

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2016.

Principal Activities

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

Other information relating to the subsidiaries are disclosed in Note 46 to the financial statements.

Results

	Group RM'000	Bank RM'000
Profit from continuing operations, net of tax	121,315	52,156
Profit from discontinued operations, net of tax	109,838	-
Profit for the financial year	<u>231,153</u>	<u>52,156</u>
Attributable to:		
Equity holders of the Bank	218,135	52,156
Non-controlling interests	13,018	-
	<u>231,153</u>	<u>52,156</u>

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in Notes 8, 9, 35 and 36 and the statement 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 except for significant events during the year as disclosed in Note 10 to the financial statements.

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Dividends

No dividend was declared or paid since 31 December 2015.

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2016, of 3.25% on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM100,000,000 (3.25 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2017.

Directors

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

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	
Datuk Engku Nor Faizah Engku Atek	
Datuk Wan Azhar bin Wan Ahmad	
Mohammed Rafidz bin Ahmed Rasiddi	
Datuk Jamaludin bin Nasir	(appointed on 8 December 2016)
Datuk Seri Hashmuddin bin Mohammad	(appointed on 23 January 2017)
Shaharuddin bin Zainuddin	(appointed on 13 February 2017)
Musa bin Abdul Malek	(appointed on 13 February 2017)
Suffian bin Baharuddin	(appointed on 13 February 2017)
Zainul Rahim bin Mohd Zain	(ceased with effect from 8 March 2016)
Rosli bin Abdullah	(ceased with effect from 8 March 2016)
Dato' Abd Rahman bin Md Khalid	(ceased with effect from 8 March 2016)
Dato' Ir. Hj. Mohamad bin Husin	(ceased with effect from 8 March 2017)
Dato' Kapt. Haji Ahmad bin Othman	(ceased with effect from 8 March 2017)

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

(i) Global Maritime Ventures Berhad

Raja Datuk Zaharaton binti Raja Zainal Abidin	
Mohammed Rafidz bin Ahmed Rasiddi	
Datin Rashidah binti Mohd Sies	
Datuk Wan Azhar bin Wan Ahmad	
Darawati Hussain binti Dato' Seri Abdul Latiff	(appointed on 27 June 2016)
Mohamad Rafi bin Shahzada	(appointed on 27 June 2016)
Dato' Kapt. Haji Ahmad bin Othman	(resigned on 8 March 2017)
Rosli Bin Abdullah	(resigned on 8 March 2016)
Taufiq Ahmad @ Ahmad Mustapha bin Ghazali	(resigned on 27 June 2016)
Dato' Abdul Rahim bin Abu Bakar	(resigned on 3 July 2016)

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Directors (cont'd.)

(ii) Pembangunan Leasing Corporation Sdn Bhd

Mohammed Rafidz bin Ahmed Rasiddi	
Datuk Wan Azhar bin Wan Ahmad	(appointed on 17 March 2016)
Mohamad Rafi bin Shahzada	(appointed on 1 March 2017)
Rosli bin Abdullah	(resigned on 8 March 2016)
Dato' Abd Rahman bin Md Khalid	(resigned on 8 March 2016)
Dato' Ir. Hj. Mohamad bin Husin	(resigned on 8 March 2017)

(iii) SME GAF

Datuk Wan Azhar bin Wan Ahmad	(appointed on 28 April 2016)
Mohammed Rafidz bin Ahmed Rasiddi	(appointed on 8 March 2016)
Afidah binti Mohd Ghazali	
Rosli bin Abdullah	(resigned on 8 March 2016)

(iv) Emerald Upline Sdn Bhd

Fauziah Hanim binti Baharin
Azmahnor binti Siarap @ Abdul Wahab

(v) Maju Nominees (Tempatan) Sdn Bhd

Mohd Yazid bin Safuan
Roslina binti Mohamed

(vi) BPMB Urus Harta Sdn Bhd

Fauziah Hanim binti Baharin	
Afidah binti Mohd Ghazali	(appointed on 30 August 2016)
Mohd Nor bin Abd. Razak	(resigned on 30 August 2016)

Directors' Benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Bank as shown in Notes 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.

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Directors' Interest

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

Indemnities to directors, officers or auditors

For the financial year ended 31 December 2016, The Group and the Bank had not given any indemnities to the directors and officers. However, the directors and officers were covered by the insurance coverage amounting to RM418,720.

To the extent permitted by law, the Bank has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Rating by External Rating Agencies

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating
MARC Rating	19 August 2016	Financial Institution Rating	AAA
MARC Rating	19 August 2016	Islamic Commercial Papers and/or Conventional Commercial Papers Programme of up to RM2.0 billion in nominal value	MARC-1
RAM Rating	29 December 2016	Financial Institution Rating	AAA
RAM Rating	29 December 2016	RM7 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA

Business Outlook

The global economy is projected to expand at a slower pace in 2017 mainly due to uncertain economic prospects in the Eurozone, China and some major emerging economies that offset the benefits of lower oil prices. Simultaneously, the downside risk to economic growth is expected to increase for Malaysia in view of continued moderation in domestic demand, generally weak recovery in commodity prices and weakening Ringgit. Against the backdrop of challenging economic and banking environment in Malaysia, 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.

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Other Statutory Information

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (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.

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Other Statutory Information (cont'd.)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations as and when they fall due other than those incurred in the normal course of business; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year which this report is made.

Significant Events

Significant events are disclosed in Note 10 to the financial statements.

Subsequent Event

Subsequent event is disclosed in Note 45 to the financial statements.

Auditors

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

Auditors' remunerations are disclosed in Note 32 (iv) to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 31 May 2017.



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



Mohammed Rafiez bin Ahmed Rasiddi

Kuala Lumpur, Malaysia