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

**Directors' Report and Audited Financial Statements**  
**31 December 2014**

**Bank Pembangunan Malaysia Berhad  
(Incorporated in Malaysia)**

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**Bank Pembangunan Malaysia Berhad**  
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**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 RM'000	Bank RM'000
Profit for the financial year	<u>124,703</u>	<u>93,486</u>
Attributable to:		
Equity holders of the Bank	146,174	93,486
Non-controlling interests	<u>(21,471)</u>	<u>-</u>
	<u>124,703</u>	<u>93,486</u>

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.

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**Dividends (cont'd.)**

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. Hj. 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.

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**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.

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**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.

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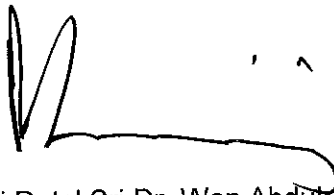
**Significant Events**

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

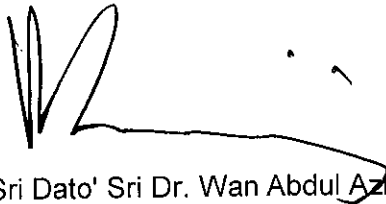
**Bank Pembangunan Malaysia Berhad  
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**Statement by Directors**

**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 13 to 215 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



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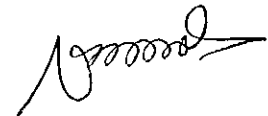
**Bank Pembangunan Malaysia Berhad  
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**Statutory Declaration**

**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 13 to 215 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.

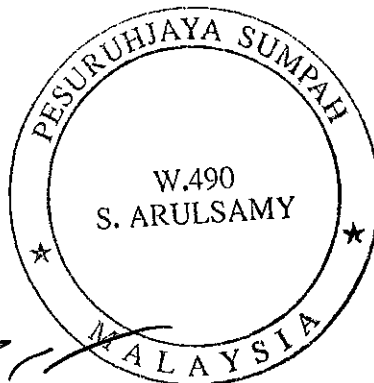


Rosli bin Abdullah



Afidah binti Mohd Ghazali

Before me,



16 - Tingkat Bawah Jalan Pudu.  
55100 Kuala Lumpur.

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**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 13 to 215.

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 financial year as reported by Compliance Department of the Bank.

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**Shariah Committee's Report (cont'd.)**

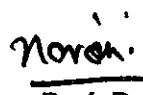
We are of the opinion in the best of our knowledge that:

- (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) Hj Harussani bin Hj Zakaria  
Chairman of the Committee

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

Kuala Lumpur, Malaysia

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**Independent auditors' report to the members of  
Bank Pembangunan Malaysia Berhad  
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**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 13 to 215.

*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.

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



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Independent auditors' report to the members of  
Bank Pembangunan Malaysia Berhad (cont'd)  
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Other matters

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
29 May 2015

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

**Bank Pembangunan Malaysia Berhad**  
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**Consolidated Statement of Financial Position**  
**As at 31 December 2014**

	Note	Group		1 January 2013
		31 December 2014	31 December 2013	
		RM'000	RM'000 Restated	RM'000 Restated
<b>Assets</b>				
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
		<u>29,926,821</u>	<u>29,208,750</u>	<u>27,286,825</u>
Assets classified as held for sale	43	18,534	18,462	175,490
<b>Total assets</b>		<u>29,945,355</u>	<u>29,227,212</u>	<u>27,462,315</u>
<b>Liabilities</b>				
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
<b>Total liabilities</b>		<u>22,375,607</u>	<u>21,644,510</u>	<u>20,187,357</u>

**Bank Pembangunan Malaysia Berhad**  
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**Consolidated Statement of Financial Position**  
**As at 31 December 2014 (cont'd.)**

		31 December	Group 31 December	1 January
		2014	2013	2013
	Note	RM'000	RM'000	RM'000
			Restated	Restated
<b>Equity attributable to equity holders of the Bank</b>				
Share capital	25	3,078,724	3,078,724	3,078,724
Reserves	26	4,443,583	4,422,601	4,043,084
		<u>7,522,307</u>	<u>7,501,325</u>	<u>7,121,808</u>
<b>Non-controlling interests</b>		47,441	81,377	153,150
<b>Total equity</b>		<u>7,569,748</u>	<u>7,582,702</u>	<u>7,274,958</u>
<b>Total equity and liabilities</b>		<u>29,945,355</u>	<u>29,227,212</u>	<u>27,462,315</u>
<b>Commitments and contingencies</b>	39(a)	<u>7,035,001</u>	<u>7,096,388</u>	<u>5,366,891</u>



**Bank Pembangunan Malaysia Berhad**  
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**Statement of Financial Position**  
**As at 31 December 2014**

		<b>Bank</b>	
		<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>			
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
<b>Total assets</b>		<b>29,169,753</b>	<b>28,138,004</b>
<b>Liabilities</b>			
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
<b>Total liabilities</b>		<b>21,834,625</b>	<b>20,715,129</b>
<b>Equity attributable to equity holders of the Bank</b>			
Share capital	25	3,078,724	3,078,724
Reserves	26	4,256,404	4,344,151
		<b>7,335,128</b>	<b>7,422,875</b>
<b>Total equity</b>		<b>7,335,128</b>	<b>7,422,875</b>
<b>Total equity and liabilities</b>		<b>29,169,753</b>	<b>28,138,004</b>
<b>Commitments and contingencies</b>	39(a)	<b>6,692,429</b>	<b>6,442,386</b>

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

**Bank Pembangunan Malaysia Berhad**  
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**Income Statements**

**For the Financial Year Ended 31 December 2014**

	Note	Group		Bank	
		2014 RM'000	2013 RM'000 Restated	2014 RM'000	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)
<b>Operating profit</b>		294,514	531,653	247,039	569,316
Share of profit/(loss) of joint ventures		11,876	(39,735)	-	-
<b>Profit before taxation and zakat</b>		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)
<b>Profit for the financial year</b>		124,703	304,050	93,486	396,097
<b>Attributable to:</b>					
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
<b>Earnings per share attributable to the equity holders of the Bank:</b>					
Basic earnings per share (sen)	38	4.7	12.3		

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

**Bank Pembangunan Malaysia Berhad**  
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**Statements of Comprehensive Income**  
**For the Financial Year Ended 31 December 2014**

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

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

**Bank Pembangunan Malaysia Berhad**  
(Incorporated in Malaysia)

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

Group	Note	Attributable to equity holders of the Bank									
		Non-distributable					Exchange				
		Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Profit equalisation reserve RM'000	Unrealised AFS reserve RM'000	translation reserve/(deficit) RM'000	Distributable retained profits RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
<b>At 1 January 2014</b>		3,078,724	1,000	1,844,879	4,970	18,654	(12,240)	2,575,082	7,511,069	81,377	7,592,446
Effects of prior period adjustments	44	-	-	-	-	118,237	-	(127,981)	(9,744)	-	(9,744)
<b>At 1 January 2014, restated</b>		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 PER fund charity		-	-	-	-	-	-	-	-	-	-
Transfer to retained profits		-	-	-	(10,449)	-	-	10,449	-	-	-
Dividends paid	37	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
<b>At 31 December 2014</b>		3,078,724	1,000	1,868,251	-	54,845	44,614	2,474,873	7,522,307	47,441	7,569,748
<b>At 1 January 2013</b>		3,078,724	1,000	1,745,855	4,970	(32,463)	(61,499)	2,392,671	7,129,258	153,150	7,282,408
Effects of prior period adjustments	44	-	-	-	-	118,237	-	(125,687)	(7,450)	-	(7,450)
<b>At 1 January 2013, restated</b>		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)
<b>At 31 December 2013</b>		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 Pembangunan Malaysia Berhad**  
(Incorporated in Malaysia)

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

<-----Non-distributable----->

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

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

**Bank Pembangunan Malaysia Berhad**  
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**Statements of Cash Flows**  
**For the Financial Year Ended 31 December 2014**

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
		Restated		
<b>Cash flows from operating activities</b>				
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

**Bank Pembangunan Malaysia Berhad**  
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**Statements of Cash Flows**  
**For the Financial Year Ended 31 December 2014 (cont'd.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
<b>Cash flows from operating activities (cont'd.)</b>				
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

**Bank Pembangunan Malaysia Berhad**  
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**Statements of Cash Flows**

**For the Financial Year Ended 31 December 2014 (cont'd.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
<b>Cash flows from operating activities (cont'd.)</b>				
(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)
	<u>(879,985)</u>	<u>(1,284,848)</u>	<u>(1,115,722)</u>	<u>(1,209,364)</u>
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
	<u>(1,519,915)</u>	<u>1,739,047</u>	<u>(1,497,735)</u>	<u>1,865,700</u>
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	<u>(1,868,711)</u>	<u>1,078,072</u>	<u>(2,079,093)</u>	<u>1,183,441</u>
<b>Cash flows from investing activities</b>				
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)	-
Net cash inflow on disposal of subsidiaries	257,464	-	-	-
Proceeds from disposal/maturity of financial investments available-for-sale	237,873	178,305	237,873	178,306
Balance carried forward	<u>121,135</u>	<u>(982,121)</u>	<u>(72,169)</u>	<u>(286,918)</u>



**Bank Pembangunan Malaysia Berhad**  
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**Statements of Cash Flows**

**For the Financial Year Ended 31 December 2014 (cont'd.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
<b>Cash flows from investing activities (cont'd.)</b>				
Balance brought forward	121,135	(982,121)	(72,169)	(286,918)
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	<u>147,807</u>	<u>(964,075)</u>	<u>(71,974)</u>	<u>(278,736)</u>
<b>Cash flows from financing activities</b>				
Net receipt/(repayment) from long-term loans	(416,093)	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	<u>2,389,992</u>	<u>(368,920)</u>	<u>2,655,896</u>	<u>(1,037,157)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>669,088</b>	<b>(254,923)</b>	<b>504,829</b>	<b>(132,452)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,251,935</b>	<b>1,506,858</b>	<b>942,112</b>	<b>1,074,564</b>
<b>Cash and cash equivalents at end of year</b>	<b>1,921,023</b>	<b>1,251,935</b>	<b>1,446,941</b>	<b>942,112</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and short term deposits (Note 3)	<u>1,921,024</u>	<u>1,251,935</u>	<u>1,446,941</u>	<u>942,112</u>

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

**Bank Pembangunan Malaysia Berhad  
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**Notes to the Financial Statements - 31 December 2014**

**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.

**Bank Pembangunan Malaysia Berhad  
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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

**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.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. In the Bank's separate financial statements, investments in subsidiaries is stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2 (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.

