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ANNUAL REPORT

2015

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INFRASTRUCTURE

ROAD/HIGHWAY

- Toll Road
- Federal Road
- Trunk Road
- City Road
- Bridge

COMMUNITY, SOCIAL & PUBLIC SERVICES

- Education
- Health (excluding Health Tourism)
- Flood Mitigation

UTILITIES

- Power
- Water
- Sewerage

TOURISM

- Theme Tourism
- Convention and Business Centre
- Hotel/Resort/Service Apartment/Villa
- Marina

TRANSPORTATION

- Inland
- Air

AREA DEVELOPMENT

- Public/Commercial/Residential
- Industrial

PORT

- Inland
- Sea
- Warehouse/Logistic Hub

CORPORATE PROFILE

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



MARITIME

VESSELS

- Liquid Cargo Vessel
- Dry Cargo Vessel
- Specialised Vessel

SHIPYARD

- Ship Building
- Ship Repair
- Engineering Work
- Yard Facilities & Infrastructure

MARINE-RELATED

- Fabrication
- Vessel Service



OIL & GAS

OFFSHORE

Oil & Gas Field Operators
Offshore Structure Owners/Operators
Platform Contractors

ONSHORE

Fabricators
Tank Farm Owners/Operators
Terminal Owners/Operators

OFFSHORE SUPPORT VESSELS

Anchor Handling Tug
Crew Boat
Supply/Utility Vessels
Pipe Lay Barge/Vessels
Accommodation Work Barge
Other vessels involved in Oil & Gas activities



TECHNOLOGY

ADVANCED MANUFACTURING

Chemical
Textile
Plastic
Iron & Steel
Pulp & Paper
Aerospace
Pharmaceutical
Advanced Material
Electrical & Electronic
Engineering & Support Services
Instrumentation & Equipment
Security Printing
Food Processing

ENVIRONMENTAL CONSERVATION

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

BIOTECHNOLOGY

Biotechnology

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

Telecommunication
Communication
System Integration

CORPORATE STRUCTURE



SUBSIDIARIES

90%
GLOBAL MARITIME
VENTURES BERHAD

100%
SME GROWTH
ACCELERATION
FUND SDN BHD

100%
MAJU NOMINEES
(TEMPATAN) SDN BHD

100%
BPMB URUS HARTA
SDN BHD

100%
EMERALD UPLINE
SDN BHD

54.8%
PEMBANGUNAN EKUITI
SDN BHD

100%
PEMBANGUNAN LEASING
CORPORATION SDN BHD

- 30% Wawasan Bulk Services Sdn Bhd
- 70% Mutiara Navigation Sdn Bhd
- 70% Intan Navigation Sdn Bhd
- 70% Kasa Navigation Sdn Bhd
- 70% Mayang Navigation Sdn Bhd
- 70% Sari Navigation Sdn Bhd
- 70% Nilam Navigation Sdn Bhd
- 70% Tiara Navigation Sdn Bhd
- 100% GMV-Regional Sdn Bhd
- 100% GMV-Offshore Sdn Bhd
- 100% GMV-Orkim Sdn Bhd
- 100% GMV-Bahtera Sdn Bhd
- 100% GMV-Jasa Sdn Bhd
- 100% GMV-Omni Sdn Bhd

100% GMV-Efogen Sdn Bhd

100% GMV-Gagasan Sdn Bhd

100% GMV-Alam Sdn Bhd

100% GMV-Global Sdn Bhd

100% Glory Incentive Sdn Bhd

100% GMV-Borcos Sdn Bhd

100% PLC Credit & Factoring Sdn Bhd

100% BI Credit & Leasing Bhd

QUOTED INVESTMENT

18.39%

MALAYSIAN BULK
CARRIERS BERHAD

- **49%** Sea Weasel Limited Bhd
- **40%** Formasi Cekal Sdn Bhd
- **40%** Baycorp Ship Management Sdn Bhd
- **60%** Gagasan Ked Sdn Bhd
- **60%** Gagasan Paha Sdn Bhd
- **40%** Alam Explorasi (M) Sdn Bhd
- **40%** Alam Synergy I (L) Inc.
- **40%** Alam Synergy II (L) Inc.
- **40%** Alam Synergy III (L) Inc.
- **49%** Global BMesra Sdn Bhd
- **49%** Global BMesra Dua Sdn Bhd
- **49%** Global Bikhlas Sdn Bhd
- **100%** Bahtera Berlian Sdn Bhd
- **70%** Permata Navigation Sdn Bhd
- **70%** Gemala Navigation Sdn Bhd
- **70%** Ratna Navigation Sdn Bhd
- **70%** Kencana Navigation Sdn Bhd
- **70%** Ayu Navigation Sdn Bhd
- **100%** Syarikat Borcos Shipping Sdn Bhd
- **100%** Wijaya Navigation Sdn Bhd
- **100%** Borcos Tasneem Offshore Ltd
- **100%** Borcos Firdaus Marine Offshore Ltd
- **100%** Borcos SSV Marine Offshore Ltd
- **51%** Borcos Franklin Offshore Mooring Sdn Bhd
- **100%** Cendana Lagenda Sdn Bhd
- **100%** P.T. Borcos Nusantarajaya
- **49%** Berkat Perkapalan Sdn Bhd

CHAIRMAN'S

STATEMENT

In the name of Allah, the most Beneficent, the most Merciful.

On behalf of the Board of Directors of Bank Pembangunan Malaysia Berhad, it is my great pleasure to present the 42nd Annual Report and Audited Financial Statement of Bank Pembangunan and Group for the financial year ended December 31, 2015.

ECONOMIC REVIEW FOR 2015

The long economic boom for emerging markets, which started in the early 2000s with the recovery from the Asian Financial Crisis and was then fueled by fiscal and monetary policies to counter the Global Financial Crisis, has come to an end. Economic growth has slowed and currencies remained weak on the back of rising US rates and weak commodity prices. The pace of recovery depended on exports and effective structural adjustments in each country.

Given the high degree of openness of the Malaysian economy and the increased integration with the international financial system, our domestic economy is significantly affected by both the global and regional developments. Despite the challenges, the Malaysian economy was able to weather the developments in 2015 and sustained a respectable growth. The economy grew by 5.0% in 2015 (2014: 6.0%), supported by the continued expansion of domestic demand, which was primarily driven by the private sector. Modest improvements in external demand in the second half of the year also provided additional impetus to economic growth.

All major economic sectors registered a more moderate pace of growth in 2015, attributable mainly to the slower domestic demand. However, growth in external demand, particularly from the advanced economies, had benefited the export-oriented manufacturing industries and trade-related services sub-sectors. The financial sector remained on course towards achieving the outcomes outlined in the Financial Sector Blueprint 2011-2020 to support Malaysia's transition to a high income, high value-added economy. Amid a more challenging economic environment, total outstanding financing to the economy has continued to expand at a healthy pace, with efforts to increase access to financial services for the underserved continuing to pay off.

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

FINANCIAL PERFORMANCE IN 2015

In 2015, it has been a tough operating environment for BPMB Group given the economic uncertainties. Across the banking industry, margins remained under pressure with higher capital requirements reducing returns. Amidst these challenges, BPMB Group was able to achieve Profit Before Tax of RM124.8 million in 2015 as compared to RM306.4 million in 2014. The decrease of 59.3% is mainly due to substantial drop in charter hire income of GMVB, a subsidiary of BPMB, and higher impairment of loans, advances and financing as well as assets, particularly vessels. Subsequently, this high impairment of loans, advances and financing has resulted the Group Loss of RM12.7 million as compared to Profit After Tax of RM124.7 million in the previous year.

BPMB Group's Total Assets decreased to RM27.3 billion as at end of 2015 from RM29.9 billion in the previous year arising largely from drop in net loan assets of BPMB mainly due to chunky repayment of loan by a single borrower and prepayments by few borrowers during the year under review. Total Liabilities of BPMB Group also dropped to RM19.7 billion from RM22.4 billion in the previous year attributed to repayment of borrowings.

Bank Pembangunan Malaysia Berhad (BPMB)

For the financial year ended 2015, BPMB recorded Profit Before Tax of RM228.1 million, a shortfall of RM18.9 million or 7.7% from RM247.0 million recorded in 2014. The decrease was mainly due to higher impairment of loans, advances and financing by RM151.4 million and lower net income from Islamic Banking by RM121.1 million due to higher finance cost from issuance of MTN.

BPMB's Total Assets decreased from RM29.2 billion to RM26.7 billion, a drop of 8.6% from the previous year largely due to lower loans, advances and financing. Total Liabilities decreased by RM2.4 billion to RM19.4 billion mainly contributed by lower borrowings.

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



Global Maritime Venture Berhad (GMVB)

For the financial year ended 31 December 2015, GMVB Group recorded lower Revenue of RM90.6 million as compared to RM273.1 million in the previous year, a decline of 66.8%. Consequently, GMVB Group registered higher Loss Before Tax of RM322.1 million, as compared to RM281.7 million incurred in the year before. The unfavourable result was mainly due to reduction in charter hire income by its subsidiary, coupled with lower other operating income and share of loss in Joint Ventures and Associated companies.

Total Assets of RM713.9 million recorded as at 31 December 2015 was lower by RM380.4 million compared to the previous year mainly due to lower cash and bank balances attributable to additional advances to a subsidiary and Joint Ventures. Total Liabilities was lower by RM174.3 million mainly due to early redemption of a subsidiary's sukuk facilities and repayment of its term loan.

Pembangunan Leasing Corporation Sdn Bhd (PLC)

For the financial year ended 31 December 2015, PLC Group recorded higher Operating Profit of RM17.7 million compared to RM15.4 million in the previous year. Consequently, Profit Before Tax increased to RM46.0 million from RM14.0 million recorded in 2014. The achievement was mainly attributable to higher net write-back of loans, advances and financing. Total Assets of PLC Group decreased to RM344.5 million mainly due to lower loans, advances and financing.

OUTLOOK AND PROSPECT FOR 2016

The international economic and financial landscape is likely to remain challenging in 2016 and will be a key factor that will influence the prospects of the Malaysian economy. Depending on their nature, global developments can pose both upside and downside risks to the Malaysian economic growth. The Malaysian economy is expected to grow by 4.0 - 4.5% in 2016. Domestic demand will continue to be the principal driver of growth, sustained primarily by private sector spending. Despite subdued commodity prices, Malaysia's export performance is projected to remain positive, in line with the modest improvement in external demand. The well-diversified nature of Malaysia's exports will continue to support the overall growth in exports.

All economic sectors are projected to expand, albeit at a more moderate pace in 2016. The services and manufacturing sectors will remain the key drivers of overall growth. Despite the lower oil and gas prices, growth in the mining sector will be supported by new gas production capacity. Growth momentum in the construction sector is projected to moderate slightly in 2016 amid a modest expansion in both residential and non-residential sub-sectors.

From all indications, the year 2016 looks to continue to be challenging to the financial and banking sector. Nevertheless, coupled with high quality capital and liquidity buffers accumulated over the years, financial institutions will remain resilient against the heightened volatility and more challenging business conditions during the year. BPMB Group is expected to improve its financial positions, supported by sound governance and risk management practices.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to extend our deepest appreciation to the Government particularly the Ministry of Finance for their continuous support and assistance rendered throughout 2015. I would also like to extend our gratitude to Bank Negara Malaysia for their guidance and advice. To our clients, thank you for the continuous support and trust given throughout the year.

I would like to put on record our sincere appreciation to all my colleagues in the Board of Directors as well as Shariah Committee for their dedication and invaluable contribution. I look forward to working closely with them to further bring BPMB and its subsidiaries to higher level of success. I would like to acknowledge our appreciation to Datuk Nozirah Bahari, who resigned from the Board on 28 December 2015, for her dedicated service. I also would like to put on record our gratitude to Tuan Haji Zainul Rahim Mohd Zain, Tuan Haji Rosli Abdullah and Dato' Abd Rahman Md Khalid, who ended their term from the Board on 8 March 2016. Their commitment to the growth and successes of the Group are indeed commendable.

Last but not least, I would like to express my heartfelt gratitude to the Management and staff of BPMB Group who have demonstrated a high level of integrity and commitment in their daily actions and performance amidst the many challenges. Keep up the fantastic work, and together we will fulfill our ambitions as well as those of our stakeholders.

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

Chairman

PRESIDENT/GROUP MANAGING DIRECTOR'S STATEMENT



OVERVIEW

Given a volatile macro-economic environment, the year 2015 was tough for almost every sector in the country, including banking. It has been a challenging year for the banking sector amidst volatility and uncertainties in the commodity prices, financial markets as well as global economies coupled with a highly competitive operating landscape. Margin compression, slower loan growth, higher financing cost and lackluster capital market activities continued to put a drag on the banking sector's performance in 2015. Despite the prevalent headwinds, BPMB performed relatively well whilst ensuring that we continue to focus on creating long-term value for our stakeholders.

FINANCIAL PERFORMANCE

For the financial year ended 2015, despite a challenging business environment, BPMB was able to record Net Income of RM924.4 million, an increase of RM36.6 million from the previous year. However, the Profit Before Tax recorded RM228.1 million, a decline of 7.7% as compared to 2014. The decrease was contributed by higher impairment of loans, advances and financing by RM151.4 million from RM270.0 million recorded in 2014. However, it was offset by lower impairment on other assets by RM98.3 million mainly due to lower vessels impairment made during the year.

BPMB's total assets decreased to RM26.7 billion as at 31 December 2015, from RM29.2 billion in the previous year. This was largely due to lower loans, advances and financing by RM1.9 billion as a result of net loan repayment of RM2.1 billion and lower cash and short term deposits by RM0.3 billion.

BPMB's capital adequacy remained solid with risk-weighted capital ratio (RWCR) strengthening to 38.6% in 2015 from 33.1% in 2014.

LENDING PERFORMANCE

In supporting the national development agenda and contributing towards economic growth, BPMB had approved a total of 23 projects amounting to RM3.5 billion in 2015. Against a backdrop of slower growth in the banking sector, the approval recorded a decrease of 35.2% from the previous year's approval of RM5.4 billion which were granted to 34 projects. During the

MOHAMMED RAFIDZ AHMED RASIDDI
PRESIDENT / GROUP MANAGING DIRECTOR

period under review, RM2.8 billion or 80.0% was channelled to infrastructure sector, RM0.5 billion or 14.3% to technology sector while the remaining RM0.2 billion or 5.7% to maritime sector. There was no approval for oil & gas sector in 2015.

BPMB has tightened its loan approval process whereby vessel financing is targeted at borrowers who have strong financial profiles. Additionally, BPMB has been focusing on loans related to government-initiated projects and borrowers with good payment track records.

Infrastructure

Funding for infrastructure projects continued to be the Bank's forte, accounting for 86.4% of the Bank's current financing/loan portfolio as at 31 December 2015. For the period under review, financing/loan for 18 infrastructure projects worth RM2,831.1 million were approved.

In tandem with the Government's initiative to further improve basic infrastructure facilities to the nation, 15.4% of the infrastructure financing/loan approved were channelled to road/highway sub-sector (RM436.1 million for 5 projects), 52.6% to area development sub-sector (RM1,489.5 million for 5 projects) and 13.9% to tourism sub-sector (RM394.0 million for 6 projects). About 18.1% or RM511.4 million of the remaining balance was allocated to various projects under utilities and port sub-sectors. A total of RM1,910.6 million or 67.5% of the approved financing/loan amount under the infrastructure sector are for government-backed projects with 2 projects under the "Private Finance Initiatives" (PFI) program. PFI is a mechanism introduced by the Government to promote private sector involvement in the provision of public services and BPMB has actively participated in this program. As at 31 December 2015, a total of 33 PFI projects amounting to RM6.2 billion are financed by BPMB.

Technology

During the period under review, BPMB's financing/loan under technology sector formed about RM528.0 million of the total financing/loan approved. Of the total, RM148.0 million or 28.1% was approved for the advance manufacturing sub-sector, RM250.0 or 47.3% was approved for the ICT sub-sector and the remaining RM130.0 million or 24.6% was approved for the environment conservation sub-sector.

Maritime

The supply of shipping vessels remained higher than demand for most shipping services. Slow global economic growth and continued deliveries of new vessels has led to a capacity glut, which limits companies' ability to raise rates charged for shipping freight, thereby constraining revenue and earnings growth. As a result of the unfavourable environment, there was no vessel

being financed by BPMB in 2015. The only project that was financed by BPMB under maritime sector was a shipyard with a financing value of RM200.0 million.

Oil and Gas

The oil and gas sector has been volatile given the slump in oil prices, slow rollout of domestic developments, downscaled projects, declining marine charter rates, increasing competition from overseas fabrication players and deteriorating visibility of regional prospects. Slower project rollouts and delays in new tenders had translated into a cut in earnings for local oil and gas players. Against a landscape of weak market condition, there was no approval under BPMB's maritime sector in 2015.

SUBSIDIARIES' PERFORMANCE

Global Maritime Venture Berhad Group

The year 2015 was indeed another tough year for GMVB Group. The unfavourable operating environment was mirrored in GMVB Group's performance which revealed a widening Loss Before Tax of RM322.1 million in 2015 compared to RM281.7 million in 2014. This was primarily due to reduction in charter hire income by GMVB's subsidiaries, lower other operating income and share of loss in Joint Ventures and associated companies. The drop in charter hire income was driven by maritime industry downtrend, low trending freight rates, over supply of tonnage and continuous slump of oil and gas sector.

Pembangunan Leasing Corporation Group

PLC Group recorded higher Operating Profit of RM17.7 million in 2015 compared to RM15.4 million in the previous year largely attributed by lower overhead expenses, lower interest expense and higher non-interest income. Correspondingly, Profit Before Tax recorded RM46.0 million, an increase of RM32.0 million from RM14.0 million registered in 2014. The achievement was mainly due to higher net write-back of loans, advances and financing.

OUTLOOK

Domestic demand will continue to be the main driver of growth for Malaysia in 2016. Private consumption will be supported by growth in income and employment as well as measures implemented by the Government. While the domestic economy will remain on track to expand in 2016, the uncertainties in the global environment such as repercussions from Brexit could weigh on Malaysia's growth prospects.

The banking sector is expected to record slower loan growth in 2016 as compared to 2015. The sector has seen pressure not only on loan growth but deposits as well, amid the challenging

operating environment. Among the signs which showed weakness in the sector was declining household loans growth as well as uninspiring leading loan indicators. Already facing poor earnings prospects in the current economic scenario, banks in Malaysia will likely be squeezed further by Bank Negara's unexpected move to cut the overnight policy rate (OPR). The cut by 25 basis points (bps) to 3.00% on 13 July 2016, the first rate cut since 2009, was seen as a preemptive move to mitigate the increasing downside risks to Malaysia's economic growth.

With strong momentum of project awards that has been sustained in the last few years, the construction sector is expected to remain the fastest-growing economic sector in 2016. In the pipeline, sizeable jobs undergoing the tender process include the LRT 3 and some highways. While oil and gas related infrastructure job announcements are still flowing out of Pengerang, construction firms exposed to the upstream segment may face more challenges amid low oil prices and the scaling back of Petronas' capital expenditure. Spurred on by massive capital expenditure projects, growth in the construction sector has been outpacing GDP expansion in recent years. The government will continue with the public-private partnership (PPP) or private finance initiative projects in the future as these projects are not entirely funded by government but give higher multiplier effects to the economy.

The outlook of shipping sector in 2016 is still bleak with supply of vessels will remain higher than demand. Given the current oversupply of vessels that has built up over the past five years, it is expected charter rates to remain at depressed levels for at least two more years as the market struggles to find a new equilibrium. The financing institutions are currently having difficult time, particularly in terms of realising the extent of their exposures whereby the loans granted to vessels now exceed the value of the assets. More loan restructuring, debt for equity swaps, or forced sales can therefore be expected throughout 2016 and 2017.

The oil and gas sector has been sluggish and prevailing low oil prices will continue to cast a bleak outlook in the medium-term. Petronas is expected to reduce further its capex this year as it battles falling revenues due to the volatile crude oil market. Oil and gas companies that will be most affected by any new cuts in capex would be the fixed asset owners such as offshore support vessel suppliers and service providers.

The outlook of technology sector in 2016 is moderate given the uncertainty of the economic environment. Malaysia's manufacturing output is expected to rebound from its sharp fall in the first quarter of 2016. It fell tremendously due to the slowdown in the electrical and electronics segment, which comprising 35% of Malaysia's exports. The manufacturing sector

will remain the key driver of the Malaysian economy with exports of electrical and electronics products expected to increase 5% in 2016.

MOVING FORWARD

The year 2016 will likely be more challenging than 2015 in the face of continued economic headwinds. However, we are confident of improving our performance by intensifying all efforts to institutionalise best practices in corporate governance, capital, liquidity and risk control.

Despite the challenging economic outlook, BPMB is targeted to approve a higher amount of RM4.9 billion new loans in 2016, as compared to RM3.5 billion loans approved in 2015. The bulk of the new loan approval is targeted for infrastructure sector. It is expected that there will be less technology projects coming on stream in 2016, while uncertain outlook in the oil and gas and maritime sectors will continue to have a negative bearing on future loan approvals for these sectors. BPMB will continue to focus on its Islamic financing and aims to transform into a full-fledged Islamic Development Financial Institution by 2018.

As a commitment to enhance corporate governance, accountability and integrity in the organization, BPMB signed the Malaysian Corporate Integrity Pledge (CIP) on 26 May 2016. CIP is a voluntary action to undertake a unilateral declaration against corrupt practices towards a highly principled Malaysian business environment. Throughout 2016, BPMB is committed to embark on the implementation of Corporate Integrity System as we believe that an integrity environment is crucial especially in the context of Development Financial Institution due to its role as one of the agents in the country's development.

In closing, I would like to thank all our stakeholders for their steadfast support to BPMB. My heartfelt appreciation to Ministry of Finance, Bank Negara Malaysia and customers, as well as Board of Directors, Shariah Committee, my colleagues in the Management Team and, most of all, our dedicated employees.

MOHAMMED RAFIDZ AHMED RASIDDI

President / Group Managing Director

PERFORMANCE ASSESSMENT

DEVELOPMENT OUTCOMES

OBJECTIVE	STRATEGIC ACTIONS	PERFORMANCE TARGET	TARGET FY2015	ACTUAL FY2015	MEDIUM TERM TARGET (FY2016)	LONG TERM TARGET (FY2018)
Contribution to the development of strategic sectors	To provide financing to mandated sectors	Value of loans approved by sector:				
		Infrastructure	RM2,500 mil	RM2,831 mil	RM5,440 mil	RM5,700 mil
		Maritime	RM200 mil	RM200 mil	RM350 mil	RM500 mil
		Oil & Gas	RM300 mil	-	RM100 mil	RM200 mil
		Technology	RM200 mil	RM528 mil	RM410 mil	RM500 mil
		Total	RM3,200 mil	RM3,559 mil	RM6,300 mil	RM6,900 mil

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

Target is based on approved BPMB Budget 2015.

MANDATED SECTOR OUTPUT

OBJECTIVE	STRATEGIC ACTIONS	PERFORMANCE TARGET	TARGET FY2015	ACTUAL FY2015	MEDIUM TERM TARGET (FY2016)	LONG TERM TARGET (FY2018)
Support the needs of the targeted sectors	To provide financing to aid the growth of quality assets	Value of loan disbursements by sector:				
		Infrastructure	RM2,181 mil	RM2,053 mil	RM4,775 mil	RM5,226 mil
		Maritime	RM88 mil	RM95 mil	RM238 mil	RM396 mil
		Oil & Gas	RM286 mil	RM25 mil	RM28 mil	RM153 mil
		Technology	RM541 mil	RM84 mil	RM312 mil	RM466 mil
		Total	RM3,096 mil	RM2,257 mil	RM5,353 mil	RM6,241 mil

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

Target is based on approved BPMB Budget 2015.



ORGANIZATIONAL SOUNDNESS

OBJECTIVE	STRATEGIC ACTIONS	PERFORMANCE TARGET	TARGET FY2015	ACTUAL FY2015	MEDIUM TERM TARGET (FY2016)	LONG TERM TARGET (FY2018)
Achieve financial sustainability	To increase profitability	Profit Before Tax	RM644 mil	RM228 mil	RM510 mil	RM818 mil
Achieve strong capitalization	To achieve optimal capital adequacy	Risk Weighted Capital Ratio (RWCR)	37.2%	38.6%	38.2%	31.4%
Strengthen asset quality	To consistently reduce Gross Impaired Loan Ratio	Gross Impaired Loan Ratio	10.9%	11.3%	9.5%	9.5%

Organizational Soundness is defined as institutional requisites to facilitate DFI in achieving mandated activities.
Target is based on approved BPMB Budget 2015.

5-YEAR GROUP

FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
Profitability (RM Million)					
Net Income	1,041	1,172	1,196	926	1,152
Net Income from Islamic financial business	143	262	265	192	162
Operating profit	134	295	532	263	612
Profit before taxation & zakat	125	306	492	286	645
Profit for the year	(13)	125	304	188	474
Key Balance Sheet Data (RM Million)					
Total assets	27,298	29,945	29,228	27,476	30,106
Total deposits and placements	1,436	2,568	1,288	1,532	3,877
Financial Investment -Available for sale (AFS)	2,099	1,321	1,504	1,242	1,049
Financial Investment -Held to maturity (HTM)	184	260	259	226	149
Loans, advances and financing	22,757	24,757	24,196	23,234	22,574
Other assets	822	1,039	1,981	1,242	2,457
Total liabilities	19,710	22,374	21,645	20,193	22,876
Deposits from customers	8,198	5,967	7,426	5,568	6,960
Redeemable Notes	4,353	5,964	3,025	4,134	4,234
Term Loans/Financings	4,613	9,604	10,362	9,643	10,810
Infrastructure support fund	337	367	366	400	413
Deferred income	240	244	249	251	233
Other liabilities	1,969	229	217	197	226
Total equity	7,588	7,570	7,583	7,283	7,230
Paid-up capital	3,079	3,079	3,079	3,079	3,079
Reserves	4,484	4,444	4,423	4,051	3,954
Non Controlling Interest	25	47	81	153	197
Commitments and contingencies	5,138	7,035	7,096	6,047	3,735
Share Information					
Earnings per share (sen)	0.36	4.75	12.31	7.47	15.92
Gross dividend (%)	-	1.20	3.25	3.25	3.25
Financial Ratios (%)					
Profitability Ratios (%)					
Return on Equity	(0.17)	1.65	4.09	2.59	6.65
Return on Assets	(0.04)	0.42	1.07	0.65	1.58
Cost to Income Ratio	24.06	33.71	28.85	20.84	17.47
Asset Quality Ratio (%)					
Gross Impaired Loan and Financing	11.14	10.95	10.19	11.01	12.18
Net Impaired Loan and Financing	5.78	4.10	4.07	4.63	5.27

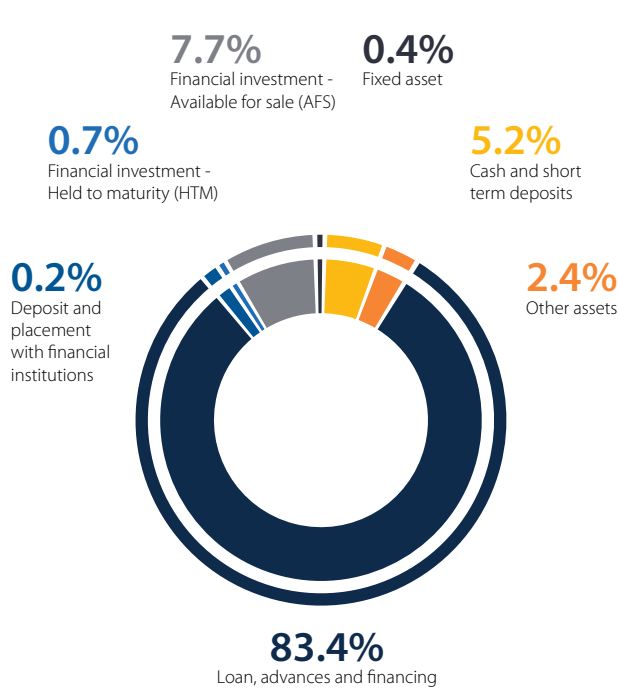
FINANCIAL

HIGHLIGHT

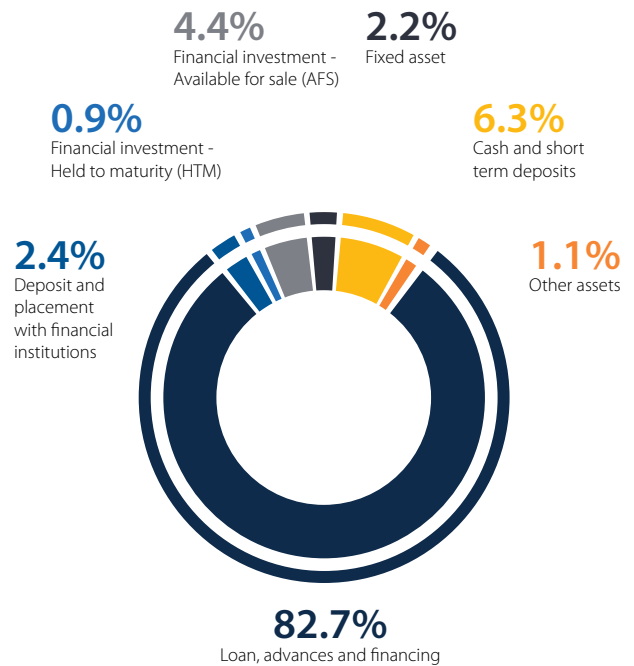
	GROUP		BANK	
	2015	2014	2015	2014
Profitability (RM Million)				
Net Income	1,041	1,172	924	888
Net Income from Islamic financial business	143	262	137	258
Operating profit	134	295	228	247
Profit before taxation & zakat	125	306	228	247
Profit for the year	(13)	125	118	93
Key Balance Sheet Data (RM Million)				
Total assets	27,298	29,945	26,736	29,170
Total deposits and placements	1,436	2,568	1,126	2,125
Financial Investment -Available for sale (AFS)	2,099	1,321	2,095	1,317
Financial Investment -Held to maturity (HTM)	184	260	184	260
Investment in subsidiaries	-	-	481	654
Loans, advances and financing	22,757	24,757	22,572	24,543
Other assets	822	1,039	277	272
Total liabilities	19,710	22,375	19,373	21,835
Deposits from customers	8,198	5,967	8,198	5,967
Redeemable Notes	4,353	5,964	4,353	5,964
Term Loans/Financings	4,613	9,604	4,444	9,232
Infrastructure support fund	337	367	337	367
Deferred income	240	244	239	244
Other liabilities	1,969	229	1,802	60
Total Equity	7,588	7,570	7,363	7,335
Paid-up capital	3,079	3,079	3,079	3,079
Reserves	4,484	4,444	4,284	4,256
Non Controlling Interest	25	47	-	-
Commitments and contingencies	5,138	7,035	4,806	6,692
Share Information				
Earnings per share (sen)	0.36	4.75	3.82	3.04
Gross dividend (%)	-	1.20	-	1.20
Financial Ratios (%)				
Profitability Ratios (%)				
Return on Equity	(0.17)	1.65	1.60	1.27
Return on Assets	(0.04)	0.42	0.42	0.33
Cost to Income Ratio	24.06	33.71	9.15	9.25
Capital Adequacy (%)				
Risk Weighted Capital Ratio (RWCR)			38.62	33.21
Core Capital Ratio			34.33	30.61
Asset Quality Ratio (%)				
Gross Impaired Loan and Financing	11.14	10.95	11.26	10.89
Net Impaired Loan and Financing	5.78	4.10	6.15	4.39

