



EMPOWERING SUSTAINABLE GROWTH

ANNUAL REPORT 2015

06

HOW WE HELP COMPANIES

Delve into the numbers behind
how we facilitate trade

14

P/CEO'S OPERATIONS REVIEW

Explore our performance for the year
and what lies ahead

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DISCLOSURE ON CORPORATE GOVERNANCE

A strong governance framework makes
business sustainable



To be a leading Financial
Institution for Malaysian
cross-border ventures.



MISSION

AS A DEVELOPMENT FINANCIAL
INSTITUTION (DFI) WE STRIVE TO:

Facilitate Malaysia's global businesses by
providing banking and credit insurance
products and services

Provide development advisory services in
nurturing Malaysian cross-border business
ventures

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EMPOWERING SUSTAINABLE GROWTH

For over two decades, MEXIM has been playing a catalytic role in ensuring Malaysia's increasing integration with the global economy. By promoting, financing and facilitating Malaysia's international trade and investment, MEXIM has contributed in building a stronger Malaysian Brand. Project exports supported by MEXIM had encouraged Malaysian companies in overseas markets to source inputs from Malaysia, in turn creating jobs and leading to income generation. Malaysian companies executing such projects have showcased their expertise and promoted economic development in partner countries. Our mission is clear, in that we are here to support exports of Malaysian-produced goods and services to create, maintain and sustain Malaysian jobs in a fiercely competitive global marketplace. By ensuring that financing doesn't stand in the way of Malaysian exporters closing a sale, MEXIM has helped ensure that jobs and economic opportunities are created here at home, rather than anywhere else in the globe.



ABOUT THIS REPORT



MEXIM's corporate agenda for 2020 encapsulates the future of its influence in trade and investment and stature as a leading Malaysian Development Financial Institution (DFI).

EMPOWERING SUSTAINABLE GROWTH

MEXIM's corporate agenda for 2020 encapsulates the future of its influence in trade and investment and stature as a leading Malaysian Development Financial Institution (DFI). As we move forward, sound leadership will be instrumental in charting the way, and decisions will be underpinned by strong corporate governance standards as well as insightful strategies to manage risks and opportunities. These will enable us to excel in dynamic environments and take on tough challenges on the road to 2020.

This Report shows how we are building on Malaysia's positive trade growth to take the Bank to new heights. The way we are communicating these developments now shifts from our previous approach. We are not only expanding the scope of our reporting, but we are also offering more details and clarity on our identity, strategies, governance structure and creation of sustainable value, with guidance from international reporting frameworks, standards and best practices.

We are progressing towards more integrated thinking. As we advance, we are cognisant that sustainable growth must include continual effort and investment into areas that are touched by key stakeholder concerns. This will ensure that the impetus for growth translates into positive developments for our stakeholders as well.

Improvements to our reporting will give stakeholders a view through the lens of an organisation that seeks to think more holistically. We will continue to better our ability to address matters material to our internal and external stakeholder base, which includes employees, local communities, governmental bodies, non-governmental organisations, small and medium enterprises and other customers.

REPORTING PERIOD

1 January 2015
to 31 December 2015

FEEDBACK

We seek to improve our reporting through constructive engagements with our stakeholders. Please direct all comments, thoughts and remarks to:

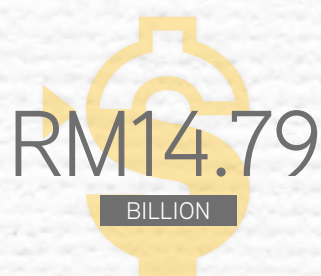
Communications & Stakeholder Management Department,
EXIM Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.

Telephone : +603-2601 2000

Email : communications@exim.com.my

KEY FINANCIAL HIGHLIGHTS

TOTAL
ASSETS INCREASED
TO



Increased by 36% from
RM10.84 billion in 2014.

TOTAL
DISBURSEMENT
GREW TO



Increased by 38% from
RM6.61 billion in 2014.

OPERATING
REVENUE INCREASED
TO



Increased by 30% from
RM363.64 million in 2014.

TOTAL GROSS LOANS
AND FINANCING ASSETS
CLOSED AT



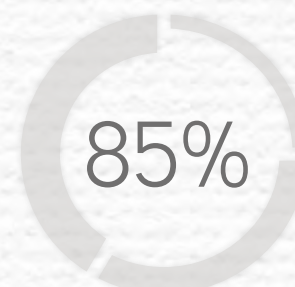
Increased by 48%
from RM8.26 billion in 2014.

AN IMPRESSIVE
57 PERCENT INCREASE
IN NET INCOME AT



through Islamic
Finance facilities.

MARGIN
OF FINANCING
UP TO



Applicable to all facilities.

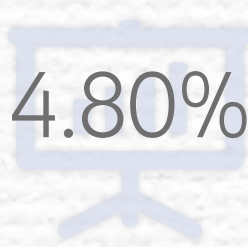
A KEY SUPPORT
OF THE NATIONAL
AGENDA

**1.7% total assets value
to nation's GDP**



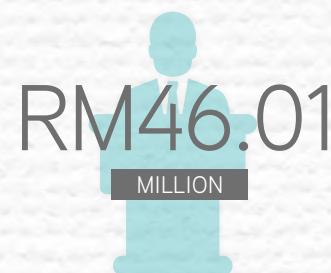
The Bank has been benchmarking its relevancy to the nation's growth by achieving at least 3% of the total assets value to the nation's GDP by FY2020.

EFFECTIVELY SAW NET
IMPAIRED LOANS DROP TO



from 6.46% in 2014. The decreasing trend shows the Bank's perception on quality assets since the implementation of the new business model.

PROFIT BEFORE
TAX AND ZAKAT
INCREASED TO



Increased by 13% from
RM40.86 million in 2014.

Delivering you

Innovation





To accelerate the shift of the manufacturing sector from one that is labour-intensive to one that is exemplified by value-adding, knowledge-intensive and innovative qualities, manufacturing companies must be encouraged to expand their horizons. The Bank is pleased to support innovation in manufacturing, and, in 2015, this sector (including agricultural manufacturers) made up 17.96% of the Bank's exposure. Its loan approval limits improved by 12.55% over FY2014 to RM4.27 billion.

CORPORATE INFORMATION

DIRECTORS

Datuk Mat Noor Nawi

Chairman
(appointed w.e.f. 1 October 2015)

Datuk Wong Seng Foo

Norzilah Mohammed

President/Chief Executive Officer
(appointed w.e.f. 8 March 2016)

Tunku Afwida Tunku A.Malek

Dato' Rosli Mohamed Nor

**Mohammad Fadzlan
Abdul Samad**

(appointed w.e.f. 29 April 2015)

Dato' Sri Dr. Mohd Isa Hussain

**Datuk Syed Ahmad Helmy
Syed Ahmad**

(appointed w.e.f. 24 August 2015)

Nik Najib Husain

Datuk Mohd Hashim Hassan

(term end w.e.f. 30 September 2015)

Dato' Agil Natt

Dato' Adissadikin Ali

(resigned w.e.f. 15 May 2015)

Ismail Mahbob

SHARIAH COMMITTEE

Dato' Dr. Mohd Ali Haji Baharum
Assoc. Prof. Dr. Suhaimi Ab. Rahman
Dr. Zulkifli Hasan
Dr. Zaharuddin Abd. Rahman
Assoc. Prof. Dr. Mek Wok Mahmud
Dr. Sharifah Faigah Syed Alwi

PRESIDENT/ CHIEF EXECUTIVE OFFICER

Norzilah Mohammed

COMPANY SECRETARY

Julina Mohd Salleh
(LS0008055)

AUDITORS

Ernst & Young
Level 23A, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, 50490 Kuala Lumpur,
MALAYSIA

REGISTERED OFFICE

Level 16, EXIM Bank, Jalan Sultan Ismail,
50250 Kuala Lumpur, MALAYSIA

REPRESENTATIVE OFFICE

PULAU PINANG

No. 2, Ground Floor, Lebuhr Tenggeri 2,
Pusat Bandar Seberang Jaya,
13700 Seberang Jaya, Penang, MALAYSIA

JOHOR DARUL TAKZIM

No. 95, Ground Floor, Jalan Damai, Taman Setia,
Off Jalan Stulang Darat, 80300 Johor Bahru,
MALAYSIA

SARAWAK

No. 67, Ground Floor, One Avenue Business Centre,
Jalan Tun Jugah, 93350 Kuching, Sarawak,
MALAYSIA

MEXIM IN BRIEF

Export-Import Bank of Malaysia Berhad (MEXIM) was incorporated on 29 August 1995. The policy role of this Development Financial Institution is to promote reverse investment and the export of goods and services of Malaysia's strategic sectors. The Bank's financing ambit includes capital goods; overseas projects, contracts and investments; shipping; and value-added manufactured products. It also offers Shariah-compliant financing facilities.

MEXIM helps Malaysian companies to trade with the world and enter new markets, especially non-traditional markets. The Bank is government-owned as it is a wholly-owned subsidiary of the Minister of Finance Incorporated.

