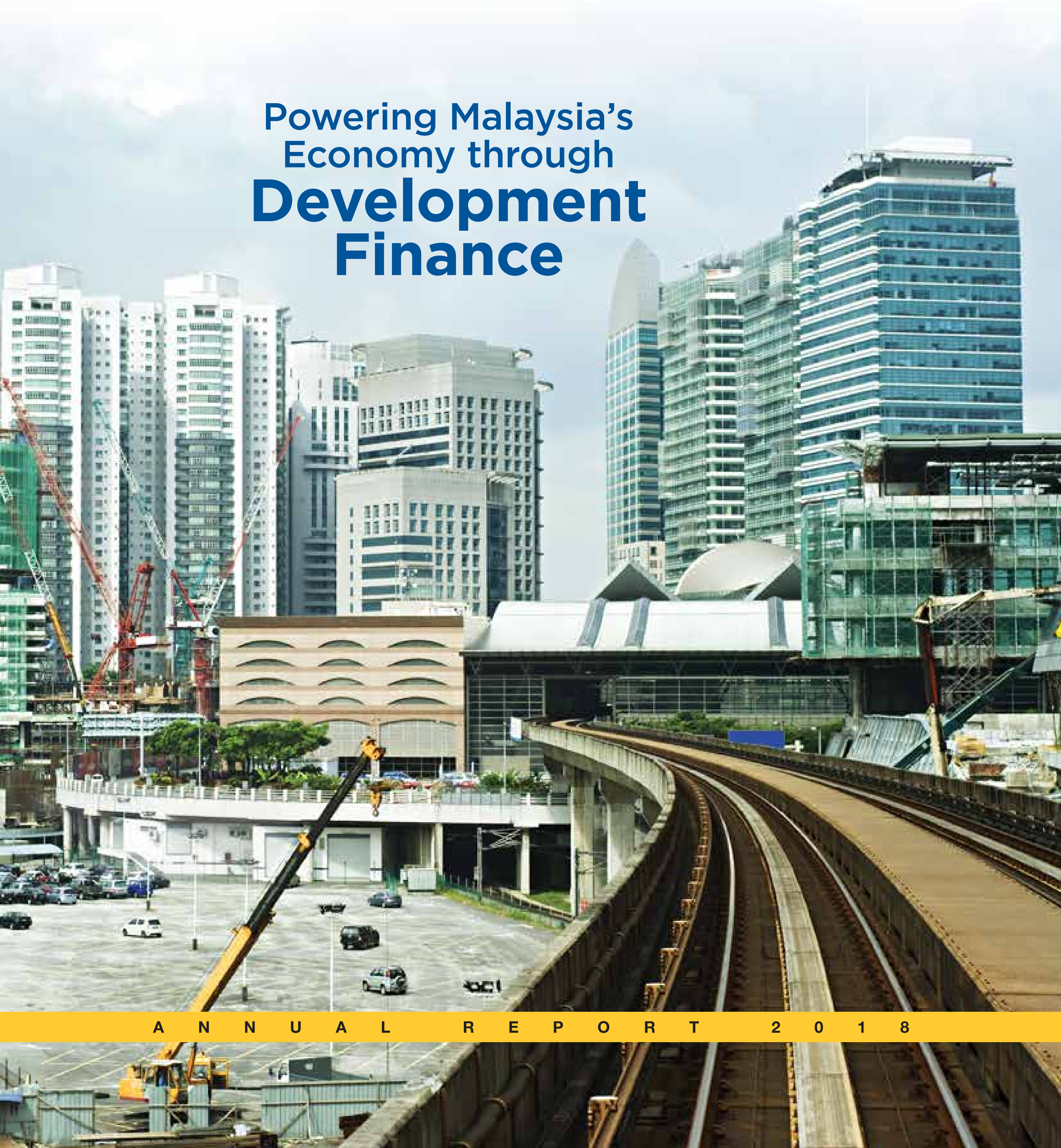
BPMB
Malaysia Development Bank

PERBANKAN ISLAM

Powering Malaysia's Economy through Development Finance



ANNUAL REPORT 2018

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SME BANK
BPMB
BPMB

CORPORATE STRUCTURE
as at 30 April 2019

BPMB Malaysia Development Bank

Subsidiaries

- **100%** Pembangunan Leasing Corporation Sdn Bhd
  - **100%** PLC Credit & Factoring Sdn Bhd
  - **100%** BI Credit & Leasing Bhd
- **90%** Global Maritime Ventures Bhd
- **100%** Maju Nominees (Tempatan) Sdn Bhd
- **100%** SME Growth Acceleration Fund Sdn Bhd — *Dormant*
- **100%** BPMB Urus Harta Sdn Bhd — *Dormant*
- **100%** Emerald Upline Sdn Bhd — *Dormant*


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- **CHAIRMAN'S STATEMENT**
- **PRESIDENT/ GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT**

CHAIRMAN'S STATEMENT

"The pressure on growth was felt across most economic sectors, and BPMB as the largest Development Financial Institution (DFI) in Malaysia was also impacted."

DATUK ZAITON MOHD HASSAN
Chairman

On behalf of the Board of Directors of Bank Pembangunan Malaysia Berhad (BPMB), I am pleased to present the 45th annual report and financial statements for the Bank and the Group for the financial year ended 31 December 2018 (FY2018).

OVERVIEW

If there is a single word to describe the year under review, it would be "Change", with global megatrends reshaping the world we live in. Brexit negotiations, the recovery and reversal of crude oil prices, the intense US-China trade war and our very own change in Federal Government have brought forth both opportunities and challenges for Malaysia's economy. The combined effect of the internal and external shocks has been reflected in the 2018 GDP growth of 4.7% versus the 5.6% forecasted.

The pressure on growth was felt across most economic sectors, and BPMB as the largest Development Financial Institution (DFI) in Malaysia was also impacted. While our role as a DFI remains as the catalyst for nation building, we are however highly susceptible to the prevailing general economic conditions. Nonetheless, despite the tough macro-economic environment throughout the year, we continued our strive to support our clients, to help them cushion the slow-down in the business environment and to overcome financial obstacles as they arose.

To remain aligned with the Government's development agenda, we embarked on an internal transformation, including a revamp of the Board of Directors and a paradigm shift in our business strategies.

2018 PERFORMANCE

The BPMB Group recorded a Profit Before Tax and Zakat of RM261 million in 2018 compared to RM325 million in 2017, down by 19.6% YoY. This is mainly due to higher impairment provisions on loans, financing and advances coupled with lower interest and financing income arising from contraction in the loans, financing and advances book.

As at end 2018, Group Total Assets and Group Total Liabilities declined to RM25 billion and RM17 billion from RM27 billion and RM19 billion respectively in the previous year. This is largely due to the lower lending and financing activities and net investments as well as lower customer deposits.

BPMB continued to receive support from regulators as well as stakeholders, and the confidence is reflected in our financial institution ratings. RAM reaffirmed BPMB as a AAA/PI institution with a stable outlook, alongside the AAA/rating with a Stable Outlook of the Group's RM7 billion Conventional MTN and/or Islamic Murabahah MTN Programmes (2006/2036).

MARC also reaffirmed BPMB’s AAA financial institution (FI) rating as well as its ratings on BPMB’s Islamic/Conventional Commercial Papers (CP) Programme of RM2.0 billion, at MARC-1IS/MARC-1, with a stable outlook.

NAVIGATING GLOBAL MEGATRENDS

Digitalisation, Sustainability and Inclusivity has become the buzzword of global megatrends. Reflecting on these trends and the challenges that come with them, we have made a concerted effort in adopting a new approach to doing business, taking into consideration that the 12th Malaysia Plan will be unveiled next year.

BPMB has decided to begin an internal transformation to enable us to make a sustainable impact on the nation’s development. This will involve a significant paradigm shift in our business operations, and committing ourselves to the United Nation’s Sustainable Development Goals (SDGs), without compromising good governance practices.

BPMB will partner the Government in its developmental agenda. As such, our business approach has to be flexible and accommodative, to be constantly in line with the evolving national agenda. In addition, we recognise that there is a need to assess and measure the potential impact of each of our actions and activities on the nation’s economy.

NEW STRATEGIC DIRECTION

A 3-year Strategic Plan 2020-2022 has been drawn up in order for us to deliver our mandate as Malaysia’s leading developmental partner and to achieve our new mission of “Impactful Delivery with Strategic Outcomes”.

For the Plan to work, we recognise that internal processes and capabilities must be strengthened, including establishing a new business framework to ensure the Bank is highly adaptable to externalities and able to support Malaysia’s development agenda in the new economy. We also remain fully committed to BPMB’s stated objective of becoming a full-fledged Islamic bank.

In this regard, it is appropriate for me to share what our new approach to business means for our clients, and the business and corporate community.

Firstly, the Bank will be sector agnostic. This means we will not confine our financing to specific sectors. We will move beyond traditional sectors while continuing to serve the underserved and unserved areas. This approach will enable BPMB to be timelessly relevant and flexible to accommodate priority areas identified by the Government.

Secondly, financial feasibility will not be the only factor to be considered in our project assessment. Non-financial impact would be given due weight when we assess each application.

Thirdly, BPMB will play a bridging role between the Government’s developmental policy and its impact on the ground. In so doing, we will be in a good position to give useful feedback to the Government, as it evaluates the effectiveness of its policies and the crafting of future national agendas.

I am also pleased to share that, in line with our mission of delivering impactful and sustainable outcomes, BPMB has taken the lead to spearhead the creation of a non-profit organisation, to be named Amanah Lestari Alam (ALAM).

ALAM's objective is to create awareness, educate the public and inculcate a whistle blowing culture in caring for nature and addressing the issue of environmental sustainability. We want to instil intergenerational behavioural change among Malaysians.

The main target groups are primary students, tertiary students as well as corporates. ALAM will complement and supplement the existing CSRs in the market and aims to bring together the corporate sector, public sector and international organizations in realizing its objectives.

All of the above will fortify our vision to be "Malaysia's Leading Development Partner".

ACKNOWLEDGEMENT

BPMB has seen boardroom changes in early 2019. I myself assumed the chairmanship in February 2019. In April 2019, we appointed our new President/Group Chief Executive Officer (PGCEO), Arshad Mohamad Ismail.

As Chairman of BPMB I am proud to be leading a group of dedicated and diligent Board Members with diverse experience and solid professional backgrounds. The new board is composed entirely of professionals and reinforces our desire to be a knowledge-based organisation by setting the tone at the very top.

I would like to take this opportunity to express our gratitude to the Ministry of Finance, the Ministry of Economic Affairs, Bank Negara Malaysia and our other regulators for their continued support of BPMB.

On behalf of the Board Members, I would like to also thank the former Chairman, Tan Sri Dr Wan Abdul Aziz Wan Abdullah and the former board members for their contributions. We wish them all the best in their future endeavours.

We also would like to express our gratitude and appreciation to all our staff for their commitment and dedication to BPMB.

Datuk Zaiton Mohd Hassan
Chairman

PRESIDENT / GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

"Business confidence and market sentiment softened causing many financial institutions in Malaysia to operate in a more cautious mode."

ARSHAD MOHAMED ISMAIL
President/Group Chief Executive Officer

Overview

I am delighted to present BPMB's 2018 Annual Report, my first as President and Group Chief Executive Officer. I joined BPMB in April 2019, knowing that the Bank plays a critical role in spurring the development of Malaysia. I am grateful for all the support and assistance I have received since taking on this role.

In 2018, the Bank faced challenging circumstances as uncertainty continued to plague the domestic market post-election period, and the global environment was gloomy triggered by trade tensions and extended weaknesses in commodity prices.

Since joining BPMB, it has become clear to me that whilst the Bank, as the country's largest development financial institution, possesses strong growth potential, it is entering a period of significant change bringing both challenges and opportunities. The immediate issues to be addressed were the strengthening of the governance and oversight framework and commencing the transformation of the business. These changes are now underway and will continue in 2019.

2018 FINANCIAL PERFORMANCE
Bank Pembangunan Malaysia Berhad (BPMB)

The broad-based slowdown in global economic growth as a consequence of the prolonged US-China trade rift and the intense volatility of the global crude oil prices, certainly had spill-over effects on Malaysia's economy. As a result, business confidence and market sentiment softened causing many financial institutions in Malaysia to operate in a more cautious mode.

On the back of this, BPMB's financial performance for the year ended 31 December 2018 was impacted. BPMB's Profit Before Taxation and Zakat decreased by 25.8% to RM218.1 million from RM294.0 million in 2017. This was largely due to higher allowance for impairment losses of loans, financing and advances by 41.0% to RM441.1 million in 2018 from RM312.9 million in the prior year. This led the Bank to register Profit After Tax of RM136.3 million for the year, representing a 31.6% decline from RM199.4 million in 2017.

BPMB's Total Assets decreased to RM24.5 billion from RM26.7 billion, a drop of 8.5% from the previous year. This was mainly due to the decline in investment in subsidiaries (9.7%), other assets (8.8%) and loans, financing and advances (7.3%). Nonetheless, Total Liabilities decreased by 10.8% to RM17.1 billion primarily due to the decline of 21.4% in deposits from customers.

On a positive note, Gross Impaired Loan (GIL) ratios continued to decline, a trend seen in recent years as a result of the Bank's active measures to improve the quality of loan and financing portfolio. GIL for 2018 improved to 10.9% as compared to 2017's 12.2% and 2016's 15.0%. Furthermore, the Bank's capital adequacy remained at a healthy level with Risk

Weighted Capital Ratio and Core Capital Ratio at 37.4% and 31.2% respectively as at end 2018.

Pembangunan Leasing Corporation Sdn Bhd (PLC)

The PLC Group reported a lower Operating Profit of RM19.6 million in 2018, compared with RM24.5 million in the previous year due to lower non-interest/profit income. Nevertheless, Profit Before Taxation and Zakat improved by 13.3% to RM37.4 million from RM33.0 million registered in 2017 due to higher net write-back of loans, financing and advances.

The PLC Group's Total Assets grew to RM374.3 million from RM355.3 million in 2017 lifted by higher cash and short-term deposits. On the other hand, Total Liabilities decreased to RM26.7 million from RM37.7 million in the previous year due to lower security deposits from clients.

Global Maritime Venture Berhad (GMVB)

GMVB Group's Loss before Tax narrowed by 69.3% to RM28.5 million from RM92.9 million in 2017. This was mainly due to lower in other operating expenses contributed by lower expected credit losses and share of losses in Associated Companies.

Total Assets for GMVB Group stood at RM113.8 million in 2018, down by 21.1% from RM144.2 million in 2017.This was largely due to a full provision made on the net carrying value of investment in joint ventures in both non-current and current assets by RM20.92 million and RM7.62 million, respectively. The total liabilities increased by RM0.41 million to RM10.53 million from RM10.12 million in 2017 mainly due to accrual of the liquidation costs.

CONTINUOUS IMPROVEMENT

BPMB will continue to enhance its business processes in an effort to improve the delivery system. One of the key initiatives is to enhance the credit value chain (CVC) of the bank. This is a two-year enhancement programme that includes a holistic review of the Bank's current internal structure and processes with the goal of transforming our business, people and working culture to achieve organisational excellence.

The implementation of this programme will enable the Bank to meet its strategic goals and improve financial performance for the benefit of our stakeholders. Ultimately, we expect to enhance BPMB's business sustainability to achieve a long-lasting impact on the country's development.

Apart from that, we have also initiated a new Code of Conduct in line with the Government's efforts in continuously improving the standard of governance to become more transparent, accountable and professional. We are codifying these aspirations in the new Code of Conduct in support of the Government's agenda. This will be actively promulgated among our staff to ensure we operate at the highest levels of integrity.

2019 EFFORTS

Digitalisation, sustainability and inclusivity are now firmly established as key components in the evolution of markets fraught with intense competition in a fast paced environment. We also acknowledge that speed and rapid technological advancement are crucial to address market realities stemming from the volatility in financial markets, fluctuation in commodity prices and mounting geopolitical tensions. To overcome such pressing circumstances,

> **Digitalisation, sustainability and inclusivity are now firmly established as key components in the evolution of markets fraught with intense competition in a fast paced environment.**

we recently completed, our 3-Year Strategic Plan for 2020-2022.

The primary objective of the 3-Year Strategic Plan for 2020-2022 is to deliver on the national mandate as Malaysia's leading developmental partner and to achieve our new mission of **"Impactful Delivery with Strategic Outcomes"**. Additionally, BPMB's new operating model will be anchored on impact creation and sector agnostic financing.

Thus far, we have launched a spectrum of new financing schemes, to provide funding facilities in line with the national development agenda. These schemes are targeted at strategic key sectors to create positive long-term impact to the economy and ensure the well-being of Malaysians. These schemes offer an incentive of 2.0% profit rate subsidy from the Government, as announced in 2019 Budget. They are:

1. **Industrial Digitalisation Transformation Fund (RM3.0 billion)**
2. **Sustainable Development Financing Fund (RM1.0 billion)**
3. **Public Transport Fund (RM500.0 million)**

Additionally, we have also launched the **Tourism Infrastructure Fund 2.0 (RM1.0 billion)** and the **Maritime Fund 2.0 (RM1.5**

billion). Our customers who qualify for financing under these funds will enjoy a profit rate subsidy of 1.75%.

The Tourism Infrastructure Fund is aimed at assisting tourism entrepreneurs who wish to develop or expand existing projects that contribute to the development of the local tourism industry. The Maritime Fund's primary objectives are to assist industry players undertaking shipping, shipyard and maritime related activities, enhance local tonnage capabilities, and increase the efficiency of terminal operations of local ports and other marine ancillary activities.

These two schemes are an extension of past schemes that have expired, in line with our continuous effort to spur the two sectors.

SUSTAINABILITY

BPMB has embarked on initiatives to mobilize green and sustainable finance through the promotion of the **Sustainable Development Financing Fund** that is aimed at encouraging more Malaysian companies to adopt business practices that contribute to the 17 Sustainable Development Goals (SDGs) outlined by the United Nations.

BPMB is also incorporating SDGs elements into our project evaluation process through the end to end **Project Evaluation and Impact Assessment Framework**. Compatibility with SDGs will now become a factor in assessing a project, in addition to traditional creditworthiness. This will be how we put into practice the sustainable development agenda of the Government. This said, we do realise that aligning economic growth with sustainable development can be a challenge but, we also recognise our critical role in helping sustainable finance gaining traction in Malaysia.

STRATEGIC SHIFT

At present, we are embarking on a paradigm shift that will change our business approach. These transformative changes emanated from a series of internal enhancements that BPMB has undertaken since 2017. We took into consideration current trends where products and services defy categorisation or segmentation. We realise our business approach needs to be relevant to the current business landscape.

In drafting the national developmental agenda, the Government focuses on various sectors. These sectors change over time according to global economic challenges. As we are in the midst of significant transformation with sustainability paving the way, Industry 4.0 will spearhead the global adoption of digitalisation and advanced technologies in manufacturing to further drive intelligent action and digital innovation. Since the beginning of 2019, we have been an active participant in various task force committees at national level, including the Twelfth Malaysia Plan (12th MP), Industry Revolution 4.0 (IR 4.0), new Industrial Master Plan 2021-2030 and the National Shipping Council, to name a few.

Our current business framework, which was relevant and appropriate at the time of its formulation may be somewhat limiting for the future. Realising this, it is therefore crucial that we review our approach, to be sector agnostic aligning ourselves with the national development agenda. Going forward, the Bank envisages itself to be a policy bank that is solution-driven by playing more proactive roles in assisting policy-makers. We are working with international institutions to design a tool for impact assessment, and once implemented, it will be a game changer for BPMB. The implication of this, will be transformational anchoring towards greater development outcomes leading to major changes in our business approach.

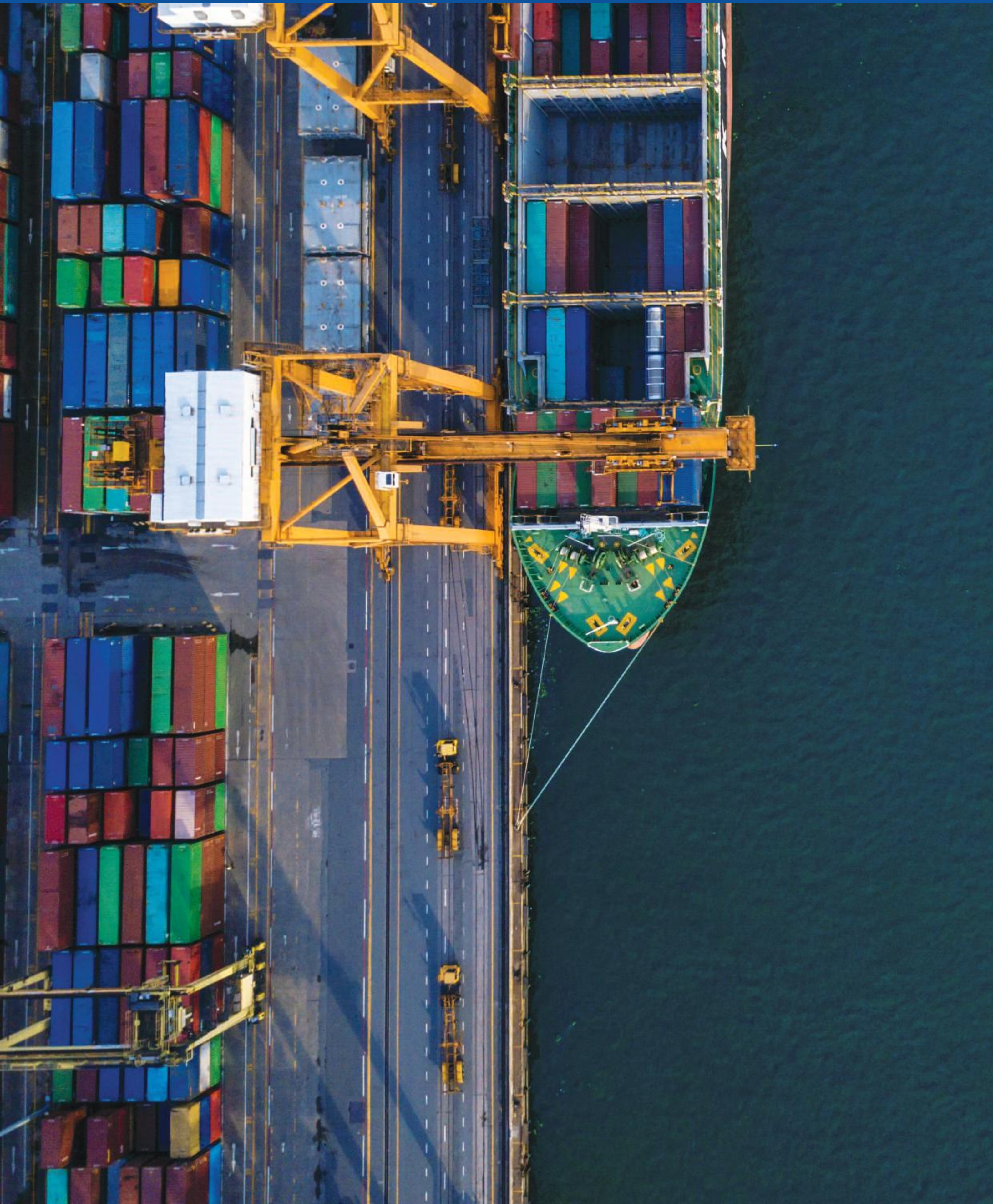
In the age of disruption, businesses live and thrive by their ability to adapt. Agility and adaptability have become buzzwords of what businesses need to do. We have navigated through difficult and challenging times; there were moments of doubt and self-reflection. These challenges serve as opportunities for BPMB to embark on a transformative journey in order to remain relevant in today's economic ecosystem. Armed with lessons learnt in 2018 and the prospects of 2019, we are optimistic of delivering better performance and will continue to work towards achieving the nation's aspirations. Change is not a threat, but an opportunity for us to learn, to grow, to evolve and to become better at all that we strive for.

ACKNOWLEDGEMENT

I have taken on this responsibility to serve BPMB at a time when the nation is undergoing change in line with the global megatrends that are reshaping the future, and I realise that it is not a responsibility I can afford to take lightly. Fortunately, I am well supported by a management team that is highly committed and skilled, comprising professionals from diverse backgrounds, and also by other colleagues who are equally committed, experienced and passionate.

I end with a heartfelt expression of gratitude and appreciation to everyone who has contributed to the story of BPMB, who provided the support and rapport that gave life to our driven sense of duty to the nation.

Arshad Mohamed Ismail
President / Group Chief Executive Officer



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PERFORMANCE ASSESSMENT

DEVELOPMENT OUTCOMES

Objective	Strategic Actions	Performance Target	FY2015	FY2016	FY2017	FY2018
Contribution to the development of strategic sectors	To provide financing to strategic sectors of the economy	Value of gross approval sector:				
		Infrastructure	RM2,831 mil	RM2,487 mil	RM4,497 mil	RM1,659 mil
		Maritime	RM200 mil	–	RM400 mil	RM390 mil
		Oil & Gas	–	–	–	–
		Technology	RM528 mil	–	RM450 mil	RM1,081 mil
		Total	**RM3,559 mil**	**RM2,487 mil**	**RM5,347 mil**	**RM3,130 mil**

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

STRATEGIC SECTOR OUTPUT

Objective	Strategic Actions	Performance Target	FY2015	FY2016	FY2017	FY2018
Support the needs of strategic sectors	To provide financing to aid the growth of quality assets	Value of disbursements by sector:				
		Infrastructure	RM2,053 mil	RM1,766 mil	RM1,260 mil	RM1,892 mil
		Maritime	RM95 mil	RM694 mil	RM658 mil	RM910 mil
		Oil & Gas	RM25 mil	–	–	–
		Technology	RM84 mil	RM75 mil	RM80 mil	RM104 mil
		Total	**RM2,257 mil**	**RM2,535 mil**	**RM1,998 mil**	**RM2,906 mil**

Strategic Sector Output is defined as institutional achievements in supporting the needs of strategic sectors.

ORGANISATIONAL SOUNDNESS

Objective	Strategic Actions	Performance Target	FY2015	FY2016	FY2017	FY2018
Achieve financial sustainability	To increase profitability	Profit Before Tax	RM228 mil	RM126 mil	RM294 mil	RM218 mil
Achieve strong capitalisation	To achieve optimal capital adequacy	Risk Weighted Capital Ratio (RWCR)	38.5%	34.6%	33.8%	37.5%
Strengthen asset quality	To consistently reduce Gross Impaired Loan Ratio	Gross Impaired Loan Ratio	11.3%	14.9%	12.0%	10.9%

Organisational Soundness is defined as institutional requisites to facilitate DFI in achieving targeted strategic activities.

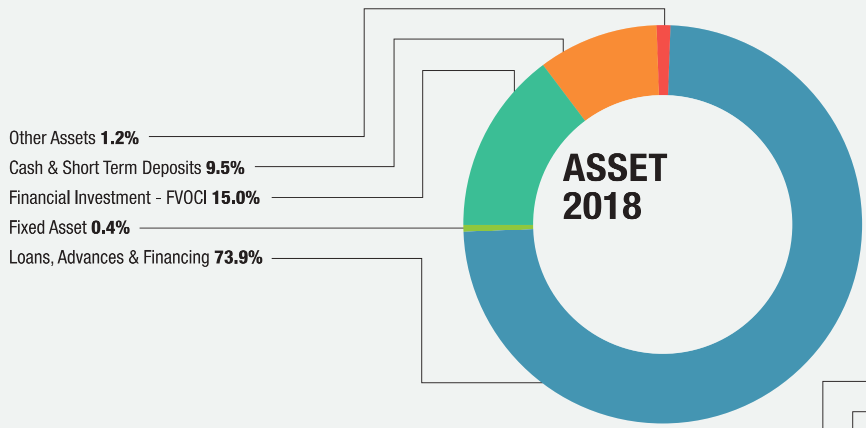
FIVE-YEAR GROUP FINANCIAL SUMMARY

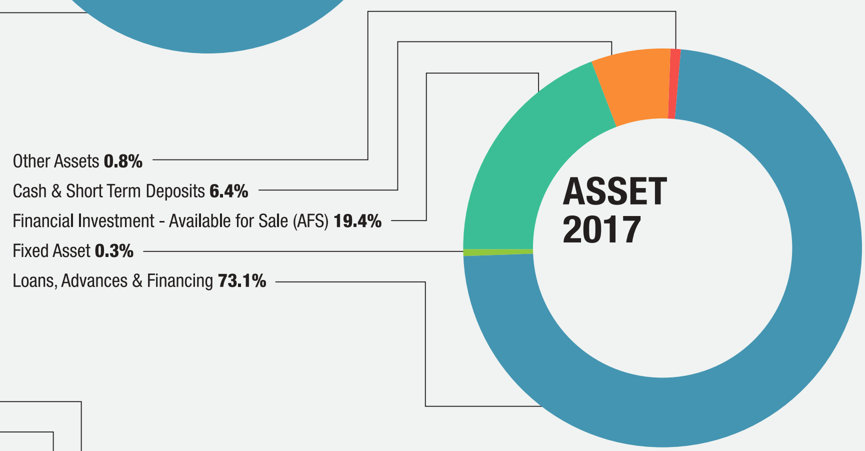
	2018	2017	2016	2015	2014
PROFITABILITY (RM Million)					
Continuing operations:					
Net income	820	870	981	972	1,172
Net income from Islamic financial business	298	273	259	143	262
Operating profit	273	331	213	416	295
Profit before taxation & zakat from continuing operation	261	325	208	406	306
Profit from continuing operations, net of tax	167	215	121	269	125
Profit/(Loss) from discontinued operations, net of tax	-	(2)	110	(282)	-
Net profit/(loss) for the year	167	213	231	(13)	125
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM Million)					
Total assets	**24,734**	**26,999**	**26,861**	**27,298**	**29,945**
Cash and total deposits and placements	2,350	1,718	1,296	1,471	2,630
Financial investment - FVOCI	3,720	-	-	-	-
Financial investment - available for sale (AFS)	-	5,224	3,697	2,099	1,321
Financial investment - held to maturity (HTM)	-	-	186	184	260
Loans, financing and advances	18,285	19,743	21,210	22,757	24,757
Other assets	379	314	472	787	977
Total liabilities	**17,183**	**19,272**	**19,278**	**19,710**	**22,375**
Deposits from customers and financial institution	6,513	8,160	9,760	8,198	5,967
Bill and acceptance payable	-	249	-	1,742	-
Redeemable notes/Sukuk	7,344	7,393	5,920	4,353	5,964
Borrowings	2,682	2,784	2,944	4,613	9,604
Infrastructure support fund	304	304	307	337	367
Deferred income	220	227	234	240	244
Other liabilities	120	155	113	227	228
Total equity	**7,551**	**7,727**	**7,583**	**7,588**	**7,570**
Paid-up capital	3,079	3,079	3,079	3,079	3,079
Reserves	4,456	4,629	4,472	4,484	4,444
Non controlling interest	16	19	32	25	47
Commitments and contingencies	**6,257**	**9,335**	**8,351**	**5,138**	**7,035**
SHARE INFORMATION (Per share (sen))					
Earnings per share	5.56	7.34	7.08	0.36	4.75
Gross dividend	3.25	3.25	3.25	-	1.20
FINANCIAL RATIOS (%)					
Profitability Ratios (%)					
Return on equity	2.19	2.76	3.05	(0.17)	1.65
Return on assets	0.65	0.79	0.86	(0.04)	0.42
Cost to income	13.09	11.28	13.03	24.06	33.71
Asset Quality Ratio (%)					
Gross impaired loans, financing and advances	10.95	12.15	15.02	11.14	10.95
Net impaired loans, financing and advances	4.89	4.99	6.33	5.78	4.10

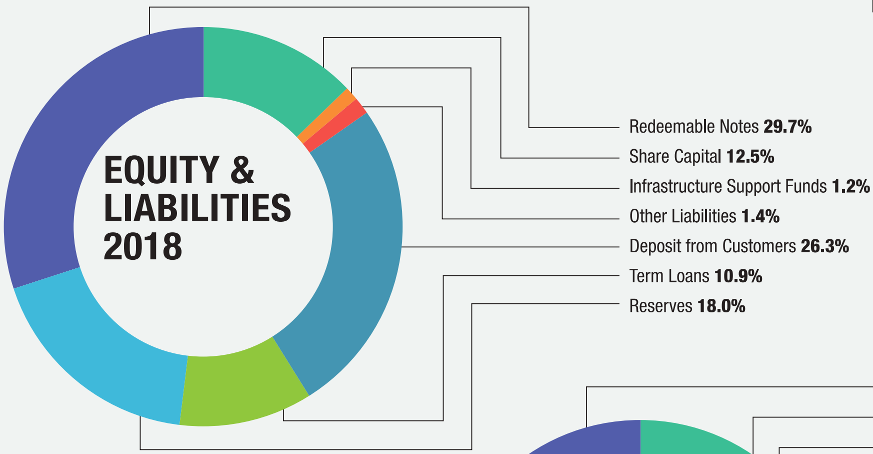
FINANCIAL HIGHLIGHTS

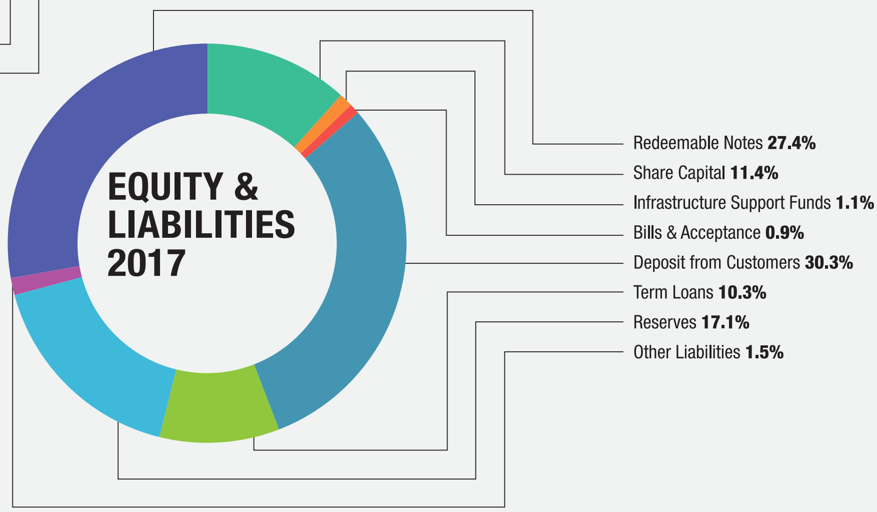
	GROUP		BANK	
	2018	**2017**	**2018**	**2017**
PROFITABILITY (RM Million)				
Continuing operations:				
Net income	820	870	789	849
Net income from Islamic financial business	298	273	294	268
Operating profit	273	331	218	294
Profit before taxation & zakat from continuing operations	261	325	218	294
Profit from continuing operations, net of tax	167	215	136	199
Profit/(loss) from discontinued operations, net of tax	-	(2)	-	-
Profit for the year	167	213	136	199
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM Million)				
Total assets	**24,734**	**26,999**	**24,459**	**26,745**
Total deposits and placements	2,350	1,718	2,020	1,440
Financial investment - FVOCI	3,720	-	3,717	-
Financial investment - Available for sale (AFS)	-	5,224	-	5,219
Investment in subsidiaries	-	-	257	284
Loans, advances and financing	18,285	19,743	18,127	19,558
Other assets	379	314	338	244
Total liabilities	**17,183**	**19,272**	**17,141**	**19,218**
Deposits from customers and financial institution	6,513	8,160	6,513	8,160
Bills and acceptance payable	-	249	-	249
Redeemable notes/Sukuk	7,344	7,393	7,344	7,393
Borrowings	2,682	2,784	2,682	2,784
Infrastructure support fund	304	304	304	304
Deferred income	220	227	220	227
Other liabilities	120	155	78	101
Total Equity	**7,551**	**7,727**	**7,318**	**7,527**
Paid-up capital	3,079	3,079	3,079	3,079
Reserves	4,456	4,629	4,239	4,448
Non controlling interest	16	19	-	-
Commitments and contingencies	**6,257**	**9,335**	**6,047**	**9,047**
SHARE INFORMATION				
Earnings per share - basic (sen)	5.56	7.34	-	-
Gross dividend	3.25	3.25	3.25	3.25
FINANCIAL RATIOS (%)				
Profitability Ratios (%)				
Return on equity	2.19	2.76	1.84	2.67
Return on assets	0.65	0.79	0.53	0.75
Cost to income	13.09	11.28	12.92	9.33
Capital Adequacy (%)				
Risk weighted capital ratio (RWCR)	-	-	37.45	33.78
Core capital ratio	-	-	31.22	29.54
Asset Quality Ratio (%)				
Gross impaired loan, financing and advances	10.95	12.15	10.91	12.04
Net impaired loan, financing and advances	4.89	4.99	4.93	5.01

GROUP STATEMENTS OF FINANCIAL POSITION



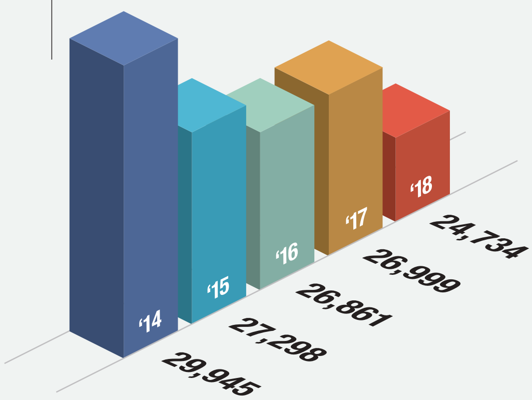






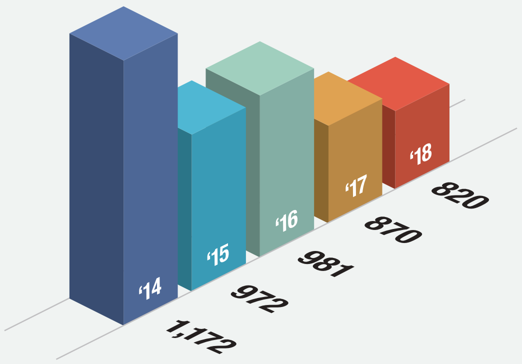
FIVE-YEAR GROUP GROWTH

TOTAL ASSETS (RM Mil.)