GROUP

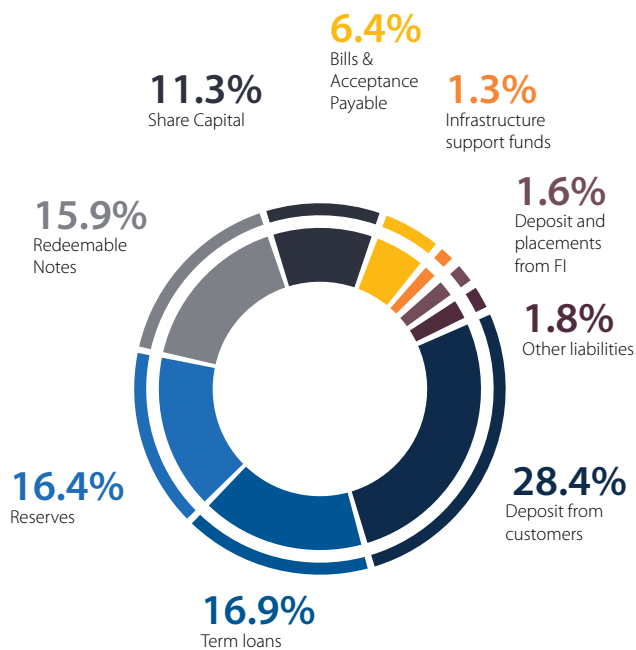
STATEMENTS OF FINANCIAL POSITION



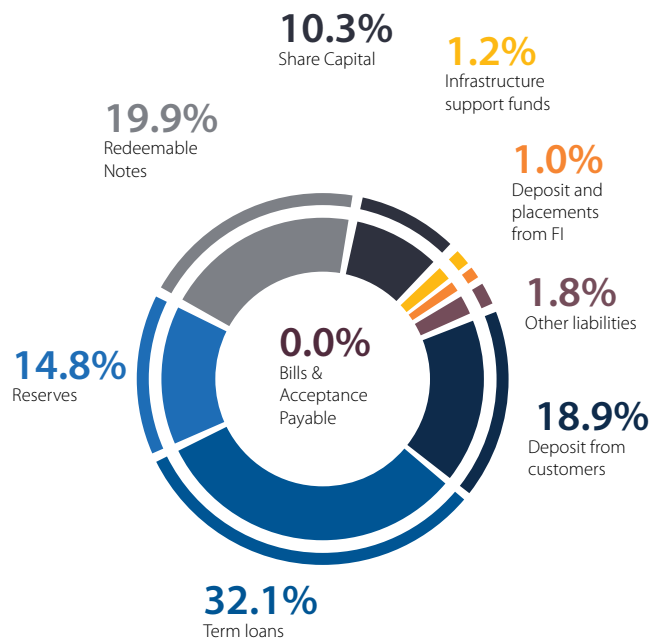
ASSETS 2015



ASSETS 2014



EQUITY & LIABILITIES 2015

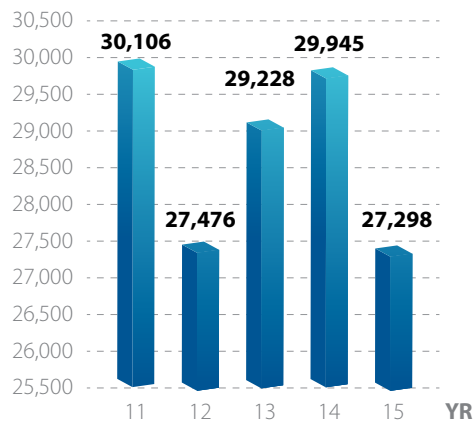


EQUITY & LIABILITIES 2014

5-YEAR GROUP

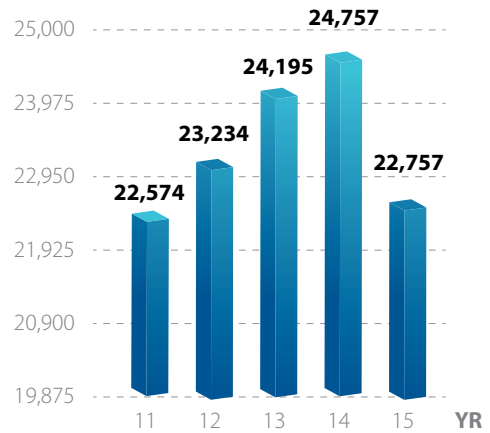
GROWTH

RM MIL



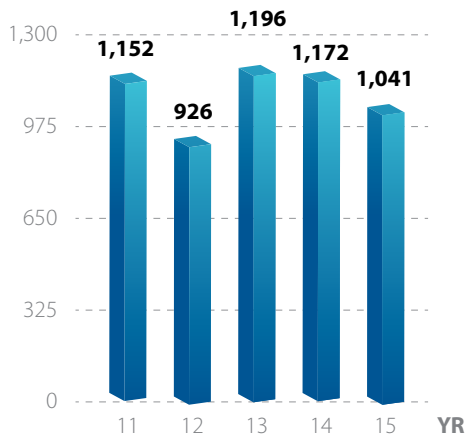
TOTAL ASSETS EMPLOYED

RM MIL



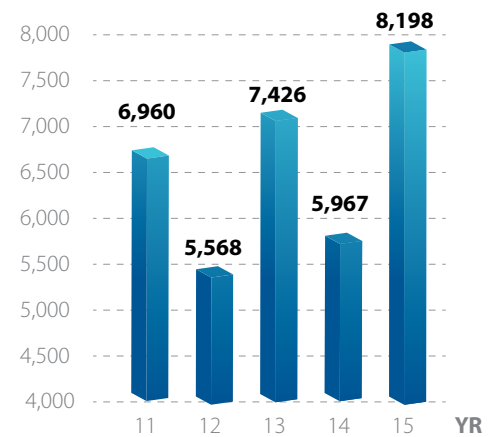
LOANS, ADVANCES & FINANCING

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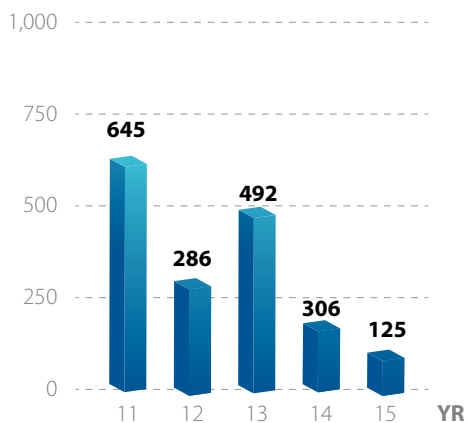
NET INCOME

RM MIL



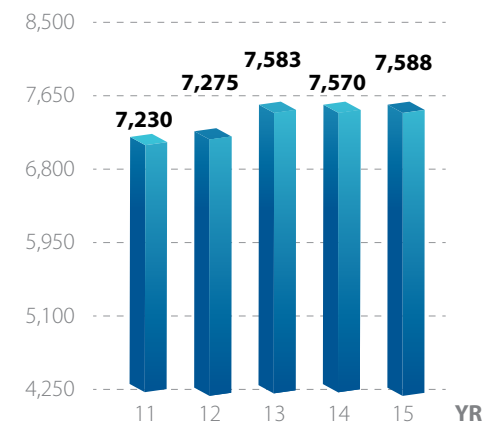
DEPOSITS FROM CUSTOMERS

RM MIL



PROFIT BEFORE TAXATION

RM MIL



TOTAL EQUITY

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Mohammed Rafidz Ahmed Rasiddi
President/Group Managing Director

Datuk Nozirah Bahari
Non-Independent Non-Executive Director
(resigned on 28 December 2015)

Tuan Haji Zainul Rahim Mohd Zain
Independent Non-Executive Director
(term ended 8 March 2016)

Tuan Haji Rosli Abdullah
Independent Non-Executive Director
(term ended 8 March 2016)

Dato' Abd Rahman Md Khalid
Independent Non-Executive Director
(term ended 8 March 2016)

Datuk Engku Nor Faizah Engku Atek
Independent Non-Executive Director

Dato' Ir Haji Mohamad Husin
Independent Non-Executive Director

Dato' Capt. Haji Ahmad Othman
Independent Non-Executive Director

Datuk Wan Azhar Wan Ahmad
Independent Non-Executive Director

COMPANY SECRETARIES

Razali Hassan
(LS 05531)

Hazlinda Ahmad Rosdi
(MAICSA 7053034)

SHARIAH COMMITTEE

Tan Sri Dato' Seri (Dr) Hj. Harussani Hj Zakaria
Chairman

Assistant Prof. Dr. Miszairi Sitiris

Associate Prof. Dr. Noraini Mohd. Ariffin

Prof. Dr. Haji Abdul Samat Musa

Dr. Rushdi Ramli

AUDITORS

Ernst & Young
(AF:0039)

REGISTERED OFFICE

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

WEBSITE

www.bpmb.com.my

BOARD OF DIRECTORS'

PROFILE



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

*NON-EXECUTIVE CHAIRMAN/INDEPENDENT
NON-EXECUTIVE DIRECTOR*

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

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

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

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



MOHAMMED RAFIDZ AHMED RASIDDI

PRESIDENT/GROUP MANAGING DIRECTOR

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

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

He currently sits on the Board of SME Growth Acceleration Fund Sdn Bhd, Global Maritime Ventures Group and Pembangunan Leasing Corporation Group.



DATUK ENSKU NOR FAIZAH ENSKU ATEK
INDEPENDENT NON-EXECUTIVE DIRECTOR

- Member of Nominating Committee
- Member of Audit and Examination Committee
- Member of Risk Management Committee

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

Datuk Engku Nor Faizah is currently the Solicitor General of Malaysia. She has over 30 years of experience in the public sector. She started her career at the Attorney General's Chambers (AGC) in 1983 and has held various positions in AGC, including Deputy Solicitor General, Parliamentary Draftsman, Senior Federal Counsel and Deputy Public Prosecutor. She was also the State Legal Adviser of Negri Sembilan from 2003 to 2004 and State Legal Adviser of Perak from 2004 to 2007.

As Solicitor General she oversees, amongst other responsibilities, the work of the Advisory Division, Drafting Division, Law Reform and Revision Division and International Affairs Division at AGC. She has been involved in the drafting and/or approving of numerous legislation including the Central Bank of Malaysia Act 2009, the Limited Liability Partnerships Act 2012, the Netting of Financial Agreements Act 2015, the Special Measures Against Terrorism in Foreign Countries Act 2015, the Malaysian Airline System Berhad (Administration) Act 2015 and the Malaysian Aviation Commission Act 2015.



DATO' IR HAJI MOHAMAD HUSIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Dato' Ir. Haji Mohamad Husin was appointed to the Board of Bank Pembangunan Malaysia Berhad on May 2, 2015. He graduated with a B. Sc (Hons) in Civil Engineering from University of Southampton, England in 1977 and M.Sc. Civil Engineering from University of Pittsburgh, USA.

After graduation, he started his career as a Water Engineer in Public Works Department (JKR). He had served the department for 35 years in various capacities including District Engineer, Assistant Director, State and Branch Director. He was the Director of Roads before he was promoted to the post of Deputy Director General, which he held in 2007 until his retirement in 2013.

During his career in Government service, he was also active in the road engineering and civil engineering fraternities and served in various capacities in organizations and societies such as Road Engineering Association of Malaysia, Intelligent Transportation System and Institution of Engineers.

He also sits on the Board of Pembangunan Leasing Corporation Group, Sarawak Hydro Sdn Bhd, Johawaki Holdings Sdn Bhd, Bridgex Sdn Bhd and Group, Laluan Bina Sdn Bhd and PT (MKC)-Indonesia.



DATO' CAPT. HAJI AHMAD OTHMAN
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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

He currently sits on the Board of Global Maritime Ventures Group.



DATUK WAN AZHAR WAN AHMAD
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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

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

He currently sits on the Board of Pembangunan Leasing Corporation Group, Global Maritime Ventures Berhad, Bina Darulaman Berhad, Alliance Bank Malaysia Berhad, Alliance Islamic Bank Berhad, NAMA Foundation and also the Chairman of BNM's Small Debt Resolution Committee (SDRC).

PROFILE OF SHARIAH COMMITTEE



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

CHAIRMAN

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

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



ASSISTANT PROFESSOR DR. MISZAIRI SITIRIS

MEMBER

Dr. Miszairi Sitiris is currently an Assistant Professor at the Department of Fiqh and Usul Al-Fiqh at the Kulliyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia (IIUM). He was appointed as a member of the Shari'ah Committee of BPMB since July 2008. He holds a PhD, a Master and a Bachelor's Degree with Honours in Fiqh and Usul Al-Fiqh from International Islamic University Malaysia. Dr. Miszairi also has a second Bachelor's Degree with Honours in Psychology from IIUM and Postgraduate Diploma in Law and Administration of Islamic Judiciary from the Harun M. Hashim Law Centre, IIUM. He has written several research papers on Islamic Family Law.



**ASSOCIATE PROFESSOR
DR. NORAINI MOHD ARIFFIN**

MEMBER

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

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



**PROFESSOR DR. HJ ABDUL SAMAT
MUSA**

MEMBER

Professor Dr. HJ. Abdul Samat Musa is currently a Professor at the Faculty of Shariah and Law, Universiti Sains Islam Malaysia (USIM). He is also a former Dean of Faculty of Shariah and Law and Founding Director of World Fatwa Management and Research Institute at USIM. He was appointed as a member of the Shari'ah Committee of BPMB since April 2015. He was educated at Petaling Jaya and Kelang Islamic College before he continued his studies at Universiti Kebangsaan Malaysia (UKM) where he obtained a Bachelor of Islamic Studies (Hon)(Shariah) in 1976. He holds a Master of Law (LL.M) from University of Malaya (1980) and a Ph.D in Law from University of Manchester, England (1989).

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



DR. RUSHDI RAMLI

MEMBER

Dr. Rushdi Ramli currently serves as a senior lecturer at the Department of Fiqh and Usul, Academy of Islamic Studies, University of Malaya. He was appointed as a member of the Shariah Committee of BPMB since April 2015. He graduated with a Bachelor Degree of Shariah, First Class Hons from University of Malaya in 1990. He obtained his Masters (1993) and Ph.D (1999) from the University of Birmingham, United Kingdom. Previously he was a consultant on religious matters in the "Dewan Pemuda Masjid Malaysia" from 2007 to 2009. He was also previously a member of Shariah Committee at EXIM Bank and at Malaysian Building Society Berhad.

In 2014 and 2015 he was a representative for "Persatuan Kebajikan dan Pengubatan Islam Darussyifa" at the Traditional and Complementary Medicine Division, Ministry of Health, Malaysia. He was also one of the panelists in preparing the draft for the Code of Ethics for Islamic Medicine at the Ministry of Health. Apart from being an academician in the field of Islamic Studies he is also a practitioner of "Pengubatan Islam" at "Persatuan Kebajikan dan Pengubatan Islam Darussyifa" since 2006. His areas of specialization are Principles of Islamic Jurisprudence, Islamic Fiqh, Principles of Quranic Exegesis, Issues in contemporary fiqh and principles of Islamic Medication.

GROUP MANAGEMENT

COMMITTEE



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

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

3. **ZAINUL BHRIN ZAIN HASHIM**
*Executive Vice President/Head,
Business & Investment Banking*

4. **LATIFAH ABDUL LATIFF**
*Senior Vice President/Head,
Business Banking II*

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

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



7. MOHD YAZID SAFUAN
Senior Vice President/Head,
Group Treasury

10. NOOR AZMI NAKIM
Senior Vice President/Head,
Credit Operations

13. MARAZIZI OMAR
Chief Executive Officer,
Pembangunan Leasing Corporation Sdn Bhd

8. GHAZANA SAID ATAN
Senior Vice President/Head,
Group Audit & Examination

11. MOHAMAD SALIHIN DERIS
Senior Vice President/Head,
Group Shariah

14. RAZALI HASSAN
Senior Vice President/Head,
Group Legal & Corporate Secretarial

**9. SHEIKH AHMAD YANI SHEIKH AB
HAMID**
Chief Compliance Officer

**12. MUHAMMAD AZRAINI ABDUL
HAMID**
Chief Executive Officer,
Global Maritime Ventures Berhad



STATEMENT OF CORPORATE GOVERNANCE

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields, that they accumulated while serving the private and government sectors..

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

BOARD COMPOSITION AND BALANCE

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields, that they accumulated while serving the private and government sectors, brings to the Board the essential range of capability and experience required to effectively perform its functions. A brief profile of each Director is presented on pages 19 to 21 of the Annual Report.

The present Board comprises six (6) members with one (1) Non-Executive Chairman/ Independent Non-Executive Director, one (1) President/Group Managing Director and four (4) Independent Non-Executive Directors. All Independent Directors are persons of high calibre and integrity to exercise independent judgement and act in the best interest of the Bank.

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

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

DUTIES AND RESPONSIBILITIES

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

There is a schedule of matters reserved specifically for the Board's decision, including approval of business plan and annual budget, recommendation of dividend,

acquisition and disposal of undertaking and properties of substantial values, major investment and financial decisions, changes to the management and control structure within the Group, including policies and delegated authority limits.

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

BOARD MEETING AND SUPPLY OF INFORMATION

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

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

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

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

During the financial year ended 31 December 2015, the Board met 20 times. The attendance record of the Directors at the Board Meetings for 2015 is as follows:

NAME OF DIRECTOR	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah <i>Independent Non-Executive Director/ Chairman</i>	20/20
Tuan Haji Zainul Rahim Mohd Zain <i>Independent Non-Executive Director</i>	16/20
Tuan Haji Rosli Abdullah <i>Independent Non-Executive Director</i>	20/20
Datuk Nozirah Bahari <i>Non-Independent Non-Executive Director (resigned on 28 December 2015)</i>	19/20
Dato' Abd Rahman Md Khalid <i>Independent Non-Executive Director</i>	19/20
Datuk Engku Nor Faizah Engku Atek <i>Independent Non-Executive Director</i>	19/20
Dato' Ir Hj. Mohamad Husin <i>Independent Non-Executive Director (appointed on 2 May 2015)</i>	12/13*
Dato' Capt. Haji Ahmad Othman <i>Independent Non-Executive Director (appointed on 2 May 2015)</i>	13/13*
Datuk Wan Azhar Wan Ahmad <i>Independent Non-Executive Director (appointed on 2 May 2015)</i>	12/13*
Encik Mohammed Rafidz Ahmed Rasid <i>President/ Group Managing Director (appointed on 15 June 2015)</i>	11/11*

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

TRAINING AND DEVELOPMENT OF DIRECTORS

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

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

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

D. COMMITTEES

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

CREDIT COMMITTEE OF THE BOARD

1. Objective

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

2. Functions and Responsibilities

- Veto power to challenge, reject loan and modify the terms of all loans related financing facilities and investment proposals as per limit set in BPMB Group Authority for Credit and Investment Approvals ('GACIA').
- To approve "policy loans" and loans which are required by statute to be approved by the Board, provided that the initial filter of approval is conducted by the full-time executive committee.
- To approve all cases of write-offs proposals from BPMB and shall be submitted to the Board of Directors for notification.
- To approve the appointment and/or termination of members of credit management committees.
- To endorse/approve any other matter as prescribed by GACIA.

3. Committee Meeting and Attendance

Based on the Term of Reference of the CCB, the meeting is to be held twice a month or when necessary as proposed by the P/GMD. The CCB met 22 times during the financial year 2015. The Committee members and their records of attendance are as follows:-

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah <i>Chairman</i>	22/22
Tuan Haji Zainul Rahim Mohd Zain	20/22
Tuan Haji Rosli Abdullah	22/22
Datuk Nozirah Bahari <i>(resigned on 28 December 2015)</i>	19/22
Dato' Abd Rahman Md Khalid	21/22
Datuk Wan Azhar Wan Ahmad <i>(appointed as CCB member on 28 July 2015)</i>	11/11*
Dato' Ir Hj. Mohamad Husin <i>(appointed as CCB member on 28 July 2015)</i>	10/11*

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

AUDIT AND EXAMINATION COMMITTEE

1. Objective

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

2. Functions and Responsibilities

The functions and responsibilities of the AEC are as follows:

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

- Review with the External Auditors:-
 - (a) their audit plan;
 - (b) their evaluation of the system of internal control;
 - (c) their audit report;
 - (d) their management letter and management's response; and
 - (e) the assistance given by the management and staff to the External Auditors.
- With regards to the internal audit function:
 - (a) Review the adequacy of scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
 - (b) Review and approve internal audit plan, programme and processes.
 - (c) Review audit reports and consider adequacy of Management's actions taken on audit findings or recommendations.
 - (d) Recommend to the Nominating Committee of the Board on the appointment and termination of the Head of Internal Audit.
 - (e) Recommend to the Remuneration Committee of the Board on the remuneration of the Head of Internal Audit.
 - (f) Review any appraisal or assessment of members of the internal audit function as well as decide on their remuneration package.
 - (g) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.
 - (h) Review the assessment or findings arising from the Shariah audit and report the non-compliance events to the Board.
- Receive and consider reports relating to the perpetration and prevention of fraud.
- Review the Bank's compliance with the related Government's regulations including Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures.
- Review the quarterly results and the year-end financial statements prior to their submission to the Board for approval. The review of the year-end financial statements by the external auditor, shall focus particularly on:
 - (a) Any major changes in the accounting policy or its implementation.
 - (b) Adequacy of allowance against contingencies, bad and doubtful debts.
 - (c) Significant and unusual events.
 - (d) Compliance with accounting standards and other legal requirements.
- Ensure that the accounts are prepared in a timely and accurate manner and ensure prompt publication of annual accounts.
- Discuss any problem and reservations that may arise from the interim and final audits, as well as any matter, which the External Auditors may wish to discuss, in the absence of management, where necessary.
- Review any related party transactions and conflict of interest situation that may arise in the Bank or within the Banking group including any transaction, procedure or conduct that raises questions of management integrity.
- Preparation of an AEC report at the end of each financial year, which shall be published in the Bank's Annual Report.
- Review and endorse the status and progress of Management's responses and corrective measures on issues raised in the BNM Examination Report, before it is tabled to the Board for approval.
- Inform the Board on the issues and concerns discussed during its meetings, including those raised by the external auditors and where appropriate, make the necessary recommendations to the Board.

3. Committee Meeting and Attendance

Based on the Term of Reference of the AEC, the meeting is to be held at least four (4) times a year and such additional meeting as the Chairman shall decide. The AEC met 14 times during the financial year 2015. The Committee members and their records of attendance are as follows:



MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tuan Haji Rosli Abdullah <i>Chairman</i>	14/14
Dato' Abd Rahman Md Khalid	14/14
Tuan Haji Zainul Rahim Mohd Zain	13/14
Datuk Nozirah Bahari <i>(resigned on 28 December 2015)</i>	13/14
Datuk Wan Azhar Wan Ahmad <i>(appointed as Member on 28 July 2015)</i>	8/8*

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

NOMINATING COMMITTEE

1. Objective

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

2. Functions and Responsibilities

The functions and responsibilities of the NC are as follows:

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

- Recommending and assessing the nominees for directorship, the Directors to fill board committees, as well as nominees for the President/Group Managing Director position. This includes assessing the Directors and President/Group Managing Director proposed for reappointment, before an application is submitted to Bank Negara Malaysia for verification.
- Establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various Committees and the performance of the President/ Group Managing Director.
- Recommending to the Board on removal of the President/Group Managing Director, if he is ineffective, errant or negligent in discharging his responsibilities.
- Ensuring that all Directors undergo appropriate induction programmes and received continuous training.
- Overseeing appointment and management succession planning of key senior executives (Senior Vice President/ Head of Function and above), and performance evaluation of the Chief Operating Officer and President/ Group Managing Director and recommending to the Board for the removal of key Senior Executives (Senior Vice President/Head of Function and above), if they are ineffective, errant and negligent in discharging their responsibilities.

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

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



3. Committee Meetings and Attendance

Based on the Term of Reference of the NC, the meeting is to be held at least once a year. The NC met 10 times during the financial year 2015. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tuan Haji Zainul Rahim Mohd Zain, Chairman	10/10
Tuan Haji Rosli Abdullah	10/10
Datuk Nozirah Bahari (resigned on 28 December 2015)	9/10
Dato' Abd Rahman Md Khalid	10/10
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah	10/10
Dato' Capt. Haji Ahmad Othman (appointed as NC member on 28 July 2015)	4/4*

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

REMUNERATION COMMITTEE

1. Objective

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

2. Functions and Responsibilities

The functions and responsibilities of the RC are as follows:

- Recommending a framework of remuneration for Directors, President/Group Managing Director and key Senior Executives (Senior Vice President/Head of Function and above). The remuneration policy should:-

- (a) be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
- (b) reflect the experience and level of responsibility borne by individual Directors, the President/Group Managing Director and key Senior Executives (Senior Vice President/Head of Function and above);
- (c) be sufficient to attract and retain Directors, President/Group Managing Director and key Senior Executives (Senior Vice President/Head of Function and above) of caliber needed to manage the Bank successfully; and
- (d) be balanced against the need to ensure that the funds of the Bank are not used to subsidize excessive remuneration packages.

- Recommending specific remuneration packages for Directors, President/Group Managing Director and key Senior Executives (Senior Vice President/ Head of Function and above). The remuneration packages should:-

- (a) be based on an objective consideration and approved by the full Board;
- (b) take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Director, President/Group Managing Director or key Senior Executives (Senior Vice President/Head of Function and above) concerned;
- (c) not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
- (d) be competitive and is consistent with the Bank's culture, objective and strategy.

- Endorsing any changes deemed necessary to the schemes, terms of services and new terms for executives and staff of the Bank before submission to the Board for final approval.

3. Committee Meetings and Attendance

Based on the Term of Reference of RC, the meeting is to be held at least once a year. The RC met 9 times during the financial year 2015. The Committee members and their records of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Dato' Abd. Rahman Md Khalid, Chairman	9/9
Tuan Haji Zainul Rahim Mohd Zain	9/9
Tuan Haji Rosli Abdullah	9/9
Datuk Nozirah Bahari (resigned on 28 December 2015)	8/9
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah	9/9
Dato' Capt. Haji Ahmad Othman (appointed as RC member on 28 July 2015)	3/3*

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

RISK MANAGEMENT COMMITTEE

1. Objective

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

2. Functions and Responsibilities

The functions and responsibilities of the RMC are as follows:

- Provide oversight and strategic direction for the management of all risks in the Bank.
- Review and endorse policies, including group-wide policies for the management of the various risks for approval by the Board.
- Provide oversight on the management of risks exposures at group-wide level, including the implementation of group-wide risk management policies throughout the group.
- Review and approve objectives, functions and strategies for Credit Risk, Operational Risk and Market Risk Functions.

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

3. Committee Meetings and Attendance

Based on the Term of Reference of the RMC, the meeting is held once in every two months. The RMC met 7 times during the financial year 2015. The Committee members and their records of attendance are as follows:-

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tuan Haji Zainul Rahim Mohd Zain, Chairman	7/7
Tuan Haji Rosli Abdullah	7/7
Datuk Nozirah Bahari (resigned on 28 December 2015)	6/7
Dato' Abd Rahman Md Khalid	7/7
Datuk Wan Azhar Wan Ahmad (appointed as AEC member on 28 July 2015)	4/4*

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



STATEMENT OF INTERNAL CONTROL

RESPONSIBILITY

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

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

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

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

KEY INTERNAL CONTROL PROCESS AND STRUCTURES

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

Establish Management's role with regards to internal controls

The role of Management includes:

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

Internal Audit Function - Group Audit & Examination (GAE)

GAE undertakes regular reviews of the Group's system of internal controls. Operations and business processes (auditable entities)

that are included in the annual audit plan are identified using a risk-based approach taking into consideration inputs from Management, and the Audit & Examination Committee. The reviews are performed to examine and evaluate the adequacy and efficiency of internal controls relating to governance, risk management and compliance with the laws and regulations.

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

Management Audit & Examination Committee (MAEC)

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

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

Audit & Examination Committee (AEC)

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

OTHER INTERNAL CONTROL PROCESSES AND STRUCTURES

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

Business Plan and Performance Review

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

Board Committees

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

Management Committees

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

Policies, procedures and authority limits

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

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

Code of Ethics and Conduct

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



RISK MANAGEMENT

Against the backdrop of a dynamic and challenging global economy and continuous regulatory reforms, there was an increased need for Group Risk Management (GRM) to integrate seamlessly with the business and work more effectively to create greater synergies and value for the Group in 2015.

In emerging market economies, the continued growth slowdown reflect several factors, including lower commodity prices, tighter external financial conditions, structural bottlenecks, rebalancing in China and economic distress related to geopolitical factors.

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

Hence, in managing the risk profile of the Group, GRM ensures that the Group's portfolios are aligned to the risk appetite and strategy as well as to refresh and update the Group's respective risk management frameworks to be forward looking.

RISK MANAGEMENT FRAMEWORK

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

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

i. Risk Management Governance

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

BOARD OF DIRECTORS

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

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

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

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

To ensure that risk governance remains strong and relevant, GRM continues to embed robust risk governance and accountability across the Group as well as ensure the adherence to the dynamic global and local regulatory requirement and risk management practices across the Group.

ii. Risk Appetite Statement and Strategy

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

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

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

iii. Risk Management Ownership

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

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

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

APPROACH	RESPONSIBILITY	FUNCTIONS
1st Line of Defence	Risk Taking Functions	Business and Support Functions, who are the risk takers, are primarily responsible for managing risk exposures in their daily activities.
2nd Line of Defence	Risk Control	<p>The risk control responsibility lies with Group Risk Management (GRM), Group Compliance, Credit Appraisal and Technical Assessment.</p> <p>Group Risk Management (GRM), being an independent Function to support the Risk Management Committee is responsible for establishing, implementing and maintaining Risk Management frameworks, policies, guidelines, tools and methodologies, as well as providing independent risk management oversight.</p> <p>Compliance is responsible for ensuring the Group's compliance to applicable laws, regulations, Shariah rulings, internal policies, guidelines and procedures, including establishing and maintaining policies and procedures to detect and minimize risk of non-compliance.</p> <p>Credit Appraisal provides independent risk assessment on all credit/investment proposals and credit review proposals. The Function also develops and maintains the Bank's credit risk rating models and system, being one of the measures to manage the Bank's credit risks. Meanwhile, Technical Assessment provides independent assessment on technical aspects and risks of projects in respect of credit proposals.</p>
3rd Line of Defence	Risk Assurance	Group Audit & Examination is responsible to conduct independent review and provide assurance on the adequacy and effectiveness of risk management processes and level of compliance.

iv. Risk Management Process

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

CATEGORIES OF RISK	BROAD DEFINITION	RISK MANAGEMENT PRACTICES
Credit	Losses in principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.	<ul style="list-style-type: none"> The Group has a strong credit culture which incorporates a clear credit policy, robust credit evaluation and approval as well as sound credit portfolio management. Credit risk in the portfolio is continuously evaluated and reviewed by the business sectors together with the risk units. Senior Management and the Board have good oversight of the credit risks and play an active role in the overall credit risk management.
Concentration	Concentration exposures that have the potential to produce losses that are substantial enough to threaten the financial condition of the Group and its core operations.	<ul style="list-style-type: none"> The Group adopts a proactive, robust and controlled policy-driven approach in portfolio diversification. The Group's guiding principle in its lending activity is to diversify its loan portfolio mix and avoid any undue concentration of credit risks in its portfolio. Independent assessment on the Group's portfolio profile is undertaken to mitigate concentration risk.
Operational	Losses due to failed internal processes, people or systems or from external events.	<ul style="list-style-type: none"> The Group has an Operational Risk Management Framework that is aimed at managing operational risk throughout the Group. It is periodically reviewed and aligned against the Group's business strategy and directions ensuring the business objectives and operational risk management objectives are aligned and consistent. Various tools and techniques are also used to minimise operational risk to an acceptable level. In addition, the Group also has in place a robust crisis management and business continuity management program to ensure continuity of essential business services during unforeseen events.
Market	Losses or adverse impacts on earnings or capital from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices.	<ul style="list-style-type: none"> The Group measures, manages and controls its market risk exposure using industry best practices. The enhancement of market risk triggers and controls are an ongoing effort. The Group plans to continue with such enhancements to ensure prudence in managing the market risks are well contained. Although it is non-compulsory for the Group to adopt Basel II initiatives, it is currently observing practices derived from Basel II.
Liquidity & Funding	Risk that the Group will not be able to meet both expected and unexpected current and future cash flow and collateral needs effectively without affecting either daily operations or the financial condition of the Group.	<ul style="list-style-type: none"> The Group uses a range of tools to monitor and control liquidity risk exposure such as liquidity gaps, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Group are monitored regularly against the established policies, procedures and limits. The enhancement of liquidity risk triggers and controls are an ongoing effort. The Group plans to continue with such enhancements to ensure prudence in managing the liquidity risks are well contained. Although it is non-compulsory for the Group to adopt Basel II initiatives, it is currently observing practices derived from Basel II.