**Bank Pembangunan Malaysia Berhad  
(Incorporated in Malaysia)**

**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

**(ii) Basis of consolidation**

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;

**Bank Pembangunan Malaysia Berhad  
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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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

- Recognises 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.

**Bank Pembangunan Malaysia Berhad  
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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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

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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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.

**(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.



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

**(ii) Foreign currency transactions**

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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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

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

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

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

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

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

**(f) Intangible assets**

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

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

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

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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

**(ii) Finance lease - the Group as lessee**

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

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

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

**(iii) Operating lease - the Group as lessee**

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

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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".



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

**(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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

**(v) Financial investment - AFS**

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.

**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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

**(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.

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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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

Impairment - 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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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

Impairment - 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

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 calibrated 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.

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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

**(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 loss was recognised in the income statements, the impairment loss is reversed through income statements.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

**(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.

**(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.



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

**(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".

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

**(q) Government grants (cont'd.)**

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

**(r) Provisions**

Provisions are recognised when the Group and the Bank 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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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.

**(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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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 (cont'd.)**

For impaired financial assets where the value of the financial asset have been written down as a result of an impairment loss, interest/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-factorings and factoring**

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

**(u) Revenue (cont'd.)**

**(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.

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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

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

- 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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

**(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.

**2.3 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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

**2.3 Changes in Accounting Policies (cont'd.)**

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. (cont'd.)

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

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 Disclosed 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.



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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.

	<b>Effective for annual periods beginning on or after</b>
<b>MFRSs, Amendments to MFRSs and Interpretations</b>	
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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

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

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 introduces a package of improvements which includes a classification and measurement model. A single forward looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. 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 characteristic and the business model in which 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 achieve 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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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 occurred 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:

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

**2.5 Significant Accounting Judgments and Estimates (cont'd.)**

**(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.

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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

**2.5 Significant Accounting Judgments and Estimates (cont'd.)**

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

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**2. Significant Accounting Policies (cont'd.)**

**2.5 Significant Accounting Judgments and Estimates (cont'd.)**

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

- (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").

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**3. Cash and Short Term Deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
	<u>1,921,024</u>	<u>1,251,935</u>	<u>1,446,941</u>	<u>942,112</u>

**4. Deposits and Placements with Financial Institutions**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	576,511	1,620	576,511	1,620
Other financial institutions	132,294	152,596	101,156	150,962
	<u>708,805</u>	<u>154,216</u>	<u>677,667</u>	<u>152,582</u>

**5. Financial Investments - FVTPL**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>				
Quoted securities: (In Malaysia)				
Unit trust funds	4,247	-	-	-
	<u>4,247</u>	<u>-</u>	<u>-</u>	<u>-</u>



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**6. Financial Investments - AFS**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>				
Money market instruments:				
Government investment issues	568,379	409,344	568,379	409,344
	<u>568,379</u>	<u>409,344</u>	<u>568,379</u>	<u>409,344</u>
<b>At fair value</b>				
Quoted securities:				
(In Malaysia)				
Shares	226,774	333,444	222,574	326,534
Unit trust funds	199,899	401,130	199,899	401,130
	<u>426,673</u>	<u>734,574</u>	<u>422,473</u>	<u>727,664</u>
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
	<u>326,261</u>	<u>360,238</u>	<u>326,261</u>	<u>360,135</u>
	<u>1,321,313</u>	<u>1,504,156</u>	<u>1,317,113</u>	<u>1,497,143</u>

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

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
One year to three years	231,451	101,477
Three years to five years	326,984	307,867
Over five years	9,944	-
	<u>568,379</u>	<u>409,344</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**7. Financial Investments - HTM**

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cagamas	84,059	84,497	84,059	84,497
Unquoted private debt securities	<u>211,842</u>	<u>173,699</u>	<u>211,842</u>	<u>173,699</u>

**Other disclosures**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	<u>29,609</u>	<u>29,609</u>	<u>29,609</u>	<u>29,609</u>
	<u>259,979</u>	<u>259,202</u>	<u>259,957</u>	<u>259,180</u>

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**8. Loans, Advances and Financing**

	<b>Group</b>		
	<b>31 December 2014 RM'000</b>	<b>31 December 2013 RM'000 Restated</b>	<b>1 January 2013 RM'000 Restated</b>
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
	<u>27,013,835</u>	<u>26,354,741</u>	<u>25,309,412</u>
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)
	<u>(2,545,472)</u>	<u>(2,436,441)</u>	<u>(2,408,868)</u>
Net loans, advances and financing to industries	<u>24,468,363</u>	<u>23,918,300</u>	<u>22,900,544</u>
	<b>Group</b>		
	<b>31 December 2014 RM'000</b>	<b>31 December 2013 RM'000 Restated</b>	<b>1 January 2013 RM'000 Restated</b>
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	<u>382,339</u>	<u>348,275</u>	<u>412,984</u>
Allowance for impairment on loans, advances and financing:			
IAA	(68,254)	(44,488)	(68,725)
CAA	(25,394)	(26,726)	(24,456)
	<u>(93,648)</u>	<u>(71,214)</u>	<u>(93,181)</u>
Net other loans, advances and financing	<u>288,691</u>	<u>277,061</u>	<u>319,803</u>

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**8. Loans, Advances and Financing (cont'd.)**

	31 December 2014 RM'000	Group 31 December 2013 RM'000 Restated	1 January 2013 RM'000 Restated
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
		<b>Bank</b>	
		<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>
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

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**8. Loans, Advances and Financing (cont'd.)**

	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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)
	<u>(2,541,959)</u>	<u>(2,385,594)</u>
Net loans, advances and financing	<u>24,542,895</u>	<u>24,025,868</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
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	<u>24,757,054</u>	<u>24,195,361</u>	<u>24,542,895</u>	<u>24,025,868</u>

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**8. Loans, Advances and Financing (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Restated</b>			
Domestic business enterprises	27,384,856	26,690,095	27,073,536	26,398,541
Individuals	11,318	12,921	11,318	12,921
	<u>27,396,174</u>	<u>26,703,016</u>	<u>27,084,854</u>	<u>26,411,462</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Restated</b>			
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
	<u>27,396,174</u>	<u>26,703,016</u>	<u>27,084,854</u>	<u>26,411,462</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**8. Loans, Advances and Financing (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
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
	<u>27,396,174</u>	<u>26,703,016</u>	<u>27,084,854</u>	<u>26,411,462</u>

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**8. Loans, Advances and Financing (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
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
	<u>27,396,174</u>	<u>26,703,016</u>	<u>27,084,854</u>	<u>26,411,462</u>

(vi) Included in loan to subsidiaries 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.

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
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	<u>3,000,149</u>	<u>2,720,199</u>	<u>2,950,738</u>	<u>2,555,182</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>10.95%</u>	<u>10.19%</u>	<u>10.89%</u>	<u>9.67%</u>



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**8. Loans, Advances and Financing (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
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
	<b>3,000,149</b>	<b>2,720,199</b>	<b>2,950,738</b>	<b>2,555,182</b>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**8. Loans, Advances and Financing (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Individual assessment allowance ("IAA")</b>		<b>Restated</b>		
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	<u>1,957,260</u>	<u>1,701,976</u>	<u>1,842,562</u>	<u>1,593,829</u>
<b>Collective assessment allowance ("CAA")</b>				
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	<u>805,679</u>	<u>781,063</u>	<u>791,765</u>	<u>755,424</u>
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	<u>681,860</u>	<u>805,679</u>	<u>699,397</u>	<u>791,765</u>

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**9. Other Assets**

	Note	Group		Bank	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	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)
		<u>82,578</u>	<u>125,001</u>	<u>15,394</u>	<u>21,002</u>
Subsidiaries	(iii)	-	-	43,343	43,168
Less: Allowance for doubtful debts		-	-	(28,089)	(28,089)
		<u>-</u>	<u>-</u>	<u>15,254</u>	<u>15,079</u>
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	-	-
		<u>225,491</u>	<u>290,650</u>	<u>162,331</u>	<u>188,058</u>

- (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).

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(ii) Allowance for doubtful debt				
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	<u>7,624</u>	<u>7,060</u>	<u>1,035</u>	<u>758</u>

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**9. Other Assets (cont'd.)**

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

**10. Investment in Subsidiaries**

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

- 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

- (i) Summarised statement of financial position

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**10. Investment in Subsidiaries (cont'd.)**

- A.** Summarised financial information of 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.):

- (ii) Summarised statement of comprehensive income

	<b>GMVB</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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)
<b>(Loss)/profit before tax</b>	<b>(281,685)</b>	<b>(141,136)</b>
Income tax	(19,600)	(17,723)
Zakat	(2,573)	
<b>(Loss)/profit for the year</b>	<b>(303,858)</b>	<b>(158,859)</b>
(Loss)/profit for the financial representing total comprehensive (loss)/income for the year	(303,858)	(158,859)
<b>Other comprehensive income</b>		
Foreign currency translation reserve	53,790	43,530
<b>Total comprehensive loss for the year</b>	<b>(250,068)</b>	<b>(115,329)</b>
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	-	-

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**10. Investment in Subsidiaries (cont'd.)**

- A. Summarised financial information of 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

	<b>GMVB</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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 Bank, 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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**10. Investment in Subsidiaries (cont'd.)**

**B. Acquisition of Syarikat Borcos Shipping Sdn Bhd (cont'd.)**

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

<b>Group</b>	<b>Note</b>	<b>Fair value recognised on acquisition RM'000</b>
<b>Assets</b>		724,553
Property, plant and equipment		26,968
Deferred tax assets		52,040
Intangible assets - contract based related intangible	16	84,147
Cash and cash equivalents		52,545
Trade and other receivables		988
Inventories		<u>941,241</u>
<b>Liabilities</b>		(568,207)
Borrowings		(26,287)
Trade and other payables		(6,551)
Provision for taxation		<u>(601,045)</u>
<b>Total identifiable net assets at fair value</b>		<u>340,196</u>
Deconsolidation of an associate		(29,865)
Goodwill arising on acquisition	16	<u>76,664</u>
Purchase consideration transferred		<u>386,995</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**10. Investment in Subsidiaries (cont'd.)**

**C. Acquisition of Orkim Sdn Bhd in prior year**

On 29 March 2013, 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:

<b>Group</b>	<b>Note</b>	<b>Fair value recognised on acquisition RM'000</b>
<b>Assets</b>		
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
		<u>308,763</u>



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**10. Investment in Subsidiaries (cont'd.)**

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

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

**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 issuance 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 Nasional Berhad for a total cash consideration of RM298,981,981.