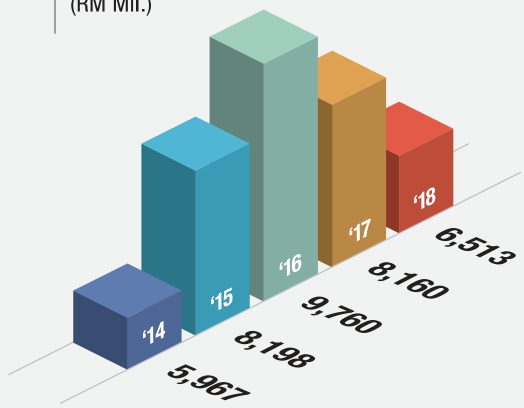


NET LOANS, FINANCING & ADVANCES (RM Mil.)

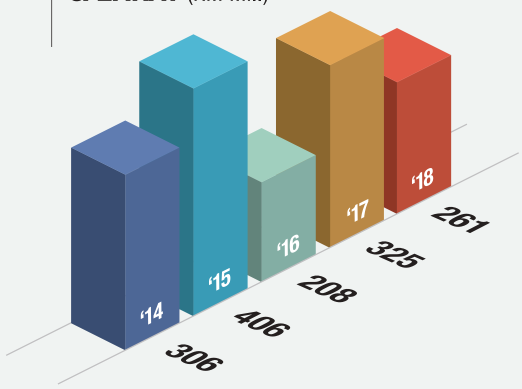
NET INCOME (RM Mil.)



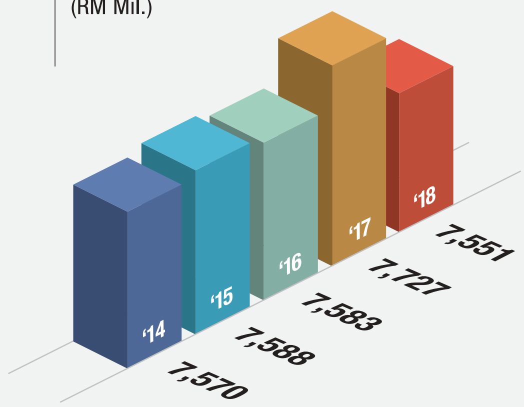
DEPOSIT FROM CUSTOMERS & FINANCIAL INSTITUTIONS (RM Mil.)



PROFIT BEFORE TAX & ZAKAT (RM Mil.)



TOTAL EQUITY (RM Mil.)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Zaiton Mohd Hassan
Chairman/Independent Non-Executive Director
(appointed w.e.f. 18 February 2019)

Tan Sri Dr Rahamat Bivi Yusoff
Independent Non-Executive Director
(appointed w.e.f. 1 October 2018)

Dato' Othman Semail
Non-Independent Non-Executive Director
(appointed w.e.f. 22 January 2019)

Puan Tan Lye Sim
Independent Non-Executive Director
(appointed w.e.f. 15 September 2018)

Dr Mohamed Ashraf Mohamed Iqbal
Independent Non-Executive Director
(appointed w.e.f. 1 February 2019)

Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah
Independent Non-Executive Director
(appointed w.e.f. 25 April 2019)

Encik Ariff Rozhan
Independent Non-Executive Director
(appointed w.e.f. 10 May 2019)

Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah
Chairman/Independent Non-Executive Director
(ceased w.e.f. 1 December 2018)

Datuk Seri Hashmuddin Mohammad
Non-Independent Non-Executive Director
(ceased w.e.f. 22 January 2019)

Encik Musa Abdul Malek
Independent Non-Executive Director
(ceased w.e.f. 12 February 2019)

Encik Suffian Baharuddin
Independent Non-Executive Director
(ceased w.e.f. 12 February 2019)

Datuk Wan Azhar Wan Ahmad
Independent Non-Executive Director
(resigned w.e.f. 22 February 2019)

PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER

Encik Arshad Mohamed Ismail
(appointed w.e.f. 8 April 2019)

Encik Shaharuddin Zainuddin
(ceased w.e.f. 30 July 2018)

COMPANY SECRETARIES

Puan Zarina Nadzimuddin
(MAICSA 7060104)

Encik Razali Hassan
(LS 05531)

SHARIAH COMMITTEE

Associate Professor Dr. Aznan Hasan (Chairman)

Assistant Professor Dr. Miszairi Sitiris

Associate Professor Dr. Noraini Mohd Ariffin

Dr. Ahmad Basri Ibrahim

Ustaz Mohd Fadhly Md Yusoff

Encik Musa Abdul Malek
(resigned w.e.f. 12 February 2019)

AUDITORS

Ernst & Young
(AF:0039)

REGISTERED OFFICE

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

WEBSITE

www.bpmb.com.my

LEADERSHIP

- BOARD OF DIRECTORS
- PRESIDENT/ GROUP CHIEF EXECUTIVE OFFICER
- SHARIAH COMMITTEE
- GROUP MANAGEMENT COMMITTEE

BOARD OF DIRECTORS

Seated from left to right:
Tan Sri Dr Rahamat Bivi Yusoff Independent Non-Executive Director; **Puan Tan Lye Sim** Independent Non-Executive Director; **Datuk Zaiton Mohd Hassan** Non-Executive Chairman / Independent Non-Executive Director.

Standing from left to right:
Encik Ariff Rozhan Independent Non-Executive Director; **Dato' Othman Semail** Non-Independent Non-Executive Director; **Dr Mohamed Ashraf Mohamed Iqbal** Independent Non-Executive Director; **Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah** Independent Non-Executive Director.

DATUK ZAITON MOHD HASSAN
Non-Executive Chairman / Independent Non-Executive Director

Date of Appointment
18 February 2019

Qualifications
- Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom
- Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants
- Member of the International Federation of Accountants (IFAC) Professional Accountants in Business (PAIB) Committee

Areas of Expertise
- Banking, Accounting, Finance

Relevant Experience
Datuk Zaiton brings a total of 40 years of diverse banking and finance experience, including 12 years in Maybank, in various senior positions including heading Treasury, International Operations, Branch Operations and Group Strategic Planning and 13 years on the Board of Bank Islam (M) Berhad, including chairing both Board Risk Committee and the Audit & Examination Committee.

She set up Malaysian Rating Corporation Bhd (MARC) in 1996 and was its President / Executive Director until 2004. She then set up her own financial advisory firm, Capital Intelligence Advisors Sdn Bhd. She was also responsible in the establishment of the Malaysia Professional Accountancy Centre (MyPAC) in 2015 and is currently its Chief Executive Officer.

Datuk Zaiton's extensive experience as an independent director includes chairing the Group Governance & Audit Committee of Sime Darby Berhad and she is currently the Governance & Audit Committee Chairman of Sime Darby Plantation Berhad.

She is currently the Chairman of Private Pension Administrator Malaysia, Vice Chairman of FIDE Forum, Director of Lembaga Tabung Haji and several other private companies.

Directorships in Public Companies / Subsidiaries of Public Companies
- Director of Sime Darby Plantation Berhad

Shareholdings in BPMB Group
- Nil

Membership of Board Committees in BPMB
- Member of Group Nomination & Remuneration Committee
- Member of Credit Committee of the Board
- Member of Group Risk Management Committee
- Member of Group Audit & Extermination Committee

Declaration
Datuk Zaiton has no :-
- Family relationship with any director and / or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

TAN SRI DR RAHAMAT BIVI YUSOFF
Independent Non-Executive Director

Date of Appointment
1 October 2018

Qualifications
- Bachelor of Social Science (Economics) (Honours) degree from Universiti Sains Malaysia
- Master of Economics from University of Western Michigan, USA
- Diploma in Public Administration from the Institute of Public Administration (INTAN)
- Ph.D. in Political Science and International Relations from Australian National University

Areas of Expertise
- Economy, Finance, Macro Development, Government Projects

Relevant Experience
Tan Sri Dr Rahamat had served in the public service for 36 years, with vast experience in the fields of economy, finance and macroeconomic development. Her career began at the Ministry of Finance (MOF) as an Assistant Secretary in the Tax Division in 1981 followed by a stint as a Project Officer at the Institute of Public Administration (INTAN) from 1988 to 1991.

Tan Sri Dr Rahamat then served as Assistant Director in the Macroeconomic and Evaluation Section of the Economic Planning Unit (EPU) in the Prime Minister's Department from 1991 to 1993. She was later promoted to the position of Principal Assistant Director in the same section from 1994 to 2000 and also held the same position in Section Industry and Services in 2001.

She was seconded to the Department of Industrial Development, Energy Commission as Director in 2002. Tan Sri Dr Rahamat returned to the EPU as Deputy Director in the Macroeconomic Section in August 2004 and in December the same year she was appointed as the Secretary of Economic Division at MOF. She continued to hold prominent positions at MOF through her promotion as Director of the Budget Division in 2008, and as Deputy Secretary General (Systems and Controls) in 2011. Tan Sri Dr Rahamat then returned to the EPU as Director General from 2011 to June 2017.

She is currently the Chairman of Malaysia Deposit Insurance Corporation (PIDM), Co-chair of Malaysia Thailand Joint Authority (MTJA) and Member of Multimedia University.

Directorships in Public Companies / Subsidiaries of Public Companies
- Director of IOI Corporation Berhad
- Director of Ekuiti Nasional Berhad (EKUINAS)
- Chairman of Global Maritime Ventures Berhad

Shareholdings in BPMB Group
- Nil

Membership of Board Committees in BPMB
- Chairman of Group Nomination & Remuneration Committee
- Chairman of Group Audit & Examination Committee

Declaration
Tan Sri Dr Rahamat Bivi has no :-
- Family relationship with any director and / or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

DATO' OTHMAN SEMAIL
Non-Independent Non-Executive Director

Date of Appointment
22 January 2019

Qualifications
- Master of Business Administration from Universiti Kebangsaan Malaysia (UKM)
- Bachelor of Natural Resources Economics from Universiti Pertanian Malaysia (UPM)
- Diploma in Public Administration from the National Institute of Public Administration (INTAN)
- Diploma in Agriculture from UPM

Areas of Expertise
- Agriculture, Procurement, Public Sector

Relevant Experience
Dato' Othman has over 37 years of experience in public sector. He began his career as an Assistant Agriculture Officer at Rubber Industry Smallholders Development Authority (RISDA) in 1982 and moved on to the Planning and Corporate Division of Ministry of Primary Industries as an Assistant Secretary in 1998.

He then joined the Ministry of Finance in 2005 as an Assistant Secretary in the Government Procurement Division and thereafter undertook numerous positions before he was promoted to his current position as Deputy Secretary General (Management) in October 2018.

He is currently a Director of Suruhanjaya Syarikat Malaysia, Lembaga Pembangunan Perindustrian Malaysia, Perbadanan Kemajuan Negeri Selangor and several other private companies.

Directorships in Public Companies / Subsidiaries of Public Companies
- Director of Amanahraya Trustee Berhad

Shareholdings in BPMB Group
- Nil

Membership of Board Committees in BPMB
- Member of Group Nomination & Remuneration Committee
- Member of Credit Committee of the Board

Declaration
Dato' Othman has no :-
- Family relationship with any director and / or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

PUAN TAN LYE SIM
Independent Non-Executive Director

Date of Appointment
15 September 2018

Qualifications
- Fellow of the Association of Chartered Certified Accountants

Areas of Expertise
- Risk Management, Banking, Accounting

Relevant Experience
Tan Lye Sim is an accomplished risk practitioner with more than 30 years of experience in financial institutions, securities houses, merchant and commercial banks and finance companies.

Tan Lye Sim held various senior positions in financial institutions from 2005 to 2013, including as the Head of Treasury Compliance of RHB Bank Berhad, Group Chief Risk Officer of Alliance Financial Group, Chief Risk Officer of Hong Leong Bank, Director, and Head of Operational Risk Management of CIMB Investment Bank. Her last position was as Group Chief Risk Officer at Kenanga Investment Bank Berhad from 2013 to 2017. During her time there, she developed overall risk management framework and policies for the bank. She also planned, led and implemented programs, processes and systems for effective group wide risk management.

She began her career in the Foreign Exchange Department at the London branch of United Overseas Bank Ltd in 1984. She spent 13 years working in London and held various positions at Nikko Securities Co. (Europe) Ltd, Hill Samuel Merchant Bank Ltd and Fuji International Finance Ltd. Upon her return to Malaysia, she joined MBf Finance Berhad as Head, Risk Management Dept. / Treasury Settlements from 1997 to 2002. She then joined SAS Institute Sdn. Bhd. in 2002 as a Principal Risk Consultant for Enterprise Wide Risk Management solutions.

Directorships in Public Companies / Subsidiaries of Public Companies
- Nil

Shareholdings in BPMB Group
- Nil

Membership of Board Committees in BPMB
- Chairman of Group Risk Management Committee
- Member of Group Audit & Examination Committee

Declaration
Tan Lye Sim has no :-
- Family relationship with any director and / or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

DR MOHAMED ASHRAF MOHAMED IQBAL
Independent Non-Executive Director

Date of Appointment
1 February 2019

Qualifications
- PhD in Islamic Banking and Finance from the International Centre for Education in Islamic Finance (INCEIF)
- Post Graduate Diploma in Islamic Studies from International Islamic University Malaysia
- Master in Business Administration from California State University Fresno
- Bachelor of Science in Mechanical Engineering from California State University Fresno
- Chartered Professional in Islamic Finance (CPIF)

Areas of Expertise
- Islamic Banking & Finance, Human Resource, Strategy, Organisational Transformation, Automotive

Relevant Experience
Dr Mohamed Ashraf is the CEO of MindSpring Sdn Bhd, a consulting firm that he started in 2005 specialising in business performance solutions with a keen interest in the performance of knowledge based organisations.

He began his career at Shell Malaysia in 1991 and held various positions in Human Resource, Distribution and Business Re-Engineering. He then moved on to Proton Berhad from 1996 to 1999 where he assumed the positions of Managing Director of Proton Cars (UK) Ltd, Executive Director of Proton Cars (Europe) Ltd and Director of Proton Cars (Australia) Ltd.

He then assumed the position of Director of Hay Group, Asia from 1999 to 2002 and Managing Director of Federal Auto Holdings Berhad from 2002 to 2005.

He was previously a Director of HSBC Amanah Malaysia Berhad and Fairview International Schools, the country's largest International Baccalaureate education provider.

He is currently a Member of Shariah Committee of HSBC Amanah Malaysia Berhad.

Directorships in Public Companies / Subsidiaries of Public Companies
- Chairman of Pembangunan Leasing Corporation Sdn Bhd
- Chairman of PLC Credit & Factoring Sdn Bhd
- Chairman of BI Credit & Leasing Berhad

Shareholdings in BPMB Group
- Nil

Membership of Board Committees in BPMB
- Chairman of Credit Committee of the Board
- Member of Group Risk Management Committee
- Member of Group Nomination & Remuneration Committee

Declaration
Dr Mohamed Ashraf has no :-
- Family relationship with any director and / or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

DATO' WAN MOHD FADZMI CHE WAN OTHMAN FADZILAH
Independent Non-Executive Director

Date of Appointment
25 April 2019

Qualifications
- Bachelor of Construction Economics, from RMIT University Australia
- Advanced Management Program at the Wharton Business School, at the University of Pennsylvania in the United States of America
- Senior Executive Finance Program at Templeton College, University of Oxford
- Chartered Banker at the Asian Institute of Chartered Bankers (AICB)
- Chartered Professional in Islamic Finance (CPIF)

Areas of Expertise
- Banking (commercial and development banks), Economics, Agriculture

Relevant Experience
Dato' Wan Mohd Fadzmi is a professional banker with over 25 years of experience in domestic and international banking. His career began in Melbourne, Australia as a Cost Estimator with Peter Slattery & Co in March 1986. Upon his return to Malaysia in 1988, Dato' Wan Mohd Fadzmi joined Malayan Banking Berhad (MBB) and held various positions at MBB's head office until December 1994.

In December 1994, Dato' Wan Mohd Fadzmi moved to MBB's London branch as its Credit & Marketing Manager. This was followed by his appointment as General Manager / Country Head of the London branch in September 1999 where he was responsible for the UK operations. Dato' Wan Mohd Fadzmi then spent three years as MBB's New York General Manager/Country Head and had the overall responsibility for the New York City branch's banking operations. Dato' Wan Mohd Fadzmi then returned to the head office in Malaysia to helm Overseas Operations in November 2005 before leaving for the Republic of China in September 2006. He spent the following four years as the General Manager / Chief Executive of MBB's Hong Kong branch.

Thereafter, he joined RHB Bank as Director, Global Business Banking Strategic Business Group in July 2010 where he was responsible for RHB's international banking operations comprising branches in Singapore, Thailand and Brunei Darussalam.

Dato' Wan Mohd Fadzmi was then appointed as the President / Chief Executive Officer of Bank Pertanian (M) Berhad (Agrobank) in July 2011 until August 2017 and was fully responsible for leading Agrobank's full operations via 188 outlets in Peninsular Malaysia, Sabah and Sarawak.

Dato' Wan Mohd Fadzmi has received many accolades in his career including Outstanding CEO 2017 from Association Development Financial Institution in Asia Pacific (ADFIAP) in Macau, China and CEO of the Year at the Global Islamic Finance Awards (GIFA) 2016 in Jakarta, Indonesia.

He is currently the Executive Committee (EXCO) Member of Suria Strategic Energy Resources Berhad and Chairman of Sedania Assalam Capital Sdn Bhd.

Directorships in Public Companies / Subsidiaries of Public Companies
- Director of CCM Berhad
- Director of Hap Seng Consolidated Berhad
- Director of Sumitomo Mitsui Banking Corporation Berhad

Shareholdings in BPMB Group
- Nil

Membership of Board Committees in BPMB
- Member of Credit Committee of the Board
- Member of Group Risk Management Committee

Declaration
Dato' Wan Mohd Fadzmi has no :-
- Family relationship with any director and / or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

ENCIK ARIFF ROZHAN

Independent Non-Executive Director

Date of Appointment
10 May 2019

Qualifications
- LLB (Hons) from Reading University, Berks, England
- Fellow of the Chartered Institute of Arbitrators

Areas of Expertise
- Legal and Litigation

Relevant Experience
Ariff has practiced law for nearly 30 years. He began his career in 1989 at an international city law firm in London, and thereafter, practiced as a Barrister in London, England, where he was instructed as Counsel at various levels of the Judicial System in England and Wales. He is also an advocate and solicitor of the High Court of Malaya.

He returned to Malaysia in 2004 and joined Zaid Ibrahim & Co (ZICO), where he managed the firm's Dispute Resolution department and was on the Executive Committee until April 2015. He then founded Ariff Rozhan & Co in April 2015 and is its Managing Partner. Ariff also set up the Chambers of Ariff Rozhan in London, England, in 2015 from where he recommenced his practice as a Barrister. Ariff has also been authorised by the Bar Council of England & Wales to "Conduct Litigation" and is registered to accept instructions via Direct Access.

Ariff has experience in conducting cases in complex claims and disputes, in a wide range of fields including arbitration, corporate and commercial disputes, insurance and reinsurance, banking, administrative, insolvency, construction and contractual matters. He also has extensive experience in cases where forensic investigation is required. His clients include both local and international banks, major local and international corporations, statutory bodies and local authorities.

He is currently the Managing Partner of Ariff Rozhan & Co.

Directorships in Public Companies / Subsidiaries of Public Companies
- Director of Pan Malaysia Corporation Berhad

Shareholdings in BPMB Group
- Nil

Membership of Board Committees in BPMB
- Member of Group Nomination & Remuneration Committee
- Member of Group Audit & Examination Committee

Declaration
Ariff has no :-
- Family relationship with any director and / or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.

Note:

The following persons had served the Board of BPMB during the financial year ended 31 December 2018 and ceased/resigned as Directors in year 2018/2019:-

1. *Tan Sri Dato' Sri Dr Wan Abdul Aziz bin Wan Abdullah*
   Chairman/ Independent Non-Executive Director
   (ceased with effect from (w.e.f.) 1 December 2018)

2. *Datuk Seri Hashmuddin bin Mohammad*
   Non-Independent Non-Executive Director
   (ceased w.e.f. 22 January 2019)

3. *Encik Musa bin Abdul Malek*
   Independent Non-Executive Director
   (ceased w.e.f. 12 February 2019)

4. *Encik Suffian bin Baharuddin*
   Independent Non-Executive Director
   (ceased w.e.f. 12 February 2019)

5. *Datuk Wan Azhar bin Wan Ahmad*
   Independent Non-Executive Director
   (resigned w.e.f. 22 February 2019)

PRESIDENT / GROUP CHIEF EXECUTIVE OFFICER

ARSHAD MOHAMED ISMAIL
President / Group Chief Executive Officer

Date of Appointment
8 April 2019

Qualifications
- LL.B. (Hons.) from the International Islamic University Malaysia
- M.B.A. from the London Business School, United Kingdom

Areas of Expertise
- Corporate Banking, Debt Capital Market, Islamic Banking and Finance

Relevant Experience
Prior to his appointment as President / Group Chief Executive Officer of BPMB, Arshad was Head of Global Banking Business at Maybank Islamic Berhad, in which capacity he oversaw the bank's corporate banking, trade finance and investment banking business lines. Arshad has had a varied career path since commencing his career in 1995 as a lawyer in Kuala Lumpur with Messrs. Mohamed Ismail & Co; he specialised in corporate law, banking and finance law, and also Islamic banking and finance law.

In early 2003, he joined CIMB Islamic Bank Berhad as one of its pioneer members where he focused on Sukuk origination and execution before relocating to the United Arab Emirates in late 2004 to join HSBC Amanah as the Head of Islamic Capital Market. At HSBC Amanah, Arshad and his team originated and worked on many innovative and ground breaking Sukuk transactions in the Gulf Cooperation Council region and South East Asia.

The other roles he has held include Head of Asset Management at Aayan Capital, a boutique investment bank based in Jeddah, Saudi Arabia and Head of Corporate Finance and Advisory at Al Hilal Bank, an Islamic bank based in Abu Dhabi. Arshad returned to Malaysia in 2011 to join the International Islamic Liquidity Management Corporation ("IILM") as Executive Director, Origination and Structuring.

Directorships in Public Companies / Subsidiaries of Public Companies
- Nil

Shareholdings in BPMB Group
- Nil

Membership of Board Committees in BPMB
- Nil

Declaration
Arshad has no :-
- Family relationship with any director and / or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

Note:

Encik Shaharuddin Zainuddin was the President/Group Chief Executive Officer (P/GCEO) during the financial year ended 31 December 2018 and ceased as P/GCEO with effect from 30 July 2018.

SHARIAH COMMITTEE

ASSOCIATE PROFESSOR DR. AZNAN HASAN
Chairman

Date of Appointment
1 April 2017

Qualifications
- Bachelor Degree in Shariah from University of Al-Azhar, Egypt
- Master Degree in Shariah from Cairo University, Egypt with distinction
- Ph.D from University of Wales, Lampeter, United Kingdom

Relevant Experience
Dr. Aznan is currently an Associate Professor at the IIUM Institute of Islamic Banking and Finance, International Islamic University of Malaysia. He teaches post-graduate level students and specializes in the subjects of Shariah such as Islamic commercial law, Islamic legal maxims and other related areas of Islamic banking and finance.

Dr. Aznan is a renowned Shariah scholar locally as well as at the international arena in the field of Islamic finance. He has an extensive experience and involvement in Shariah advisory for approximately 15 years, where he has served as a Shariah advisor and consultant to various financial institutions, corporate entities, government agencies and regulatory authorities. He was involved in advising and approving various Islamic financial products in the banking, capital market and takaful industries. He has also conducted and published more than 40 researches and presented more than 100 presentations on Shariah and Islamic finance world-wide.

Currently, Dr. Aznan serves as the President of the Association of Shariah Advisors in Islamic Finance. He is also the Deputy Chairman of Shariah Advisory Council of the Securities Commission Malaysia and the Chairman of the Shariah Committee of Maybank Islamic Berhad.

ASSISTANT PROFESSOR DR. MISZAIRI SITIRIS
Member

Date of Appointment
1 October 2008

Qualifications
- Bachelor Degree in Islamic Revealed Knowledge and Heritage (Fiqh and Usul Al-Fiqh) from the International Islamic University of Malaysia
- Second Bachelor Degree in Psychology from the International Islamic University of Malaysia
- Master Degree in Fiqh and Usul Al-Fiqh from the International Islamic University of Malaysia
- Ph.D in Fiqh and Usul Al-Fiqh from the International Islamic University of Malaysia
- Postgraduate Diploma in Law and Administration of Islamic Judiciary from the Harun M. Hashim Law Centre, International Islamic University of Malaysia

Relevant Experience
Dr. Miszairi is currently an Assistant Professor in the Department of Fiqh and Usul Al-Fiqh at the Kulliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University of Malaysia. He teaches several subjects on Shariah and has written a number of research papers. In line with his interest on Islamic finance, he has also supervised post-graduate thesis on takaful and is teaching at IIUM Institute of Islamic Banking and Finance on part-time basis. He is occasionally involved as a trainer and facilitator on Shariah subjects in Islamic banking and finance courses. He participates actively in Shariah and Islamic finance conferences.

Currently, Dr. Miszairi is a member of Association of Shariah Advisors in Islamic Finance.

ASSOCIATE PROFESSOR DR. NORAINI MOHD ARIFFIN
Member

Date of Appointment
13 June 2012

Qualifications
- Bachelor of Science (Econs) in Accounting from the University of Aberystwyth, United Kingdom
- Master Degree in Accounting and Finance (with distinction) from the University of Dundee, United Kingdom
- Ph.D in Accounting for Islamic Banks from the University of Surrey, United Kingdom

Relevant Experience
Dr. Noraini is currently an Associate Professor in the Department of Accounting, Kulliyyah of Economics and Management Sciences, International Islamic University of Malaysia (IIUM). 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 has published numerous articles related to Islamic accounting and finance, mainly on risk management for Islamic banks and corporate governance of Islamic banks. She recently co-authored a book entitled 'Accounting for Islamic Banks'. She has participated as a speaker at national and international conferences. She has also been involved in consultancy projects to develop Islamic banking regulations in a few developing countries. She is occasionally involved as a trainer in Shariah audit and accounting for Islamic banks' courses.

Currently, Dr. Noraini is the Treasurer of Association of Shariah Advisors in Islamic Finance and also an Associate Member of the Malaysian Institute of Accountants. She is also a member of Audit Committee for IIUM Holdings Sdn. Bhd., a subsidiary of IIUM.

DR. AHMAD BASRI IBRAHIM
Member

Date of Appointment
1 April 2017

Qualifications
- Bachelor in Islamic Jurisprudence and Legislation from the University of Jordan, Jordan
- Master Degree in Islamic Revealed Knowledge and Heritage from the International Islamic University of Malaysia
- Ph.D in Islamic Law from the University of Birmingham, United Kingdom

Relevant Experience
Dr. Ahmad Basri is currently Vice President and Head of Shariah Management at Permodalan Nasional Berhad (PNB). He leads and oversees a team in-charge of Shariah matters in unit trust funds management. Prior to this, he was an Associate Professor at the Department of Fiqh and Usul Al-Fiqh at the Kulliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University of Malaysia. He used to teach subjects of Shariah such as Usul Al-Fiqh, Islamic criminal law, introduction to Fiqh and his research areas of interest includes Islamic law of transactions, Islamic political system and Islamic legal maxims.

Dr. Ahmad Basri has wide experience in Shariah advisory as he has previously served as chairman and member of Shariah Committee of a number of Islamic financial institutions in Islamic banking and takaful industries. He has conducted researches as well as published articles and book chapters. He has been invited to present papers and training on Shariah and Islamic finance in conferences.

Currently, Dr. Ahmad Basri is a member of Association of Shariah Advisors in Islamic Finance. He is also a member of Shariah Committee of RHB Islamic Bank Berhad.

USTAZ MOHD FADHLY MD YUSOFF
Member

Date of Appointment
1 April 2017

Qualifications
- Bachelor Degree in Shariah (First Class) from the University of Malaya, Malaysia

Relevant Experience
Ustaz Mohd Fadhly currently runs his own business and is also an independent Shariah advisor and consultant. Prior to this, he was previously a manager with the Islamic Capital Market Department in Securities Commission Malaysia where he had served for 12 years. He was responsible in managing, supervising and monitoring Shariah compliance requirements of Islamic product structures in relation to submissions for issuance of Sukuk, structured products, collective investments and Islamic real estate investment trusts. He was also in-charge of research and development activities in relation to Islamic capital market products and outlined the criteria and manuals for Islamic securities. He was involved in reviewing and providing technical inputs for preparation of Islamic capital market guidelines.

Ustaz Mohd Fadhly was appointed as a consultant for the Islamic Capital Market Department after he left the Securities Commission. He was also appointed as Shariah advisor and consultant by a number of educational, non-governmental organisations and financial institutions. On capacity building front, he is involved in reviewing Shariah and Islamic finance curriculum and syllabus for human capital development and training providers. He is also an accredited trainer for Islamic Finance Qualification by Chartered Institute for Securities and Investment.

Currently, Ustaz Mohd Fadhly is a member of Association of Shariah Advisors in Islamic Finance. He is also a Shariah Committee member of RHB Islamic Bank Berhad and Sun Life Takaful Berhad.

GROUP MANAGEMENT COMMITTEE

Arshad Mohamed Ismail
President/Group Chief Executive Officer

Razali Hassan
Chief Operating Officer

Ahmad Mochtar Hashim
Chief Business Officer

Yasir Abdul Rahman
Chief Human Resources Officer

Rozina Abdul Rahman
Chief Risk Officer

Suffian Abdul Rahman
Chief Compliance Officer

Muhammad Azraini Abdul Hamid
Chief Executive Officer, Global Maritime Ventures Berhad

Farida Abdul Talib Jalany
Covering Chief Executive Officer, Pembangunan Leasing Corporation Sdn Bhd

Wan Faizah Che Din
Group Head, Strategic Planning

Mahfizan Muhammad
Head, Treasury

Mohamad Salihin Deris
Group Head, Shariah Management

INTEGRITY & TRUST

- STATEMENT OF CORPORATE GOVERNANCE
- STATEMENT OF SHARIAH GOVERNANCE
- STATEMENT OF INTERNAL CONTROL
- GROUP RISK MANAGEMENT

STATEMENT OF CORPORATE GOVERNANCE

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

BOARD COMPOSITION AND BALANCE

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields, which they accumulated while serving the private and government sectors, brings to the Board the essential range of capabilities and experience required to effectively perform its functions. A brief profile of each Director is presented on pages 27 to 30 of the Annual Report.

As at 3 August 2019, the Board comprises seven (7) members with one (1) Non-Executive Chairman/Independent Non-Executive Director, one (1) Non-Independent Non-Executive Director and five (5) 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 Non-Executive Directors (NEDs) provide the necessary checks and balances on executive decisions made by the Management, while the Independent Directors alleviate potential undue influence by the shareholder or other parties.

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 Constitution. The Group Nomination and Remuneration Committee (GNRC) reviews and assesses the candidates/Directors' skills, core competencies, experience, integrity and time to effectively discharge his or her role for the purpose of appointments/re-appointments before recommendation is made to the Board for approval. GNRC 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 GNRC 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 direction, approval of performance targets, monitoring of management's 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.

PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER

The President/Group Chief Executive Officer (P/GCEO) has the overall executive responsibility for the day-to-day operations of BPMB Group. P/GCEO shall be the conduit between the Board and Management in ensuring the success of BPMB Group's governance and management functions. Key responsibilities of the P/GCEO include the following :-

(i) Develop strategic direction;
(ii) Ensure that BPMB Group's strategies and corporate policies are effectively implemented;
(iii) Ensuring the day-to-day business affairs of BPMB Group is effectively and appropriately managed;
(iv) Ensure that the Board's decisions are implemented and the Board's directions are responded to;
(v) Provide directions in the implementation of short and long term business plans;
(vi) Provide strong leadership that effectively communicates a sound and viable vision, management philosophy and business strategy to the employees; and
(vii) Keep the Board informed of salient aspects and issues concerning BPMB Group's operations and ensuring sufficient information is distributed to Board members.

CODE OF ETHICS AND BUSINESS CONDUCT FOR BOARD OF DIRECTORS (GROUP)

BPMB has adopted a Code of Ethics and Business Conduct for Board of Directors (Group) that sets out sound principles and standards of good practice in the banking industry. Directors shall maintain high reputation for ethical behaviour and fair dealings in the conduct of business and are expected to conduct the business of BPMB Group in a professional manner.

BOARD MEETING AND SUPPLY OF INFORMATION

The Board as per BNM Guidelines on Corporate Governance for DFIs, is required to meet at least once every two months 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.

Meetings of the Board and Board Committees 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 Committee meetings.

The Board also peruses the decisions deliberated by the Board Committees through minutes of meeting of those Committees. The Chairman of every Board Committee is responsible to inform the Directors during the Board meetings of any salient matters noted by the Board 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, 2016.

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 2018, the Board met 25 times. The attendance record of the Directors at the Board Meetings for 2018 is as follows:

Name of Director	No. of Meetings and Attendance
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah Non-Executive Chairman/Independent Non-Executive Director *(ceased w.e.f. 1 December 2018)*	21/24*
Datuk Wan Azhar Wan Ahmad Independent Non-Executive Director	25/25
Datuk Jamaludin Nasir Independent Non-Executive Director *(resigned w.e.f. 27 February 2018)*	3/3*
Datuk Seri Hashmuddin Mohammad Non-Independent Non-Executive Director	25/25
Encik Musa Abdul Malek Independent Non-Executive Director	25/25
Encik Suffian Baharuddin Independent Non-Executive Director	25/25
Puan Tan Lye Sim Independent Non-Executive Director *(appointed w.e.f. 15 September 2018)*	6/6*
Tan Sri Dr Rahamat Bivi Yusoff Independent Non-Executive Director *(appointed w.e.f. 1 October 2018)*	4/5*

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

TRAINING AND DEVELOPMENT OF DIRECTORS

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 to enable them to have first-hand understanding of the Bank's operations. At the induction programme, Heads of Functions/Chief Executive Officers 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 personalised 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 developments in the business environment.

The seminar/conference/training programmes attended by the Directors in the financial year ended 31 December 2018 included the following :-

- FIDE Core Programme Module A
- FIDE Core Programme Module B
- FIDE Forum Dinner Talk : "The Director as Coach"
- FIDE Forum -Navigating the VUCA World
- 41st ADFIAP Annual Meeting, New Delhi, India
- MKD Directors Talk - Women on Board - Value, Challenges & Managing
- Emerging Risks, The Future Board and Return on Compliance
- FIDE Elective Programme : Corporate Governance for Development Financial Institution
- BNM-FIDE Forum Board Conversations (Bank and DFIs)

DIRECTORS' REMUNERATION

BPMB acknowledges the importance of attracting and retaining qualified Directors with high calibre having the necessary skills, qualifications and experience for effective functioning of the Board.

The NEDs remuneration package generally commensurate the expertise, skills, responsibilities and the risks undertaken by the NEDs concerned. All NEDs are paid fixed annual director fees and meeting attendance allowance for each Board and Board Committee meeting attended. In addition, NEDs also receive other benefits-in-kind including Directors & Officers Liability Insurance and medical benefits.

A summary of the total remuneration of the Directors for the financial year ended 31 December 2018 is set out on page 175 to 176 of this Annual Report.

COMMITTEES

There are four (4) Board Committees established to assist the Board in discharging its duties and responsibilities, namely the Credit Committee of the Board, Group Audit and Examination Committee, Group Nomination and Remuneration Committee and Group Risk Management Committee.

CREDIT COMMITTEE OF THE BOARD

1. **Objective**

   The primary objective of Credit Committee of the Board ('CCB') is to provide supervisory and oversight role on all loans/financings/credit related proposals and investment as per limit set in Bank Pembangunan Malaysia Berhad ('BPMB' or the 'Bank') Authority For Credit And Investment Approvals - Group ('GACIA') and to ensure adequate risk management processes are in place and functioning effectively.

2. **Functions and Responsibilities**
   - To deliberate, review and if necessary exercise the rights to veto, challenge, reject Group Credit Committee's ('GCC') approvals/decisions on all loans/financings/credit related proposals and investment including the proposed terms and conditions or any variations thereof as per the limit and authority set in GACIA.
   - To approve and/or endorse "policy loans/financing"
   - To approve all cases of write-off proposals and as prescribed in GACIA. BPMB Board shall be notified on all write-off proposals approved by CCB via minutes of CCB meeting.
   - To approve the Terms of Reference of GCC. However, the appointment and/or termination of GCC members shall be at the absolute discretion of the Chairman of GCC.
   - To perform the credit risk oversight role in a manner that is not compromised and without undue influence from any party.
   - To approve and/or endorse any other matters as prescribed in GACIA.
   - To consider any other matters as referred by BPMB Board to CCB.

3. Committee Meeting and Attendance

Based on the Terms of Reference of the CCB which was approved by BOD on 31 January 2019, CCB may meet twice a month and any ad hoc meetings as and when required. CCB met 22 times during the financial year 2018. The Committee members and their records of attendance are as follows:

Member	No. of Meetings and Attendance
Encik Musa Abdul Malek Chairman	22/22
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah *(ceased as Member w.e.f. 1 December 2018)*	15/19*
Datuk Jamaludin Nasir *(ceased as Member w.e.f. 27 February 2018)*	3/3*
Datuk Wan Azhar Wan Ahmad	21/22
Datuk Seri Hashmuddin Mohammad	19/22
Encik Suffian Baharuddin	22/22
Puan Tan Lye Sim *(appointed as Member w.e.f. 1 October 2018)*	7/7

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

GROUP AUDIT AND EXAMINATION COMMITTEE

1. Objective

The objective of the Group Audit and Examination Committee (GAEC) is to provide independent oversight to review the financial position of BPMB and the Group's financial reporting processes and internal control and ensuring checks and balances within BPMB Group, performance and findings of the internal auditors and to recommend appropriate remedial action.

2. Functions and Responsibilities

The functions and responsibilities of GAEC 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:-
  (i) Their audit plan;
  (ii) Their evaluation of the system of internal controls;
  (iii) Their audit report;
  (iv) Their Management Letter and Management Response; and
  (v) The assistance given by Management and staff to the External Auditors.