CATEGORIES OF RISK	BROAD DEFINITION	RISK MANAGEMENT PRACTICES
Interest Rate	Risk arising from the change in market interest rates that adversely impact the Group's financial condition in terms of earnings or economic value.	<ul style="list-style-type: none"> The Group measures, manages and controls its interest rate risk by adopting and employing both qualitative and quantitative approaches. Such controls include Earning at Risk (EAR), Economic Value of Capital (EVE), Total Rate Sensitive Asset/Liabilities Ratio, Stress Testing etc. Each has a limit of which is monitored and reported regularly against the established frameworks, policies and procedures.
Reputational	Risk that the Group's reputation is damaged by one or more reputation event, as reflected from negative publicity about the Group's business practices, conduct or financial condition.	<ul style="list-style-type: none"> The Group's reputation is preserved through managing all the risks that affect the Group's reputation through good corporate governance, effective risk management processes and a structured management of reputational events when they occur.
Information Technology (IT)	Risk which impacts information and services related to the Group's use of technology. This includes risks that customers or the Group may suffer from service disruptions, losses arising from system defects, illegal use of computer systems and breach of data via computer systems perpetrated either by internal or external parties, including any damage to the reputation of the Group.	<ul style="list-style-type: none"> The Group ensures and creates awareness among its internal and external customers of this risk.
Regulatory	Change in regulations which could threaten the Group's competitive position and capacity to conduct business effectively.	<ul style="list-style-type: none"> The Group keeps a close watch on all key regulatory developments in order to anticipate changes and potential impact on performance with the focus of continuously improving the risk governance structure and framework.
Business & Strategic Risk	Risk of current or prospective impact on the Group's earnings, capital, reputation or standing arising from changes in the environment the Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.	<ul style="list-style-type: none"> The Group has a well-established risk governance structure and recently established dedicated team that reviews the overall strategic risk facing the Group. The Group adopts appropriate strategies to balance risk and return taking into account changing conditions through the economic cycle and monitoring of economic trends in the market closely. The respective Risk Management sub-functions continuously review the suitability of its risk policies and controls.

v. Risk & Compliance Culture

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

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

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

STRATEGIC PRIORITIES FOR 2015

GRM's strategic priorities for 2015 continue to build around managing its key focus areas of asset and liabilities management. The notable risk management achievements to date are :

- a. Deepened risk & compliance culture;
- b. Enhanced the assessment of sectorial risk profile and portfolio management;
- c. Strengthened liquidity risk management;
- d. Enhancement of operational risk management;
- e. Institutionalized operational risk management;
- f. Improved credit underwriting quality;
- g. Optimized capital management;
- h. Broadened the scope of Stress Testing;
- i. Implemented the Risk Appetite Statements.

GRM has considered both external and internal drivers during the setting of the Strategic Priority for 2015. They were :

i. Key External Drivers

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

ii. Key Internal Drivers

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

KEY ACHIEVEMENTS IN 2015

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

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

- i. Implemented the Bank's Internal Capital Adequacy Assessment Process (ICAAP);
- ii. Established the Bank's Risk Appetite Statement Framework;
- iii. Initiated the Bank's Risk Appetite Statement and implemented the RAS Dashboard;
- iv. Established the Model Validation Framework;
- v. Reviewed the New Liquidity Framework (NLF) Behavioural Assumption;
- vi. Enhanced the Contingent Funding Plan;
- vii. Strengthened Middle Office function;
- viii. Initiated the Basel II Gap Analysis & Capital Impact Study;
- ix. Enhanced the liquidity risk management controls namely Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR);

- x. Broadened the scope of Group Stress Test;
- xi. Refined the Model Risk Adjustment (MRA) for the computation of the Collective Allowable Assessment (CAA);
- xii. Enhanced operational risk assessment templates and data collection;
- xiii. Enhanced the Group's Shariah Non-Compliance Risk Catalogue;
- xiv. Deepened Group-wide risk management via Knowledge Sharing Sessions, Employee Induction Program, Risk Portal etc.

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

OUR PRIORITIES FOR 2016

Risk Management priorities

Initiatives to adopt Basel II requirements would further enhance the Bank's risk management infrastructure and practices, inculcate risk awareness culture, optimize capital management and support business decisions. Such initiatives entail :

- 1. Establishing the infrastructure towards meeting the requirements of the Standardised Approach for computation of credit risk capital charge;
- 2. Enhancing risk management practices and controls throughout BPMB Group;
- 3. Enhancement of the Bank's internal credit rating model with the goal of qualifying for the more advanced capital computation approach, which would enable allocation of the right capital size;
- 4. Preparing the building blocks for adoption of The Standardised Approach ("TSA") for future computation of operational risk capital charge;

- 5. Enhancing Risk Management capabilities within the Group by :
 - i. Leveraging on Information Technology ("IT") to provide the risk intelligence for better risk monitoring and control, as well as to facilitate risk informed decision and pricing;
 - ii. Building reliable, consistent, complete and timely database within the Group.
- 6. Enhancement of Group Stress Test, establishment and revision of risk controls/limits and operationalization of the Group's Risk Management Framework throughout the Group;
- 7. Continuous risk awareness initiatives/programs throughout the Group;
- 8. Building capable staff force with the right skills and knowledge to support the implementation of such initiatives.

EMERGING RISKS

Identifying and monitoring top and emerging risks are integral to the Group's approach to risk management. The identification and prioritisation of key risks facing the Group will be important in order to enable the Group to proactively plan for a holistic management of these risks, amongst others, across the Group. Some of the key concerns for the Group that continues going into 2016 are :

a. Challenging Business Environment

The economy as a whole is vulnerable to external shocks, both regionally and globally. Growth looks threatened by global economic instability and a fall out in global demand.

The prospects for economic growth in 2016 remain cautious with continued economic difficulties in Europe, slower growth in emerging markets and a slowing China. The spill-over effect may trickle domestically, hence impacting the Bank's existing customers and target market. The impact of lower energy and commodity prices are also expected to lead to further uncertainty in economic growth. Domestic weaknesses, such as infrastructure shortages/deferment, budget deficits and inflationary pressures coupled with external uncertainties are expected to impact economic growth.

b. Regulatory Changes and Requirements

One of the key risks going into 2016 is the evolving landscape of regulatory requirements and the equipments to new regulations. Governments and regulators in numerous jurisdictions are expected to continue to develop regulations which may impose new requirements, including but not limited to the areas of capital and liquidity, corporate structures, conduct of business, corporate governance and operational risk.

c. Concentration risk and connected lending.

Concentration risk arises because the Bank's credit is to the local economy and the Bank's limitation in providing to its mandated role and business sector. Credit to a few big local groups of connected borrowers is now close to regulatory ceilings, and on some instances had exceeded its prudential limits. Some of these are highly leveraged borrowers whose performance could have systemic effects.

Although the Bank has yet to observe the Single Counterparty Exposure Limit, its adoption is imminent and inevitable. The Bank is required to aggregate its exposures to a single counterparty together with its exposure to persons connected to the single counterparty as they may present a common risk to the banking institution, such that difficulties faced by either the single counterparty or persons connected to it may affect the funding or repayment capabilities of either one.

d. Movement in Interest Rates

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

Notwithstanding this, BNM is expected to maintain the overnight policy rate (OPR) at 3.25% in the first half of

2016, reflecting the supportive monetary policy stance and taking into account emerging weaknesses in the external environment, falling commodity prices and continued moderation in aggregate domestic demand.

e. Data

Modern techniques of risk management, reflected in the methodological approach of Basel II, involve the estimation of probabilities of default on the lender's loan portfolio, as well as of loss-given-default. Data integrity continues to be an integral part of the evolution of provisioning methodology at BPMB. The lack of integrity and accuracy of input data for PD, EAD and LGD/collateral value would determine the outcome of the Bank's provisioning amount.

f. Changes in market structure and growing competition

Changes in market structure (privatisation, increased entry by commercial banks, financial innovations) have significantly altered the competitive environment faced by the Bank. Commercial banks intensify competition because of security and access to cheaper financing. Their competitive advantages are often enhanced by greater operating efficiency and better technology. The implications for risk management and financial stability are mixed.

On one hand, the erosion in pricing power (ie less ability to lower deposit rates and raise loan rates) reduces earnings and increases the incentives for risk-taking on the part of the banks. Moreover, competitive pressures might also lead to mispricing.

The presence of other commercial banks can also enhance financial stability by improving risk management among competitors. Improvements in measuring expected and unexpected loss are also needed in order to increase the use of risk-based pricing.

STATEMENT OF SHARIAH GOVERNANCE

BPMB is primarily governed by the Shariah Governance Framework for Islamic Financial Institutions (SGF) issued by Bank Negara Malaysia in 2010

Bank Pembangunan Malaysia Berhad (BPMB) is carrying on Islamic financial business in addition to its conventional financial business. The Islamic financial business of BPMB is governed by the relevant provisions in the Development Financial Institutions Act 2002 and other rules and regulations as issued by Bank Negara Malaysia from time to time. With regard to Shariah governance requirements, BPMB is primarily governed by the Shariah Governance Framework for Islamic Financial Institutions (SGF) issued by Bank Negara Malaysia in 2010. This SGF was issued with the primary objective of enhancing the roles and responsibilities of the Board, the Shariah Committee and the Management of BPMB in relation to Shariah matters. It provides a guideline comprising the Shariah governance structure, system processes and controls which BPMB is expected to adhere in order to ensure that all its operations and business activities are executed in compliance with Shariah. In accordance with the requirements of the SGF, the oversight on Shariah compliance in BPMB is managed and monitored by a dedicated Shariah Committee which reports to the Board, and supported by relevant designated internal control organs residing at Group Shariah, Group Risk Management, Group Compliance and Group Audit & Examination.

SHARIAH COMMITTEE

In line with the SGF, while the Board is ultimately responsible and accountable on the overall Shariah governance framework and Shariah compliance of BPMB, the Board is expected to rely on the Shariah Committee on Shariah decisions in relation to Islamic financial business of BPMB. The Shariah Committee is regarded as a committee of the Board and therefore functionally reports to the Board, and is expected to play an oversight role in overseeing all Shariah matters related to Islamic financial business of BPMB. The Shariah Committee, amongst others, ensures that the Shariah rulings and requirements relating to Islamic financial business of BPMB comply with the fundamental Shariah decisions and resolutions by the relevant authoritative body on Shariah matters.

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

1. To be responsible and accountable for all Shariah decisions, opinions and views provided by them.
2. To advise the Board and Management of BPMB on Shariah matters in order to ensure that its Islamic financial business and operations comply with Shariah principles at all times.

3. To validate and endorse the following: -
 - a) The Islamic products and services of BPMB are in compliance with Shariah principles in all aspects including:-
 - The terms and conditions contained in the forms, contracts and agreements used in executing the transactions;
 - The guidelines, manuals and procedures in relation to the products and services, schemes and funds offered by BPMB; and
 - The marketing advertisement, disclosure sheets, sales illustrations and brochures used to describe the product.
 - b) The policies and procedures applicable to Islamic financial business prepared by BPMB and to ensure that the contents therein do not contain any elements which are not in line with Shariah.
4. To confirm and form an independent opinion on Shariah compliance status based on the assessment on the works carried out by Shariah review and Shariah audit, and provide assurance information to be disclosed in the annual report, with respect to the following:-
 - The transactions and dealings by BPMB in relation to its Islamic financial business for the reporting year are in compliance with Shariah;
 - The allocation of profit and charging of losses relating to investment accounts, if any, are Shariah-compliant;
 - The Shariah non-compliant earnings realized from relevant sources or means are to be de-recognized and/or to be channeled for charity purposes;
 - The calculation of Zakat is Shariah-compliant
5. To advise BPMB to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC) on any Shariah matters which could not be resolved.
6. To provide written Shariah opinion(s) in the following circumstances:-
 - Where BPMB refers to the SAC for advice; or
 - Where BPMB submits applications to Bank Negara Malaysia for approval of new Islamic products
7. To assist and provide advice on Shariah matters to related parties such as legal counsel, auditor or consultant appointed by BPMB based on the recommendation or request from the Management.

8. To put on record its concerns over any Shariah non-compliance issues in its report or statements directed to the Board.

Meetings and Attendance

Based on the Terms of Reference of the Shariah Committee and in line with the requirements in the SGF, the meetings shall be held at least 6 times a year. During the financial year 2015, the Shariah Committee had held 10 meetings. The members of the Shariah Committee and their record of attendance are as follows:-

MEMBERS OF SHARIAH COMMITTEE	NO OF MEETING AND ATTENDANCE
Tan Sri Dato'Seri (Dr) Hj Harussani Hj Zakaria	8/10
Asst. Prof. Dr. Miszairi Sitoris	10/10
Assoc. Prof. Dr Noraini Mohd Ariffin	9/10
Professor Dr. Hj Abdul Samat Musa *	6/7
Dr. Rushdi Ramli *	7/7
Dr. Ridzwan Ahmad**	3/3

* Newly appointed w.e.f. 1st April 2015

** Retired w.e.f. 31st March 2015

a) Group Shariah

Group Shariah in BPMB is assisting the Shariah Committee with regard to **internal Shariah research** function which includes day-to-day advisory and pre-approval review in relation to BPMB Group's business and support stakeholders on Shariah aspects in Islamic financial business. It also serves as the secretariat to the Shariah Committee in undertaking related administrative matters. Group Shariah is currently organized into 4 main areas of responsibilities as follows:

i. Shariah Advisory

Responsible for providing Shariah advice and consultancy to relevant stakeholders and entities within BPMB Group, based on the decisions, precedents, rulings, advice and guidelines already made or issued by BPMB's Shariah Committee, BNM's Shariah Advisory Council and SC's Shariah Advisory Council.

ii. Shariah Research & Secretariat

Responsible for performing in-depth Shariah research and studies on Shariah issues identified from time to time and to serve as the secretariat to the Shariah

Committee such as coordinating meetings, compiling proposal papers and disseminating Shariah Committee decisions to relevant stakeholders within BPMB Group. It also includes matters with regard to appointment of Shariah Committee, their trainings etc.

iii. Shariah Transaction

Responsible for reviewing and vetting through the relevant proposed transaction agreements and legal documents as well as on the proposed policies, guidelines and procedures from internal stakeholders in order to ensure that they comply with the approved Shariah principles and decisions. It also coordinates BPMB Group's projects and initiatives in relation to the implementation of requirements under the SGF.

iv. Product Development

Responsible to develop new Islamic products after gathering feedback from business and support functions/entities and facilitate necessary approvals, including to propose enhancement on structures, guidelines and processes of existing Islamic products. It engages regulators, external and internal stakeholders in attending issues related to products such as latest regulatory and operational requirements, to facilitate and advise various functions in BPMB Group on product matters and requirements, including to provide training to staff on Islamic products.

b) Group Compliance

In line with the SGF, the Shariah Compliance Review Unit of the Group Compliance, comprising qualified Shariah officers, is responsible for conducting the **Shariah compliance review** function.

The Shariah Compliance Review Function has established the BPMB Group Shariah Compliance Review Procedures which sets out the Shariah compliance review function, encompassing regular assessment on Shariah compliance in the activities and operations of BPMB Group, including examining and evaluating BPMB Group's level of compliance to Shariah, remedial rectification measures to resolve non-compliances and control mechanisms to avoid recurrences.

In ensuring the activities and operations of the Group are Shariah compliant, the Shariah compliance review officer conducts review of BPMB Group's Islamic financial business activities as per the Shariah compliance review work plan approved by the Shariah Committee and the respective Boards.

c) Group Risk Management

In view Shariah Non-Compliance (SNC) risk is in itself an operational risk, **Shariah Risk Management** (SRM) forms part of the Group's Operational Risk Management (ORM) Framework. The SRM Control Function as outlined by the SGF is undertaken by Group Risk Management's Operational Risk Function to facilitate a systematic and consistent approach in managing SNC risk.

The Strategy, Governance Structure, tools, methodologies and procedures in managing SNC risks have been established. To facilitate the process owners in understanding and identifying SNC risks, a SNC risks catalogue has been established and incorporated into the ORM Framework.

Designated business/operations staff are appointed to facilitate the implementation of SNC risk management within their respective Function. The designated staff were provided with training on SNC risks and the tools to manage them, namely, Risk Control Self-Assessment (RCSA), Shariah Non-Compliance Reporting and Key Risk Indicator. SNC RCSA is performed at least on annual basis, whereby SNC risks and the adequacy of controls in-place to mitigate those risks were being identified and measured by the process owners.

SNC risk awareness was also included in the BPMB Group's risk awareness programme to be conducted regularly with a view to increase the level of awareness on SNC risks.

d) Group Audit & Examination

Group Audit & Examination (GAE), which undertakes **Shariah audit**, reports independently to both the Board Audit Committee and the Shariah Committee. The Shariah audit provides independent assurance on the effectiveness of the internal control systems and related policies and procedures implemented by BPMB Group to govern the conduct of its Islamic financial business operations and activities. In general, the scope of Shariah audit is established in line with the areas stipulated in the SGF as well as accepted auditing standards.

Evaluation on the governance, risk management, controls and compliance with Shariah rules and principles is carried out by adopting GAE's audit methodology which is in line with the Institute of Internal Auditors (IIA) standard. Where appropriate, recommendations for improvements and enhancements are made and thereafter reported to the Shariah Committee.

CORPORATE HIGHLIGHTS 2015



17 JANUARY

BPMB Sports Carnival held at Panasonic International Sport Center.



30 JANUARY

Post-flood humanitarian donation program held at Kuala Krai, Kelantan.



11 FEBRUARY

The Prime Minister received the "Tabung Ikhsan Pemulihan Masjid", on behalf of Kelantan flood victims.



13 FEBRUARY

Sultan of Perak, Sultan Nazrin Shah, received business tithe totalling **RM896,734.26**.



14 FEBRUARY

Water rafting program with Kumpulan Media Karangkrak held at Sungai Gopeng, Perak.



15 FEBRUARY

BPMB organised the Corporate Responsibility program with orphans from Rumah Darul Hikmah, Gopeng, Perak.



17 - 21 MARCH

BPMB participated in the Langkawi International Maritime & Aerospace Exhibition (LIMA), held at Mahsuri International Exhibition Center.



01 - 03 MAY

"Ramlee Balik Pulau" was chosen as the theme for Kelab Sukan dan Rekreasi annual Family Day Celebrations which took place at Batu Feringgi, Pulau Pinang. The event was graced by the presence of Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah.



29 MARCH

Farewell dinner to Dr. Ridzwan Ahmad, Shariah Committee Member held at Sheraton Imperial Hotel, Kuala Lumpur.



09 MAY

Y. Bhg. Tan Sri Dato' Seri Dr. Wan Abdul Aziz Wan Abdullah, Chairman of BPMB officiated the Rumah Ngaji at Masjid Mukim Lundang, Kota Bharu, Kelantan.



22 MAY

BPMB participated in the ADFIM Paintball Challenge held at Mudtrekker Paintball Park, Shah Alam.



10 MAY

Y. Bhg. Tan Sri Dato' Seri Dr. Wan Abdul Aziz Wan Abdullah, Chairman of BPMB, presented the business tithe for the state of Kelantan.



25 MAY 2016

Blood donation and Health Awareness rally held at the lobby of Menara Bank Pembangunan.



10 JUNE

The opening ceremony of Rumah Ngaji at Kampung Orang Asli Kuala Boh, Cameron Highlands, Pahang.



11 JUNE

BPMB Mid-Year Townhall Briefing by the Chief Operating Officer.



17 JUNE

Tengku Mahkota of Pahang, Tengku Abdullah ibni Sultan Ahmad Shah, received the business tithe for the state of Pahang.



22 JUNE

The Menteri Besar of Negeri Sembilan, YAB Dato' Seri Utama Haji Mohamad Haji Hasan, received the business tithe for the state of Negeri Sembilan.



02 JULY

Orphans, Tahfiz and single mother were treated to a special iftar organized by the bank to bring festive cheer especially to the children with their caretakers at the lobby of Menara Bank Pembangunan.



02 JULY

Business tithe presentation to the state of Wilayah Persekutuan Kuala Lumpur



08 JULY

The Menteri Besar of Johor, YAB Dato' Seri Mohamed Khaled Nordin, received the business tithe for the state of Johor.



05 AUGUST

BPMB Corporate Raya Celebration held at Shangri La Hotel, Kuala Lumpur.



11 JULY

BPMB together with UMNO Tebrau division jointly organized Ramadan Pilgrimage Program.



20 AUGUST

15 BPMB runners were among 1800 participants who joined Bursa Bull Charge 2015 and charged through the streets of Kuala Lumpur and raised a total of RM1.8 million for charities.



22 - 23 AUGUST

200 students from six primary schools around Kuala Lumpur participated in Seminar Bimbingan Peperiksaan UPSR. The program was jointly organized with Unit Pendidikan Berita Harian and was held at Dewan Bestari, UniKL.



25 AUGUST

Minister of Agriculture and Agro Based Industry had witnessed the signing ceremony of a syndicated financial deal between Bank Pembangunan and Ramli Food Industries Sdn. Bhd.



04 OCTOBER

Staff bowling tournament held at Wangsa Bowl, Wangsa Walk.



17 - 18 OCTOBER

200 students participated in Seminar Bimbingan Peperiksaan SPM. The program was held at the Experimental Hall, Malaysia International Islamic University (UIAM), Gombak.



09 OCTOBER

Encik Mohammed Rafidz Ahmed Rasiddi, the newly appointed President/Group Managing Director addresses his mandate at the BPMB annual town hall meeting.



21 OCTOBER

The Menteri Besar of Terengganu, had received the business tithe of behalf of Majlis Agama Islam dan Adat Melayu Terengganu.



18 NOVEMBER

Business tithe presentation to Pusat Urus Zakat Majlis Agama Islam Pulau Pinang.



23 NOVEMBER

Tuan Haji Johari Jonid, the Vice President I/Head, Shariah Advisory, representing Bank Pembangunan at the business tithe presentation for the state of Selangor.



02 DECEMBER

Datuk Syeikh Ghazali Yaacob, the Secretary from the Department of State Zakat Kedah received the business tithe for the state of Kedah.



30 NOVEMBER

Tan Sri Dato' Seri (Dr) Haji Harussani Haji Zakaria, the Shariah Committee Chairman of BPMB received the BPMB business tithe for the state of Perak, on behalf of Majlis Ugama Islam dan Adat Melayu Perak.



03 DECEMBER

Business tithe presentation to Majlis Agama Islam Perlis.



30 NOVEMBER

Encik Mohd. Yazid Safuan, Senior Vice President/Head, Group Treasury, had officiated the Rumah Ngaji@Penjara Kajang, Selangor.





FINANCIAL

STATEMENTS 2015

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Directors' Report

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 2015.

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
(Loss)/profit for the financial year	(12,666)	117,699
Attributable to:		
Equity holders of the Bank	11,008	117,699
Non-controlling interests	(23,674)	-
	(12,666)	117,699

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in Notes 8 and 35 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 of 1.20% on 3,078,724,049 ordinary shares, amounting to RM37,000,000 (1.20 sen net per ordinary share), in respect of the financial year ended 31 December 2014 was declared on 29 June 2015 and paid on 3 August 2015.

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

No dividend was declared for the financial year ended 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	(term ended on 8 March 2016)
Rosli bin Abdullah	(term ended on 8 March 2016)
Dato' Abd Rahman bin Md Khalid	(term ended on 8 March 2016)
Datuk Engku Nor Faizah Engku Atek	
Dato' Ir. Hj. Mohamad bin Husin	
Dato' Kapt. Haji Ahmad bin Othman	
Datuk Wan Azhar bin Wan Ahmad	
Mohammed Rafidz bin Ahmed Rasiddi	(appointed on 15 June 2015)
Datuk Nozirah binti Bahari	(resigned on 28 December 2015)

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 33 and 34 to the financial statements by reason of a contract made by the Bank or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTEREST

According to the register of directors' shareholdings, none of the directors holding office at year end held shares in the Bank and its related corporations during the financial year ended 31 December 2015.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

RATING AGENCY	DATE	RATING CLASSIFICATION	RECEIVED
MARC Rating	7 September 2015	Financial Institution Rating	AAA
MARC Rating	7 September 2015	Islamic Commercial Papers and/or Conventional Commercial Papers Programme of up to RM2.0 billion in nominal value	MARC-1
RAM Rating	22 December 2015	Financial Institution Rating	AAA
RAM Rating	22 December 2015	RM7 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA

BUSINESS OUTLOOK

The downside risk to economic growth is expected to increase for Malaysia in view of continued moderation in domestic demand, falling global commodity prices and weakening Ringgit. Despite weaker consumer and business sentiments, the Malaysian banking system remains stable, reflecting a moderate operating environment that will allow banks to maintain resilient asset quality as well as strong capitalisation levels and funding profiles. Against this backdrop, the Group and the Bank will continue to provide financing to the mandated sectors. The Group and the Bank will remain prudent, maintain strong corporate governance and implement sound risk management policies to ensure a sustainable growth.

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading;
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent 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 those incurred in the normal course of business and as disclosed in Notes 20(ii) and 22(c)(i) to the financial statements; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year which this report is made.

SIGNIFICANT EVENTS

Significant events during the financial year are in respect of assets held for sale and are disclosed in Note 13 and 44(ii) to the financial statements.

SUBSEQUENT EVENTS

Subsequent event is disclosed in Note 45(d) 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 June 2016



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



Mohammed Rafidz bin Ahmed Rasiddi

Kuala Lumpur, Malaysia

Statements 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 Mohammed Rafidz bin Ahmed Rasiddi, 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 71 to 242 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2015 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 June 2016



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



Mohammed Rafidz bin Ahmed Rasiddi

Kuala Lumpur, Malaysia

Statutory Declaration

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

We, Datuk Wan Azhar bin Wan Ahmad and Mohammed Rafidz bin Ahmed Rasiddi, the Director and President/Group Managing Director, 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 71 to 242 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 June 2016

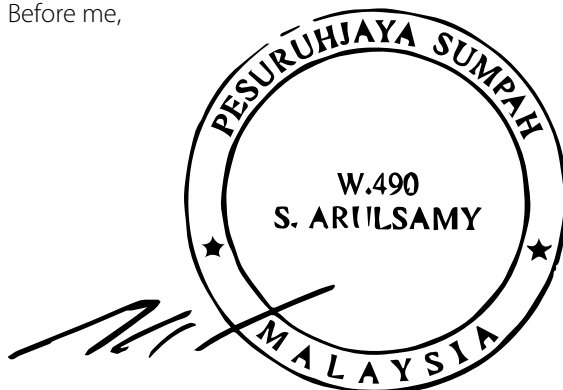


Datuk Wan Azhar bin Wan Ahmad



Mohammed Rafidz bin Ahmed Rasiddi

Before me,



16 - Tingkat Bawah Jalan Pudu,
55100 Kuala Lumpur

Shariah Committee's Report

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

Assalamualaikum Warahmatullahi Wabarakatuh

To the shareholders, depositors and customers of Bank Pembangunan Malaysia Berhad ("the Bank")

In carrying out our roles and responsibilities as the Bank's Shariah Committee as prescribed under the Shariah Governance Framework for Islamic Financial Institutions which was issued by Bank Negara Malaysia and in accordance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2015.

The Bank's Management shall at all times be responsible to ensure that the Bank's aims and operations, business, affairs and activities in relation to its Islamic financial business are in compliance with Shariah, and the Bank's Shariah Committee shall be responsible to form an independent opinion based on our review on the aims and operations, business, affairs and activities in relation to the Islamic financial business of the Bank and accordingly to produce this report.

During the financial year, there were ten (10) meetings of the Bank's Shariah Committee in which we reviewed, among others, the products and services, transactions, processes and documents which were presented to us by the Bank.

In performing our roles and responsibilities, we had obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with Shariah.

In line with the Bank Negara Malaysia's Shariah Governance Framework for Islamic Financial Institutions, the Bank has established the Bank's Shariah governance at the management level. There are four (4) main Functions that are responsible for Shariah research, advisory and compliance functions in ensuring internal Shariah-based operating environment i.e. Group Shariah & Governance, Group Compliance, Group Risk Management and Group Audit & Examination. The roles of these Functions, generally, are facilitating Shariah research, advisory and as secretariat to the Shariah Committee, product development activities, refining existing product structures and procedures, providing Shariah awareness and product trainings, managing Bank-wide Shariah non-compliance risks, conducting Shariah review and audit on the Bank's Islamic financial business.

SHARIAH GOVERNANCE INITIATIVES

We had approved in our meetings, a number of initiatives in strengthening the Shariah governance of the Bank which includes review on the Terms of Reference of the Shariah Committee in order to further enhance Shariah oversight by detailing elements of Shariah decision making process as well as the changes in the Management's Representative in the Shariah Committee's meetings i.e. from Chief Credit Officer to Head, Credit Operations.

In addition, the following are other major developments that took place during the financial year which come under our purview:

Shariah Committee's Report (cont'd.)

SHARIAH TRAINING AND AWARENESS INITIATIVES

During the financial year, a total of two (2) product briefings, two (2) knowledge-sharing sessions and three (3) Islamic Financing in-house training programmes were conducted for the Bank's staff. This includes a special session on "Shariah Non-Compliance Risk in Islamic Financial Institutions" by the Bank's Shariah Committee members and the session was opened by the Chairman of Shariah Committee himself. A total of 143 staff attended this insightful knowledge-sharing session which covers the definition, impacts and examples of Shariah non-compliance risk and the benefits of having a sound Shariah Risk Management framework.

A structured Shariah training programme has been introduced, where new recruits of the Bank are required to attend the basic-level 'Introduction to Islamic Banking' as part of the Induction programme, while a number of existing staff were nominated to attend the intermediate-level 'Islamic Financing: Products & Principles' and 'Legal Documentation for Islamic Financing' courses.

Apart from the in-house trainings, a total of twenty-two (22) staff attended various Islamic finance and Shariah-related training programmes and seminars externally. As for the Shariah Committee, two (2) members have completed the mandatory Shariah Leaders Education (SLE) Programme which comprises of four (4) modules. The Bank plans to continue to nominate two (2) Shariah Committee members each year to attend this SLE programme.

SHARIAH REVIEW

The conduct of regular Shariah review plays a vital role in achieving the objective of ensuring Shariah compliance of the Bank by evaluating and assessing Islamic financial business activities in the Bank whereby it validates the compliance of such activities with Shariah in order to add value and improve the degree of Shariah compliance in relation to such activities.

Shariah review plans for the financial year were reviewed and approved by us for their implementation. The Shariah review reports were deliberated in our meetings in order to confirm that the Bank has complied with the Shariah rulings issued both by the Shariah Advisory Council of Bank Negara Malaysia and Shariah Advisory Council of Securities Commission as well as our own Shariah rulings and decisions. The reports that were presented to us cover the following entities/areas:

- 1) Implementation of *Tawarruq* Products;
- 2) *Tawarruq* Products by Pembangunan Leasing Corporation Sdn. Bhd. ("PLC"); and
- 3) Islamic Funding.

SHARIAH NON-COMPLIANT EVENTS AND INCOME

During the financial year, we have confirmed two (2) incidences of actual Shariah non-compliant events as follows:

- i) Inappropriate items financed under a financing account based on *Murabahah* contract; and
- ii) Islamic funds utilised for purposes of conventional operations.

SHARIAH NON-COMPLIANT EVENTS AND INCOME (CONT'D)

We noted that the Bank's Management has taken necessary corrective as well as preventive measures in order to avoid the same incidences from occurring in the future. To specifically address those events, the Bank has enhanced its control mechanism and conducted awareness briefings to staff in the related functional areas.

