FINANCIAL PERFORMANCE

ANALYSIS OF SIGNIFICANT FINANCIAL POSITION MOVEMENTS

TOTAL ASSETS

The Group's total assets as at 31 December 2012 decreased by 8.73% or RM2.63 billion to RM27.48 billion compared to the previous financial year. This was mainly due to decreases in cash & short term deposit by 41.70% or RM1.08 billion, deposit and placement by 95.07% or RM1.31 billion and other assets by 79.54% or RM1.06 billion.

DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

The Group's total deposits and placements as at 31 December 2012 decreased significantly by 60.57% or RM2.35 billion was due to maturing placements which were used to support loan disbursements as well as maturity of customer deposits.

LOANS, ADVANCES AND FINANCING

The Group's total net loans, advances and financing recorded a meager growth of 2.93% or RM0.66 billion for the FY ended 31 December 2012.

A total of RM2.47 billion worth of loan was disbursed by Bank Pembangunan and its lending arm, Pembangunan Leasing Corporation Sdn Bhd ('PLC'), while loan collection during the year was RM2.69 billion.

DEPOSITS FROM CUSTOMERS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS/REDEEMABLE NOTES

The Group's deposits and placements decreased by 13.31% or RM1.49 billion to RM9.70 billion as at 31 December 2012. This was in line with the funding strategy of reducing reliance on short term deposit and increasing more medium term funding via issuance of Medium Term Notes of RM2.5 billion in 2010.

TOTAL EQUITY

Group reserves increased by a meager 2.45% or RM96.73 million to RM4.05 billion, largely due to an adjustment to Retained Earnings resulted from first time adoption of Malaysian Financial Reporting Standard Framework (MFRS). Thus, total equity of the Group showed a meager increase to RM7.28 billion from RM7.23 billion in 2011.

ANALYSIS OF THE INCOME STATEMENTS

INTEREST INCOME

Interest income for the Group decreased by 2.93% or RM49.16 million for the FY ended 31 December 2012. The Group's core activity in loan financing was the main contributor with RM1.36 billion or 83.39% of the total interest income for the year.

Interest income earned from treasury operations for the FY ended 31 December 2012 decreased by RM5.29 million or 5.70% due to maturing placements which were used to support loan disbursements as well as maturity of customer deposits.

Investment in securities contributed RM63.1 million which was a decline by 18.03% from 2011 of RM92.68 million. The decrease in income for the year was attributed to disposal and maturity of investment securities.

NON-INTEREST INCOME

Non-interest income for the Group decreased significantly by 58.40% or RM160.33 million for the FY ended 31 December 2012 as compared to FY 2011. The decrease was mainly due to lower utilization of infrastructure support fund by RM117.8 million, loss on disposal of vessel amounting to RM24.0 million, lower dividend received from subsidiaries by RM10.6 million and lower income from charter hire by RM12.3 million.

OVERHEAD EXPENSES

For the FY ended 31 December 2012, overhead expenses for the Group lowered by 4.12% or RM8.30 million mainly due to the decrease in general administrative expenses by 13.17% or RM17.28 million for the FY ended 31 December 2012 as compared to FY 2011.

Personnel cost of the Group increased by 12.84% mainly due to cost related to implementation of second Mutual Separation Scheme which was completed in June 2012.

ALLOWANCE FOR IMPAIRMENT OF LOANS & FINANCING

For the year under review, the Group's total allowance for impairment of loans & financing recorded a decrease by RM3.79 million to RM258.50 million from RM262.29 million in 2011. However, higher individual allowance for impairment of loans and financing in 2012 by RM289.95 million to RM632.19 million from RM342.24 million in 2011 was partially offset by higher write-back of RM366.02 million, arising from adoption of new Malaysian Financial Reporting Standards (MFRS) relating to new collective assessment allowance (CAA) methodology, which was largely due to transfer from CAA to individual assessment allowance (IAA) for loans which have migrated to impaired status.

IMPAIRMENT LOSSES ON OTHER ASSETS (NET)

For the year under review, the Group's total impairment losses on other assets (net) increased by RM134.75 million to RM210.75 million from RM76.00 million in 2011. Higher impairment losses on other assets (net) in 2012 were largely due to the impairment of vessels belonging to BPMB's subsidiary, namely Global Maritime Ventures Berhad amounting to RM148.7 million.