- With regards to the Internal Audit function:-
  (i) Review the adequacy of scope, functions and resources of the Internal Audit function and that it has the necessary authority to carry out its responsibilities;
  (ii) Review and approve the Internal Audit plan, programme and processes;
  (iii) Review Audit Reports and consider adequacy of the actions taken by Management on audit findings or recommendations;
  (iv) To recommend to GNRC and/or Board on the appointment, remuneration package, performance evaluation and termination of the Chief Internal Auditor;
  (v) 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; and
  (vi) To review the assessment or findings arising from the Shariah audit and report the non-compliance events to the Shariah Committee and the Board.

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

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

- To review the quarterly result, half yearly result and the year-end Audited Financial Statements prior to submission to the Board for approval. The review of the year-end Audited Financial Statements by the External Auditor shall focus particularly on:-
  (i) Any major changes in the accounting policy or its implementation;
  (ii) Adequacy of allowance against contingencies, bad and doubtful debts;
  (iii) Significant and unusual events; and
  (iv) Compliance with accounting standards and other legal requirements.

- To ensure that the accounts are prepared in a timely and accurate manner and ensure prompt publication of Audited Financial Statements.

- To discuss any issues or 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.

- To review any related party transactions and conflict of interest situation that may arise in the Bank or BPMB Group including any transaction, procedure or conduct that raises questions of management integrity.

- To review the accuracy and adequacy of the following documents:-
  (i) Chairman's Statement, corporate governance disclosures and other GAEC report that contain the following information, which shall be published in the Bank's Annual Report:-
    (a) A summary of the activities of the GAEC in the discharge of its functions and duties for the financial year; and
    (b) A summary of the activities of the Group Internal Audit Function.
  (ii) Interim financial reports and preliminary announcements in relation to the preparation of Audited Financial Statements.

- To review and endorse the status and progress of Management's responses and corrective measures on issues raised in the Bank Negara Malaysia Examination Report, prior to submission to the Board for approval.

- To 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 recommendation to the Board.

- To deliberate investigation reports in relation to whistleblowing cases and decide on actions to be taken in accordance with Group Human Resource policy.

- To approve the TOR and appointment and/or termination of Members of Management Audit and Examination Committee.

- To consider any other matters as referred by BPMB Board to GAEC.

3. Committee Meeting and Attendance

Based on the Terms of Reference of the GAEC which was approved by BOD on 31 January 2019, GAEC shall meet at least four (4) times a year and at any ad-hoc meetings as and when required. GAEC met 12 times during the financial year 2018. The Committee members and their records of attendance are as follows:

Name of Director	No. of Meetings and Attendance
Encik Suffian Baharuddin Chairman	12/12
Tan Sri Dr Rahamat Bivi Yusoff *(appointed as Member w.e.f. 1 October 2018)*	3/3*
Datuk Wan Azhar Wan Ahmad	12/12
Datuk Jamaludin Nasir *(ceased as Member w.e.f. 27 February 2018)*	1/1*
Datuk Seri Hashmuddin Mohammad *(appointed as Member w.e.f. 28 February 2018 and ceased as Member w.e.f. 1 October 2018)*	7/8*
Encik Musa Abdul Malek	12/12

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

GROUP NOMINATION AND REMUNERATION COMMITTEE

1. Objective

The objectives of the Group Nomination and Remuneration Committee ('GNRC') are to provide :-

(i) A formal and transparent procedure for the appointment and/or re-appointment as well as to assess the effectiveness of Key Responsible Persons and the Company Secretary; and

(ii) A formal and transparent procedure for developing a remuneration policy for Key Responsible Persons and the Company Secretary and ensuring that compensation is competitive and consistent with BPMB's culture, objectives and strategies.

'Key Responsible Persons' refers to persons who are accountable or responsible for the management or oversight of BPMB. They comprise :-

a) Board of Directors ('BOD') of Bank Pembangunan Malaysia Berhad ('BPMB') and its subsidiaries' (the 'Group'),
b) Members of Shariah Committee ('SC'),
c) President/Group Chief Executive Officer ('P/GCEO')/Chief Executive Officer ('CEO') of major subsidiaries; and
d) Senior Officers.

2. **Functions and Responsibilities**
The functions and responsibilities of GNRC are as follows:-

Nomination Function

- Establish and recommend to BPMB BOD for approval on the minimum required skills and core competencies of a Director on the Board and the P/GCEO in order for them to perform their responsibilities effectively.

- Oversee the overall composition of BOD (BPMB and major subsidiaries), BOD Committees and SC Members in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive and Independent Directors through annual reviews.

- Recommend and/or assess nominees for the appointment, re-appointment or resignation of BOD (BPMB and its major subsidiaries), P/GCEO, BOD Committees and SC Members for BPMB BOD's approval. The proposed appointment or re-appointment of BPMB BOD/SC Members will require BNM's verification/approval and Minister of Finance/Minister of Finance (Incorporated) ('MOF')'s final approval, as the case may be.

- Assess and determine annually whether a Director fulfils the criteria of being an Independent Director.

- Establish a mechanism for the formal assessment on the effectiveness of BOD as a whole, the contribution by each Director to the effectiveness of BOD, the contribution of the BOD Committees including SC and the performance of P/GCEO, CEO of major subsidiaries, Senior Officers and the Company Secretary. Annual assessment should be conducted based on objective performance criteria. Such performance criteria should be approved by BPMB BOD.

- Assess annually whether the Directors and P/GCEO are not disqualified under Section 7 of the DFIA 2002 and recommend to BPMB BOD on the removal of a Director or P/GCEO if he/she is ineffective, errant or negligent in discharging his/her responsibilities.

- Ensure that all Directors and SC Members undergo appropriate induction programme and received continuous training in order to keep abreast with the latest developments in the industry.

- Assess the performance of P/GCEO before submission to BPMB BOD for approval.

- Oversee/Recommend the appointment, re-appointment, confirmation/non-renewal/extension of contract, management succession planning and performance evaluation of the Senior Officers and the Company Secretary for BPMB BOD's approval.

  For new appointments, P/GCEO be given the authority to assess and evaluate candidates, negotiate and determine the salary, benefits and terms and conditions of service for the positions of Senior Officers and the Company Secretary thereafter it would be tabled to GNRC for recommendation and BPMB BOD for approval.

  The appointment, re-appointment, confirmation/non-renewal/extension of existing contract and performance evaluation of CEO of major subsidiaries and management succession planning of the subsidiaries shall be tabled to BOD of the respective subsidiaries first prior to GNRC for endorsement and BPMB BOD for approval.

- Recommend to BPMB BOD on the removal of Senior Officers and the Company Secretary if they are ineffective, errant and negligent in discharging their responsibilities.

  The removal of CEO of major subsidiaries shall be tabled to BOD of the respective subsidiaries first prior to GNRC for endorsement and BPMB BOD for approval.

- To endorse the Corporate Key Performance Indicators ('KPIs') of BPMB and its major subsidiaries for BPMB BOD's approval.

  Upon endorsement of GNRC, the Corporate KPIs of major subsidiaries shall be tabled to BOD of the respective subsidiaries for approval and thereafter to BPMB BOD for final approval.

- To recommend the appointment and removal of BOD in the subsidiaries/associated companies (excluding JV-SOCs of Global Maritime Ventures Berhad).

- To conduct 'fit & proper' assessment on the Key Responsible Persons and the Company Secretary on a yearly basis to determine if the 'fit and proper' standards continue to be met as to ensure the effectiveness of the Key Responsible Persons and the Company Secretary in carrying out his/her responsibilities. A 'fit and proper' assessment is to be conducted should GNRC becomes aware of information on any Key Responsible Persons and the Company Secretary, which may materially compromise his/her fitness or propriety.

Remuneration Function

- Recommend to BPMB BOD a framework on remuneration for Key Responsible Persons and the Company Secretary. The remuneration policy should :-

  (i) Be documented and approved by BPMB BOD and any changes thereto should be subject to the endorsement of BPMB BOD;
  (ii) Reflect the expertise, experience, responsibility and commitment as Directors of all BOD and Committees under the Group, P/GCEO, SC Members, CEO of major subsidiaries, Senior Officers and the Company Secretary;
  (iii) Sufficient to attract and retain Key Responsible Persons and the Company Secretary of the appropriate calibre, experience and quality needed to manage the Group successfully;
  (iv) Be balanced against the need to ensure that the funds of the Group are not used to subsidise excessive remuneration packages and not compromising the viability, solvency and reputation of the Group as well as to ensure that the remuneration are in line with the current industry best practice; and
  (v) The framework should cover all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options, benefit-in-kind and termination benefits.

- Propose, review or recommend to BPMB BOD specific remuneration packages for the Key Responsible Persons and the Company Secretary. The remuneration packages should :-

  (i) Be based on an objective consideration and approved by BPMB BOD;
  (ii) Take due consideration of the assessments of the effectiveness and contribution of the Key Responsible Persons and the Company Secretary concerned;
  (iii) Not to be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
  (iv) Be competitive and is consistent with BPMB's culture, objective and strategy.

- Assess and endorse the schemes, Terms of Services and new Terms for Executives and staff of the Group for BPMB BOD's approval.

- Recommend to BPMB BOD with regard to annual staff bonus and other performance related rewards and annual increment of the Group.

- To review annually the remuneration packages of the Key Responsible Persons and the Company Secretary.

Human Resource ("HR") Oversight Function

- Review and assess the effectiveness of the Group Human Resource and Development Division in supporting the Group to achieve its objectives, including to ensure the appropriate HR strategies, policies and frameworks for a quality and effective HR management for the Group (e.g. succession planning, talent and leadership development, training, recruitment and retention programmes, compensation and benefits plan etc.) are developed, implemented and periodically reviewed.

- Review and recommend for BPMB BOD's approval, changes to Group HR policies and strategies and Organization Structure of the Group.

3. Committee Meeting and Attendance

Based on the Terms of Reference of the GNRC which was approved by BOD on 25 January 2018, GNRC shall meet at minimum twice a year to fulfil its responsibilities. GNRC met 18 times during the financial year 2018. The Committee members and their records of attendance are as follows:-

Name of Director	No. of Meetings and Attendance
Encik Suffian Baharuddin Chairman *(re-designated from Chairman to Member w.e.f. 1 November 2018)*	18/18
Tan Sri Dr Rahamat Bivi Yusoff Chairperson *(appointed as Member w.e.f. 1 October 2018, re-designated from Member to Chairperson w.e.f. 1 November 2018)*	3/3*
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah *(ceased as Member w.e.f. 1 December 2018)*	13/17*
Datuk Seri Hashmuddin Mohammad	18/18
Encik Musa Abdul Malek	18/18
Datuk Wan Azhar Wan Ahmad *(ceased as Member w.e.f. 1 October 2018)*	15/15*
Puan Tan Lye Sim *(appointed as Member w.e.f. 12 December 2018)*	–*

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

GROUP RISK MANAGEMENT COMMITTEE

1. **Objective**
   The primary objective of Group Risk Management Committee (GRMC) is to oversee the Senior Management's activities in managing the key risk areas of Bank Pembangunan Malaysia Berhad ('BPMB' or the 'Bank') and the Group ('BPMB 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 GRMC are as follows:-
   - To provide oversight and strategic direction for the Management of all risks in BPMB;
   - To review and recommend risk management strategies (e.g. development of new products, ventures into new market or business activities, product pricing strategies, planning of technology, skills and resources required), policies and risk tolerance that is appropriate to the nature, scale and complexity of its activities for the Board's approval;
   - To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
   - To ensure infrastructure, resources and systems are in place for risk management that is, ensuring that the staff responsible for implementing risk management systems perform those duties independently of BPMB Group's risk taking activities;
   - To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
   - To provide effective oversight of Senior Management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework and implementation;
   - To meet with Group Audit and Examination Committee periodically, to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on BPMB's risk appetite and business plans;
   - To seek independent third party views or information on risk implications as appropriate before coming to any conclusion or making any significant policy recommendation;
   - To consider how risks associated with BPMB's operational and organizational structures affects its ability to manage risks on an enterprise-wide and group-wide basis and the implications for capital and funding strategies;
   - In relation to the position of Chief Risk Officer (CRO), GRMC is required to :-
     (i) to establish an independent senior risk executive role (CRO or its equivalent) who has direct and unimpeded access to the Board and GRMC and to allow for effective engagement with P/GCEO and other members of Senior Management with sufficient stature, authority, seniority and distinct responsibility for the Group Risk Management function and framework across the entire organization;

     (ii) to recommend to GNRC and/or Board on the appointment, performance evaluation and termination of the CRO;

     (iii) to engage with CRO on a regular basis and to provide the opportunity for CRO to meet with GRMC and to discuss issues faced by the Group Risk Management function;

     (iv) in relation to item (iii) above, GRMC may consider engaging with CRO without the presence of other Senior Management from time to time; and

     (v) to ensure that CRO is supported with sufficient resources, including competent officers, to perform his duties effectively.
   - In relation to the position of Chief Compliance Officer (CCO), GRMC is required to :-
     (i) recommend to GNRC and/or Board on the appointment, remuneration package, performance evaluation and termination of the CCO;

     (ii) ensure that CCO has sufficient stature to allow for effective engagement with P/GCEO and other members of Senior Management;

     (iii) engage with CCO on a regular basis and to provide the opportunity for CCO to meet with GRMC and to discuss issues faced by Group Compliance function;

     (iv) in relation to item (iii) above, GRMC may consider engaging with CCO without the presence of other Senior Management from time to time;

(v) provide CCO with direct and unimpeded access to GRMC;

(vi) ensure that CCO is supported with sufficient resources, including competent officers, to perform his duties effectively; and

(vii) where CCO also carries out responsibilities in respect of other control functions (if any), be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by CCO.

- Overseeing the management of BPMB Group's compliance risk. In order to fulfil this duty, GRMC is required to :-
  i) approve BPMB Group's compliance policy and oversee its implementation;

  ii) approve the establishment of the compliance function and the position of the CCO, and ensure that the Compliance function and the CCO are provided with appropriate standing, authority and independence;

  iii) discuss compliance issues regularly, ensuring that adequate time and priority is provided in GRMC's agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously; and

  iv) evaluate the effectiveness of BPMB Group's overall management of compliance risk, having regard to the assessments of Senior Management and Group Internal Audit, as well as interactions with CCO at least on annual basis.

- To deliberate on investigation reports in relation to whistleblowing cases and decide on actions to be taken on the alleged individuals in accordance with Group Human Resource policy;

- To approve the appointment and/or termination of members and TOR of Executive Risk Management Committee and Asset & Liability Committee; and

- To consider any other matters as referred by BPMB Board to GRMC.

3. Committee Meetings and Attendance

Based on the Terms of Reference of the GRMC which was approved by BOD on 31 January 2019, the GRMC shall meet once in every two months. GRMC met 12 times during the financial year 2018. The Committee members and their records of attendance are as follows :-

Members	No. of Meetings and Attendance
Datuk Jamaludin Nasir Chairman *(ceased as Chairman w.e.f. 27 February 2018)*	2/2
Datuk Wan Azhar Wan Ahmad Chairman *(re-designated from GRMC Member to Chairman w.e.f. 28 February 2018 and re-designated from GRMC Chairman to Member w.e.f. 1 November 2018)*	12/12
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah *(ceased as GRMC Member w.e.f. 1 October 2018)*	8/10*
Encik Musa Abdul Malek	12/12
Encik Suffian Baharuddin *(appointed as GRMC Member w.e.f. 28 February 2018)*	10/10*
Puan Tan Lye Sim Chairperson *(appointed as GRMC Member w.e.f. 1 October 2018 and re-designated from GRMC Member to Chairperson w.e.f. 1 November 2018)*	2/2*

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

STATEMENT OF SHARIAH GOVERNANCE

Bank Pembangunan Malaysia Berhad (BPMB) is carrying on Islamic financial business in addition to its existing conventional financial business. The conduct of Islamic financial business of BPMB is governed mainly by the relevant provisions in the Development Financial Institutions Act 2002 and other rules and regulations as issued by Bank Negara Malaysia (BNM) 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 BNM. This SGF was issued with the primary objective of outlining and enhancing the roles and responsibilities of the Board, the Shariah Committee and the Management of Islamic Financial Institutions in relation to Shariah governance and compliance matters. It provides a guideline comprising the Shariah governance structure, processes and controls which BPMB is expected to adhere in order to ensure that all its operations and business activities are performed in compliance with Shariah.

In accordance with the requirements of the SGF BNM and an internal Shariah Governance Framework, the oversight on Shariah compliance in BPMB is monitored by a dedicated Shariah Committee which reports to the Board of Directors, and supported by relevant designated internal Shariah compliance and research functions residing at Group Shariah Management, Group Risk Management, Group Compliance and Group Internal Audit.

SHARIAH COMMITTEE

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 reporting 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 regulatory authorities on Shariah matters.

Composition and Background

In line with SGF BNM, the Shariah Committee comprises six (6) members where majority of them i.e. four (4) are Shariah qualified and two (2) are from non-Shariah qualification. A brief profile of each Shariah Committee member is presented on pages 32 to 34 of the Annual Report. The appointment/re-appointment of members of Shariah Committee is governed by SGF BNM and internal policies and procedures. The Group Nomination and Remuneration Committee (GNRC) reviews and assesses the members for the purpose of appointment/re-appointment before recommendation is made to the Board for approval. GNRC will also refer to results of the individual assessments conducted via self and peer assessment, Shariah Committee' effective assessment and Management's assessment on Shariah Committee. The application for the appointment/re-appointment of Shariah Committee members will be submitted to BNM for approval.

Duties and Responsibilities

The Shariah Committee is expected to play an oversight role in overseeing all Shariah matters related to Islamic financial business of BPMB. 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 finance business prepared by BPMB and to ensure that the contents therein do not have any elements which are not in line with Shariah.

4. To confirm and form an independent opinion on Shariah compliance status of BPMB based on their 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 in compliance with Shariah;
   - The de-recognition of Shariah non-compliant earnings and its distribution for charity purposes are in compliance with Shariah; and
   - The computation and distribution of Zakat are in compliance with Shariah

5. To advise BPMB to consult the Shariah Advisory Council (SAC) of BNM 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

In line with the requirements in the SGF BNM, the meetings shall be held at least six (6) times a year. The Shariah Committee meets to discuss and monitor among others, the overall Shariah compliance matters of BPMB. The notice and agenda for each Shariah Committee meeting together papers to be deliberated at the meetings are distributed to all members of Shariah Committee prior to the meetings by the Company Secretary with the assistance from Group Shariah Management as the secretariat to the Shariah Committee. The minutes of the meetings are escalated to the Board for perusal and information.

During the financial year ended 31 December 2018, the Shariah Committee had held 13 meetings. The record of attendance of members of the Shariah Committee for the meetings is as follows:-

Name of Shariah Committee Members	No. of Meeting and Attendance
Associate Professor Dr. Aznan bin Hasan	13/13
Assistant Professor Dr. Miszairi bin Sitiris	13/13
Associate Professor Dr. Noraini binti Mohd Ariffin	13/13
Dr. Ahmad Basri bin Ibrahim	13/13
Ustaz Mohd Fadhly bin Md Yusoff	10/13
Encik Musa bin Abdul Malek*	13/13

**Resigned w.e.f 12 February 2019*

Training and Development of Shariah Committee Members

The newly appointed members of Shariah Committee are required to attend an induction program organized by the Management to enable them to have first-hand understanding of BPMB and its operations. The Shariah Committee also required to enroll into certification programmes to upskill existing Shariah advisors in serving the industry namely Certified Shariah Advisor (CSA) and Certified Shariah Practitioner (CSP) by Association of Shariah Advisors in Islamic Finance (ASAS).

The Bank also encourages the Shariah Committee members to attend talks, training programs and seminars to update themselves and to keep abreast with the new development in the industry for their continuing education and skills improvement.

SHARIAH COMPLIANCE AND RESEARCH FUNCTIONS

a) Group Shariah Management

Group Shariah Management in BPMB is assisting the Shariah Committee with regard to internal **Shariah research** function which includes advisory and pre-approval review in relation to BPMB Group's business and support stakeholders on

Shariah aspects in Islamic finance business. It also serves as the secretariat to the Shariah Committee in undertaking related administrative matters. Group Shariah Management is currently organized into three (3) main areas of responsibilities as follows:

i. **Shariah Advisory & Research**
Responsible for providing Shariah advisory 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 SAC and Securities Commission's SAC. The unit also responsible in performing in-depth Shariah research and studies on Shariah issues identified from time to time and to also 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 and their trainings.

ii. **Shariah Documentation Review**
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.

iii. **Zakat Management**
Responsible for the management, payment and distribution of business zakat in ensuring BPMB complies with the established rulings in relation to business zakat as the efficient and effective management and distribution of business zakat is important to BPMB.

b) **Group Compliance**
In line with the SGF, the dedicated Shariah Compliance Unit within the Group Compliance, comprising qualified Shariah officers, is responsible for conducting the **Shariah review** function.

Group Compliance has established 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 the 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 BNM 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 are 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 are 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 Internal Audit**
Group Internal Audit, 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 by the SGF, BNM 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.

STATEMENT OF INTERNAL CONTROL

RESPONSIBILITY

The Board affirms its commitment on overall responsibility and oversight of BPMB Group's internal control system and is constantly keeping abreast with the developments in areas of risk and governance to ensure its effectiveness in safeguarding the stakeholders' interests and the Group's assets.

The Board recognizes that internal controls and risk management systems in place need to be updated from time to time to align with the changes in the business environment as well as process improvement initiatives undertaken. The Board has established appropriate control structures and processes for identifying, evaluating, monitoring, managing and responding to significant risks faced by the Group in its achievement of the business goals and objectives.

The Management is accountable to the Board and is responsible for the effective implementation of the policies and procedures on risks and controls. Regular testing on the adequacy, effectiveness, efficiency and integrity of the internal control systems and processes is conducted to ensure its viability and robustness.

KEY INTERNAL CONTROL PROCESSES AND STRUCTURES

The 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 roles of Management include but are not limited to:
- Identifying and evaluating the risks faced in the achievement of business objectives and strategies;
- Formulating relevant policies and procedures to manage these risks;
- Monitoring the effective implementation of internal control system; and
- Reporting in a timely manner to the Board on any changes to the risks and the corrective actions taken.

Internal Audit Function - Group Internal Audit

Group Internal Audit (GIA) undertakes periodic reviews of the Group's business and operations to provide independent assurance to the Board that the risk management, internal control systems and governance processes put in place are working effectively.

Audit engagements are carried out based on the annual audit plan as approved by the Group Audit & Examination Committee (GAEC) and takes into consideration feedbacks from the Management. GIA assesses the selected auditable functions and areas under the audit scope with regards to risk exposure, compliance towards the approved policies, procedures and relevant laws and regulations and also benchmark against available best practices.

In evaluating the internal controls, GIA adopts the 5 components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO); namely control environment, risk assessment, control activities, information and communication, and monitoring activities.

The result of the audits conducted, including its risk and recommendations are reported to the GAEC on a regular basis. Resolution to the audit findings are performed and followed up with the Management and deliberated at the Management Audit & Examination Committee (MAEC) and GAEC meetings.

GIA continues to enhance its capabilities through continuous improvement to its internal audit processes benchmarked against industry's standards, upskilling of the internal auditors through various internal and external training, certification of auditors and engagements with reputable third party service providers when undertaking specific audit assignments.

Management Audit and Examination Committee

The Management Audit and Examination Committee (MAEC) is a Management level committee chaired by the President / Group Chief Executive Officer, which meets on a monthly basis, or as and when required. The MAEC facilitates GAEC to review the financial condition of BPMB Group, the internal controls, performance and findings of the internal auditors and where necessary, to monitor that execution and implementation of all necessary action plans including the recommendations made by GAEC, are undertaken by Management within the agreed due dates. Minutes of the MAEC meeting are tabled to the GAEC together with the audit reports.

Group Audit & Examination Committee

The Group Audit & Examination Committee (GAEC) meets at least four (4) times yearly or more frequently as the Chairman shall decide to review issues identified in audit reports prepared by GIA as well as by external auditors. The GAEC has active oversight on GIA'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 GAEC) are also established to assist the Board in performing its oversight function namely Credit Committee of the Board (CCB), Group Nomination & Remuneration Committee (GNRC), Group Risk Management Committee (GRMC) and Shariah Committee (SC). 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), Asset and Liability Committee (ALCO), Tender Committee (TC), Information Technology Committee (ITC), Group Human Capital Committee (GHCC), Business Continuity Management Committee (BCMC), Quality System and Support Committee (QSSC) and Group Budget Working Committee (GBWC).

Policies, Standard Operating Procedures (SOPs) and Authority Limits

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

Delegation of authority including authorised 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. The Code applies to all employees working in the Bank and in compliance to the law of Malaysia and all internal policy and procedures of the Bank. All employees of the Bank are expected to carry out business activities and represent the Group with the highest ethical, legal and professional standards.

GROUP RISK MANAGEMENT

In 2018, the BPMB Group kept its focus in fulfilling its mandated role whilst remaining steadfast in improving its asset quality. With evolving business complexity and needs, Group Risk keeps abreast with trends and challenges of risk management to better support the Group in meeting its strategic and business objectives. Group Risk is responsible for providing oversight of risk management on an enterprise-wide level through the establishment of the Group's risk strategies, frameworks and policies, with independent assessment and monitoring of all risks challenges.

In managing the risk profile of the Group, Group Risk ensures that the Group's portfolios are aligned to the risk appetite and business strategies, with the risk management frameworks refreshed to be forward looking in order to remain risk resilient.

RISK MANAGEMENT FRAMEWORK

The overall structure of the Risk Management Framework is shown below.

BUILDING BLOCKS	Principles	Risk Appetite and Strategy
	Governance and Risk Oversight	Risk Culture
	Risk Management Practices & Processes	Resources & System Infrastructure

RISK PRINCIPLES	1. Establishing a risk appetite and strategy, which is approved by the Board that articulates the nature, type and level of risk the Group is willing to assume. 2. Driving capital management by strategic objectives that takes into account the relevant regulatory, economic and commercial environments in which the Bank operates. 3. Ensuring proper governance and oversight through a clear, effective and robust governance structure with well defined, transparent and consistent lines of responsibility established. 4. Promoting a strong risk culture that supports and provides appropriate standards premised on best and right practices. 5. Implementing risk frameworks, policies and procedures to ensure that risk management practices and processes are effective at all levels. 6. Executing robust risk management practices and processes to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group. 7. Ensuring sufficient resources, infrastructure and techniques are in place to enable effective risk management.

PRINCIPLE RISKS		
	CREDIT RISK	CONCENTRATION RISK
	OPERATIONAL RISK	MARKET RISK
	LIQUIDITY RISK	INTEREST RATE RISK
	REPUTATIONAL RISK	TECHNOLOGY RISK
	REGULATORY RISK	BUSINESS & STRATEGIC RISK

RISK APPETITE & STRATEGY

The risk appetite is a critical component of the Group's robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of management at all levels. Our risk appetite enables the Board and senior management to communicate, understand and assess the types and levels of risk that the Group is willing to accept in pursuit of its business goals. The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to changing business and market conditions.

to ensure enterprise-wide risks are within acceptable and manageable levels

A well-developed RAS has the following attributes:

1. *A key element of the overall RM framework;*
2. *Aligned with the business strategy and expressed with quantitative risk tolerances;*
3. *Reinforces the organization's desired risk culture; and*
4. *Produces better risk-adjusted business performance.*

RISK APPETITE STATEMENT (RAS)

To address fundamental questions with respect to strategy, risk management and operations and implemented through a risk appetite framework, which includes the common language, policies, processes, systems, and tools used to establish, communicate and monitor risk appetite.

Our risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions throughout the Group. This forms the link in which the risk limits and controls are set in managing risk exposures arising from business activities. Acting as both a governor of risk and a driver of current and future business activities, the risk appetite ultimately balances the needs of all stakeholders and acts as a powerful reinforcement to a strong risk culture.

The risk appetite framework serves as a foundation for the Group's risk culture and sets out the principles and policies to guide business activities and decision making process towards achieving an optimal balance between risk and return.

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 as follows :

RISK APPETITE CATEGORIES	RISK AREAS
CAPITAL ADEQUACY	• Risk Weighted Capital Ratio
ASSET QUALITY	• Loan / Financing Asset Quality • New Commercial Loan / Financing Rating • Gross Impaired Loan Ratio • Net Impaired Loan Ratio • Delinquent Loan Ratio • Subsectors to be avoided (Commercial)
CREDIT CONCENTRATION	• Single Customer Limit • Sectorial/Sub-Sectorial Limit
LIQUIDITY	• BNM New Liquidity Framework • Maximum Outflow • Single Depositor Limit • Top 10 Depositors Limit
MARKET	• Earnings-at-Risk • Economic Value of Equity • Investment Securities Limit (ISL) • Investment Securities Credit Ratings
OPERATIONAL	• Operational Loss • Shariah Non Compliance (SNC)
COMPLIANCE	• Non - Compliance with regulatory requirements

GOVERNANCE

The Group adopts the "3 Lines of Defence" model which places accountability and ownership in ensuring an appropriate level of independence and segregation of duties. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of committees, business lines, control and reporting functions.

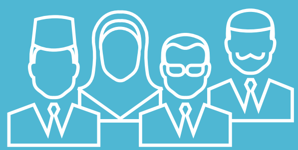
The following illustrates the Risk Management Governance structure adopted by the Bank, which is guided by BNM's Risk Governance Policy, Guidelines on Corporate Governance for Development Financial Institutions and the Shariah Governance Framework for Islamic Financial Institutions.

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

Group Risk Management Committee (GRMC)	Credit Committee of the Board (CCB)	Group Nomination & Remuneration Committee (GNRC)	Group Audit & Examination Committee (GAEC)
The GRMC 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 GNRC 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.	The GAEC has active oversight on Group Internal Audit's (GIA's) independence, scope of work and resources. It reviews and approves the annual audit plan and frequency of the internal audit activities. The GAEC reviews and deliberates issues identified in audit reports prepared by GIA as well as external auditors.



SHARIAH COMMITTEE

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

MANAGEMENT LEVEL COMMITTEES

Executive Risk Management Committee (ERMC)	Group Credit Committee (GCC)	Management Audit & Examination Committee (MAEC)
The ERMC is a Management level committee responsible for the management of all material risks within the Group. **Asset & Liability Committee (ALCO)** ***ALCO is a sub-committee of ERMC** The primary objective of Asset & Liability Management Committee (ALCO) is to perform the oversight function and to deliberate key issues related to the Bank's asset and liability management and market risk. The ALCO currently reports to the ERMC.	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.	The MAEC is a Management level committee that oversees the GIA functions in conducting independent regular reviews of the Group's internal control systems in managing key risks and ensuring all recommendations/ management action plans in the audit reports are implemented within the agreed due dates.

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.

RISK & COMPLIANCE CULTURE

The risk and compliance culture of the Group is driven from the top and complemented 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.

ACHIEVEMENTS FOR 2018

1. New Initiatives :

a. Review of the Bank's collateral management by leading and designing the collateral profiling project.
b. Adoption of MFRS9, Capital Management & Dividend Policy, Capital Management Plan and kick-off of Integrated Reporting.
c. Formalised the Methodology on Collateral Haircuts on Asset-based Security for Stress Testing.
d. Established Scenario Analysis.
e. Established the Shariah Risk Management Procedure.

2. Enhancements :

a. Review of the Concentration Risk and Sectoral Limits.
b. Review of the Bank's Private and Non-Private Financing Initiatives.
c. Revision of the Financing Facilities to Connected Parties Guideline.
d. Review of Strategies to Address Liquidity Shocks.
e. Revision of the Liquidity Stress Test.
f. Revision of the ICAAP Framework and Internal Capital Target.
g. Revision of the Operational Risk Management Policy.

The Group has taken the initiative to adopt a more forward looking approach to capital management and develop more rigorous risk management techniques.

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

EMERGING RISKS

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

a. Regulatory Changes and Requirements

Evolving landscape of regulatory requirements and the introduction of new regulations. Governments and regulators in numerous jurisdictions are expected to continue to develop regulations which may impose new requirements, including but not limited to the areas of capital and liquidity, corporate structures, conduct of business, corporate governance and operational risk.

b. Concentration risk and connected lending

Concentration risk continues to be one of the Bank concerns due to Bank localization approach and the Bank's limitation in providing to its mandated role and business sector. However, the Bank is currently observing the Connected Party Limit to mitigate the rising concentration risk.

The adoption of Single Customer Limit/ Single Counterparty Exposure Limit and Connected Parties Limit are to extend financing facilities including investment to connected parties which are of good credit standing in the ordinary course of the business while performing its mandate. This is to ensure that connected parties, by virtue of their position that could potentially exert influence over the Bank, do not inappropriately benefit from such transactions to the detriment of the Bank.

c. Cyber security and Data confidentiality

The rising Cyber threat incidents are currently very alarming especially involving malicious software (malware) attack. This could result in significant financial losses, temporary or permanent data loss, disruptions to regular business operations and further lead to reputational damage of the Bank. Hence, immediate heightening of cyber preparedness and cyber resiliency in ensuring an effective security controls are being undertaken.

In today's business environment, vast amount of information are electronically transmitted and stored to ensure adequate dissemination of latest information and business decisions made by the Board and Senior Management. Protecting those information is the main priority of the Bank in order to preserve its confidentiality, integrity and availability. This has resulted in a growing number of controls on electronic information and investment of technologies including having a compliant data protection program, as to ensure that the information is adequately secured.

d. Movement in Interest Rates

A movement in interest rate will have an impact on the margins of the Bank's fixed rate loan portfolio. However, the interest rate risk is managed within the risk appetite of the Bank and controls established.

BNM maintained the overnight policy rate (OPR) at 3.25% in the first half of 2018 following the 25-basis point hike delivered at its previous meeting in January 2018. Although growth was expected to remain positive in 2018, exposure to financial market volatility is a risk to the Bank.

e. Data

Modern techniques of risk management, reflected in the methodological approach of Basel II, involve the estimation of probabilities of default and loss-given-default on the lender's loan portfolio. The Bank will continuously ensure that accurate data is maintained for PD, EAD and LGD/collateral value that is used in arriving at the level of provisioning required.

f. Changes in market structure and growing competition

Changes in the financial market structure (privatization, increased entry by commercial banks, financial innovations) have significantly altered the competitive environment faced by the BPMB. Commercial banks intensify competition with access to cheaper financing. Their competitive advantages are often enhanced by greater operating efficiency and better technology.

On one hand, the erosion in pricing power (i.e. 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.

g. Shariah Non-Compliance

Shariah non-compliance risk management is an integral part of business operations, whereby there could be several significant potential sources of shariah non-compliance across the business operations and activities. The Bank has been continuously applying various risk management strategies to effectively manage the shariah non-compliance events so as not to recur.

h. Reputation

Reputation has always been one of the Bank concerns as the Bank is undergoing its transformation process. Thus, it is pertinent to have a strong risk and compliance culture embraced by the Bank's employees. The Bank ensures the awareness program to all is done periodically, as to promote good behavior including integrity among the employees in discharging their duties.

CORPORATE HIGHLIGHTS

FEBRUARY 2018

BPMB contributed 5 units of Volcano 21 Speed Mountain Bicycles towards the KL Run and Ride on 2 February 2018. Approximately 500 guests attended the event.

BPMB contributed 2 units of vans to FELDA in conjunction with the launch of the Bilut Digital Valley on 4 February 2018. The vans are used to transport schoolchildren living in the settlement to and from their respective schools.

MAY 2018

44 individuals from Pertubuhan Kebajikan dan Sosial Sentul Pasar (PEKESEP) and 25 individuals from Maahad Tahfiz Al-Ridhuan received contributions from BPMB during its annual Ihya Ramadan program. The program, aimed at assisting the underprivileged is an annual program organised by BPMB.

AUGUST 2018

Majlis Agama Islam dan Adat Resam Melayu Pahang received BPMB's tithe in August 2018. BPMB's Senior Banker Encik Sulaiman Abd Rahim presented the tithe to Duli Yang Maha Mulia Al-Sultan Abdullah Ri'ayatuddin Al-Mustafa Billah Shah Ibni Almarhum Sultan Haji Ahmad Shah Al-Musta'in Billah.

BMPB signed a memorandum of understanding with Construction Industry Development Board (CIDB) to promote the adoption of QLASSIC (Quality Assessment System in Construction). Under the MoU, future infrastructure projects financed by the Bank will undergo QLASSIC assessment while CIDB provides training for BPMB staff.

The Siri Interaktif Tanyalah Ustaz lecture series featuring independent speaker Dato' Dr. Mohd Izhar Ariff Mohd. Kassim highlighted topics to boost staff morale and was held for the benefit of BPMB staff from August to December 2018.

SEPTEMBER 2018

Senior Banker Encik Baharudin Abd Majid represented BPMB to hand over the Bank's business tithe to Majlis Agama Islam Wilayah Persekutuan during the Majlis Zakat Korporat 2018.

OCTOBER 2018

BPMB, a member of the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) participated at the Global Islamic Finance Forum (GIFF 2018) which was held on 3 and 4 October 2018 at the Sasana Kijang in Kuala Lumpur. The two-day forum focused on ways to strengthen the roles and impact of Islamic banking institutions towards a sustainable financial ecosystem.

NOVEMBER 2018

The Annual Dinner, themed World Travelers Night was held at Royale Chulan Hotel on 3 November 2018. The event also celebrated BPMB's 45th Anniversary.

BPMB presented its business tithe to the state of Melaka on 2 November 2018. Melaka Chief Minister Y.B. Tuan Adly bin Zahari accepted the business tithe on behalf of the state. BPMB was represented by Encik Noor Azmi Nakim, Head of Middle Office and Credit Operations.

The state of Pulau Pinang received BPMB's business tithe on 14 November 2018. Head of Group Shariah Management, Encik Mohamad Salihin Deris presented the tithe to Pulau Pinang Deputy Chief Minister, Y.B. Dato' Ir. Hj. Ahmad Zakiyuddin bin Abdul Rahman.