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

For the financial year, the Bank has identified an amount of RM800,236 as Shariah non-compliant income as a result from the events. The amount was de-recognised from the Bank's total income and will be disposed to charitable causes subject to our approval.

BUSINESS ZAKAT

In the financial year, the Bank has fulfilled its obligation to pay zakat for its Islamic financial business. The amount of zakat was calculated by using capital growth method at the rate of 2.5775%, which was confirmed by Pusat Pungutan Zakat Wilayah Persekutuan.

From the total amount of zakat payable, only 7/8 of the amount would be distributed by the Bank to states' zakat authorities in Malaysia based on the data on poverty level as reported by the Department of Statistics of Malaysia; whereas the balance of 1/8 of the amount would be distributed by the Bank directly to eligible zakat beneficiaries (asnaf) among needy individuals, mosques, non-governmental organisations and schools in accordance with the approved Business Zakat Guideline and Procedure.

SHARIAH GOVERNANCE

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

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Bank in relation to its Islamic financial business, with the exception of two (2) Shariah non-compliant events mentioned above, during the financial year ended 31 December 2015 that were reviewed by us, are in compliance with Shariah;
2. The calculation, payment and distribution of business zakat are in compliance with Shariah;
3. All earnings that have been realised from sources or by means which are prohibited by Shariah amounting to RM800,236 as disclosed in Note 48(g) to the financial statements, were de-recognised from the Bank's income.

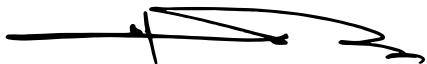
Shariah Committee's Report (cont'd.)

SHARIAH GOVERNANCE (CONT'D.)

On that note, we, the members of Shariah Committee of the Bank Pembangunan Malaysia Berhad, do hereby confirm that, to the best of our knowledge, the aims and operations, business, affairs and activities of the Bank's Islamic financial business for the financial year ended 31 December 2015 have been conducted in conformity with Shariah.

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

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



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



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

Kuala Lumpur, Malaysia
29 June 2016

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank Pembangunan Malaysia Berhad ("the Bank"), which comprise the statements of financial position of the Group and of the Bank as at 31 December 2015 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 71 to 242.

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.

Independent Auditors' Report (cont'd.)

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

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 2015 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.

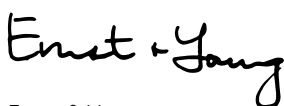
Report on other legal and regulatory requirements

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' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 45 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

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



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
29 June 2016



Wan Daneena Liza Bt Wan Abdul Rahman
No. 2978/03/18(J)
Chartered Accountant

Statements of Financial Position

As at 31 December 2015

		GROUP		BANK	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Cash and short term deposits	3	1,419,525	1,921,024	1,126,210	1,446,941
Deposits and placements with financial institutions	4	51,672	708,805	-	677,667
Financial investments - fair value through profit or loss ("FVTPL")	5	-	4,247	-	-
Financial investments - available-for-sale ("AFS")	6	2,099,063	1,321,313	2,094,592	1,317,113
Financial investments - held-to-maturity ("HTM")	7	184,489	259,979	184,467	259,957
Loans, advances and financing	8	22,757,349	24,757,054	22,572,456	24,542,895
Other assets	9	230,968	225,491	167,999	162,331
Investments in subsidiaries	10	-	-	480,859	653,743
Interest in associates	11	3,328	2,845	-	-
Interest in joint ventures	12	39,911	62,911	-	-
Property, plant and equipment	13	94,030	624,628	92,649	95,820
Prepaid land leases	14	917	1,174	917	1,174
Investment properties	15	4,074	5,447	839	1,939
Intangible assets	16	8,824	26,668	8,185	10,173
Deferred tax assets	17	8,938	5,235	6,026	-
		26,903,088	29,926,821	26,735,199	29,169,753
Assets classified as held for sale	44	394,541	18,534	367	-
Total assets		27,297,629	29,945,355	26,735,566	29,169,753
Liabilities					
Deposits from customers	18	7,752,319	5,666,779	7,752,319	5,666,779
Deposits and placements from financial institutions	19	445,640	300,510	445,640	300,510
Bills and acceptance payable	2.2(m)	1,742,193	-	1,742,193	-
Other liabilities	20	217,696	206,202	59,384	47,768
Redeemable notes	21	4,352,888	5,964,175	4,352,888	5,964,175
Borrowings	22	4,613,383	9,604,190	4,443,632	9,231,556
Infrastructure support fund ("ISF")	23	337,126	367,322	337,126	367,322
Deferred income	24	239,420	243,977	239,420	243,977
Deferred tax liabilities	17	9,478	22,452	-	12,538
Total liabilities		19,710,143	22,375,607	19,372,602	21,834,625

Statements of Financial Position (cont'd.)

As at 31 December 2015

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Equity attributable to equity holders of the Bank					
Share capital	25	3,078,724	3,078,724	3,078,724	3,078,724
Reserves	26	4,483,477	4,443,583	4,284,240	4,256,404
		7,562,201	7,522,307	7,362,964	7,335,128
Non-controlling interests		25,285	47,441	-	-
Total equity		7,587,486	7,569,748	7,362,964	7,335,128
Total equity and liabilities		27,297,629	29,945,355	26,735,566	29,169,753
Commitments and contingencies	40(a)	5,138,298	7,035,001	4,805,553	6,692,429

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

Income Statements

For the Financial Year Ended 31 December 2015

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	28	1,283,700	1,315,559	1,251,680	1,288,151
Interest expense	29	(543,136)	(734,396)	(521,728)	(691,741)
Net interest income		740,564	581,163	729,952	596,410
Net income from Islamic financial business	48	143,385	262,176	136,895	257,967
Non-interest income	30	126,731	330,994	27,342	35,270
Compensation from/(to) the Government	31	30,196	(1,892)	30,196	(1,892)
Net income		1,040,876	1,172,441	924,385	887,755
Overhead expenses	32	(250,452)	(395,224)	(84,567)	(82,122)
Allowance for impairment losses of loans, advances and financing	35	(393,131)	(241,324)	(421,392)	(269,997)
Allowance for impairment losses on other assets	36	(253,366)	(182,079)	(190,306)	(288,597)
Provision for corporate guarantee		(9,860)	(59,300)	-	-
Operating profit		134,067	294,514	228,120	247,039
Share of (loss)/profit of joint ventures		(9,235)	11,876	-	-
Profit before taxation and zakat		124,832	306,390	228,120	247,039
Taxation	37	(115,829)	(166,336)	(90,626)	(140,775)
Zakat		(21,669)	(15,351)	(19,795)	(12,778)
(Loss)/profit for the financial year		(12,666)	124,703	117,699	93,486
Attributable to:					
Equity holders of the Bank		11,008	146,174	117,699	93,486
Non-controlling interests		(23,674)	(21,471)	-	-
		(12,666)	124,703	117,699	93,486
Earnings per share attributable to the equity holders of the Bank:					
Basic earnings per share (sen)	39	0.4	4.7		

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

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2015

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the financial year	(12,666)	124,703	117,699	93,486
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	120,064	44,389	-	-
Net unrealised loss on revaluation of financial investments - AFS, net of tax	(52,660)	(82,046)	(52,863)	(81,233)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	67,404	(37,657)	(52,863)	(81,233)
Total comprehensive income for the financial year, net of tax	54,738	87,046	64,836	12,253
Total comprehensive income/(loss) attributable to:				
Equity holders of the Bank	76,894	120,982	64,836	12,253
Non-controlling interests	(22,156)	(33,936)	-	-
	54,738	87,046	64,836	12,253

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

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2015

<----- Attributable to equity holders of the Bank ----->											
<----- Non-distributable ----->											
		Share capital	Capital reserve	Statutory reserve	Profit equalisation reserve	Unrealised AFS reserve	Exchange translation reserve/(deficit)	Distributable retained profits	Total	Non-controlling interest	Total equity
GROUP	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015											
Total comprehensive (loss)/income for the financial year		3,078,724	1,000	1,868,251	-	54,845	44,614	2,474,873	7,522,307	47,441	7,569,748
Transfer to statutory reserve		-	-	-	-	(52,660)	118,546	11,008	76,894	(22,156)	54,738
Dividends paid	38	-	-	29,425	-	-	-	(29,425)	-	-	-
		-	-	-	-	-	-	(37,000)	(37,000)	-	(37,000)
At 31 December 2015		3,078,724	1,000	1,897,676	-	2,185	163,160	2,419,456	7,562,201	25,285	7,587,486
At 1 January 2014											
Total comprehensive (loss)/income for the financial year		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
Transfer to statutory reserve		-	-	-	-	(82,046)	56,854	146,174	120,982	(33,936)	87,046
Provision for the year		-	-	23,372	-	-	-	(23,372)	-	-	-
Transfer to retained profits		-	-	-	5,479	-	-	(5,479)	-	-	-
Dividends paid	38	-	-	-	(10,449)	-	-	10,449	-	-	-
		-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
At 31 December 2014		3,078,724	1,000	1,868,251	-	54,845	44,614	2,474,873	7,522,307	47,441	7,569,748

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

Statement of Changes in Equity

For the Financial Year Ended 31 December 2015

BANK	Note	<-----Non-distributable----->					Total RM'000
		Share capital RM'000	Statutory reserve RM'000	Profit equalisation reserve RM'000	Unrealised AFS reserve RM'000	Distributable retained profits RM'000	
At 1 January 2015		3,078,724	1,868,251	-	54,845	2,333,308	7,335,128
Total comprehensive (loss)/income for the financial year		-	-	-	(52,863)	117,699	64,836
Transfer to statutory reserve		-	29,425	-	-	(29,425)	-
Dividends paid	38	-	-	-	-	(37,000)	(37,000)
At 31 December 2015		3,078,724	1,897,676	-	1,982	2,384,582	7,362,964
At 1 January 2014		3,078,724	1,844,879	4,970	136,078	2,358,224	7,422,875
Total comprehensive (loss)/income for the financial year		-	-	-	(81,233)	93,486	12,253
Transfer to statutory reserve		-	23,372	-	-	(23,372)	-
Provision for the year		-	-	5,479	-	(5,479)	-
Transfer to retained profits		-	-	(10,449)	-	10,449	-
Dividends paid	38	-	-	-	-	(100,000)	(100,000)
At 31 December 2014		3,078,724	1,868,251	-	54,845	2,333,308	7,335,128

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

Statements of Cash Flows

For the Financial Year Ended 31 December 2015

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	124,832	306,390	228,120	247,039
Adjustment for:				
Share of loss/(profit) of joint ventures	9,235	(11,876)	-	-
Depreciation of property, plant and equipment (Note 32(ii))	59,790	81,473	4,238	9,359
Amortisation of prepaid lease rental (Note 32(ii))	40	54	40	54
Depreciation of investment properties (Note 32(ii))	175	171	63	59
Amortisation of intangible assets (Note 32(ii))	19,462	49,908	3,606	3,218
Net loss on disposal of property, plant and equipment (Note 30(c))	266	3,833	386	1
Net loss on disposal of prepaid land lease (Note 30(c))	218	372	218	372
Net gain on disposal of investment properties (Note 30(c))	(741)	-	(741)	-
Net gain on sale of financial investments - AFS (Note 30(b) and 48(j))	(2,075)	(1,327)	(2,075)	(1,327)
Dividend income:				
Financial investments - AFS (Note 30(b))	(9,146)	(17,880)	(9,087)	(17,791)
Accretion of discount less amortisation of premium of financial investments (Note 28 and 48(j))	(24,613)	(23,298)	(24,613)	(23,298)
Impairment allowance/(written back) for:				
Financial investments - AFS (Note 36)	(800)	(33,960)	-	(35,586)
Financial investments - HTM (Note 36)	21,166	21,951	21,166	21,951
Investment in subsidiaries (Note 36)	-	-	172,884	301,935
Trade receivables (Note 36)	12,498	2,169	-	-
Advance to joint ventures (Note 36)	12,566	26,658	-	-
Vessels (Note 36)	200,974	164,964	-	-
Other assets (Note 36)	-	294	-	294
Interest in JVs	6,950	-	-	-
Amount due from associates	457	-	-	-
Provision for corporate guarantee	9,860	59,300	-	-
Property, plant and equipment written off (Note 32(iv))	18	5	-	5
Balance carried forward	441,132	629,201	394,205	506,285

Statements of Cash Flows (cont'd.)

For the Financial Year Ended 31 December 2015

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Balance brought forward	441,132	629,201	394,205	506,285
Unrealised (gain)/loss on foreign exchange (Note 30(c))	(2,378)	(120)	224	(120)
Individual allowance (Note 35):				
Individual allowance made	241,257	512,620	217,221	472,658
Individual allowance written back	(75,853)	(163,631)	(37,937)	(148,044)
Transferred from collective allowance	64,260	83,909	64,260	83,909
Transferred to collective allowance	(21,933)	(18,985)	(21,933)	(18,985)
Collective allowance (Note 35):				
Collective allowance made	272,260	214,601	272,356	244,292
Collective allowance written back	(14,748)	(273,496)	(9,473)	(271,736)
Transferred from individual allowance	21,933	18,985	21,933	18,985
Transferred to individual allowance	(64,260)	(83,909)	(64,260)	(83,909)
Bad debts and financing written off (Note 35 and 36)	1,402	362	1,402	361
Bad debts and financing recovered (Note 35)	(31,469)	(49,129)	(22,459)	(27,531)
Zakat (Note 48(p))	(21,653)	(12,778)	(19,795)	(12,778)
Individual allowance made during the year against ISF (Note 31)	(11,060)	-	(11,060)	-
Recoverable from loan written off against ISF (Note 31)	2,030	24,693	2,030	24,693
Financial investment impairment made during the year against ISF (Note 31)	(21,166)	(21,951)	(21,166)	(21,951)
Compensation from the Government (Note 28 and Note 48(j))	(130,051)	(129,076)	(130,051)	(129,076)
Operating profit before working capital changes	649,703	731,296	635,497	637,053
Decrease/(increase) in operating assets:				
Deposits and placements with financial institutions	677,667	(554,589)	677,667	(525,085)
Loans, advances and financing	1,639,976	(800,001)	1,558,296	(680,541)
Other assets	(24,153)	478,475	14,603	89,903
	2,293,490	(876,115)	2,250,566	(1,115,723)

Statements of Cash Flows (cont'd.)

For the Financial Year Ended 31 December 2015

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Increase/(decrease) in operating liabilities:				
Deposits from customers	2,085,540	(1,448,461)	2,085,540	(1,448,462)
Deposit and placements from financial institutions	145,130	10,612	145,130	(10,612)
Other liabilities	(215,738)	(141,770)	15,405	(38,661)
	2,014,932	(1,579,619)	2,246,075	(1,497,735)
Cash generated from/(used in) operating activities	4,958,125	(1,724,438)	5,132,138	(1,976,405)
Income taxes paid	(113,196)	(134,969)	(118,333)	(95,958)
Zakat paid	(13,201)	(9,304)	(12,211)	(6,730)
Net cash generated from/(used in) operating activities	4,831,728	(1,868,711)	5,001,594	(2,079,093)
Cash flows from investing activities				
Financial investments - AFS (Note 30(b))	9,146	17,880	9,087	17,791
Purchase of financial investments - AFS	(1,418,416)	(322,847)	(1,418,416)	(322,847)
Purchase of property, plant and equipment (Note 13)	(12,416)	(66,305)	(1,454)	(1,902)
Purchase of intangible assets (Note 16)	(1,618)	(1,704)	(1,618)	(1,858)
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 - AFS	587,288	237,873	587,288	237,873
Proceeds from disposal/maturity of financial investments - HTM	78,916	-	78,916	-
Proceeds from disposal of property, plant and equipment	1	26,477	-	-
Proceeds from disposal of investment properties	1,410	-	1,410	-
Proceeds from disposal of prepaid land leases	-	195	-	195
Net cash (used in)/generated from investing activities	(755,689)	147,807	(744,787)	(71,974)

Statements of Cash Flows (cont'd.)

For the Financial Year Ended 31 December 2015

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Net repayment from long-term loans	(5,034,233)	(416,092)	(5,034,233)	(150,189)
Net receipt/(repayment) from revolving credit	250,000	(200,712)	250,000	(200,712)
Proceeds from issuance redeemable guaranteed notes	-	3,000,000	-	3,000,000
Proceeds from issuance of bills and acceptance payables	1,742,193	-	1,742,193	-
Settlement of redeemable guaranteed notes	(1,614,393)	-	(1,614,393)	-
Proceeds from Government compensation	115,895	106,797	115,895	106,797
Dividends paid	(37,000)	(100,000)	(37,000)	(100,000)
Net cash (used in)/generated from financing activities	(4,577,538)	2,389,993	(4,577,538)	2,655,896
Net (decrease)/increase in cash and cash equivalents	(501,499)	669,089	(320,731)	504,829
Cash and cash equivalents at beginning of financial year	1,921,024	1,251,935	1,446,941	942,112
Cash and cash equivalents at end of financial year	1,419,525	1,921,024	1,126,210	1,446,941
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 3)	1,419,525	1,921,024	1,126,210	1,446,941

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

Notes to the Financial Statements

31 December 2015

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 June 2016.

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 Financial Business, which have been undertaken by the Group. Islamic Financial Business 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(c).

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

2. 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 it has power over an investee, including:

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

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

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;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139"), is measured at fair value with changes in fair value recognised either in profit or loss or as a change to Other Comprehensive Income ("OCI"). If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured 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 reassesses 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 reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statements.

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.)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

(c) Foreign currency transactions

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to OCI. On disposal of a foreign operation, the cumulative amount recognised in OCI and accumulated in the separate component of equity, is reclassified from equity to income statement (as a reclassification) when the gain or loss on disposal is recognised.

(d) Property, plant and equipment

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

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 recognise such parts as individual assets with specific useful lives and depreciation, respectively.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Investment properties (cont'd.)

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

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

(f) Intangible assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Leases

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance lease - the Group as lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Leases (cont'd.)

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

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

(iii) Operating lease – the Group as lessee

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

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

(iv) Operating lease - the Group as lessor

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

(h) Impairment of non-financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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 income statements.

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

(i) Financial assets

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 income statements, directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial assets (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

The 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.

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 FVTPL 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 2015 and 2014.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial assets (cont'd.)

(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".

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

(iii) Financing and receivables

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

Definition of Shariah concept:

- (a) Murabahah: It refers to a sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser. The sale price is payable by the purchaser usually on deferred terms.
- (b) Tawarruq: It basically consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial assets (cont'd.)

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

Definition of Shariah concept (cont'd.):

- c) Ijarah: It refers to a contract that transfers ownership of a permitted usufruct and/or service for a specified period in exchange for a specified consideration. It includes variations of this contract i.e. Ijarah Muntahiyah bi Tamlik and Ijarah Thummal Bai', where it is accompanied with an option to transfer the ownership of the leased asset to the lessee at the end of the lease period via acceptable means of ownership transfer. For financial reporting purpose the Ijarah contract meets the definition of finance lease.
- (d) Istisna': It refers to a contract which a seller sells to a purchaser an asset which is yet to be constructed, built or manufactured according to agreed specifications and delivered on an agreed specified future date at an agreed pre-determined sale price.
- (e) Kafalah: It refers to a contract where the guarantor conjoins the guaranteed party in assuming the latter's specified liability for a specified period.
- (f) Bai' Bithaman Ajil: It refers to a sale contract where the sale price is deferred and paid gradually during the specified period.
- (g) Bai' 'Inah: It refers to an arrangement that involves sale of an asset to the purchaser on a deferred basis and subsequent purchase of the asset at a cash price lower than the deferred sale price or vice versa, and which complies with the specific requirements.

(iv) Financial investments - HTM

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial assets (cont'd.)

(v) Financial investment - AFS

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Financial assets (cont'd.)

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 funds.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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 classify 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 comply with Bank Negara Malaysia's Guidelines on Classification and Impairment Provision for Loans/Financing which states that, based on repayment conduct, a loan or financing should be classified as impaired:

- 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.

Impairment - individual allowance ("IA")

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.

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 allowance ("IA") (cont'd.)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans or receivable reflect the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Interest/profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/profit income is recorded as part of 'interest/profit income' in the income statements.

Impairment - collective allowance ("CA")

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.

As allowed by MFRS 139 in deriving the CA estimates, the Bank makes reference to the publicly available data particularly relating to Probability of Default ("PD") and Loss Given Default ("LGD") estimates as benchmarks. These estimates are mapped and calibrated to the Bank's loan, 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.

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 allowance ("CA") (cont'd.)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

(l) 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.

(m) Bills and acceptance payable

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) Employee benefits

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

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

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

(o) Government grants

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

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

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

(p) Provisions

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) 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.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Revenue

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

(i) Interest/profit and similar income

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

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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Revenue (cont'd.)

(ii) Islamic income recognition (cont'd.)

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

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

Fee income

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

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

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

(iv) Dividend income

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

(v) Charter hire, demurrage and freight income

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

(t) Income Taxes

(i) Current tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) Income Taxes (cont'd.)

(i) Current tax (cont'd.)

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

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilised.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) Income Taxes (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax 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.

(u) Cash and cash equivalent

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

2.3 Changes in Accounting Policies

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

On 1 January 2015, 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 2015.

Description	Effective for annual period beginning on or after
Amendments to MFRS 119 Defined Benefit Plans:	
Employee Contributions (Amendments to MFRS 119)	1 July 2014
Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements 2011-2013 Cycle	1 July 2014

The 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.

Notes to the Financial Statements (cont'd.)

31 December 2015

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.

Description	Effective for annual period beginning on or after
Amendments to MFRSs contained in the documents entitled "Annual Improvements to MFRSs 2012-2014 Cycle"	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101: Disclosure Initiative	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 119: Employee Benefits	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 16: Leases	To be announced
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
MFRS 10 : Consolidated Financial Statements - Sale of Contributions of Assets between an Investor and its Associate or Joint Venture(Amendment to MFRS 10)	To be announced

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed next page:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 9 *Financial Instruments*

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(i) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the assets. Key changes include:

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced; and
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in income statements, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in income statements.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and of the Bank's financial assets and financial liabilities designated at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Group and the Bank will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and the Bank, contract assets under MFRS 15 and lease receivables under MFRS 117 Leases. MFRS 9 will change the Group's and the Bank's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

(iii) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

2.5 Significant Accounting Judgments and Estimates

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

(a) Impairment of financial investments portfolio (Note 6, 7 and 36)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(a) Impairment of financial investments portfolio (Note 6, 7 and 36) (cont'd.)

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 (Note 6)

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 35)

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.

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 35) (cont'd.)

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

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

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

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

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

- (i) The Group and the Bank determine whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

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.)

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 and Note 44)

The Group and the Bank assess whether there is any indication that the vessels may be impaired at each reporting date. If indicators are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets and the assets' recoverable amount ("RA").

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.

(f) Deferred tax (Note 17) and Income taxes (Note 37)

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.

Notes to the Financial Statements (cont'd.)

31 December 2015

3. CASH AND SHORT TERM DEPOSITS

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and balances with other financial institutions	35,381	61,750	2,698	1,433
Money at call and deposit placements maturing within one month	1,384,144	1,859,274	1,123,512	1,445,508
	1,419,525	1,921,024	1,126,210	1,446,941

4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	51,672	576,511	-	576,511
Other financial institutions	-	132,294	-	101,156
	51,672	708,805	-	677,667

5. FINANCIAL INVESTMENTS - FVTPL

	GROUP	
	2015 RM'000	2014 RM'000
At fair value		
Quoted securities: (In Malaysia)		
Unit trust funds	-	4,247

Notes to the Financial Statements (cont'd.)

31 December 2015

6. FINANCIAL INVESTMENTS - AFS

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At fair value				
Money market instruments:				
Government investment issues	872,906	568,379	872,906	568,379
At fair value				
Quoted securities:				
(In Malaysia)				
Shares	152,548	226,774	148,077	222,574
Unit trust funds	201,199	199,899	201,199	199,899
	353,747	426,673	349,276	422,473
Unquoted securities: (In Malaysia)				
Loan stock, at cost	727	727	727	727
Private debt securities	871,683	325,534	871,683	325,534
	872,410	326,261	872,410	326,261
	2,099,063	1,321,313	2,094,592	1,317,113

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

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
One year to three years	414,158	231,451
Three years to five years	302,708	326,984
Over five years	156,040	9,944
	872,906	568,379

Notes to the Financial Statements (cont'd.)

31 December 2015

7. FINANCIAL INVESTMENTS - HTM

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Money market instruments:				
Cagamas	5,036	83,783	5,036	83,783
Unquoted securities: (In Malaysia)				
Private debt securities	500,832	476,409	500,832	476,409
Loan stock	22	22	-	-
	500,854	476,431	500,832	476,409
Less: Accumulated impairment losses	(321,401)	(300,235)	(321,401)	(300,235)
	179,453	176,196	179,431	176,174
	184,489	259,979	184,467	259,957

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

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Cagamas	5,066	84,059
Unquoted private debt securities	221,664	211,842

Other disclosures

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
One year to three years	152,818	230,370	152,796	230,348
Over five years	31,671	29,609	31,671	29,609
	184,489	259,979	184,467	259,957

Notes to the Financial Statements (cont'd.)

31 December 2015

8. LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing to industries:				
Government guaranteed	5,532,712	6,633,481	5,532,712	6,633,481
Others	19,244,480	20,380,354	19,215,784	20,333,910
	24,777,192	27,013,835	24,748,496	26,967,391
Allowance for impairment on loans, advances and financing:				
Individual allowance	(1,381,126)	(1,889,006)	(1,352,430)	(1,842,562)
Collective allowance	(881,006)	(656,466)	(881,006)	(656,466)
	(2,262,132)	(2,545,472)	(2,233,436)	(2,499,028)
Net loans, advances and financing to industries	22,515,060	24,468,363	22,515,060	24,468,363
Staff financing	10,313	11,318	10,313	11,318
Lease receivables	37,812	55,922	-	-
Loan to subsidiaries	-	-	86,030	106,145
Tawarruq receivables	13,979	19,007	-	-
Pre-factoring and factoring receivables	44,431	65,769	-	-
Hire purchase receivables	151,566	187,898	-	-
Ijarah receivables	45,440	42,425	-	-
Other loans, advances and financing	303,541	382,339	96,343	117,463
Allowance for impairment on other loans, advances and financing:				
Individual allowance	(45,213)	(68,254)	-	-
Collective allowance	(16,039)	(25,394)	(38,947)	(42,931)
	(61,252)	(93,648)	(38,947)	(42,931)
Net other loans, advances and financing	242,289	288,691	57,396	74,532
Net loans, advances and financing	22,757,349	24,757,054	22,572,456	24,542,895

Notes to the Financial Statements (cont'd.)

31 December 2015

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

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bai' Bithaman Ajil	306,160	345,749	291,788	333,162
Bai' 'Inah	74,049	79,260	74,049	79,260
Bridging financing	18,894	75,554	12,421	68,385
Factoring	44,432	59,332	-	-
Hire purchase	151,565	187,898	-	-
Istisna'	5,446,683	5,266,764	5,456,490	5,266,764
Ijarah	64,786	351,602	19,346	308,976
Ijarah Muntahiyah bi Tamlik	102,104	121,914	102,104	121,914
Ijarah Thummal Bai'	-	5,095	-	-
Infra support loan	29,273	59,278	29,273	59,278
Leasing	37,812	55,921	-	-
Murabahah	53,715	53,908	53,715	53,908
Revolving financing	4,762	18,464	-	-
Revolving working capital	373,292	407,615	373,292	407,615
Staff financing	10,313	9,294	10,313	11,318
Tawarruq	1,036,178	811,716	1,022,199	792,709
Term loan	17,326,260	19,399,901	17,399,394	19,494,656
Working capital	455	86,909	455	86,909
Gross loans, advances and financing	25,080,733	27,396,174	24,844,839	27,084,854
Allowance for impairment on loans, advances and financing:				
Individual allowance	(1,426,339)	(1,957,260)	(1,352,430)	(1,842,562)
Collective allowance	(897,045)	(681,860)	(919,953)	(699,397)
Net loans, advances and financing	22,757,349	24,757,054	22,572,456	24,542,895

Notes to the Financial Statements (cont'd.)

31 December 2015

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

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Domestic business enterprises	25,070,420	27,384,856	24,834,526	27,073,536
Individuals	10,313	11,318	10,313	11,318
	25,080,733	27,396,174	24,844,839	27,084,854

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate:				
Housing loans/financing	21,303	27,227	10,313	11,318
Hire purchase receivables	162,819	187,898	-	-
Other fixed rate loans/financing	14,078,585	15,397,372	14,016,500	15,289,859
Variable rate:				
Cost plus	2,507,152	3,236,032	2,507,152	3,236,032
Other variable rates	8,310,874	8,547,645	8,310,874	8,547,645
	25,080,733	27,396,174	24,844,839	27,084,854

Notes to the Financial Statements (cont'd.)

31 December 2015

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

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Agriculture, hunting and forestry	6,997	9,857	-	-
Construction	11,531,521	12,733,253	11,520,391	12,717,666
Education	1,876,913	1,249,257	1,876,913	1,249,257
Electricity, gas and water supply	2,326,972	2,486,801	2,326,660	2,484,755
Finance, insurance and business	23,812	26,625	-	20,326
Hotel and restaurants	1,263,526	1,141,183	1,263,526	1,141,183
Housing	10,313	11,318	10,313	11,318
Manufacturing	543,639	1,027,308	474,015	990,981
Marine related	99,186	399,416	99,186	399,416
Materials technology	14,234	120,194	14,234	120,194
Medical and pharmaceuticals	41,917	40,087	41,917	40,087
Mining and quarrying	1,422	1,050	-	-
Other community, social and personal service activities	201,090	89,836	149,335	22,130
Production engineering	-	13	-	13
Public administration and defence	45,268	50,869	45,268	50,869
Real estate, renting and business activities	963,547	1,083,647	884,704	991,660
Shipping	1,552,401	1,693,876	1,638,431	1,779,695
Shipyard	193,748	222,135	193,748	222,135
Transport, storage and communication	4,384,227	5,009,449	4,306,198	4,843,169
	25,080,733	27,396,174	24,844,839	27,084,854

Notes to the Financial Statements (cont'd.)

31 December 2015

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

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Maturity within one year	4,925,097	5,279,958	4,901,056	5,143,595
One year to three years	4,995,772	5,014,668	4,920,670	4,915,225
Three years to five years	3,649,022	4,971,209	3,496,719	4,906,186
Over five years	11,510,842	12,130,339	11,526,394	12,119,848
	25,080,733	27,396,174	24,844,839	27,084,854

- (vi) Included in loan to subsidiaries are:

- (a) Loan to a subsidiary (2015: Nil; 2014: RM20,326,027) was repayable over a period of five years commencing from the date of drawdown and bear interest/profit of nil (2014: 5.00%) per annum. The loan was fully repaid in the current financial year.
- (b) Loan to a subsidiary amounting to RM86,030,598 (2014: RM85,818,550) bears interest rate of 4.10% to 5.0% (2014: 4.10%) per annum.

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	3,000,149	2,720,199	2,950,738	2,555,182
Impaired during the financial year	688,169	742,746	660,068	771,253
Reclassified as non-impaired	(38,546)	(1,615)	(36,982)	-
Recovered during the financial year	(114,529)	(302,552)	(65,255)	(234,892)
Amount written off	(740,848)	(158,629)	(711,743)	(140,805)
At 31 December	2,794,395	3,000,149	2,796,826	2,950,738
Gross impaired loans as a % of gross loans, advances and financing	11.14%	10.95%	11.26%	10.89%

Notes to the Financial Statements (cont'd.)

31 December 2015

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

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Construction	315,216	329,329	312,162	308,529
Education	76,853	81,992	76,853	81,992
Electricity, gas and water supply	111,166	152,641	111,166	152,641
Finance, insurance and business	550	1,209	-	-
Hotel and restaurants	446,259	263,969	432,520	248,387
Manufacturing	359,076	700,013	326,627	661,368
Marine related	98,732	98,732	98,732	98,732
Materials technology	14,234	120,194	14,234	120,194
Medical and pharmaceuticals	41,917	40,087	41,917	40,087
Other community, social and personal service activities	15,996	9,870	-	-
Production engineering	-	13	-	13
Real estate, renting and business activities	369,577	392,537	351,766	363,073
Shipping	722,210	571,413	808,240	657,231
Shipyard	14,660	12,612	14,660	12,612
Transport, storage and communication	207,949	225,538	207,949	205,879
	2,794,395	3,000,149	2,796,826	2,950,738

Notes to the Financial Statements (cont'd.)