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**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:

	<b>MMSB</b> <b>RM'000</b>	<b>MESB</b> <b>RM'000</b>	<b>Orkim</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Assets</b>				
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
	<u>26,170</u>	<u>24,837</u>	<u>466,193</u>	<u>517,200</u>
<b>Liabilities</b>				
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)
	<u>(20,459)</u>	<u>(18,699)</u>	<u>(311,012)</u>	<u>(350,170)</u>
Net assets	<u>5,711</u>	<u>6,138</u>	<u>155,181</u>	<u>167,030</u>

	<b>At the date of disposal RM'000</b>
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	<u>(298,982)</u>
Gain on disposal	<u>(21,547)</u>

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	<u>(41,518)</u>
Cash inflow to the Group on disposal	<u>257,464</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**10. Investment in Subsidiaries (cont'd.)**

**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**

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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)
	<b>77,683</b>	<b>77,440</b>
Unquoted redeemable preference shares	-	5,627
Reclassified to asset of subsidiary held for sale	-	-
Reclassified to subsidiaries held for sale	-	(5,627)
	<b>-</b>	<b>-</b>
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	<b>(74,838)</b>	<b>(74,838)</b>
	<b>2,845</b>	<b>2,602</b>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**11. Interest in Associates (cont'd)**

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

<u>Name of Associates (incorporated in Malaysia)</u>	<u>Effective interest held by the Bank</u>		<u>Principal Activities</u>
	<b>2014</b> %	<b>2013</b> %	
<b>Held through GMVB, a subsidiary:</b>			
Wawasan Bulk Services Sdn Bhd*	27.0	27.0	Ship management
<b>Held through Syarikat Borcos Shipping Sdn Bhd</b>			
Berkat Perkapalan Sdn Bhd*	44.1	44.1	Dormant
<b>Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary:</b>			
Abedeen Hotel Management Sdn Bhd *	26.0	26.0	Hotel management
Agrotech Farm & Industries Sdn Bhd *	26.0	26.0	Supply of agriculture products
Alpha Interocean Sdn Bhd *	26.0	26.0	Trading of consumable goods
Ambang Wibawa (M) Sdn Bhd *	26.0	26.0	Food supplies and catering services
Arahe Solution Sdn Bhd *	26.0	26.0	Provider of web acceleration system and Rich Internet application solutions

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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.)			
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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**11. Interest in Associates (cont'd)**

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

<u>Name of Associates</u> <u>(incorporated in Malaysia)</u>	<u>Effective interest held</u> <u>by the Bank</u>		<u>Principal Activities</u>
	<u>2014</u>	<u>2013</u>	
<b>Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary: (cont'd.)</b>			
Sal's Food Industries Sdn Bhd *	26.0	26.0	Manufacturing of food and beverage products
Schiffs & Industries Technic Sdn Bhd *	26.0	26.0	Manufacturing of fuel treatment system for marine
Serene Quest Marine Sdn Bhd *	26.0	26.0	Oil and gas services industries
Profound Vaccine Sdn Bhd *	49.0	49.0	Research and development in vaccination
Sutrasegi Sdn Bhd *	26.0	26.0	Manufacturing of foam rubber product
Swift Application Sdn Bhd *	26.0	26.0	ICT-Product and services
Wellad Communications Sdn Bhd *	26.0	26.0	Advertising agents and creative designer
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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**11. Interest in Associates (cont'd.)**

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

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

- (a) Summarised statement of financial position

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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**

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**12. Interest in JVs (cont'd.)**

(i) Details of the JVs are as follows:

Name of JVs (incorporated in Malaysia)	Effective interest held by the Bank		Principal Activities
	2014 %	2013 %	
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 <sup>1#</sup>	54.00	54.00	Ship-owning
Gagasan Paha Sdn Bhd <sup>1#</sup>	54.00	54.00	Ship-owning
Formasi Cekal Sdn Bhd <sup>1#</sup>	36.00	36.00	Ship-owning, ship operator and to undertake all kinds of contract to carry merchant goods



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**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 %	
<b>Held through a subsidiary:</b>			
Global BMesra Sdn Bhd <sup>1@</sup>	44.10	44.10	Ship-owning and freighting
Global BMesra Dua Sdn Bhd <sup>1@</sup>	44.10	44.10	Ship-owning and freighting
Global BIKhlas Sdn Bhd <sup>1@</sup>	44.10	44.10	Ship-owning and freighting
Sea Weasel Limited <sup>1~</sup>	44.10	44.10	Ship-owning and freighting
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 its 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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**12. Interest in JVs (cont'd.)**

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
<b>Assets:</b>		
Non current assets	307,056	414,311
Current assets	181,295	97,006
Total assets	<u>488,351</u>	<u>511,317</u>
<b>Liabilities:</b>		
Non current liabilities	245,251	229,925
Current liabilities	237,582	191,780
Total liabilities	<u>482,833</u>	<u>421,705</u>
Net assets	<u>5,518</u>	<u>89,612</u>

(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	<u>(83,947)</u>	<u>(72,024)</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**12. Interest in JVs (cont'd.)**

(c) Reconciliation of the summarised financial information

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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

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**13. Property, Plant and Equipment**

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry-docking expenses RM'000	Total RM'000
<b>2014</b>									
<b>Cost</b>									
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	-	-	-	-	-	-	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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**13. Property, Plant and Equipment (cont'd.)**

Group	Freehold land RM'000	Leasehold land and buildings* RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry- docking expenses RM'000	Total RM'000
<b>2014 (cont'd.)</b>									
<b>Accumulated depreciation</b>									
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
<b>Accumulated impairment losses</b>									
At 1 January	-	-	-	-	-	46,535	-	-	46,535
Charge for the financial year	-	-	-	-	-	164,964	-	-	164,964
At 31 December	-	-	-	-	-	211,499	-	-	211,499
<b>Net carrying amount</b>	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.

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Notes to the Financial Statements - 31 December 2014 (cont'd.)

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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
<b>2013 (cont'd.)</b>									
<b>Accumulated depreciation</b>									
At 1 January	-	8,290	28,587	1,021	25,826	671	-	-	64,395
Charge for the financial year	-	1,730	2,681	443	5,816	61,522	-	5,737	77,929
Acquisition of subsidiaries	-	626	2,521	2,518	-	204,313	-	392	210,370
Disposals/write-off	-	(1,398)	(1,240)	(1,516)	-	(1,634)	-	-	(5,788)
Transfer from assets of a subsidiary previously held for sale	-	-	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-	(2,050)	-	-	(2,050)
Effect of movements in exchange rates	-	-	-	-	-	6,806	-	-	6,806
At 31 December	-	9,248	32,549	2,466	31,642	269,628	-	6,129	351,662

<b>Accumulated impairment losses</b>									
At 1 January	-	-	-	-	-	-	-	-	-
Charge for the financial year	-	-	-	-	-	46,535	-	-	46,535
At 31 December	-	-	-	-	-	46,535	-	-	46,535
<b>Net carrying amount</b>	19,190	72,232	5,571	1,002	7,132	1,111,126	22,196	15,056	1,253,505

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**13. Property, Plant and Equipment (cont'd.)**

<b>Bank</b>	<b>Freehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Furniture and equipment RM'000</b>	<b>Mechanical and electricals RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Capital work-in progress RM'000</b>	<b>Total RM'000</b>
<b>2014</b>							
<b>Cost</b>							
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
<b>Accumulated depreciation</b>							
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
<b>Net carrying amount</b>	19,190	68,111	4,232	1,452	220	2,615	95,820



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**13. Property, Plant and Equipment (cont'd.)**

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**14. Prepaid Land Leases**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 January	2,862	3,147
Disposals	(850)	(285)
At 31 December	<u>2,012</u>	<u>2,862</u>
<b>Depreciation</b>		
At 1 January	1,067	1,118
Charge for the financial year	54	61
Disposals	(283)	(112)
At 31 December	<u>838</u>	<u>1,067</u>
<b>Carrying amount</b>	<u>1,174</u>	<u>1,795</u>

**15. Investment Properties**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>				
At 1 January	7,591	15,144	2,000	5,221
Addition	1,226	-	1,226	-
Disposals	-	(7,553)	-	(3,221)
At 31 December	<u>8,817</u>	<u>7,591</u>	<u>3,226</u>	<u>2,000</u>
<b>Depreciation and impairment loss</b>				
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	<u>4,059</u>	<u>3,888</u>	<u>1,287</u>	<u>1,228</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**15. Investment Properties (cont'd.)**

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

- (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**

<b>Group</b>					
<b>2014</b>					
	<b>Computer software</b>	<b>Contract based related intangibles</b>	<b>Provisional amount</b>	<b>Goodwill</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>					
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	<u>26,859</u>	<u>62,089</u>	<u>-</u>	<u>76,664</u>	<u>165,612</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**16. Intangible Assets (cont'd.)**

**Group (cont'd.)**

**2014**

	<b>Computer software RM'000</b>	<b>based related intangibles RM'000</b>	<b>Provisional amount RM'000</b>	<b>Goodwill RM'000</b>	<b>Total RM'000</b>
<b>Amortisation</b>					
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
<b>Accumulated impairment losses</b>					
At 1 January	-	-	-	76,664	76,664
Charge for the financial year	-	-	-	-	-
At 31 December	-	-	-	76,664	76,664
<b>Carrying amount</b>	<b>11,158</b>	<b>15,510</b>	<b>-</b>	<b>-</b>	<b>26,668</b>

**2013**

**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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**16. Intangible Assets (cont'd.)**

**Group (cont'd.)**  
**2013**

	<b>Computer software RM'000</b>	<b>Contract based related intangibles RM'000</b>	<b>Provisional amount RM'000</b>	<b>Goodwill RM'000</b>	<b>Total RM'000</b>
<b>Amortisation</b>					
At 1 January	8,484	-	-	-	8,484
Amortisation charged	3,906	-	-	-	3,906
Disposal	(18)	-	-	-	(18)
At 31 December	<u>12,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,372</u>
<b>Accumulated impairment losses</b>					
At 1 January	-	-	-	-	-
Charge for the financial year	-	-	-	76,664	76,664
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,664</u>	<u>76,664</u>
<b>Carrying amount</b>	<u>12,783</u>	<u>52,040</u>	<u>135,019</u>	<u>518</u>	<u>200,360</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**16. Intangible Assets (cont'd.)**

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

**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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**16. Intangible Assets (cont'd.)**

**Goodwill (cont'd.)**

**(a) Impairment testing of goodwill**

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

- Borcos
- Orkim

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

	<b>Borcos</b> <b>RM'000</b>	<b>Orkim</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
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:

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**16. Intangible Assets (cont'd.)**

**Goodwill (cont'd.)**

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

*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)**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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)



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**17. Deferred Tax Assets/(Liabilities) (cont'd.)**

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**

<b>Group</b>	<b>Loan loss and allowances RM'000</b>	<b>Other temporary differences RM'000</b>	<b>Total RM'000</b>
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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**17. Deferred Tax Assets/(Liabilities) (cont'd.)**