CURRENT FACILITIES OFFERED BY MEXIM

BANKING FACILITIES



CONVENTIONAL

- **Cross-Border Financing**
Overseas Project/Contract/
Investment Financing
Buyer Credit
Export of Services
MalaysiaKitchen Financing
Import Financing
- **Trade Finance**
Supplier Credit
Export Credit Refinancing
Trust Receipt
Vendor Financing Scheme
- **Guarantee**
ADB-EXIM Trade Finance Programme
Bank Guarantee
Letter of Credit
Forward Foreign Exchange



ISLAMIC

- **Cross-Border Financing**
Overseas Project/Contract Financing-i
Overseas Investment Financing-i
Buyer Financing-i
MalaysiaKitchen Financing Facility-i
Term Financing-i
Export of Services-i
Import Financing-i
- **Trade Finance**
Supplier Financing-i
Trust Receipt-i
Export Credit Refinancing-i
IDB Co-Financing
Vendor Financing Scheme
- **Guarantee**
Bank Guarantee-i
Letter Credit-i
Forward Foreign Exchange-i

CREDIT FACILITIES



INSURANCE

- **Short Term Credit Insurance**
Trade Credit Insurance
Bankers Trade Credit Insurance
Bank Letter of Credit Policy
Multi Currency Trade Financing Scheme
Indirect Exporters' Financing Scheme
- **Medium/Long Term**
Specific Policy
(Contracts/Constructional Works/Services)
Overseas Investment Insurance
Buyer Credit Guarantee
Bond Risk Insurance



TAKAFUL

- **Short Term Credit Takaful**
Trade Credit Takaful
Bankers Trade Credit Takaful
- **Medium/Long Term**
Specific Takaful
Overseas Investment Takaful

HOW WE HELP COMPANIES

- BANKING PORTFOLIO 2015 -

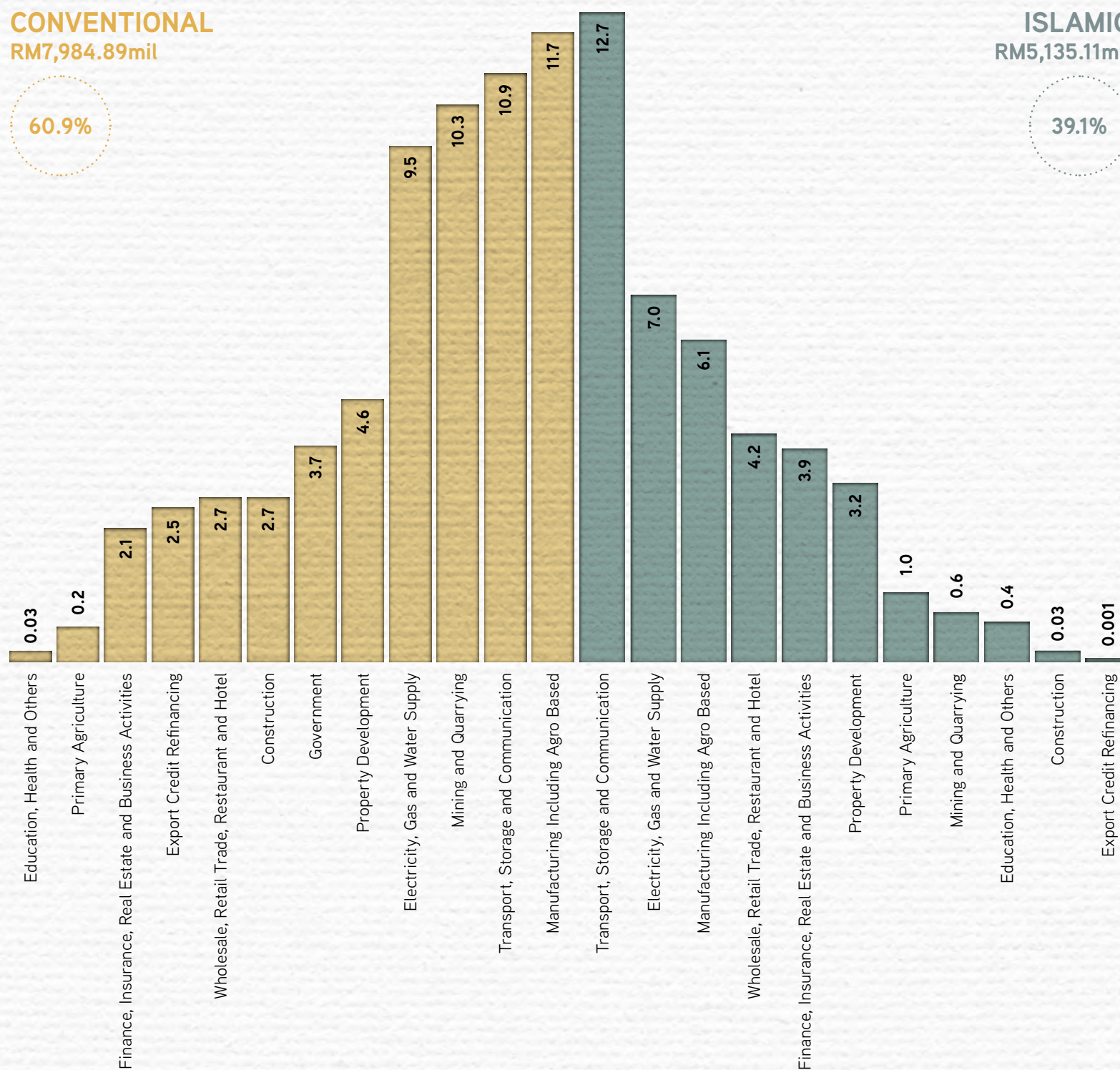
Loan and Guarantee Exposure - Sector Breakdown by Conventional and Islamic (including impaired) (%)

CONVENTIONAL
RM7,984.89mil

60.9%

ISLAMIC
RM5,135.11mil

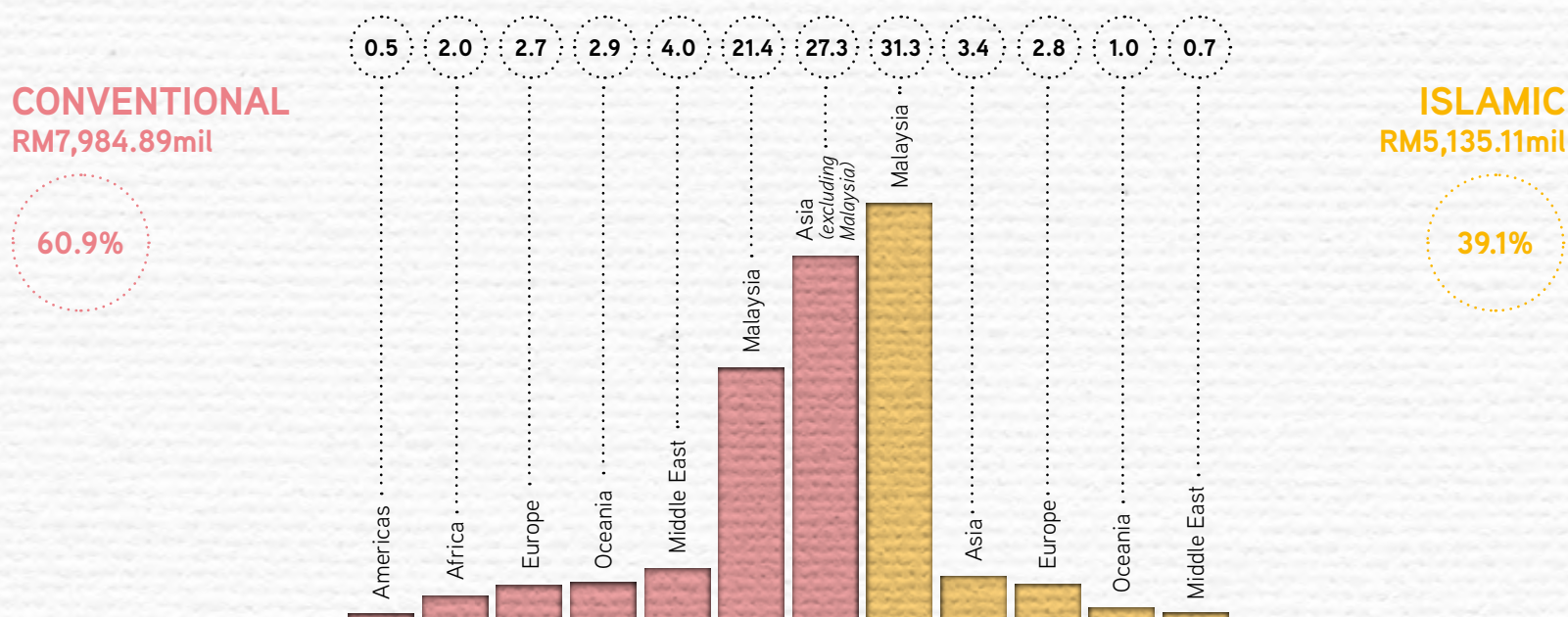
39.1%



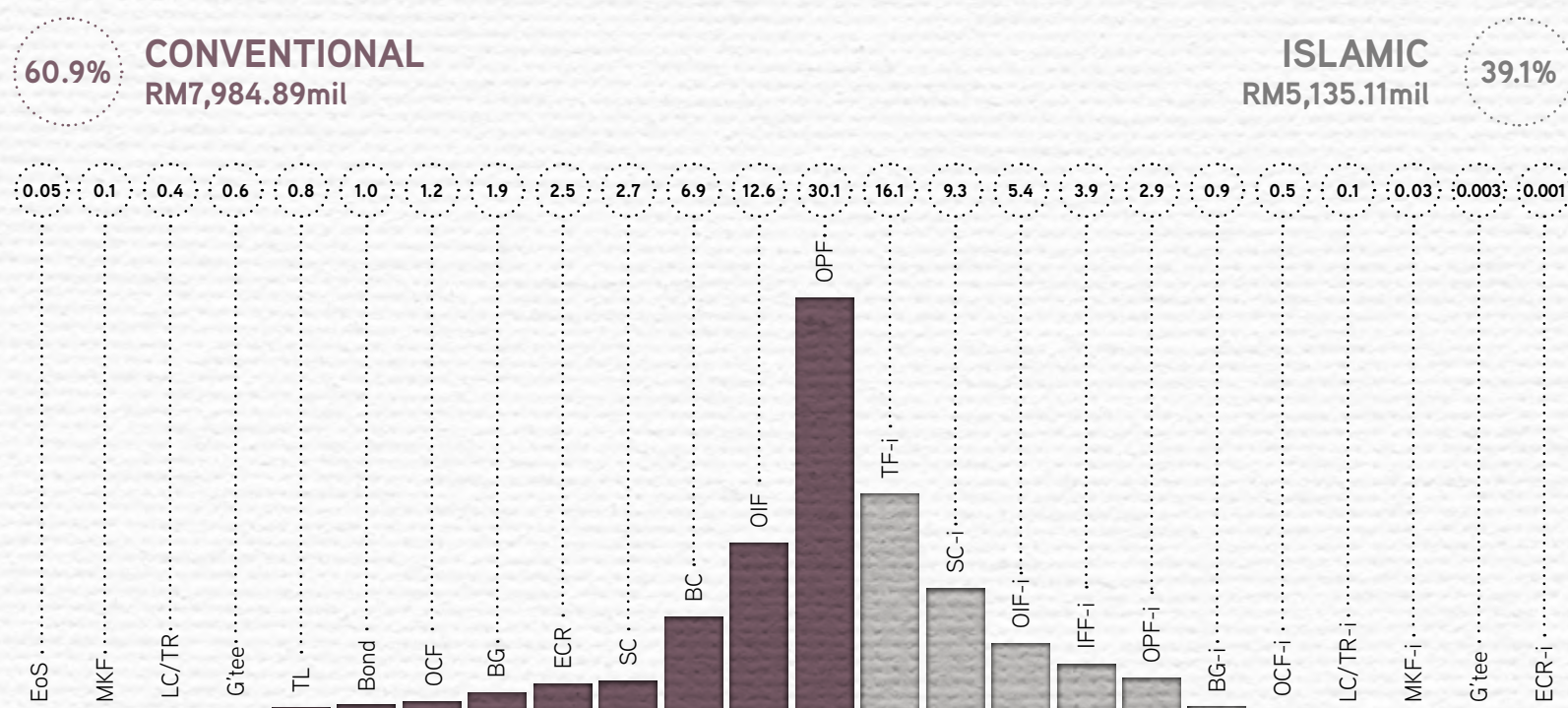
HOW WE HELP COMPANIES

- BANKING PORTFOLIO 2015 -

Loan and Guarantee Exposure - Region Breakdown by Conventional and Islamic (including impaired) (%)