31 December 2015

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

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Individual allowance ("IA")				
At 1 January	1,957,260	1,701,976	1,842,562	1,593,829
Allowance made during the financial year	230,197	512,620	206,161	472,658
Allowance made during the year against ISF	11,060	-	11,060	-
Amount written back in respect of recoveries	(75,853)	(163,631)	(37,937)	(148,044)
Amount transferred from from CA	64,260	83,909	64,260	83,909
Amount transferred to CA	(21,933)	(18,985)	(21,933)	(18,985)
Amount written off	(738,652)	(158,629)	(711,743)	(140,805)
At 31 December	1,426,339	1,957,260	1,352,430	1,842,562
Collective allowance ("CA")				
At 1 January	681,860	805,679	699,397	791,765
Allowance made during the financial year	272,260	213,075	272,356	242,766
Allowance made during the year against ISF	-	1,526	-	1,526
Amount written back	(14,748)	(273,496)	(9,473)	(271,736)
Amount transferred to IA	(64,260)	(83,909)	(64,260)	(83,909)
Amount transferred from IA	21,933	18,985	21,933	18,985
At 31 December	897,045	681,860	919,953	699,397

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Within Malaysia	25,080,733	27,396,174	24,844,839	27,084,854

Notes to the Financial Statements (cont'd.)

31 December 2015

9. OTHER ASSETS

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Sundry receivables, deposits and prepayment	(i)	93,830	90,202	12,005	16,429
Less: Allowance for doubtful debts	(ii)	(23,364)	(7,624)	(706)	(1,035)
		70,466	82,578	11,299	15,394
Subsidiaries	(iii)	-	-	1,603	43,343
Less: Allowance for doubtful debts		-	-	-	(28,089)
		-	-	1,603	15,254
Amount receivable from Government in respect of compensation for:					
Infrastructure projects		46,956	46,322	46,956	46,322
Foreign exchange differences		85,361	85,361	85,361	85,361
Tax recoverable		28,185	8,650	22,780	-
Pool working funds	(iv)	-	2,098	-	-
Inventories		-	482	-	-
		230,968	225,491	167,999	162,331

(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 RM31,617,000 (2014: RM24,577,000).

(ii) Allowance for doubtful debts

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	7,624	7,060	1,035	758
Provided during the financial year:				
- Trade receivables	12,498	2,169	-	-
- Associates	457	-	-	-
- Staff resigned	-	294	-	294
Recovered during the financial year	(329)	(1,899)	(329)	(17)
Exchange differences	3,114	-	-	-
At 31 December	23,364	7,624	706	1,035

Notes to the Financial Statements (cont'd.)

31 December 2015

9. OTHER ASSETS (CONT'D.)

- (iii) The amounts due from subsidiaries are unsecured, interest free and repayable on demand. The amount due from subsidiaries of RM41,568,445 and the related allowance for doubtful debts have been settled during the year.
- (iv) Pool working funds in prior year represented advances from subsidiaries to the pool operators for operating funds of the vessels in the pool. These advances were interest free, unsecured and refundable only upon termination of the pool agreement signed between the subsidiaries with the pool operators.

10. INVESTMENT IN SUBSIDIARIES

	BANK	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	924,686	924,686
Additional capital contribution due to waiver of debt	68,750	68,750
	993,436	993,436
Less: Impairment allowances	(512,577)	(339,693)
	480,859	653,743

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

- (i) Summarised statement of financial position

	GMVB	
	2015 RM'000	2014 RM'000
Non current assets	40,198	609,957
Current assets	673,721	484,306
Total assets	713,919	1,094,263
Non current liabilities	71	99
Current liabilities	359,218	533,543
Total liabilities	359,289	533,642
Net assets	354,630	560,621
Equity attributable to the owners of the company	345,116	552,002
Carrying value of non-controlling interests	9,514	8,125

Notes to the Financial Statements (cont'd.)

31 December 2015

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

	GMVB	
	2015	2014
	RM'000	RM'000
Revenue	90,582	273,116
Cost of sales	(118,522)	(216,623)
Other income	15,013	35,002
Administrative expenses	(278,038)	(341,587)
Finance costs	(21,880)	(43,469)
Share of (loss)/profit of joint ventures and associates	(9,235)	11,876
Loss before taxation	(322,080)	(281,685)
Income tax	(6,806)	(19,600)
Zakat	(16)	(2,573)
Loss for the financial year	(328,902)	(303,858)
Loss for the financial representing total comprehensive loss for the financial year	(328,902)	(303,858)
Other comprehensive income		
Foreign currency translation reserve	122,911	53,790
Total comprehensive loss for the financial year	(205,991)	(250,068)
Total comprehensive loss attributable to the owners of the company	(207,380)	(252,510)
Total comprehensive loss attributable to the non-controlling interests	1,389	2,442
	(205,991)	(250,068)

Notes to the Financial Statements (cont'd.)

31 December 2015

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

	GMVB	
	2015 RM'000	2014 RM'000
Net cash (used in)/generated from operating activities	(6,111)	75,707
Net cash (used in)/generated from investing activities	(9,618)	216,956
Net cash used in financing activities	(182,489)	(65,192)
Net (decrease)/increase in cash and cash equivalents	(198,218)	227,471
Effects of foreign exchange rate changes	38	68
Cash and cash equivalents at beginning of financial year	408,167	180,628
Cash and cash equivalents at the end of the financial year	209,987	408,167

B. Internal restructuring exercise in prior year

On 30 September 2014, pursuant to the internal restructuring exercise, GMV-Bahtera's entire shareholdings in Magna Meridian Sdn Bhd ("MMSB") and Matlamat Emas Sdn Bhd ("MESB"), were transferred to Orkim Sdn Bhd ("Orkim") via share swap. 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.

C. Disposal of subsidiaries in prior year

On 18 December 2014, Global Maritime Ventures Berhad ("GMVB") disposed 35,449,504 ordinary shares of RM1.00 each in Orkim, representing 91.28% of the issued and paid-up share capital of Orkim to Ekuiti National Berhad for a total cash consideration of RM298,981,981.

Notes to the Financial Statements (cont'd.)

31 December 2015

10. INVESTMENT IN SUBSIDIARIES (CONT'D.)

C. Disposal of subsidiaries in prior year (cont'd.)

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

	MMSB RM'000	MESB RM'000	Orkim RM'000	Total RM'000
Assets				
Property, plant and equipment	21,670	21,763	409,009	452,442
Goodwill	-	-	518	518
Cash and cash equivalents	2,905	918	37,695	41,518
Trade and other receivables	1,162	1,441	18,216	20,819
Inventories	-	-	707	707
Tax recoverable	433	715	48	1,196
	26,170	24,837	466,193	517,200
Liabilities				
Borrowings	(14,857)	(14,857)	(286,405)	(316,119)
Trade and other payables	(4,571)	(2,805)	(24,889)	(32,265)
Deferred tax liabilities	(1,031)	(1,037)	314	(1,754)
Provision for taxation	-	-	(32)	(32)
	(20,459)	(18,699)	(311,012)	(350,170)
Net assets	5,711	6,138	155,181	167,030

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

The net cash flows on disposal was determined as follows:

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

Notes to the Financial Statements (cont'd.)

31 December 2015

11. INTEREST IN ASSOCIATES

	GROUP	
	2015	2014
	RM'000	RM'000
At cost:		
Unquoted ordinary shares	74,975	75,138
Group's share of post acquisition reserve	3,028	2,545
	78,003	77,683
Less: Accumulated impairment losses	(74,675)	(74,838)
	3,328	2,845

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

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2015	2014	
	%	%	
Held through GMVB, a subsidiary:			
Wawasan Bulk Services Sdn Bhd	27.0	27.0	Ship management
Held through Syarikat Borcos Shipping Sdn Bhd			
Berkat Perkapalan Sdn Bhd *	44.1	44.1	Dormant
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary:			
Abdeen 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 Sdn Bhd *	26.0	26.0	Food supplies and catering services

Notes to the Financial Statements (cont'd.)

31 December 2015

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 Group		Principal Activities
	2015	2014	
	%	%	
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary: (cont'd.)			
Angel Holdings Sdn Bhd *	26.0	26.0	Bakery/cake business and retailing
Arahe Solutions Sdn Bhd *	26.0	26.0	Provider of web acceleration system and Rich Internet application solutions
Cantuman Wawasan Sdn Bhd *	26.0	26.0	Information computer network services
Delphax Sdn Bhd *	22.0	22.0	Trading of medical products
Enviro Green Biotech Sdn Bhd *	26.0	26.0	Supply of agricultural product
Evoxen Sdn Bhd *	26.0	26.0	Component manufacturing
IIFIN Planners Sdn Bhd *	26.0	26.0	Financial and advisory consultancy services
Internexia Sdn Bhd *	26.0	26.0	Provision of multimedia services
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
MS Time Ventures Sdn Bhd *	26.0	26.0	Provision of heavy machinery rental services

Notes to the Financial Statements (cont'd.)

31 December 2015

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 Group		Principal Activities
	2015	2014	
	%	%	
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary: (cont'd.)			
Nano C Sdn Bhd *	26.0	26.0	Research and development services
Natures Own Brand Sdn Bhd *	26.0	26.0	Trading of food products
Nurivest CNC Mechanization Sdn Bhd (Formerly known as NCM Global Sdn Bhd) *	26.0	26.0	Engineering services
Orea Technologies Sdn Bhd *	26.0	26.0	Development of information technology security
Paximej Adventure (M) Sdn Bhd *	26.0	26.0	Event management
Profound Vaccine Sdn Bhd *	49.0	49.0	Research and development in vaccination
Sal Food Industries Sdn Bhd *	26.0	26.0	Manufacturing of food and beverage products
Serene Quest Marine Sdn Bhd *	26.0	26.0	Oil and gas services industries
Simfoni Maya Sdn Bhd	26.0	26.0	Indoor advertising digital network
SIT Schiffs-& Technick (M) Sdn Bhd *	26.0	26.0	Manufacturing of fuel treatment system for marine
Sutrasegi Sdn Bhd *	26.0	26.0	Manufacturing of foam rubber product

Notes to the Financial Statements (cont'd.)

31 December 2015

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 Group		Principal Activities
	2015	2014	
	%	%	
Held through SME Growth Accelerated Fund Sdn Bhd ("SME GAF"), a subsidiary: (cont'd.)			
Swift Applications Sdn Bhd *	26.0	26.0	ICT-Product and services
Wellad Communications Sdn Bhd *	26.0	26.0	Advertising agents and creative designer

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

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

- (a) Summarised statement of financial position

	GROUP	
	2015 RM'000	2014 RM'000
Total assets	45,058	34,647
Total liabilities	33,966	(25,165)

- (b) Summarised statement of comprehensive income

Revenue	3,781	3,677
Profit for the financial year	409	811

- (c) Reconciliation of the summarised financial information

Net assets at 1 January	9,482	8,672
Profit for the financial year	409	811
Other comprehensive income	1,201	-
Net assets at 31 December	11,092	9,483
Interests in joint ventures	30%	30%
Carrying value of Group's interest in associates	3,328	2,845

Notes to the Financial Statements (cont'd.)

31 December 2015

12. INTEREST IN JVs

	GROUP	
	2015	2014
	RM'000	RM'000
At cost:		
Unquoted ordinary shares	53,979	53,979
Group's share of retained post acquisition (deficit)/reserve	(3,048)	6,670
Less: Accumulated impairment losses	(18,585)	(11,635)
	32,346	49,014
Advances to JVs:		
within 1 year	23,260	6,120
1 year to 2 years	4,122	6,079
2 years to 5 years	5,457	7,390
More than 5 years	23,071	30,087
Less: Allowance for doubtful debts	(48,345)	(35,779)
	7,565	13,897
	39,911	62,911

The advances to JVs bear an interest of 2.4% to 7.0% (2014: 2.4% to 7.0%) per annum and are repayable on a quarterly basis over a period of 10 years.

(i) Details of the JVs are as follows:

Name of JVs (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2015	2014	
	%	%	
Held through GMVB, a subsidiary:			
Alam Eksplorasi (M) Sdn Bhd ^	36.00	36.00	Ship-owning, ship operator, ship agency, chartering and other related to shipping industry
Alam Synergy I (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy II (L) Inc ^	36.00	36.00	Ship-owning, ship operator, and charter hire of vessel

Notes to the Financial Statements (cont'd.)

31 December 2015

12. INTEREST IN JVs (CONT'D.)

(i) Details of the JVs are as follows:

Name of JVs (incorporated inMalaysia)	Effective interest held by the Group		Principal Activities
	2015	2014	
	%	%	
Held through GMVB, a subsidiary: (cont'd.)			
Alam Synergy III (L) Inc ^	36.00	36.00	Ship-owning, ship operator, and charter hire of vessel
Baycorp Ship Management Sdn Bhd #	36.00	36.00	Ship management
Formasi Cekal Sdn Bhd #	36.00	36.00	Ship-owning, ship operator and to undertake all kinds of contract to carry merchant goods
Gagasan Ked Sdn Bhd #	54.00	54.00	Ship-owning
Gagasan Paha Sdn Bhd #	54.00	54.00	Ship-owning
Global BMesra Sdn Bhd @	44.10	44.10	Ship-owning and freighting
Global BMesra Dua Sdn Bhd @	44.10	44.10	Ship-owning and freighting
Global Bikhlas Sdn Bhd @	44.10	44.10	Ship-owning and freighting
Sea Weasel Limited ~	44.10	44.10	Ship-owning and freighting
^ Collectively known as Alam Group			
# Collectively known as Gagasan Group			
@ Collectively known as Global Group			
~ Known as Efogen Group			

Notes to the Financial Statements (cont'd.)

31 December 2015

12. INTEREST IN JVs (CONT'D.)

The aggregate current assets, non-current assets, current liabilities and results of the JVs are as follows (cont'd.):

(a) Summarised statement of financial position

	2015 RM'000	2014 RM'000
Assets:		
Non current assets	204,069	307,204
Current assets	186,728	156,144
Total assets	390,797	463,348
Liabilities:		
Non current liabilities	174,061	245,050
Current liabilities	242,169	212,633
Total liabilities	416,230	457,683
Net (liabilities)/assets	(25,433)	5,665

(b) Summarised statement of comprehensive income

	2015 RM'000	2014 RM'000
Revenue	55,669	139,876
Cost of sales	(54,766)	(89,740)
Gross profit	903	50,136
Other income	35,530	2,688
Administrative expenses	(5,095)	(87,027)
Operating expenses	(43,216)	(34,114)
Loss from operations	(11,878)	(68,317)
Finance costs	(19,153)	(15,467)
Loss before taxation	(31,031)	(83,784)
Taxation	(67)	(163)
Loss for the financial year	(31,098)	(83,947)

Notes to the Financial Statements (cont'd.)

31 December 2015

12. INTEREST IN JVs (CONT'D.)

(c) Reconciliation of the summarised financial information

	2015 RM'000	2014 RM'000
Net assets at 1 January	5,665	89,612
Loss for the year	(31,098)	(83,947)
Net (liabilities)/assets at 31 December	(25,433)	5,665
Interests in joint ventures	6,131	(11,263)
Carrying value of Group's interest in joint ventures	(19,302)	(5,598)
Less: Cumulative unrecognised losses b/f	(54,612)	(39,402)
Share of unrecognised gains/(losses) for the year	2,964	(15,210)
Net carrying value of Group's interest in joint ventures	32,346	49,014

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
2015									
Cost									
At 1 January	20,383	80,327	37,506	3,657	38,914	801,633	18,630	67,214	1,068,264
Additions	-	-	1,426	-	28	46	10,916	-	12,416
Disposals/write-off	(387)	-	(844)	(95)	-	-	-	-	(1,326)
Effect of movements in exchange rates	-	-	906	-	-	187,502	(1,626)	10,337	197,119
Reclassification	(5)	430	921	4	61	12,209	(25,757)	12,137	-
Transfer to assets held for sale (Note 44)	(1,618)	(1,845)	(3,557)	(1,455)	-	(1,001,390)	-	(89,688)	(1,099,553)
At 31 December	18,373	78,912	36,358	2,111	39,003	-	2,163	-	176,920

Notes to the Financial Statements (cont'd.)

31 December 2015

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
2015 (cont'd.)									
Accumulated depreciation									
At 1 January	-	10,925	33,234	2,964	37,462	136,358	-	11,194	232,137
Charge for the financial year	-	1,677	2,605	148	741	43,238	-	11,381	59,790
Disposals/write-off	-	-	(843)	(95)	-	-	-	-	(938)
Effect of movements in exchange rates	-	-	(764)	-	-	22,369	-	13,573	35,178
Transfer to assets held for sale (Note 44)	-	(924)	(3,008)	(1,232)	-	(201,965)	-	(36,148)	(243,277)
At 31 December	-	11,678	31,224	1,785	38,203	-	-	-	82,890
Accumulated impairment losses									
At 1 January	-	-	-	-	-	211,499	-	-	211,499
Charge for the financial year	-	-	-	-	-	200,974	-	-	200,974
Effect of movements in exchange rates	-	-	-	-	-	49,628	-	-	49,628
Transfer to assets held for sale (Note 44)	-	-	-	-	-	(462,101)	-	-	(462,101)
At 31 December	-	-	-	-	-	-	-	-	-
Net carrying amount	18,373	67,234	5,134	326	800	-	2,163	-	94,030

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

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

GROUP	Freehold land RM'000	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
2014									
Cost									
At 1 January	19,190	81,480	38,120	3,468	38,774	1,427,289	22,196	21,185	1,651,702
Additions	-	40	2,975	172	140	-	24,625	38,353	66,305
Disposal of subsidiaries	-	-	(2,375)	-	-	(622,991)	(9,913)	(8,058)	(643,337)
Disposals/write-off	-	-	(1,214)	-	-	(46,299)	(114)	(5,433)	(53,060)
Effect of movements in exchange rates	-	-	-	-	-	42,623	1,056	2,958	46,637
Reclassification	1,193	(1,193)	-	-	-	1,011	(19,220)	18,209	-
Transfer to assets held for sale	-	-	-	17	-	-	-	-	17
At 31 December	20,383	80,327	37,506	3,657	38,914	801,633	18,630	67,214	1,068,264

Notes to the Financial Statements (cont'd.)

31 December 2015

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
2014 (cont'd.)									
Accumulated depreciation									
At 1 January	-	9,248	32,549	2,466	31,642	269,628	-	6,129	351,662
Charge for the financial year		1,677	3,435	481	5,820	58,055	-	12,005	81,473
Disposal of subsidiaries	-	-	(1,192)	-	-	(184,976)	-	(4,727)	(190,895)
Disposals/write-off	-	-	(1,558)	-	-	(17,770)	-	(3,422)	(22,750)
Effect of movements in exchange rates	-	-	-	-	-	11,421	-	1,209	12,630
Transfer to assets held for sale	-	-	-	17	-	-	-	-	17
At 31 December	-	10,925	33,234	2,964	37,462	136,358	-	11,194	232,137
Accumulated impairment losses									
At 1 January	-	-	-	-	-	46,535	-	-	46,535
Charge for the financial year	-	-	-	-	-	164,964	-	-	164,964
At 31 December	-	-	-	-	-	211,499	-	-	211,499
Net carrying amount	20,383	69,402	4,272	693	1,452	453,776	18,630	56,020	624,628

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

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

BANK	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Mechanical and electricals RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
2015							
Cost							
At 1 January	19,190	78,182	31,019	38,914	1,339	2,615	171,259
Additions	-	-	943	27	-	484	1,454
Disposals/write off	(387)	-	(844)	-	(3)	-	(1,234)
Reclassification	(600)	600	873	63	-	(936)	-
At 31 December	18,203	78,782	31,991	39,004	1,336	2,163	171,479
Accumulated depreciation							
At 1 January	-	10,071	26,787	37,462	1,119	-	75,439
Charge for the financial year	-	1,575	1,785	742	136	-	4,238
Disposals/write off	-	-	(843)	-	(4)	-	(847)
At 31 December	-	11,646	27,729	38,204	1,251	-	78,830
Net carrying amount	18,203	67,136	4,262	800	85	2,163	92,649

Notes to the Financial Statements (cont'd.)

31 December 2015

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

BANK	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Mechanical and electricals RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
2014							
Cost							
At 1 January	19,190	78,182	28,616	38,774	1,335	3,272	169,369
Additions	-	-	787	140	4	971	1,902
Disposals/write off	-	-	(12)	-	-	-	(12)
Reclassification	-	-	1,628	-	-	(1,628)	-
At 31 December	19,190	78,182	31,019	38,914	1,339	2,615	171,259
Accumulated depreciation							
At 1 January	-	8,496	25,076	31,642	873	-	66,087
Charge for the financial year	-	1,575	1,718	5,820	246	-	9,359
Disposals/write off	-	-	(7)	-	-	-	(7)
At 31 December	-	10,071	26,787	37,462	1,119	-	75,439
Net carrying amount							
	19,190	68,111	4,232	1,452	220	2,615	95,820

Notes to the Financial Statements (cont'd.)

31 December 2015

14. PREPAID LAND LEASES

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
Cost		
At 1 January	2,012	2,862
Disposals	(350)	(850)
At 31 December	1,662	2,012
Depreciation		
At 1 January	838	1,067
Charge for the financial year	40	54
Disposals	(133)	(283)
At 31 December	745	838
Carrying amount	917	1,174

15. INVESTMENT PROPERTIES

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cost				
At 1 January	8,817	7,591	3,226	2,000
Addition	-	1,226	-	1,226
Disposals	(925)	-	(695)	-
Transfer to assets held for sale (Note 44)	(382)	-	(382)	-
At 31 December	7,510	8,817	2,149	3,226
Depreciation and impairment loss				
At 1 January	4,059	3,888	1,287	1,228
Charge for the financial year	175	171	63	59
Disposals	(94)	-	(25)	-
Transfer to assets held for sale (Note 44)	(15)	-	(15)	-
At 31 December	4,125	4,059	1,310	1,287

Notes to the Financial Statements (cont'd.)

31 December 2015

15. INVESTMENT PROPERTIES (CONT'D.)

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Accumulated impairment losses				
At 1 January/31 December	(689)	(689)	-	-
Carrying amount	4,074	5,447	839	1,939
Included in the above are:				
Buildings	4,074	5,447	839	1,939

- (i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank to be RM11,320,000 (2014: RM13,350,000) and RM4,250,000 (2014: RM5,850,000) respectively based on comparison with indicative market value stated in the Property Market Report 2014 (2014: Property Market Report 2013).

16. INTANGIBLE ASSETS

	Computer software RM'000	Contract based related intangibles RM'000	Provisional amount RM'000	Goodwill RM'000	Total RM'000
GROUP					
2015					
Cost					
At 1 January	26,859	62,089	-	76,664	165,612
Addition	1,618	-	-	-	1,618
At 31 December	28,477	62,089	-	76,664	167,230
Amortisation					
At 1 January	15,701	46,579	-	-	62,280
Amortisation charged	3,952	15,510	-	-	19,462
At 31 December	19,653	62,089	-	-	81,742

Notes to the Financial Statements (cont'd.)

31 December 2015

16. INTANGIBLE ASSETS (CONT'D.)

GROUP	Computer software RM'000	Contract based related intangibles RM'000	Provisional amount RM'000	Goodwill RM'000	Total RM'000
2015					
Accumulated impairment losses					
At 1 January/31 December	-	-	-	76,664	76,664
Carrying amount	8,824	-	-	-	8,824
2014					
Cost					
At 1 January	25,155	52,040	135,019	77,182	289,396
Reclassification of provisional amount	-	52,870	(135,019)	82,149	-
Disposal of subsidiaries	-	(42,821)	-	(82,667)	(125,488)
Additions	1,704	-	-	-	1,704
At 31 December	26,859	62,089	-	76,664	165,612
Amortisation					
At 1 January	12,372	-	-	-	12,372
Amortisation charged	3,329	46,579	-	-	49,908
At 31 December	15,701	46,579	-	-	62,280
Accumulated impairment losses					
At 1 January/31 December	-	-	-	76,664	76,664
Carrying amount	11,158	15,510	-	-	26,668

Notes to the Financial Statements (cont'd.)

31 December 2015

16. INTANGIBLE ASSETS (CONT'D.)

Contract based related intangibles

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

Provisional amount

The purchase price allocation ("PPA") exercise on the acquisition of Orkim Sdn Bhd has been carried out by the Group in 2013. Upon the completion of the PPA exercise, the intangible assets have been allocated accordingly into goodwill and contract based related intangibles in 2014.

Goodwill

The goodwill recognised was arising from the acquisition of Syarikat Borcos Shipping Sdn Bhd and Orkim Sdn Bhd in prior years and has been fully impaired in 2014.

	BANK	
	2015	2014
	Computer software	Computer software
	RM'000	RM'000
Cost		
At 1 January	23,319	21,461
Additions	1,618	1,858
At 31 December	24,937	23,319
Amortisation		
At 1 January	13,146	9,928
Amortisation charged	3,606	3,218
At 31 December	16,752	13,146
Carrying amount	8,185	10,173

Notes to the Financial Statements (cont'd.)

31 December 2015

17. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	(17,217)	(17,335)	(12,538)	(27,121)
Recognised in income statement	(876)	(13,295)	943	(12,230)
Recognised in equity	17,553	26,813	17,621	26,813
Acquisition of subsidiaries	-	(13,400)	-	-
At 31 December	(540)	(17,217)	6,026	(12,538)
Presented after appropriate offsetting as follows:				
Deferred tax assets	8,938	5,235	6,026	-
Deferred tax liabilities	(9,478)	(22,452)	-	(12,538)
	(540)	(17,217)	6,026	(12,538)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

Deferred tax assets

GROUP	Loan loss and allowances RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2015	5,269	15,759	21,028
Recognised in income statement	(2,291)	(1,924)	(4,215)
At 31 December 2015	2,978	13,835	16,813
At 1 January 2014	5,603	47,524	53,127
Recognised in income statement	(334)	(16,611)	(16,945)
Disposal of subsidiaries	-	(15,154)	(15,154)
At 31 December 2014	5,269	15,759	21,028

Notes to the Financial Statements (cont'd.)

31 December 2015

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

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

Deferred tax liabilities

GROUP	Loan loss and allowances RM'000	Unrealised AFS reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2015	-	(23,720)	(14,525)	(38,245)
Recognised in income statement	(3,545)	-	6,884	3,339
Recognised in equity	-	17,553	-	17,553
At 31 December 2015	(3,545)	(6,167)	(7,641)	(17,353)
At 1 January 2014	-	(50,804)	(19,658)	(70,462)
Recognised in income statement	-	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)

Deferred tax assets

BANK	Other temporary differences RM'000
At 1 January 2015	11,880
Recognised in income statement	401
At 31 December 2015	12,281
At 1 January 2014	30,360
Recognised in income statement	(18,480)
At 31 December 2014	11,880

Notes to the Financial Statements (cont'd.)

31 December 2015

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

Deferred tax liabilities

	Unrealised AFS reserve RM'000	Property, plant and equipment RM'000	Total RM'000
BANK			
At 1 January 2015	(23,720)	(698)	(24,418)
Recognised in income statement	-	542	542
Recognised in equity	17,621	-	17,621
At 31 December 2015	(6,099)	(156)	(6,255)
At 1 January 2014	(50,533)	(6,948)	(57,481)
Recognised in income statement	-	6,250	6,250
Recognised in equity	26,813	-	26,813
At 31 December 2014	(23,720)	(698)	(24,418)

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

	GROUP	
	2015 RM'000	2014 RM'000
Other deductible temporary differences	25,479	16,986
Unutilised tax losses	307,760	170,930
Unabsorbed capital allowances	136,124	90,749
	469,363	278,665

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

Notes to the Financial Statements (cont'd.)

31 December 2015

18. DEPOSITS FROM CUSTOMERS

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
Fixed deposits and negotiable instruments of deposits: One year or less	7,752,319	5,666,779
(a) The deposits are sourced from the following types of deposit:		
Non-Mudharabah:		
Others	7,752,319	5,666,779
(b) The deposits are sourced from the following types of customers:		
Business enterprises	2,412,391	1,595,080
Government and statutory bodies	5,339,928	4,071,699
	7,752,319	5,666,779
(c) The deposits maturity structure are as follows:		
Less than six months	6,928,880	5,438,797
Six months to one year	823,439	227,982
	7,752,319	5,666,779

19. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
At amortised cost		
Licensed banks	445,640	300,510

Notes to the Financial Statements (cont'd.)

31 December 2015

20. OTHER LIABILITIES

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amounts due to related companies	(i)	-	191	-	-
Provision for taxation		1,369	3,628	-	2,630
Zakat payables		22,671	12,868	21,807	12,868
Trade creditors		22,193	13,132	-	-
Sundry creditors and accruals		102,303	117,083	37,577	32,270
Provision for corporate guarantees	(ii)	69,160	59,300	-	-
		217,696	206,202	59,384	47,768

- (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 in prior year were unsecured, non-interest profit bearing and repayable on demand.
- (ii) Corporate guarantees payable is 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.

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

	GROUP	
	2015 RM'000	2014 RM'000
At 1 January	59,300	-
Provision during the year	9,860	59,300
At 31 December	69,160	59,300

Notes to the Financial Statements (cont'd.)

31 December 2015

21. REDEEMABLE NOTES

		GROUP AND BANK	
		2015	2014
	Note	RM'000	RM'000
Redeemable non guaranteed notes			
Medium term notes	(i)	808,743	808,674
Redeemable guaranteed notes			
Medium term notes			
- Government Guaranteed Commercial	(ii)	-	1,513,644
Medium term notes			
- Government Guaranteed Murabahah	(iii)	3,041,671	3,039,041
		3,041,671	4,552,685
Infrastructure notes - nominal value	(iv)	506,473	607,680
Less: Unamortised discount		(3,999)	(4,864)
		502,474	602,816
		4,352,888	5,964,175
Discount upon issuance		18,500	18,500
Amortisation to date		(14,501)	(13,636)
Unamortised discount		3,999	4,864

- (i) These notes carry coupon rates ranging between 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). These notes matured on 12 April 2015.
- (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 notes have a maturity of 15 years and 25 years with nominal value of RM500,000,000 (2014: RM600,000,000), which carry coupon rates of 7.50% (2014: 7.50%) per annum. The notes with maturity of 15 years with nominal value of RM100,000,000 matured on 30 October 2015.

Notes to the Financial Statements (cont'd.)

31 December 2015

22. BORROWINGS

		31 December 2015		31 December 2014	
		Due after twelve months RM'000	Due within twelve months RM'000	Due after twelve months RM'000	Due within twelve months RM'000
	Note				
GROUP					
Loans from Employees Provident Fund ("EPF") Unsecured:	22 (a)				
Principal		2,500,000	1,000,000	3,500,000	4,800,000
Interest		-	30,715	-	63,920
		2,500,000	1,030,715	3,500,000	4,863,920
Other loans Unsecured:	22 (b)				
Principal		406,248	489,912	654,200	219,297
Interest		-	16,757	-	14,175
		406,248	506,669	654,200	233,472
Other loans Secured:	22 (c)				
Principal		-	169,751	98	352,500
		2,906,248	1,707,135	4,154,298	5,449,892
Total borrowings			4,613,383		9,604,190
BANK					
Loans from EPF Unsecured:	22 (a)				
Principal		2,500,000	1,000,000	3,500,000	4,800,000
Interest		-	30,715	-	63,920
		2,500,000	1,030,715	3,500,000	4,863,920
Other loans Unsecured:	22 (b)				
Principal		406,248	489,912	654,200	199,261
Interest		-	16,757	-	14,175
		406,248	506,669	654,200	213,436
		2,906,248	1,537,384	4,154,200	5,077,356
Total borrowings			4,443,632		9,231,556

Notes to the Financial Statements (cont'd.)