**Deferred tax liabilities**

<b>Group</b>	<b>Unrealised holding reserve RM'000</b>	<b>Property, plant and equipment RM'000</b>	<b>Total RM'000</b>
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**

<b>Bank</b>	<b>Loan loss and allowances RM'000</b>	<b>Other temporary differences RM'000</b>	<b>Total RM'000</b>
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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**17. Deferred Tax Assets/(Liabilities) (cont'd.)**

**Deferred tax liabilities**

<b>Bank</b>	<b>Unrealised AFS reserve RM'000</b>	<b>Property, plant and equipment RM'000</b>	<b>Total RM'000</b>
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	<u>23,720</u>	<u>698</u>	<u>24,418</u>
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	<u>50,533</u>	<u>6,948</u>	<u>57,481</u>

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

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

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**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits and negotiable instruments of deposits:		
One year or less	<u>5,666,779</u>	<u>7,115,241</u>

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**18. Deposits from Customers**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(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
	<u>5,666,779</u>	<u>7,115,241</u>
(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
	<u>5,666,779</u>	<u>7,115,241</u>
(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
	<u>5,666,779</u>	<u>7,115,241</u>

**19. Deposits and Placements from Financial Institutions**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Licensed banks	300,510	140,260
Licensed Islamic banks	-	170,862
	<u>300,510</u>	<u>311,122</u>

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**20. Other Liabilities**

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	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
		<u>206,202</u>	<u>185,394</u>	<u>47,768</u>	<u>39,877</u>

(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	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	<u>-</u>	<u>2,030</u>

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**20. Other Liabilities (cont'd.)**

(iii) Movement in PER (cont'd.)

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	2013
		RM'000	RM'000
<b>Redeemable non guaranteed notes</b>			
Medium term notes	(i)	808,674	808,812
<b>Redeemable guaranteed notes</b>			
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

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**21. Redeemable Notes (cont'd.)**

- (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**

Group	Note	31 December 2014		31 December 2013	
		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
		<u>3,500,000</u>	<u>4,863,920</u>	<u>8,300,000</u>	<u>64,022</u>
Other loans					
Unsecured:	22 (b)				
Principal		654,200	219,297	853,461	349,261
Interest		-	14,175	-	15,832
		<u>654,200</u>	<u>233,472</u>	<u>853,461</u>	<u>365,093</u>
Other loans					
Secured:	22 (c)				
Principal		98	352,500	602,002	177,546
		<u>4,154,298</u>	<u>5,449,892</u>	<u>9,755,463</u>	<u>606,661</u>
Total term loans			<u>9,604,190</u>		<u>10,362,124</u>

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**22. Term Loans (cont'd.)**

Bank	Note	31 December 2014		31 December 2013	
		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 EPF					
Unsecured:	22 (a)				
Principal		3,500,000	4,800,000	8,300,000	-
Interest		-	63,920	-	64,022
		<u>3,500,000</u>	<u>4,863,920</u>	<u>8,300,000</u>	<u>64,022</u>
Other loans					
Unsecured:	22 (b)				
Principal		654,200	199,261	853,461	349,261
Interest		-	14,175	-	15,833
		<u>654,200</u>	<u>213,436</u>	<u>853,461</u>	<u>365,094</u>
		<u>4,154,200</u>	<u>5,077,356</u>	<u>9,153,461</u>	<u>429,116</u>
Total term loans			<u>9,231,556</u>		<u>9,582,577</u>

**(a) Loan from EPF**

	Note	Group and Bank Principal	
		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
		<u>8,300,000</u>	<u>8,300,000</u>

- (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).



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**22. Term Loans (cont'd.)**

**(a) Loan from EPF (cont'd.)**

- (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:**

		<b>Group and Bank</b>	
		<b>Principal</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>
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	-
		<u>873,497</u>	<u>1,202,722</u>

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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**22. Term Loans (cont'd.)**

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

Included in other loan - unsecured are: (cont'd.)

- (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:**

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**22. Term Loans (cont'd.)**

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

**(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

**(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.

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**23. Infrastructure Support Fund ("ISF")**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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	<u>367,322</u>	<u>365,430</u>

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**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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	<u>243,977</u>	<u>248,413</u>

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

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**25. Share capital**

Group and Bank	Amount	Number	Amount	Number
	31 December	of shares	31 December	of shares
	2014	2013	2014	2013
	RM'000	'000	RM'000	'000
<b>Authorised:</b>				
Ordinary shares of RM1.00 each	10,000,000	10,000,000	10,000,000	10,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM1.00 each	3,078,724	3,078,724	3,078,724	3,078,724

**26. Reserves**

	Note	Group		Bank	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
<b>Non-distributable:</b>					
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
<b>Distributable:</b>					
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

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**26. Reserves (cont'd.)**

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.

Movements of the AFS reserve are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	<u>54,845</u>	<u>136,891</u>	<u>54,845</u>	<u>136,078</u>

**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.

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**28. Interest Income**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
	<u>1,292,261</u>	<u>1,272,783</u>	<u>1,264,853</u>	<u>1,246,552</u>
Accretion of discount less amortisation of premium	23,298	22,676	23,298	22,676
	<u>1,315,559</u>	<u>1,295,459</u>	<u>1,288,151</u>	<u>1,269,228</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>67,795</u>	<u>81,036</u>	<u>67,795</u>	<u>81,036</u>

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).

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**29. Interest Expense**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	-	-
	<u>734,396</u>	<u>777,136</u>	<u>691,741</u>	<u>728,710</u>

**30. Non-Interest Income**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(a) Other operating income:				
Charter hire, demurrage and freight income	277,809	320,349	-	-
	<u>277,809</u>	<u>320,349</u>	<u>-</u>	<u>-</u>
(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
	<u>19,207</u>	<u>17,023</u>	<u>19,118</u>	<u>16,826</u>



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**30. Non-Interest Income**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(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)
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
	<u>32,086</u>	<u>75,112</u>	<u>14,260</u>	<u>57,748</u>
 Total non-interest income	 <u>329,102</u>	 <u>412,484</u>	 <u>33,378</u>	 <u>74,574</u>

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**31. Overhead Expenses**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
		<u>452,355</u>	<u>344,967</u>	<u>82,122</u>	<u>76,431</u>

**(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
	<u>119,191</u>	<u>111,364</u>	<u>47,772</u>	<u>44,631</u>

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**31. Overhead Expenses (cont'd.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) Establishment related expenses</b>				
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
Rental of leasehold land and premises				
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
	<u>174,133</u>	<u>102,953</u>	<u>17,479</u>	<u>17,206</u>
<b>(iii) Promotion and marketing expenses</b>				
Advertisement and publicity	<u>3,624</u>	<u>3,365</u>	<u>3,466</u>	<u>3,135</u>
<b>(iv) General administrative expenses</b>				
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	-
	<u>155,407</u>	<u>127,285</u>	<u>13,405</u>	<u>11,459</u>

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**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				
	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	
2014												
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 Rosli bin Abdullah	-	36	-	-	130	-	166	-	-	-	166	
Datuk Nozirah binti Bahari	-	36	-	-	148	-	184	47	44	-	275	
Dato' Abdul Rahman bin Md Khalid	-	36	-	-	110	-	146	-	-	-	146	
Datuk Engku Nor Faizah Engku Atek	-	36	-	-	94	-	130	9	13	-	152	
Datuk Idris bin Abdullah @ Das Murthy	-	3	-	-	2	-	5	-	-	-	5	
Datuk Dr. Syed Jaafar bin Syed Aznan	-	8	-	-	10	-	18	8	-	-	26	
Ariffin Hew @ Hew Siak Tow	-	15	-	-	28	-	43	-	-	-	43	
Abdul Aziz bin Ishak	-	27	-	-	76	-	103	21	19	-	143	
	-	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	

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**32. Directors' Fees and Remuneration (cont'd.)**

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

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**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:

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short term employee benefits' (excluding benefits-in-kind)	<u>2,078</u>	<u>2,129</u>	<u>1,870</u>	<u>1,943</u>

Included in the total key management personnel are:

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Executive Director's remuneration	31	<u>683</u>	<u>858</u>	<u>683</u>	<u>858</u>

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

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	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)
	<u>241,324</u>	<u>82,841</u>	<u>269,997</u>	<u>107,487</u>

**35. Impairment on Other Assets**

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	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)
	<u>184,248</u>	<u>236,171</u>	<u>288,597</u>	<u>124,514</u>

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**36. Taxation**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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)
	<u>137,902</u>	<u>86,795</u>	<u>128,557</u>	<u>81,836</u>
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
	<u>28,446</u>	<u>94,243</u>	<u>12,230</u>	<u>84,553</u>
Real property gains tax (refund)/paid on disposal of investment properties	(12)	27	(12)	27
	<u>166,336</u>	<u>181,065</u>	<u>140,775</u>	<u>166,416</u>

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:



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**36. Taxation (cont'd.)**

**Reconciliation of effective taxation**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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

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**37. Dividends**

Dividends recognised in the current year by the Bank are:

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

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.

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

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**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:

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	-	-
	<u>7,035,001</u>	<u>7,096,388</u>	<u>6,692,429</u>	<u>6,442,386</u>

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:

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	<u>763,570</u>	<u>966,160</u>	<u>-</u>	<u>-</u>

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**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.

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

\* The eligible amount for Tier 2 capital is after excluding CAA on impaired loans of the Bank.

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**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:

	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
20%	469,790	244,581
50%	2,070,744	2,380,786
100%	21,240,799	20,914,651
	<u>23,781,333</u>	<u>23,540,018</u>

Without deducting proposed dividend:

	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
Core capital ratio	30.613	30.934
RWCR	<u>33.208</u>	<u>32.845</u>

After deducting proposed dividend:

Core capital ratio	30.458	30.509
RWCR	<u>33.052</u>	<u>32.420</u>

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.

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**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.