Loan and Guarantee Exposure - Facilities Breakdown by Conventional and Islamic (including impaired) (%)



HOW WE HELP COMPANIES

- CREDIT INSURANCE PORTFOLIO 2015 -

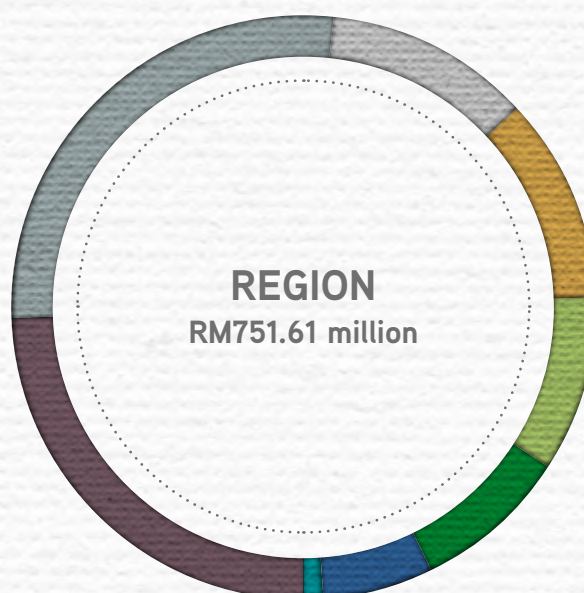
Credit Insurance Portfolio - Short Term

ASIA

RM207.77 million 27.60%

EUROPE

RM185.36 million 24.70%



AFRICA

RM86.20 million 11.50%

AMERICAS

RM86.49 million 11.50%

MIDDLE EAST

RM73.35 million 9.80%

MALAYSIA

RM65.75 million 8.70%

OCEANIA

RM46.44 million 6.20%

CARIBBEAN

RM0.24 million 0.03%

MANUFACTURING INCLUDING AGRO BASED

RM698.30 million 92.90%



OTHERS

RM35.90 million 4.80%

WHOLESALE, RETAIL TRADE, RESTAURANT AND HOTEL

RM17.42 million 2.30%

HOW WE HELP COMPANIES

- CREDIT INSURANCE PORTFOLIO 2015 -

Credit Insurance Portfolio - Medium/Long Term

ASIA (EXCLUDING MALAYSIA)

RM314.56 million 51.10%

EUROPE

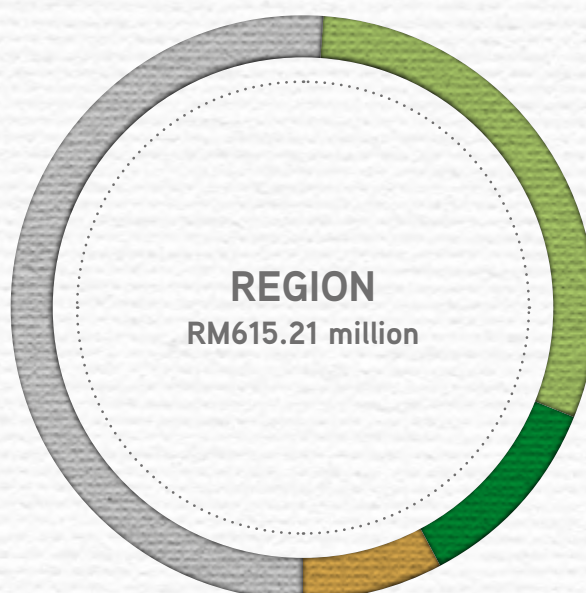
RM185.96 million 30.20%

AFRICA

RM67.62 million 11.00%

MIDDLE EAST

RM47.06 million 7.60%



MANUFACTURING INCLUDING AGRO BASED

RM273.98 million 44.50%

MINING AND QUARRYING

RM32.69 million 5.30%

EDUCATION, HEALTH AND OTHERS

RM4.64 million 0.80%

ELECTRICITY, GAS AND WATER SUPPLY

RM181.02 million 29.40%

CONSTRUCTION

RM93.51 million 15.20%

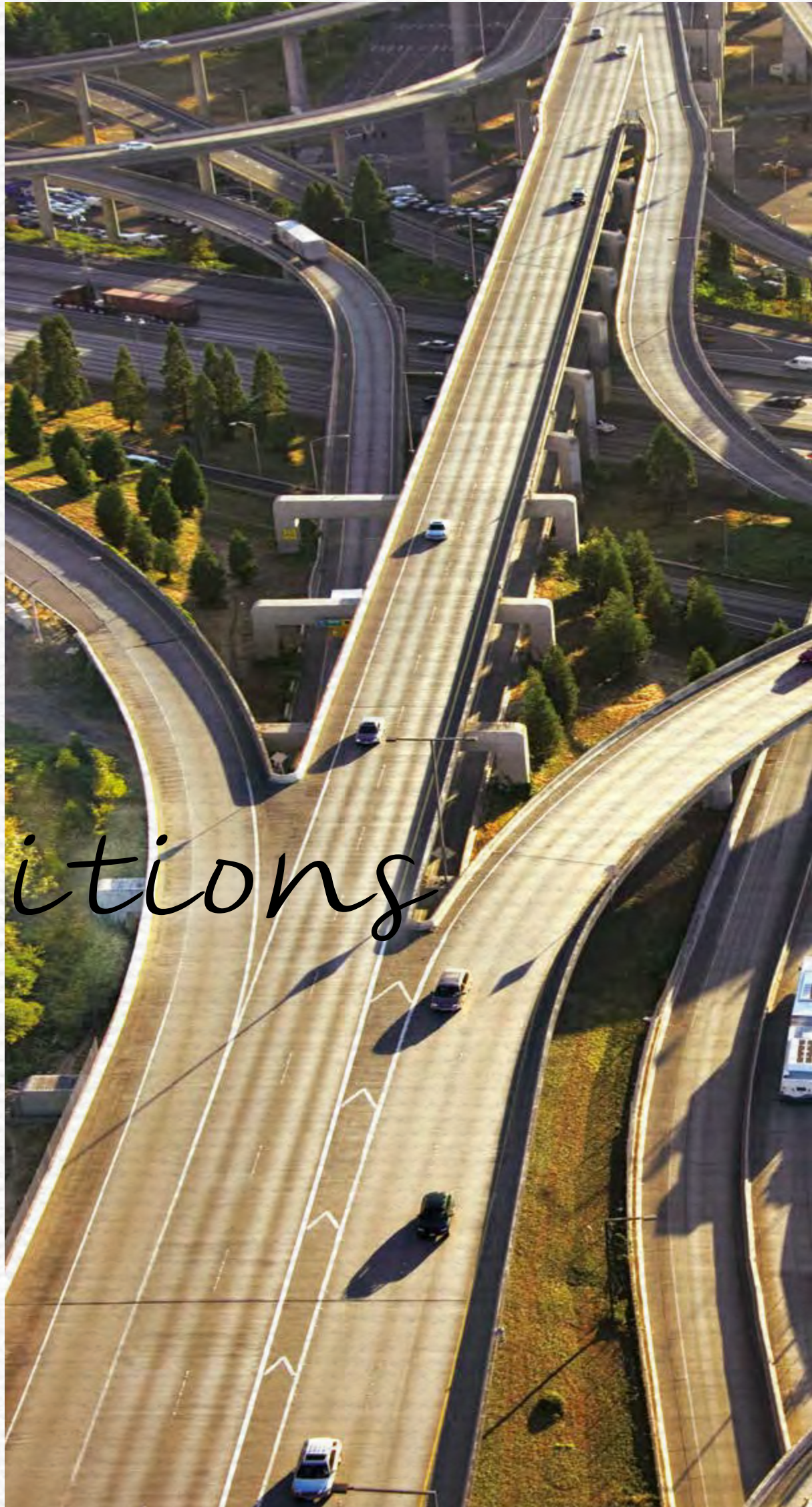
TRANSPORT, STORAGE AND COMMUNICATION

RM29.37 million 4.80%



Delivering you

Ambitions





The construction sector is expected to further expand, supported by the civil engineering and residential subsectors. The civil engineering subsector will be driven by infrastructure as well as building construction projects which aid the competitiveness and growth of the economy. The construction sector formed 4.12% of the Bank's exposure in 2015 and its approval limits grew by 0.79% over FY2014 to RM979 million.

MESSAGE FROM THE CHAIRMAN



DATUK MAT NOOR NAWI

Chairman

“

*In the Name of Allah,
the Most Beneficent, the
Most Merciful.*

”

Dear Stakeholders,

On behalf of the Board of Directors, I am pleased to present EXIM Bank Malaysia's (MEXIM) annual report and consolidated financial statements for the financial year ended 31 December 2015 (FY2015).

When I took over the reins of the Chairmanship from Datuk Mohd Hashim bin Hassan in October 2015, I was entrusted to build on the work of my predecessor, who established strong foundations on which the Bank could drive its strategies forward. His term at the Bank ended with him having successfully led MEXIM through global economic challenges, and this is a testament to his dedication in executing his Chairmanship. I am fortunate to carry on his work and I would like to take this opportunity to wish him well in his future endeavours.

