finance, takaful and business	151	3,910	-	-
Housing	2,722	7,754	-	-
Manufacturing	22,076	70,591	16,389	59,876
Materials technology	110,552	109,062	110,552	109,062
Other community, social and personal service activities	4,814	12,501	-	-
Real estate, renting and business activities	1,570	10,076	-	-
Shipping	285,718	308,675	278,857	308,675
Transport, storage and communication	-	1,002	-	-
	568,364	651,766	544,429	580,696

48. ISLAMIC BANKING BUSINESS (CONT'D)

(c) Advances and financing (cont'd)

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

	GROUP		BANK	
Individual assessment allowance	31 December 2014 RM'000	31 December 2013 RM'000 Restated	2014 RM'000	2013 RM'000
At 1 January	465,274	458,505	443,266	433,527
Allowance made during the financial year	229,917	55,758	226,623	55,218
Amount written back	(125,170)	(25,488)	(116,925)	(21,978)
Amount transferred from CAA	26,612	11,309	26,612	11,309
Amount transferred to CAA	(18,985)	(743)	(18,985)	(743)
Amount written off	-	(34,067)	-	(34,067)
At 31 December	577,648	465,274	560,591	443,266
Collective assessment allowance				
At 1 January	156,671	132,684	156,051	132,064
Allowance made during the financial year	107,588	34,553	107,588	34,553
Amount transferred to IAA	(26,612)	(11,309)	(26,612)	(11,309)
Amount transferred from IAA	18,985	743	18,985	743
Closing balance	256,632	156,671	256,012	156,051

(d) Other assets

	GROUP		
	31 December 2014 RM'000	31 December 2013 RM'000 Restated	1 January 2013 RM'000 Restated
Other receivables	28,851	11,373	2,106

	BANK	
	2014 RM'000	2013 RM'000
Other receivables	5,470	503

48. ISLAMIC BANKING BUSINESS (CONT'D)

(e) Other liabilities

	GROUP		
	31 December 2014 RM'000	31 December 2013 RM'000 Restated	1 January 2013 RM'000 Restated
Bank overdraft	-	-	112
Other payables	9,774	5,167	6,992
Zakat payables	12,868	6,821	3,070
PER	-	2,030	2,030
Inter divisions	115,648	2,744,376	1,853,064
	138,290	2,758,394	1,865,268

	BANK	
	2014 RM'000	2013 RM'000
Other payables	8,232	4,295
Zakat payables	12,868	6,821
PER	-	2,030
Inter divisions	74,207	2,715,740
	95,307	2,728,886

(f) Long term advances

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Other financing:		
Unsecured - Principal	4,125	4,125

(g) Income derived from investment of depositors' funds

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Finance Income				
Advances and financing	131,800	71,467	131,800	71,467
Other income:				
Fee income	5,368	1,739	5,368	1,739
	137,168	73,206	137,168	73,206

48. ISLAMIC BANKING BUSINESS (CONT'D)

(h) Income derived from investment of shareholders' funds

	GROUP		BANK	
Finance Income	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
Advances and financing	232,714	241,725	229,046	240,254
Compensation from the Government	14,429	7,525	14,429	7,525
Deposits and placements with financial institution	22,755	5,570	22,389	5,026
Financial investments - AFS	-	610	-	610
	269,898	255,430	265,864	253,415
Amortisation of premium	-	(165)	-	(165)
	269,898	255,265	265,864	253,250
Other income:				
Fee income	9,641	5,555	9,466	5,401
	279,539	260,820	275,330	258,651
Of which:				
Profit income earned on impaired advances and financing	6,344	13,473	6,344	13,473

(i) Advances and financing loss and allowance

	GROUP		BANK	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000
IAA:				
Made during the financial year	229,917	55,758	226,623	55,218
Written back	(125,170)	(25,488)	(116,925)	(21,978)
Transferred from CAA	26,612	11,309	26,612	11,309
Transferred to CAA	(18,985)	(743)	(18,985)	(743)
CAA:				
Made during the financial year	107,588	34,553	107,588	34,553
Transferred to IAA	(26,612)	(11,309)	(26,612)	(11,309)
Transferred from IAA	18,985	743	18,985	743
Bad debts and financing written off	88,077	520	88,077	520
Bad debts recovered	(13,050)	(2,359)	(137)	(60)
	287,362	62,984	305,226	68,253