**(i) Contingent liability as at 31 December 2014:**

	2014 RM'000	2013 RM'000
<b>Contingent liabilities not considered remote litigation (unsecured)</b>		
<b><u>Bank</u></b>		
(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	-	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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**41. Other Contingencies (cont'd.)**

**(i) Contingent liability as at 31 December 2014 (cont'd.):**

	2014 RM'000	2013 RM'000
<b>Contingent liabilities not considered remote litigation (unsecured) (cont'd.)</b>		

**Subsidiaries of the Bank**

- (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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

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

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

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

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and the Bank are as follows:

**42.1 Significant balances and transactions with a significant shareholder**

(a) Significant balances with a significant shareholder

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Other assets</u>				
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



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

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

**42.1 Significant balances and transactions with a significant shareholder (cont'd.)**

**(b) Significant transactions with a significant shareholder**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Conventional</u>				
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
<u>Islamic</u>				
Profit compensation from Government of Malaysia	14,429	7,525	14,429	7,525

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

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

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Assets</u></b>				
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
<b><u>Liabilities</u></b>				
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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Conventional</u>				
<u>Income</u>				
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
<u>Expenses</u>				
Term loans interest expense	(374,455)	(374,455)	(374,455)	(374,455)
Redeemable notes	(138,703)	(150,767)	(138,703)	(150,767)

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

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

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Islamic</u>				
<u>Income</u>				
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
<u>Expenses</u>				
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**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Conventional</u>				
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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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**

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

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

**42.4 Significant balances and transactions with Group's related parties**

(a) Significant balances with Group's related parties

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Other assets</u>				
Trade amount due from related parties	24,577	28,889	-	-
<u>Other liabilities</u>				
Trade amount due to related parties	191	40,579	-	-

(b) Significant transactions with Group's related parties

<u>Income</u>				
Dividend from Quoted Shares	5,518	5,518	5,518	5,518

**42.5 Directors' Fees and Remuneration**

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	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

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**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	2013	2014	2013
		RM'000	RM'000	RM'000	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).

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

The credit exposures above are based on paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with related parties as follows:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder of the Bank and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;
- (iv) Officers who are responsible for or have authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments.

**43. Assets Classified as Held For Sale ("HFS")**

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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	<u>18,534</u>	<u>18,462</u>

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.



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**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 adjustments made as per Note 44(i) and 44(ii) above which resulted to the prior year adjustments in the provision of tax and deferred tax for the year ended 31 December 2012 and 31 December 2013.

The following balances were reclassified 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.

## Notes to the Financial Statements - 31 December 2014 (cont'd.)

## 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:

	As previously stated RM'000	Adjustments					Total RM'000	As restated RM'000
		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
<b>At 1 January 2013:</b>								
<b>Statement of financial position:</b>								
<b>Assets</b>								
Loans, advances and financing	23,234,542	(2,441)	(11,754)	-	-	-	-	(14,195)
								23,220,347
<b>Liabilities</b>								
Deferred tax liabilities	12,814	-	-	-	(6,524)	-	-	(6,524)
Other liabilities	185,234	-	-	-	(221)	-	-	(221)
								185,013
<b>Equity</b>								
Reserves	4,050,534	(2,441)	(11,754)	-	6,745	-	-	(7,450)
								4,043,084
<b>Consolidated Statement of Changes in Equity:</b>								
Unrealised AFS reserve	(32,463)	-	-	118,237	-	-	-	118,237
Distributable retained profits	2,392,671	(2,441)	(11,754)	(118,237)	6,745	-	-	(125,687)
								2,266,984

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**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:

	As previously stated RM'000	Adjustments							As restated RM'000	
		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
At 31 December 2013: (cont'd.)										
Statement of financial position:										
<b>Assets</b>										
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
<b>Liabilities</b>										
Deferred tax liabilities	39,302	-	-	-	(6,110)	-	-	(1,754)	(7,864)	31,438
Other liabilities	186,514	-	-	-	(1,120)	-	-	-	(1,120)	185,394
<b>Equity</b>										
Reserves	4,432,345	(3,247)	(13,728)	-	7,231	-	-	-	(9,744)	4,422,601

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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:

	As previously stated RM'000	Adjustments							As restated RM'000	
		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
At 31 December 2013: (cont'd.)										
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										
Taxation	494,698	(806)	(1,974)	-	-	-	-	-	(2,780)	491,918
Zakat	(181,551)	-	-	-	486	-	-	-	486	(181,065)
	(6,803)	-	-	-	-	-	-	-	-	(6,803)
Profit for the financial year	306,344	(806)	(1,974)	-	486	-	-	-	(2,294)	304,050

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**45. Companies in the Group**

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

Subsidiary	Effective interest held by the Bank		Principal activities
	2014 %	2013 %	
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		Principal activities
	2014 %	2013 %	
Mutiara Navigation Sdn Bhd	63.00	63.00	Dormant
Intan Navigation Sdn Bhd	63.00	63.00	Dormant

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

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

Subsidiary	Effective interest held by the Bank		Principal activities
	2014 %	2013 %	
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
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

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

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

Subsidiary	Effective interest held by the Bank		Principal activities
	2014 %	2013 %	
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

- (d) Details of subsidiary companies of GMV-Bahtera Sdn Bhd (GMV-Bahtera), all of which are incorporated in Malaysia, are as follows:

Company	Effective interest held by the Bank		Principal activities
	2014 %	2013 %	
Magna Meridian Sdn Bhd	90.00	90.00	Ship-owning
Matlamat Emas Sdn Bhd	90.00	90.00	Ship-owning

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

- (e) Detail of a subsidiary company of GMV-Borcos Sdn Bhd, which is incorporated in Malaysia, is as follow:

Subsidiary	Effective interest held by the Bank		Principal activities
	2014 %	2013 %	
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:

Subsidiary	Effective interest held by the Bank		Principal activities
	2014 %	2013 %	
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



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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		Principal activities
	2014 %	2013 %	
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		Principal activities
	2014 %	2013 %	
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

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**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:

<b>Subsidiary</b>	<b>Effective interest held by the Bank</b>		<b>Principal activities</b>
	<b>2014 %</b>	<b>2013 %</b>	
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
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:

<b>Subsidiary</b>	<b>Effective interest held by the Bank</b>		<b>Principal activities</b>
	<b>2014 %</b>	<b>2013 %</b>	
KIB Nominee (Tempatan) Sdn Bhd	100.00	100.00	Nominee services

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

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**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.

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.

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**46. Financial Instruments Risk (cont'd.)**

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

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**

**Credit exposure**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet:</b>					
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
		<u>29,197,913</u>	<u>27,655,520</u>	<u>28,406,904</u>	<u>27,064,943</u>
Other assets not subject to credit risk		747,442	1,571,692	762,849	1,073,061
		<u>29,945,355</u>	<u>29,227,212</u>	<u>29,169,753</u>	<u>28,138,004</u>
<b>Off balance sheet:</b>					
Commitments and Contingencies	39(a)	7,035,001	7,096,388	6,692,429	6,442,386
		<u>36,980,356</u>	<u>36,323,600</u>	<u>35,862,182</u>	<u>34,580,390</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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

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Notes to the Financial Statements - 31 December 2014 (cont'd.)

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

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Notes to the Financial Statements - 31 December 2014 (cont'd.)

**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
	-	-	-	-	762,849	762,849	-
	2,124,608	259,957	1,317,113	24,542,895	925,180	29,169,753	6,692,429

Other assets not subject to credit risk

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**46. Financial Instruments Risk (cont'd.)**

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

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

Bank (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	962,842	-	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
	-	-	-	-	1,073,061	1,073,061	-
Other assets not subject to credit risk	1,094,694	259,180	1,497,143	24,025,868	1,261,119	28,138,004	6,442,386



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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:**

Group	2014				2013			
	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
<b>Bank</b>	<b>23,873,120</b>	<b>522,905</b>	<b>3,000,149</b>	<b>27,396,174</b>	<b>23,818,965</b>	<b>163,852</b>	<b>2,720,199</b>	<b>26,703,016</b>
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
<b>Bank</b>	<b>23,678,281</b>	<b>455,835</b>	<b>2,950,738</b>	<b>27,084,854</b>	<b>23,737,777</b>	<b>118,503</b>	<b>2,555,182</b>	<b>26,411,462</b>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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:

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
	<u>3,000,149</u>	<u>2,720,199</u>	<u>2,950,738</u>	<u>2,555,182</u>
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	-	-
	<u>522,905</u>	<u>163,852</u>	<u>455,835</u>	<u>118,503</u>

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

Collateral represents the asset pledged by a customer and/or a third party on behalf of the customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Bank, and subject to seizure in the event of default. Collateral provides to the Bank with a secondary repayment source, i.e. a source of fund to help recover its investment should the customer is unable to repay the facility obtained from the Bank.

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

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**Notes to the financial statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

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

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

Group	2014				2013			
	Unsecured		Secured		Unsecured		Secured	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Past due but not impaired	13,275	509,630	13,275	522,905	74,246	163,852	89,606	227,657
Impaired	1,973,921	1,026,228	1,973,921	3,000,149	671,479	2,715,674	2,044,195	2,810,253
	1,987,196	1,535,858	1,987,196	3,523,054	745,725	2,879,526	2,133,801	3,037,910
<b>Bank</b>								
Past due but not impaired	13,275	442,560	13,275	455,835	4,334	118,503	114,169	227,657
Impaired	2,059,740	890,998	2,059,740	2,950,738	582,057	2,555,182	1,973,125	2,810,253
	2,073,015	1,333,558	2,073,015	3,406,573	586,391	2,673,685	2,087,294	3,037,910

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Notes to the financial statements - 31 December 2014 (cont'd.)

**46. Financial Instruments Risk (cont'd.)**

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

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

Group	2014			2013		
	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
	<u>3,935,772</u>	<u>-</u>	<u>3,935,772</u>	<u>3,037,910</u>	<u>-</u>	<u>3,037,910</u>
<b>Bank</b>						
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
	<u>4,009,238</u>	<u>-</u>	<u>4,009,238</u>	<u>3,037,910</u>	<u>-</u>	<u>3,037,910</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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:

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial investments - AFS</u></b>				
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
	<b>1,321,313</b>	<b>1,504,156</b>	<b>1,317,113</b>	<b>1,497,143</b>

**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	-	-
	<b>259,979</b>	<b>259,202</b>	<b>259,957</b>	<b>259,180</b>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

**(b) Market risk**

**(i) Foreign exchange risk**

The Group and the Bank are exposed to foreign currency risk as a result of its borrowings made in currencies other than Ringgit Malaysia. The Group's and the Bank's policy in managing their exposure to foreign currency risks is by hedging through forward contract deals.

The net unhedged financial assets and financial liabilities of the Group and the Bank that are not denominated in its functional currency are as follows:

<b>Net financial assets/(liabilities) held in non-functional currencies</b>		
<b>Functional currency of the Group</b>	<b>Ringgit Malaysia 2014 RM'000</b>	<b>Ringgit Malaysia 2013 RM'000</b>
Japanese Yen ("JPY")	(119,484)	(498,597)
United states dollar ("USD")	36,958	44,890
Singapore dollar ("SGD")	(6,468)	(7,144)
	<hr/>	<hr/>
<b>Functional currency of the Bank</b>		
JPY	(119,484)	(498,597)
	<hr/>	<hr/>

The table below shows the Group's and the Bank's foreign currency sensitivity based on reasonable possible movements in foreign exchange ("FX") rates.