The year under review has been challenging for the Nation; it was characterised by falling commodity prices. In particular, the drop in the price of oil had a significant impact on the Malaysian economy. The ringgit remained weak against major international currencies and the 2016 Budget had to be recalibrated in light of reduced government expenditure, slower economic growth and depressed commodities.

The Nation's exports and imports, though, were a direct contrast to the challenges faced during the year. 2015 was the 18th consecutive year in which Malaysia recorded a trade surplus and the 9th year that trade exceeded RM1 trillion. The surplus of RM94.29 billion represents a 14.3 percent growth over the previous year's surplus. Malaysia's total trade for 2015 recorded a 1.2 percent increase over 2014, cumulating in

RM1.466 trillion of trade. Exports grew by 1.9 percent to RM779.95 billion whereas imports increased by 0.4 percent to RM685.65 billion.

On the back of this positive trade environment, MEXIM was able to capitalise on various opportunities for trade financing and outperformed its 2014 results. In 2015, MEXIM's total disbursement was RM2.06 billion in excess of its target for the year, culminating in RM9.06 billion of disbursements. Our present total asset contribution to the nation's GDP is estimated at 1.7 percent but, in line with our Strategic Roadmap for 2020, we expect that this contribution will surpass 3.0 percent, or total assets of over RM30 billion, by then. We have managed to achieve these financial milestones whilst fulfilling our Mandate to provide credit facilities to finance and support exports and imports of goods, services and overseas projects. Our emphasis on non-traditional markets as well as the provision of export credit insurance services, export financing insurance, overseas investments insurance and guarantee facilities further instils confidence in Malaysian companies to trade.

Due to the good financial performance for the year under review, the Board of Directors is pleased to recommend a final dividend of RM0.33 sen per ordinary share, amounting to a total payout of RM8.81 million or 35 percent of the profit after tax.

MESSAGE FROM THE CHAIRMAN



ADAPTING AND GROWING

For the year under review, I am pleased to note that the Bank managed to excel in five key areas. First, it outperformed its policy bank role by delivering against business targets and realised structural improvements in its profitability and mandate fulfilment. Second, the strategic realignment of the Bank's Quality Assets Portfolio resulted in 71 percent of its assets being repositioned into the low risk category. Third, the Bank enjoyed high asset growth, with increases in the compound annual growth rate of its total assets and loans, advances and financing (LAF) of 22 percent and 57 percent respectively. Fourth, the Bank is streamlining its sectoral exposure based on its business strategy, mandate and priority sectors. Fifth, although the Bank has a diversified geographical exposure, it has refocused its priority for regional business on Asia, particularly Southeast Asia. Together, these advances help us grow sustainably and assist in delivering the Nation's ambition for growth.

LEVERAGING ON THE ASEAN OPPORTUNITY

Throughout the year under review, our financial services have helped to sustain Malaysia's vibrant trade activities with ASEAN member countries, a few of which are amongst its top trading partners. The formation of the ASEAN Economic Community (AEC) will create more opportunities for trade. In this new regional market, the reciprocation of imports of goods from the same category of exports amongst AEC members will result in a supply chain of semi-finished and finished goods. More doors will be opened to Malaysian companies looking to export their goods, and the Bank's familiarity with AEC member economies will give it an edge in providing the best trade finance solutions. As the AEC takes off, the competitiveness of neighbouring ASEAN countries will also factor into how we approach our role and involvement as a trade financier.

MALAYSIA AS A LEADING ISLAMIC FINANCE HUB

Malaysia continues to be at the forefront of the global market for sukuk and it holds about 67 percent of global sukuk outstanding. Its Islamic banking sector is projected to grow to almost US\$300 billion by 2019. The Nation's aspiration to lead as an Islamic Finance Hub speaks to its ambition of becoming a high-income nation supported by a vibrant and diverse economy, and a key target set by the Government of Malaysia is for Islamic financing to constitute 40 percent of total financing by 2020.

In line with this goal, the Bank has continued to provide Islamic finance solutions that tap into capital markets and serve as a funding platform to support business growth for the Nation. MEXIM's Shariah-compliant services include cross-border financing, trade finance and guarantees—which comprise its Islamic banking services—as well as credit takaful. In 2015, the Bank registered a growth of 88.7 percent in Islamic Financing over the previous years. These facilities have funded trade activities in the economy as well as contributed

towards the rise of Islamic banking in Malaysia. We are committed to growing our Islamic finance business in the next few years by continuing to offer innovative Shariah-compliant financing products.

LOOKING AHEAD

The Bank recognises that the coming year may equally be as challenging as the year under review, but remains cautiously optimistic in continuing to fulfil its Mandate positively.

MEXIM will continue to look towards increasing support for SMEs, restructuring its total exposure, garnering project financing, heightening collaboration with other Export Credit Agencies and multilateral bodies and carrying out cross-selling between insurance, banking facilities and advisory services. The Bank's progress along its Strategic Roadmap will also see it balances its corporate objectives against potential risks to ensure sustainable growth for the Bank and the Nation.

This journey forward is not one that we can do alone and our ability to reach our goals is a result of the contributions of many. For this, I would like to express my deep gratitude to our shareholders, Board of Directors and staff, and I look forward to their continued support in 2016.

On behalf of the Board and Management of EXIM Bank, we wish to thank the Government of Malaysia, Bank Negara Malaysia, partners and business associates. Your confidence and support have been the foundation of our continued success.

Datuk Mat Noor Nawī
Chairman

OPERATIONS REVIEW BY PRESIDENT/CHIEF EXECUTIVE OFFICER



NORZILAH MOHAMMED

President/Chief Executive Officer

“

The challenging fiscal environment also underscores the importance of our role in helping Malaysian companies of all sizes to realise trade opportunity that will meet their ambitions for growth and sustainability.

”

MEXIM made progress again.

Under its banking activities, it recorded an impressive growth of disbursement as compared to previous financial years with total disbursement of RM9.06 billion, which is 29 percent or RM2.06 billion more than what we set for our target.

To help Malaysian companies capitalise on international business opportunities, MEXIM continues to look closely at what these companies really need, and how best we can serve them. Regardless of their size, we want to help all Malaysian companies take advantage of international opportunities and navigate widespread market volatility which we believe will continue to shape the global business environment.

The challenging fiscal environment also underscores the importance of our role in helping Malaysian companies of all sizes to realise trade opportunity that will meet their ambitions for growth and sustainability. This requires MEXIM to deliver and meet the needs of our customers now, and well into the future.

2015 OPERATIONS AND FINANCIAL PERFORMANCE REVIEW

For the year under review, the Bank did just what it believed in serving Malaysians into the international arena and in doing so, MEXIM made progress again.

Under its banking activities, it recorded an impressive growth of disbursement as compared to previous financial years with total disbursement of RM9.06 billion, which is 29 percent or RM2.06 billion more than what we set for our target. Disbursement during FY2014 was RM6.61 billion.

As disbursement grew, loan and financing also increased by 47 percent to reach RM11.66 billion against RM7.93 billion recorded during FY2014. The strong gains in loan assets for the Bank took its total assets to RM14.79 billion against RM10.84 billion in 2014.

Improvement to our financial position can also be seen in our loan rehabilitation and recovery initiatives, which resulted in the reduction of our gross and net impaired asset ratios to 7.74 percent and 4.80 percent respectively as compared to 8.80 percent and 6.46 percent. The period under review saw loans outstanding relating to term financing including both conventional and Islamic banking facilities amounted to RM10.59 billion and loans outstanding relating to trade finance covering both conventional and Islamic facilities amounted to RM1.63 billion. This was higher than the result of RM7.72 billion for term financing and RM0.54 billion in trade finance in 2014.

For the year under review, the Bank's operating revenue registered a 30 percent growth, reaching RM472.54 million as compared to RM363.64 million in 2014. MEXIM's income in 2015 grew by 22 percent to RM371.26 million as compared to RM302.96 million previously and this positive result were also reflected in a 60 percent increase in net income, which was RM317.43 million in 2015 as compared to RM198.40 million in 2014.

OPERATIONS REVIEW BY PRESIDENT/CHIEF EXECUTIVE OFFICER



The year under review also registered a 13 percent increase in its profit before tax and zakat to reach RM46.01 million as compared to FY2014 of RM40.86 million.

Overall, the banking business contributed 86% to MEXIM's operating revenue. This was partly due to increase focus rendered to the international trade finance, reaching RM5.11 billion in trade transactions. A huge difference to RM2.9 billion recorded in 2014.

On Trade Credit Insurance and Takaful, exposure under short-term trade credit insurance and comprehensive takaful shipments amounted to RM751.61 million for the year 2015 as compared to the previous year of RM596.01 million. Exposure under medium to long-term trade credit insurance and specific takaful was RM425.72 million. This was slightly lower than RM476.90 million delivered in 2014 due to the decrease in specific contract policies and bond facilities/performance bond.

BOLSTERING TRADE THROUGH SMEs

The 2015 performance also reflect a stronger commitment from the Bank to help small and medium enterprises (SMEs). During the year, 351 SMEs were assisted through RM1.37 billion of financing as compared to 208 SMEs with RM406 million in financing in 2014. The target for FY2015 was 180 SMEs. The Bank will continue to

provide support to SMEs in many ways either by educating them, enhancing its existing products, or developing new facilities to encourage and to turn the SMEs into export-viable entities.

GROWING OUR ISLAMIC FINANCE BUSINESS

Financial year 2015 also saw Islamic business assets grew by an impressive 98 percent to reach RM5.38 billion which was way above RM2.72 billion recorded in 2014. This was 36.5 percent of the Bank's total assets. Due to its tremendous growth, the Bank will be embarking on capacity enhancement to ensure Shariah-compliant loan advances and financing continue to grow and contribute to the Bank's earnings.

MOVING FORWARD

While we acknowledge uncertainty, we also recognised that the future will be difficult to reliably predict. We therefore look at the challenges posed in the coming years and structure it into our planning and the way we conduct our business.

We know that the challenges posed would be greater considering the fact that there will be spillover effect from 2015 on weakening Ringgit, declining oil prices as well as situations at home.

But we know for sure that the Bank is going to progress further upward despite all the challenges.