31 December 2015

22. BORROWINGS (CONT'D.)

(a) Loan from EPF

	Note	GROUP AND BANK PRINCIPAL	
		2015 RM'000	2014 RM'000
Loan 1	22(a)(i)	2,000,000	2,000,000
Loan 2	22(a)(ii)	-	2,800,000
Loan 3	22(a)(iii)	500,000	500,000
Loan 4	22(a)(iv)	-	1,000,000
Loan 5	22(a)(v)	-	1,000,000
Loan 6	22(a)(vi)	1,000,000	1,000,000
		3,500,000	8,300,000

- (i) The loan is repayable in 5 equal instalments over a period of 5 years, commencing 2019.
- (ii) On 27 May 2010, the facility has been revised to 5 years maturity (bullet repayment in year 2015). This facility matured on 27 May 2015.
- (iii) The loan is repayable in 10 equal instalments over a period of 5 years, commencing 2024.
- (iv) The loan was drawn down on 7 July 2010 and was repayable via bullet repayment in July 2015. This facility matured on 7 July 2015.
- (v) The loan was drawn down on 6 December 2010 and was repayable via bullet repayment in December 2015. This facility matured on 6 December 2015.
- (vi) The loan was drawn down on 5 December 2011 and is repayable via bullet repayment on December 2016.

All the above loans are guaranteed by the Government of Malaysia and bear interest at rates of 3.746% to 5.225% (2014: 3.746% to 5.225%) per annum.

Notes to the Financial Statements (cont'd.)

31 December 2015

22. BORROWINGS (CONT'D.)

(b) Other Loan - unsecured:

	Note	GROUP AND BANK PRINCIPAL	
		2015 RM'000	2014 RM'000
Loan from:			
Japan Bank of International Cooperation	22(b)(i)	196,160	349,336
Pension Trust Fund Council ("PTFC")	22(b)(ii)	450,000	500,000
Pusat Tenaga Malaysia	22(b)(iii)	-	4,125
Bank of Tokyo Mitsubishi Malaysia Berhad	22(b)(iv)	250,000	-
Bank Islam Malaysia Berhad ("BIMB")	22(b)(v)	-	20,036
		896,160	873,497

Included in other loan - unsecured are:

- (i) IT7 Loan from Japan Bank for International Cooperation ("JBIC") amounting to RM196,160,569 (¥6,102,936,000) [2014: RM349,336,000 (¥10,746,728,000)] out of total loan facility of RM1,747,580,000 (¥59,000,000,000). The loan will mature in March 2017.
- (ii) Loan from PTFC amounting to RM450,000,000 (2014: 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 in prior year amounting RM4,124,970 was settled during the current financial year.
- (iv) Revolving Credit ("RC") Facility from Bank of Tokyo Mitsubishi Berhad amounting to RM250,000,000 was drawdown during the current financial year.
- (v) The financing from BIMB in prior year was a revolving credit facility with profit rate of 4.65% per annum and was settled during the current financial year.

Loan from JBIC is guaranteed by Government of Malaysia. The interest rate on other loans - unsecured range from 0% to 5.875% (2014: 0% to 5.875%) per annum during the financial year.

Notes to the Financial Statements (cont'd.)

31 December 2015

22. BORROWINGS (CONT'D.)

(c) Other Loan - secured:

	Note	GROUP PRINCIPAL	
		2015 RM'000	2014 RM'000
Islamic debt facility	22(c)(i)	88,310	271,680
Term loans	22(c)(i)	77,719	76,926
Finance lease liabilities	22(c)(ii)	99	127
Overdrafts	22(c)(iii)	3,623	3,865
		169,751	352,598

(i) Islamic debt facility and term loans

The Islamic debt facility and term loans bear interest/profit at the rate ranging from 4.10% to 7.85% (2014: 4.10% to 7.25%) per annum, repayable monthly and secured by the following:

- (i) negative pledges over the leasehold land of a subsidiary of the Bank;
- (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 year end, Syarikat Borcos Shipping Sdn Bhd's debt to equity ratio was -2.9 times (2014: -6.95 times), hence, 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 loans amounts have also been classified as current.

(ii) Finance lease liabilities

The hire purchase liabilities bear flat interest at the rate of 2.50% (2014: 2.50%) per annum.

(iii) Overdrafts

Bank overdrafts are denominated in RM, bear interest at the rate ranging from 7.0% to 7.5% (2014: 7.0% to 7.5%) per annum and secured by deposit placed with licensed banks.

Notes to the Financial Statements (cont'd.)

31 December 2015

23. INFRASTRUCTURE SUPPORT FUND ("ISF")

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
At 1 January	367,322	365,430
CA made during the financial year against ISF (Note 31)	-	(1,526)
IA made during the financial year against ISF (Note 31)	(11,060)	-
ISF for IA written back (Note 31)	-	676
Impairment of financial investments made during the financial year against ISF (Note 31)	(21,166)	(21,951)
Recoverable from loan written off against ISF (Note 31)	2,030	24,693
At 31 December	337,126	367,322

Included in ISF of the Group and of the Bank is an amount of RM303,973,978 (2014: RM303,973,978) relating to funds received from the Government to compensate for any interest rate differential and forex losses. This amount is restricted from being used in other operations.

24. DEFERRED INCOME

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
At 1 January	243,977	248,413
Utilised during the financial year	(4,557)	(4,436)
At 31 December	239,420	243,977

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

25. SHARE CAPITAL

	Number of shares		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 RM'000
GROUP AND BANK				
Authorised:				
Ordinary shares of RM1.00 each	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each	3,078,724	3,078,724	3,078,724	3,078,724

Notes to the Financial Statements (cont'd.)

31 December 2015

26. RESERVES

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-distributable:					
Capital reserve		1,000	1,000	-	-
Statutory reserve		1,897,676	1,868,251	1,897,676	1,868,251
Unrealised AFS reserve		2,185	54,845	1,982	54,845
Exchange translation reserve		163,160	44,614	-	-
		2,064,021	1,968,710	1,899,658	1,923,096
Distributable:					
Retained profits	27	2,419,456	2,474,873	2,384,582	2,333,308
		4,483,477	4,443,583	4,284,240	4,256,404

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:

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	54,845	136,891	54,845	136,078
Unrealised loss on financial investments - AFS	(50,585)	(80,719)	(50,788)	(79,906)
Realised gain on financial investments - AFS	(2,075)	(1,327)	(2,075)	(1,327)
At 31 December	2,185	54,845	1,982	54,845

Notes to the Financial Statements (cont'd.)

31 December 2015

27. RETAINED EARNINGS

The retained earnings of the Bank as at 31 December 2015 and 31 December 2014 are distributable retained profits and may be distributed as dividends under the single-tier system.

28. INTEREST INCOME

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans, advances and financing	1,082,885	1,099,246	1,064,372	1,079,010
Compensation from the Government	115,034	114,647	115,034	114,647
Money at call and deposit placements with financial institutions	45,131	34,790	31,624	27,618
Financial investments - AFS	22,311	35,674	22,311	35,674
Financial investments - HTM	4,483	7,904	4,483	7,904
	1,269,844	1,292,261	1,237,824	1,264,853
Accretion of discount less amortisation of premium	13,856	23,298	13,856	23,298
	1,283,700	1,315,559	1,251,680	1,288,151
Of which:				
Interest income earned on impaired loans, advances and financing	72,599	67,795	72,599	67,795

Included in the interest income from loans, advances and financing of the Bank are interest income from subsidiaries amounting to RM893,151 (2014: RM3,859,842).

29. INTEREST EXPENSES

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits from customers	108,791	165,443	108,790	165,443
Deposits and placements from financial institutions	6,307	4,972	6,113	4,720
Bills and acceptance payable	27,789	-	27,789	-
Borrowings	312,222	424,536	292,794	382,875
Redeemable notes	86,242	138,703	86,242	138,703
Others	1,785	742	-	-
	543,136	734,396	521,728	691,741

Notes to the Financial Statements (cont'd.)

31 December 2015

30. NON-INTEREST INCOME

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a) Other operating income:				
Charter hire, demurrage and freight income	91,938	277,809	-	-
	91,938	277,809	-	-
(b) Investment income:				
Net gain on sale of:				
Financial investments - AFS	800	1,327	800	1,327
Gross dividends from:				
Financial investments - AFS	9,146	17,880	9,087	17,791
	9,946	19,207	9,887	19,118
(c) Other income:				
Fee income	17,010	16,263	14,539	13,381
Rental income:				
- Subsidiaries	-	-	824	807
- Others	2,289	2,291	2,172	2,177
Loss on disposal of property, plant and equipment	(266)	(3,833)	(386)	(1)
Loss on disposal of prepaid land lease	(218)	(372)	(218)	(372)
Gain on disposal of investment property	741	-	741	-
Gain on disposal of a subsidiary	-	21,547	-	-
Gain/(loss) on foreign exchange				
Realised	91	(6,069)	-	-
Unrealised	2,378	120	(224)	120
Others	2,822	4,031	7	40
	24,847	33,978	17,455	16,152
Total non-interest income	126,731	330,994	27,342	35,270

Notes to the Financial Statements (cont'd.)

31 December 2015

31. COMPENSATION FROM/(TO) THE GOVERNMENT

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
ISF for IA written back	-	(676)	-	(676)
IA made during the financial year against ISF	11,060	-	11,060	-
CA made during the financial year against ISF	-	1,526	-	1,526
Recoverable from loan written off against ISF	(2,030)	(24,693)	(2,030)	(24,693)
Financial investments impairment made during the financial year against ISF	21,166	21,951	21,166	21,951
	30,196	(1,892)	30,196	(1,892)

32. OVERHEAD EXPENSES

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel costs	(i)	94,985	119,191	51,759	47,590
Establishment related expenses	(ii)	103,174	174,133	13,645	17,479
Promotion and marketing expenses	(iii)	3,968	3,624	3,901	3,466
General administrative expenses	(iv)	48,325	98,276	15,262	13,587
		250,452	395,224	84,567	82,122
(i) Personnel costs					
Salaries, allowances and bonuses		78,889	102,236	39,345	36,788
Non-executive Directors' fees and remuneration		2,054	3,543	1,398	1,187
Social security cost		311	304	204	206
Pension costs - Defined contribution plan		6,468	6,716	4,835	4,592
Other staff related expenses		7,263	6,392	5,977	4,817
		94,985	119,191	51,759	47,590

Notes to the Financial Statements (cont'd.)

31 December 2015

32. OVERHEAD EXPENSES (CONT'D.)

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(ii) Establishment related expenses				
Depreciation:				
Property, plant and equipment	59,790	81,473	4,238	9,359
Investment properties	175	171	63	59
Amortisation of:				
Prepaid lease rental	40	54	40	54
Intangible assets	19,462	49,908	3,606	3,218
Repairs and maintenance of property, plant and equipment	19,144	38,702	2,077	1,908
Information technology expenses	4,563	3,825	3,621	2,881
	103,174	174,133	13,645	17,479
(iii) Promotion and marketing expenses				
Advertisement and publicity	3,968	3,624	3,901	3,466
(iv) General administrative expenses				
General administrative expenses	46,655	97,370	14,662	13,162
Auditors' remuneration:				
- Statutory audit	1,108	805	373	382
- Non-audit services regulatory related services	15	13	15	13
- Other services	529	83	212	25
Property, plant and equipment written off	18	5	-	5
	48,325	98,276	15,262	13,587

33. 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
2015											
Executive Director:											
Mohammed Rafidz bin Ahmed Rasiddi	441	-	-	-	49	4	494	-	-	-	494
	441	-	-	-	49	4	494	-	-	-	494
Non-Executive Directors:											
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	198	-	-	140	-	338	-	-	-	338
Zainul Rahim bin Mohd Zain	-	36	-	-	150	-	186	-	-	-	186
Rosli bin Abdullah	-	36	-	-	164	-	200	152	94	-	446
Datuk Nozirah binti Bahari	-	34	-	-	152	-	186	-	-	-	186
Dato' Abdul Rahman bin Md Khalid	-	33	-	-	158	-	191	30	31	-	252
Datuk Engku Nor Faizah Engku Atek	-	33	-	-	38	-	71	-	-	-	71
Dato' Ir. Hj. Mohamad bin Husin	-	24	-	-	44	-	68	15	12	-	95
Dato' Kapt. Haji Ahmad bin Othman	-	24	-	-	40	-	64	15	10	-	89
Datuk Wan Azhar bin Wan Ahmad	-	24	-	-	70	-	94	-	-	-	94
	-	442	-	-	956	-	1,398	212	147	-	1,757
Total	441	442	-	-	1,005	4	1,892	212	147	-	2,251

Notes to the Financial Statements (cont'd.)

31 December 2015

33. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

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

2014	Salary RM'000	Remuneration received from the Bank					Remuneration received from subsidiary companies				
		Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Group total RM'000
Executive Director: Dato' Mohd Zafer bin Mohd Hashim	350	-	250	83	-	5	688	-	-	-	688
	350	-	250	83	-	5	688	-	-	-	688
Non-Executive Directors: Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah Zainul Rahim bin Mohd Zain Rosli bin Abdullah Datuk Nozilah binti Bahari Dato' Abdul Rahman bin Md Khalid Datuk Engku Nor Faizah Engku Atek Datuk Idris bin Abdullah @ Das Murthy Datuk Dr. Syed Jaafar bin Syed Aznan Ariffin Hew @ Hew Siak Tow Abdul Aziz bin Ishak	-	198	-	-	101	-	299	-	-	-	299
	-	36	-	-	130	-	166	-	-	-	166
	-	36	-	-	148	-	184	47	44	-	275
	-	36	-	-	110	-	146	-	-	-	146
	-	36	-	-	94	-	130	9	13	-	152
	-	3	-	-	2	-	5	-	-	-	5
	-	8	-	-	10	-	18	8	-	-	26
	-	15	-	-	28	-	43	-	-	-	43
	-	27	-	-	76	-	103	21	19	-	143
	-	27	-	-	66	-	93	27	20	-	140
	-	422	-	-	765	-	1,187	112	96	-	1,395
	350	422	250	83	765	5	1,875	112	96	-	2,083
	Total										

Notes to the Financial Statements (cont'd.)

31 December 2015

34. COMPENSATION TO KEY MANAGEMENT PERSONNEL

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

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short term employee benefits' (excluding benefits-in-kind)	33	2,247	2,078	1,888	1,870

Included in the above are:

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive Director's remuneration (excluding benefits-in-kind)	33	490	683	490	683

35. ALLOWANCES FOR/(WRITEBACK OF) IMPAIRMENT LOSSES OF LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Individual allowances ("IA"):				
Made during the financial year	241,257	512,620	217,221	472,658
Written back	(75,853)	(163,631)	(37,937)	(148,044)
Transferred from CA	64,260	83,909	64,260	83,909
Transferred to CA	(21,933)	(18,985)	(21,933)	(18,985)
Collective allowances ("CA"):				
Made during the financial year	272,260	214,601	272,356	244,292
Written back	(14,748)	(273,496)	(9,473)	(271,736)
Transferred to IA	(64,260)	(83,909)	(64,260)	(83,909)
Transferred from IA	21,933	18,985	21,933	18,985
Bad debts and financing:				
Written off	1,684	359	1,684	358
Recovered	(31,469)	(49,129)	(22,459)	(27,531)
	393,131	241,324	421,392	269,997

Notes to the Financial Statements (cont'd.)

31 December 2015

36. ALLOWANCES FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON OTHER ASSETS

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Financial investments - AFS	(800)	(33,960)	-	(35,586)
Financial investments - HTM	21,166	21,951	21,166	21,951
Assets Classified as Held For Sale - vessels	200,974	164,964	-	-
Investments in subsidiaries	-	-	172,884	301,935
Amount due from subsidiaries	-	-	(3,462)	-
Interest in JVs	6,950	-	-	-
Advance to JVs	12,566	26,658	-	-
Interest in associates	(163)	-	-	-
Amount due from associates	457	-	-	-
Trade receivables	12,498	2,169	-	-
Amount due from resigned staff				
- additional	-	294	-	294
- written off	47	3	47	3
- written back	(329)	-	(329)	-
	253,366	182,079	190,306	288,597

37. TAXATION

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
Current income tax	112,391	133,932	90,713	123,463
Under provision in prior years	2,363	3,970	626	5,094
	114,754	137,902	91,339	128,557
Deferred tax expense:				
Origination and reversal of temporary differences	3,374	23,745	6,455	7,529
(Over)/under provision in prior year	(2,529)	4,701	(7,398)	4,701
	845	28,446	(943)	12,230
Real property gains tax paid/(refunded) on disposal of investment properties	230	(12)	230	(12)
	115,829	166,336	90,626	140,775

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 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:

Notes to the Financial Statements (cont'd.)

31 December 2015

37. TAXATION (CONT'D.)

Reconciliation of effective taxation

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation and zakat	124,832	306,390	228,120	247,039
Tax using Malaysian tax rate of 25% (2014: 25%)	31,208	76,598	57,030	61,760
Income not subject to tax	(9,832)	(38,866)	(9,085)	(10,400)
Effect of share of result of JVs	155	462	-	-
Non-deductible expenses	40,441	70,723	49,223	79,632
Deferred tax assets not recognised during the year	53,818	51,284	-	-
Utilisation of previously unrecognised capital allowances and tax losses	(25)	(2,524)	-	-
	115,765	157,677	97,168	130,992
(Over)/under provision of deferred tax in prior years	(2,529)	4,701	(7,398)	4,701
Under provision of income tax in prior years	2,363	3,970	626	5,094
Real property gains tax paid/(refunded) on disposal of investment properties	230	(12)	230	(12)
Taxation	115,829	166,336	90,626	140,775

38. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2015		2014	
	Sen per share	Total amount RM'000	Sen per share	Total amount RM'000
Final 2014 ordinary, net of tax	1.20	37,000	-	-
Final 2013 ordinary, net of tax	-	-	3.25	100,000
	1.20	37,000	3.25	100,000

No dividend was declared for the financial year ended 31 December 2015.

Notes to the Financial Statements (cont'd.)

31 December 2015

39. EARNINGS PER SHARE ("EPS")

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

	GROUP		BANK	
	2015	2014	2015	2014
Profit from continuing operations attributable to equity holders of the Bank (RM'000)	11,008	146,174	117,699	93,486
Number of ordinary shares in issue ('000)	3,078,724	3,078,724	3,078,724	3,078,724
Basic EPS (sen) for:				
Net profit for the financial year	0.4	4.7	3.8	3.0

40. COMMITMENTS AND CONTINGENCIES

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Disbursement of loans to industries	3,792,729	4,847,881	3,459,984	4,547,547
Direct credit substitutes	27,170	88,512	27,170	88,512
Secured guarantees on behalf of borrowers given to:				
Subsidiary	-	159,220	-	159,220
Third parties	1,318,399	1,897,150	1,318,399	1,897,150
Corporate guarantees issued by a subsidiary to financial institutions for credit facilities granted to JVs	-	42,238	-	-
	5,138,298	7,035,001	4,805,553	6,692,429

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

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Capital expenditure: Approved but not contracted for	6,374	5,560	6,374	5,560
Approved and contracted for investments	-	34,000	-	-
Approved but not contracted for investment	172,740	763,570	-	-

Notes to the Financial Statements (cont'd.)

31 December 2015

41. 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 reporting date.

	BANK	
	2015 RM'000	2014 RM'000
Tier 1 capital		
Paid-up share capital	3,078,724	3,078,724
Other reserves*	4,282,258	4,201,559
Total Tier 1 capital	7,360,982	7,280,283
Tier 2 capital		
Government support funds	576,546	611,299
Collective allowance**	823,305	659,432
Total Tier 2 capital	1,399,851	1,270,731
Total capital	8,760,833	8,551,014
Less: Investment in subsidiaries	(480,859)	(653,743)
Total capital base	8,279,974	7,897,271

* Excluding unrealised AFS reserve.

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

Notes to the Financial Statements (cont'd.)

31 December 2015

41. CAPITAL ADEQUACY (CONT'D.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

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

	BANK	
	2015	2014
	RM'000	RM'000
20%	239,420	469,790
50%	821,641	2,070,744
100%	20,379,230	21,240,799
	21,440,291	23,781,333

Without deducting proposed dividend:

	BANK	
	2015	2014
	%	%
Core capital ratio	34.332	30.613
RWCR	38.619	33.208
After deducting proposed dividend:		
Core capital ratio	34.332	30.458
RWCR	38.619	33.052

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.

Notes to the Financial Statements (cont'd.)

31 December 2015

42. OTHER CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of the contingent liabilities below 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 2015:

	2015 RM'000	2014 RM'000
Contingent liabilities not considered remote litigation (unsecured)		
<u>Bank</u>		
(a) The Bank is being sued by a client for alleged unreasonable conduct, misrepresentation, breach of collateral contract, breach of fiduciary duties, breach of promise and breach of duty of care. The legal counsel of the Bank is of the view that the Bank has a good prospect of defending the claim. After a full trial, the Court dismissed the suit against the Bank. The client has appealed against this decision and the matter was fixed for trial on 27 August 2015 on which the court dismissed both the appeal and the client's application to adduce further documents. As the time period for the client to file its appeal to the Federal Court has since lapsed, this case is closed.	-	310,880
<u>Subsidiaries of the Bank</u>		
(a) A subsidiary is being sued by a client alleging that the subsidiary has failed to exercise due diligence and duty of care in foreclosing the client's collateral as it was sold undervalued and directly minimising its returns. This is despite the subsidiary had appointed a qualified valuer for the valuation of the client's collateral. The client alleged suffering significant due to the failure and applied the Interlocutory Injunction from Court to refrain the subsidiary from foreclosing the remaining collateral. Mediation which conducted on 5 February 2014 failed to reach amicable settlement. Full trial was scheduled to be held on 29 February 2016, 7 March 2016 and 25 March 2016 at Kuala Lumpur High Court. The trial on 25 March 2016 was postponed due to meritable factors. Both parties have agreed to propose new dates on 4 May 2016, 6 May 2016 and 24 June 2016 for new trial which is pending the endorsement for the Court's Registrar.	5,601	5,601

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

The Government of Malaysia ("GOM") is a shareholder with significant influence on the Bank, with direct shareholding of 99.99% (2014: 99.99%). GOM and entities directly controlled by GOM are collectively referred to as government-related entities to the Group and the Bank.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel includes all the Directors of the Bank as disclosed in Note 34.

Notes to the Financial Statements (cont'd.)

31 December 2015

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

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 Group established credit policies, pricing strategy and approval process for loans, which are independent of whether the counterparties are government-related entities or not. The significant related party transactions and balances of the Group and the Bank are as follows:

43.1 SIGNIFICANT BALANCES AND TRANSACTIONS WITH A SIGNIFICANT SHAREHOLDER

(a) Significant balances with a significant shareholder

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
<u>Other assets</u>		
Amount receivable from Government in respect of compensation for:		
Foreign exchange differences	85,361	85,361
Infrastructure projects	46,956	46,322

(b) Significant transactions with a significant shareholder

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
<u>Conventional</u>		
Interest compensation from Government of Malaysia	115,034	114,647
Compensation from Government of Malaysia:		
- IA made during the financial year against ISF	11,060	-
- ISF for IA written back	-	(676)
- CA made during the financial year against ISF	-	1,526
- recoverable from loan written off against ISF	(2,030)	(24,693)
- impairment of financial investments made during the financial year against ISF	21,166	21,951
<u>Islamic</u>		
Profit compensation from Government of Malaysia	15,017	14,429
Fee income from Unit Kerjasama Awam Swasta ("UKAS")	5,000	5,712

Notes to the Financial Statements (cont'd.)

31 December 2015

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

43.2 SIGNIFICANT BALANCES AND TRANSACTIONS WITH A SIGNIFICANT SHAREHOLDER'S LINKED COMPANIES AND BODIES

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Assets</u>				
Short term deposits	1,274,131	1,065,721	1,013,498	651,955
Deposits and placements with financial institution	51,672	638,010	-	606,873
Financial investments - AFS	1,986,905	1,281,989	1,982,433	1,279,415
Financial investments - HTM	184,489	259,979	184,467	259,957
<u>Liabilities</u>				
Deposits from customers	7,752,319	5,666,779	7,752,319	5,666,779
Deposits and placements from financial institutions	445,640	300,510	445,640	300,510
Redeemable notes	4,352,888	5,966,805	4,352,888	5,966,805
Bills and acceptance payable	1,742,193	-	1,742,193	-
Borrowings	3,991,868	9,318,856	3,991,868	8,880,439
ISF	337,126	367,322	337,126	367,322
Deferred income	239,420	243,977	239,420	243,977

Notes to the Financial Statements (cont'd.)

31 December 2015

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

43.2 SIGNIFICANT BALANCES AND TRANSACTIONS WITH A SIGNIFICANT SHAREHOLDER'S LINKED COMPANIES AND BODIES (CONT'D.)

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>Conventional</u>				
<u>Income</u>				
Money at call and deposit placements with financial institutions	40,285	34,432	26,775	20,690
Financial investments - AFS	21,785	3,398	21,785	35,674
Financial investments - HTM	4,483	7,904	4,483	7,904
Amortisation of premium less accretion of discount	13,856	67	13,856	67
Dividend from Unit Trust	7,307	12,273	7,248	12,273
Rental income	2,289	2,177	2,172	2,177
<u>Expenses</u>				
Interest expense on:				
Deposits from customers and financial institutions	(115,098)	(170,834)	(114,904)	(170,163)
Borrowings	(302,807)	(374,455)	(283,379)	(374,455)
Redeemable notes	(86,242)	(138,703)	(86,242)	(138,703)
Bills and acceptance payable	(27,789)	-	(27,789)	-

Notes to the Financial Statements (cont'd.)

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

43.2 SIGNIFICANT BALANCES AND TRANSACTIONS WITH A SIGNIFICANT SHAREHOLDER'S LINKED COMPANIES AND BODIES (CONT'D.)

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>Islamic</u>				
<u>Income</u>				
Finance income from deposits and placements with financial institutions	28,098	22,755	27,529	22,389
Financial investments - AFS	24,733	30,954	24,733	30,817
Financial investments - HTM	1,942	7,904	1,942	7,904
Accretion of discount less amortisation of premium	10,757	23,231	10,757	23,231
<u>Expenses</u>				
Income attributable to the depositors:				
Deposits from customers and financial institutions	(176,810)	(87,930)	(176,810)	(87,930)
Redeemable notes	(160,430)	(64,471)	(160,430)	(64,471)
Zakat	(19,795)	(12,778)	(19,795)	(12,778)

Notes to the Financial Statements (cont'd.)

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

43.3 SIGNIFICANT BALANCES AND TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JVS

(a) Significant balances with subsidiaries, associates and JVs

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Conventional</u>				
Loans to subsidiaries	-	-	47,647	33,805
Loans to JVs	-	145,689	-	55,700
Payment on behalf of subsidiary	-	-	1,603	1,774

(b) Significant transactions with subsidiaries, associates and JVs

	BANK	
	2015 RM'000	2014 RM'000
<u>Conventional</u>		
<u>Income</u>		
Interest income from loan to subsidiaries	2,969	4,649
Rental income from subsidiaries	824	807
Fee Income from subsidiaries	1,093	1,153
<u>Expenses</u>		
Management fee expense from subsidiaries	(12)	(15)
<u>Islamic</u>		
<u>Income</u>		
Profit from financing to subsidiaries	327	352

Notes to the Financial Statements (cont'd.)

31 December 2015

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

43.4 SIGNIFICANT BALANCES AND TRANSACTIONS WITH GROUP'S RELATED PARTIES

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>Other assets</u>				
Trade receivables due from related parties	31,541	24,577	-	-
<u>Other liabilities</u>				
Trade payables due to related parties	187	191	-	-

(b) Significant transactions with Group's related parties

<u>Income</u>				
Dividend from quoted shares - AFS	1,839	5,518	1,839	5,518

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.

Notes to the Financial Statements (cont'd.)

31 December 2015

44. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
As at 1 January		18,534	18,462	-	-
Currency translation difference		-	72	-	-
Disposed during the financial year	(i)	(18,534)	-	-	-
Transfer from property, plant and equipment	(ii)	394,174	-	-	-
Transfer from investment properties	(iii)	367	-	367	-
As at 31 December		394,541	18,534	367	-

- (i) The vessel was classified as non-current assets held for sale in 2013. Memorandum of Agreements were signed in 2014 between the purchaser and the subsidiary, however, the risks and rewards were not transferred to the purchaser as at 31 December 2014. All conditions precedent for the disposal were satisfied during the year.
- (ii) The vessels were classified as non-current assets held for sale during the year. The board of the subsidiary is committed to a plan to sell the vessels and an active programme to locate a buyer and complete the plan has been initiated.
- (iii) The investment properties were classified as non-current assets held for sale during the year. Sales and Purchase Agreement was signed between the purchaser and the Bank as at year end. However, the risks and rewards were not transferred to the purchaser as at 31 December 2015.

Notes to the Financial Statements (cont'd.)

31 December 2015

45. COMPANIES IN THE GROUP

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

	Effective interest held by the Bank		Principal activities
	2015 %	2014 %	
Subsidiary			
BPMB Urus Harta Sdn Bhd	100.00	100.00	Dormant
Emerald Upline Sdn Bhd	100.00	100.00	Ship-owning
Global Maritime Ventures Berhad ("GMVB")	90.00	90.00	Venture capital investment
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company
Pembangunan Ekuiti Sdn Bhd	54.80	54.80	Dormant
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
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:

	Effective interest held by the Bank		Principal activities
	2015 %	2014 %	
Subsidiary			
Mutiara Navigation Sdn Bhd	63.00	63.00	Dormant
Intan Navigation Sdn Bhd	63.00	63.00	Dormant
Nilam Navigation Sdn Bhd	63.00	63.00	Dormant
Kasa Navigation Sdn Bhd	63.00	63.00	Dormant
Mayang Navigation Sdn Bhd	63.00	63.00	Dormant
Sari Navigation Sdn Bhd	63.00	63.00	Dormant
Tiara Navigation Sdn Bhd	63.00	63.00	Dormant
Glory Incentive Sdn Bhd	90.00	90.00	Investment holding

Notes to the Financial Statements (cont'd.)

31 December 2015

45. COMPANIES IN THE GROUP (CONT'D.)

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

	Effective interest held by the Bank		Principal activities
	2015 %	2014 %	
Subsidiary			
GMV-ALAM Sdn Bhd	90.00	90.00	Investment holding
GMV-Bahtera Sdn Bhd	90.00	90.00	Investment holding
GMV-Borcos Sdn Bhd	90.00	90.00	Investment holding
GMV-Gagasan Sdn Bhd	90.00	90.00	Investment holding
GMV-Global Sdn Bhd	90.00	90.00	Investment holding
GMV-Efogen Sdn Bhd	90.00	90.00	Investment holding
GMV-Jasa Sdn Bhd	90.00	90.00	Investment holding
GMV-Omni Sdn Bhd	90.00	90.00	Investment holding
GMV-Regional Sdn Bhd	90.00	90.00	Dormant
GMV-Orkim Sdn Bhd	90.00	90.00	Investment holding
GMV-Offshore Sdn Bhd	90.00	90.00	Investment holding

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

	Effective interest held by the Bank		Principal activities
	2015 %	2014 %	
Subsidiary			
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

Notes to the Financial Statements (cont'd.)

31 December 2015

45. COMPANIES IN THE GROUP (CONT'D.)

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

	Effective interest held by the Bank		Principal activities
	2015 %	2014 %	
Subsidiary			
Syarikat Borcos Shipping Sdn Bhd @	90.00	90.00	Ship-owning

Syarikat Borcos Shipping Sdn Bhd has not complied to the special conditions of the Petronas License due to its shareholder's deficit position as at year end. Petronas has given the subsidiary until 30 June 2016 to regularise its financial position to avoid the Petronas license from being revoked. Such revocation may result in the subsidiary not being eligible to bid for new contracts or may cause the termination of existing contracts.

- (e) Details of subsidiary companies of Syarikat Borcos Shipping Sdn Bhd, all of which are incorporated in Malaysia (except for #), are as follows:

	Effective interest held by the Bank		Principal activities
	2015 %	2014 %	
Subsidiary			
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

Notes to the Financial Statements (cont'd.)