<b>Group</b>	<b>Strengthening/ weakening in FX rate (+/-) %</b>	<b>Effect on profit/loss</b>		<b>Effect on equity</b>	
		<b>Increase in FX rate 2014 RM'000</b>	<b>Decrease in FX rate 2014 RM'000</b>	<b>Increase in FX rate 2014 RM'000</b>	<b>Decrease in FX rate 2014 RM'000</b>
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
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Bank</b>					
JPY	10	(11,948)	11,948	(11,948)	11,948
		<hr/>	<hr/>	<hr/>	<hr/>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

**(b) Market risk (cont'd.)**

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

Group	Strengthening/ weakening in FX rate (+/-) %	Effect on profit/loss		Effect on equity	
		Increase	Decrease	Increase	Decrease
		in FX rate	in FX rate	in FX rate	in FX rate
		2013	2013	2013	2013
		RM'000	RM'000	RM'000	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
<b>Bank</b>					
JPY	10	(15,301)	15,301	(15,301)	15,301

**(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 repricing 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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

**(b) Market risk (cont'd.)**

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

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

	<b>Group</b>			
	<b>Impact on</b>	<b>Impact on</b>	<b>Impact on</b>	<b>Impact on</b>
	<b>profit</b>	<b>profit</b>	<b>equity</b>	<b>equity</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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)
	<b>Bank</b>			
	<b>Impact on</b>	<b>Impact on</b>	<b>Impact on</b>	<b>Impact on</b>
	<b>profit</b>	<b>profit</b>	<b>equity</b>	<b>equity</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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)



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**46. Financial Instruments Risk (cont'd.)**

**(b) Market risk (cont'd.)**

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

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

Group 2014	<----- Non-trading book ----->						Effective interest/profit rate %
	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
<b>Assets</b>							
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	-	10,151	801,154	307,779	4,200	1,321,313
Financial investments - HTM	-	-	78,747	151,601	29,609	22	259,979
Loans, advances and financing							
- non-impaired	1,228,150	257,318	2,027,102	9,107,265	11,776,190	-	24,396,025
- 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
<b>Total assets</b>	<b>3,289,699</b>	<b>966,095</b>	<b>2,116,000</b>	<b>10,060,020</b>	<b>12,113,606</b>	<b>1,399,935</b>	<b>29,945,355</b>

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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						Effective interest/profit rate %
	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
<b>Equity and liabilities</b>							
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	4,925,630	2,000,105	2,154,194	-	9,604,190
Infrastructure support fund	-	-	-	-	-	367,322	367,322
Deferred income	-	-	-	-	-	243,977	243,977
Deferred tax liabilities	-	-	-	-	-	22,452	22,452
<b>Total liabilities</b>	<b>2,230,649</b>	<b>2,572,764</b>	<b>8,228,160</b>	<b>2,404,662</b>	<b>6,099,419</b>	<b>839,953</b>	<b>22,375,607</b>
Shareholders' equity	-	-	-	-	-	7,522,307	7,522,307
Non-controlling interest	-	-	-	-	-	47,441	47,441
<b>Total equity and liabilities</b>	<b>2,230,649</b>	<b>2,572,764</b>	<b>8,228,160</b>	<b>2,404,662</b>	<b>6,099,419</b>	<b>8,409,701</b>	<b>29,945,355</b>
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	-	-	-	-	-	-	-
<b>Total interest/profit sensitivity gap</b>	<b>1,059,050</b>	<b>(1,606,669)</b>	<b>(6,112,160)</b>	<b>7,655,358</b>	<b>6,014,187</b>	<b>(7,009,766)</b>	<b>-</b>

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Notes to the Financial Statements - 31 December 2014 (cont'd.)

**46. Financial Instruments Risk (cont'd.)**

**(b) Market risk (cont'd.)**

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

Group 2013	Non-trading book					Non- interest/profit sensitive RM'000	Total RM'000	Effective interest/profit rate %
	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			
<b>Assets</b>								
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	-	23,982,817	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	-
<b>Total assets</b>	<b>2,983,859</b>	<b>632,296</b>	<b>2,533,033</b>	<b>10,174,020</b>	<b>10,739,265</b>	<b>2,164,739</b>	<b>29,227,212</b>	

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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						Effective interest/profit rate %
	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
<b>Equity and liabilities</b>							
Deposits from customers	2,063,050	2,895,469	2,156,722	-	-	-	7,115,241
Deposits and placements from financial institutions	271,108	40,014	-	-	-	-	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
Infrastructure support fund	-	-	-	-	-	365,430	365,430
Deferred income	-	-	-	-	-	248,413	248,413
Deferred tax liabilities	-	-	-	-	-	31,438	31,438
<b>Total liabilities</b>	<b>2,413,301</b>	<b>3,248,494</b>	<b>2,299,389</b>	<b>8,618,906</b>	<b>4,233,745</b>	<b>830,675</b>	<b>21,644,510</b>
Shareholders' equity	-	-	-	-	-	7,501,325	7,501,325
Non-controlling interest	-	-	-	-	-	81,377	81,377
<b>Total equity and liabilities</b>	<b>2,413,301</b>	<b>3,248,494</b>	<b>2,299,389</b>	<b>8,618,906</b>	<b>4,233,745</b>	<b>8,413,377</b>	<b>29,227,212</b>
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	-	-	-	-	-	-	-
<b>Total interest/profit sensitivity gap</b>	<b>570,558</b>	<b>(2,616,198)</b>	<b>233,644</b>	<b>1,555,114</b>	<b>6,505,520</b>	<b>(6,248,638)</b>	<b>-</b>

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Notes to the Financial Statements - 31 December 2014 (cont'd.)

**46. Financial Instruments Risk (cont'd.)**

**(b) Market risk (cont'd.)**

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

Bank 2014	Non-trading book						Effective interest/profit rate %
	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
<b>Assets</b>							
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	-	10,151	801,154	307,779	-	1,317,113
Financial investments - HTM	-	-	78,747	151,601	29,609	-	259,957
Loans, advances and financing							
- non-impaired	1,148,155	319,306	1,965,772	8,964,876	11,736,007	-	24,134,116
- 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
<b>Total assets</b>	<b>2,791,692</b>	<b>996,973</b>	<b>2,054,670</b>	<b>9,917,631</b>	<b>12,073,395</b>	<b>1,335,392</b>	<b>29,169,753</b>

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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						Effective interest/profit rate %
	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
<b>Equity and liabilities</b>							
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
Infrastructure support fund	-	-	-	-	-	367,322	367,322
Deferred income	-	-	-	-	-	243,977	243,977
Deferred tax liabilities	-	-	-	-	-	12,538	12,538
<b>Total liabilities</b>	<b>1,859,113</b>	<b>2,572,764</b>	<b>8,227,160</b>	<b>2,404,632</b>	<b>6,099,351</b>	<b>671,605</b>	<b>21,834,625</b>
Shareholders' equity	-	-	-	-	-	7,335,128	7,335,128
<b>Total equity and liabilities</b>	<b>1,859,113</b>	<b>2,572,764</b>	<b>8,227,160</b>	<b>2,404,632</b>	<b>6,099,351</b>	<b>8,006,733</b>	<b>29,169,753</b>
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	-	-	-	-	-	-	-
<b>Total interest/profit sensitivity gap</b>	<b>932,579</b>	<b>(1,575,791)</b>	<b>(6,172,490)</b>	<b>7,512,999</b>	<b>5,974,044</b>	<b>(6,671,341)</b>	<b>-</b>

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Notes to the Financial Statements - 31 December 2014 (cont'd.)

**46. Financial Instruments Risk (cont'd.)**

**(b) Market risk (cont'd.)**

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

Bank 2013	Non-trading book						Effective interest/profit rate %
	Up to 1 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
<b>Assets</b>							
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	428,503	202,938	516,949	727	348,026	-	1,497,143
Financial investments - HTM	-	84,167	101,633	43,771	29,609	-	259,180
Loans, advances and financing							
- non-impaired	1,385,165	194,229	1,813,224	10,111,320	10,352,342	-	23,856,280
- impaired *	-	-	-	-	-	169,588	169,588
Other assets	-	-	-	-	-	188,058	188,058
Investment in subsidiaries	-	-	-	-	-	955,679	955,679
Property, plant and equipment	-	-	-	-	-	103,282	103,282
Prepaid land lease	-	-	-	-	-	1,795	1,795
Investment properties	-	-	-	-	-	772	772
Intangible assets	-	-	-	-	-	11,533	11,533
Deferred tax	-	-	-	-	-	-	-
<b>Total assets</b>	<b>2,750,358</b>	<b>632,296</b>	<b>2,433,426</b>	<b>10,155,818</b>	<b>10,729,977</b>	<b>1,436,129</b>	<b>28,138,004</b>

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

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**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 ----->						Effective interest/profit rate %
	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
<b>Equity and liabilities</b>							
Deposits from customers	2,063,050	2,895,469	2,156,722	-	-	-	7,115,241
Deposits and placements from financial institutions	271,108	40,014	-	-	-	-	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
Infrastructure support fund	-	-	-	-	-	365,430	365,430
Deferred income	-	-	-	-	-	248,413	248,413
Deferred tax liabilities	-	-	-	-	-	27,121	27,121
<b>Total liabilities</b>	<b>2,413,301</b>	<b>3,210,824</b>	<b>2,231,352</b>	<b>8,618,906</b>	<b>3,559,905</b>	<b>680,841</b>	<b>20,715,129</b>
Shareholders' equity	-	-	-	-	-	7,422,875	7,422,875
<b>Total equity and liabilities</b>	<b>2,413,301</b>	<b>3,210,824</b>	<b>2,231,352</b>	<b>8,618,906</b>	<b>3,559,905</b>	<b>8,103,716</b>	<b>28,138,004</b>
On-balance sheet interest/profit sensitivity gap	337,057	(2,578,528)	202,074	1,536,912	7,170,072	(6,667,587)	-
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-
<b>Total interest/profit sensitivity gap</b>	<b>337,057</b>	<b>(2,578,528)</b>	<b>202,074</b>	<b>1,536,912</b>	<b>7,170,072</b>	<b>(6,667,587)</b>	<b>-</b>



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

**(c) Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt repayments over a range of maturities.

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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

**(c) Liquidity risk (cont'd.)**

**(i) Contractual maturity of total assets and liabilities**

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

Group 2014	<----- Non-trading book ----->						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>Assets</b>							
Cash and short term deposits	1,859,273	-	-	-	-	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
<b>Liabilities</b>							
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	449,631	74,630	1,614,393	404,557	3,945,225	-	5,964,175
Term loans	2,230,649	2,572,764	4,925,629	2,000,105	2,154,195	-	9,604,190
	2,230,649	2,572,764	8,228,159	2,404,662	6,099,420	206,202	21,741,856
<b>Net maturity mismatches</b>	1,059,050	(1,606,669)	(6,113,057)	7,653,330	6,035,476	445,809	7,473,939

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

**(c) Liquidity risk (cont'd.)**

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

Group 2013	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>Assets</b>							
Cash and short term deposits	1,162,082	-	-	-	-	89,853	1,251,935
Deposits and placements 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
<b>Liabilities</b>							
Deposits from customers	2,053,036	2,905,483	2,156,722	-	-	-	7,115,241
Deposits and placements from financial institutions	281,122	30,000	-	-	-	-	311,122
Other liabilities	-	-	-	-	-	185,394	185,394
Redeemable notes	79,143	313,011	142,667	2,119,570	905,778	-	3,025,348
Term loans	2,413,301	3,248,494	2,299,389	6,499,336	3,327,967	-	10,362,124
	570,823	(2,620,303)	258,463	1,561,343	6,832,393	405,509	7,008,228
<b>Net maturity mismatches</b>							

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Notes to the Financial Statements - 31 December 2014 (cont'd.)

46. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

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

Bank 2014	Non-trading book ----->						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>Assets</b>							
Cash and short term deposits	1,445,508	-	-	-	-	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
<b>Liabilities</b>							
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	78,095	74,630	1,614,393	404,557	3,945,225	-	5,964,175
Term loans	1,859,113	2,572,764	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
<b>Net maturity mismatches</b>	932,579	(1,575,791)	(6,173,388)	7,510,971	5,995,334	524,775	7,214,480

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

**(c) Liquidity risk (cont'd.)**

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

	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>Bank</b>							
<b>2013</b>							
<b>Assets</b>							
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
	<u>2,750,623</u>	<u>628,191</u>	<u>2,458,245</u>	<u>10,162,047</u>	<u>10,901,128</u>	<u>336,482</u>	<u>27,236,716</u>
<b>Liabilities</b>							
Deposits from customers	2,063,050	2,895,469	2,156,722	-	-	-	7,115,241
Deposits and placements from financial institutions	281,122	30,000	-	-	-	-	311,122
Other liabilities	-	-	-	-	-	39,877	39,877
Redeemable notes	79,143	275,341	-	2,119,570	905,778	-	3,025,348
Term loans	2,423,315	3,200,810	74,630	6,499,336	2,654,127	-	9,582,577
	<u>2,423,315</u>	<u>3,200,810</u>	<u>2,231,352</u>	<u>8,618,906</u>	<u>3,559,905</u>	<u>39,877</u>	<u>20,074,165</u>
<b>Net maturity mismatches</b>	<u>327,308</u>	<u>(2,572,619)</u>	<u>226,893</u>	<u>1,543,141</u>	<u>7,341,223</u>	<u>296,605</u>	<u>7,162,551</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

**(c) Liquidity risk (cont'd.)**

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

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities as at 31 December 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.

Group 2014	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>2,233,588</b>	<b>2,650,561</b>	<b>8,393,449</b>	<b>3,561,498</b>	<b>8,042,352</b>	<b>206,202</b>	<b>25,087,650</b>
<b>2013</b>							
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>2,604,684</b>	<b>3,052,830</b>	<b>2,303,138</b>	<b>10,580,067</b>	<b>6,014,409</b>	<b>185,394</b>	<b>24,740,522</b>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**46. Financial Instruments Risk (cont'd.)**

**(c) Liquidity risk (cont'd.)**

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

	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>Bank 2014</b>							
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>1,860,641</b>	<b>2,650,555</b>	<b>8,373,161</b>	<b>3,561,389</b>	<b>8,042,352</b>	<b>47,768</b>	<b>24,535,866</b>
<b>2013</b>							
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>2,427,138</b>	<b>3,052,830</b>	<b>2,303,138</b>	<b>10,084,604</b>	<b>5,870,943</b>	<b>39,877</b>	<b>23,778,530</b>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**47. Fair Values Measurements**

**(a) Financial assets and liabilities measured at fair value**

**Determination of fair value and the fair value hierarchy**

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

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

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

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

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

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

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

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



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**47. Fair Values Measurements**

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

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

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

Group	2014				2013		
	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
<b>Assets measured at fair value:</b>							
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	-
Total financial assets	430,920	894,640	-	1,325,560	734,574	769,582	-
Total financial assets carried at fair value				<b>1,325,560</b>			<b>1,504,156</b>
<b>Assets for which fair values are disclosed (Note 47 (b)):</b>							
Loans, advances and financing	-	-	24,757,054	24,757,054	-	223,560	23,788,580
Financial investments - HTM	-	259,979	-	259,979	-	258,196	-
Investment properties	-	13,320	-	13,320	-	7,295	-
<b>Liabilities for which fair values are disclosed (Note 47 (b)):</b>							
Redeemable notes	-	-	5,382,097	5,382,097	-	-	3,165,142
Term loans	-	-	8,971,570	8,971,570	-	-	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, advances and financing 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%).

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**Notes to the Financial Statements - 31 December 2013 (cont'd.)**

**47. Fair Values Measurements (cont'd.)**

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

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

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

Bank	2014				2013		
	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
<b>Assets measured at fair value:</b>							
Financial investments - AFS	422,473	894,640	-	1,317,113	727,664	769,479	-
Total financial assets	422,473	894,640	-	1,317,113	727,664	769,479	-
Total financial assets carried at fair value				1,317,113			1,497,143
							1,497,143
<b>Assets for which fair values are disclosed (Note 47 (b)):</b>							
Loans, advances and financing	-	-	24,374,419	24,374,419	-	-	24,012,140
Financial investments - HTM	-	295,901	-	295,901	-	258,196	-
Investment properties	-	5,850	-	5,850	-	7,295	-
							7,295
<b>Liabilities for which fair values are disclosed (Note 47 (b)):</b>							
Redeemable notes	-	-	5,382,097	5,382,097	-	-	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, advances and financing 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%).

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>2014</b>				
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
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
<b>2013</b>				
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
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

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**47. Fair Values Measurements (cont'd.)**

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

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

**(i) Financial investments HTM**

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including 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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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).

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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 the Bank included in the Group financial statements are summarised as follows:

**Statements of Financial Position**  
**As at 31 December 2014**

	Note	31 December 2014 RM'000	Group 31 December 2013 RM'000	1 January 2013 RM'000
<b>Assets</b>				
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		<u>7,449,876</u>	<u>5,861,455</u>	<u>4,362,752</u>
<b>Liabilities</b>				
Other liabilities	(e)	138,290	2,758,394	1,865,268
Deposits from customers		-	281,397	595,394
Mudharabah		-	-	-
Non-Mudharabah		2,790,573	1,111,264	-
Deposits and placements from financial institutions		-	170,861	30,070
Mudharabah		-	-	-
Non-Mudharabah		-	-	-
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		<u>7,449,876</u>	<u>5,861,455</u>	<u>4,362,752</u>
Commitments and contingencies	(o)	<u>4,112,884</u>	<u>2,122,067</u>	<u>2,201,660</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont,d.)**

**Statements of Financial Position**  
**As at 31 December 2014**

	Note	Bank 2014 RM'000	2013 RM'000
<b>Assets</b>			
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		<u>7,346,987</u>	<u>5,794,016</u>
<b>Liabilities</b>			
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		<u>7,346,987</u>	<u>5,794,016</u>
Commitments and contingencies	(o)	<u>4,112,884</u>	<u>2,122,067</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**Income Statements**

**For the Financial Year Ended 31 December 2014**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
			<b>Restated</b>		
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)	-
<b>Total distributable income</b>		<b>127,215</b>	<b>264,042</b>	<b>105,142</b>	<b>256,604</b>
Income attributable to the depositors	(k)	(87,930)	(41,295)	(87,930)	(41,295)
<b>Total net income</b>		<b>39,285</b>	<b>222,747</b>	<b>17,212</b>	<b>215,309</b>
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		<b>(55,761)</b>	<b>174,654</b>	<b>(77,736)</b>	<b>167,332</b>



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**Statements of Comprehensive Income**  
**For the Financial Year Ended 31 December 2014**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
(Loss)/profit for the financial year	(55,761)	174,654	(77,736)	167,332
<b>Other comprehensive income</b>				
Net loss on revaluation of financial investments - AFS	-	(124)	-	(124)
Other comprehensive loss for the financial year, net of tax	-	(124)	-	(124)
<b>Total comprehensive (loss)/income for the financial year, net of zakat</b>	<b>(55,761)</b>	<b>174,530</b>	<b>(77,736)</b>	<b>167,208</b>
<b>Total comprehensive (loss)/income attributable to:</b>				
Shareholders of the Bank	(55,761)	174,530	(77,736)	167,208
Non-controlling interests	-	-	-	-
	<b>(55,761)</b>	<b>174,530</b>	<b>(77,736)</b>	<b>167,208</b>
<b>Net income from Islamic banking business:</b>				
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)	-
<b>Net income from Islamic banking business reported in the income statement of the Bank</b>	<b>262,176</b>	<b>264,825</b>	<b>257,967</b>	<b>262,656</b>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

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

<b>Group</b>	<b>Capital funds RM'000</b>	<b>Unrealised holding reserve RM'000</b>	<b>Profit equalisation reserve RM'000</b>	<b>Retained profits RM'000</b>	<b>Total RM'000</b>
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 loss for the financial year	-	-	-	19,266	19,266
Provision for the period	-	-	5,479	(5,479)	-
Transfer to retained profits	-	-	(10,449)	10,449	-
At 31 December 2014	602,400	-	-	299,750	902,150
At 1 January 2013	587,626	124	4,970	100,169	692,889
Prior period adjustments	14,774	-	-	691	15,465
At 1 January 2013, restated	602,400	124	4,970	100,860	708,354
Total comprehensive (loss)/income for the financial year	-	(124)	-	172,815	172,691
At 31 December 2013	602,400	-	4,970	273,675	881,045