DECEMBER 2018

BPMB funded the Children's Home half-year operations costs. The home, run by the National Cancer Society Malaysia provides accommodation for cancer-stricken children and their guardians. Located on the fourth floor of the NCSM building at Jalan Raja Abdullah, Kampung Baru, it is equipped with individual bedrooms, kitchen and pantry, play room for the children.

BPMB presented financial contributions to ISRA and INCEIF in December. ISRA received contribution for research and publication while INCEIF received contribution for its education programmes.

MARCH 2019

BPMB launched its Industry Digitalisation Transformation Fund (IDTF) on 7 March 2019. The fund was officiated by the Minister of Finance, Y.B. Tuan Lim Guan Eng. The fund is aimed at helping Malaysia achieve its Industry 4.0 goals by accelerating the industry's adoption of the related technologies.

BPMB launched the Sustainable Development Financing Fund (SDFF) by the Minister of Finance, Y.B. Tuan Lim Guan Eng on 13 March 2019. The fund will be used to support efforts to implement the United Nation's 17 Sustainable Development Goals (SDGs).

FINANCIAL STATEMENTS

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 2018.

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.

Information relating to principal activities of the subsidiaries are disclosed in Note 48 to the financial statements.

RESULTS

	Group RM'000	Bank RM'000
Net profit for the year	167,310	136,288
Attributable to:		
Equity holders of the Bank	171,213	136,288
Non-controlling interests	(3,903)	-
	167,310	136,288

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in Notes 10, 11, 37 and 38 to the financial statements and the statement of changes in equity .

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 single tier tax exempt dividend on 3,078,724,049 ordinary shares, amounting to RM100,000,000 (3.25 sen net per ordinary share), in respect of the financial year ended 31 December 2017 was declared on 27 March 2018 and paid on 21 September 2018.

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

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2018, 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 2019.

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:

Datuk Zaiton binti Mohd Hassan	(appointed on 18 February 2019)
Tan Lye Sim	(appointed on 15 September 2018)
Tan Sri Dr. Rahamat Bivi binti Yusoff	(appointed on 1 October 2018)
Dato' Othman bin Semail	(appointed on 22 January 2019)
Dr. Mohamed Ashraf bin Mohamed Iqbal	(appointed on 1 February 2019)
Datuk Jamaludin bin Nasir	(resigned on 27 February 2018)
Datuk Wan Azhar bin Wan Ahmad	(resigned on 22 February 2019)
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	(ceased with effect from 1 December 2018)
Datuk Seri Hashmuddin bin Mohammad	(ceased with effect from 22 January 2019)
Musa bin Abdul Malek	(ceased with effect from 12 February 2019)
Suffian bin Baharuddin	(ceased with effect from 12 February 2019)

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

Tan Sri Dr. Rahamat Bivi binti Yusoff	(appointed on 28 February 2019)
Datin Rashidah binti Mohd Sies	
Afidah binti Mohd Ghazali	(resigned on 4 February 2019)
Datuk Wan Azhar bin Wan Ahmad	(resigned on 28 February 2019)

(ii) Pembangunan Leasing Corporation Sdn Bhd

Dr. Mohamed Ashraf bin Mohamed Iqbal	(appointed on 22 February 2019)
Mohamad Rafi bin Shahzada	
Afidah binti Mohd Ghazali	(resigned on 4 February 2019)
Datuk Wan Azhar bin Wan Ahmad	(resigned on 22 February 2019)

(iii) SME Growth Acceleration Fund Sdn Bhd

Nik Nor Aini binti Nik Mohamed	(appointed on 4 February 2019)
Razali bin Hassan	(appointed on 22 February 2019)
Afidah binti Mohd Ghazali	(resigned on 4 February 2019)
Datuk Wan Azhar bin Wan Ahmad	(resigned on 22 February 2019)

(iv) Emerald Upline Sdn Bhd

Azmahnor binti Siarap @ Abdul Wahab
Zulkeefli bin Mad Karim

(v) Maju Nominees (Tempatan) Sdn Bhd

Roslina binti Mohamed	
Mohd Yazid bin Safuan	(resigned on 26 March 2018)

(vi) BPMB Urus Harta Sdn Bhd

Zulkeefli bin Mad Karim	
Elioskarma bin Abdul Aziz	(appointed on 4 February 2019)
Afidah binti Mohd Ghazali	(resigned on 4 February 2019)

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 35 and 36 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 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 OR OFFICERS

The Bank maintained a Directors' and Officers' Liability Insurance for purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Bank. The amount of insurance premium paid for any director and officer of the Bank during the financial year was RM418,720. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating
MARC Rating	28 November 2018	Financial Institution Rating	AAA
RAM Rating	11 December 2018	Financial Institution Rating	AAA
RAM Rating	11 December 2018	RM7.0 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 Bank will continue to provide financing to the strategic sectors. 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 profit or loss, 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 loans, financing and advances and bad debts and the making of impairment provision and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment provision and 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 loans, financing and advances and bad debts or the amount of the impairment provision and 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 other than those arising in the normal course of business of the Group or the Bank.

(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.

AUDITORS

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

Auditors' remunerations are disclosed in Note 34 (iv) to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 28 May 2019.

Datuk Zaiton binti Mohd Hassan

Tan Sri Dr. Rahamat Bivi binti Yusoff

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT, 2016

We, Datuk Zaiton binti Mohd Hassan and Tan Sri Dr. Rahamat Bivi binti Yusoff, 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 81 to 263 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 28 May 2019.

Datuk Zaiton binti Mohd Hassan

Tan Sri Dr. Rahamat Bivi binti Yusoff

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 251 (1) (B) OF THE COMPANIES ACT, 2016 AND SECTION 73 (1) (E) OF THE DEVELOPMENT FINANCIAL INSTITUTION ACT, 2002

We, Tan Sri Dr. Rahamat Bivi binti Yusoff and Razali Bin Hassan, the Director and Chief Operating Officer, respectively, of the Bank who are primarily being responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 81 to 263 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 28 May 2019.

Tan Sri Dr. Rahamat Bivi binti Yusoff

Razali bin Hassan

Before me,

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"):

INTRODUCTION

In carrying out the roles and the responsibilities of the Shariah Committee of the Bank as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia and in compliance with our terms of appointment, we hereby submit the Shariah Committee Report for the financial year period ended 31 December 2018.

Management's Responsibility

The Management of the Bank shall at all times be responsible for ensuring that the Bank's aims and operations, business affairs and activities in relation to its Islamic financial business are conducted in accordance with Shariah.

Shariah Committee's Responsibility

The Shariah Committee of the Bank shall be responsible to form an independent opinion, based on our review of the aims and operations, business, affairs and activities in relation to the Islamic financial business of the Bank and to produce this report.

The Shariah Committee of the Bank is assisted by the Shariah compliance and research functions which are established to carry out the specified roles under the Shariah governance requirements. These functions are carried out by Group Shariah Management, Group Risk Management, Group Compliance, and Group Internal Audit. Generally, the roles of these functions include conducting Shariah research and providing Shariah advisory, acting as the Shariah Committee's secretariat, managing Shariah non-compliance risks, conducting Shariah review and Shariah audit in relation to Islamic financial business of the Bank.

During the financial year, there were thirteen (13) meetings held by the Shariah Committee of the Bank in which we reviewed and deliberated on, 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 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. Accordingly, we have also assessed the work carried out by Shariah review and Shariah audit for this purpose.

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES

Among the key developments and activities during the financial year are the approvals of enhancement on legal documentation with regard to the security document, enhancement on Tawarruq Term Financing and deliberation on enhancement of policy and procedures. The Shariah Committee also deliberated on various issues with regard to rescheduling and restructuring and improvements on simulation of zakat computation and management matters. The Chairman of Shariah Committee has presented on the latest development of Islamic banking industry during the engagement session with the Board. As part of training program of Shariah Committee in advising the Bank, all the members also have been enrolled into certification programmes namely Certified Shariah Advisor ("CSA") and Certified Shariah Practitioner ("CSP") by Association of Shariah Advisors in Islamic Finance ("ASAS").

Following are the other major developments and initiatives in relation to Shariah governance that took place during the financial year:

a. Shariah Research

Group Shariah Management undertakes the review and perusal of the issues, proposals and documents prepared by internal business and support functions for Shariah Committee's approval, deliberation and information. They also provide Shariah advisory and endorsement as delegated by the Shariah Committee on the proposals by those functions.

The documents among others include the financing proposals by the Bank's business units as well as its subsidiaries, policies and procedures, guidance notes, letter of offers, legal documentation, marketing decks, the Bank's annual report and other operational support activities. Throughout the financial year, Group Shariah Management had successfully established four new internal manuals for Group Shariah Management.

Group Shariah Management has been newly mandated to be the responsible function on the management, payment and distribution of business zakat in ensuring the Bank complies with the established rulings in relation to business zakat as the efficient and effective management and distribution of business zakat is important to the Bank. With this new mandate, Group Shariah Management has completed the overall zakat distribution for 2017 in October 2018.

Apart from that, Group Shariah Management had conducted ad-hoc mini Shariah research among others in the areas of Overview of *Qalb Dayn* or *Faskh Dayn Bil Dayn*, Shariah Issues on CASA *Tawarruq*, Understanding the Value-based Intermediation and Classical Examples of *Bay Wa Salaf*.

b. Shariah Risk Management

The management of Shariah non-compliance risk of the Bank is facilitated and coordinated by the Shariah Risk Management team residing under the Operational Risk function of Group Risk Management. The risk management process entails the identification, assessment, control, monitoring and reporting of Shariah non-compliance risks and events to mitigate possible occurrence of Shariah non-compliance ("SNC") event.

Greater focus had also been given on the Risk and Control Self- Assessment ("RCSA") exercise whereby the Shariah non-compliance risk alongside the operational and information technology risks of the key business processes have been identified, assessed, controlled, monitored and reported to the Operational Risk Function ("ORF"). Discussions between the Operational Risk Liaison Officer ("ORLO") of each business and support functions and ORF officers were held prior to finalisation of the risk issues, inherent and residual risk rating, controls and its effectiveness rating and action plan for mitigation of High and Medium Shariah non-compliance risk issues.

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D)

b. Shariah Risk Management (Cont'd)

Being an Islamic financial service provider, the overall business, operations and activities shall be carried out within the risk appetite of the Bank. Adopting a zero tolerance to Shariah non-compliance, any single SNC event occurred shall not be compromised and must be reported to the Shariah Committee and Board prior to onward reporting to Bank Negara Malaysia.

Throughout 2018, the business and support functions continue to review and update the risk profile of their respective functions on the Shariah non-compliance risk exposures in the RCSA, taking into consideration of any introduction or change in the current processes and activities. For risk monitoring purposes, there are generic and specific Shariah Non-Compliance Key Risk Indicators assigned to the business and support functions which shall be reported periodically to the Management, Shariah Committee and Board.

The Shariah Risk Management team continues to provide risk advisory service and independent risk assessment to the business and support functions for new product and variation to existing products, process including policies and procedures, business dealings and Islamic banking business related activities. Furthermore, for risk awareness, training sessions on Shariah non-compliance risk management and briefing on Shariah non-compliance event reporting process have been provided for relevant staff of the business and support functions.

c. Shariah Review

Group Compliance, through its dedicated Shariah Compliance team continued to play a vital role by the performance of a regular assessment of the Bank's business operation, aimed at ensuring the activities and operations in relation to Islamic financial business carried out by the Bank do not contravene Shariah.

During financial year 2018, there were fourteen (14) Shariah reviews conducted by Shariah Compliance team in accordance to the Shariah Compliance review plan approved by us for their implementation. The observations identified as well as the proposed remedial rectifications measures to resolve Shariah non-compliances were presented and deliberated in our meetings to assess Bank's compliance to the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and our decisions.

The reviews conducted by the Shariah compliance team were as follows:

1. Shariah Governance Framework for Islamic Financial Institutions
2. Capital Framework for Development Financial Institutions
3. *Ibra'* (Rebate) for Sale-Based Financing
4. Fees and Charges
5. System for Islamic Business and Transactions
6. Rescheduling / Restructuring (R&R) of Financing
7. Annual Report 2017
8. *Kafalah*
9. Account Under Recovery
10. *Tawarruq* Financing
11. Staff Financing
12. Late Payment Charges
13. Islamic Financing Procedures
14. Placement & Investment in Securities

Apart from the regular assessment, an extensive focus was given to identify gaps in the Bank's operation which could hinder its adherence to the Shariah requirements and other applicable regulatory requirements. The appropriate internal controls were then implemented by the respective functions within the Bank and monitored accordingly by Shariah Compliance team.

d. Shariah Audit

The performance of audit to ensure a sound and effective internal control system for Shariah compliance in the Bank is within the responsibility of Group Internal Audit. This is to enable Group Internal Audit to provide an independent assessment and objective assurance on the degree of Shariah compliance in relation to the Bank's business operations to the Shariah Committee.

In 2018, the Shariah Committee acknowledges that Group Internal Audit had adopted an audit approach where Shariah coverage is embedded within the audits conducted as per audit plan which was tabled to Shariah Committee for deliberation and information.

Group Internal Audit had conducted the following audits where Shariah coverage was embedded as part of audit scopes:

1. Special Audit on Credit Facilities Granted to a Customer
   - Assessed the completeness and accuracy of the facility documentation available for the credit facilities granted to the customer.
   - Assessed the processes and controls over fund disbursement activities, including but not limited to, compliance with the relevant Shariah requirements, completeness of transaction supporting documents.

2. Post Mortem Audit on Pre-Watchlist, Watchlist, High Risk Accounts and Impaired Accounts
   - Assessed on the effectiveness and efficiency of the processes and controls to ensure compliance with Shariah on fund disbursement activities, completeness of supporting documents submitted for disbursement.

3. Audit on Bank Pembangunan Malaysia Berhad's Treasury Activities
   - Assessed the treasury activities including Islamic portfolio and instruments to determine whether the activities were carried out in accordance with the relevant Shariah principles and requirements.

INITIATIVES ON TRAINING AND AWARENESS

BNM has imposed professional qualification in Islamic finance, specifically the Certified Shariah Advisor and Certified Shariah Practitioner in 2018.

These two qualifications have been mandated by Bank Negara Malaysia to Association of Shariah Advisors in Islamic Finance to organise the program to upskill existing Shariah Advisors and Officers serving the industry.

The two programmes will have common modules and targeted specific modules for both Shariah and non-Shariah background practitioners. Certified Shariah Advisor and Certified Shariah Practitioner qualification will be conferred upon successful completion of all the required modules. A total of 20 internal participants, comprising 5 Shariah Committee and 15 staff have been enrolled for the programs.

Apart from this program, a total of 168 staff have attended various Islamic finance, Shariah-related training programs and internal/external seminars includes among others as follows:

1. Managing Customer Information & Permitted Disclosures, Refresher on AMLCFT & Shariah Governance Framework
2. *Kafalah* and *Tawarruq* Regulatory Requirements
3. Legal Documentation & Litigation Process for Islamic Financing
4. Financial Accounting & Reporting For Islamic Financial Institutions
5. Shariah Governance Framework and Shariah Non-Compliance Reporting
6. Shariah Non-Compliance Risk Management

SHARIAH NON-COMPLIANT EVENTS AND INCOME

During the financial year 2018, we confirmed that there was no occurrence of Shariah non-compliant event and income.

ZAKAT ON BUSINESS AND CHARITY FUNDS

The zakat on business for the financial year has been computed using the capital growth computation method at the rate of 2.5775% as endorsed by the Shariah Committee. The zakat amount is paid by the Bank to the states' zakat authorities in Malaysia based on the data on poverty level as reported by the Department of Statistics of Malaysia.

Throughout the year, the distribution proposals of zakat fund by the Bank to eligible beneficiaries (asnaf) were endorsed by the Shariah Committee. We also noted that the Bank has carried out the distribution of the charity fund in accordance with the guidelines and as endorsed by the Shariah Committee.

SHARIAH OPINION

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 during the financial year ended 31 December 2018 that were reviewed by us, are in compliance with Shariah;

2. The computation and distribution of zakat fund are in compliance with Shariah; and

3. The distribution of charity fund are in compliance with Shariah.

We, being two of the members of the Shariah Committee of Bank Pembangunan Malaysia Berhad, do hereby confirm that on behalf of the Shariah Committee, to the best of our knowledge and belief, the aims and operations, business, affairs and activities of the Bank in relation to its Islamic financial business for the financial year ended 31 December 2018 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.

Signed on behalf of the Committee in accordance with a resolution of the Shariah Committee dated 28 May 2019.

Assoc. Prof. Dr. Aznan Hasan
Chairman

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

Kuala Lumpur, Malaysia

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Pembangunan Malaysia Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 81 to 263.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of Bank as at 31 December 2018, and of their financial performance and their 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, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report and the Annual Report but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 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

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 May 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Assets					
Cash and short term deposits	4(a)	2,311,748	1,717,851	2,020,160	1,440,276
Deposits and placements with financial institutions	4(b)	38,055	-	-	-
Financial investments at fair value through profit or loss	5	-	-	-	-
Financial investments at fair value through other comprehensive income	6	3,719,952	-	3,717,174	-
Financial investments - available-for-sale	7	-	5,224,019	-	5,219,209
Financial investments at amortised cost	8	22	-	-	-
Financial investments - held-to-maturity	9	-	22	-	-
Loans, financing and advances	10	18,284,672	19,743,299	18,127,583	19,557,642
Other assets	11	178,363	189,582	139,595	153,039
Investments in subsidiaries	12	-	-	256,641	284,304
Interest in associates	13	533	563	-	-
Interest in joint ventures	14	-	28,450	-	-
Property, plant and equipment	15	81,600	82,557	81,434	82,462
Prepaid land leases	16	343	359	343	359
Investment properties	17	601	641	345	352
Intangible assets	18	6,985	7,957	6,617	7,420
Deferred tax assets	19	111,235	2,949	108,947	433
		24,734,109	26,998,249	24,458,839	26,745,496
Assets classified as held for sale	47	-	311	-	-
Total assets		24,734,109	26,998,560	24,458,839	26,745,496

		Group		Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Liabilities					
Deposits from customers	20	6,412,169	8,160,469	6,412,169	8,160,469
Deposits and placements from financial institutions	21	100,354	-	100,354	-
Bills and acceptance payable	2.4(k)	-	249,380	-	249,380
Other liabilities	22	120,254	152,432	78,513	99,999
Redeemable notes/Sukuk	23	7,343,958	7,393,215	7,343,958	7,393,215
Borrowings	24	2,681,874	2,784,026	2,681,874	2,784,026
Infrastructure support fund	25	304,166	304,166	304,166	304,166
Deferred income	26	219,962	227,030	219,962	227,030
Deferred tax liabilities	19	245	1,609	-	-
Total liabilities		17,182,982	19,272,327	17,140,996	19,218,285
Equity attributable to equity holders of the Bank					
Share capital	27	3,078,724	3,078,724	3,078,724	3,078,724
Reserves	28	4,456,111	4,629,055	4,239,119	4,448,487
		7,534,835	7,707,779	7,317,843	7,527,211
Non-controlling interests		16,292	18,454	-	-
Total equity		7,551,127	7,726,233	7,317,843	7,527,211
Total equity and liabilities		24,734,109	26,998,560	24,458,839	26,745,496
Commitments and contingencies	42(a)	6,257,513	9,334,983	6,046,597	9,047,981

The accompanying notes form an integral part of the financial statements

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Continuing operations:					
Interest income	30	758,618	882,033	733,454	858,292
Interest expense	31	(262,768)	(317,481)	(262,768)	(317,480)
Net interest income		495,850	564,552	470,686	540,812
Net income from Islamic financial business	51	297,848	272,957	293,618	267,606
Non-interest income	32	26,580	30,379	24,248	38,255
Compensation from the Government	33	-	2,413	-	2,413
Net income		820,278	870,301	788,552	849,086
Overhead expenses	34	(107,351)	(98,147)	(101,849)	(79,235)
Allowance for impairment losses of loans, financing and advances	37	(423,224)	(302,776)	(441,118)	(312,938)
Allowance for impairment losses on other assets	38	(16,570)	(138,662)	(27,446)	(162,869)
Operating profit		273,133	330,716	218,139	294,044
Share of loss of associates and joint ventures		(12,445)	(5,405)	-	-
Profit before taxation and zakat from continuing operations		260,688	325,311	218,139	294,044
Taxation	39	(75,890)	(99,068)	(66,879)	(86,375)
Zakat		(17,488)	(11,234)	(14,972)	(8,292)
Profit from continuing operations, net of taxation		167,310	215,009	136,288	199,377
Discontinued operations:					
Loss on deconsolidation of discontinued operations	12(b)	-	(1,792)	-	-
Loss from discontinued operations	12(c)	-	(5)	-	-
Loss from discontinued operations, net of taxation		-	(1,797)	-	-
Net profit for the year		167,310	213,212	136,288	199,377

		Group		Bank	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Attributable to:					
Equity holders of the Bank					
Profit for the year from continuing operations		171,213	226,833	136,288	199,377
Loss for the year from discontinued operations		-	(985)	-	-
Profit for the year attributable to equity holders of the Bank		171,213	225,848	136,288	199,377
Non-controlling interests					
Loss for the year from continuing operations		(3,903)	(11,824)	-	-
Loss for the year from discontinued operations		-	(812)	-	-
Loss for the year attributable to non-controlling interests of the Bank		(3,903)	(12,636)	-	-
		167,310	213,212	136,288	199,377
Earnings per share attributable to the equity holders of the Bank:					
Basic earnings per share (sen)	41				
- from continuing operations		5.56	7.37		
- from discontinued operations		-	(0.03)		
		5.56	7.34		

The accompanying notes form an integral part of the financial statements

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Bank	
	2018 **RM'000**	**2017** **RM'000**	**2018** **RM'000**	**2017** **RM'000**
Profit for the year	167,310	213,212	136,288	199,377
Other comprehensive (loss)/income				
Items that will not be reclassified to profit or loss:				
Net change in revaluation of equity instruments at fair value through other comprehensive income	(48,019)	-	(45,986)	-
Items that may be reclassified to profit or loss:				
Translation differences in respect of foreign operation	2,013	(8,156)	-	-
Net change in revaluation of financial investments:				
- debt instruments at fair value through other comprehensive income	14,510	-	14,510	-
- available-for-sale	-	49,839	-	48,552
	(31,496)	41,683	(31,476)	48,552
Income tax effect	8,233	(11,962)	7,745	(11,653)
	8,233	(11,962)	7,745	(11,653)
Other comprehensive (loss)/income for the year, net of tax	(23,263)	29,721	(23,731)	36,899
Total comprehensive income for the year	144,047	242,933	112,557	236,276
Total comprehensive income/(loss) attributable to:				
Equity holders of the Bank	146,209	256,285	112,557	236,276
Non-controlling interests	(2,162)	(13,352)	-	-
	144,047	242,933	112,557	236,276

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to equity holders of the Bank									
		Non-distributable									
Group	Note	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Unrealised AFS reserve RM'000	Unrealised FVOCI reserve RM'000	Exchange translation reserve/ (deficit) RM'000	Distributable retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018		3,078,724	1,000	1,960,559	31,472	-	(48,216)	2,684,240	7,707,779	18,454	7,726,233
Effect of changes in accounting policies	53	-	-	-	(31,472)	30,677	-	(218,358)	(219,153)	-	(219,153)
At 1 January 2018, as restated		3,078,724	1,000	1,960,559	-	30,677	(48,216)	2,465,882	7,488,626	18,454	7,507,080
Total comprehensive (loss)/income for the financial year		-	-	-	-	(25,276)	272	171,213	146,209	(2,162)	144,047
Transfer to statutory reserve		-	-	34,072	-	-	-	(34,072)	-	-	-
Dividend paid	40	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
At 31 December 2018		3,078,724	1,000	1,994,631	-	5,401	(47,944)	2,503,023	7,534,835	16,292	7,551,127
At 1 January 2017		3,078,724	1,000	1,910,715	(6,405)	-	(40,776)	2,608,236	7,551,494	31,806	7,583,300
Total comprehensive income/(loss) for the financial year		-	-	-	37,877	-	(7,440)	225,848	256,285	(13,352)	242,933
Transfer to statutory reserve		-	-	49,844	-	-	-	(49,844)	-	-	-
Dividend paid	40	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
At 31 December 2017		3,078,724	1,000	1,960,559	31,472	-	(48,216)	2,684,240	7,707,779	18,454	7,726,233

The accompanying notes form an integral part of the financial statements

Bank	Note	Share capital RM'000	Statutory reserve RM'000	Unrealised AFS reserve RM'000	Unrealised FVOCI reserve RM'000	Distributable retained profits RM'000	Total RM'000
		← Non-distributable			→		
At 1 January 2018		3,078,724	1,960,559	31,012	-	2,456,916	7,527,211
Effect of changes in accounting policies	53	-	-	(31,012)	30,217	(221,130)	(221,925)
At 1 January 2018, as restated		3,078,724	1,960,559	-	30,217	2,235,786	7,305,286
Total comprehensive (loss)/income for the financial year		-	-	-	(23,731)	136,288	112,557
Transfer to statutory reserve		-	34,072	-	-	(34,072)	-
Dividend paid	40	-	-	-	-	(100,000)	(100,000)
At 31 December 2018		3,078,724	1,994,631	-	6,486	2,238,002	7,317,843
At 1 January 2017		3,078,724	1,910,715	(5,887)	-	2,407,383	7,390,935
Total comprehensive income for the financial year		-	-	36,899	-	199,377	236,276
Transfer to statutory reserve		-	49,844	-	-	(49,844)	-
Dividend paid	40	-	-	-	-	(100,000)	(100,000)
At 31 December 2017		3,078,724	1,960,559	31,012	-	2,456,916	7,527,211

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
Profit before taxation and zakat from continuing operations	260,688	325,311	218,139	294,044
Loss before taxation and zakat from discontinued operations	-	(1,797)	-	-
Profit before taxation and zakat	260,688	323,514	218,139	294,044
Adjustment for:				
Share of loss of associates and joint ventures	12,445	5,405	-	-
Depreciation of property, plant and equipment (Note 34(ii))	4,015	3,830	3,940	3,581
Amortisation of prepaid land lease (Note 34(ii))	16	24	16	24
Depreciation of investment properties (Note 34(ii))	10	21	7	18
Amortisation of intangible assets (Note 34(ii))	2,640	4,267	2,467	3,791
Gain on disposal of property, plant and equipment (Note 32(b))	(216)	(154)	(167)	(116)
Gain on disposal of prepaid land lease (Note 32(b))	-	(1,925)	-	(1,925)
Gain on disposal of investment properties (Note 32(b))	-	(5,538)	-	(1,320)
Gain on disposal of asset held for sale (Note 32(b))	(161)	-	-	-
Loss on disposal of a subsidiary (Note 32(b))	-	1,396	-	1,396
Loss on disposal of investment (Note 32(b))	-	5	-	-
Net gain on disposal of financial investment at FVOCI (Note 32(a) and 51(n))	(10,959)	-	(10,959)	-
Unrealised loss on revaluation of financial investment at FVTPL (Note 32(a))	1,712	-	1,712	-
Dividend income:				
Financial investments at FVTPL (Note 32(a))	(7,348)	-	(7,348)	-
Subsidiaries (Note 32(a))	-	-	-	(16,200)
Financial investments - AFS (Note 32(a))	-	(7,208)	-	(7,208)
Balance carried forward	262,842	323,637	207,807	276,085

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities (cont'd)				
Balance brought forward	262,842	323,637	207,807	276,085
Accretion of discount less amortisation of premium of financial investments (Note 30 and 51(n))	(126)	(29,421)	(126)	(29,421)
Impairment allowance/(written back) for:				
Financial investments at FVOCI (Note 38)	6	-	6	-
Financial investments - HTM (Note 38)	-	58,684	-	58,684
Investment properties (Note 38)	30	-	-	-
Prepaid land leases (Note 38)	-	320	-	320
Investment in subsidiaries				
Made during the year (Note 38)	-	-	27,663	104,747
Written back during the year (Note 38)	-	(1,111)	-	(1,111)
Property, plant and equipment written off (Note 34(iv))	-	39	-	39
Gain on foreign exchange (Note 32(b))	(133)	(3,809)	-	(3,809)
Allowances for impairment losses on loans, financing and advances, net (Note 37)	455,302	-	473,580	-
Individual allowance (Note 37):				
Individual allowance made	-	262,267	-	250,720
Individual allowance written back	-	(38,854)	-	(19,624)
Collective allowance (Note 37):				
Collective allowance made	-	170,822	-	163,895
Collective allowance written back	-	(94,540)	-	(86,160)
Impaired loans and other assets written off (Note 37 and 38)	728	8,394	220	7,951
Allowance for ex-staff loan/financing (Note 38)	52	412	52	412
Gain due to debt modification (Note 32(b), 51(m) and Note 51(n))	(8,527)	-	(8,527)	-
Individual allowance made during the year against ISF (Note 33)	-	(2,413)	-	(2,413)
Balance carried forward	710,174	654,427	700,675	720,315

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities (cont'd)				
Balance brought forward	710,174	654,427	700,675	720,315
Compensation from the Government (Note 30 and Note 51(n))	(133,615)	(139,283)	(133,615)	(139,283)
Operating cash flows before working capital changes	576,559	515,144	567,060	581,032
(Increase)/decrease in operating assets:				
Deposits and placements with financial institutions	(38,055)	-	-	-
Loans, financing and advances	720,821	1,171,589	672,868	1,144,568
Other assets	(18,055)	286,929	(19,771)	157,212
	664,711	1,458,518	653,097	1,301,780
(Decrease)/increase in operating liabilities:				
Deposits from customers	(1,748,300)	(1,590,082)	(1,748,300)	(1,590,082)
Deposit and placements from financial institutions	100,354	(10,002)	100,354	(10,002)
Other liabilities	(2,016)	(8,273)	(5,485)	43,701
	(1,645,930)	(1,608,357)	(1,653,431)	(1,556,383)
Cash (used in)/generated from operating activities	(404,660)	365,305	(433,274)	326,429
Income taxes paid	(97,766)	(60,220)	(82,794)	(47,544)
Zakat paid	(15,847)	(18,644)	(15,847)	(16,444)
Net cash (used in)/generated from operating activities	(518,273)	286,441	(531,915)	262,441
Cash flows from investing activities				
Dividend income from:				
Financial investments at FVTPL (Note 32(a))	7,348	-	7,348	-
Subsidiaries	-	-	-	16,200
Financial investments - AFS (Note 32(a))	-	7,208	-	7,208
Purchase of financial investments at FVOCI	(1,794,521)	-	(1,794,521)	-
Purchase of financial investments - AFS	-	(1,458,689)	-	(1,458,689)
Purchase of property, plant and equipment (Note 15)	(3,541)	(3,692)	(3,291)	(3,677)
Purchase of intangible assets (Note 18)	(1,313)	(3,000)	(1,309)	(2,826)
Proceeds from disposal of financial investments at FVTPL	199,296	-	199,296	-
Balance carried forward	(1,592,731)	(1,458,173)	(1,592,477)	(1,441,784)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities (cont'd)				
Balance brought forward	(1,592,731)	(1,458,173)	(1,592,477)	(1,441,784)
Proceeds from disposal/maturity of financial investments at FVOCI	3,079,267	-	3,079,267	-
Proceeds from disposal of subsidiaries	-	-	-	351
Proceeds from disposal of property, plant and equipment	344	346	191	346
Proceeds from disposal of investment properties	-	7,294	-	2,105
Proceeds from disposal of prepaid land leases	-	-	-	2,105
Proceeds from asset held for sale	472	-	-	-
Net cash generated from/(used in) investing activities	1,487,352	(1,450,533)	1,486,981	(1,436,877)
Cash flows from financing activities				
Net repayments of long-term loans	(100,000)	(156,249)	(100,000)	(156,249)
Net (repayment of)/receipt from bills and acceptance payables	(250,000)	250,000	(250,000)	250,000
Net (repayment of)/receipt from redeemable notes	(50,000)	1,472,900	(50,000)	1,472,900
Proceeds from Government compensation	124,818	119,793	124,818	119,793
Dividends paid	(100,000)	(100,000)	(100,000)	(100,000)
Net cash (used in)/generated from financing activities	(375,182)	1,586,444	(375,182)	1,586,444
Net increase in cash and cash equivalents	593,897	422,352	579,884	412,008
Cash and cash equivalents at beginning of financial year	1,717,851	1,295,499	1,440,276	1,028,268
Cash and cash equivalents at end of financial year	2,311,748	1,717,851	2,020,160	1,440,276
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 4(a))	2,311,748	1,717,851	2,020,160	1,440,276

The accompanying notes form an integral part of the financial statements

1. CORPORATE INFORMATION

Bank Pembangunan Malaysia Berhad ("the Bank") is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Bank is located at Level 16, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The holding 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 Islamic Financial Business principles 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. The principal activities of the subsidiary companies are as disclosed in Note 48.

There have been no significant changes in the nature of the principal activities of the Bank 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 28 May 2019.

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, 2016 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 business activities in accordance with Shariah principles.

The Group and the Bank present the statements of financial position in order of liquidity. An analysis regarding the recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 49(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 Changes in Accounting Policies

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

On 1 January 2018, the Group and the Bank adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2018.

Description	**Effective for annual period beginning on or after**
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments to MFRS 2 address three main areas:

(a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
(b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
(c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The adoption of the above amendment do not have any material impact on the Group's and Bank's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in Accounting Policies (cont'd)

MFRS 9 Financial Instruments

Transition disclosure - Classification and measurement of financial instruments

The Group and the Bank have applied for the first time, MFRS 9 Financial Instruments which replaced MFRS 139 Financial Instruments, effective for annual periods beginning on or after 1 January 2018. The comparative information for 2017 for financial instruments has not been restated as allowed under MFRS 9.

Therefore, the comparative information for 2017 is reported under MFRS 139 and is not comparable to the information presented as at 31 December 2018. The reclassification and measurement of financial assets and liabilities affected by MFRS 9 are summarised in Note 53 which also include a summary of the differences in carrying amount of the Group and the Bank's financial instruments as at 1 January 2018 between MFRS 139 and MFRS 9 to show the quantitative impacts.

The transition impacts arising from the adoption of MFRS 9 of the Group and of the Bank have been recognised directly in retained earnings and other related reserves as of 1 January 2018 and are disclosed in Note 53.

(i) Under MFRS 9, all equity instruments are required to be accounted for at fair value either based on:

- Fair value through Other Comprehensive Income (Without Recycling) ("FVOCI"); or

- Fair Value Through Profit or Loss ("FVTPL")

For equity instrument held for trading, the Group and the Bank has elected the equity instrument as FVTPL; while for those not held for trading, the equity instrument is elected as FVOCI.

(ii) Classification of debt instruments previously recorded under MFRS 139 as Available-for-sale ("AFS") is accounted for as follows:

- Debt instruments that pass the contractual cash flows assessment "Solely Payment of Principal and Interest/Profit" ("SPPI/SPPP Test") and are intended to be held to maturity to collect the contractual cash flows are accounted for at Amortised Cost.

- Debt instruments that pass SPPI/SPPP Test and its business model is achieved by both collecting contractual cash flows and selling of these assets are accounted for as FVOCI.

- Debt instruments that fail SPPI/SPPP test are accounted for at FVTPL.

(iii) Staff loans/financing receivable, trade receivables, other receivables which are financial assets and cash and bank balances that have previously been classified as loan/financing and receivables are now classified as amortised cost. The Group and the Bank intends to hold these assets to maturity to collect contractual cashflows and these cashflows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment Calculation

The adoption of MFRS 9 has fundamentally changed the Group's and the Bank's accounting for financial assets impairments by replacing incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Bank to record an allowance for ECLs for financial investment instruments, all loans, advances and financing and other financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in Accounting Policies (cont'd)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The adoption of the above standard do not have any material impact on the Group's and Bank's financial statements.

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property.

The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

The adoption of the above amendment do not have any material impact on the Group's and Bank's financial statements.

Annual Improvements to MFRS Standards 2014 – 2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group and the Bank financial statements.

(a) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters.

    This amendment is not applicable to the Group as the Group is not a first-time adopter of MFRS.

(b) MFRS 128 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

    The amendments clarify that:

    - an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in Accounting Policies (cont'd)

Annual Improvements to MFRS Standards 2014 – 2016 Cycle (cont'd)

(b) MFRS 128 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (cont'd)

The amendments clarify that (cont'd):

- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:

  (i) the investment entity associate or joint venture is initially recognised;
  (ii) the associate or joint venture becomes an investment entity; and
  (iii) the investment entity associate or joint venture first becomes a parent.

Earlier application of these amendments are permitted and must be disclosed. These amendments are not applicable to the Group as the Group is not a venture capital organisation and the Group does not have any associate or joint venture that is an investment entity.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

The above interpretation do not have any material impact on the Group's and Bank's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 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 and the Bank 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**
MFRS 16 Leases	1 January 2019
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 19 Insurance Contract	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

MFRS 16 *Leases*

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest/profit expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards Issued but not yet Effective (cont'd)

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest/profit on the principal amount outstanding (the SPPI/SPPP criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to MFRS 9 clarify that a financial asset passes the SPPI/SPPP criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group and the Bank financial statements.

MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Bank do not expect the amendments to have any impact on the Group and the Bank financial statements.

Annual Improvements to MFRS Standards 2015-2017 Cycle

The Annual Improvements to MFRS Standards 2015-2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Bank's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards Issued but not yet Effective (cont'd)

Annual Improvements to MFRS Standards 2015-2017 Cycle (cont'd)

(a) MFRS 3 Business Combinations - Previously held interests in a joint operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

(b) MFRS 11 Joint Arrangements - Previously held interests in a joint operation

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

(c) MFRS 112 Income Taxes - Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(d) MFRS 123 Borrowing Costs – Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowings originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

The directors expect that the adoption of the above amendments will have no material impact on the Group's and Bank's financial statements in the period of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards Issued but not yet Effective (cont'd)

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Bank will apply the interpretation from its effective date. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

This interpretation is not expected to have any impact on the Group and the Bank.

MFRS 17 Insurance Contracts

MFRS 17 will replace MFRS 4 Insurance Contracts. MFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contract.

This standard is not expected to have any impact on the Group and the Bank.

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 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 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 Group 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 re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. In the Bank's separate financial statements, investments in subsidiaries are stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(h). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the statements of profit or loss. Dividends received from subsidiaries are recorded as a component of revenue in the Bank's separate statements of profit or loss.