31 December 2015

45. COMPANIES IN THE GROUP (CONT'D.)

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

	Effective interest held by the Bank		Principal activities
	2015 %	2014 %	
Subsidiary			
Bahtera Berlian Sdn Bhd	100.00	100.00	Ship-management

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

	Effective interest held by the Bank		Principal activities
	2015 %	2014 %	
Subsidiary			
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

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

	Effective interest held by the Bank		Principal activities
	2015 %	2014 %	
Subsidiary			
KIB Nominee (Tempatan) Sdn Bhd	100.00	100.00	Nominee services

Incorporated in Indonesia. Audited by firms of auditors other than Ernst & Young, Malaysia.

@ The financial statements of the subsidiary for the financial year ended 31 December 2015 was prepared on a basis other than that of a going concern basis.

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.

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.

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (con'd.)

(i) Credit exposure

Credit exposure

		GROUP		BANK	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
On balance sheet:					
Cash and short term deposits	3	1,419,525	1,921,024	1,126,210	1,446,941
Deposits and placements with financial institutions	4	51,672	708,805	-	677,667
Financial investments - FVTPL	5	-	4,247	-	-
Financial investments - AFS	6	2,099,063	1,321,313	2,094,592	1,317,113
Financial investments - HTM	7	184,489	259,979	184,467	259,957
Loans, advances and financing	8	22,757,349	24,757,054	22,572,456	24,542,895
Other assets	9	230,968	225,491	167,999	162,331
		26,743,066	29,197,913	26,145,724	28,406,904
Other assets not subject to credit risk		554,563	747,442	589,842	762,849
		27,297,629	29,945,355	26,735,566	29,169,753
Off balance sheet:					
Commitments and Contingencies	40(a)	5,138,298	7,035,001	4,805,553	6,692,429
		32,435,927	36,980,356	31,541,119	35,862,182

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	Short-term deposits, and placements with financial institutions	Financial investments - FVTPL	Financial investments - HTM	Financial investments - AFS	Loans, advances and financing	Other assets	Total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015								
Agriculture, hunting and forestry	-	-	-	-	6,258	-	6,258	-
Construction	-	-	31,693	452,728	11,001,231	-	11,485,652	3,682,098
Education	-	-	-	-	1,801,432	-	1,801,432	506,602
Electrical, gas and water supply	-	-	100,805	41,582	2,085,458	-	2,227,845	3,870
Finance, insurance and business	1,471,197	-	51,991	1,335,595	45,595	-	2,904,378	3,957
Hotel and restaurants	-	-	-	-	1,121,304	-	1,121,304	393,292
Housing	-	-	-	-	10,081	-	10,081	-
Manufacturing	-	-	-	-	198,266	-	198,266	286,465
Marine related	-	-	-	-	6,569	-	6,569	7,178
Material technology	-	-	-	-	6,028	-	6,028	-
Medical and pharmaceuticals	-	-	-	-	14,029	-	14,029	-
Mining and quarrying	-	-	-	-	883	-	883	595
Other community, social and personal service activities	-	-	-	-	174,775	-	174,775	14,067
Public administration and defence	-	-	-	-	44,790	-	44,790	9,763
Real estate, renting and business activities	-	-	-	121,081	874,394	-	995,475	-
Shipping	-	-	-	148,077	1,145,671	-	1,293,748	59,685
Shipyard	-	-	-	-	185,353	-	185,353	104,848
Transport, storage and communications	-	-	-	-	4,035,232	-	4,035,232	65,878
Others	-	-	-	-	-	230,968	230,968	-
	1,471,197	-	184,489	2,099,063	22,757,349	230,968	26,743,066	5,138,298
	-	-	-	-	-	554,563	554,563	-
	1,471,197	-	184,489	2,099,063	22,757,349	785,531	27,297,629	5,138,298
Other assets not subject to credit risk								

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

	Short-term deposits, and placements with financial institutions	Financial investments - FVTPL	Financial investments - HTM	Financial investments - AFS	Loans, advances and financing	Other assets	Total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP (CONT'D.)								
2014								
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
	-	-	-	-	-	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

Other assets not subject to credit risk

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.)**

	Short-term deposits, and placements with financial institutions	Financial investments - HTM	Financial investments - AFS	Loans, advances and financing	Other assets	Total	Commitments and contingencies
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015							
Construction	-	31,671	452,728	10,998,318	-	11,482,717	3,669,037
Education	-	-	-	1,801,432	-	1,801,432	489,529
Electrical, gas and water supply	-	100,805	41,582	2,085,457	-	2,227,844	1,875
Finance, insurance and business	1,126,210	51,991	1,331,124	-	-	2,509,325	-
Hotel and restaurants	-	-	-	1,086,789	-	1,086,789	188,732
Housing	-	-	-	10,081	-	10,081	-
Manufacturing	-	-	-	175,654	-	175,654	254,498
Marine related	-	-	-	6,568	-	6,568	7,178
Material technology	-	-	-	6,028	-	6,028	-
Medical and pharmaceuticals	-	-	-	14,030	-	14,030	-
Other community, social and personal service activities	-	-	-	148,589	-	148,589	13,163
Public administration and defence	-	-	-	44,790	-	44,790	9,763
Real estate, renting and business activities	-	-	121,081	874,394	-	995,475	-
Shipping	-	-	148,077	1,192,992	-	1,341,069	59,685
Shipyard	-	-	-	185,353	-	185,353	104,848
Transport, storage and communications	-	-	-	3,941,981	-	3,941,981	7,245
Others	-	-	-	-	167,999	167,999	-
	1,126,210	184,467	2,094,592	22,572,456	167,999	26,145,724	4,805,553
Other assets not subject to credit risk	-	-	-	-	589,842	589,842	-
	1,126,210	184,467	2,094,592	22,572,456	757,841	26,735,566	4,805,553

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

	Short-term deposits, and placements with financial institutions	Financial investments - HTM	Financial investments - AFS	Loans, advances and financing	Other assets	Total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK (CONT'D.)							
2014							
Construction	-	29,609	66,936	12,160,621	-	12,257,166	2,494,429
Education	-	-	-	1,153,223	-	1,153,223	1,034,225
Electrical, gas and water supply	-	101,226	53,380	2,186,204	-	2,340,810	33,991
Finance, insurance and business	2,124,608	129,122	878,829	16,246	-	3,148,805	-
Hotel and restaurants	-	-	-	1,052,147	-	1,052,147	618,854
Housing	-	-	-	11,086	-	11,086	-
Manufacturing	-	-	-	383,701	-	383,701	532,048
Marine related	-	-	-	300,358	-	300,358	172,091
Material technology	-	-	-	9,840	-	9,840	1,000
Medical and pharmaceuticals	-	-	-	14,978	-	14,978	778,100
Other community, social and personal service activities	-	-	-	21,915	-	21,915	3,244
Public administration and defence	-	-	-	41,331	-	41,331	10,166
Real estate, renting and business activities	-	-	94,667	969,769	-	1,064,436	24,919
Shipping	-	-	223,301	1,383,384	-	1,606,685	454,100
Shipyard	-	-	-	216,379	-	216,379	271,112
Transport, storage and communications	-	-	-	4,621,713	-	4,621,713	264,150
Others	-	-	-	-	162,331	162,331	-
	2,124,608	259,957	1,317,113	24,542,895	162,331	28,406,904	6,692,429
Other assets not subject to credit risk	-	-	-	-	762,849	762,849	-
	2,124,608	259,957	1,317,113	24,542,895	925,180	29,169,753	6,692,429

46. FINANCIAL INSTRUMENTS RISK (CONT'D.)**(a) Credit risk (cont'd.)****(iii) Gross loans, advances and financing are rated based on internal rating by the Bank:**

	2015				2014			
	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
Group								
High Quality	5,468,634	-	-	5,468,634	6,553,367	-	-	6,553,367
Upper-medium grade	413,354	2,568	-	415,922	775,374	901	-	776,275
Medium grade	7,250,580	37,222	-	7,287,802	10,374,694	487,654	-	10,862,348
Speculative	7,496,654	39,912	-	7,536,566	4,924,825	23,980	-	4,948,805
Considered speculative	1,520,567	45,115	-	1,565,682	1,111,428	-	-	1,111,428
Poor standing	11,732	-	-	11,732	133,432	10,370	-	143,802
Impaired	-	-	2,794,395	2,794,395	-	-	3,000,149	3,000,149
	22,161,521	124,817	2,794,395	25,080,733	23,873,120	522,905	3,000,149	27,396,174
Bank								
High Quality	5,468,634	-	-	5,468,634	6,573,693	-	-	6,573,693
Upper-medium grade	407,615	-	-	407,615	769,243	-	-	769,243
Medium grade	7,147,674	-	-	7,147,674	10,237,074	442,560	-	10,679,634
Speculative	7,417,715	33,652	-	7,451,367	4,853,411	2,905	-	4,856,316
Considered speculative	1,515,876	45,115	-	1,560,991	1,111,428	-	-	1,111,428
Poor standing	11,732	-	-	11,732	133,432	10,370	-	143,802
Impaired	-	-	2,796,826	2,796,826	-	-	2,950,738	2,950,738
	21,969,246	78,767	2,796,826	24,844,839	23,678,281	455,835	2,950,738	27,084,854

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Impaired:				
0 month overdue	483,765	618,400	483,765	704,219
1 month overdue	37,938	66,214	37,660	28,385
2 months overdue	94,735	68,603	91,661	67,431
3 months overdue	15,921	1,475	12,826	303
> 3 months overdue	2,162,036	2,245,457	2,170,914	2,150,400
	2,794,395	3,000,149	2,796,826	2,950,738
Past due but not impaired:				
1 Month Overdue	39,338	53,020	5,554	13,275
2 Months Overdue	81,683	462,471	73,213	442,560
3 Months Overdue	3,796	7,414	-	-
	124,817	522,905	78,767	455,835

(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 amounts and types held by the Group and the Bank are as follows:

46. FINANCIAL INSTRUMENTS RISK (CONT'D.)**(a) Credit risk (cont'd.)****(v) Collateral and credit enhancement for loans, advances and financing (cont'd.)****Collateral by amount**

	2015				2014			
	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000
Group								
Past due but not impaired	124,817	-	124,817	214,928	13,275	509,630	522,905	29,250
Impaired	2,024,751	769,644	2,794,395	3,536,523	1,973,921	1,026,228	3,000,149	2,234,345
	2,149,568	769,644	2,919,212	3,751,451	1,987,196	1,535,858	3,523,054	2,263,595
Bank								
Past due but not impaired	78,767	-	78,767	214,928	13,275	442,560	455,835	29,250
Impaired	2,005,316	791,510	2,796,826	3,536,523	2,059,740	890,998	2,950,738	2,498,945
	2,084,083	791,510	2,875,593	3,751,451	2,073,015	1,333,558	3,406,573	2,528,195

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

Collateral by type

	2015			2014		
	Properties, equipment and vessels RM'000	Cash RM'000	Total RM'000	Properties, equipment and vessels RM'000	Cash RM'000	Total RM'000
Group						
Past due but not impaired	214,928	-	214,928	86,366	-	86,366
Impaired	3,536,523	-	3,536,523	3,922,872	-	3,922,872
	3,751,451	-	3,751,451	4,009,238	-	4,009,238
Bank						
Past due but not impaired	214,928	-	214,928	86,366	-	86,366
Impaired	3,536,523	-	3,536,523	3,922,872	-	3,922,872
	3,751,451	-	3,751,451	4,009,238	-	4,009,238

Notes to the Financial Statements (cont'd.)

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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 RM9,328.1 million (2014: RM9,548.1 million).

(vii) Credit quality for treasury credit risk exposures

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Financial investments - AFS</u>				
Sovereign	1,236,478	618,125	1,236,478	618,125
AAA	326,436	41,691	326,436	41,691
AA	112,162	124,308	112,162	124,308
A	-	42,853	-	42,853
BBB	69,513	66,936	69,513	66,936
Non-rated	354,474	427,400	350,003	423,200
	2,099,063	1,321,313	2,094,592	1,317,113
<u>Financial investments - HTM</u>				
Sovereign	147,759	146,565	147,759	146,565
AAA	5,037	83,783	5,037	83,783
B	31,671	-	31,671	-
C2	-	29,609	-	29,609
Non-rated	22	22	-	-
	184,489	259,979	184,467	259,957

(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:

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

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

	Net financial assets/ (liabilities) held in non- functional currencies	
	Ringgit Malaysia 2015 RM'000	Ringgit Malaysia 2014 RM'000
Functional currency of the Group		
Japanese Yen ("JPY")	(30,219)	(119,484)
United states dollar ("USD")	44,399	36,958
Singapore dollar ("SGD")	(6,997)	(6,468)
Functional currency of the Bank		
JPY	(30,219)	(119,484)

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

	Strengthening/ weakening in FX rate (+/-) %	Effect on profit/loss Increase in FX rate 2015 RM'000	Decrease in FX rate 2015 RM'000	Effect on equity Increase in FX rate 2015 RM'000	Decrease in FX rate 2015 RM'000
Group					
USD	10	(4,434)	4,434	(4,434)	4,434
JPY	10	(3,022)	3,022	(3,022)	3,022
SGD	10	(700)	700	(700)	700
Bank					
JPY	10	(3,022)	3,022	(3,022)	3,022

	Strengthening/ weakening in FX rate (+/-) %	Effect on profit/loss Increase in FX rate 2014 RM'000	Decrease in FX rate 2014 RM'000	Effect on equity Increase in FX rate 2014 RM'000	Decrease in FX rate 2014 RM'000
Group					
USD	10	(3,416)	3,416	(3,416)	3,416
JPY	10	(11,948)	11,948	(11,948)	11,948
SGD	10	(485)	485	(485)	485
Bank					
JPY	10	(11,948)	11,948	(11,948)	11,948

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

(ii) Interest/profit rate risk

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

Interest/profit rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest/profit rate risk management process which is conducted in accordance with the Group's policies as approved by the Board.

The Group and the Bank may be exposed to a loss in earnings due to the interest/profit rates structure of the balance sheet arising from interest/profit rates and yield curve changes. The sensitivity to interest/profit rates arises from the mismatches in the 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.

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

	GROUP			
	Impact on	Impact on	Impact on	Impact on
	profit	profit	equity	equity
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest/profit rate				
- parallel shift				
+ 50 basis points	29,055	19,585	24,516	57,404
- 50 basis points	(29,055)	(19,585)	(24,516)	(57,404)

	BANK			
	Impact on	Impact on	Impact on	Impact on
	profit	profit	equity	equity
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest/profit rate				
- parallel shift				
+ 50 basis points	29,055	19,585	24,516	57,404
- 50 basis points	(29,055)	(19,585)	(24,516)	(57,404)

Notes to the Financial Statements (cont'd.)

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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	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	
2015							
Assets							
Cash and short term deposits	1,384,144	-	-	-	-	35,381	4.01
Deposits and placements with financial institutions	-	51,672	-	-	-	-	4.01
Financial investments - FVTPL	-	-	-	-	-	-	-
Financial investments - AFS	227,574	-	181,529	718,810	966,679	4,471	4.41
Financial investments - HTM	-	-	-	152,796	31,671	22	4.04
Loans, advances and financing							
- non-impaired	1,295,073	216,024	1,927,283	7,634,489	11,213,469	-	7.46
- impaired *	-	-	-	-	-	471,011	-
Other assets	-	-	-	-	-	230,968	-
Interest in associates	-	-	-	-	-	3,328	-
Interest in JVs	-	-	-	-	-	39,911	-
Property, plant and equipment	-	-	-	-	-	94,030	-
Prepaid land lease	-	-	-	-	-	917	-
Investment properties	-	-	-	-	-	4,074	-
Intangible assets	-	-	-	-	-	8,824	-
Deferred tax assets	-	-	-	-	-	8,938	-
Assets classified as held for sale	-	-	-	-	-	394,541	-
Total assets	2,906,791	267,696	2,108,812	8,506,095	12,211,819	1,296,416	27,297,629

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

46. FINANCIAL INSTRUMENTS RISK (CONT'D.)**(b) Market risk (cont'd.)****(ii) Interest/profit rate risk (cont'd.)**

GROUP	<----- 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
2015 (cont'd.)							
Equity and liabilities							
Deposits from customers	2,404,243	2,568,456	2,779,620	-	-	-	7,752,319
Deposits and placements from financial institutions	345,545	100,095	-	-	-	-	445,640
Bills and acceptance payable	372,002	580,020	790,171	-	-	-	1,742,193
Other liabilities	-	-	-	-	-	217,696	217,696
Redeemable notes	-	-	404,626	-	3,948,262	-	4,352,888
Borrowings	551,397	74,630	1,115,282	1,210,193	1,661,881	-	4,613,383
Infrastructure support fund	-	-	-	-	-	337,126	337,126
Deferred income	-	-	-	-	-	239,420	239,420
Deferred tax liabilities	-	-	-	-	-	9,478	9,478
Total liabilities	3,673,187	3,323,201	5,089,699	1,210,193	5,610,143	803,720	19,710,143
Shareholders' equity	-	-	-	-	-	7,562,201	7,562,201
Non-controlling interest	-	-	-	-	-	25,285	25,285
Total equity and liabilities	3,673,187	3,323,201	5,089,699	1,210,193	5,610,143	8,391,206	27,297,629
On-balance sheet interest/profit sensitivity gap	(766,396)	(3,055,505)	(2,980,887)	7,295,902	6,601,676	(7,094,790)	-
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-
Total interest/profit sensitivity gap	(766,396)	(3,055,505)	(2,980,887)	7,295,902	6,601,676	(7,094,790)	-

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

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

GROUP	<----- Non-trading book ----->						Non- interest/ profit sensitive RM'000	Over 5 years 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						
2014										
Assets										
Cash and short term deposits	1,859,273	-	-	-	-	-	61,751	-	1,921,024	4.16
Deposits and placements with financial institutions	-	708,777	-	-	-	-	-	28	708,805	4.37
Financial investments - FVTPL	4,247	-	-	-	-	-	-	-	4,247	5.42
Financial investments - AFS	198,029	-	10,151	801,154	307,779	4,200	1,321,313			4.38
Financial investments - HTM	-	-	78,747	151,601	29,609	22	259,979			4.35
Loans, advances and financing										
- non-impaired	1,228,150	257,318	2,027,102	9,107,265	11,776,190	-	24,396,025			6.90
- impaired *	-	-	-	-	-	361,029	361,029			-
Other assets	-	-	-	-	-	225,491	225,491			-
Interest in associates	-	-	-	-	-	2,845	2,845			-
Interest in JVs	-	-	-	-	-	62,911	62,911			-
Property, plant and equipment	-	-	-	-	-	624,628	624,628			-
Prepaid land lease	-	-	-	-	-	1,174	1,174			-
Investment properties	-	-	-	-	-	5,447	5,447			-
Intangible assets	-	-	-	-	-	26,668	26,668			-
Deferred tax assets	-	-	-	-	-	5,235	5,235			-
Assets classified as held for sale	-	-	-	-	-	18,534	18,534			-
Total assets	3,289,699	966,095	2,116,000	10,060,020	12,113,606	1,399,935	29,945,355			

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

46. FINANCIAL INSTRUMENTS RISK (CONT'D.)**(b) Market risk (cont'd.)****(ii) Interest/profit rate risk (cont'd.)**

GROUP	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
2014 (cont'd.)							
Equity and liabilities							
Deposits from customers	1,580,590	2,398,052	1,688,137	-	-	-	5,666,779
Deposits and placements from financial institutions	200,428	100,082	-	-	-	-	300,510
Other liabilities	-	-	-	-	-	206,202	206,202
Redeemable notes	-	-	1,614,393	404,557	3,945,225	-	5,964,175
Borrowings	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
Total liabilities	2,230,649	2,572,764	8,228,160	2,404,662	6,099,419	839,953	22,375,607
Shareholders' equity	-	-	-	-	-	7,522,307	7,522,307
Non-controlling interest	-	-	-	-	-	47,441	47,441
Total equity and liabilities	2,230,649	2,572,764	8,228,160	2,404,662	6,099,419	8,409,701	29,945,355
On-balance sheet interest/profit sensitivity gap	1,059,050	(1,606,669)	(6,112,160)	7,655,358	6,014,187	(7,009,766)	-
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-
Total interest/profit sensitivity gap	1,059,050	(1,606,669)	(6,112,160)	7,655,358	6,014,187	(7,009,766)	-

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

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

		Non-trading book						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	
BANK								
2015								
Assets								
Cash and short term deposits		1,123,512	-	-	-	-	2,698	4.32
Deposits and placements with financial institutions		-	-	-	-	-	-	-
Financial investments - AFS		227,574	-	181,529	718,811	966,678	-	4.42
Financial investments - HTM		-	-	-	152,796	31,671	-	4.04
Loans, advances and financing								
- non-impaired		1,256,566	237,192	1,873,787	7,536,127	11,144,341	-	6.47
- impaired *		-	-	-	-	-	524,443	-
Other assets		-	-	-	-	-	167,999	-
Investment in subsidiaries		-	-	-	-	-	480,859	-
Property, plant and equipment		-	-	-	-	-	92,649	-
Prepaid land lease		-	-	-	-	-	917	-
Investment properties		-	-	-	-	-	839	-
Intangible assets		-	-	-	-	-	8,185	-
Deferred tax assets		-	-	-	-	-	6,026	-
Assets classified as held for sale		-	-	-	-	-	367	-
Total assets		2,607,652	237,192	2,055,316	8,407,734	12,142,690	1,284,982	26,735,566

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

46. FINANCIAL INSTRUMENTS RISK (CONT'D.)**(b) Market risk (cont'd.)****(ii) Interest/profit rate risk (cont'd.)**

	Non-trading book ----->						
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Effective interest/ profit rate %
BANK							
2015 (cont'd.)							
Equity and liabilities							
Deposits from customers	2,404,244	2,568,456	2,779,619	-	-	-	4.22
Deposits and placements from financial institutions	345,545	100,095	-	-	-	-	4.22
Bills and acceptance payable	372,002	580,020	790,171	-	-	-	4.22
Other liabilities	-	-	-	-	-	-	-
Redeemable notes	-	-	404,626	-	3,948,262	-	5.19
Borrowings	339,431	74,630	1,115,282	1,210,163	1,704,126	-	4.43
Infrastructure support fund	-	-	-	-	-	337,126	-
Deferred income	-	-	-	-	-	239,420	-
Deferred tax liabilities	-	-	-	-	-	-	-
Total liabilities	3,461,222	3,323,201	5,089,698	1,210,163	5,652,388	576,546	19,376,517
Shareholders' equity	-	-	-	-	-	7,362,964	
Total equity and liabilities	3,461,222	3,323,201	5,089,698	1,210,163	5,652,388	7,939,510	26,735,566
On-balance sheet interest/profit sensitivity gap	(853,570)	(3,086,009)	(3,034,382)	7,197,571	6,490,302	(6,654,528)	-
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-
Total interest/profit sensitivity gap	(853,570)	(3,086,009)	(3,034,382)	7,197,571	6,490,302	(6,654,528)	-

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

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

	Non-trading book						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				
BANK									
2014									
Assets									
Cash and short term deposits	1,445,508	-	-	-	-	1,433	1,446,941	4.50	
Deposits and placements with financial institutions	-	677,667	-	-	-	-	677,667	4.50	
Financial investments - AFS	198,029	-	10,151	801,154	307,779	-	1,317,113	4.39	
Financial investments - HTM	-	-	78,747	151,601	29,609	-	259,957	4.35	
Loans, advances and financing									
- non-impaired	1,148,155	319,306	1,965,772	8,964,876	11,736,007	-	24,134,116	6.86	
- impaired *	-	-	-	-	-	408,779	408,779	-	
Other assets	-	-	-	-	-	162,331	162,331	-	
Investment in subsidiaries	-	-	-	-	-	653,743	653,743	-	
Property, plant and equipment	-	-	-	-	-	95,820	95,820	-	
Prepaid land lease	-	-	-	-	-	1,174	1,174	-	
Investment properties	-	-	-	-	-	1,939	1,939	-	
Intangible assets	-	-	-	-	-	10,173	10,173	-	
Total assets	2,791,692	996,973	2,054,670	9,917,631	12,073,395	1,335,392	29,169,753		

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

46. FINANCIAL INSTRUMENTS RISK (CONT'D.)**(b) Market risk (cont'd.)****(ii) Interest/profit rate risk (cont'd.)**

	<----- 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	
BANK							
2014 (cont'd.)							
Equity and liabilities							
Deposits from customers	1,580,590	2,398,052	1,688,137	-	-	-	3.87
Deposits and placements from financial institutions	200,428	100,082	-	-	-	-	3.87
Other liabilities	-	-	-	-	-	47,768	-
Redeemable notes	-	-	1,614,393	404,557	3,945,225	-	4.96
Borrowings	78,095	74,630	4,924,630	2,000,075	2,154,126	-	4.26
Infrastructure support fund	-	-	-	-	-	367,322	-
Deferred income	-	-	-	-	-	243,977	-
Deferred tax liabilities	-	-	-	-	-	12,538	-
Total liabilities	1,859,113	2,572,764	8,227,160	2,404,632	6,099,351	671,605	21,834,625
Shareholders' equity	-	-	-	-	-	7,335,128	7,335,128
Total equity and liabilities	1,859,113	2,572,764	8,227,160	2,404,632	6,099,351	8,006,733	29,169,753
On-balance sheet interest/profit sensitivity gap	932,579	(1,575,791)	(6,172,490)	7,512,999	5,974,044	(6,671,341)	-
Off-balance sheet interest/profit sensitivity gap	-	-	-	-	-	-	-
Total interest/profit sensitivity gap	932,579	(1,575,791)	(6,172,490)	7,512,999	5,974,044	(6,671,341)	-

46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk

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

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

(i) Contractual maturity of total assets and liabilities

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

46. FINANCIAL INSTRUMENTS RISK (CONT'D.)**(c) Liquidity risk (cont'd.)****(i) Contractual maturity of total assets and liabilities (cont'd.)**

GROUP	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-inter- est/profit sensitive RM'000	
2015							
Assets							
Cash and short term deposits	1,384,174	-	-	-	-	35,351	1,419,525
Deposits and placements with financial institutions	-	51,672	-	-	-	-	51,672
Financial investments - FVTPL	-	-	-	-	-	-	-
Financial investments - AFS	198,029	-	10,000	795,727	329,069	4,472	1,337,297
Financial investments - HTM	-	-	78,000	155,000	29,609	22	262,631
Loans, advances and financing	1,295,073	216,024	1,927,283	7,634,489	11,213,469	471,011	22,757,349
Other assets	-	-	-	-	-	230,968	230,968
	2,877,276	267,696	2,015,283	8,585,216	11,572,147	741,824	26,059,442
Liabilities							
Deposits from customers	2,404,167	2,568,456	2,779,696	-	-	-	7,752,319
Deposits and placements from financial institutions	345,545	100,095	-	-	-	-	445,640
Bills and acceptance payable	372,002	580,020	790,171	-	-	-	1,742,193
Other liabilities	-	-	404,626	-	3,948,262	217,696	217,696
Redeemable notes	512,568	74,630	1,115,282	1,210,193	1,704,625	-	4,352,888
Borrowings	3,634,282	3,323,201	5,089,775	1,210,193	5,652,887	217,696	19,128,034
	(757,006)	(3,055,505)	(3,074,492)	7,375,023	5,919,260	524,128	6,931,408
Net maturity mismatches							

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk (cont'd.)

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

GROUP	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-inter- est/profit sensitive RM'000	
2014							
Assets							
Cash and short term deposits	1,859,273	-	-	-	-	61,751	1,921,024
Deposits and placements with financial institutions		708,777	-	-	28	-	708,805
Financial investments - FVTPL	4,247	-	-	-	-	-	4,247
Financial investments - AFS	198,029	-	10,000	795,727	329,069	4,200	1,337,025
Financial investments - HTM		-	78,000	155,000	29,609	22	262,631
Loans, advances and financing	1,228,150	257,318	2,027,102	9,107,265	11,776,190	361,029	24,757,054
Other assets	-	-	-	-	-	225,009	225,009
	3,289,699	966,095	2,115,102	10,057,992	12,134,896	652,011	29,215,795
Liabilities							
Deposits from customers	1,580,590	2,398,052	1,688,137	-	-	-	5,666,779
Deposits and placements from financial institutions	200,428	100,082	-	-	-	-	300,510
Other liabilities	-	-	-	-	-	206,202	206,202
Redeemable notes	-	-	1,614,393	404,557	3,945,225	-	5,964,175
Borrowings	449,631	74,630	4,925,630	2,000,105	2,154,194	-	9,604,190
	2,230,649	2,572,764	8,228,160	2,404,662	6,099,419	206,202	21,741,856
Net maturity mismatches	1,059,050	(1,606,669)	(6,113,058)	7,653,330	6,035,477	445,809	7,473,939

46. FINANCIAL INSTRUMENTS RISK (CONT'D.)**(c) Liquidity risk (cont'd.)****(i) Contractual maturity of total assets and liabilities (cont'd.)**

	BANK	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- inter- est/profit sensitive RM'000	
2015								
Assets								
Cash and short term deposits		1,123,512	-	-	-	-	2,698	1,126,210
Deposits and placements with financial institutions		-	-	-	-	-	-	-
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		1,256,566	237,192	1,873,787	7,536,127	11,144,341	593,328	22,641,341
Other assets		-	-	-	-	-	167,999	167,999
		2,578,107	237,192	1,961,787	8,486,854	11,503,019	764,025	25,530,984
Liabilities								
Deposits from customers		2,404,244	2,568,456	2,779,619	-	-	-	7,752,319
Deposits and placements from financial institutions		345,545	100,095	-	-	-	-	445,640
Bills and acceptance payable		372,002	580,020	790,171	-	-	-	1,742,193
Other liabilities		-	-	-	-	-	59,384	59,384
Redeemable notes		-	-	404,626	-	3,948,262	-	4,352,888
Borrowings		343,346	74,630	1,115,282	1,210,163	1,704,126	-	4,447,547
		3,465,137	3,323,201	5,089,698	1,210,163	5,652,388	59,384	18,799,971
Net maturity mismatches		(887,030)	(3,086,009)	(3,127,911)	7,276,691	5,850,631	704,641	6,731,013

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk (cont'd.)

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

	Non-trading book					
	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-inter- est/profit sensitive RM'000
BANK						Total RM'000
2014						
Assets						
Cash and short term deposits	1,445,508	-	-	-	-	1,433
Deposits and placements with financial institutions	-	677,667	-	-	-	-
Financial investments - AFS	198,029	-	10,000	795,727	329,069	-
Financial investments - HTM	-	-	78,000	155,000	29,609	-
Loans, advances and financing	1,148,155	319,306	1,965,772	8,964,876	11,736,007	-
Other assets	-	-	-	-	-	408,779
	2,791,692	996,973	2,053,772	9,915,603	12,094,685	572,543
Liabilities						
Deposits from customers	1,580,590	2,398,052	1,688,137	-	-	-
Deposits and placements from financial institutions	200,428	100,082	-	-	-	-
Other liabilities	-	-	-	-	-	47,768
Redeemable notes	-	-	1,614,393	404,557	3,945,225	-
Borrowings	78,095	74,630	4,924,630	2,000,075	2,154,126	-
	1,859,113	2,572,764	8,227,160	2,404,632	6,099,351	47,768
	932,579	(1,575,791)	(6,173,388)	7,510,971	5,995,334	524,775
Net maturity mismatches						7,214,480

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 2015 and 31 December 2014. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage interest liquidity risk based on discounted expected cash flows.