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**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
<b>Bank</b>					
At 1 January 2014	597,400	-	4,970	243,043	845,413
Total comprehensive loss for the financial year	-	-	-	10,204	10,204
Provision for the period	-	-	5,479	(5,479)	-
Transfer to retained profits	-	-	(10,449)	10,449	-
At 31 December 2014	<u>597,400</u>	<u>-</u>	<u>-</u>	<u>258,217</u>	<u>855,617</u>
At 1 January 2013	597,400	124	4,970	75,251	677,745
Total comprehensive (loss)/income for the financial year	-	(124)	-	167,792	167,668
At 31 December 2013	<u>597,400</u>	<u>-</u>	<u>4,970</u>	<u>243,043</u>	<u>845,413</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**Cash Flows Statements for the Financial Year Ended 31 December 2014**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
<b>Cash flows from operating activities</b>				
(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)
	<u>(1,635,582)</u>	<u>(1,606,090)</u>	<u>(1,608,278)</u>	<u>(1,576,096)</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**Cash Flows Statements for the Financial Year Ended 31 December 2014 (cont'd.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
<b>Cash flows from operating activities (cont'd)</b>				
(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
	<u>(1,342,622)</u>	<u>1,376,875</u>	<u>(1,356,097)</u>	<u>1,336,855</u>
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	<u>(2,769,792)</u>	<u>(1,996)</u>	<u>(2,760,074)</u>	<u>(14,075)</u>
<b>Cash flows from financing activities</b>				
Receipt from issuance of bond	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>
Net cash used in financing activities	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>
<b>Cash and cash equivalents (Note A)</b>				
Net increase/(decrease) in cash and cash equivalents	230,208	(1,996)	239,926	(14,075)
Cash and cash equivalents at beginning of year	<u>306,717</u>	<u>308,713</u>	<u>274,540</u>	<u>288,615</u>
Cash and cash equivalents at end of year	<u>536,925</u>	<u>306,717</u>	<u>514,466</u>	<u>274,540</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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:

	<b>Group</b>		<b>1 January</b>
	<b>31 December</b>	<b>31 December</b>	<b>2013</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>	<b>Restated</b>
Cash and short term deposits	536,925	306,717	331,042
	<u>536,925</u>	<u>306,717</u>	<u>331,042</u>

	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and short term deposits	514,466	274,540
	<u>514,466</u>	<u>274,540</u>

**(a) Cash and short term deposits**

	<b>Group</b>		<b>1 January</b>
	<b>31 December</b>	<b>31 December</b>	<b>2013</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>	<b>Restated</b>
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
	<u>536,925</u>	<u>306,717</u>	<u>331,042</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**(a) Cash and short term deposits (cont'd.)**

	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances with financial institutions	545	2,971
Money at call and deposit placements maturing within one month	513,921	271,569
	<u>514,466</u>	<u>274,540</u>

**(b) Deposits and placements with financial institutions**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<u>677,667</u>	<u>3,065</u>

**(c) Advances and financing**

	<b>31 December</b>	<b>31 December</b>	<b>1 January</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>	<b>Restated</b>
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	<u>(4,807,284)</u>	<u>(4,191,028)</u>	<u>(3,817,316)</u>
Gross advances and financing	<u>7,040,713</u>	<u>6,162,245</u>	<u>4,580,935</u>

Allowance for impairment on advances and financing:

IAA	(577,648)	(465,274)	(458,504)
CAA	(256,632)	(156,671)	(132,683)
	<u>(834,280)</u>	<u>(621,945)</u>	<u>(591,187)</u>

Net advances and financing	<u>6,206,433</u>	<u>5,540,300</u>	<u>3,989,748</u>
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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

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

	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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



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**48. Islamic Banking Business (cont'd.)**

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 December</b>	<b>31 December</b>		
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
Domestic business enterprises	7,018,545	6,151,703	6,956,693	6,104,683
Individual	22,168	10,542	9,294	10,542
	<u>7,040,713</u>	<u>6,162,245</u>	<u>6,965,987</u>	<u>6,115,225</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 December</b>	<b>31 December</b>		
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
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
	<u>7,040,713</u>	<u>6,162,245</u>	<u>6,965,987</u>	<u>6,115,225</u>

(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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 December</b>	<b>31 December</b>		
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
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
	<b>7,040,713</b>	<b>6,162,245</b>	<b>6,965,987</b>	<b>6,115,225</b>

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 December</b>	<b>31 December</b>		
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
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
	<b>7,040,713</b>	<b>6,162,245</b>	<b>6,965,987</b>	<b>6,115,225</b>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	<u>568,364</u>	<u>651,766</u>	<u>544,429</u>	<u>580,696</u>
Ratio of gross impaired financing	<u>8.07%</u>	<u>10.58%</u>	<u>7.82%</u>	<u>9.50%</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	-	-
	<u>568,364</u>	<u>651,766</u>	<u>544,429</u>	<u>580,696</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>2014</b>	<b>2013</b>
<b>Individual assessment allowance</b>	<b>RM'000</b>	<b>RM'000 Restated</b>	<b>RM'000</b>	<b>RM'000</b>
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	<u>577,648</u>	<u>465,274</u>	<u>560,591</u>	<u>443,266</u>

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>2014</b>	<b>2013</b>
<b>Collective assessment allowance</b>	<b>RM'000</b>	<b>RM'000 Restated</b>	<b>RM'000</b>	<b>RM'000</b>
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	<u>256,632</u>	<u>156,671</u>	<u>256,012</u>	<u>156,051</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**(d) Other assets**

	<b>Group</b>		
	<b>31 December</b>	<b>31 December</b>	<b>1 January</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>	<b>Restated</b>
Other receivables	<u>28,851</u>	<u>11,373</u>	<u>2,106</u>

	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Other receivables	<u>5,470</u>	<u>503</u>

**(e) Other liabilities**

	<b>Group</b>		
	<b>31 December</b>	<b>31 December</b>	<b>1 January</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>	<b>Restated</b>
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	<u>115,648</u>	<u>2,744,376</u>	<u>1,853,064</u>
	<u>138,290</u>	<u>2,758,394</u>	<u>1,865,268</u>

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**48. Islamic Banking Business (cont'd.)**

**(e) Other liabilities (cont'd.)**

	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables	8,232	4,295
Zakat payables	12,868	6,821
PER	-	2,030
Inter divisions	74,207	2,715,740
	<u>95,307</u>	<u>2,728,886</u>

**(f) Long term advances**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Other financing:		
Unsecured - Principal	<u>4,125</u>	<u>4,125</u>

**(g) Income derived from investment of depositors' funds**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Finance Income</b>				
Advances and financing	131,800	71,467	131,800	71,467
Other income:				
Fee income	5,368	1,739	5,368	1,739
	<u>137,168</u>	<u>73,206</u>	<u>137,168</u>	<u>73,206</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**(h) Income derived from investment of shareholders' funds**

Finance Income	Group		Bank	
	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
	<u>269,898</u>	<u>255,430</u>	<u>265,864</u>	<u>253,415</u>
Amortisation of premium	-	(165)	-	(165)
	<u>269,898</u>	<u>255,265</u>	<u>265,864</u>	<u>253,250</u>
Other income:				
Gain/(loss) on sale of:				
- financial investments - available-for-sale ("AFS")				-
Fee income	9,641	5,555	9,466	5,401
	<u>279,539</u>	<u>260,820</u>	<u>275,330</u>	<u>258,651</u>
Of which:				
Profit income earned on impaired advances and financing	6,344	13,473	6,344	13,473

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**(i) Advances and financing loss  
and allowance**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		
<b>IAA:</b>				
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)
<b>CAA:</b>				
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)
	<u>212,335</u>	<u>64,823</u>	<u>217,286</u>	<u>67,793</u>



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**(j) Impairment on other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial investments				
- AFS	-	7,000	-	7,000

**(k) Income attributable to the depositors**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	-
	<u>87,930</u>	<u>41,295</u>	<u>87,930</u>	<u>41,295</u>

**(l) Overhead expenses**

	<b>Note</b>	<b>Group</b>		<b>Bank</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel costs	(i)	11,712	9,080	11,712	9,080
General administrative expenses	(ii)	6,085	4,304	5,987	4,188
		<u>17,797</u>	<u>13,384</u>	<u>17,699</u>	<u>13,268</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**(I) Overhead expenses (cont'd.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Personnel costs</b>				
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
	<u>11,712</u>	<u>9,080</u>	<u>11,712</u>	<u>9,080</u>
<b>(ii) General administrative expenses</b>				
General administrative expenses	<u>6,085</u>	<u>4,304</u>	<u>5,987</u>	<u>4,188</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Shariah committee's remuneration	<u>183</u>	<u>192</u>	<u>183</u>	<u>192</u>

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**(m) Finance cost**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Redeemable notes	64,471	27,906	64,471	27,906

**(n) Zakat**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Zakat	12,778	6,803	12,778	6,803

**(o) Commitments and contingencies**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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
	<u>4,112,884</u>	<u>2,122,067</u>

**(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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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:

Group	As at 1 January 2013		
	As previously stated RM'000	Adjustment RM'000	As restated RM'000
<b>Statement of financial position</b>			
<b>Asset</b>			
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
	<u>4,276,381</u>	<u>46,515</u>	<u>4,322,896</u>
<b>Liabilities</b>			
Other liabilities	1,834,218	31,050	1,865,268
<b>Equity</b>			
Islamic banking fund	692,889	15,465	708,354
	<u>2,527,107</u>	<u>46,515</u>	<u>2,573,622</u>

Group	As at 1 January 2013		
	As previously stated RM'000	Adjustment RM'000	As restated RM'000
<b>Income Statement</b>			
Income derived from investment of shareholders' funds	208,963	2,503	211,466
Allowance for impairment of advances and financing	(161,408)	7,389	(154,019)

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**48. Islamic Banking Business (cont'd.)**

**(p) Prior period adjustments (cont'd.)**

The effect of prior period adjustments to the Group Islamic Banking Business are as follows: (cont'd.)

Group	As at 31 December 2013		
	As previously stated RM'000	Adjustment RM'000	As restated RM'000
<b>Statement of financial position</b>			
<b>Asset</b>			
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
	<u>5,813,547</u>	<u>44,843</u>	<u>5,858,390</u>
<b>Liabilities</b>			
Other liabilities	2,729,841	28,553	2,758,394
<b>Equity</b>			
Islamic banking fund	866,594	16,290	882,884
	<u>3,596,435</u>	<u>44,843</u>	<u>3,641,278</u>

Group	As at 31 December 2013		
	As previously stated RM'000	Adjustment RM'000	As restated RM'000
<b>Income Statement</b>			
Income derived from investment of shareholders' funds	259,597	1,223	260,820
Allowance for impairment of advances and financing	(62,587)	(397)	(62,984)

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**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
- (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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**49. Government Funds (cont'd.)**

**(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.

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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**49. Government Funds (cont'd.)**

**49.1 Performance of the fund**

	2014				2013			
	Tourism	Maritime	Public		Tourism	Maritime	Public	
Group	fund	fund	fund	Total	fund	fund	fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Allocation received</u>								
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



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**Notes to the Financial Statements - 31 December 2014 (cont'd.)**

**49. Government Funds (cont'd.)**

**49.1 Performance of the fund (cont'd.)**

	2014				2013			
	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
<b>Bank</b>								
<u>Allocation received</u>								
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
<b>Loans, advances and financing:</b>								
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
<b>Number of beneficiaries</b>	58	44	1	103	56	40	1	97