ACKNOWLEDGEMENTS AND APPRECIATION

In 2015, Chairman of MEXIM Y.Bhg. Datuk Mohd Hashim Bin Hassan and the President/CEO Y.Bhg. Dato' Adissadikin Bin Ali's tenures both came to an end. I would like to convey my sincere appreciation for their leadership and the wisdom that they have imparted to the Management Team, and we wish them well in their future endeavours. Throughout my eight months leading the Bank and assuming the role as President/CEO, it has been an honour to continue the success achieved and to lead an organisation that has a pivotal role to play in nation-building.

I wish to thank the MEXIM Board and my management team for their support and advice, which have been an invaluable resource for me.

I also wish to thank all the staff at MEXIM for their commitment and hardwork that has resulted in positive gains for the Bank in 2015.

Our shareholders, the Government of Malaysia, Bank Negara and other stakeholders have also been instrumental making the year's success possible.

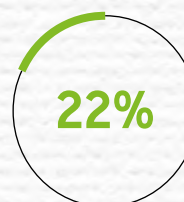
The road ahead will be challenging, but it is one that we will walk together.

NORZILAH MOHAMMED
President and CEO



Income

increased by



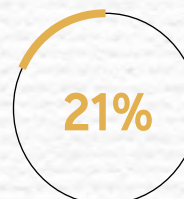
Operating Revenue

increased by



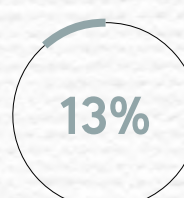
Net Interest Income

increased by



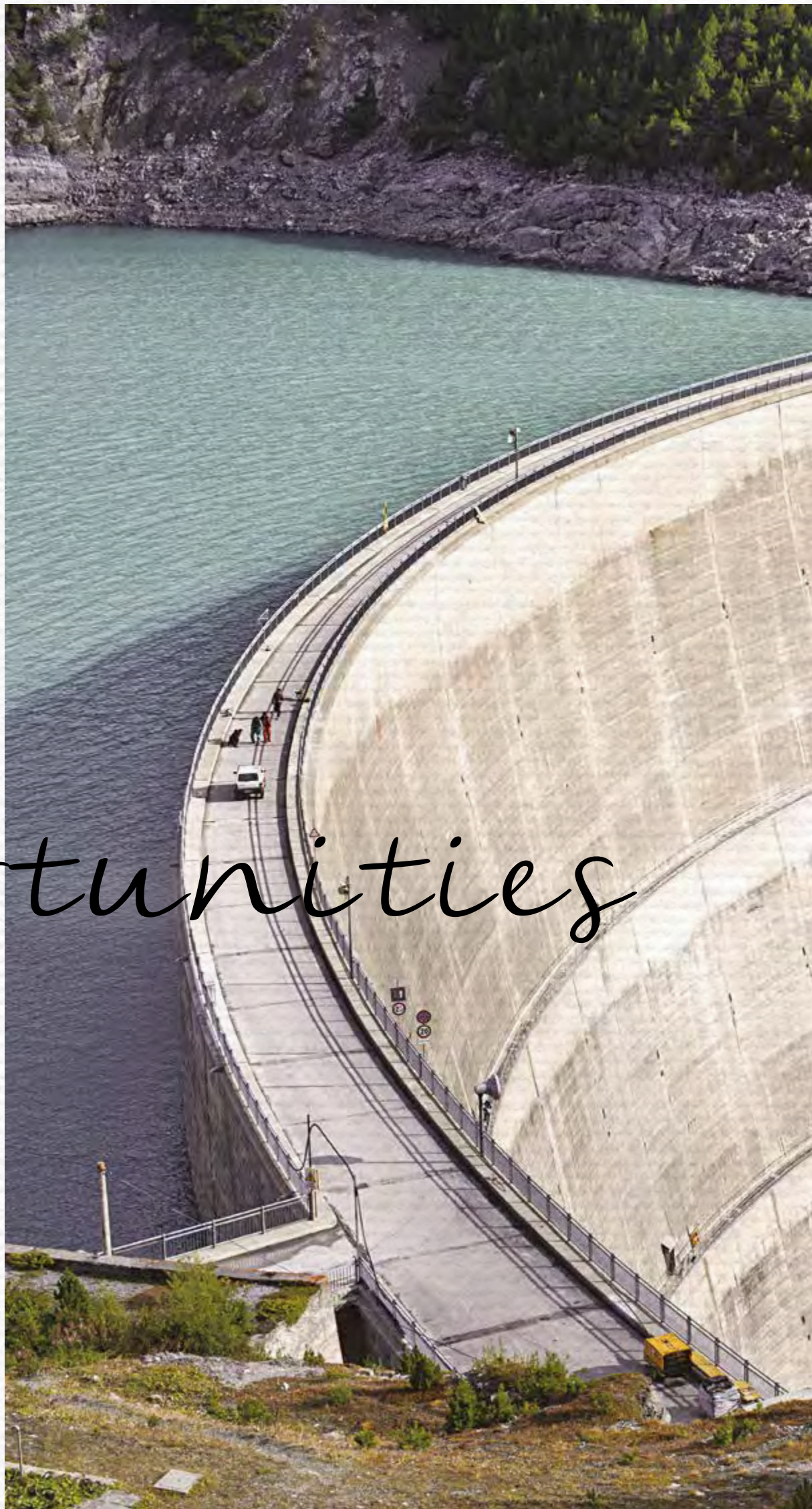
Profit before Tax and Zakat

increased by



Delivering you

Opportunities





In 2015, the government's continued commitment towards the Economic Transformation Programme enabled the utility sector (electricity, water and gas), to indirectly gain from the Programme's future plans. This sector constituted 13.43% of the Bank's overall exposure and its approved limits posted a strong growth of 94.45% over the previous year to RM3.19 billion.

BOARD OF DIRECTORS



From left to right

- MOHAMMAD FADZLAN ABDUL SAMAD *Director* - DATUK WONG SENG FOO *Director* - NIK NAJIB HUSAIN *Director* -
- ISMAIL MAHBOB *Director* - NORZILAH MOHAMMED *President/Chief Executive Officer* - DATO' SRI DR. MOHD ISA HUSSAIN *Director* -

BOARD OF DIRECTORS



From left to right

- DATO' ROSLI MOHAMED NOR *Director* - DATUK MAT NOOR NAWI *Chairman* - DATO' AGIL NATT *Director* -
- YM TUNKU AFWIDA TUNKU A. MALEK *Director* - DATUK SYED AHMAD HELMY SYED AHMAD *Director* -

PROFILE: BOARD OF DIRECTORS



DATUK MAT NOOR NAWI

CHAIRMAN

- JOINED THE BOARD ON 1 OCTOBER 2015

Datuk Mat Noor Nawi holds a Bachelor of Science Degree in Resource Economics from Universiti Putra Malaysia, Malaysia, and a Master of Science (Policy Economics) from the University of Illinois Urbana-Champaign, USA. He has built a long and illustrious career in the civil service which began with his first appointment as an Agriculture Economist in 1981. In 1983, he became an Assistant Director in the Economic Planning Unit's (EPU) Distribution Section. He served in the EPU for 29 years, rising all the way to the position of Deputy Director I. Subsequent to this, he was appointed as the Deputy Secretary General (Systems & Controls) of the Ministry of Finance and later became its Deputy Secretary General (Policy). He retired from the civil service on 6 June 2015.

Due to the breadth of his knowledge in economics, Datuk Mat Noor Nawi was also involved in other top-level governmental assignments. He served on the first and second National Economic Consultative Council Secretariat (NECC) in 1989 and 2000, the Secretariats to the preparation of the Seventh and Eighth Malaysia Plans in 1995 and 2003 and the Secretariat to the preparation of the Economic Report in 2014 and 2015. In the past 30 years, Datuk Mat Noor Nawi has received the Panglima Jasa Negara and many other state and federal medals and awards in recognition of his outstanding service in the public sector.

Between 2011 and 2015, he held directorships at, among others, Pengurusan Aset Air Bhd., Bintulu Port Holdings Bhd., PR1MA Bhd., Bank Kerjasama Rakyat Malaysia Berhad, Kumpulan Wang Simpanan Pekerja, Suruhanjaya Sekuriti and Telekom Malaysia Berhad.

PROFILE: BOARD OF DIRECTORS



NORZILAH MOHAMMED

PRESIDENT/CHIEF EXECUTIVE OFFICER

- **JOINED THE BANK IN 2008**
- **SHE WAS THE CHIEF OPERATING OFFICER OF MEXIM SINCE JANUARY 2015**

Norzilah Mohammed received her B.Sc in Business Administration (Accounting) from California State University, USA, in 1990. Norzilah Mohammed joined Export-Import Bank of Malaysia Berhad (MEXIM) in December 2008 as the Head of Recovery Team. In 2010, she was promoted to become the Bank's Chief Credit Officer and subsequently moved to be the Chief Risk Officer of MEXIM. She was promoted as Chief Operating Officer in January 2015. Norzilah is currently the President/Chief Executive Officer since May 2015. She is also a director of Morning Glory Co. Ltd. and Masceana Co., subsidiary companies of MEXIM.

Norzilah began her career as an Audit Assistant with PricewaterhouseCoopers (PwC), Kuala Lumpur in early 1991, where she was trained to perform audit functions for the oil and gas companies. In 1992, she started her career in the banking industry by joining Bank Bumiputra Malaysia Berhad (BBMB). Norzilah served the bank for nine (9) years with vast exposures in lending activities, particularly in the corporate and commercial banking.

In December 2000, she joined Pengurusan Danaharta Nasional Berhad ("Danaharta") and served the national asset management corporation for five (5) years in the areas of Corporate Debt Restructuring and Corporate Recovery and Reconstruction of distressed loan assets.

She resumed her career in Prokhas Sdn. Bhd. ("Prokhas") in January 2006 and among her key responsibilities were to come up with resolution on the residual assets of Danaharta and formulation of processes, systems and strategies in the areas of debt restructuring and recovery of Prokhas's clients. She left Prokhas in December 2008 as the Deputy Head to join MEXIM.

Norzilah holds a Bachelors of Science Degree in Business Administration majoring in Accounting from the California State University, Sacramento, United States. She is also a graduate of Women's Director Programme from the National Institute for the Empowerment of Women (NIEW). She sits on the Board of Malaysia External Trade Development Corporation (MATRADE) and Lembaga Pinjaman Perumahan Suruhanjaya Awam (LPPSA).