(j) Impairment on other assets

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial investments - AFS	-	7,000	-	7,000

48. ISLAMIC BANKING BUSINESS (CONT'D)

(k) Income attributable to the depositors

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposit from customers:				
Mudharabah	1,548	34,224	1,548	34,224
Non-Mudharabah	85,979	4,176	85,979	4,176
Deposits and placements from financial institutions:				
Mudharabah	368	2,895	368	2,895
Non-Mudharabah	35	-	35	-
	87,930	41,295	87,930	41,295

(l) Overhead expenses

	Note	GROUP		BANK	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Personnel costs	(i)	11,712	9,080	11,712	9,080
General administrative expenses	(ii)	6,085	4,304	5,987	4,188
		17,797	13,384	17,699	13,268
(i) Personnel costs					
Salaries, allowances and bonuses		9,390	7,316	9,390	7,316
Social security cost		52	41	52	41
Pension costs - Defined contribution plan		1,162	880	1,162	880
Other staff related expenses		1,108	843	1,108	843
		11,712	9,080	11,712	9,080
(ii) General administrative expenses					
General administrative expenses		6,085	4,304	5,987	4,188

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

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Shariah committee's remuneration	183	192	183	192

48. ISLAMIC BANKING BUSINESS (CONT'D)

(m) Finance cost

	GROUP		BANK	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Redeemable notes	64,471	27,906	64,471	27,906

(n) Zakat

Zakat	12,778	6,803	12,778	6,803

(o) Commitments and contingencies

	GROUP AND BANK	
	2014 RM'000	2013 RM'000
Contingencies as at the financial year end constitute the following:		
Secured guarantees on behalf of borrowers given to:		
Subsidiary	159,220	155,000
Third parties	1,677,470	117,616
Disbursement of advances and financing to industries	2,276,194	1,849,451
	4,112,884	2,122,067

(p) Prior period adjustments

Details of prior period adjustments are as follows:

Islamic Banking Business

The adjustment relates to the inclusion of the financial position and the financial performance and cash flows of the Islamic Banking Business of a subsidiary, Pembangunan Leasing Corporations Sdn Bhd to the Group Islamic Banking Business.

The effect of prior period adjustment to the Group Islamic Banking Business are as follows:

	As at 1 January 2013		
GROUP	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Statement of financial position			
Asset			
Cash and short term deposits	308,825	22,217	331,042
Advances and financing	4,555,499	25,436	4,580,935
IAA	(456,152)	(2,352)	(458,504)
CAA	(132,064)	(619)	(132,683)
Other assets	273	1,833	2,106
	4,276,381	46,515	4,322,896

48. ISLAMIC BANKING BUSINESS (CONT'D)

(p) Prior period adjustments (cont'd)

The effect of prior period adjustment to the Group Islamic Banking Business are as follows (cont'd):

	As at 1 January 2013		
GROUP	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Statement of financial position (cont'd)			
Liabilities			
Other liabilities	1,834,218	31,050	1,865,268
Equity			
Islamic banking fund	692,889	15,465	708,354
	2,527,107	46,515	2,573,622
Income Statement			
Income derived from investment of shareholders' funds	208,963	2,503	211,466
Allowance for impairment of loans, advances and financing	(161,408)	7,389	(154,019)

	As at 31 December 2013		
Statement of financial position			
Asset			
Cash and short term deposits	297,136	9,581	306,717
Advances and financing*	6,134,483	27,762	6,162,245
IAA	(462,524)	(2,750)	(465,274)
CAA	(156,051)	(620)	(156,671)
Other assets	503	10,870	11,373
	5,813,547	44,843	5,858,390
Liabilities			
Other liabilities	2,729,841	28,553	2,758,394
Equity			
Islamic banking fund	866,594	16,290	882,884
	3,596,435	44,843	3,641,278
Income Statement			
Income derived from investment of shareholders' funds	259,597	1,223	260,820
Allowance for impairment of loans, advances and financing	(62,587)	(397)	(62,984)

49. Government Funds

The Bank receives government funds as part of its mandate as a development bank 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, which is in line with efforts initiated by the Government.