		Non-trading book ----->						
GROUP		Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-inter-est/profit sensitive RM'000	Total RM'000
2015								
Liabilities								
Deposits from customers		2,164,296	3,301,317	2,340,245	7,439	-	-	7,813,297
Deposits and placements from financial institutions		297,319	148,965	-	-	-	-	446,284
Bills and acceptance payable		372,002	580,020	790,171	-	-	-	1,742,193
Other liabilities		-	-	-	-	-	197,242	197,242
Redeemable notes		-	-	43,285	-	5,844,391	-	5,887,676
Borrowings		35,509	35,286	2,298,971	1,011,678	1,559,289	-	4,940,733
Total liabilities		2,869,126	4,065,588	5,472,672	1,019,117	7,403,680	197,242	21,027,425
2014								
Liabilities								
Deposits from customers		1,582,054	2,413,192	1,710,669	5,438	-	-	5,711,353
Deposits and placements from financial institutions		200,492	100,452	-	-	-	-	300,944
Other liabilities		-	-	-	-	-	206,202	206,202
Redeemable notes		-	59,307	1,606,424	1,330,994	5,070,363	-	8,067,088
Borrowings		451,042	77,610	5,076,356	2,225,066	2,971,989	-	10,802,063
Total liabilities		2,233,588	2,650,561	8,393,449	3,561,498	8,042,352	206,202	25,087,650

Notes to the Financial Statements (cont'd.)

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46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk (cont'd.)

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

BANK	Non-trading book						Non-inter- est/profit sensitive RM'000	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			
2015								
Liabilities								
Deposits from customers	2,164,296	3,301,317	2,340,245	7,439	-	-	-	7,813,297
Deposits and placements from financial institutions	297,319	148,965	-	-	-	-	-	446,284
Bills and acceptance payable	372,002	580,020	790,171	-	-	-	-	1,742,193
Other liabilities	-	-	-	-	-	47,137	-	47,137
Redeemable notes	-	-	43,285	-	5,844,391	-	-	5,887,676
Borrowings	35,509	35,286	2,298,971	1,011,678	1,351,351	-	-	4,732,795
Total liabilities	2,869,126	4,065,588	5,472,672	1,019,117	7,195,742	47,137	47,137	20,669,382
2014								
Liabilities								
Deposits from customers	1,582,054	2,413,192	1,710,669	5,438	-	-	-	5,711,353
Deposits and placements from financial institutions	200,492	100,452	-	-	-	-	-	300,944
Other liabilities	-	-	-	-	-	47,768	-	47,768
Redeemable notes	-	59,307	1,606,424	1,330,994	5,070,363	-	-	8,067,088
Borrowings	78,095	77,604	5,056,068	2,224,957	2,971,989	-	-	10,408,713
Total liabilities	1,860,641	2,650,555	8,373,161	3,561,389	8,042,352	47,768	47,768	24,535,866

Notes to the Financial Statements (cont'd.)

31 December 2015

47. FAIR VALUES MEASUREMENTS

(a) Financial assets and liabilities measured at fair value

Determination of fair value and the fair value hierarchy

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

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

- Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical assets and liabilities instruments;
- Level 2 - Valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and
- Level 3 - Valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the valuation of the financial instruments and non-financial assets.

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

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

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

Notes to the Financial Statements (cont'd.)

31 December 2015

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.

GROUP	2015				2014			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:								
Financial assets at fair value through profit and loss	-	-	-	-	4,247	-	-	4,247
Financial investments - AFS	353,747	1,744,589	-	2,098,336	426,673	893,913	-	1,320,586
Total financial assets	353,747	1,744,589	-	2,098,336	430,920	893,913	-	1,324,833
Total financial assets carried at fair value				2,098,336				1,324,833
Assets for which fair values are disclosed (Note 47 (b)):								
Loans, advances and financing	-	-	23,049,274	23,049,274	-	-	24,656,104	24,656,104
Financial investments - HTM	-	226,730	-	226,730	-	259,901	-	259,901
Investment properties	-	11,320	-	11,320	-	13,320	-	13,320
Liabilities for which fair values are disclosed (Note 47 (b)):								
Redeemable notes	-	-	3,498,933	3,498,933	-	-	5,382,097	5,382,097
Borrowings	-	-	4,015,604	4,015,604	-	-	8,971,570	8,971,570

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.)

	2015			2014				
BANK	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:								
Financial investments - AFS	349,276	1,744,589	-	2,093,865	422,473	893,913	-	1,316,386
Total financial assets	349,276	1,744,589	-	2,093,865	422,473	893,913	-	1,316,386
Total financial assets carried at fair value				2,093,865				1,316,386
Assets for which fair values are disclosed (Note 47 (b)):								
Loans, advances and financing	-	-	22,827,282	22,827,282	-	-	24,374,419	24,374,419
Financial investments - HTM	-	226,730	-	226,730	-	295,901	-	295,901
Investment properties	-	4,250	-	4,250	-	5,850	-	5,850
Liabilities for which fair values are disclosed (Note 47 (b)):								
Redeemable notes	-	-	3,498,933	3,498,933	-	-	5,382,097	5,382,097
Borrowings	-	-	3,807,665	3,807,665	-	-	8,618,973	8,618,973

There have been no transfer between Level 1 and Level 2 during the financial year. 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 13.0% (2014: 2.0% to 13.0%) whilst the fair value of redeemable notes and term loans that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 3.6% to 7.2% (2014: 3.6% to 7.2%).

Notes to the Financial Statements (cont'd.)

31 December 2015

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
2015				
Financial assets				
Loans, advances and financing	22,757,349	23,049,274	22,572,456	22,827,282
Financial investments - HTM	184,489	226,730	184,467	226,730
Investment properties	4,074	11,320	839	4,250
Financial liabilities				
Redeemable notes	4,352,888	3,498,933	4,352,888	3,498,933
Borrowings	4,613,383	4,015,604	4,443,632	3,807,665
2014				
Financial assets				
Loans, advances and financing	24,757,054	24,656,104	24,542,895	24,374,419
Financial investments - HTM	259,957	295,901	259,957	295,901
Investment properties	5,447	13,320	1,939	5,850
Financial liabilities				
Redeemable notes	5,964,175	5,382,097	5,964,175	5,382,097
Borrowings	9,604,190	8,971,570	9,231,556	8,618,973

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

47. FAIR VALUES MEASUREMENTS (CONT'D.)

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

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

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

(iv) Subordinated obligations and borrowings

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

(v) Investment properties

The fair values of investment properties are estimated based on comparison with indicative market value stated in the Property Market Report 2014 (2014: Property Market Report 2013).

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS

The state of affairs as at 31 December 2015 and results for the financial year ended on this date under the Islamic financial business of the Group and the Bank included in the Group financial statements are summarised as follows:

Statements of Financial Position

As at 31 December 2015

		GROUP		BANK	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Cash and short term deposits	(a)	798,404	536,925	775,329	514,466
Deposits and placements with financial institutions	(b)	16,000	677,667	-	677,667
Financial investments - AFS	(c)	1,674,010	-	1,674,010	-
Financial investments - HTM	(d)	184,467	-	184,467	-
Advances and financing	(e)	6,197,878	6,206,433	6,155,234	6,149,384
Other assets	(f)	800,425	28,851	755,691	5,470
Total assets		9,671,184	7,449,876	9,544,731	7,346,987
Liabilities					
Deposits from customers Tawarruq	(s)	5,088,661	2,790,573	5,088,661	2,790,573
Deposits and placements from financial institutions Tawarruq		50,004	-	50,004	-
Other liabilities	(g)	93,326	138,290	25,155	95,307
Long term advances	(h)	-	4,125	-	4,125
Redeemable notes		3,445,788	3,445,788	3,445,788	3,445,788
Deferred income		239,420	243,977	239,420	243,977
Islamic banking funds		753,985	827,123	695,703	767,217
Total liabilities and Islamic banking funds		9,671,184	7,449,876	9,544,731	7,346,987
Commitments and contingencies	(q)	3,352,398	4,112,884	3,352,398	4,112,884

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Income Statements

For the Financial Year Ended 31 December 2015

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income derived from investment of depositors' funds	(i)	191,833	137,168	191,833	137,168
Income derived from investment of shareholders' funds	(j)	288,792	279,539	282,302	275,330
Allowance for impairment losses on advances and financing	(k)	(164,050)	(287,362)	(158,481)	(305,226)
Allowance for Impairment losses on other assets	(l)	(9,417)	-	(9,417)	-
Profit equalisation reserve		-	(2,130)	-	(2,130)
Total distributable income		307,158	127,215	306,237	105,142
Income attributable to the depositors	(m)	(176,810)	(87,930)	(176,810)	(87,930)
Total net income		130,348	39,285	129,427	17,212
Overhead expenses	(n)	(21,403)	(17,797)	(20,716)	(17,699)
Finance cost	(o)	(160,430)	(64,471)	(160,430)	(64,471)
Loss before zakat		(51,485)	(42,983)	(51,719)	(64,958)
Zakat	(p)	(21,653)	(12,778)	(19,795)	(12,778)
Loss for the financial year		(73,138)	(55,761)	(71,514)	(77,736)

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Statements of Comprehensive Income For the Financial Year Ended 31 December 2015

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loss for the financial year	(73,138)	(55,761)	(71,514)	(77,736)
Other comprehensive income				
Net loss on revaluation of financial investments - AFS	-	-	-	-
Other comprehensive loss for the financial year, net of tax	-	-	-	-
Total comprehensive loss for the financial year, net of zakat	(73,138)	(55,761)	(71,514)	(77,736)
Total comprehensive loss attributable to:				
Shareholders of the Bank	(73,138)	(55,761)	(71,514)	(77,736)
Non-controlling interests	-	-	-	-
	(73,138)	(55,761)	(71,514)	(77,736)
Net income from Islamic financial business:				
Income derived from investment of depositors' funds	191,833	137,168	191,833	137,168
Income derived from investment of shareholders' funds	288,792	279,539	282,302	275,330
Income attributable to the depositors	(176,810)	(87,930)	(176,810)	(87,930)
Finance cost	(160,430)	(64,471)	(160,430)	(64,471)
Profit equalisation reserve	-	(2,130)	-	(2,130)
Net income from Islamic financial business reported in the income statement	143,385	262,176	136,895	257,967

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Consolidated Statement of Changes in Equity For the Financial Year Ended 31 December 2015

	Capital funds RM'000	Profit equalisation reserve RM'000	Retained profits RM'000	Total RM'000
Group				
At 1 January 2015	602,400	-	224,723	827,123
Total comprehensive loss for the financial year	-	-	(73,138)	(73,138)
At 31 December 2015	602,400	-	151,585	753,985
At 1 January 2014	602,400	4,970	275,514	882,884
Total comprehensive loss for the financial year	-	-	(55,761)	(55,761)
Provision for the period	-	5,479	(5,479)	-
Transfer to retained profits	-	(10,449)	10,449	-
At 31 December 2014	602,400	-	224,723	827,123

Statement of Changes in Equity For the Financial Year Ended 31 December 2015

	Capital funds RM'000	Profit equalisation reserve RM'000	Retained profits RM'000	Total RM'000
Bank				
At 1 January 2015	597,400	-	169,817	767,217
Total comprehensive loss for the financial year	-	-	(71,514)	(71,514)
At 31 December 2015	597,400	-	98,303	695,703
At 1 January 2014	597,400	4,970	242,583	844,953
Total comprehensive loss for the financial year	-	-	(77,736)	(77,736)
Provision for the period	-	5,479	(5,479)	-
Transfer to retained profits	-	(10,449)	10,449	-
At 31 December 2014	597,400	-	169,817	767,217

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Statements of Cash Flows For the Financial Year Ended 31 December 2015

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Loss before zakat	(51,485)	(42,983)	(51,719)	(64,958)
Adjustments for:				
Net gain on sale of financial investments - AFS (Note 48(j))	(1,275)	-	(1,275)	-
Accretion of discount less amortisation of premium of financial investments (Note 48(j))	(10,757)	-	(10,757)	-
Individual allowance (Note 48(k)):				
Individual allowance made	84,371	229,917	72,489	226,623
Individual allowance written back	(10,066)	(125,170)	(8,794)	(116,925)
Transferred from collective allowance	11,305	26,612	11,305	26,612
Transferred to collective allowance	(4,337)	(18,985)	(4,337)	(18,985)
Collective allowance (Note 48(k)):				
Collective allowance made	101,129	107,588	100,362	107,588
Collective allowance written back	(1,975)	-	(1,975)	-
Transferred from individual allowance	4,337	18,985	4,337	18,985
Transferred to individual allowance	(11,305)	(26,612)	(11,305)	(26,612)
Impairment allowance for:				
Financial investments - HTM	9,656	-	9,656	-
Bad debts and financing recovered (Note 48(k))	(9,936)	(13,050)	(4,128)	(137)
Bad debts and financing written off (Note 48(k))	527	88,077	527	88,077
Profit equalisation reserve	-	(2,030)	-	(2,030)
Zakat (Note 48(p))	(21,653)	(12,778)	(19,795)	(12,778)
Compensation from the Government (Note 48(j))	(15,017)	(14,429)	(15,017)	(14,429)
Operating profit before working capital changes	73,519	215,142	69,574	211,031
(Increase)/decrease in operating assets:				
Other assets	(781,230)	(17,478)	(759,877)	(4,967)
Advances and financing	(145,035)	(943,502)	(153,871)	(928,709)
Deposits and placements with financial institutions	661,667	(674,602)	677,667	(674,602)
	(264,598)	(1,635,582)	(236,081)	(1,608,278)
(Decrease)/increase in operating liabilities:				
Other liabilities	(36,878)	(2,569,673)	(62,066)	(2,583,148)
Deposits from customers	2,298,088	1,397,912	2,298,088	1,397,912
Deposits and placements from financial institutions	50,004	(170,861)	50,004	(170,861)
	2,311,214	(1,342,622)	2,286,026	(1,356,097)
Cash generated from/(used in) operating activities	2,120,135	(2,763,062)	2,119,519	(2,753,344)
Zakat paid	(12,211)	(6,730)	(12,211)	(6,730)
Net cash generated from/(used in) operating activities	2,107,924	(2,769,792)	2,107,308	(2,760,074)

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Statements of Cash Flows For the Financial Year Ended 31 December 2015 (cont'd.)

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Purchase of financial investments - AFS	(1,418,416)	-	(1,418,416)	-
Proceeds from disposal/maturity of financial investments - AFS	540,586	-	540,586	-
Proceeds from disposal/maturity of financial investments - HTM	78,916	-	78,916	-
Net cash used in investing activities	(798,914)	-	(798,914)	-
Cash flows from financing activities				
Receipt from issuance of redeemable notes	-	3,000,000	-	3,000,000
Reclassification of financial investment - AFS to Islamic financial business	(794,538)	-	(794,538)	-
Reclassification of financial investment - HTM to Islamic financial business	(252,993)	-	(252,993)	-
Net cash (used in)/generated from financing activities	(1,047,531)	3,000,000	(1,047,531)	3,000,000
Cash and cash equivalents (Note A)				
Net increase in cash and cash equivalents	261,479	230,208	260,863	239,926
Cash and cash equivalents at beginning of financial year	536,925	306,717	514,466	274,540
Cash and cash equivalents at end of financial year	798,404	536,925	775,329	514,466

(A) Cash and cash equivalents

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and short term deposits	798,404	536,925	775,329	514,466

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a) Cash and short term deposits				
Cash and bank balances with financial institutions	24,431	23,004	1,356	545
Money at call and deposit placements maturing within one month	773,973	513,921	773,973	513,921
	798,404	536,925	775,329	514,466

(b) Deposits and placements with financial institutions

Licensed banks	16,000	677,667	-	677,667
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(c) Financial investments - AFS

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
At fair value		
Money market instruments:		
Government investment issues	872,907	-
At fair value		
Unquoted securities:		
(In Malaysia)		
Private debt securities	801,103	-
	1,674,010	-

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

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
One year to three years	414,159	-
Three years to five years	302,708	-
Over five years	156,040	-
	872,907	-

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(d) Financial investments - HTM

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
At amortised cost		
Money market instruments:		
Cagamas	5,036	-
Unquoted securities:		
(In Malaysia)		
Private debt securities	500,832	
Less: Accumulated impairment losses	(321,401)	-
	179,431	-
	184,467	-

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

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Cagamas	5,066	-
Unquoted private debt securities	221,663	-

Other disclosures

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

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
One year to three years	152,796	-
Over five years	31,671	-
	184,467	-

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(e) Advances and financing

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bai' Bithaman Ajil	339,824	404,977	328,834	391,366
Bai' Inah	162,173	170,084	162,173	170,084
Murabahah	53,822	55,773	53,822	55,773
Istisna'	9,578,230	9,457,620	9,578,230	9,457,620
Ijarah	60,544	410,063	20,301	367,437
Ijarah Muntahiyah bi Tamlik	146,156	182,696	146,156	182,696
Ijarah Thummal Bai'	499	505	-	-
Tawarruq	1,378,762	1,147,530	1,364,783	1,128,523
Staff financing	16,894	18,749	16,894	18,749
Unearned income	(4,642,889)	(4,807,284)	(4,642,889)	(4,806,261)
Gross advances and financing	7,094,015	7,040,713	7,028,304	6,965,987
Allowance for impairment on advances and financing:				
Individual allowance	(547,319)	(577,648)	(525,639)	(560,591)
Collective allowance	(348,818)	(256,632)	(347,431)	(256,012)
	(896,137)	(834,280)	(873,070)	(816,603)
Net advances and financing	6,197,878	6,206,433	6,155,234	6,149,384

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Domestic business enterprises	7,074,412	7,018,545	7,019,691	6,956,693
Individual	19,603	22,168	8,613	9,294
	7,094,015	7,040,713	7,028,304	6,965,987

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate:				
Housing financing	19,603	22,168	8,613	9,294
Other fixed rate financing	4,406,887	4,666,436	4,352,166	4,604,584
Variable rate:				
Cost plus	851,755	817,047	851,755	817,047
Other variable rates	1,815,770	1,535,062	1,815,770	1,535,062
	7,094,015	7,040,713	7,028,304	6,965,987

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Agriculture, hunting & forestry	5,190	5,037	-	-
Construction	3,418,452	3,510,537	3,417,979	3,507,547
Education	1,390,451	905,462	1,390,451	905,462
Electricity, gas and water supply	232,302	257,059	232,302	257,059
Finance, takaful and business	20,578	11,369	-	-
Hotel and restaurants	117,196	110,318	117,196	110,318
Housing	19,603	12,995	8,613	9,294
Manufacturing	223,723	204,874	220,310	199,589
Marine Related	-	298,411	-	298,411
Materials technology	7,422	110,552	7,422	110,552
Other community, social and personal service activities	73,779	7,984	70,605	-
Public administration and defence	45,268	50,868	45,268	50,868
Real estate, renting and business activities	-	1,570	-	-
Shipping	923,570	1,016,548	923,570	1,016,548
Shipyards	94,248		94,248	
Transport, storage and communication	522,233	537,129	500,340	500,339
	7,094,015	7,040,713	7,028,304	6,965,987

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Receivable after 12 months	5,989,297	6,167,874	5,924,802	6,116,303
Receivable within 12 months	1,104,718	872,839	1,103,502	849,684
	7,094,015	7,040,713	7,028,304	6,965,987

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Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

(v) Advances and financing analysed by type and Shariah contract are as follows (cont'd.):

	Bai' Bithaman Ajl RM'000	Bai''Inah RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Ijarah Thummal Bai' RM'000	Tawarruq RM'000	Total RM'000
GROUP									
2014									
At amortised cost									
Term facility									
Sale-based financing	404,977	170,084	-	9,457,620	-	-	-	1,147,530	11,180,211
Lease-based financing	-	-	-	-	410,063	182,696	505	-	593,264
Revolving facility									
Sale-based financing	-	-	55,773	-	-	-	-	-	55,773
Staff financing	18,749	-	-	-	-	-	-	-	18,749
Unearned income	-	-	-	-	-	-	-	-	(4,807,284)
Gross advances and financing	423,726	170,084	55,773	9,457,620	410,063	182,696	505	1,147,530	7,040,713
Allowance for impairment on advances and financing:									
Individual allowance	-	-	-	-	-	-	-	-	(577,648)
Collective allowance	-	-	-	-	-	-	-	-	(256,632)
Net advances and financing	-	-	-	-	-	-	-	-	6,206,433

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Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

(v) Advances and financing analysed by type and Shariah contract are as follows (cont'd.):

	Bai' Bithaman Ajil RM'000	Bai''Inah RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
BANK								
2014								
At amortised cost								
Term facility								
Sale-based financing	391,366	170,084	-	9,457,620	-	-	1,128,523	11,147,593
Lease-based financing	-	-	-	-	367,437	182,696	-	550,133
Revolving facility								
Sale-based financing	-	-	55,773	-	-	-	-	55,773
Staff financing	18,749	-	-	-	-	-	-	18,749
Unearned income	-	-	-	-	-	-	-	(4,806,261)
Gross advances and financing	410,115	170,084	55,773	9,457,620	367,437	182,696	1,128,523	6,965,987
Allowance for impairment on advances and financing:								
Individual allowance	-	-	-	-	-	-	-	(560,591)
Collective allowance	-	-	-	-	-	-	-	(256,012)
Net advances and financing	-	-	-	-	-	-	-	6,149,384

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	568,364	651,766	544,429	580,696
Impaired during the financial year	442,700	73,562	436,722	73,562
Recovered during the financial year	(10,685)	(69,201)	(8,696)	(22,066)
Amount written off	(105,614)	(87,763)	(105,614)	(87,763)
At 31 December	894,765	568,364	866,841	544,429
Ratio of gross impaired financing	12.61%	8.07%	12.33%	7.82%

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

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Construction	74,049	80,596	74,049	78,466
Education	56,588	56,556	56,588	56,556
Electricity, gas and water supply	72,816	3,609	72,816	3,609
Finance, takaful and business	-	151	-	-
Hotel and restaurants	98,379	-	98,379	-
Housing	10,990	2,722	-	-
Manufacturing	93,450	22,076	88,825	16,389
Materials technology	7,422	110,552	7,422	110,552
Other community, social and personal service activities	865	4,814	-	-
Real estate, renting and business activities	-	1,570	-	-
Shipping	468,762	285,718	468,762	278,857
Transport, storage and communication	11,444	-	-	-
	894,765	568,364	866,841	544,429

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Individual allowance ("IA")				
At 1 January	577,648	465,274	560,591	443,266
Allowance made during the financial year	84,371	229,917	72,489	226,623
Amount written back in respect of recoveries	(10,066)	(125,170)	(8,794)	(116,925)
Amount transferred from CA	11,305	26,612	11,305	26,612
Amount transferred to CA	(4,337)	(18,985)	(4,337)	(18,985)
Amount written off	(111,602)	-	(105,615)	-
At 31 December	547,319	577,648	525,639	560,591
Collective allowance ("CA")				
At 1 January	256,632	156,671	256,012	156,051
Allowance made during the financial year	101,129	107,588	100,362	107,588
Amount written back	(1,975)	-	(1,975)	-
Amount transferred to IA	(11,305)	(26,612)	(11,305)	(26,612)
Amount transferred from IA	4,337	18,985	4,337	18,985
At 31 December	348,818	256,632	347,431	256,012

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Within Malaysia	7,094,015	7,040,713	7,028,304	6,965,987

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(f) Other assets

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other receivables		5,234	5,470	5,234	5,470
Interfund receivables	(i)	795,191	23,381	750,457	-
		800,425	28,851	755,691	5,470

(i) Interfund receivables are unsecured, profit free and are settled subsequent to year end.

(g) Other liabilities

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other payables		7,056	9,774	1,161	8,232
Zakat payables		21,807	12,868	21,807	12,868
Sources and uses of charity fund	(i)	2,187	-	2,187	-
Interfund payables	(ii)	62,276	115,648	-	74,207
		93,326	138,290	25,155	95,307

(i) Included in sources and uses of charity fund of the Group and Bank is an amount which are prohibited by Shariah amounting to RM800,236 and balance of RM1,386,699 is from profit equalisation reserve ("PER").

(ii) Interfund payables are unsecured, profit free and are repayable on demand.

(h) Long term advances

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
Other financing:		
Unsecured - Principal	-	4,125

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(i) Income derived from investment of depositors' funds

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Finance Income				
Advances and financing	175,485	131,800	175,485	131,800
Other income:				
Fee income	16,348	5,368	16,348	5,368
	191,833	137,168	191,833	137,168

(j) Income derived from investment of shareholders' funds

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Finance Income				
Advances and financing	191,530	232,714	185,776	229,046
Compensation from the Government	15,017	14,429	15,017	14,429
Deposits and placements with financial institution	28,098	22,755	27,529	22,389
Financial investments - AFS	24,733	-	24,733	-
Financial investments - HTM	1,942	-	1,942	-
	261,320	269,898	254,997	265,864
Accretion of discount less amortisation of premium	10,757	-	10,757	-
	272,077	269,898	265,754	265,864
Other income:				
Net gain on sale of :				
Financial investments - AFS	1,275	-	1,275	-
Fee income	15,440	9,641	15,273	9,466
	288,792	279,539	282,302	275,330
Of which:				
Profit income earned on impaired advances and financing	11,134	6,344	11,134	6,344

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(k) Allowances for/(Writeback on) impairment losses on advances and financing

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Individual allowance:				
Made during the financial year	84,371	229,917	72,489	226,623
Written back	(10,066)	(125,170)	(8,794)	(116,925)
Transferred from CA	11,305	26,612	11,305	26,612
Transferred to CA	(4,337)	(18,985)	(4,337)	(18,985)
Collective allowance:				
Made during the financial year	101,129	107,588	100,362	107,588
Written back	(1,975)	-	(1,975)	-
Transferred to IA	(11,305)	(26,612)	(11,305)	(26,612)
Transferred from IA	4,337	18,985	4,337	18,985
Bad debts and financing written off	527	88,077	527	88,077
Bad debts and financing recovered	(9,936)	(13,050)	(4,128)	(137)
	164,050	287,362	158,481	305,226

(l) Allowances for/(Writeback on) impairment losses on other assets

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Financial investments - HTM	9,656	-
Written off - resigned staff	24	-
Written back - resigned staff	(263)	-
	9,417	-

(m) Income attributable to the depositors

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Deposit from customers:		
Mudharabah	-	1,548
Tawarruq	176,078	85,979
Deposits and placements from financial institutions:		
Mudharabah	-	368
Tawarruq	732	35
	176,810	87,930

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(n) Overhead expenses

	Note	GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel costs	(i)	13,483	11,712	13,483	11,712
General administrative expenses	(ii)	7,920	6,085	7,233	5,987
		21,403	17,797	20,716	17,699

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(i) Personnel costs				
Salaries, allowances and bonuses	10,613	9,390	10,613	9,390
Social security cost	55	52	55	52
Pension costs - Defined contribution plan	1,304	1,162	1,304	1,162
Other staff related expenses	1,511	1,108	1,511	1,108
	13,483	11,712	13,483	11,712

(ii) General administrative expenses

General administrative expenses		7,920	6,085	7,233	5,987
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The above overhead expenses have been determined after charging amongst other items the following:

		GROUP		BANK	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Shariah Committee's remuneration		189	183	189	183

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(o) Finance cost

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Redeemable notes	160,430	64,471	160,430	64,471

(p) Zakat

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Zakat	21,653	12,778	19,795	12,778

(q) Commitments and contingencies

	GROUP AND BANK	
	2015 RM'000	2014 RM'000
Contingencies as at the financial year end constitute the following:		
Secured guarantees on behalf of customers given to:		
Subsidiary	-	159,220
Third parties	1,242,982	1,677,470
Disbursement of advances and financing to industries	2,109,416	2,276,194
	3,352,398	4,112,884

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(r) Capital Adequacy

Capital management

Regulatory capital

The following table sets forth capital resources and capital adequacy for the Bank as at reporting date.

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Tier 1 capital		
Paid-up share capital	597,400	597,400
Other reserves	169,818	247,554
Total Tier 1 capital	767,218	844,954
Tier 2 capital		
Government support funds	239,420	243,977
Collective allowance*	262,672	121,146
Total Tier 2 capital	502,092	365,123
Total capital	1,269,310	1,210,077
Less: Investment in subsidiaries	-	-
Total capital base	1,269,310	1,210,077

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

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

	BANK	
	2015	2014
	RM'000	RM'000
10%	-	-
20%	178,871	260,480
50%	511,628	1,136,969
100%	9,949,666	7,909,846
	10,640,165	9,307,295

Without deducting proposed dividend:

	BANK	
	2015	2014
	%	%
Core capital ratio	7.21%	9.08%
RWCR	11.93%	13.00%

Notes to the Financial Statements (cont'd.)

31 December 2015

48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(s) Deposits from customers -Tawarruq

GROUP AND BANK		
	2015	2014
	RM'000	RM'000
(a) The deposits are sourced from the following types of customers:		
Business enterprises	1,774,823	1,537,811
Government and statutory bodies	3,313,838	1,252,762
	5,088,661	2,790,573
(b) The deposits maturity structure are as follows:		
Less than six months	4,702,839	2,771,842
Six months to one year	385,822	18,731
	5,088,661	2,790,573

49. GOVERNMENT FUNDS

As a development financial institution, the Bank perform its mandated roles to promote strategic sectors identified by the Government of Malaysia as follows:

(a) Tourism Fund

The objective of the tourism fund is to develop and promote tourism industry.

(b) Maritime Fund

The objective of the maritime fund is to provide financial assistance to existing and new companies to stimulate growth in shipping, shipyard, marine and oil & gas related activities and services.

(c) Public Transport Fund

The objective of the public transport fund is to spur the growth in the public transportation industry and improve the quality of the nation's public transportation services.

For all the above funds, the Group and the Bank act as a financier that bear the credit risk and recognise its credit losses in the financial statements.

Notes to the Financial Statements (cont'd.)

31 December 2015

49. GOVERNMENT FUNDS (CONT'D.)

49.1 PERFORMANCE OF THE FUND

GROUP	2015				2014			
	Tourism fund RM'000	Maritime fund RM'000	Public Transport fund RM'000	Total RM'000	Tourism fund RM'000	Maritime fund RM'000	Public Transport fund RM'000	Total RM'000
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Borrowings/Islamic Funding	4,200,000	4,494,258	505,742	9,200,000	4,200,000	4,494,258	505,742	9,200,000
Net approved	4,400,000	4,494,258	505,742	9,400,000	4,400,000	4,494,258	505,742	9,400,000
Fund available	(2,499,380)	(3,121,811)	(373,491)	(5,994,682)	(2,109,150)	(2,562,811)	(338,648)	(5,010,609)
	1,900,620	1,372,447	132,251	3,405,318	2,290,850	1,931,447	167,094	4,389,391
Loans, advances and financing:								
Disbursement	1,903,271	2,701,339	277,947	4,882,557	1,575,085	2,505,547	264,081	4,344,713
Repayment	(518,600)	(1,199,170)	(201,700)	(1,919,470)	(470,894)	(750,959)	(116,774)	(1,338,627)
Outstanding	1,384,671	1,502,169	76,247	2,963,087	1,104,191	1,754,588	147,307	3,006,086
Number of beneficiaries	63	44	102	209	58	44	91	193

49. GOVERNMENT FUNDS (CONT'D.)

49.1 PERFORMANCE OF THE FUND (CONT'D.)

BANK	2015				2014			
	Tourism fund RM'000	Maritime fund RM'000	Public Transport fund RM'000	Total RM'000	Tourism fund RM'000	Maritime fund RM'000	Public Transport fund RM'000	Total RM'000
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Borrowings/Islamic Funding	4,200,000	4,494,258	5,742	8,700,000	4,200,000	4,494,258	5,742	8,700,000
Net approved	4,400,000	4,494,258	5,742	8,900,000	4,400,000	4,494,258	5,742	8,900,000
Fund available	(2,499,380)	(3,121,811)	(5,742)	(5,626,933)	(2,109,150)	(2,562,811)	(5,742)	(4,677,703)
	1,900,620	1,372,447	-	3,273,067	2,290,850	1,931,447	-	4,222,297
Loans, advances and financing:								
Disbursement	1,903,271	2,701,339	5,661	4,610,271	1,575,085	2,505,547	3,593	4,084,225
Repayment	(518,600)	(1,199,170)	(5,661)	(1,723,431)	(470,894)	(750,959)	(1,591)	(1,223,444)
Outstanding	1,384,671	1,502,169	-	2,886,840	1,104,191	1,754,588	2,002	2,860,781
Number of beneficiaries	63	44	1	108	58	44	1	103



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