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)

2.4 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 statements of profit or loss and statements of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total profit or loss and other 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)

2.4 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 re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

It is then considered in the determination of goodwill. Any contingent considerations 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 9 Financial Instruments ("MFRS 9") is measured at fair value with changes in fair value recognised either in the income statements in accordance with MFRS 9. Other contigent considerations that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in statements of profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in statements of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(b) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture ("JV") is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group has interests in JVs that is disclosed in Note 14.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and JV are accounted for using the equity method.

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(c) Foreign currency transactions

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translation of monetary items at the reporting date are recognised in the statements of profit or loss 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 statements of profit or loss of the Group and on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statements of profit or loss 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 statements of profit or loss (as a reclassification) when the gain or loss on disposal is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(d) Property, plant and equipment

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

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 2.4(h), below. 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 statements of profit or loss as incurred.

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

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

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

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

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 statements of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(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 2.4(h), below.

Freehold land is not depreciated. Freehold building is depreciated at an annual rate of 2%, calculated on a straight line basis to write off the cost of each building over the estimated useful life.

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

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

2.4 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 statements of profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.4(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(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.

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 statements of profit or loss.

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

(i) Financial assets

Financial assets and liabilities are recognised in the statements of financial position when the Group and the Bank has become a party to the contractual provisions of the instruments.

All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised or derecognised on the trade date.

When financial assets or financial liabilities are recognised initially, they are measured at fair value, plus, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss.

Immediately after initial recognition, expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost and debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Classification and subsequent measurement (Policies applicable before 1 January 2018)

(i) Loans and receivables

Loans/financing 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/profit method, less allowance for impairment. Interest/finance income on loans and receivables is recognised as "interest/finance income" in the statements of profit or loss. Impairment losses on loans/financing and receivables are recognised in the statements of profit or loss as "allowances for impairment on loans, financing and advances".

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.

(ii) Financing and advances

Financing and advances consist of *Murabahah, Tawarruq, Ijarah* (includes *Ijarah Muntahiyah bi Tamlik* and *Ijarah Thummal Bai'), Istisna', Kafalah* and *Bai' Bithaman Ajil*. 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.

(c) *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.

(d) *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.

(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 based on deferred payment at certain price.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Classification and subsequent measurement (Policies applicable before 1 January 2018) (cont'd)

(iii) 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/finance income on financial investments - HTM is recognised as "interest income" or "finance income" in the statements of profit or loss. Impairment losses on financial investments - HTM are recognised in statements of profit or loss as "impairment on financial investments - HTM".

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

(iv) 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/profit calculated using the effective interest/profit method are recognised in the statements of profit or loss. The cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest/finance income calculated using the effective interest/profit method is recognised in the statements of profit or loss. Dividends on an AFS equity instrument are recognised in profit or loss when the Group's and the Bank's right to receive payment is established.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Classification and subsequent measurement (Policies applicable before 1 January 2018) (cont'd)

(i) Financial assets

The Group and the Bank determines the classification of their financial assets at initial recognition based on the following measurement categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost.

To determine their classification and measurement category, the financial assets, except equity instruments and derivatives, is assessed based on a combination of the Bank's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment
The Group and the Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

(a) Business model 1 - Hold to Collect (Amortised cost)
Business objective is to collect contractual cash flows over the life of the financial assets. Sales should be insignificant in value or infrequent.

(b) Business model 2 - Hold to Collect and Sell (FVOCI)
Business objective is both to collect contractual cash flows and sell financial assets. Debt instruments under this business model are mainly those with the objectives to:

(i) Manage everyday liquidity needs e.g. frequent sales activity of significant value to demonstrate liquidity or to cover everyday liquidity needs, without the intention of short-term profit taking;
(ii) Maintain a particular interest/profit yield profile e.g. active management of the portfolio on an opportunistic basis to increase return by reinvesting in higher yielding financial assets; and
(iii) Match the duration of the financial assets to the duration of the liabilities that those assets are funding.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Classification and subsequent measurement (Policies applicable before 1 January 2018) (cont'd)

(i) Financial assets (cont'd)

(c) Business Model 3 - FVTPL
Business objective is neither Business Model 1 nor Business Model 2. Debt instruments are mainly held for trading and managed on a fair value basis.

Solely Payments of Principal and Interest/Profit ("SPPI/SPPP") test
As a second step, SPPI/SPPP test must be carried out for all financial assets to identify if contractual cash flows are 'solely payment of principal and interest/profit on the principal amount outstanding' which is consistent with a 'basic lending arrangement'.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition.

The most significant elements of interest/profit within a lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending/financing risks and a profit margin that is consistent with a basic lending/financing arrangement. To perform the SPPI/SPPP assessment, the Group and the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest/profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest/profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest/profit.

The Group and the Bank reclassified debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occured during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Classification and subsequent measurement (Policies applicable before 1 January 2018) (cont'd)

(ii) Financial assets - Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI/SPPP, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit allowance recognised and measured. Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

(iii) Financial assets at FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest/profit, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/finance revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net gain on disposal". Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

(iv) Financial assets at FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a financial investment instrument that is substantially measured at FVTPL and is not part of hedging relationship is recognised in profit or loss and presented in the profit or loss statement within "Net investment income" in the period in which it arises. Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

(v) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group and the Bank measures all equity investments at FVTPL, except where the Group's and the Bank's has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI (with no recycling) provided that is neither held for trading nor a contingent consideration recognised by acquirer in a business combination.

For equity instruments elected on FVOCI (no recycling), gain or loss on disposal is recognised in equity and dividends are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (Policies applicable before 1 January 2018)

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

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

(i) Impairment of loans, financing and advances

Classification of impaired loans, financing and advances

The Group and the Bank classify a loan, financing or advance as impaired when there is objective evidence that the loan/financing 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, the facility shall be classified as impaired where the outstanding amount remains 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/customer.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (Policies applicable before 1 January 2018) (cont'd)

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

(i) Impairment of loans, financing and advances (cont'd)

Impairment - individual allowance ("IA")

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

If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an 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 statements of profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans/financing 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/finance 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/finance income is recorded as part of 'interest/finance income' in the statements of profit or loss.

Impairment - collective allowance ("CA")

Loans, financing and advances 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (Policies applicable before 1 January 2018) (cont'd)

(i) Impairment of loans, financing and receivables (cont'd)

Impairment - collective allowance ("CA") (cont'd)

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, financing and advances 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.

Impairment - write-off accounts

Loans/financing 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 statements of profit or loss.

(ii) Financial investments - HTM

The Group and the Bank assess at each reporting date whether objective evidence of impairment of financial investments - HTM exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the amortised cost and the present value of the estimated future cash flows, less any impairment previously recognised.

(iii) Financial investments - AFS

The Group and the Bank assess at each reporting date whether there is an objective evidence that 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 statements of profit or loss.

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 statements of profit or loss on equity investments are not reversed through the statements of profit or loss.

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 statements of profit or loss and there is a subsequent increase in the fair value of the debt instruments that can be objectively related to a credit event occurring after the impairment loan/financing was recognised in the statements of profit or loss, the impairment loss is reversed through statements of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (Policies applicable from 1 January 2018)

The Group and the Bank assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial investment instruments assets carried at amortised cost and FVOCI with the exposure arising from loan, financing and advances commitments and financial guarantee contracts. Equity instruments are not subject to impairment assessment.

The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 117 Leases. The Group and the Bank will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

- Stage 1: 12-month ECL

  For exposures where there has not been a significant increase in credit risk since initial recognition or where credit risk has improved and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

- Stage 2: Lifetime ECL – non-credit impaired

  For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, the lifetime ECL will be recognised.

- Stage 3: Lifetime ECL – credit impaired

  Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Both 12 months ECL and life time ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (Policies applicable from 1 January 2018) (cont'd)

The calculation of ECLs

The Group and the Bank calculates ECLs to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default ("PD")

  The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- Exposure at Default ("EAD")

  The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest/profit, whether scheduled by contract or otherwise, expected draw downs on committed facilities.

- Loss Given Default ("LGD")

  The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender/financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (Policies applicable from 1 January 2018) (cont'd)

The mechanics of the ECL method are summarised below:

- Stage 1

  The 12 months ECLs is calculated as the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group and the Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. This expected 12-month default probability is applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- Stage 2

  When a financial asset has shown a significant increase in credit risk since origination, the Group and the Bank records an allowance for the life time ECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3

  If the financial asset is credit impaired, 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 statements of profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans/financing 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/finance 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/finance income is recorded as part of 'interest/finance income' in the statements of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (Policies applicable from 1 January 2018) (cont'd)

- Loan, financing and advances commitments and letters of credit

  When estimating life time ECLs for undrawn loan, financing and advances commitments, the Group and the Bank estimates the expected portion of the loan, financing and advances commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan, financing and advances is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the instrument.

- Financial guarantee contracts

  The Group's and the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest/profit rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within provisions.

- Other financial assets

  The Group and the Bank is applying simplified approach to assess the ECL for other financial assets. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. The loss allowance should be measured at initial recognition and throughout the life of the other financial assets at an amount equal to lifetime ECL. The simplified approach adopted for the Group and the Bank is based on weighted average of the historical loss experience.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

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 the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 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. Upon 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 statements of profit or loss.

(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) 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.

(l) Equity instruments

An equity instrument is any contract that evidences a residual interest/profit 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) 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 statements of profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(n) 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" ("ISF") and "deferred income".

ISF relates to fund received from the Government to cover the potential risk of loan/financing default, any allowance for impairment losses, write-off and other liquidity requirements that may arise. It is also to cover the contingent liabilities of Bank i.e. guarantees, standby credits and performance bonds.

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

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.

(o) 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.

(p) Contingent liabilities

Contingent liabilities consist of secured guarantees given to third parties on behalf of borrowers/customers. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(q) 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 statements of profit or loss.

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 resell.

(r) 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 FVOCI and financial instruments designated at FVTPL, interest/finance 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/finance 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(r) Revenue (cont'd)

(ii) Islamic income recognition

Income from financing and receivables is recognised in the statements of profit or loss 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' and Bai' Bithaman Ajil)*

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

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

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

Fee income

Fee income from charging administrative fees such processing fee, arrangement fee and facility fee is recognised upon satisfaction of performance obligation. Fee 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, hire purchase, pre-factoring 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(s) Income Taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

Deferred tax relating to items recognised outside the statements of profit or loss is recognised outside the statements of profit or loss. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(t) Cash and cash equivalents

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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of 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 on-going basis. Revisions to accounting estimates are recognised in the financial statements in the period of 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 amount recognised in the financial statements include the following:

Judgements

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgements which has the most significant effect and the amounts recognised in financial statements.

(a) Impairment of financial investments portfolio (Note 6, Note 7, Note 8, Note 9 and Note 38)

The Group and the Bank review the debt investments at FVOCI and financial investments at amortised cost under MFRS 9 which requires the recognition of ECL at each reporting date to reflect changes in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward-looking and historical , current and forecasted information into ECL estimation.

In carrying out the review, the following management's judgment are required:

(i) Determination whether the investment is impaired or has significant increased in credit risk 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 ECL that reflect:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) The time value of money; and

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

(b) Impairment of loans, financing and advances (Note 10 and Note 37)

The Group and the Bank make certain judgement in determining the ECL to be recognised on loans, financing and advances. The Group's and the Bank's ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

(i) Internal credit grading model, which assigns PDs to the individual grades;

(ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;

(iii) The segmentation of financial assets when their ECL is assessed on a collective basis;

(iv) Development of ECL models, including the various formulas and the choice of inputs;

(v) Determination of associations between macroeconomic scenarios and, economic inputs, such as KLIBOR and the effect on PDs, EADs and LGDs; and

(vi) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

(vii) The net realisable value of collateral.

(c) Impairment of investment in subsidiaries (Note 12), interest in associates (Note 13) and JVs (Note 14)

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.

(d) Impairment of vessels (Note 38)

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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

Estimates

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future period 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 followings:

(a) Fair value estimation of financial investments - AFS (Note 7)

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.

(b) Allowance for impairment of investment in subsidiaries (Note 12), interest in associates (Note 13) and JVs (Note 14)

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.

(c) Allowance for impairment of vessels (Note 38 and Note 47)

An asset's recoverable amount RA is the higher of the asset's 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.

(d) Deferred tax (Note 19) and Income taxes (Note 39)

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 profits 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.

4(a). CASH AND SHORT TERM DEPOSITS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and balances with other financial institutions	55,332	34,873	36,142	18,273
Money at call and deposit placements maturing within one month	2,256,416	1,682,978	1,984,018	1,422,003
	2,311,748	1,717,851	2,020,160	1,440,276

4(b). DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Licensed banks	38,055	-	-	-

5. FINANCIAL INVESTMENTS AT FVTPL

The financial investments at FVTPL category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 53 Changes in Accounting Policies. Included in the financial investments at FVTPL is a private debt securities with a cost of RM405,364,712 and a fair value of RM Nil.

6. FINANCIAL INVESTMENTS AT FVOCI

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
At fair value				
Debt Securities:				
Money market instruments:				
Malaysian government securities	319,847	-	319,847	-
Government investment issues	1,064,075	-	1,064,075	-
Cagamas	50,510	-	50,510	-
	1,434,432	-	1,434,432	-
Unquoted securities:				
Corporate bonds and sukuk	2,179,732	-	2,179,732	-
	2,179,732	-	2,179,732	-
Equity Securities:				
Quoted securities:				
Shares	105,788	-	103,010	-
	105,788	-	103,010	-
Total financial investments at FVOCI	3,719,952	-	3,717,174	-

The financial investments at FVOCI category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 53 Changes in Accounting Policies.

6. FINANCIAL INVESTMENTS AT FVOCI (CONT'D)

Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

	12- Month ECL Stage 1 RM'000
Group and Bank	
At 1 January	-
- effect of changes in accounting policies (Note 53)	280
At 1 January, as restated	280
New financial investments purchased	17
Net allowance written back	(11)
At 31 December	286

7. FINANCIAL INVESTMENTS - AFS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
Money market instruments:				
Government investment issues	-	1,236,893	-	1,236,893
Quoted securities:				
Shares	-	153,806	-	148,996
Unit trust funds	-	201,008	-	201,008
	-	354,814	-	350,004
Unquoted securities:				
Corporate bonds and sukuk	-	3,632,312	-	3,632,312
	-	3,632,312	-	3,632,312
	-	5,224,019	-	5,219,209

The financial investments - AFS category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 53 Changes in Accounting Policies.

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At amortised cost				
Unquoted securities:				
Loan stock	22	-	-	-
Total financial investments at amortised cost	22	-	-	-

The financial assets at amortised cost category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 53 Changes in Accounting Policies.

9. FINANCIAL INVESTMENTS - HTM

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At amortised cost				
Unquoted securities:				
Sukuk	-	405,364	-	405,364
Loan stock	-	22	-	-
	-	405,386	-	405,364
Less: Accumulated impairment losses	-	(405,364)	-	(405,364)
	-	22	-	-
	-	22	-	-

The financial investments - HTM category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 53 Changes in Accounting Policies.

9. FINANCIAL INVESTMENTS - HTM (CONT'D)

The movements of the accumulated impairment losses are as follows:

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
At 1 January	-	346,680
Allowance for impairment losses on other asset (Note 38)	-	58,684
At 31 December	-	405,364

10. LOANS, FINANCING AND ADVANCES

At amortised cost	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Loans, financing and advances to industries:				
Government guaranteed	1,623,970	3,056,106	1,623,970	3,056,106
Others	19,153,941	19,212,677	18,963,596	18,969,670
	20,777,911	22,268,783	20,587,566	22,025,776
Loans, financing and advances to others:				
Staff financing	6,583	7,470	6,583	7,470
	6,583	7,470	6,583	7,470
Gross loans, financing and advances	20,784,494	22,276,253	20,594,149	22,033,246
Allowance for impairment on loans, financing and advances				
- Stage 1: 12-Month ECL	(751,857)	-	(748,458)	-
- Stage 2: Lifetime ECL not credit impaired	(423,534)	-	(422,327)	-
- Stage 3: Lifetime ECL credit impaired	(1,324,431)	-	(1,295,781)	-
- Individual allowance	-	(1,678,836)	-	(1,630,661)
- Collective allowance	-	(854,118)	-	(844,943)
	(2,499,822)	(2,532,954)	(2,466,566)	(2,475,604)
Net loans, financing and advances	18,284,672	19,743,299	18,127,583	19,557,642

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bai' Bithaman Ajil	141,654	173,177	141,654	169,062
Bridging financing	6,776	15,955	-	13,456
Factoring	19,726	12,236	-	-
Hire purchase	108,327	139,420	-	-
Istisna'	3,246,867	3,743,519	3,246,867	3,743,519
Ijarah Muntahiyah bi Tamlik	52,534	164,742	21,616	122,604
Leasing	22,918	39,005	-	-
Murabahah	9,273	8,767	9,273	8,767
Revolving financing	263	620	-	-
Revolving working capital	176,592	173,855	176,592	173,855
Staff financing	6,583	7,470	6,583	7,470
Tawarruq	7,521,448	6,016,086	7,520,031	6,013,572
Term loan	9,471,533	11,781,401	9,471,533	11,780,941
Gross loans, financing and advances	20,784,494	22,276,253	20,594,149	22,033,246
Allowance for impairment on loans, financing and advances:				
- Stage 1: 12-Month ECL	(751,857)	-	(748,458)	-
- Stage 2: Lifetime ECL not credit impaired	(423,534)	-	(422,327)	-
- Stage 3: Lifetime ECL credit impaired	(1,324,431)	-	(1,295,781)	-
- Individual allowance	-	(1,678,836)	-	(1,630,661)
- Collective allowance	-	(854,118)	-	(844,943)
	(2,499,822)	(2,532,954)	(2,466,566)	(2,475,604)
Net loans, financing and advances	18,284,672	19,743,299	18,127,583	19,557,642

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Domestic business enterprises	20,777,911	22,268,783	20,587,566	22,025,776
Individuals	6,583	7,470	6,583	7,470
	20,784,494	22,276,253	20,594,149	22,033,246

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate:				
Housing loans/financing	11,864	8,736	6,583	7,470
Hire purchase receivables	108,328	139,420	-	-
Other fixed rate loans/financing	12,504,441	13,626,584	12,427,705	13,524,263
Variable rate:				
Cost plus	4,617,812	3,177,126	4,617,812	3,177,126
Other variable rates	3,542,049	5,324,387	3,542,049	5,324,387
	20,784,494	22,276,253	20,594,149	22,033,246

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Agriculture, hunting and forestry	9	235	-	-
Construction	9,533,344	10,142,214	9,532,577	10,139,747
Education	1,964,077	2,025,103	1,964,077	2,025,103
Electricity, gas and water supply	2,148,740	2,295,231	2,148,740	2,295,231
Finance, insurance/takaful and business	95,220	71,220	-	-
Hotel and restaurants	1,237,980	1,369,505	1,216,808	1,352,507
Housing	6,583	7,470	6,583	7,470
Manufacturing	343,276	428,467	322,706	403,033
Marine related	50,334	-	50,334	-
Materials technology	-	11,224	-	11,224
Medical and pharmaceuticals	16,017	14,708	16,017	14,708
Mining and quarrying	-	90	-	-
Other community, social and personal service activities	313,924	273,975	313,812	221,685
Public administration and defence	23,570	32,464	23,570	32,464
Real estate, renting and business activities	402,714	437,224	402,714	437,224
Shipping	864,706	1,092,197	864,706	1,092,197
Shipyard	157,597	182,567	157,597	182,567
Transport, storage and communication	3,626,403	3,892,359	3,573,908	3,818,086
	20,784,494	22,276,253	20,594,149	22,033,246

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Maturity within one year	4,235,799	4,662,598	4,209,711	4,618,888
One year to three years	2,316,224	3,827,532	2,249,376	3,683,643
Three years to five years	2,748,524	2,662,653	2,678,308	2,607,245
Over five years	11,483,947	11,123,470	11,456,754	11,123,470
	20,784,494	22,276,253	20,594,149	22,033,246

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within Malaysia	20,784,494	22,276,253	20,594,149	22,033,246

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	2,706,332	3,623,124	2,653,317	3,541,377
Impaired during the financial year	580,780	183,672	566,695	168,141
Reclassified as non-impaired	(67,171)	(253,151)	(51,047)	(245,897)
Recovered during the financial year	(164,646)	(143,255)	(147,148)	(143,255)
Amount written off	(778,400)	(704,058)	(775,026)	(667,049)
At 31 December	2,276,895	2,706,332	2,246,791	2,653,317
Gross impaired loans, financing and advances as a % of gross loans, financing and advances	10.95%	12.15%	10.91%	12.04%

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Construction	414,501	399,012	414,047	398,823
Education	68,929	74,177	68,929	74,177
Electricity, gas and water supply	54,373	111,260	54,373	111,260
Finance, insurance/takaful and business	31	1,865	-	-
Hotel and restaurants	719,043	542,417	712,351	531,857
Manufacturing	129,312	195,106	112,928	175,882
Materials technology	-	11,224	-	11,224
Medical and pharmaceuticals	16,017	14,708	16,017	14,708
Other community, social and personal service activities	1	561	-	-
Shipping	705,726	778,764	705,726	778,764
Transport, storage and communication	168,962	577,238	162,420	556,622
	2,276,895	2,706,332	2,246,791	2,653,317

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

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

2018	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
Group				
At 1 January				
- as previously stated	319,831	534,287	1,678,836	2,532,954
- effect of changes in accounting policies (Note 53)	276,001	11,589	1,556	289,146
At 1 January, as restated	595,832	545,876	1,680,392	2,822,100
- Transfer to 12-month ECL (Stage 1)	18,254	(6,440)	(11,814)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(60,341)	78,496	(18,155)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(2,601)	(151,082)	153,683	-
Allowance made/(written back), net (Note 37)	200,713	(43,316)	297,905	455,302
Amount written off	-	-	(777,580)	(777,580)
At 31 December	751,857	423,534	1,324,431	2,499,822
Bank				
At 1 January				
- as previously stated	310,656	534,287	1,630,661	2,475,604
- effect of changes in accounting policies (Note 53)	281,642	10,276	-	291,918
At 1 January, as restated	592,298	544,563	1,630,661	2,767,522
- Transfer to 12-month ECL (Stage 1)	6,422	(6,422)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(58,320)	76,475	(18,155)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(2,528)	(150,993)	153,521	-
Allowance made/(written back), net (Note 37)	210,586	(41,296)	304,290	473,580
Amount written off	-	-	(774,536)	(774,536)
At 31 December	748,458	422,327	1,295,781	2,466,566

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

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

2017	Group RM'000	Bank RM'000
Individual allowance ("IA")		
At 1 January	2,238,529	2,163,480
Allowance made during the financial year	259,854	248,307
Allowance made during the year against ISF	2,413	2,413
Amount written back in respect of recoveries	(38,854)	(19,624)
Amount transferred from CA	7,103	7,103
Amount transferred to CA	(109,738)	(109,738)
Amount written off	(680,471)	(661,280)
At 31 December	1,678,836	1,630,661
Collective allowance ("CA")		
At 1 January	675,201	664,573
Allowance made during the financial year	170,822	163,895
Amount written back	(94,540)	(86,160)
Amount transferred to IA	(7,103)	(7,103)
Amount transferred from IA	109,738	109,738
At 31 December	854,118	844,943

11. OTHER ASSETS

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Sundry receivables, deposits and prepayments	(i)	325,759	341,144	6,502	20,838
Less: Allowance for doubtful debts	(ii)	(292,998)	(293,221)	(607)	(830)
		32,761	47,923	5,895	20,008
Amount due from subsidiaries		-	-	590	1,650
Amount receivable from Government in respect of compensation for:					
Infrastructure projects		47,749	46,020	47,749	46,020
Foreign exchange differences		85,361	85,361	85,361	85,361
Tax recoverable		12,492	10,278	-	-
		178,363	189,582	139,595	153,039

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from Syarikat Borcos Shipping Sdn Bhd ("Borcos"), a former subsidiary of Global Maritime Ventures Berhad ("GMVB") amounting to RM289,463,000 (2017: RM289,463,000).

(ii) Allowance for doubtful debts

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
At 1 January	293,221	214,309	830	601
Provided during the financial year:				
- Trade receivables	-	78,683	-	-
- Staff resigned	52	412	52	412
Recovered during the financial year	(275)	(183)	(275)	(183)
At 31 December	292,998	293,221	607	830

12. INVESTMENTS IN SUBSIDIARIES

	Bank 2018 RM'000	Bank 2017 RM'000
Unquoted shares, at cost	922,939	922,939
Additional capital contribution due to waiver of debt	68,750	68,750
	991,689	991,689
Less: Allowance for impairment on investments in subsidiaries	(735,048)	(707,385)
	256,641	284,304
Movement of allowance for impairment:		
As at 1 January	707,385	603,749
Amount provided during the financial year	27,663	104,747
Amount written back during the financial year	-	(1,111)
At 31 December	735,048	707,385

* Refer to Note 48 for the list of subsidiaries.

(a) Subsidiary with significant non-controlling interest

The 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 2018 RM'000	GMVB 2017 RM'000
Non current assets	5,248	21,417
Current assets	108,576	122,651
Total assets	113,824	144,068
Non current liabilities		
Current liabilities	10,529	10,117
Total liabilities	10,529	10,117
Net assets	103,295	133,951
Equity attributable to the owners of the company	96,671	127,427
Carrying value of non-controlling interests	6,624	6,524

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Subsidiary with significant non-controlling interest (cont'd)

(ii) Summarised statement of comprehensive income

	GMVB 2018 RM'000	GMVB 2017 RM'000
Continuing operations:		
Other income	3,256	6,149
Administrative expenses	(19,349)	(93,743)
Share of loss of joint ventures and associates	(12,445)	(5,405)
Loss before taxation	(28,538)	(92,999)
Income tax	(850)	(1,656)
Zakat	(1,751)	(1,004)
Loss for the year	(31,139)	(95,659)
Other comprehensive income/(loss)		
Foreign currency translation reserved transferred:		
- to be reclassed to profit or loss in subsequent year	389	(3,627)
	389	(3,627)
Total comprehensive loss for the year	(30,750)	(99,286)
Loss for the year attributable to:		
Equity holders of the parent	(31,122)	(95,475)
Non-controlling interest	(17)	(184)
	(31,139)	(95,659)
Total comprehensive loss attributable to the owners of the company	(30,850)	(98,386)
Total comprehensive income/(loss) attributable the non-controlling interests	100	(900)
	(30,750)	(99,286)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Subsidiary with significant non-controlling interest (cont'd)

(iii) Summarised statement of cash flows

	GMVB	
	2018 RM'000	2017 RM'000
Net cash used in operating activities	(2,912)	(6,796)
Net cash generated from investing activities	14	3,145
Net cash used in financing activities	-	(18,000)
Net decrease in cash and cash equivalents	(2,898)	(21,651)
Cash and cash equivalents at beginning of financial year	90,334	111,985
Cash and cash equivalents at the end of the financial year	87,436	90,334

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Disposal of a subsidiary

On 23 November 2016, the Bank accepted the offer from Intrasys Sdn Bhd, to acquire the Bank's interest in Pembangunan Ekuiti Sdn Bhd ("PESB") at Net Tangible Assets ("NTA") as at 31 December 2016. The disposal of the subsidiary was completed on 31 March 2017.

Details of the financial position of Pembangunan Ekuiti Sdn Bhd on the date of the deconsolidation were as follows:

	Total 2017 RM'000
Assets	
Cash and bank balances	714
Trade and other receivables	1
	715
Liabilities	
Trade and other payables	(88)
Net asset	627

	At the date of deconsolidation 2017 RM'000
Net identifiable asset/liabilities disposed	627
Transfer from non-controlling interest	(2,419)
Loss on deconsolidation	(1,792)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) Discontinued operations

The result from discontinued operation for the financial year ended 31 December 2017 is as follows:

	PESB 2017 RM'000
Interest income	6
Interest expense	-
Net interest income	6
Non-interest income	-
Net income	6
Overhead expenses	(7)
Loss before taxation	(1)
Tax expense	(4)
Loss, net of taxation	(5)

13. INTEREST IN ASSOCIATES

	Group	
	2018 RM'000	2017 RM'000
At cost:		
Unquoted ordinary shares	300	300
Group's share of post acquisition reserve	3,233	3,263
	3,533	3,563
Less: Dividend from associates	(3,000)	(3,000)
	533	563

13. INTEREST IN ASSOCIATES

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

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group 2018 %	2017 %	Principal Activities
Held through GMVB, a subsidiary:			
Wawasan Bulk Services Sdn Bhd	27.0	27.0	Ship management
Held through SME Growth Acceleration Fund Sdn Bhd ("SME GAF"), a subsidiary:			
Ambang Wibawa Sdn Bhd *	26.0	26.0	Dormant
Cantuman Wawasan Sdn Bhd *	26.0	26.0	Dormant
Internexia Sdn Bhd *	26.0	26.0	Dormant
MS Time Ventures Sdn Bhd *	26.0	26.0	Dormant
Nano C Sdn Bhd *	26.0	26.0	Dormant
Profound Kestrel Laboratories Sdn Bhd *	49.0	49.0	Dormant
S.I.T Schiffs & Industries Tehcnic Sdn Bhd *	26.0	26.0	Dormant
Wellad Communications Sdn Bhd *	26.0	26.0	Dormant

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

13. INTEREST IN ASSOCIATES (CONT'D)

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

	Group 2018 RM'000	Group 2017 RM'000
(a) Summarised statement of financial position		
Total assets	1,924	23,942
Total liabilities	147	22,065
(b) Summarised statements of profit or loss		
Revenue	23	2,208
Profit/(loss) for the year	37	(564)
(c) Reconciliation of the summarised financial information		
Net assets at 1 January	1,877	11,942
Profit/(loss) for the financial year	37	(564)
Other comprehensive (loss)/income	(137)	499
Dividend	-	(10,000)
Net assets at 31 December	1,777	1,877
Interest in associates	30%	30%
Carrying value of Group's interest in associates	533	563

14. INTEREST IN JOINT VENTURES

	Group 2018 RM'000	Group 2017 RM'000
At cost:		
Unquoted ordinary shares	53,979	53,979
Group's share of post acquisition deficit	(26,889)	(14,568)
Less: Accumulated impairment losses	(27,090)	(18,585)
	-	20,826
Advances to joint ventures ("JVs"):		
within 1 year	36,014	32,396
1 year to 2 years	717	3,083
2 years to 5 years	6,247	3,583
More than 5 years	13,526	16,907
Less: Allowance for doubtful debts	(56,504)	(48,345)
	-	7,624
	-	28,450

14. INTEREST IN JOINT VENTURES (CONT'D)

The advances to JVs bear an interest of 2.4% to 7.0% (2017: 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 2018 %	2017 %	Principal Activities
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
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*
* *In liquidation*

14. INTEREST IN JOINT VENTURES (CONT'D)

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

	2018 RM'000	2017 RM'000
(a) Summarised statement of financial position		
Assets:		
Non current assets	-	84,431
Current assets	154,644	70,709
Total assets	154,644	155,140
Liabilities:		
Non current liabilities	45,290	69,927
Current liabilities	271,349	211,960
Total liabilities	316,639	281,887
Net liabilities	(161,995)	(126,747)
(b) Summarised statements of profit or loss		
Revenue	4,281	1,976
Cost of sales	(9,592)	(4,719)
Gross loss	(5,311)	(2,743)
Other income	1,830	1,463
Administrative expenses	-	(3,885)
Operating expenses	(94,507)	(10,685)
Loss from operations	(97,988)	(15,850)
Finance costs	(1,048)	(3,928)
Loss before taxation	(99,036)	(19,778)
Taxation	-	(40)
Loss for the year	(99,036)	(19,818)

14. INTEREST IN JOINT VENTURES (CONT'D)

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

	2018 RM'000	2017 RM'000
(c) Reconciliation of the summarised financial information		
Net liabilities at 1 January	(127,439)	(106,929)
Loss for the year	(99,036)	(19,818)
Net liabilities at 31 December	(226,475)	(126,747)
Interests in joint ventures	118,111	58,174
Carrying value of Group's interest in joint ventures	(108,364)	(68,573)
Less: Cumulative unrecognised losses b/f	(89,770)	(86,409)
Share of unrecognised losses for the year	(18,594)	(2,990)
Net carrying value of Group's interest in joint ventures	-	20,826

15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Mechanical and electricals RM'000	Capital work-in-progress RM'000	Total RM'000
2018								
Cost								
At 1 January	17,973	71,747	24,714	1,527	2,568	40,380	986	159,895
Additions	-	-	873	1,339	706	-	623	3,541
Reclassification	-	-	326	-	88	-	(414)	-
Transfer to intangible assets								-
(Note 18)	-	-	-	-	-	-	(355)	(355)
Disposals/write-off	-	(130)	(543)	(808)	(384)	(41)	-	(1,906)
At 31 December	17,973	71,617	25,370	2,058	2,978	40,339	840	161,175
Accumulated depreciation								
At 1 January	-	13,982	22,058	1,499	956	38,843	-	77,338
Charge for the financial year	-	1,432	1,102	190	875	416	-	4,015
Disposals/write-off	-	(130)	(415)	(808)	(384)	(41)	-	(1,778)
At 31 December	-	15,284	22,745	881	1,447	39,218	-	79,575
Net carrying amount	17,973	56,333	2,625	1,177	1,531	1,121	840	81,600
2017								
Cost								
At 1 January	18,373	71,747	30,887	1,564	1,233	38,994	720	163,518
Additions	-	-	694	11	1,335	1,386	266	3,692
Disposals/write-off	(230)	-	(6,837)	(48)	-	-	-	(7,115)
Reclassification	(170)	-	(30)	-		-	-	(200)
At 31 December	17,973	71,747	24,714	1,527	2,568	40,380	986	159,895
Accumulated depreciation								
At 1 January	-	12,550	27,458	1,439	422	38,443	-	80,312
Charge for the financial year	-	1,432	1,399	65	534	400	-	3,830
Disposals/write-off	-	-	(6,799)	(5)	-	-	-	(6,804)
At 31 December	-	13,982	22,058	1,499	956	38,843	-	77,338
Net carrying amount	17,973	57,765	2,656	28	1,612	1,537	986	82,557

15. 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	Renovation RM'000	Capital work-in-progress RM'000	Total RM'000
2018								
Cost								
At 1 January	17,973	71,617	21,381	40,380	813	2,155	986	155,305
Additions	-	-	623	-	1,339	706	623	3,291
Reclassification	-	-	326	-	-	88	(414)	-
Transfer to intangible assets (Note 18)	-	-	-	-	-	-	(355)	(355)
Disposals/write off	-	-	(305)	(41)	(461)	-	-	(807)
At 31 December	17,973	71,617	22,025	40,339	1,691	2,949	840	157,434
Accumulated depreciation								
At 1 January	-	13,852	18,798	38,843	801	549	-	72,843
Charge for the financial year	-	1,432	1,047	416	176	869	-	3,940
Disposals/write off	-	-	(281)	(41)	(461)	-	-	(783)
At 31 December	-	15,284	19,564	39,218	516	1,418	-	76,000
Net carrying amount	17,973	56,333	2,461	1,121	1,175	1,531	840	81,434
2017								
Cost								
At 1 January	18,203	71,617	27,538	38,995	806	820	720	158,699
Additions	-	-	680	1,385	11	1,335	266	3,677
Disposals/write off	(230)	-	(6,837)	-	(4)	-	-	(7,071)
At 31 December	17,973	71,617	21,381	40,380	813	2,155	986	155,305
Accumulated depreciation								
At 1 January	-	12,420	24,360	38,443	803	38	-	76,064
Charge for the financial year	-	1,432	1,236	400	2	511	-	3,581
Disposals/write off	-	-	(6,798)	-	(4)	-	-	(6,802)
At 31 December	-	13,852	18,798	38,843	801	549	-	72,843
Net carrying amount	17,973	57,765	2,583	1,537	12	1,606	986	82,462

16. PREPAID LAND LEASES

	Group and Bank	
	2018 RM'000	2017 RM'000
Cost		
At 1 January	1,100	1,662
Disposals	-	(562)
At 31 December	1,100	1,100
Depreciation		
At 1 January	741	779
Charge for the financial year	16	24
Disposals	-	(382)
Impairment	-	320
At 31 December	757	741
Carrying amount	343	359

17. INVESTMENT PROPERTIES

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost				
At 1 January	682	5,206	382	2,516
Disposals	-	(2,150)	-	(2,134)
Transfer to assets held for sale	-	(2,374)	-	-
At 31 December	682	682	382	382
Depreciation and impairment loss				
At 1 January	41	3,643	30	1,361
Charge for the financial year	10	21	7	18
Disposals	-	(1,560)	-	(1,349)
Impairment	30	-		-
Transfer to assets held for sale	-	(2,063)	-	-
At 31 December	81	41	37	30
Carrying amount	601	641	345	352
Included in the above are:				
Freehold land	140	170	-	-
Buildings	461	471	345	352
	601	641	345	352

(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 RM830,000 (2017: RM830,000) and RM440,000 (2017: RM440,000) respectively which have been determined by an accredited independent valuer.