PROFILE: BOARD OF DIRECTORS



DATO' ROSLI MOHAMED NOR

DIRECTOR

- **JOINED THE BOARD ON 2 SEPTEMBER 2009**
- **MEMBER OF BOARD CREDIT COMMITTEE, BOARD RISK COMMITTEE, NOMINATION COMMITTEE AND REMUNERATION COMMITTEE**

Dato' Rosli Mohamed Nor holds a Bachelor of Science Degree in Civil Engineering from Brighton University, United Kingdom. He also attended a finance course at Harvard Business School in the United States. Dato' Rosli has built a long and steady career in construction, trading and property development. He started as a Design Engineer with Engineering and Environmental Consultants Sdn. Bhd. in 1982. He held various positions in the design firm before joining United Engineers (M) Bhd. in 1988 as a Senior Manager.

In 1992, he started his own construction business, Benar Antara Sdn. Bhd., and it was a PKK Class A Contractor. The company participated in various builds, including highways, LRT tunnels, water reservoirs, rail lines and others. The company has since been sold to a public listed company, but Dato' Rosli remained as its Managing Director until 2000.

Thereafter, he continued to develop new businesses, including KMK Plus Sdn. Bhd. (construction), KMK Ventures Sdn. Bhd. (iron ore mining) and Guomara Sdn. Bhd. (coal trading), and he currently retains shareholdings in these companies.

Presently, he is also the Business Development Director of TRC Infra Sdn. Bhd. He also sits on the boards of ADS Projek Sdn. Bhd., Guomara Sdn. Bhd., KMK Plus Sdn. Bhd., KMK Ventures Sdn. Bhd. and Econpile Holdings Bhd., another company listed on Bursa Malaysia.

ADS Projek Sdn. Bhd., in a joint venture with Prasarana Bhd., is undertaking the Transit Oriented Development at the new Station 2 of the Kelana Jaya LRT Line Extension. The projected Gross Development Value of the development is RM800 million.

At Econpile Holdings Bhd., he is the Chairman of Audit and Risk Management and Remuneration Committee.

PROFILE: BOARD OF DIRECTORS



DATO' SRI DR. MOHD ISA HUSSAIN

DIRECTOR

- **JOINED THE BOARD ON 3 MAY 2011**
- **MEMBER OF BOARD CREDIT COMMITTEE, NOMINATION COMMITTEE AND REMUNERATION COMMITTEE**

Dato' Sri Dr. Mohd Isa Hussain holds a PhD in Finance from University Putra Malaysia. He also holds an MBA in Finance from University Kebangsaan Malaysia, Bachelor of Economics (Honours) (Applied Statistics) from the University of Malaya and a Post-graduate Diploma in Public Management from the National Institute of Public Administration. Dato' Sri Dr. Mohd Isa began his career in 1983 as an Assistant Director in the Prime Minister's Department and was subsequently appointed as an Assistant Director in the State Economic Planning Unit of Pahang in 1985.

He then joined the Ministry of Finance and held various positions, including Assistant Secretary in the Government Procurement Division from 1990 to 1995, and subsequently became Senior Assistant Director of the Budget Management Division until 2000. In 2004, he assumed the position of Deputy Undersecretary of Investment, MoF (Inc.) and Privatisation Division.

He moved to the Ministry of Transport Malaysia in 2008 and became its Deputy Secretary General (Operation) before he was appointed as the Interim Head of the Public Land Transportation Commission (SPAD) in 2009. In 2010, he was appointed as the Deputy Undersecretary of the Government Investment Companies Division of the Ministry of Finance and became Undersecretary of the same division in January 2015. Currently, he is the Deputy Secretary-General of Treasury (Investment) of the Ministry of Finance.

Presently, Dato' Sri Dr. Mohd Isa also holds directorships at FELCRA Bhd., Permodalan Felcra Sdn. Bhd., Felcra Properties Sdn. Bhd., Yayasan Felcra Sdn. Bhd., Felcra Cambodia Sdn. Bhd., DanaInfra Nasional Bhd., Pelaburan Hartanah Bhd., Lembaga Pembangunan Langkawi (LADA), Integrated Nautical Resort Sdn. Bhd. (INR), Garuda Suci Sdn. Bhd. (GSSB), Syarikat Jaminan Kredit Perumahan Bhd. (SJKP), Syarikat Jaminan Pembiayaan Perniagaan Bhd. (SJPP), Piramid Pertama Sdn. Bhd., Pengurusan Danaharta Nasional Bhd., Turus Pesawat Sdn. Bhd., Assets Global Network Sdn. Bhd. (AGN), K.L. International Airport Bhd., Mass Rapid Transit Corporation Sdn. Bhd., SRC International Sdn. Bhd., Malaysia Airports Holdings Bhd. (MAHB), Perbadanan Kemajuan Negeri Pahang (PKNP), Lembaga Tabung Angkatan Tentera (LTAT), Suruhanjaya Sekuriti (SC), Dana Pembangunan Pasaran Modal (CMDP), Malaysian Venture Capital Development Council (MVCDC), Telekom Malaysia, Pos Malaysia, AES Solutions Sdn. Bhd., Pyrotechnical Managers Holdings Sdn. Bhd., 1Malaysia Sukuk Global Bhd., Wakala Global Sukuk Bhd., SDE Solutions and Aset Tanah Nasional Bhd.

PROFILE: BOARD OF DIRECTORS



NIK NAJIB HUSAIN

DIRECTOR

- **JOINED THE BOARD ON 20 JUNE 2011**
- **MEMBER OF BOARD CREDIT COMMITTEE, BOARD AUDIT COMMITTEE, NOMINATION COMMITTEE AND REMUNERATION COMMITTEE**

Nik Najib Husain holds a B. A. Econs. (Hons) from the University of Malaya and Masters in Public Administration from the University of Wisconsin-Madison, USA. Nik Najib started his career in the public sector where he served in the Economic and Finance Divisions in the Ministry of Finance, Malaysia from 1973 to 1990.

Thereafter, he joined Malayan Banking Bhd. (Maybank) in its Corporate Banking and International Banking Departments from 1990 to 1999. While at Maybank, Nik Najib was responsible for lending to public sector companies such as Petronas, Tenaga Nasional and Telekom. He was also involved in implementing Maybank's overseas expansion programme to Myanmar, China, Uzbekistan, Vietnam, Cambodia, Philippines and Papua New Guinea.

In May 1999, Nik Najib joined the Trade Finance and Promotion Department (TFPD) of the Jeddah-based Islamic Development Bank (IDB) and was later appointed as Advisor to the CEO, International Islamic Trade Finance Corporation (ITFC, a subsidiary of the IDB Group). He was instrumental in formulating the Corporation's medium term strategies and annual business plans. He also supervised trade financing operations, funds mobilisation (syndications) and marketing, focusing mainly on Sub-Saharan/West Africa, Central Asia, Turkey, Iran, Malaysia and Indonesia. He retired in December 2008.

PROFILE: BOARD OF DIRECTORS



DATO' AGIL NATT

DIRECTOR

- **JOINED THE BOARD ON 2 FEBRUARY 2012**
- **CHAIRMAN OF BOARD RISK COMMITTEE**
- **MEMBER OF BOARD CREDIT COMMITTEE AND BOARD AUDIT COMMITTEE**

Dato' Agil Natt holds a Bachelor of Science Degree in Economics (Honours) from Brunel University, London. He obtained a Master of Science in Finance from Cass Business School, London. He also attended the Advanced Management Program at Harvard Business School in the United States. Upon his return to Malaysia in 1977, Dato' Agil served as a Corporate Finance Manager with Bumiputra Merchant Bankers Bhd. before moving on to Island & Peninsular Bhd. in 1982 where his last appointment was as its Senior General Manager (Finance). He then joined Kleinwort Benson Ltd., serving as its Regional Chief Representative.

Thereafter, Dato' Agil joined the Maybank Group and he served in various senior management positions, including Senior General Manager, Corporate Banking, Chief Executive Officer of Aseambankers Malaysia Bhd. (now known as Maybank Investment Bank Bhd.) and Executive Director/Deputy President of Maybank.

From 2006 until his retirement in 2011, Dato' Agil served as President and Chief Executive Officer of the International Centre for Education in Islamic Finance (INCEIF) at The Global University of Islamic Finance, which was set up by Bank Negara Malaysia.

Presently, he is also the Independent and Non-Executive Chairman of Sumitomo Mitsui Banking Corporation Malaysia Bhd., Credit Guarantee Corporation Malaysia Bhd. and Manulife Insurance Bhd. He also sits on the Boards of Cagamas Bhd., Manulife Asset Management Services Bhd., Sogo (KL) Department Store Sdn. Bhd. and Sogo (KL) Sdn. Bhd. He is also a Board Member of the Board of Trustees of Yayasan Tun Abdul Razak.

PROFILE: BOARD OF DIRECTORS



ISMAIL MAHBOB

DIRECTOR

- **JOINED THE BOARD ON 10 AUGUST 2012**
- **CHAIRMAN OF NOMINATION COMMITTEE**
- **MEMBER OF BOARD CREDIT COMMITTEE, BOARD RISK COMMITTEE AND REMUNERATION COMMITTEE**

Ismail Mahbob holds a Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom, and is a member of the Association of Chartered Islamic Finance Professionals (ACIFP), Malaysia. Ismail has vast experience in the insurance industry both in Malaysia and overseas in the sectors of broking, retail insurance, reinsurance and retakaful. His career in insurance started in 1977 as a broker with Magnet Insurance Brokers, Kota Kinabalu. In 1979, he joined Progressive Insurance Sdn. Bhd. where he served in various managerial positions until 1988. He then moved to American Malaysian Insurance where he became an Assistant General Manager, overseeing the company's branch operations nationwide. In 1990, Ismail left for Malene CSB Insurance Brokers as a Senior Broker where he headed the non-energy section for six years.