The fund was allocated for the purpose of financing the cost of new/existing projects and acquisition of land related to tourism industry.

The sources of the fund principally from Government in the form of share capital and borrowings.

The Bank act as a financier that bears the credit risk and recognise its credit losses in the financial statements.

(b) Maritime Fund

The objective of the maritime fund is to provide financial assistance to existing and new companies to stimulate growth in shipping, shipyard, marine and oil & gas related activities and services.

The purpose of the fund are as follows:-

(i) To finance the acquisition of all type of brand new/second hand vessels;

(ii) To finance the acquisition of land for construction of shipyard infrastructure and its related machinery and equipment;

(iii) To finance the acquisition of land and construction of building, plant and machinery of port, bonded warehouse, port yard and haulage of maritime activities;

(iv) To finance oil and gas related activities and services; and

(v) To part finance working capital requirements.

The source of the fund principally from borrowings.

The Bank act as a financier that bears the credit risk and recognise its credit losses in the financial statements.

(c) Public Transport Fund

The objective of the public transport fund is to spur the growth in the public transportation industry and improve the quality of the nation's public transportation services.

The purpose of the fund is to finance the acquisition of brand new rails, buses and taxies to companies which involved in this industry.

The source of the fund principally from borrowings.

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

GROUP	2014 Tourism fund RM'000	2014 Maritime fund RM'000	2014 Public Transport fund RM'000	2014 Total RM'000	2013 Tourism fund RM'000	2013 Maritime fund RM'000	2013 Public Transport fund RM'000	2013 Total RM'000
Allocation received								
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Borrowings	4,200,000	4,494,258	505,742	9,200,000	2,200,000	4,494,258	505,742	7,200,000
	4,400,000	4,494,258	505,742	9,400,000	2,400,000	4,494,258	505,742	7,400,000
Net approval	(2,109,150)	(2,562,811)	(338,648)	(5,010,609)	(2,094,150)	(2,326,391)	(285,026)	(4,705,567)
Fund available	2,290,850	1,931,447	167,094	4,389,391	305,850	2,167,867	220,716	2,694,433
Loans, advances and financing:								
Disbursement	1,575,085	2,505,547	264,081	4,344,713	1,133,586	2,014,252	222,146	3,369,984
Repayment	(470,894)	(750,959)	(116,774)	(1,338,627)	(375,882)	(519,205)	(122,683)	(1,017,770)
Outstanding	1,104,191	1,754,588	147,307	3,006,086	757,704	1,495,047	99,463	2,352,214
Number of beneficiaries	58	44	91	193	56	40	71	167

49. GOVERNMENT FUNDS (CONT'D)

49.1 Performance of the fund (cont'd)

	2014				2013			
BANK	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
Allocation received								
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Borrowings	4,200,000	4,494,258	5,742	8,700,000	2,200,000	4,494,258	5,742	6,700,000
	4,400,000	4,494,258	5,742	8,900,000	2,400,000	4,494,258	5,742	6,900,000
Net approval	(2,109,150)	(2,562,811)	(5,742)	(4,677,703)	(2,094,150)	(2,326,391)	(5,742)	(4,426,283)
Fund available	2,290,850	1,931,447	-	4,222,297	305,850	2,167,867	-	2,473,717
Loans, advances and financing:								
Disbursement	1,575,085	2,505,547	3,593	4,084,225	1,133,586	2,014,252	5,741	3,153,579
Repayment	(470,894)	(750,959)	(1,591)	(1,223,444)	(375,882)	(519,205)	(1,435)	(896,522)
Outstanding	1,104,191	1,754,588	2,002	2,860,781	757,704	1,495,047	4,306	2,257,057
Number of beneficiaries	58	44	1	103	56	40	1	97

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