18. INTANGIBLE ASSETS

		Computer software		
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost				
At 1 January	29,961	32,768	25,876	28,857
Addition	1,313	3,000	1,309	2,826
Transfer from property, plant and equipment (Note 15)	355	-	355	-
Write off	-	(5,807)	-	(5,807)
At 31 December	31,629	29,961	27,540	25,876
Amortisation				
At 1 January	22,004	23,544	18,456	20,472
Amortisation charged	2,640	4,267	2,467	3,791
Write off	-	(5,807)	-	(5,807)
At 31 December	24,644	22,004	20,923	18,456
Carrying amount	6,985	7,957	6,617	7,420

19. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January				
- as previously stated	1,340	15,137	433	13,205
- effect of changes in accounting policies (Note 53)	70,060	-	70,060	-
At 1 January, as restated	71,400	15,137	70,493	13,205
Recognised in statement of profit or loss	31,357	(1,835)	30,709	(1,119)
Recognised in equity	8,233	(11,962)	7,745	(11,653)
At 31 December	110,990	1,340	108,947	433
Presented after appropriate offsetting as follows:				
Deferred tax assets	111,235	2,949	108,947	433
Deferred tax liabilities	(245)	(1,609)	-	-
	110,990	1,340	108,947	433

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/ financing loss and allowances RM'000	Provisions and other temporary differences RM'000	Total RM'000
At 1 January 2018			
- as previously stated	2,536	13,668	16,204
- effect of changes in accounting policies	70,060	-	70,060
At 1 January, as restated	72,596	13,668	86,264
Recognised in statement of profit or loss	30,794	1,631	32,425
At 31 December 2018	103,390	15,299	118,689
At 1 January 2017	4,762	14,345	19,107
Recognised in statement of profit or loss	(2,226)	(677)	(2,903)
At 31 December 2017	2,536	13,668	16,204

19. 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	Unrealised AFS reserve RM'000	Unrealised FVOCI reserve RM'000	Loan/ financing loss and allowances RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2018					
- as previously stated	(9,943)	-	(4,428)	(493)	(14,864)
- effect of changes in accounting policies	9,943	(9,943)	-	-	-
At 1 January, as restated	-	(9,943)	(4,428)	(493)	(14,864)
Recognised in statement of profit or loss	-	-	(2,824)	1,756	(1,068)
Recognised in equity	-	8,233	-	-	8,233
At 31 December 2018	-	(1,710)	(7,252)	1,263	(7,699)
At 1 January 2017	2,019	-	(5,920)	(69)	(3,970)
Recognised in statement of profit or loss	-	-	1,492	(424)	1,068
Recognised in equity	(11,962)	-	-	-	(11,962)
At 31 December 2017	(9,943)	-	(4,428)	(493)	(14,864)

Deferred tax assets

Bank	Loan/ financing loss and allowances RM'000	Provisions and other temporary differences RM'000	Total RM'000
At 1 January 2018			
- as previously stated	-	12,080	12,080
- effect of changes in accounting policies	70,060	-	70,060
At 1 January, as restated	70,060	12,080	82,140
Recognised in statement of profit or loss	27,345	1,554	28,899
At 31 December 2018	97,405	13,634	111,039
At 1 January 2017	-	12,787	12,787
Recognised in statement of profit or loss	-	(707)	(707)
At 31 December 2017	-	12,080	12,080

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

Deferred tax liabilities

Bank	Unrealised AFS reserve RM'000	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2018				
- as previously stated	(9,794)	-	(1,853)	(11,647)
- effect of changes in accounting policies	9,794	(9,794)	-	-
At 1 January, as restated	-	(9,794)	(1,853)	(11,647)
Recognised in statement of profit or loss	-	-	1,810	1,810
Recognised in equity	-	7,745	-	7,745
At 31 December 2018	-	(2,049)	(43)	(2,092)
At 1 January 2017	1,859	-	(1,441)	418
Recognised in statement of profit or loss	-	-	(412)	(412)
Recognised in equity	(11,653)	-	-	(11,653)
At 31 December 2017	(9,794)	-	(1,853)	(11,647)

20. DEPOSITS FROM CUSTOMERS

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
At amortised cost		
Fixed deposits and negotiable instruments of deposits	6,412,169	8,160,469
(a) The deposits are sourced from the following types of deposit:		
Tawarruq	5,359,624	5,813,823
Others	1,052,545	2,346,646
	6,412,169	8,160,469
(b) The deposits are sourced from the following types of customers:		
Business enterprises	549,255	750,570
Government and statutory bodies	5,862,914	7,409,899
	6,412,169	8,160,469
(c) The deposits maturity structure are as follows:		
Less than six months	5,282,198	6,927,768
Six months to one year	786,706	1,232,701
One year to three years	-	-
Three years to five years	161,300	-
Over five years	181,965	-
	6,412,169	8,160,469

21. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
At amortised cost		
Licensed banks	100,354	-
(a) The deposits maturity structure are as follows:		
Less than six months	100,354	-

22. OTHER LIABILITIES

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Provision for taxation	17,136	4,906	16,995	2,202
Zakat payables	15,766	15,178	14,980	12,236
Trade creditors	48	116	-	-
Sundry creditors and accruals	87,304	132,232	46,538	85,561
	120,254	152,432	78,513	99,999

23. REDEEMABLE NOTES/SUKUK

	Note	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Redeemable non-guaranteed notes/sukuk			
Medium term notes	(i)	404,695	404,695
Sukuk Murabahah	(ii)	3,034,656	3,034,269
		3,439,351	3,438,964
Redeemable guaranteed notes/sukuk			
Medium term notes	(iii)	510,652	510,586
Sukuk Murabahah	(iv)	3,042,202	3,041,671
		3,552,854	3,552,257
Infrastructure notes - nominal value	(v)	354,531	405,178
Less: Unaccreted discount		(2,778)	(3,184)
		351,753	401,994
		7,343,958	7,393,215

(i) This note carries a coupon rate of 6.30% per annum with a tenure of 15 years. This note will mature in April 2021.

(ii) These sukuk carry profit rates ranging between 4.28% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2026, 2027, 2031, 2032 and 2035 respectively.

(iii) These notes carry coupon rates ranging between 4.52% to 5.08% per annum and for tenures of 7 to 15 years. These notes will mature in January 2023 and 2031.

(iv) These sukuk carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These sukuk will mature in September 2021, 2024, 2029 and 2034 respectively.

(v) This note has a maturity of 25 years with nominal value of RM350,000,000 (2017: RM400,000,000), which carries a coupon rate of 7.50% (2017: 7.50%) per annum. The note will mature in October 2025.

23. REDEEMABLE NOTES/SUKUK (CONT'D)

The movements in the redeemable notes/sukuk are as follows:

Group and Bank	Non-Murabahah 2018 RM'000	Non-Murabahah 2017 RM'000	Murabahah 2018 RM'000	Murabahah 2017 RM'000
Redeemable non-guaranteed notes/sukuk				
Principal				
At 1 January	400,000	400,000	3,000,000	1,500,000
Issued during the financial year	-	-	-	1,500,000
At 31 December	400,000	400,000	3,000,000	3,000,000
Accrued interest/profit payable				
At 1 January	4,695	4,695	34,269	11,090
Charge for the financial year	25,200	20,988	140,552	110,767
Repayment during the financial year	(25,200)	(20,988)	(140,165)	(87,588)
At 31 December	4,695	4,695	34,656	34,269
	404,695	404,695	3,034,656	3,034,269
Redeemable guaranteed notes/sukuk				
Principal				
At 1 January/31 December	500,000	500,000	3,000,000	3,000,000
Accrued interest/profit payable				
At 1 January	10,586	10,718	41,671	41,671
Charge for the financial year	24,000	19,923	138,160	114,692
Repayment during the financial year	(23,934)	(20,055)	(137,629)	(114,692)
At 31 December	10,652	10,586	42,202	41,671
	510,652	510,586	3,042,202	3,041,671

23. REDEEMABLE NOTES/SUKUK (CONT'D)

The movements in the redeemable notes are as follows (cont'd):

	2018 RM'000	2017 RM'000
Infrastructure notes		
Principal		
At 1 January	400,000	450,000
Repayment during the financial year	(50,000)	(50,000)
At 31 December	350,000	400,000
Unaccreted discount		
At 1 January	(3,184)	(3,591)
Accreted discount during the financial year	406	407
At 31 December	(2,778)	(3,184)
Accrued interest payable		
At 1 January	5,178	5,733
Charge for the financial year	29,353	27,462
Repayment during the financial year	(30,000)	(28,017)
At 31 December	4,531	5,178
	351,753	401,994

24. BORROWINGS

Group and Bank	Note	31 December 2018 Due after twelve months RM'000	31 December 2018 Due within twelve months RM'000	31 December 2017 Due after twelve months RM'000	31 December 2017 Due within twelve months RM'000
Loans from Employees Provident Fund ("EPF")					
Unsecured:	24 (a)				
Principal		2,100,000	400,000	2,500,000	-
Interest		-	28,148	-	27,829
		2,100,000	428,148	2,500,000	27,829
Other loans					
Unsecured:	24 (b)				
Principal		50,000	100,000	250,000	-
Interest		-	3,726	-	6,197
		50,000	103,726	250,000	6,197
		2,150,000	531,874	2,750,000	34,026
Total borrowings			2,681,874		2,784,026

The movements in borrowings are as follows:

Group and Bank	Loans from EPF 2018 RM'000	Loans from EPF 2017 RM'000	Other loans 2018 RM'000	Other loans 2017 RM'000
Unsecured:				
Principal				
At 1 January	2,500,000	2,500,000	250,000	406,249
Repayment during the financial year	-	-	(100,000)	(156,249)
At 31 December	2,500,000	2,500,000	150,000	250,000
Accrued interest payable				
At 1 January	27,829	28,267	6,197	9,068
Charge for the financial year	116,434	116,434	10,752	16,866
Forex gain	-	-	-	106
Repayment during the financial year	(116,115)	(116,872)	(13,223)	(19,843)
At 31 December	28,148	27,829	3,726	6,197
Total borrowings	2,528,148	2,527,829	153,726	256,197

24. BORROWINGS (CONT'D)

(a) Loan from EPF

	Note	Group and Bank principal 2018 RM'000	Group and Bank principal 2017 RM'000
Loan 1	24(a)(i)	2,000,000	2,000,000
Loan 2	24(a)(ii)	500,000	500,000
		2,500,000	2,500,000

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

(ii) The loan is repayable in 10 equal instalments over a period of 5 years, commencing 2024.

All the above loans are guaranteed by the Government of Malaysia and bear interest at rates of 4.52% to 5.23% (2017: 4.52% to 5.23%) per annum.

(b) Other Loans - unsecured:

	Group and Bank principal 2018 RM'000	Group and Bank principal 2017 RM'000
Loan from:		
Pension Trust Fund Council ("PTFC")	150,000	250,000
	150,000	250,000

Included in other loan - unsecured is the loan from PTFC amounting to RM150,000,000 (2017: RM250,000,000) and repayable in 10 instalments over a period of 6 years, commencing from 2015. This loan will mature in 2020 and bear interest at rate of 5.88% (2017: 5.88%) per annum during the financial year.

25. INFRASTRUCTURE SUPPORT FUND ("ISF")

	Note	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
ISF - Novated loans			
At 1 January/31 December	(i)	303,974	303,974
Infrastructure Support Fund	(ii)		
At 1 January		192	2,605
IA made during the financial year against ISF (Note 33)		-	(2,413)
At 31 December		192	192
		304,166	304,166

(i) The amount relates to financial assistance given by the Government of Malaysia upon novation of loans and the related borrowing to finance the loans to the Bank. The Fund will be utilised to cover any future losses, costs and expenses incurred by the Bank upon the final settlement of the loans.

(ii) The amount relates to funds received from the Government to cover losses arising from loan/financing default, any allowance for impaiment losses, write-off and other liquidity requirements that may arise from loans given for government infrastructure projects.

26. DEFERRED INCOME

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
At 1 January	227,030	234,011
Received from Government during the financial year	7,705	7,802
Utilised during the financial year	(14,773)	(14,783)
At 31 December	219,962	227,030

Deferred income relates to amount received from the government for profit rate differentials on a financing given for a government infrastructure project.

27. SHARE CAPITAL

Group and Bank	Numbers of shares 2018 RM'000	Numbers of shares 2017 RM'000	Amount 2018 RM'000	Amount 2017 RM'000
Issued and fully paid:				
Ordinary shares of RM1.00 each	3,078,724	3,078,724	3,078,724	3,078,724

28. RESERVES

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Non-distributable:					
Capital reserve	28 (i)	1,000	1,000	-	-
Statutory reserve	28 (ii)	1,994,631	1,960,559	1,994,631	1,960,559
Unrealised FVOCI reserve	28 (iii)	5,401	-	6,486	-
Unrealised AFS reserve	28 (iv)	-	31,472	-	31,012
Exchange translation reserve	28 (v)	(47,944)	(48,216)	-	-
		1,953,088	1,944,815	2,001,117	1,991,571
Distributable:					
Retained profits	29	2,503,023	2,684,240	2,238,002	2,456,916
		4,456,111	4,629,055	4,239,119	4,448,487

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

(ii) 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.

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

28. RESERVES (CONT'D)

Movements of the FVOCI reserve are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	-	-	-	-
Effect of changes in accounting policies (Note 53)	30,677	-	30,217	-
At 1 January 2018, as restated	30,677	-	30,217	-
Unrealised loss on fair value changes	(33,509)	-	(31,476)	-
Transfer to deferred tax	8,233	-	7,745	-
At 31 December	5,401	-	6,486	-

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

Movements of the AFS reserve are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	31,472	(6,405)	31,012	(5,887)
Redesignation to financial investments at FVOCI	(31,472)	-	(31,012)	-
At 1 January 2018, as restated	-	(6,405)	-	(5,887)
Unrealised loss on fair value changes	-	49,839	-	48,552
Transfer to deferred tax	-	(11,962)	-	(11,653)
At 31 December	-	31,472	-	31,012

(v) 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.

29. RETAINED EARNINGS

The retained earnings of the Bank can be distributed as dividends under the single-tier system.

30. INTEREST INCOME

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans and advances	581,344	706,504	563,468	689,451
Compensation from the Government	117,281	122,149	117,281	122,149
Money at call and deposit placements with financial institutions	34,450	27,220	27,162	20,532
Financial investments at FVOCI	26,009	-	26,009	-
Financial investments - AFS	-	26,910	-	26,910
	759,084	882,783	733,920	859,042
Accretion of discount less amortisation of premium	(466)	(750)	(466)	(750)
	758,618	882,033	733,454	858,292
Of which:				
Interest income earned on impaired loans and advances	61,166	66,121	61,135	65,896

31. INTEREST EXPENSE

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits from customers	55,649	99,785	55,649	99,785
Deposits and placements from financial institutions	973	1,686	973	1,686
Borrowings	127,187	133,300	127,187	133,300
Redeemable notes	78,959	82,709	78,959	82,709
Others	-	1	-	-
	262,768	317,481	262,768	317,480

32. NON-INTEREST INCOME

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Investment income:				
Net gain/(loss) arising on financial investment at FVTPL:				
- gross dividend income	7,348	-	7,348	-
- unrealised revaluation loss	(1,712)	-	(1,712)	-
Net gain arising on financial investment at FVOCI:				
- net gain on disposal	1,791	-	1,791	-
Net gain arising on financial investment AFS:				
- gross dividend income	-	7,208	-	7,208
Gross dividend income from subsidiaries	-	-	-	16,200
Recoverable from associates written off	-	567	-	567
	7,427	7,775	7,427	23,975
(b) Other income:				
Fee income	6,601	10,071	4,300	5,977
Rental income:				
- Subsidiaries	-	-	511	500
- Others	2,100	1,914	2,090	1,819
Gain on disposal of property, plant and equipment	216	154	167	116
Gain on disposal of asset held for sale	161	-	-	-
Gain on disposal of prepaid land lease	-	1,925	-	1,925
Gain on disposal of investment properties	-	5,538	-	1,320
Loss on disposal of a subsidiary	-	(1,396)	-	(1,396)
Loss on disposal of investment	-	(5)	-	-
Gain due to debt modification	9,715	-	9,715	-
Gain on foreign exchange Realised	133	3,809	-	3,809
Others	227	594	38	210
	19,153	22,604	16,821	14,280
Total non-interest income	26,580	30,379	24,248	38,255

33. COMPENSATION FROM THE GOVERNMENT

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
IA made during the financial year against ISF	-	2,413
	-	2,413

34. OVERHEAD EXPENSES

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Personnel costs	(i)	72,374	60,996	66,117	52,754
Establishment related expenses	(ii)	13,937	15,157	12,324	13,570
Promotion and marketing expenses	(iii)	2,132	916	2,132	883
General administrative expenses	(iv)	18,908	21,078	21,276	12,028
		107,351	98,147	101,849	79,235

(i) Personnel costs

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Salaries, allowances and bonuses	57,637	43,718	53,041	38,558
Non-executive Directors' fees and remuneration:	2,277	3,502	1,853	3,009
Social security cost	379	339	331	286
Pension costs - Defined contribution plan	6,933	6,197	6,224	5,383
Compensation paid on loss of employment	-	1,738	-	370
Other staff related expenses	5,148	5,502	4,668	5,148
	72,374	60,996	66,117	52,754

34. OVERHEAD EXPENSES (CONT'D)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(ii) Establishment related expenses				
Depreciation:				
Property, plant and equipment	4,015	3,830	3,940	3,581
Investment properties	10	21	7	18
Amortisation of:				
Prepaid land lease	16	24	16	24
Intangible assets	2,640	4,267	2,467	3,791
Repairs and maintenance of property, plant and equipment	1,805	1,986	1,772	1,790
Information technology expenses	5,451	5,029	4,122	4,366
	13,937	15,157	12,324	13,570
(iii) Promotion and marketing expenses				
Advertisement and publicity	2,132	916	2,132	883
(iv) General administrative expenses				
General administrative expenses	17,744	20,316	20,581	11,573
Auditors' remuneration:				
- Statutory audit				
- Current year	1,062	825	649	429
- Under/(Over) provision in respect of prior year	46	(215)	18	(52)
- Non-audit services regulatory related services	4	15	-	15
- Other services	52	98	28	24
Property, plant and equipment written off	-	39	-	39
	18,908	21,078	21,276	12,028

35. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer and Directors of the Bank are as follows:

2018	Remuneration received from the Bank							Remuneration received 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
President/Group Chief Executive Officer											
Shaharuddin bin Zainuddin	560	-	-	100	336	-	996	-	-	-	996
	560	-	-	100	336	-	996	-	-	-	996
Non-Executive Directors:											
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	242	-	-	200	-	442	-	-	-	442
Datuk Wan Azhar bin Wan Ahmad	-	60	-	-	256	-	316	300	118	-	734
Datuk Jamaludin bin Nasir	-	10	-	-	31	-	41	-	-	-	41
Suffian bin Baharuddin	-	60	-	-	282	-	342	-	6	-	348
Musa bin Abdul Malek	-	60	-	-	289	-	349	-	-	-	349
Datuk Seri Hashmudin bin Mohammad	-	60	-	-	195	-	255	-	-	-	255
Tan Lye Sim	-	18	-	-	44	-	62	-	-	-	62
Tan Sri Dr. Rahamat Bivi binti Yusoff	-	15	-	-	31	-	46	-	-	-	46
	-	525	-	-	1,328	-	1,853	300	124	-	2,277
Total	560	525	-	100	1,664	-	2,849	300	124	-	3,273

35. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer and Directors of the Bank are as follows: (cont'd)

2017	Remuneration received from the Bank							Remuneration received 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
President/Group Chief Executive Officer											
Shaharuddin bin Zainuddin	289	-	-	45	18	-	352	-	-	-	352
	289	-	-	45	18	-	352	-	-	-	352
Executive Director:											
Mohammed Rafidz bin Ahmed Rasiddi	362	-	-	57	148	4	571	-	-	-	571
	362	-	-	57	148	4	571	-	-	-	571
Non-Executive Directors:											
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	258	-	-	374	-	632	-	-	-	632
Datuk Engku Nor Faizah binti Engku Atek	-	60	-	-	91	-	151	-	-	-	151
Dato' Ir. Hj. Mohamad bin Husin	-	11	-	-	46	-	57	12	15	-	84
Dato' Capt. Haji Ahmad bin Othman	-	11	-	-	37	-	48	13	6	-	67
Datuk Wan Azhar bin Wan Ahmad	-	60	-	-	399	-	459	280	164	-	903
Shaharuddin bin Zainuddin	-	34	-	-	230	-	264	-	-	-	264
Datuk Jamaludin bin Nasir	-	60	-	-	399	-	459	-	-	-	459
Suffian bin Baharuddin	-	53	-	-	286	-	339	-	3	-	342
Musa bin Abdul Malek	-	53	-	-	327	-	380	-	-	-	380
Datuk Seri Hashmudin bin Mohammad	-	57	-	-	163	-	220	-	-	-	220
	-	657	-	-	2,352	-	3,009	305	188	-	3,502
Total	651	657	-	102	2,518	4	3,932	305	188	-	4,425

36. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel are defined as President/Group Chief Executive Officer and 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 President/Group Chief Executive Officer and Directors of the Bank during the financial year are as follows:

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Short term employee benefits' (excluding benefits-in-kind)	35	3,273	4,421	2,849	3,928
Included in the above are:					
President/Group Chief Executive Officer and Executive Director's remuneration (excluding benefits-in-kind)	35	996	919	996	919

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

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Stage 1 - 12-month ECL, net	156,025	-	156,160	-
Stage 2 - Lifetime ECL not credit impaired, net	(122,342)	-	(122,236)	-
Stage 3 - Lifetime ECL credit impaired, net	421,619	-	439,656	-
Individual allowances ("IA"):				
Made during the financial year	-	262,267	-	250,720
Written back	-	(38,854)	-	(19,624)
Balance carried forward (Note 10(ix))	455,302	223,413	473,580	231,096

37. ALLOWANCES FOR/(WRITEBACK OF) IMPAIRMENT LOSSES OF LOANS, FINANCING AND ADVANCES (CONT'D)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Balance brought forward	455,302	223,413	473,580	231,096
Individual allowances ("IA"):				
Transferred from CA	-	7,103	-	7,103
Transferred to CA	-	(109,738)	-	(109,738)
Collective allowances ("CA"):				
Made during the financial year	-	170,822	-	163,895
Written back	-	(94,540)	-	(86,160)
Transferred to IA	-	(7,103)	-	(7,103)
Transferred from IA	-	109,738	-	109,738
Impaired loans/financing:				
Written off	998	8,577	490	8,134
Recovered	(33,076)	(5,496)	(32,952)	(4,027)
	423,224	302,776	441,118	312,938

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial investments - HTM	-	58,684	-	58,684
Financial investments at FVOCI	6	-	6	-
Investments in subsidiaries:				
Made during the financial year	-	-	27,663	104,747
Written back	-	(1,111)	-	(1,111)
Amount due from subsidiaries	-	78,683	-	-
Investment in JVs	16,757	1,857	-	-
Impairment on prepaid land leases	-	320	-	320
Impairment on investment properties	30	-	-	-
Tenant - written back	(5)	-	(5)	-
Allowance for ex-staff loan/financing:				
Made during the financial year	52	412	52	412
Written back	(270)	(183)	(270)	(183)
	16,570	138,662	27,446	162,869

39. TAXATION

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Income tax expense:				
Current income tax	108,927	94,836	97,644	89,432
(Over)/under provision in prior years	(1,680)	2,397	(56)	(4,176)
	107,247	97,233	97,588	85,256
Deferred tax expense:				
Origination and reversal of temporary differences	(28,431)	826	(28,430)	2,254
(Over)/under provision in prior years	(2,926)	1,009	(2,279)	(1,135)
	(31,357)	1,835	(30,709)	1,119
	75,890	99,068	66,879	86,375

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) 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:

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Profit before taxation and zakat	260,688	325,311	218,139	294,044
Tax using Malaysian tax rate of 24% (2017: 24%)	62,565	78,074	52,353	70,570
Income not subject to tax	(5,512)	(7,412)	(5,680)	(6,491)
Non-deductible expenses	21,740	22,258	22,541	27,607
Deferred tax assets not recognised during the year	1,703	2,753	-	-
Utilisation of previously unrecognised capital allowances and tax losses	-	(11)	-	-
(Over)/under provision of deferred tax in prior years	(2,926)	1,009	(2,279)	(1,135)
(Over)/under provision of income tax in prior years	(1,680)	2,397	(56)	(4,176)
Taxation	75,890	99,068	66,879	86,375

40. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2018		2017	
	Sen per share RM'000	Total amount RM'000	Sen per share RM'000	Total amount RM'000
Final 2017 ordinary, net of tax	3.25	100,000	-	-
Final 2016 ordinary, net of tax	-	-	3.25	100,000
	3.25	100,000	3.25	100,000

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2018, 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 2019.

41. 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	
	2018	2017
Profit/(loss) attributable to equity holders of the Bank (RM'000)		
- continuing operations	171,213	226,833
- discontinued operations	-	(985)
	171,213	225,848
Number of ordinary shares in issue ('000)	3,078,724	3,078,724
Basic EPS (sen) for:		
- continuing operations	5.56	7.37
- discontinued operations	-	(0.03)
	5.56	7.34

42. 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 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Disbursement of loans/financing to industries	4,510,166	7,683,441	4,299,250	7,396,439
Secured guarantees on behalf of borrowers/customers given to third parties	1,747,347	1,651,542	1,747,347	1,651,542
	6,257,513	9,334,983	6,046,597	9,047,981

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 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Capital expenditure:				
Approved but not contracted for	2,560	9,417	2,560	9,390

43. 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 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.

43. CAPITAL ADEQUACY (CONT'D)

Regulatory capital

The following table sets forth capital resources and capital adequacy for the Bank as at reporting date.

	Bank	
	2018 RM'000	2017 RM'000
Tier 1 capital		
Paid-up share capital	3,078,724	3,078,724
Other reserves	4,239,119	4,417,475
Less: Deferred tax asset	(108,947)	(433)
Total Tier 1 capital	7,208,896	7,495,766
Tier 2 capital		
Government support funds	524,128	531,196
Stage 1 and Stage 2 expected credit loss allowances	1,170,785	-
Collective allowance*	-	829,020
Total Tier 2 capital	1,694,913	1,360,216
Total capital	8,903,809	8,855,982
Less: Investment in subsidiaries	(256,641)	(284,304)
Total capital base	8,647,168	8,571,678

* The eligible amount for Tier 2 capital is after excluding Collective Allowance (MFRS 139) on impaired loans, financing and advances of the Bank.

43. 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	
	2018 RM'000	2017 RM'000
20%	416,264	294,285
50%	942,296	1,853,918
100%	21,734,060	23,229,009
	23,092,620	25,377,212

Without deducting proposed dividend:

	Bank	
	2018 %	2017 %
Core capital ratio	31.217	29.537
RWCR	37.446	33.777
After deducting proposed dividend:		
Core capital ratio	30.784	29.143
RWCR	37.013	33.383

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.

44. OTHER CONTINGENCIES

Contingent liabilities not considered remote litigation (unsecured)

Subsidiary of the Bank

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. The client alleged to have suffered significant loss and has applied the Interlocutory Injunction from the Court to refrain the subsidiary from foreclosing the remaining collateral value of RM3.0 million. Mediation which was conducted on 5 February 2015 failed to reach an amicable settlement. A full trial was held from 20 March 2017 to 23 March 2017. The trial was concluded and the High Court Judge had on 21 December 2017 dismissed the Defendant's suit against subsidiary and ruled in favor of the subsidiary. The Defendant has filed an appeal against the High Court's decision to the Court of Appeal on 19 January 2018 and case management was fixed on 26 February 2018 and later adjourned to 10 April 2018, pending the filing of the appeal record by the subsidiary. The Court of Appeal has fixed the Hearing of the Appeal on 25 May 2019.

The subsidiary is of the opinion that a provision is not required in respect of this matter as there is low probability that a future outflow of economic benefits will occur.

45. 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% (2017: 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 36.

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

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

Related party transactions have been entered into in the normal course of business under normal trade terms. The Group established credit policies, pricing strategy and approval process for loans/financing, which are independent of whether the counter parties are government-related entities or not. The significant related party transactions and balances of the Group and the Bank are as follows:

45.1 Significant balances and transactions with a significant shareholder

(a) Significant balances with a significant shareholder

	Group and Bank	
	2018 RM'000	2017 RM'000
Other assets		
Amount receivable from Government in respect of compensation for:		
Foreign exchange differences	85,361	85,361
Infrastructure projects	47,749	46,020

(b) Significant transactions with a significant shareholder

	Group and Bank	
	2018 RM'000	2017 RM'000
Conventional		
Interest compensation from Government of Malaysia	117,281	122,149
Compensation from Government of Malaysia:		
- IA made during the financial year against ISF	-	2,413
Islamic		
Profit compensation from Government of Malaysia	16,334	17,134
Fee income from Unit Kerjasama Awam Swasta ("UKAS")	2,867	-

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

45.2 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets				
Short term deposits	1,991,892	1,432,306	1,719,494	1,170,728
Deposits and placements with financial institution	38,055	-	-	-
Financial investments at FVOCI	3,383,345	-	3,380,567	-
Financial investments - AFS	-	5,224,019	-	5,219,209
Financial investments at amortised cost	22	-	-	-
Financial investments - HTM	-	22	-	-
Liabilities				
Deposits from customers	6,411,769	8,160,068	6,411,769	8,160,068
Deposits and placements from financial institutions	100,354	-	100,354	-
Redeemable notes	7,343,958	7,393,215	7,343,958	7,393,215
Bills and acceptance payable	-	249,380	-	249,380
Borrowings	2,681,874	2,784,026	2,681,874	2,784,026
ISF	304,166	304,166	304,166	304,166
Deferred income	219,962	227,030	219,962	227,030

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

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

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CONVENTIONAL				
Income				
Money at call and deposit placements with financial institutions	34,320	27,081	27,032	20,532
Financial investments at FVOCI	26,009	-	26,009	-
Financial investments - AFS	-	26,910	-	26,910
Amortisation of premium less accretion of discount	(466)	(750)	(466)	(750)
Dividend from financial investments at FVTPL	7,348	-	7,348	-
Dividend from Unit Trust	-	7,208	-	7,208
Rental income	2,100	1,914	2,601	2,319
Expenses				
Interest expense on:				
Deposits from customers and financial institutions	(56,623)	(101,471)	(56,623)	(101,471)
Borrowings	(127,186)	(127,236)	(127,186)	(127,236)
Redeemable notes	(78,959)	(82,709)	(78,959)	(82,709)
ISLAMIC				
Income				
Finance income from deposits and placements with financial institutions	36,243	19,952	35,558	18,004
Financial investments at FVOCI	145,422	-	145,422	-
Financial investments - AFS	-	154,701	-	154,701
Financial investments - HTM	-	1,939	-	1,939
Accretion of discount less amortisation of premium	592	30,171	592	30,171
Expenses				
Income attributable to the depositors:				
Deposits from customers and financial institutions	(225,351)	(230,001)	(225,351)	(230,001)
Redeemable notes	(278,712)	(265,914)	(278,712)	(265,914)
Bills and acceptance payable	(2,177)	(1,860)	(2,177)	(1,860)

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

45.3 Significant balances and transactions with subsidiaries, associates and JVs

(a) Significant balances with subsidiaries, associates and JVs

	Bank	
	2018 RM'000	2017 RM'000
Conventional		
Loans to subsidiaries	37	30
Payment on behalf of subsidiary	553	1,620

(b) Significant transactions with subsidiaries, associates and JVs

	Bank	
	2018 RM'000	2017 RM'000
Conventional		
Income		
Rental income from subsidiaries	511	500
Fee Income from subsidiaries	828	829
Expenses		
Management fee expense from subsidiaries	(12)	(12)

45.4 Significant balances and transactions with Group's related parties

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

	Group	
	2018 RM'000	2017 RM'000
Other assets		
Trade receivables due from related parties	30,814	29,677
Other liabilities		
Trade payables due to related parties	-	2

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

45.4 Significant balances and transactions with Group's related parties (cont'd)

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

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder of the Bank and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;

(iv) Officers who are responsible for or have authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of an entity controlled by the Bank and its connected parties.

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

46. FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank			
	2018		2017	
Items	Total Exposure RM'000	Impaired RM'000	Total Exposure RM'000	Impaired RM'000
Credit facility and leasing (except guarantee)	959,275	278,151	995,673	-
Equities and PDS held	375,679	-	1,997,774	-
Total	**1,334,954**	**278,151**	**2,993,447**	**-**
Total exposure to connected parties as % of total capital	**16%**	**3%**	**37%**	**0%**
Total exposure to connected parties as % of total outstanding financial exposure	**4%**	**1%**	**11%**	**0%**

The above disclosure on financing facilities with connected parties is presented in accordance with para 14.1 as per BNM's policy on financing facilities with connected parties, which became effective on 13 July 2016.

47. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2018 RM'000	2017 RM'000
At 1 January	311	2,886
Disposed during the financial year	(311)	(2,886)
Transfer from investment properties	-	311
At 31 December	-	311

(i) On 30 October 2012, a subsidiary had entered into Sale and Purchase Agreements ("SPAs") with a purchaser for the disposal of the subsidiary land and building in Johor for a total cash consideration of RM326,000 subject to the terms and conditions as stipulated in the SPAs. On 20 August 2014, the subsidiary had entered into supplemental agreements with the purchaser to amend and vary the terms and conditions of the SPAs. Further negotiations on the terms of repayment took place and an agreement was finally reached in 2016. The transaction has been completed on 23 April 2018.

(ii) On 5 July 2015, a subsidiary had entered into SPAs with a purchaser for the disposal of a Malay reserve land for a total cash consideration of RM51,000 subject to the terms and conditions as stipulated in the SPAs, specifically the transfer of title for the land. The transfer of the title for the land has finally been obtained in February 2016. In August 2018, the Board of Directors have endorsed the SPA between the subsidiary and purchaser. The subsidiary has received RM5,100 (10 % of earnest deposits) and subsequently on 3 September 2018, the full payment.

48. COMPANIES IN THE GROUP

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

Subsidiary	Effective interest held by the Bank 2018 %	2017 %	Principal Activities
BPMB Urus Harta Sdn Bhd	100.00	100.00	Dormant
Emerald Upline Sdn Bhd	100.00	100.00	Dormant
Global Maritime Ventures Berhad	90.00	90.00	Venture capital investment
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
SME Growth Acceleration Fund Sdn Bhd	100.00	100.00	Venture capital investment

48. COMPANIES IN THE GROUP (CONT'D)

(b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2018 %	Effective interest held by the Bank 2017 %	Principal Activities
Mutiara Navigation Sdn Bhd #	63.00	63.00	Dormant
Nilam Navigation Sdn Bhd #	63.00	63.00	Dormant
Sari Navigation Sdn Bhd #	63.00	63.00	Dormant
Glory Incentive Sdn Bhd	90.00	90.00	Investment holding
GMV-Alam Sdn Bhd	90.00	90.00	Investment holding
GMV-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

48. COMPANIES IN THE GROUP (CONT'D)

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

Subsidiary	Effective interest held by the Bank 2018 %	2017 %	Principal Activities
Permata Navigation Sdn Bhd #	63.00	63.00	Dormant
Gemala Navigation Sdn Bhd #	63.00	63.00	Dormant
Ratna Navigation Sdn Bhd #	63.00	63.00	Dormant
Kencana Navigation Sdn Bhd #	63.00	63.00	Dormant
Ayu Navigation Sdn Bhd	63.00	63.00	Dormant

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

Subsidiary	Effective interest held by the Bank 2018 %	2017 %	Principal Activities
Bahtera Berlian Sdn Bhd	90.00	90.00	Ship-management

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

Subsidiary	Effective interest held by the Bank 2018 %	2017 %	Principal Activities
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, confirming and factoring, insurance agency.
BI Credit & Leasing Berhad	100.00	100.00	Credit and leasing

Placed under creditors voluntary liquidation during the financial year.

49. FINANCIAL INSTRUMENTS RISK

Financial risk management objectives and policies

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the enterprise wide risk exposure, which include credit, market, liquidity and operational 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 had been established.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence 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/profit 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/financing directions, risk appetite and policies and guidelines to enhance loan/financing asset quality. Credit processes are structured to ensure adherence to credit policies and to establish impartiality in loan/financing origination, approval, documentation, disbursement and settlement.

All credit proposals are rated using an internal two dimensional credit rating system to measure each borrower's/customer's risk of default and facility risk. Only viable financing 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") captures 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/financing. 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 updated 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 Audit & Examination to ensure that credit policies and procedures are complied with.

Credit risk oversight is provided by Credit Committee of the Board (CCB) and Board of Directors (BOD) for connected parties transactions.