In 1997, he moved to Labuan Reinsurance (L) Ltd. and served as a Senior Vice President. At Labuan Reinsurance, Ismail was entrusted with developing new markets covering countries in Africa, the Middle East and North Africa region (including Turkey), the Indian Sub-Continent and some countries in Southeast Asia. He also headed its retakaful operation and oversaw the Company's business participation at Lloyd's of London. In 2007, Ismail joined the first Malaysian retakaful company, MNRB Retakaful Bhd., as its President/Chief Executive Officer until his retirement in mid-2012. Utilising his knowledge and experience, Ismail has also contributed towards the production of a book on takaful and mutual insurance produced by the World Bank.

Ismail is currently a Board Member of Saudi Reinsurance Company, Saudi Arabia, Bank of Tokyo-Mitsubishi UFJ (Malaysia) Bhd. and an Adjunct Fellow of the College of Business, University Utara Malaysia, Malaysia.

PROFILE: BOARD OF DIRECTORS



DATUK WONG SENG FOO

DIRECTOR

- JOINED THE BOARD ON 23 OCTOBER 2012
- MEMBER OF BOARD CREDIT COMMITTEE, BOARD RISK COMMITTEE AND BOARD AUDIT COMMITTEE

Datuk Wong Seng Foo holds a Master of Business Administration (MBA) from Henley Management College/Brunel University, United Kingdom. He is also a graduate of the University of Malaya and holds a Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom. Datuk Wong Seng Foo served in several capacities in the Ministry of International Trade and Industry (MITI). He started his career as an Assistant Director in the ASEAN Economic Cooperation Unit of the International Trade Division in 1983 and he was responsible for coordinating Malaysia's participation in ASEAN regional trade initiatives and programmes with ASEAN Dialogue Partners.

His tenure at the Industrial Development Division, from 1989 to 1991, included coordinating Malaysia's participation in regional investment, ASEAN industrial cooperation involving bilateral investment promotion policy and Investment Guarantee Agreements as well as industrial cooperation programmes with several international agencies. As the Principal Assistant Director of the Multilateral Trade Relations Division, he coordinated Malaysia's participation in the World Trade Organisation (WTO) and trade-related programmes by UN-related institutions.

From 2001 until end 2005, Datuk Wong Seng Foo served as Minister-Counselor (Economic), attached to the Embassy of Malaysia in Washington D.C., USA, before returning to Malaysia to assume the position of Director of Investment and Industrial Strategy until 2007. Thereafter, he headed the FTA Policy and Negotiations Coordination Division until 2009.

Up to January 2015, Datuk Wong Seng Foo was the Senior Director of Economic and Trade Relations Division in MITI. Currently, he is the Senior Director of MITI's Multilateral Trade Policy and Negotiations Division.

PROFILE: BOARD OF DIRECTORS



YM TUNKU AFWIDA TUNKU A. MALEK

DIRECTOR

- JOINED THE BOARD ON 15 AUGUST 2014
- CHAIRMAN OF BOARD AUDIT COMMITTEE
- MEMBER OF BOARD CREDIT COMMITTEE AND BOARD RISK COMMITTEE

YM Tunku Afwida Tunku A. Malek is currently a director and shareholder of Asia Equity Research Sdn. Bhd., a company licensed by the Securities Commission of Malaysia to provide advisory services in corporate finance, including compliance and funding advisory-related services. Prior to that, she was the Chief Executive Officer (CEO) and Executive Director (ED) of Kenanga Investment Bank Bhd. from 2006 until 2008, CEO and ED of MIMB Investment Bank Bhd. from 2003 until 2006 and ED/Chief Investment Officer of Commerce Asset Fund Managers Sdn. Bhd. from 1995 until 2003.

She is currently also a Director of Gamuda Bhd., PUC Founder (MSC) Bhd., Lafarge Bhd., Telekom Malaysia Berhad and i-VCAP Management Sdn. Bhd.

Tunku Afwida received her Bachelor in Science (Hons.) Degree from The City University (London), where she majored in economics and accountancy. She is also a Chartered Accountant of The Institute of Chartered Accountants in England and Wales (ICAEW).

PROFILE: BOARD OF DIRECTORS



MOHAMMAD FADZLAN ABDUL SAMAD

DIRECTOR

- JOINED THE BOARD ON 29 APRIL 2015
- CHAIRMAN OF REMUNERATION COMMITTEE
- MEMBER OF BOARD CREDIT COMMITTEE, BOARD RISK COMMITTEE AND NOMINATION COMMITTEE

Mohammad Fadzlan Abdul Samad is the Managing Director of Coffee Planet Malaysia Sdn. Bhd., a company he founded in 2010, and is the master franchisee for the Coffee Planet brand in Malaysia. He is also the Chairman of Rekrea Corp Sdn. Bhd. as well as a Director of Citra Zaman Café Sdn. Bhd. and Coffee Planet (KLCC) Sdn. Bhd. Prior to being an entrepreneur, Mohammad Fadzlan devoted almost 30 years of his life in Petroliaam Nasional Bhd. (PETRONAS), holding various senior management positions in international marketing, trading, corporate planning, refining, petrochemical manufacturing and retail business. In the course of his career, he served as a Board Member of various PETRONAS subsidiaries, namely, PETRONAS Penapisan (Terengganu) Sdn. Bhd., PETRONAS Trading Corp Sdn. Bhd. (PETCO) and Thang Long LPG Co Ltd, a joint venture between PETRONAS and Petro Vietnam.

He retired from his post as Senior General Manager of Retail Business Division, PETRONAS Dagangan Bhd. and Managing Director/CEO of PETRONAS NGV Sdn. Bhd. in 2009.

Mohammad Fadzlan holds a Bachelor of Science in Biochemistry and Biology from the University of Malaya. He also has a Certificate in International Management from INSEAD.

PROFILE: BOARD OF DIRECTORS



DATUK SYED AHMAD HELMY SYED AHMAD

DIRECTOR

- JOINED THE BOARD ON 24 AUGUST 2015
- MEMBER OF BOARD CREDIT COMMITTEE, BOARD AUDIT COMMITTEE, NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Datuk Syed Ahmad Helmy Syed Ahmad holds a Bachelor of Laws (LL.B) Honours Degree from the University of Singapore, which he received in 1971. Datuk Syed Ahmad Helmy has 40 years of experience in the legal arena both as a legal practitioner and judicial officer and he specialises in corporate law and litigation. He also has comprehensive experience in advising corporations, Government-Linked Companies (GLCs), State Government Agencies and Sports Bodies.

He began his legal career as an Advocate and Solicitor in Singapore in 1972, a post which he held until 1977. He thereafter continued practicing law privately in Johor Bahru and Kuala Lumpur until 2000. He was subsequently appointed as a Judge of the High Court in Johor Bahru in June 2000 and served there until August 2007 before continuing his judicial career in Shah Alam from September 2007 to October 2009. He was elevated to the Court of Appeals in October 2009 until his mandatory retirement in December 2012.

Currently, Datuk Syed Ahmad Helmy is an Independent Non-Executive Director of AEON Malaysia Bhd. and he has been the Chairman of the Advocates and Solicitors Disciplinary Board since 2013.

SHARIAH COMMITTEE



From left to right

- DR. ZAHARUDDIN ABD. RAHMAN - ASSOC. PROF. DR. MEK WOK MAHMUD - ENCIK ZULKIPLI YUNOS *Shariah Committee Secretariat* -
- DATO' DR. MOHD ALI HAJI BAHARUM *Chairman* - ASSOC. PROF. DR. SUHAIMI AB RAHMAN -
- DR. SHARIFAH FAIGAH SYED ALWI - ASSOC. PROF. DR. ZULKIFLI HASAN -

PROFILE: SHARIAH COMMITTEE



Dato' Dr. Mohd Ali Haji Baharum

(Deceased on 26 April 2016)

- Chairman

Dato' Dr. Mohd Ali Haji Baharum holds a PhD (Law) from the University of Essex, England. He also holds a Master in Law (LLM) from the University of Malaya and a Degree in Islamic Studies (Hons) from Universiti Kebangsaan Malaysia. He has been awarded a Diploma of Translation from Dewan Bahasa dan Pustaka (DBP) and a Diploma in Arabic from the International University of Africa, Sudan, Master of Business Administration (MBA) from Universiti Kebangsaan Malaysia and Diploma of English from Stamford College. Dato' Dr. Mohd Ali's portfolio includes being a Shariah Advisory

member of banks and trust funds vis-à-vis Bank Negara Malaysia, Securities Commission Malaysia, Bank Pertanian Malaysia Berhad, Bank Muamalat Malaysia Berhad, the Royal Bank of Scotland, RHB Capital Berhad, Permodalan Unit Trust Terengganu Berhad, Opus Asset Management Sdn. Bhd. He is also a member of the Board of Directors of Kanz Holding Sdn. Bhd. He was appointed as the Chairman of MEXIM's Shariah Committee on 4 March 2013 until the present. He is also the Shariah Committee member for BNP Paribas Malaysia Berhad.

PROFILE: SHARIAH COMMITTEE



Assoc. Prof. Dr. Suhaimi Ab Rahman

Dr. Suhaimi Ab Rahman is an Associate Professor at the Faculty of Economics and Management of Universiti Putra Malaysia (UPM). Currently, he is the Head of Department of Management and Marketing at the faculty and the Head of Research Program (Halal Business and Management) at the Halal Products Research Institute, UPM. He obtained his PhD in Business Law from the University of Wales Aberystwyth, United Kingdom, Masters of Comparative Law from the International Islamic University Malaysia and Bachelor of Shariah from Al-Azhar University, Egypt. At UPM, he teaches Business Law at both the degree and Masters levels. From 2012 to 2013, he served as Assistant Professor of Business Law at the University of Dammam, Kingdom of Saudi Arabia. To date, he

has supervised postgraduate students researching aspects of business and *halal* issues that involve questions of law and governance. He has also been invited to present and moderate several seminars in *halal* business and governance at both the local and international levels. He has been an advisor for SIRIM, Halal Development Corporation, JAKIM and National Fatwa Council in developing national *halal* policies and standards. He has been a Shariah Committee member of MEXIM since 2011. He is also a Shariah Council member of QSR Brands Sdn. Bhd., a Shariah Committee member of Dana Wakaf Ilmu UPM and a Shariah Committee member of Koperasi UPM Berhad. He has published books and numerous journal articles on the legal aspects of business and *halal* governance.