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(i) Credit exposure

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
On balance sheet:					
Cash and short term deposits	4(a)	2,311,748	1,717,851	2,020,160	1,440,276
Deposits and placements with financial institutions	4(b)	38,055	-	-	-
Financial investments at FVOCI	6	3,719,952	-	3,717,174	-
Financial investments - AFS	7	-	5,224,019	-	5,219,209
Financial investments at amortised cost	8	22	-	-	-
Financial investments - HTM	9	-	22	-	-
Loans, financing and advances	10	18,284,672	19,743,299	18,127,583	19,557,642
Other assets	11	178,363	189,582	139,595	153,039
		24,532,812	26,874,773	24,004,512	26,370,166
Other assets not subject to credit risk		201,297	123,787	454,327	375,330
		24,734,109	26,998,560	24,458,839	26,745,496
Off balance sheet:					
Commitments and Contingencies	42(a)	6,257,513	9,334,983	6,046,597	9,047,981
		30,991,622	36,333,543	30,505,436	35,793,477

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

Group 2018	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	-	-	-	9	-	9	-
Construction	-	508,756	-	8,783,866	-	9,292,622	3,989,511
Education	-	-	-	1,767,528	-	1,767,528	545,893
Electrical, gas and water supply	-	221,978	-	1,902,710	-	2,124,688	44,159
Finance, insurance/takaful and business	2,349,803	2,525,987	-	61,315	-	4,937,105	85,076
Hotel and restaurants	-	-	-	836,007	-	836,007	580,574
Housing	-	-	-	6,351	-	6,351	-
Manufacturing	-	-	-	269,995	-	269,995	140,748
Marine related	-	-	-	37,250	-	37,250	350,000
Medical and pharmaceuticals	-	-	-	13,869	-	13,869	-
Other community, social and personal service activities	-	-	-	266,919	-	266,919	333,675
Public administration and defence	-	59,842	-	21,398	-	81,240	-
Real estate, renting and business activities	-	297,601	-	383,456	-	681,057	-
Shipping	-	103,010	-	391,288	-	494,298	2,306
Shipyard	-	-	-	153,782	-	153,782	-
Transport, storage and communications	-	-	-	3,369,004	-	3,369,004	185,571
Others	-	2,778	22	19,925	178,363	201,088	-
	2,349,803	3,719,952	22	18,284,672	178,363	24,532,812	6,257,513
Other assets not subject to credit risk	-	-	-	-	201,297	201,297	-
	2,349,803	3,719,952	22	18,284,672	379,660	24,734,109	6,257,513

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

Group 2017	Short-term deposits, and placements with financial institutions RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	-	-	-	235	-	235	-
Construction	-	-	657,232	9,732,878	-	10,390,110	6,493,619
Education	-	-	-	1,849,521	-	1,849,521	659,431
Electrical, gas and water supply	-	-	333,080	2,052,656	-	2,385,736	85,793
Finance, insurance/takaful and business	1,717,851	-	3,072,083	69,792	-	4,859,726	7,497
Hotel and restaurants	-	-	-	1,108,165	-	1,108,165	525,938
Housing	-	-	-	7,238	-	7,238	-
Manufacturing	-	-	-	255,572	-	255,572	101,704
Material technology	-	-	-	4,387	-	4,387	-
Medical and pharmaceuticals	-	-	-	13,463	-	13,463	-
Mining and quarrying	-	-	-	90	-	90	-
Other community, social and personal service activities	-	-	-	161,469	-	161,469	448,733
Public administration and defence	-	-	59,076	31,286	-	90,362	-
Real estate, renting and business activities	-	-	948,742	431,512	-	1,380,254	-
Shipping	-	-	148,996	493,831	-	642,827	2,306
Shipyard	-	-	-	159,153	-	159,153	-
Transport, storage and communications	-	-	-	3,337,605	-	3,337,605	989,780
Others	-	22	4,810	34,446	189,582	228,860	20,182
	1,717,851	22	5,224,019	19,743,299	189,582	26,874,773	9,334,983
Other assets not subject to credit risk	-	-	-	-	123,787	123,787	-
	1,717,851	22	5,224,019	19,743,299	313,369	26,998,560	9,334,983

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

Bank 2018	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	-	508,756	8,783,557	-	9,292,313	3,988,861
Education	-	-	-	1,767,528	-	1,767,528	545,893
Electrical, gas and water supply	-	-	221,978	1,902,710	-	2,124,688	44,159
Finance, insurance/takaful and business	2,020,160	-	2,525,987	-	-	4,546,147	-
Hotel and restaurants	-	-	-	820,887	-	820,887	559,525
Housing	-	-	-	6,351	-	6,351	-
Manufacturing	-	-	-	258,891	-	258,891	131,868
Marine related	-	-	-	37,250	-	37,250	350,000
Material technology	-	-	-	-	-	-	-
Medical and pharmaceuticals	-	-	-	13,869	-	13,869	-
Other community, social and personal service activities	-	-	-	266,810	-	266,810	333,675
Public administration and defence	-	-	59,842	21,398	-	81,240	-
Real estate, renting and business activities	-	-	297,601	383,456	-	681,057	-
Shipping	-	-	103,010	391,288	-	494,298	2,306
Shipyard	-	-	-	153,782	-	153,782	-
Transport, storage and communications	-	-	-	3,319,806	-	3,319,806	90,310
Others	-	-	-	-	139,595	139,595	-
	2,020,160	-	3,717,174	18,127,583	139,595	24,004,512	6,046,597
Other assets not subject to credit risk	-	-	-	-	454,327	454,327	-
	2,020,160	-	3,717,174	18,127,583	593,922	24,458,839	6,046,597

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

Bank 2017	Short-term deposits, and placements with financial institutions RM'000	Financial investments - HTM RM'000	Financial investments - AFS RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	-	657,232	9,730,616	-	10,387,848	6,477,453
Education	-	-	-	1,849,521	-	1,849,521	659,431
Electrical, gas and water supply	-	-	333,080	2,052,656	-	2,385,736	85,793
Finance, insurance/takaful and business	1,440,276	-	3,072,083	-	-	4,512,359	-
Hotel and restaurants	-	-	-	1,098,888	-	1,098,888	362,947
Housing	-	-	-	7,238	-	7,238	-
Manufacturing	-	-	-	242,140	-	242,140	79,318
Material technology	-	-	-	4,387	-	4,387	-
Medical and pharmaceuticals	-	-	-	13,463	-	13,463	-
Other community, social and personal service activities	-	-	-	160,828	-	160,828	448,733
Public administration and defence	-	-	59,076	31,286	-	90,362	-
Real estate, renting and business activities	-	-	948,742	431,512	-	1,380,254	-
Shipping	-	-	148,996	493,831	-	642,827	2,306
Shipyard	-	-	-	159,153	-	159,153	-
Transport, storage and communications	-	-	-	3,282,123	-	3,282,123	932,000
Others	-	-	-	-	153,039	153,039	-
	1,440,276	-	5,219,209	19,557,642	153,039	26,370,166	9,047,981
Other assets not subject to credit risk	-	-	-	-	375,330	375,330	-
	1,440,276	-	5,219,209	19,557,642	528,369	26,745,496	9,047,981

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(iii) Gross loans, financing and advances are rated based on internal rating by the Bank:

	2018				2017			
	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'00
Group								
Upper-medium grade	2,502,101	2,337	-	2,504,438	3,096,781	581	-	3,097,362
Medium grade	4,368,858	6,600	-	4,375,458	4,209,652	18,883	-	4,228,535
Speculative	9,764,665	32,645	-	9,797,310	10,064,563	44,096	-	10,108,659
Considered speculative	1,710,920	22,816	-	1,733,736	1,502,463	621	-	1,503,084
Poor standing	96,657	-	-	96,657	632,281	-	-	632,281
Impaired	-	-	2,276,895	2,276,895	-	-	2,706,332	2,706,332
	18,443,201	64,398	2,276,895	20,784,494	19,505,740	64,181	2,706,332	22,276,253
Bank								
Upper-medium grade	2,481,162	-	-	2,481,162	3,066,920	-	-	3,066,920
Medium grade	4,327,095	-	-	4,327,095	4,166,632	-	-	4,166,632
Speculative	9,715,740	1,219	-	9,716,959	10,011,931	-	-	10,011,931
Considered speculative	1,702,832	22,653	-	1,725,485	1,502,165	-	-	1,502,165
Poor standing	96,657	-	-	96,657	632,281	-	-	632,281
Impaired	-	-	2,246,791	2,246,791	-	-	2,653,317	2,653,317
	18,323,486	23,872	2,246,791	20,594,149	19,379,929	-	2,653,317	22,033,246

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

Analysis of loans, financing and advances 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impaired:				
0 month overdue	253,834	803,994	253,834	803,994
1 month overdue	46,466	137,206	46,374	125,339
2 months overdue	10,723	65	10,723	-
3 months overdue	294,597	-	294,541	-
> 3 months overdue	1,671,275	1,765,067	1,641,319	1,723,984
	2,276,895	2,706,332	2,246,791	2,653,317
Past due but not impaired:				
1 Month Overdue	52,950	57,431	23,872	-
2 Months Overdue	7,550	3,623	-	-
3 Months Overdue	3,898	3,127	-	-
	64,398	64,181	23,872	-

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

Collateral represents the asset pledged by a borrower/customer and/or a third party on behalf of the borrower/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 if the borrower/customer is unable to repay the facility obtained from the Bank.

The Group and the Bank would 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 in the next page:

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

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

Collateral by amount

	2018				2017			
	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	20,267	44,131	64,398	51,948	-	64,181	64,181	-
Impaired	1,518,295	758,600	2,276,895	3,710,320	1,721,949	984,383	2,706,332	3,309,226
	1,538,562	802,731	2,341,293	3,762,268	1,721,949	1,048,564	2,770,513	3,309,226
Bank								
Past due but not impaired	20,267	3,605	23,872	51,948	-	-	-	-
Impaired	1,518,295	728,496	2,246,791	3,710,320	1,721,949	931,368	2,653,317	3,309,226
	1,538,562	732,101	2,270,663	3,762,268	1,721,949	931,368	2,653,317	3,309,226

Collateral by type

	2018		2017	
	Properties, equipment and vessels RM'000	Total RM'000	Properties, equipment and vessels RM'000	Total RM'000
Group				
Past due but not impaired	51,948	51,948	-	-
Impaired	3,710,320	3,710,320	3,309,226	3,309,226
	3,762,268	3,762,268	3,309,226	3,309,226
Bank				
Past due but not impaired	51,948	51,948	-	-
Impaired	3,710,320	3,710,320	3,309,226	3,309,226
	3,762,268	3,762,268	3,309,226	3,309,226

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(vi) Restructured loans/financing

Restructured loans/financing refer to the financial assets that would otherwise be past due or impaired where there are fundamental revision in the principal terms and conditions of the facilities. 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/financing held by the Group and the Bank stood at RM9,251.7 million (2017: RM9,646.3 million).

(vii) Credit quality for treasury credit risk exposures

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial investments at FVOCI				
Sovereign	2,831,928	-	2,831,928	-
AAA	397,315	-	397,315	-
AA	51,779	-	51,779	-
BBB	81,034	-	81,034	-
Non-rated	357,896	-	355,118	-
	3,719,952	-	3,717,174	-
Financial investments at amortised cost				
Sovereign	22	-	-	-
	22	-	-	-
Financial investments - AFS				
Sovereign	-	4,233,045	-	4,233,045
AAA	-	304,832	-	304,832
BBB	-	77,210	-	77,210
Non-rated	-	608,932	-	604,122
	-	5,224,019	-	5,219,209
Financial investments - HTM				
Sovereign	-	22	-	-
	-	22	-	-

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk

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 financial position 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/financing and financial instruments.

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

	Group and Bank			
	Impact on interest/ profit 2018 RM'000	Impact on interest/ profit 2017 RM'000	Impact on equity 2018 RM'000	Impact on equity 2017 RM'000
Interest/profit rate				
- parallel shift				
+ 50 basis points	21,380	14,818	(105,081)	(113,728)
- 50 basis points	(21,380)	(14,818)	105,081	113,728

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

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

Group 2018	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
	◄ Non-trading book ►							
Assets								
Cash and short term deposits	2,256,416	-	-	-	-	55,332	2,311,748	3.43
Deposits and placements with financial institutions	-	38,055	-	-	-	-	38,055	3.40
Financial investments at FVOCI	38,790	-	-	818,846	2,756,528	105,788	3,719,952	4.53
Financial investments at amortised cost	-	-	-	-	22	-	22	-
Loans, financing and advances								
- non-impaired	732,774	258,141	2,068,508	4,460,790	10,978,860	8,526	18,507,599	6.57
- impaired *	-	-	-	-	-	(222,927)	(222,927)	-
Other assets	-	-	-	-	-	178,363	178,363	-
Interest in associates	-	-	-	-	-	533	533	-
Property, plant and equipment	-	-	-	-	-	81,600	81,600	-
Prepaid land lease	-	-	-	-	-	343	343	-
Investment properties	-	-	-	-	-	601	601	-
Intangible assets	-	-	-	-	-	6,985	6,985	-
Deferred tax assets	-	-	-	-	-	111,235	111,235	-
Total assets	3,027,980	296,196	2,068,508	5,279,636	13,735,410	326,379	24,734,109	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans/financing.

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

Group 2018 (cont'd)	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
	← Non-trading book →							
Equity and liabilities								
Deposits from customers	832,305	2,774,032	2,463,498	160,994	181,340	-	6,412,169	4.06
Deposits and placements from financial institutions	100,354	-	-	-	-	-	100,354	3.80
Other liabilities	-	-	-	-	-	120,254	120,254	-
Redeemable notes/Sukuk	96,736	-	50,000	2,050,000	5,147,222	-	7,343,958	4.94
Borrowings	81,874	-	450,000	1,650,000	500,000	-	2,681,874	4.35
Infrastructure support fund	-	-	-	-	-	304,166	304,166	-
Deferred income	-	-	-	-	-	219,962	219,962	-
Deferred tax liabilities	-	-	-	-	-	245	245	-
Total liabilities	1,111,269	2,774,032	2,963,498	3,860,994	5,828,562	644,627	17,182,982	
Shareholders' equity	-	-	-	-	-	7,534,835	7,534,835	-
Non-controlling interest	-	-	-	-	-	16,292	16,292	-
Total equity and liabilities	1,111,269	2,774,032	2,963,498	3,860,994	5,828,562	8,195,754	24,734,109	
On-balance sheet interest/profit sensitivity gap	1,916,711	(2,477,836)	(894,990)	1,418,642	7,906,848	(7,869,375)	-	
Total interest/profit sensitivity gap	1,916,711	(2,477,836)	(894,990)	1,418,642	7,906,848	(7,869,375)	-	

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

Group 2017	Non-trading book: Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Assets								
Cash and short term deposits	1,680,149	2,828	-	-	-	34,874	1,717,851	3.37
Financial investments - AFS	15,356	-	181,223	657,106	4,365,524	4,810	5,224,019	4.52
Financial investments - HTM	-	-	-	-	22	-	22	-
Loans, financing and advances								
- non-impaired	791,649	266,796	2,187,148	5,501,930	10,822,398	-	19,569,921	6.41
- impaired *	-	-	-	-	-	173,378	173,378	-
Other assets	-	-	-	-	-	189,582	189,582	-
Interest in associates	-	-	-	-	-	563	563	-
Interest in JVs	-	-	-	-	-	28,450	28,450	-
Property, plant and equipment	-	-	-	-	-	82,557	82,557	-
Prepaid land lease	-	-	-	-	-	359	359	-
Investment properties	-	-	-	-	-	641	641	-
Intangible assets	-	-	-	-	-	7,957	7,957	-
Deferred tax assets	-	-	-	-	-	2,949	2,949	-
Assets classified as held for sale	-	-	-	-	-	311	311	-
Total assets	2,487,154	269,624	2,368,371	6,159,036	15,187,944	526,431	26,998,560	

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

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

Group 2017 (cont'd)	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
	← Non-trading book →							
Equity and liabilities								
Deposits from customers	921,502	3,425,455	3,813,512	-	-	-	8,160,469	3.94
Bills and acceptance payable	249,380	-	-	-	-	-	249,380	-
Other liabilities	-	-	-	-	-	152,432	152,432	-
Redeemable notes/Sukuk	-	-	-	1,620,649	5,772,566	-	7,393,215	4.50
Borrowings	84,026	-	450,000	1,350,000	900,000	-	2,784,026	4.35
Infrastructure support fund	-	-	-	-	-	304,166	304,166	-
Deferred income	-	-	-	-	-	227,030	227,030	-
Deferred tax liabilities	-	-	-	-	-	1,609	1,609	-
Total liabilities	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	685,237	19,272,327	
Shareholders' equity	-	-	-	-	-	7,707,779	7,707,779	-
Non-controlling interest	-	-	-	-	-	18,454	18,454	-
Total equity and liabilities	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	8,411,470	26,998,560	
On-balance sheet interest/profit sensitivity gap	1,232,246	(3,155,831)	(1,895,141)	3,188,387	8,515,378	(7,885,039)	-	
Total interest/profit sensitivity gap	1,232,246	(3,155,831)	(1,895,141)	3,188,387	8,515,378	(7,885,039)	-	

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

Bank 2018	Non-trading book: Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Assets								
Cash and short term deposits	1,984,018	-	-	-	-	36,142	2,020,160	3.41
Financial investments at FVOCI	38,790	-	-	818,846	2,756,528	103,010	3,717,174	4.53
Loans, financing and advances								
- non-impaired	730,543	254,885	2,049,507	4,325,036	10,978,860	8,527	18,347,358	6.49
- impaired *	-	-	-	-	-	(219,775)	(219,775)	-
Other assets	-	-	-	-	-	139,595	139,595	-
Investment in subsidiaries	-	-	-	-	-	256,641	256,641	-
Property, plant and equipment	-	-	-	-	-	81,434	81,434	-
Prepaid land lease	-	-	-	-	-	343	343	-
Investment properties	-	-	-	-	-	345	345	-
Intangible assets	-	-	-	-	-	6,617	6,617	-
Deferred tax assets	-	-	-	-	-	108,947	108,947	-
Total assets	2,753,351	254,885	2,049,507	5,143,882	13,735,388	521,826	24,458,839	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans/financing.

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

Bank 2018 (cont'd)	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
	← Non-trading book					→		
Equity and liabilities								
Deposits from customers	832,305	2,774,032	2,463,498	160,994	181,340	-	6,412,169	4.06
Deposits and placements from financial institutions	100,354	-	-	-	-	-	100,354	3.80
Other liabilities	-	-	-	-	-	78,513	78,513	-
Redeemable notes/Sukuk	96,736	-	50,000	2,050,000	5,147,222	-	7,343,958	4.94
Borrowings	81,874	-	450,000	1,650,000	500,000	-	2,681,874	4.75
Infrastructure support fund	-	-	-	-	-	304,166	304,166	-
Deferred income	-	-	-	-	-	219,962	219,962	-
Total liabilities	1,111,269	2,774,032	2,963,498	3,860,994	5,828,562	602,641	17,140,996	
Shareholders' equity	-	-	-	-	-	7,317,843	7,317,843	-
Total equity and liabilities	1,111,269	2,774,032	2,963,498	3,860,994	5,828,562	7,920,484	24,458,839	
On-balance sheet interest/profit sensitivity gap	1,642,082	(2,519,147)	(913,991)	1,282,888	7,906,826	(7,398,658)	-	
Total interest/profit sensitivity gap	1,642,082	(2,519,147)	(913,991)	1,282,888	7,906,826	(7,398,658)	-	

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

Bank 2017	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/profit rate %
	Non-trading book							
Assets								
Cash and short term deposits	1,422,003	-	-	-	-	18,273	1,440,276	3.47
Financial investments - AFS	15,356	-	181,223	657,106	4,365,524	-	5,219,209	4.52
Financial investments - HTM	-	-	-	-	-	-	-	
Loans, financing and advances								
- non-impaired	774,774	245,532	2,160,920	5,376,305	10,822,398	-	19,379,929	6.32
- impaired *	-	-	-	-	-	177,713	177,713	-
Other assets	-	-	-	-	-	153,039	153,039	-
Investment in subsidiaries	-	-	-	-	-	284,304	284,304	-
Property, plant and equipment	-	-	-	-	-	82,462	82,462	-
Prepaid land lease	-	-	-	-	-	359	359	-
Investment properties	-	-	-	-	-	352	352	-
Intangible assets	-	-	-	-	-	7,420	7,420	-
Deferred tax assets	-	-	-	-	-	433	433	-
Total assets	2,212,133	245,532	2,342,143	6,033,411	15,187,922	724,355	26,745,496	

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

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

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

Bank 2017 (cont'd)	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
	Non-trading book							
Equity and liabilities								
Deposits from customers	921,502	3,425,455	3,813,512	-	-	-	8,160,469	3.94
Bills and acceptance payable	249,380	-	-	-	-	-	249,380	-
Other liabilities	-	-	-	-	-	99,999	99,999	-
Redeemable notes/Sukuk	-	-	-	1,620,649	5,772,566	-	7,393,215	4.50
Borrowings	84,026	-	450,000	1,350,000	900,000	-	2,784,026	4.80
Infrastructure support fund	-	-	-	-	-	304,166	304,166	-
Deferred income	-	-	-	-	-	227,030	227,030	-
Total liabilities	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	631,195	19,218,285	
Shareholders' equity	-	-	-	-	-	7,527,211	7,527,211	-
Total equity and liabilities	1,254,908	3,425,455	4,263,512	2,970,649	6,672,566	8,158,406	26,745,496	
On-balance sheet interest/profit sensitivity gap	957,225	(3,179,923)	(1,921,369)	3,062,762	8,515,356	(7,434,051)	-	
Total interest/profit sensitivity gap	957,225	(3,179,923)	(1,921,369)	3,062,762	8,515,356	(7,434,051)	-	

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk

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

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

(i) Contractual maturity of total assets and liabilities

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

	Non-trading book						
Group 2018	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short term deposits	2,311,748	-	-	-	-	-	2,311,748
Deposits and placements with financial institutions	-	38,055	-	-	-	-	38,055
Financial investments at FVOCI	5,934	23,390	9,466	818,846	2,756,529	105,787	3,719,952
Financial investments at amortised cost	-	-	-	-	22	-	22
Loans, financing and advances							
- non-impaired	527,889	321,949	2,108,987	4,569,916	10,970,332	8,526	18,507,599
- impaired *	-	-	-	-	-	(222,927)	(222,927)
Other assets	-	-	-	-	-	178,363	178,363
Interest in associates	-	-	-	-	-	533	533
Interest in JVs	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	81,600	81,600
Prepaid land lease	-	-	-	-	-	343	343
Investment properties	-	-	-	-	-	601	601
Intangible assets	-	-	-	-	-	6,985	6,985
Deferred tax assets	-	-	-	-	-	111,235	111,235
Total assets	2,845,571	383,394	2,118,453	5,388,762	13,726,883	271,046	24,734,109

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans.

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

Group 2018 (cont'd)	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Equity and liabilities							
Deposits from customers	778,684	2,799,492	2,490,728	161,300	181,965	-	6,412,169
Deposits and placements from financial institutions	100,354	-	-	-	-	-	100,354
Other liabilities	-	-	-	-	-	120,254	120,254
Redeemable notes/Sukuk	10,652	65,705	20,378	1,850,000	5,397,223	-	7,343,958
Borrowings	53,726	8,466	469,682	1,650,000	500,000	-	2,681,874
Infrastructure support fund	-	-	-	-	-	304,166	304,166
Deferred income	-	-	-	-	-	219,962	219,962
Deferred tax liabilities	-	-	-	-	-	245	245
Total liabilities	943,416	2,873,663	2,980,788	3,661,300	6,079,188	644,627	17,182,982
Shareholders' equity	-	-	-	-	-	7,534,835	7,534,835
Non-controlling interest	-	-	-	-	-	16,292	16,292
Total equity and liabilities	943,416	2,873,663	2,980,788	3,661,300	6,079,188	8,195,754	24,734,109
Net maturity mismatches	1,902,155	(2,490,269)	(862,335)	1,727,462	7,647,695	(7,924,708)	-

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

Group 2017	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short term deposits	1,715,023	2,828	-	-	-	-	1,717,851
Financial investments - AFS	27,481	27,017	195,543	650,907	4,318,261	4,810	5,224,019
Financial investments - HTM	-	-	-	-	22	-	22
Loans, financing and advances							
- non-impaired	791,649	266,796	2,187,148	5,501,930	10,822,398	-	19,569,921
- impaired *	-	-	-	-	-	173,378	173,378
Other assets	-	-	-	-	-	189,582	189,582
Interest in associates	-	-	-	-	-	563	563
Interest in JVs	-	-	-	-	-	28,450	28,450
Property, plant and equipment	-	-	-	-	-	82,557	82,557
Prepaid land lease	-	-	-	-	-	359	359
Investment properties	-	-	-	-	-	641	641
Intangible assets	-	-	-	-	-	7,957	7,957
Deferred tax assets	-	-	-	-	-	2,949	2,949
Assets classified as held for sale	-	-	-	-	-	311	311
Total assets	2,534,153	296,641	2,382,691	6,152,837	15,140,681	491,557	26,998,560

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

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

	Non-trading book						
Group 2017 (cont'd)	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Equity and liabilities							
Deposits from customers	921,502	3,425,455	3,813,512	-	-	-	8,160,469
Bills and acceptance payable	249,380	-	-	-	-	-	249,380
Other liabilities	-	-	-	-	-	152,432	152,432
Redeemable notes/Sukuk	-	-	-	1,620,649	5,772,566	-	7,393,215
Borrowings	56,197	8,399	469,430	1,350,000	900,000	-	2,784,026
Infrastructure support fund	-	-	-	-	-	304,166	304,166
Deferred income	-	-	-	-	-	227,030	227,030
Deferred tax liabilities	-	-	-	-	-	1,609	1,609
Total liabilities	1,227,079	3,433,854	4,282,942	2,970,649	6,672,566	685,237	19,272,327
Shareholders' equity	-	-	-	-	-	7,707,779	7,707,779
Non-controlling interest	-	-	-	-	-	18,454	18,454
Total equity and liabilities	1,227,079	3,433,854	4,282,942	2,970,649	6,672,566	8,411,470	26,998,560
Net maturity mismatches	1,307,074	(3,137,213)	(1,900,251)	3,182,188	8,468,115	(7,919,913)	-

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

Bank 2018	Non-trading book: Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short term deposits	2,020,160	-	-	-	-	-	2,020,160
Financial investments at FVOCI	5,934	23,390	9,466	818,846	2,756,528	103,010	3,717,174
Loans, financing and advances							
- non-impaired	525,658	318,693	2,089,986	4,434,163	10,970,331	8,527	18,347,358
- impaired *	-	-	-	-	-	(219,775)	(219,775)
Other assets	-	-	-	-	-	139,595	139,595
Investment in subsidiaries	-	-	-	-	-	256,641	256,641
Property, plant and equipment	-	-	-	-	-	81,434	81,434
Prepaid land lease	-	-	-	-	-	343	343
Investment properties	-	-	-	-	-	345	345
Intangible assets	-	-	-	-	-	6,617	6,617
Deferred tax assets	-	-	-	-	-	108,947	108,947
Total assets	2,551,752	342,083	2,099,452	5,253,009	13,726,859	485,684	24,458,839

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 from the outstanding gross impaired loans.

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

Bank 2018 (cont'd)	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Equity and liabilities							
Deposits from customers	778,684	2,799,492	2,490,728	161,300	181,965	-	6,412,169
Deposits and placements from financial institutions	100,354	-	-	-	-	-	100,354
Other liabilities	-	-	-	-	-	78,513	78,513
Redeemable notes/Sukuk	10,652	65,705	20,378	1,850,000	5,397,223	-	7,343,958
Borrowings	53,726	8,466	469,682	1,650,000	500,000	-	2,681,874
Infrastructure support fund	-	-	-	-	-	304,166	304,166
Deferred income	-	-	-	-	-	219,962	219,962
Total liabilities	943,416	2,873,663	2,980,788	3,661,300	6,079,188	602,641	17,140,996
Shareholders' equity	-	-	-	-	-	7,317,843	7,317,843
Total equity and liabilities	943,416	2,873,663	2,980,788	3,661,300	6,079,188	7,920,484	24,458,839
Net maturity mismatches	1,608,336	(2,531,580)	(881,336)	1,591,709	7,647,671	(7,434,800)	-

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

Bank 2017	Non-trading book: Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short term deposits	1,440,276	-	-	-	-	-	1,440,276
Financial investments - AFS	27,481	27,017	195,543	650,907	4,318,261	-	5,219,209
Loans, financing and advances							
- non-impaired	681,711	246,592	2,252,923	5,376,305	10,822,398	-	19,379,929
- impaired *	-	-	-	-	-	177,713	177,713
Other assets	-	-	-	-	-	153,039	153,039
Investment in subsidiaries	-	-	-	-	-	284,304	284,304
Property, plant and equipment	-	-	-	-	-	82,462	82,462
Prepaid land lease	-	-	-	-	-	359	359
Investment properties	-	-	-	-	-	352	352
Intangible assets	-	-	-	-	-	7,420	7,420
Deferred tax assets	-	-	-	-	-	433	433
Total assets	2,149,468	273,609	2,448,466	6,027,212	15,140,659	706,082	26,745,496

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

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

Bank 2017 (cont'd)	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Equity and liabilities							
Deposits from customers	921,502	3,425,455	3,813,512	-	-	-	8,160,469
Bills and acceptance payable	249,380	-	-	-	-	-	249,380
Other liabilities	-	-	-	-	-	99,999	99,999
Redeemable notes/Sukuk	-	-	-	1,620,649	5,772,566	-	7,393,215
Borrowings	56,197	8,399	469,430	1,350,000	900,000	-	2,784,026
Infrastructure support fund	-	-	-	-	-	304,166	304,166
Deferred income	-	-	-	-	-	227,030	227,030
Total liabilities	1,227,079	3,433,854	4,282,942	2,970,649	6,672,566	631,195	19,218,285
Shareholders' equity	-	-	-	-	-	7,527,211	7,527,211
Total equity and liabilities	1,227,079	3,433,854	4,282,942	2,970,649	6,672,566	8,158,406	26,745,496
Net maturity mismatches	922,389	(3,160,245)	(1,834,476)	3,056,563	8,468,093	(7,452,324)	-

49. 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 2018 and 31 December 2017. 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 2018	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Liabilities							
Deposits from customers	759,561	2,836,613	2,526,501	197,237	229,010	-	6,548,922
Deposits and placements from financial institutions	100,635	-	-	-	-	-	100,635
Other liabilities	-	-	-	-	-	120,254	120,254
Redeemable notes/Sukuk	-	-	-	1,864,950	8,884,019	-	10,748,969
Borrowings	50,724	3,799	478,461	1,955,901	573,719	-	3,062,604
Total liabilities	910,920	2,840,412	3,004,962	4,018,058	9,686,748	120,254	20,581,384
2017							
Liabilities							
Deposits from customers	919,411	3,427,604	3,865,684	-	-	-	8,212,699
Bills and acceptance payable	250,000	-	-	-	-	-	250,000
Other liabilities	-	-	-	-	-	152,432	152,432
Redeemable notes/Sukuk	-	-	-	1,687,420	9,069,646	-	10,757,066
Borrowings	51,207	-	55,827	1,963,895	1,214,653	-	3,285,582
Total liabilities	1,220,618	3,427,604	3,921,511	3,651,315	10,284,299	152,432	22,657,779

49. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk (cont'd)

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

Bank 2018	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	759,561	2,836,613	2,526,501	197,237	229,010	-	6,548,922
Deposits and placements from financial institutions	100,635	-	-	-	-	-	100,635
Other liabilities	-	-	-	-	-	78,513	78,513
Redeemable notes/Sukuk	-	-	-	1,864,950	8,884,019	-	10,748,969
Borrowings	50,724	3,799	478,461	1,955,901	573,719	-	3,062,604
Total liabilities	910,920	2,840,412	3,004,962	4,018,088	9,686,748	78,513	20,539,643
2017							
Liabilities							
Deposits from customers	919,411	3,427,604	3,865,684	-	-	-	8,212,699
Bills and acceptance payable	250,000	-	-	-	-	-	250,000
Other liabilities	-	-	-	-	-	99,999	99,999
Redeemable notes/Sukuk	-	-	-	1,687,420	9,069,646	-	10,757,066
Borrowings	51,207	-	55,827	1,963,895	1,214,653	-	3,285,582
Total liabilities	1,220,618	3,427,604	3,921,511	3,651,315	10,284,299	99,999	22,605,346

50. FAIR VALUES MEASUREMENTS

(a) Financial assets and liabilities measured at fair value

Determination of fair value and the fair value hierarchy

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

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

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

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

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

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

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

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

50. 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	2018 Level 1 RM'000	2018 Level 2 RM'000	2018 Level 3 RM'000	2018 Total RM'000	2017 Level 1 RM'000	2017 Level 2 RM'000	2017 Level 3 RM'000	2017 Total RM'000
Assets measured at fair value:								
Financial investments at FVOCI	105,788	3,614,164	-	3,719,952	-	-	-	-
Financial investments - AFS	-	-	-	-	354,814	4,869,205	-	5,224,019
Total financial assets	105,788	3,614,164	-	3,719,952	354,814	4,869,205	-	5,224,019
Total financial assets carried at fair value				3,719,952				5,224,019
Assets for which fair values are disclosed (Note 50 (b)):								
Loans, financing and advances	-	-	18,379,806	18,379,806	-	-	19,859,102	19,859,102
Investment properties	-	830	-	830	-	830	-	830
Liabilities for which fair values are disclosed (Note 50 (b)):								
Redeemable notes/Sukuk	-	-	7,520,390	7,520,390	-	-	7,274,960	7,274,960
Borrowings	-	-	2,368,746	2,368,746	-	-	2,459,406	2,459,406

50. FAIR VALUES MEASUREMENTS (CONT'D)

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

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

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

Bank	2018 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	2017 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:								
Financial investments at FVOCI	103,010	3,614,164	-	3,717,174	-	-	-	-
Financial investments - AFS	-	-	-	-	350,004	4,869,205	-	5,219,209
Total financial assets	103,010	3,614,164	-	3,717,174	350,004	4,869,205	-	5,219,209
Total financial assets carried at fair value				3,717,174				5,219,209
Assets for which fair values are disclosed (Note 50 (b)):								
Loans, financing and advances	-	-	18,222,716	18,222,716	-	-	19,621,968	19,621,968
Investment properties	-	440	-	440	-	440	-	440
Liabilities for which fair values are disclosed (Note 50 (b)):								
Redeemable notes/Sukuk	-	-	7,520,390	7,520,390	-	-	7,274,960	7,274,960
Borrowings	-	-	2,368,746	2,368,746	-	-	2,459,406	2,459,406

50. 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)

There have been no transfer between Level 1 and Level 2 during the financial year. The fair value of loans, financing and advances that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.0% to 13.0% (2017: 2.0% to 13.0%) whilst the fair value of redeemable notes/sukuk 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% (2017: 3.6% to 7.2%).

(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	
2018	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets				
Loans, financing and advances	18,284,672	18,379,806	18,127,583	18,222,716
Financial investments at amortised cost	22	-	-	-
Investment properties	601	830	345	440
Financial liabilities				
Redeemable notes	7,343,958	7,520,390	7,343,958	7,520,390
Borrowings	2,681,874	2,368,746	2,681,874	2,368,746
2017				
Financial assets				
Loans, financing and advance	19,743,299	19,859,102	19,557,642	19,621,968
Financial investments - HTM	22	-	-	-
Investment properties	641	830	352	440
Financial liabilities				
Redeemable notes/Sukuk	7,393,215	7,274,960	7,393,215	7,274,960
Borrowings	2,784,026	2,459,406	2,784,026	2,459,406

50. 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/Amortised Cost

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 earning 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, financing and advances

Loans, financing and advances to borrowers/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, financing and advances 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/financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Deposits from customers, deposits and placements from financial institutions, and bills and acceptance payable

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/profit 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 determined by an accredited independent valuer.

51. ISLAMIC FINANCIAL BUSINESS

The state of affairs as at 31 December 2018 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 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Assets					
Cash and short term deposits	(a)	867,162	787,136	833,719	764,795
Financial investments at FVOCI	(b)	2,895,208	-	2,895,208	-
Financial investments - AFS	(c)	-	4,275,360	-	4,275,360
Financial investments - HTM	(d)	-	-	-	-
Financing and advances	(e)	9,848,598	9,161,491	9,818,277	9,125,280
Other assets	(f)	23,929	70,040	23,050	68,672
Total assets		13,634,897	14,294,027	13,570,254	14,234,107
Liabilities					
Deposits from customers	(g)	5,359,624	5,813,823	5,359,624	5,813,823
Deposits from financial institutions	(h)	100,354	-	100,354	-
Other liabilities	(i)	165,243	122,328	138,377	91,428
Sukuk	(j)	6,076,858	6,075,940	6,076,858	6,075,940
Bills and acceptance payable	2.4(k)	-	249,380	-	249,380
Deferred income		219,962	227,030	219,962	227,030
Total liabilities		11,922,041	12,488,501	11,895,175	12,457,601
Equity					
Capital funds		1,602,400	1,602,400	1,597,400	1,597,400
Reserves	(k)	110,456	203,126	77,679	179,106
Total equity		1,712,856	1,805,526	1,675,079	1,776,506
Total liabilities and equity		13,634,897	14,294,027	13,570,254	14,234,107
Commitments and contingencies	(t)	5,432,356	8,250,277	5,432,356	8,250,277

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Profit or Loss
For the Financial Year Ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Income derived from investment of depositors' funds	(l)	242,469	238,425	242,469	238,425
Income derived from investment of shareholders' funds	(m)	561,619	532,307	557,389	526,956
Allowance for impaiment losses on financing and advances	(n)	(168,667)	(162,875)	(174,121)	(160,288)
Writeback/(allowance) for impairment losses on other assets	(o)	207	(58,971)	207	(58,971)
Total distributable income		635,628	548,886	625,944	546,122
Income attributable to the depositors	(p)	(225,351)	(230,001)	(225,351)	(230,001)
Total net income		410,277	318,885	400,593	316,121
Overhead expenses	(q)	(47,569)	(31,228)	(47,509)	(31,300)
Finance cost	(r)	(280,889)	(267,774)	(280,889)	(267,774)
Profit before zakat		81,819	19,883	72,195	17,047
Zakat	(s)	(17,488)	(11,234)	(14,972)	(8,292)
Profit for the financial year		64,331	8,649	57,223	8,755

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Comprehensive Income
For the Financial Year Ended 31 December 2018

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the financial year	64,331	8,649	57,223	8,755
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Net change in revaluation of financial investments:				
- debt instruments at fair value through other comprehensive income	9,494	-	9,494	-
- available-for-sale	-	33,158	-	33,158
	9,494	33,158	9,494	33,158
Other comprehensive income for the financial year, net of zakat	73,825	41,807	66,717	41,913
Total comprehensive income attributable to:				
Shareholders of the Bank	73,825	41,807	66,717	41,913
	73,825	41,807	66,717	41,913
Net income from Islamic financial business:				
Income derived from investment of depositors' funds	242,469	238,425	242,469	238,425
Income derived from investment of shareholders' funds	561,619	532,307	557,389	526,956
Income attributable to the depositors	(225,351)	(230,001)	(225,351)	(230,001)
Finance cost	(280,889)	(267,774)	(280,889)	(267,774)
Net income from Islamic financial business reported in the statements of profit or loss	297,848	272,957	293,618	267,606

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2018

	Capital funds RM'000	Unrealised AFS reserve RM'000	Unrealised FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
Group					
At 1 January 2018	1,602,400	13,667	-	189,459	1,805,526
Effect changes in accounting policies (Note 53)	-	(13,667)	13,947	(166,775)	(166,495)
At 1 January 2018, as restated	1,602,400	-	13,947	22,684	1,639,031
Total comprehensive income for the financial year	-	-	9,494	64,331	73,825
At 31 December 2018	1,602,400	-	23,441	87,015	1,712,856
At 1 January 2017	602,400	(19,491)	-	214,500	797,409
Total comprehensive income for the financial year	-	33,158	-	8,649	41,807
Share re-allocation	1,000,000	-	-	-	1,000,000
Dividend paid	-	-	-	(33,690)	(33,690)
At 31 December 2017	1,602,400	13,667	-	189,459	1,805,526
Bank					
At 1 January 2018	1,597,400	13,667	-	165,439	1,776,506
Effect changes in accounting policies (Note 53)	-	(13,667)	13,947	(168,424)	(168,144)
At 1 January 2018, as restated	1,597,400	-	13,947	(2,985)	1,608,362
Total comprehensive income for the financial year	-	-	9,494	57,223	66,717
At 31 December 2018	1,597,400	-	23,441	54,238	1,675,079
At 1 January 2017	597,400	(19,491)	-	156,684	734,593
Total comprehensive income for the financial year	-	33,158	-	8,755	41,913
Share re-allocation	1,000,000	-	-	-	1,000,000
At 31 December 2017	1,597,400	13,667	-	165,439	1,776,506

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Cash Flows
For the Financial Year Ended 31 December 2018

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
Profit before zakat	81,819	19,883	72,195	17,047
Adjustments for:				
Net gain on sale of financial investments at FVOCI (Note 51(m))	(9,168)	-	(9,168)	-
Accreation of discount less amortisation of premium of financial investments (Note 51(m))	(592)	(30,171)	(592)	(30,171)
Allowance for impairment losses on financing and advances, net (Note 51(n))	172,626	160,018	178,103	157,651
Loss due to debt modification (Note 51(l) and Note 51(m))	1,188	-	1,188	-
Impairment allowance for:				
Financial investments at FVOCI (Note 51(o))	6	-	6	-
Financial investments - HTM (Note 51(o))	-	58,684	-	58,684
Impaired financing written off (Note 51(n))	686	2,861	556	2,637
Allowance for ex-staff financing (Note 51(o))	52	412	52	412
Compensation from the Government (Note 51(m))	(16,334)	(17,134)	(16,334)	(17,134)
Operating cash flows before working capital changes	230,283	194,553	226,006	189,126
(Increase)/decrease in operating assets:				
Other assets	34,165	109,579	33,676	128,711
Financing and advances	(1,020,459)	(1,089,477)	(1,033,315)	(1,084,309)
	(986,294)	(979,898)	(999,639)	(955,598)

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Cash Flows
For the Financial Year Ended 31 December 2018 (cont'd)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities (cont'd)				
(Decrease)/increase in operating liabilities :				
Other liabilities	44,373	24,506	50,893	40,501
Deposits from customers	(454,199)	(207,025)	(454,199)	(207,025)
Deposits and placements from financial institutions	100,354	-	100,354	-
	(309,472)	(182,519)	(302,952)	(166,524)
Cash used in from operating activities	(1,065,483)	(967,864)	(1,076,585)	(932,996)
Zakat paid	(15,847)	(17,292)	(15,847)	(16,326)
Net cash used in operating activities	(1,081,330)	(985,156)	(1,092,432)	(949,322)
Cash flows from investing activities				
Purchase of financial investments at FVOCI	(1,087,924)	-	(1,087,924)	-
Proceeds from disposal/maturity of financial investments at FVOCI	2,496,224	-	2,496,224	-
Purchase of financial investments - AFS	-	(1,458,689)	-	(1,458,689)
Issuance of shares	-	1,000,000	-	1,000,000
Net cash generated from/(used in) investing activities	1,408,300	(458,689)	1,408,300	(458,689)
Cash flows from financing activities				
Net (repayment of)/ receipt from acceptance payables	(250,000)	250,000	(250,000)	250,000
Proceeds from government compensation	3,056	-	3,056	-
Receipt from issuance of Sukuk	-	1,523,179	-	1,523,179
Net cash (used in)/generated from financing activities	(246,944)	1,773,179	(246,944)	1,773,179

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Cash Flows
For the Financial Year Ended 31 December 2018 (cont'd)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net increase in cash and cash equivalents	80,026	329,334	68,924	365,168
Cash and cash equivalents at beginning of financial year	787,136	457,802	764,795	399,627
Cash and cash equivalents at end of financial year	867,162	787,136	833,719	764,795

Cash and cash equivalents comprise:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and short term deposits (Note (a))	867,162	787,136	833,719	764,795

(a) Cash and Short Term Deposits

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances with financial institutions	36,980	19,883	33,950	15,542
Money at call and deposit placements maturing within one month	830,182	767,253	799,769	749,253
	867,162	787,136	833,719	764,795

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(b) Financial Investments at FVOCI

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value				
Money market instruments:				
Government investment issues	849,769	-	849,769	-
Unquoted securities:				
Sukuk	2,045,439	-	2,045,439	-
Total financial investments at FVOCI	2,895,208	-	2,895,208	-

The financial investments at FVOCI category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 53 Changes in Accounting Policies.

Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

Group and bank	**12-Month ECL Stage 1 RM'000**
At 1 January	-
- effect of changes in accounting policies (Note 53)	280
At 1 January, as restated	280
New financial investments purchased	17
Net allowance written back	(11)
At 31 December 2018	286

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(c) Financial Investments - AFS

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
At fair value		
Money market instruments:		
Government investment issues	-	1,071,874
At fair value		
Unquoted securities:		
Sukuk	-	3,203,486
	-	4,275,360

The financial investments - AFS category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are disclosed in Note 53 Changes in Accounting Policies.

(d) Financial Investments - HTM

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
At amortised cost		
Unquoted securities:		
Sukuk	-	405,364
Less: Accumulated impairment losses	-	(405,364)
	-	-

The financial investments - HTM category was removed upon the adoption of MFRS 9.

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Bai' Bithaman Ajil	151,682	185,549	148,132	183,289
Murabahah	9,273	8,767	9,273	8,767
Istisna'	4,686,641	5,386,381	4,686,641	5,386,381
Ijarah Muntahiyah bi Tamlik	52,945	168,045	21,616	125,419
Tawarruq	12,342,630	10,387,500	12,341,213	10,384,986
Staff financing	10,421	11,930	10,421	11,930
Unearned income	(6,272,126)	(6,036,879)	(6,272,126)	(6,036,879)
Gross financing and advances	10,981,466	10,111,293	10,945,170	10,063,893
Allowance for impairment on financing and advances:				
- Stage 1: 12-Month ECL	(522,250)	-	(521,902)	-
- Stage 2: Lifetime ECL not credit impaired	(154,298)	-	(154,298)	-
- Stage 3: Lifetime ECL credit impaired	(456,320)	-	(450,693)	-
- Individual allowance	-	(587,529)	-	(578,122)
- Collective allowance	-	(362,273)	-	(360,491)
	(1,132,868)	(949,802)	(1,126,893)	(938,613)
Net financing and advances	9,848,598	9,161,491	9,818,277	9,125,280

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(i) Financing and advances analysed by type of customers are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Domestic business enterprises	10,972,187	10,098,968	10,939,441	10,057,525
Individual	9,279	12,325	5,729	6,368
	10,981,466	10,111,293	10,945,170	10,063,893

(ii) Financing and advances analysed by profit rate sensitivity are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate:				
Housing financing	9,279	12,325	5,729	6,368
Other fixed rate financing	7,139,737	6,815,450	7,106,991	6,774,007
Variable rate:				
Cost plus	2,220,365	1,894,994	2,220,365	1,894,994
Other variable rates	1,612,085	1,388,524	1,612,085	1,388,524
	10,981,466	10,111,293	10,945,170	10,063,893

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(iii) Financing and advances analysed by industry are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Marine related	50,336	-	50,335	-
Construction	4,910,146	4,170,174	4,906,112	4,169,399
Education	1,459,353	1,456,782	1,459,353	1,456,782
Electricity, gas and water supply	119,589	225,211	119,589	225,211
Finance, takaful and business	25,267	29,204	-	-
Hotel and restaurants	235,843	151,549	235,843	149,455
Housing	5,729	6,368	5,729	6,368
Manufacturing	240,452	259,128	240,032	259,113
Materials technology	-	10,735	-	10,735
Other community, social and personal service activities	62,416	73,286	62,305	68,273
Public administration and defence	23,572	32,464	23,572	32,464
Agriculture, hunting & forestry	9	-	-	-
Shipping	407,156	719,954	407,156	719,954
Shipyard	157,597	-	157,597	-
Transport, storage and communication	3,284,001	2,976,438	3,277,547	2,966,139
	10,981,466	10,111,293	10,945,170	10,063,893

(iv) The maturity structure of financing and advances are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Receivable after 12 months	9,313,317	8,548,714	9,278,686	8,508,682
Receivable within 12 months	1,668,149	1,562,579	1,666,484	1,555,211
	10,981,466	10,111,293	10,945,170	10,063,893

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(v) Financing and advances analysed by type and Shariah contract are as follows:

Group	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
2018						
At amortised cost						
Term facility						
Sale-based financing	151,682	-	4,686,641	-	12,150,137	16,988,460
Lease-based financing	-	-	-	52,945	-	52,945
Revolving facility						
Sale-based financing	-	9,273	-	-	192,493	201,766
Staff financing	10,421	-	-	-	-	10,421
Unearned income	-	-	-	-	-	(6,272,126)
Gross financing and advances	162,103	9,273	4,686,641	52,945	12,342,630	10,981,466
Allowance for impairment on financing and advances:						
Stage 1: 12-Month ECL	-	-	-	-	-	(522,250)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	(154,298)
Stage 3: Lifetime ECL Credit Impaired	-	-	-	-	-	(456,320)
Net financing and advances	-	-	-	-	-	9,848,598
2017						
At amortised cost						
Term facility						
Sale-based financing	185,549	-	5,386,381	-	9,862,681	15,434,611
Lease-based financing	-	-	-	168,045	-	168,045
Revolving facility						
Sale-based financing	-	8,767	-	-	524,819	533,586
Staff financing	11,930	-	-	-	-	11,930
Unearned income	-	-	-	-	-	(6,036,879)
Gross financing and advances	197,479	8,767	5,386,381	168,045	10,387,500	10,111,293
Allowance for impairment on financing and advances:						
Individual allowance	-	-	-	-	-	(587,529)
Collective allowance	-	-	-	-	-	(362,273)
Net financing and advances	-	-	-	-	-	9,161,491

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(v) Financing and advances analysed by type and Shariah contract are as follows (cont'd):

Bank	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
2018						
At amortised cost						
Term facility						
Sale-based financing	148,132	-	4,686,641	-	12,150,137	16,984,910
Lease-based financing	-	-	-	21,616	-	21,616
Revolving facility						
Sale-based financing	-	9,273	-	-	191,076	200,349
Staff financing	10,421	-	-	-	-	10,421
Unearned income	-	-	-	-	-	(6,272,126)
Gross financing and advances	158,553	9,273	4,686,641	21,616	12,341,213	10,945,170
Allowance for impairment on financing and advances:						
Stage 1: 12-Month ECL	-	-	-	-	-	(521,902)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	(154,298)
Stage 3: Lifetime ECL Credit Impaired	-	-	-	-	-	(450,693)
Net financing and advances	-	-	-	-	-	9,818,277
2017						
At amortised cost						
Term facility						
Sale-based financing	183,289	-	5,386,381	-	10,195,218	15,764,888
Lease-based financing	-	-	-	125,419	-	125,419
Revolving facility						
Sale-based financing	-	8,767	-	-	189,768	198,535
Staff financing	11,930	-	-	-	-	11,930
Unearned income	-	-	-	-	-	(6,036,879)
Gross financing and advances	195,219	8,767	5,386,381	125,419	10,384,986	10,063,893
Allowance for impairment on financing and advances:						
Individual allowance	-	-	-	-	-	(578,122)
Collective allowance	-	-	-	-	-	(360,491)
Net financing and advances	-	-	-	-	-	9,125,280

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	887,951	1,084,444	874,840	1,067,025
Impaired during the financial year	130,885	47,766	125,902	34,655
Reclassified as non-impaired	(2,593)	(53,242)	-	(53,242)
Recovered during the financial year	(54,186)	(82,131)	(50,640)	(64,712)
Amount written off	(159,079)	(108,886)	(158,522)	(108,886)
At 31 December	802,978	887,951	791,580	874,840
Gross impaired financing and advances as a % of gross financing and advances	7.31%	8.78%	7.23%	8.69%

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Construction	53,708	490	49,674	-
Education	45,625	51,691	45,625	51,691
Electricity, gas and water supply	21,701	76,170	21,701	76,170
Hotel and restaurants	111,462	110,511	111,462	107,643
Manufacturing	30,474	31,961	30,255	31,961
Materials technology	-	10,735	-	10,735
Other community, social and personal service activities	-	6,091	-	-
Shipping	370,443	433,809	370,443	433,809
Transport, storage and communication	169,565	166,493	162,420	162,831
	802,978	887,951	791,580	874,840

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

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

	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
Group				
At 1 January				
- as previously stated	211,308	150,965	587,529	949,802
- effect of changes in accounting policies (Note 53)	180,241	(13,746)	-	166,495
At 1 January, as restated	391,549	137,219	587,529	1,116,297
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(47,702)	47,702	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(26,794)	26,794	-
Allowance/(written back) made, net	178,403	(3,829)	(1,948)	172,626
Amount written off	-	-	(156,055)	(156,055)
At 31 December 2018	522,250	154,298	456,320	1,132,868
Bank				
At 1 January				
- as previously stated	209,526	150,965	578,122	938,613
- effect of changes in accounting policies (Note 53)	181,890	(13,746)	-	168,144
At 1 January, as restated	391,416	137,219	578,122	1,106,757
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(47,702)	47,702	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(26,794)	26,794	-
Allowance/(written back) made, net	178,188	(3,829)	3,744	178,103
Amount written off	-	-	(157,967)	(157,967)
At 31 December 2018	521,902	154,298	450,693	1,126,893

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

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

	Group RM'000	Bank RM'000
2017		
Individual allowance ("IA")		
At 1 January	647,882	629,735
Allowance made during the financial year	91,845	86,847
Amount written back in respect of recoveries	(14,321)	(11,408)
Amount transferred from CA	134	134
Amount transferred to CA	(19,660)	(19,660)
Amount written off	(118,351)	(107,526)
At 31 December	587,529	578,122
Collective allowance ("CA")		
At 1 January	260,253	258,753
Allowance made during the financial year	134,649	133,852
Amount written back	(59,367)	(58,852)
Amount transferred to IA	(134)	(134)
Amount transferred from IA	19,660	19,660
Transferred from conventional collective allowance	7,212	7,212
At 31 December	362,273	360,491

(ix) Financing and advances analysed by geographical distribution are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within Malaysia	10,981,466	10,111,293	10,945,170	10,063,893

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(f) Other Assets

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	23,929	70,040	23,050	68,672
	23,929	70,040	23,050	68,672

(g) Deposits from Customers

	Group and Bank	
	2018 RM'000	2017 RM'000
(a) The deposits are sourced from the following types of customers:		
Business enterprises	487,982	680,607
Government and statutory bodies	4,871,642	5,133,216
	5,359,624	5,813,823
(b) The deposits maturity structure are as follows:		
Less than six months	4,483,330	3,541,847
Six months to one year	876,294	2,271,976
	5,359,624	5,813,823

(h) Deposits and Placements from Financial Institutions

	Group and Bank	
	2018 RM'000	2017 RM'000
At amortised cost		
Licensed banks	100,354	-
(a) The deposits maturity structure are as follows:		
Less than six months	100,354	-

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(i) Other Liabilities

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Other payables		20,508	22,660	20,077	20,948
Zakat payables		15,766	15,178	14,980	12,236
Charity payables	(i)	-	1,017	-	1,017
Interfund payables	(ii)	128,969	83,473	103,320	57,227
		165,243	122,328	138,377	91,428

(i) Shariah non-compliant events

During the financial year 2018, there was no incident of Shariah non-compliance event.

	No. of events	2018 RM'000	No. of events	2017 RM'000
Error in calculation of the amount of fee and profit for a particular bank guarantee and financing facilities	-	-	4	221
	-	-	4	221

The Bank has taken necessary corrective as well as preventive measures to avoid the same incidences from recurrence where the rectification plan had been endorsed by the Shariah Committee.

Group and Bank	Charity Funds RM'000	Shariah Non-Compliance Income RM'000	Total RM'000
Undistributed funds as at 31 December 2017 / 1 January 2018	58	959	1,017
Funds collected/received during the year	2	-	2
Uses of funds during the year			
Contribution to Non-profit Organisation	(60)	(800)	(860)
Refund to customers	-	(159)	(159)
	(60)	(959)	(1,019)
Undistributed funds as at 31 December 2018	-	-	-

(ii) Interfund payables are unsecured, profit free and are repayable on demand.

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(j) Sukuk

	Note	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Non-guaranteed			
Sukuk Murabahah	(i)	3,034,656	3,034,269
		3,034,656	3,034,269
Guaranteed			
Sukuk Murabahah	(ii)	3,042,202	3,041,671
		3,042,202	3,041,671
		6,076,858	6,075,940

(i) These sukuk carry profit rates ranging between 4.28% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2026, 2027, 2031, 2032 and 2035 respectively.

(ii) These sukuk carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These sukuk will mature in September 2021, 2024, 2029 and 2034 respectively.

The movements in the sukuk are as follows:

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Non-guaranteed		
Sukuk Murabahah		
Principal		
At 1 January	3,000,000	1,500,000
Issued during the financial year	-	1,500,000
At 31 December	3,000,000	3,000,000
Accrued profit payable		
At 1 January	34,269	11,090
Charge for the financial year	140,552	110,767
Repayment during the financial year	(140,165)	(87,588)
At 31 December	34,656	34,269
	3,034,656	3,034,269

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(j) Sukuk (cont'd)

The movements in the sukuk are as follows (cont'd):

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Guaranteed notes		
Sukuk Murabahah		
Principal		
At 1 January/31 December	3,000,000	3,000,000
Accrued profit payable		
At 1 January	41,671	41,671
Charge for the financial year	138,160	114,692
Repayment during the financial year	(137,629)	(114,692)
At 31 December	42,202	41,671
	3,042,202	3,041,671

(k) Reserves

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Non-distributable:					
Unrealised FVOCI reserve	(i)	23,441	-	23,441	-
Unrealised AFS reserve	(ii)	-	13,667	-	13,667
		23,441	13,667	23,441	13,667
Distributable:					
Retained profits		87,015	189,459	54,238	165,439
		110,456	203,126	77,679	179,106

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(k) Reserves (cont'd)

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

Movements of the FVOCI reserve are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	-	-	-	-
Redesignation to financial investments at FVOCI	13,667	-	13,667	-
At 1 January 2018, as restated	13,667	-	13,667	-
Unrealised profit on fair value changes	9,494	-	9,494	-
At 31 December	23,161	-	23,161	-

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

Movements of the AFS reserve are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	13,667	(19,491)	13,667	(19,491)
Redesignation to financial investments at FVOCI	(13,667)	-	(13,667)	-
At 1 January 2018, as restated	-	(19,491)	-	(19,491)
Unrealised profit on fair value changes	-	33,158	-	33,158
At 31 December	-	13,667	-	13,667

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(l) Income Derived from Investment of Depositors' Funds

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance Income				
Financing and advances	227,841	224,937	227,841	224,937
Other income:				
Fee income	14,905	13,488	14,905	13,488
Ta'widh	192	-	192	-
Loss due to debt modification	(469)	-	(469)	-
	242,469	238,425	242,469	238,425
Of which:				
Finance income earned on impaired financing and advances	10,124	13,252	10,124	13,381

(m) Income Derived from Investment of Shareholders' Funds

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance Income				
Financing and advances	327,633	292,248	324,193	288,964
Compensation from the Government	16,334	17,134	16,334	17,134
Deposits and placements with financial institution	36,243	19,952	35,558	18,004
Financial investments at FVOCI	151,051	-	151,051	-
Financial investments - AFS	-	154,701	-	154,701
Financial investments - HTM	-	1,939	-	1,939
	531,261	485,974	527,136	480,742
Accretion of discount less amortisation of premium	592	30,171	592	30,171
	531,853	516,145	527,728	510,913

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(m) Income Derived from Investment of Shareholders' Funds (cont'd)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other income:				
Net gain arising on financial investment at FVOCI :				
- net gain on disposal	9,168	-	9,168	-
Fee income	21,040	16,162	20,935	16,043
Ta'widh	277	-	277	-
Loss due to debt modification	(719)	-	(719)	-
	561,619	532,307	557,389	526,956
Of which:				
Finance income earned on impaired financing and advances	14,442	17,218	14,412	17,031

(n) Allowances for Impairment Losses of Financing and Advances

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Stage 1 - 12-month ECL, net	130,701	-	130,486	-
Stage 2 - Lifetime ECL not credit impaired, net	17,079	-	17,079	-
Stage 3 - Lifetime ECL credit impaired, net	24,846	-	30,538	-
Individual allowance:				
Made during the financial year	-	91,845	-	86,847
Written back	-	(14,321)	-	(11,408)
Transferred from CA	-	134	-	134
Transferred to CA	-	(19,660)	-	(19,660)
Collective allowance:				
Made during the financial year	-	134,649	-	133,852
Written back	-	(59,367)	-	(58,852)
Transferred to IA	-	(134)	-	(134)
Transferred from IA	-	19,660	-	19,660
Transferred from conventional CA	-	7,212	-	7,212
Impaired financing:				
Written off	686	2,861	556	2,637
Recovered	(4,645)	(4)	(4,538)	-
	168,667	162,875	174,121	160,288

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(o) (Writeback)/allowances for Impairment Losses on Other Assets

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Financial investments - HTM	-	58,684
Financial investments at FVOCI	6	-
Allowance for ex-staff financing		
- Made during the financial year	52	412
- Written back	(265)	(125)
	(207)	58,971

(p) Income Attributable to the Depositors

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Deposits from customers	221,701	229,566
Deposits and placements from financial institutions	3,650	435
	225,351	230,001

(q) Overhead Expenses

	Note	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Personnel costs	(i)	32,364	21,775	32,711	22,823
General administrative expenses	(ii)	15,205	9,453	14,798	8,477
		47,569	31,228	47,509	31,300
(i) Personnel costs					
Salaries, allowances and bonuses		25,849	15,760	26,351	16,808
Social security cost		171	125	164	125
Pension costs - Defined contribution plan		3,184	2,349	3,096	2,349
Other staff related expenses		3,160	3,541	3,100	3,541
		32,364	21,775	32,711	22,823

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(q) Overhead Expenses (cont'd)

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
(ii) General administrative expenses				
General administrative expenses	15,205	9,453	14,798	8,477

The above overhead expenses have been determined after charging amongst other items the following:

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Shariah Committee's remuneration	206	170	206	170

(r) Finance Cost

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Sukuk	278,712	265,914	278,712	265,914
Bills and acceptance payable	2,177	1,860	2,177	1,860
	280,889	267,774	280,889	267,774

(s) Zakat

	Group 2018 RM'000	Group 2017 RM'000	Bank 2018 RM'000	Bank 2017 RM'000
Zakat	17,488	11,234	14,972	8,292

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(t) Commitments and Contingencies

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Contingencies as at the financial year end constitute the following:		
Secured guarantees on behalf of customers given to third parties	1,706,997	1,604,223
Disbursement of financing and advances to industries	3,725,359	6,646,054
	5,432,356	8,250,277

(u) Capital Adequacy

Capital management

Regulatory capital

The following table sets forth capital resources and capital adequacy for the Bank as at reporting date.

	Bank 2018 RM'000	Bank 2017 RM'000
Tier 1 capital		
Capital funds	1,597,400	1,597,400
Other reserves	77,679	165,439
Total Tier 1 capital	1,675,079	1,762,839
Tier 2 capital		
Government support funds	219,962	227,030
Stage 1 and Stage 2 expected credit loss allowances	676,200	-
Collective allowance*	-	360,492
Total Tier 2 capital	896,162	587,522
Total capital base	2,571,241	2,350,361

* The eligible amount for Tier 2 capital is after excluding Collective Allowance (MFRS 139) on impaired financing and advances of the Bank.

51. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(u) 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	
	2018 RM'000	2017 RM'000
10%	-	-
20%	167,043	157,401
50%	822,943	1,683,966
100%	13,873,128	14,150,354
	14,863,114	15,991,721

Without deducting proposed dividend:

	Bank	
	2018 RM'000 %	2017 RM'000 %
Core capital ratio	11.27	11.02
RWCR	17.30	14.70

52. GOVERNMENT FUNDS

As a development financial institutution, 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.

52. GOVERNMENT FUNDS (CONT'D)

52.1 Performance of the fund

Group	2018 Tourism fund RM'000	2018 Maritime fund RM'000	2018 Public Transport fund RM'000	2018 Total RM'000	2017 Tourism fund RM'000	2017 Maritime fund RM'000	2017 Public Transport fund RM'000	2017 Total RM'000
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Borrowings/Islamic Funding	4,200,000	7,494,258	1,000,000	12,694,258	4,200,000	7,494,258	1,000,000	12,694,258
	4,400,000	7,494,258	1,000,000	12,894,258	4,400,000	7,494,258	1,000,000	12,894,258
Net approved	(3,017,313)	(3,974,968)	(326,043)	(7,318,324)	(2,719,850)	(3,552,491)	(328,873)	(6,601,214)
Fund available	1,382,687	3,519,290	673,957	5,575,934	1,680,150	3,941,767	671,127	6,293,044
Loans, financing and advances:								
Disbursement	2,342,561	5,398,325	325,962	8,066,848	2,263,773	4,063,544	318,022	6,645,339
Repayment	(996,768)	(3,804,531)	(282,759)	(5,084,058)	(807,346)	(2,798,357)	(259,430)	(3,865,133)
Outstanding	1,345,793	1,593,794	43,203	2,982,790	1,456,427	1,265,187	58,592	2,780,206
Number of beneficiaries	72	49	109	230	68	45	109	222
Expiry	Dec-18	Dec-18	Dec-18		Dec-18	Dec-18	Dec-18	
Bank								
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Borrowings/Islamic Funding	4,200,000	7,494,258	5,742	11,700,000	4,200,000	7,494,258	5,742	11,700,000
	4,400,000	7,494,258	5,742	11,900,000	4,400,000	7,494,258	5,742	11,900,000
Net approved	(3,017,313)	(3,974,968)	(5,742)	(6,998,023)	(2,719,850)	(3,552,491)	(5,742)	(6,278,083)
Fund available	1,382,687	3,519,290	-	4,901,977	1,680,150	3,941,767	-	5,621,917
Loans, financing and advances:								
Disbursement	2,342,561	5,398,325	5,661	7,746,547	2,263,773	4,063,544	5,661	6,332,978
Repayment	(996,768)	(3,804,531)	(5,661)	(4,806,960)	(807,346)	(2,798,357)	(5,661)	(3,611,364)
Outstanding	1,345,793	1,593,794	-	2,939,587	1,456,427	1,265,187	-	2,721,614
Number of beneficiaries	72	49	1	122	68	45	1	114
Expiry	Dec-18	Dec-18	Dec-18		Dec-18	Dec-18	Dec-18	

53. CHANGES IN ACCOUNTING POLICIES

Financial effects due to the changes in accounting policies

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Group and of the Bank:

	Impact of adopting MFRS 9 as at 1 January 2018 Group RM'000	Bank RM'000
Financial assets at FVTPL		
Closing balance under MFRS 139 at 31 December 2017	-	-
Redesignation from financial investments - AFS	201,008	201,008
Opening balance under MFRS 9 at 1 January 2018	201,008	201,008
Financial assets at FVOCI		
Closing balance under MFRS 139 at 31 December 2017	-	-
Redesignation from financial investments - AFS	5,023,011	5,018,201
Recognition of expected credit losses under MFRS 9	(280)	(280)
Opening balance under MFRS 9 at 1 January 2018	5,022,731	5,017,921
Financial investments - AFS		
Closing balance under MFRS 139 at 31 December 2017	5,224,019	5,219,209
Redesignation to financial investments at FVOCI	(5,023,011)	(5,018,201)
Redesignation to financial investments at FVTPL	(201,008)	(201,008)
Opening balance under MFRS 9 at 1 January 2018	-	-
Financial assets at amortised cost		
Closing balance under MFRS 139 at 31 December 2017	-	-
Redesignation from financial investments - HTM	22	-
Opening balance under MFRS 9 at 1 January 2018	22	-
Financial investments - HTM		
Closing balance under MFRS 139 at 31 December 2017	22	-
Redesignation to financial investments at amortised cost	(22)	-
Opening balance under MFRS 9 at 1 January 2018	-	-
Loans, financing and advances		
Closing balance under MFRS 139 at 31 December 2017	19,743,299	19,557,642
Recognition of expected credit losses under MFRS 9	(289,146)	(291,918)
Opening balance under MFRS 9 at 1 January 2018	19,454,153	19,265,724

53. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Financial effects due to the changes in accounting policies (cont'd)

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Group and of the Bank: (cont'd)

	Impact of adopting MFRS 9 as at 1 January 2018	
	Group RM'000	Bank RM'000
Deferred tax assets		
Closing balance under MFRS 139 at 31 December 2017	1,340	433
Recognition of expected credit losses under MFRS 9	70,060	70,060
Opening balance under MFRS 9 at 1 January 2018	71,400	70,493
Unrealised AFS reserves		
Closing balance under MFRS 139 at 31 December 2017	31,472	31,012
Redesignation to financial investments at FVOCI	(31,472)	(31,012)
Opening balance under MFRS 9 at 1 January 2018	-	-
Unrealised FVOCI reserves		
Closing balance under MFRS 139 at 31 December 2017	-	-
Redesignation from financial investments - AFS	31,472	31,012
Unrealised gain on financial investments at FVTPL	(1,008)	(1,008)
Recognition of expected credit losses under MFRS 9	213	213
Opening balance under MFRS 9 at 1 January 2018	30,677	30,217
Retained profits		
Closing balance under MFRS 139 at 31 December 2017	2,684,240	2,456,916
Unrealised gain on financial investments at FVTPL	1,008	1,008
Recognition of expected credit losses under MFRS 9	(289,426)	(292,198)
Deferred tax in respect of expected credit losses under MFRS 9	70,060	70,060
Opening balance under MFRS 9 at 1 January 2018	2,465,882	2,235,786

53. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Financial effects due to the changes in accounting policies (cont'd)

Group Statement of Financial Position	31 December 2017 RM'000	Reclassification and Remeasurement RM'000	Impairment RM'000	1 January 2018 RM'000
Assets				
Cash and short term deposits	1,717,851	-	-	1,717,851
Financial investments at fair value through profit or loss ("FVTPL")	-	201,008	-	201,008
Financial investments at fair value through other comprehensive income ("FVOCI")	-	5,022,731	-	5,022,731
Financial investments - available-for-sale ("AFS")	5,224,019	(5,224,019)	-	-
Financial investments at amortised cost	-	22	-	22
Financial investments - held-to-maturity ("HTM")	22	(22)	-	-
Loans, financing and advances	19,743,299	-	(289,146)	19,454,153
Other assets	189,582	-	-	189,582
Interest in associates	563	-	-	563
Interest in joint ventures	28,450	-	-	28,450
Property, plant and equipment	82,557	-	-	82,557
Prepaid land leases	359	-	-	359
Investment properties	641	-	-	641
Intangible assets	7,957	-	-	7,957
Deferred tax assets	2,949	-	70,060	73,009
	26,998,249	(280)	(219,086)	26,778,883
Assets classified as held for sale	311	-	-	311
Total assets	26,998,560	(280)	(219,086)	26,779,194
Liabilities				
Deposits from customers	8,160,469	-	-	8,160,469
Bills and acceptance payable	249,380	-	-	249,380
Other liabilities	152,432	-	-	152,432
Redeemable notes/Sukuk	7,393,215	-	-	7,393,215
Borrowings	2,784,026	-	-	2,784,026
Infrastructure support fund	304,166	-	-	304,166
Deferred income	227,030	-	-	227,030
Deferred tax liabilities	1,609	-	-	1,609
Total liabilities	19,272,327	-	-	19,272,327
Equity attributable to equity holders of the Bank				
Share capital	3,078,724	-	-	3,078,724
Reserves	4,629,055	-	(219,366)	4,409,689
	7,707,779	-	(219,366)	7,488,413
Non-controlling interests	18,454	-	-	18,454
Total equity	7,726,233	-	(219,366)	7,506,867
Total equity and liabilities	26,998,560	-	(219,366)	26,779,194

53. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Financial effects due to the changes in accounting policies (cont'd)

Bank Statement of Financial Position	31 December 2017 RM'000	Reclassification and Remeasurement RM'000	Impairment RM'000	1 January 2018 RM'000
Assets				
Cash and short term deposits	1,440,276	-	-	1,440,276
Financial investments at fair value through profit or loss ("FVTPL")	-	201,008	-	201,008
Financial investments at fair value through other comprehensive income ("FVOCI")	-	5,017,921	-	5,017,921
Financial investments - available-for-sale ("AFS")	5,219,209	(5,219,209)	-	-
Loans, financing and advances	19,557,642	-	(291,918)	19,265,724
Other assets	153,039	-	-	153,039
Investments in subsidiaries	284,304	-	-	284,304
Property, plant and equipment	82,462	-	-	82,462
Prepaid land leases	359	-	-	359
Investment properties	352	-	-	352
Intangible assets	7,420	-	-	7,420
Deferred tax assets	433	-	70,060	70,493
Total assets	26,745,496	(280)	(221,858)	26,523,358
Liabilities				
Deposits from customers	8,160,469	-	-	8,160,469
Bills and acceptance payable	249,380	-	-	249,380
Other liabilities	99,999	-	-	99,999
Redeemable notes/Sukuk	7,393,215	-	-	7,393,215
Borrowings	2,784,026	-	-	2,784,026
Infrastructure support fund	304,166	-	-	304,166
Deferred income	227,030	-	-	227,030
Total liabilities	19,218,285	-	-	19,218,285
Equity attributable to equity holders of the Bank				
Share capital	3,078,724	-	-	3,078,724
Reserves	4,448,487	-	(222,138)	4,226,349
	7,527,211	-	(222,138)	7,305,073
Non-controlling interests	-	-	-	-
Total equity	7,527,211	-	(222,138)	7,305,073
Total equity and liabilities	26,745,496	-	(222,138)	26,523,358

53. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Financial effects due to the changes in accounting policies (cont'd)

Islamic Financial Business

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Islamic Financial Business of the Group and of the Bank:

	Impact of adopting MFRS 9 as at 1 January 2018	
	Group RM'000	Bank RM'000
Financial assets at FVOCI		
Closing balance under MFRS 139 at 31 December 2017	-	-
Redesignation from financial investments - AFS	4,275,360	4,275,360
Recognition of expected credit losses under MFRS 9	(280)	(280)
Opening balance under MFRS 9 at 1 January 2018	4,275,080	4,275,080
Financial investments - AFS		
Closing balance under MFRS 139 at 31 December 2017	4,275,360	4,275,360
Redesignation to financial assets at FVOCI	(4,275,360)	(4,275,360)
Opening balance under MFRS 9 at 1 January 2018	-	-
Financing and advances		
Closing balance under MFRS 139 at 31 December 2017	9,161,491	9,125,280
Recognition of expected credit losses under MFRS 9	(166,495)	(168,144)
Opening balance under MFRS 9 at 1 January 2018	8,994,996	8,957,136
Unrealised AFS reserves		
Closing balance under MFRS 139 at 31 December 2017	13,667	13,667
Redesignation to financial investments at FVOCI	(13,667)	(13,667)
Opening balance under MFRS 9 at 1 January 2018	-	-
Unrealised FVOCI reserves		
Closing balance under MFRS 139 at 31 December 2017	-	-
Redesignation from financial investments - AFS	13,667	13,667
Recognition of expected credit losses under MFRS 9	280	280
Opening balance under MFRS 9 at 1 January 2018	13,947	13,947
Retained profits		
Closing balance under MFRS 139 at 31 December 2017	189,459	165,439
Recognition of expected credit losses under MFRS 9	(166,775)	(168,424)
Opening balance under MFRS 9 at 1 January 2018	22,684	(2,985)

53. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Financial effects due to the changes in accounting policies (cont'd)

Islamic Financial Business (cont'd)

Group Statement of Financial Position	31 December 2017 RM'000	Reclassification and Remeasurement RM'000	Impairment RM'000	1 January 2018 RM'000
Assets				
Cash and short term deposits	787,136	-	-	787,136
Financial investments at FVOCI	-	4,275,360	-	4,275,360
Financial investments - AFS	4,275,360	(4,275,360)	-	-
Financing and advances	9,161,491	-	(166,495)	8,994,996
Other assets	70,040	-	-	70,040
Total assets	14,294,027	-	(166,495)	14,127,532
Liabilities				
Other liabilities	122,328	-	-	122,328
Deposits from customers	5,813,823	-	-	5,813,823
Bills and acceptance payable	249,380	-	-	249,380
Sukuk	6,075,940	-	-	6,075,940
Deferred income	227,030	-	-	227,030
Total liabilities	12,488,501	-	-	12,488,501
Equity				
Share capital	1,602,400	-	-	1,602,400
Reserves	203,126	-	(166,495)	36,631
Total equity	1,805,526	-	(166,495)	1,639,031
Total equity and liabilities	14,294,027	-	(166,495)	14,127,532

53. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Financial effects due to the changes in accounting policies (cont'd)

Islamic Financial Business (cont'd)

Bank Statement of Financial Position	31 December 2017 RM'000	Reclassification and Remeasurement RM'000	Impairment RM'000	1 January 2018 RM'000
Assets				
Cash and short term deposits	764,795	-	-	764,795
Financial investments at FVOCI	-	4,275,360	-	4,275,360
Financial investments - AFS	4,275,360	(4,275,360)	-	-
Financial investments - HTM	-	-	-	-
Financing and advances	9,125,280	-	(168,144)	8,957,136
Other assets	68,672	-	-	68,672
Total assets	14,234,107	-	(168,144)	14,065,963
Liabilities				
Other liabilities	91,428	-	-	91,428
Deposits from customers	5,813,823	-	-	5,813,823
Bills and acceptance payable	249,380	-	-	249,380
Sukuk	6,075,940	-	-	6,075,940
Deferred income	227,030	-	-	227,030
Total liabilities	12,457,601	-	-	12,457,601
Equity				
Share capital	1,597,400	-	(168,144)	1,429,256
Reserves	179,106	-	-	179,106
Total equity	1,776,506	-	(168,144)	1,608,362
Total equity and liabilities	14,234,107	-	(168,144)	14,065,963

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Bank Pembangunan Malaysia Berhad 16562-K
Menara Bank Pembangunan, Bandar Wawasan
1016, Jalan Sultan Ismail, Peti Surat 10788
50724 Kuala Lumpur, Malaysia.
Tel: 603-2611 3888 Fax: 603-2698 5701

www.bpmb.com.my