PROFILE: SHARIAH COMMITTEE



Assoc. Prof. Dr. Zulkifli Hasan

Dr. Zulkifli Hasan is a senior lecturer at the Faculty of Shariah and Law, Islamic Science University of Malaysia (USIM). He holds a PhD in Islamic Finance from Durham University, United Kingdom. He also holds a Master of Comparative Laws from the International Islamic University of Malaysia where he also obtained his LLB (Bachelor of Laws) and LLB.S (Bachelor of Shariah) as his first and second degrees. He was appointed as MEXIM's Shariah Committee member on 7 Dec 2012. He is also a Shariah panel member for the Institute of Fatwa Management and Research, USIM, as well as editor and reviewer for various journals such as the Malaysian Journal of Shariah and Law, the International Journal of Business and Finance Research, Shariah Law Reports, Journal of Antitrust Enforcement and Corporate Governance: An International Review. He has been selected as a recipient of a 2014 grant to conduct scholarly research at Fordham University, New York, United States, by the J. William Fulbright Foreign Scholarship Board through the Fulbright US-ASEAN Visiting Scholars Initiative.

His industry experience was as an in-house legal counsel for Bank Muamalat Malaysia Berhad, member of the Rules and Regulations Working Committee for the Association of Islamic Banking Institutions Malaysia and member of the corporate governance working committee for Awqaf South Africa. He also underwent an internship at Hawkamah, the Institute for Corporate Governance, Dubai International Financial Centre, where he was involved in developing corporate governance guidelines for Islamic financial institutions in the Middle East and North Africa (MENA) and was a part of the Task Force on Environmental, Social and Governance (ESG), which led towards the development of the S&P/Hawkamah Pan Arab ESG Index. His articles have been published in various academic journals and he has presented many papers in various conferences both local and abroad. His research includes corporate and Shariah governance and regulation in Islamic finance.

PROFILE: SHARIAH COMMITTEE



Dr. Zaharuddin Abd. Rahman

Dr. Zaharuddin Abd. Rahman holds a PhD in Shariah and Islamic Finance from the University of Wales, United Kingdom. He also holds a Master in Islamic Law (Hons) from Al-Yarmouk University, Jordan, and a Bachelor of Arts (Hons) in Usuluddin from the University of Malaya. He is one of the few Shariah scholars in Islamic Banking and Finance who possesses both a strong academic research background and hands-on Islamic finance application experience in Islamic banks. He was appointed as a member of the Shariah Committee of MEXIM on 2 April 2013. He is also the Shariah Committee member for BNP Paribas Malaysia Berhad.

He has written numerous books and hundreds of articles on Islamic jurisprudence and Islamic banking in Shariah journals and local and international magazines. He frequently appears on local television and radio to present on various Shariah issues, especially those involving Islamic commercial transactions. He also advises other Islamic financial institutions and corporate companies in Malaysia and abroad, including BNP Paribas Malaysia Berhad, ACR ReTakaful Berhad (Malaysia), ACR MEA Takaful (Bahrain), Yasmin Holdings Group Sdn Bhd and the Employees Provident Fund of Malaysia (Islamic). He was also the Shariah Expert & Consultant of Bank Negara Malaysia. He currently serves as an Assistant Professor at the Kuliyyah of Economics & Management Sciences, International Islamic University, Malaysia.

PROFILE: SHARIAH COMMITTEE



Assoc. Prof. Dr. Mek Wok Mahmud

Assoc. Prof. Dr. Mek Wok Mahmud was appointed as a member of the MEXIM Shariah Committee on 7 Dec 2012. She holds a PhD in Shariah/Islamic Law from the International University of Africa, Sudan, and a Master's Degree in Islamic Revealed Knowledge, International Islamic University of Malaysia, where she also obtained her Bachelor of Laws (LLB), which was her first degree. She was appointed as a Deputy Dean Postgraduate & Research and Head Department of Fiqh and *Usul al-Fiqh*, Kuliyyah of Islamic Revealed Knowledge,

International Islamic University Malaysia, and her fields of specialisation include the Islamic Law of Transactions (*Muamalat*), *Fiqh al-'Ibadat*, *Fiqh al-Qada'*, Islamic Family Law, Modern Application of *Fiqh* and *Usul al-Fiqh*. She has published numerous articles and books on various Shariah issues and actively presented many papers in various local conferences and seminars. She is also a member of the Shariah Committee of Bank of Tokyo Mitsubishi UFJ (M) Berhad.

PROFILE: SHARIAH COMMITTEE



Dr. Sharifah Faigah Syed Alwi

Dr. Sharifah Faigah Syed Alwi holds a PhD in Islamic Banking and Finance from International Islamic University, Malaysia. She also holds a Master in Shariah (Islamic Banking) from the University of Malaya where she also obtained her B.A. (Hons) Shariah (Economics). She is a senior lecturer in the Islamic Banking and Finance Department at the Arshad Ayub Graduate Business School under the Faculty of Business Management, Universiti Teknologi Mara Malaysia. Her lectures cover,

among others, *Usul Fiqh* (Islamic Jurisprudence), *Fiqh Muamalat* (Islamic Law of Transaction), Islamic Finance and Accounting as well as Islamic Financial Regulatory Framework and Governance. She was appointed as a member of the Shariah Committee of MEXIM on 7 December 2012. She has presented many papers, especially those on Islamic Trade Finance and Shariah Issues in Islamic Finance products in various local and international seminars and conferences.

MANAGEMENT TEAM



From left to right

- **ZULKEFLI SAMAT** Chief Risk Officer - **LILIS ZATIRA RAPIAH** Head, Human Capital Management - **AMINUDDIN BASHAH** Chief Credit Officer -
- **NORZILAH MOHAMMED** President/Chief Executive Officer - **CHAIRIL MOHD TAMIL** Chief Business Officer -

MANAGEMENT TEAM



From left to right

- **MOHD NASIR JOHAR** *Head, Communications & Stakeholder Management* - **JULINA MOHD SALLEH** *Company Secretary* -
- **THARIQ ABDULLAH** *Head, Corporate Services* - **NORLELA SULAIMAN** *Chief Financial Officer* -

SPECIFIC DISCLOSURE ON PERFORMANCE ASSESSMENT

During FY2015, the Bank registered a year-on-year loan growth of 47% against the targeted 30% growth for the year. In relation to support provided to SMEs, a total of 351 customers benefitted from the Bank's assistance as against the targeted number of 180 customers.

As at December 2015, the Bank managed to increase its asset with the loan disbursement of RM9.1 billion, which surpassed the intended RM7.0 billion target, thus ensuring that the Bank achieves its long-term target of having a total asset size of at least 3 percent of the country's GDP.

With regards to credit processing efficiency, the Bank has also improved on the time taken to process a loan application to an average of 31 days* as compared to the 35 days target set for FY2015.

* upon complete submission of all required documentation by the customer.

Below are tables detailing the performance of the Bank for FY2015:

DEVELOPMENT OUTCOMES (Short/Medium/Long Term)						
Objective	Strategic Actions	Performance Target	Target FY2015	Actual FY2015	Target FY2016	Long Term Target (FY2020)
High level impact analysis on DFIs achievement						
Social responsiveness in performing mandated roles	Pertinent areas in development initiatives	Loan growth (y-o-y)	30%	47%	20%	20%
		SME customers (numbers)	180	351	280	220
		Composition of Bumiputra customers	30%	38%	30%	40%

MANDATED SECTOR OUTPUT (Short/Medium/Long Term)						
Objective	Strategic Actions	Performance Target	Target FY2015	Actual FY2015	Target FY2016	Long Term Target (FY2020)
Institutional achievements in supporting the needs of the targeted sectors						
Export business acceleration	Providing various banking facilities to aid the growth of quality assets	Loan disbursement	RM7 billion	RM9.1 billion	RM7.5 billion	RM9 billion

ORGANISATIONAL SOUNDNESS (Short/Medium/Long Term)						
Objective	Strategic Actions	Performance Target	Target FY2015	Actual FY2015	Medium Term Target FY2016	Long Term Target (FY2020)
Institutional requisites to facilitate DFIs in achieving mandated activities						
Internal process improvement	Turnaround time for loan approval vs SLA	Average turnaround time	35 days	31 days	35 days	35 days

SPECIFIC DISCLOSURE ON GOVERNMENT FUND

MalaysiaKitchen Financing Facility (MKFF)

MalaysiaKitchen Programme (MKP) is an initiative of the 9th Malaysia Plan that has been identified as a strategic way to better position our agricultural produce and agro-based products through Malaysian restaurants, retail outlets and distribution centres worldwide.

With the long-term goals identified, MKP aims to:

Brand Malaysia
through cuisine



Increase Export of processed
food, food ingredients and
agricultural produce



Attract
tourists to Malaysia



To further boost the number of
Malaysian restaurants overseas, the
government had, in 2007, signed
an agreement with MEXIM for the
placement of up to



RM180 million

for the MalaysiaKitchen Financing
Facility (MKFF) in support of
Malaysia's Food & Beverage culture.



Under the agreement, MEXIM is to manage the fund by providing loan to eligible Malaysian business entities, interested in opening up restaurants overseas.

A total of RM170 million has been placed into MEXIM's account to benefit the borrowers.

In 2015, MKFF approved RM13 million of loans for borrowers to open 5 food and beverage outlets abroad, taking the total number of both borrowers and outlets to 63. Of these, 20 outlets are currently in operation.

CORPORATE GOVERNANCE DISCLOSURE REPORT

The Board of Directors (Board) of Export-Import Bank of Malaysia Berhad (Exim Bank/MEXIM) is cognisant of the principles and best practices of Corporate Governance as set out in Bank Negara Malaysia's Guidelines on Corporate Governance for Development Financial Institutions (BNM/RH/GI 005-14). The Board is committed to upholding good corporate governance and endeavours to continuously advocate for transparency, accountability, responsibility and integrity. This commitment enables the Bank to achieve an optimal governance framework and maximise shareholder value, as well as lay a solid foundation for MEXIM to carry out its policy role and realise sustainable, long-term growth.

BOARD OF DIRECTORS

Board Composition and Balance

Article 91(1) of MEXIM's Articles of Association provides that there should not be more than 11 members of the Board. The Board currently has the maximum number of members, with eight (8) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors (nominee of Minister of Finance (Incorporated) and Ministry of International Trade and Industry) and one (1) Executive Director (President/Chief Executive Officer). The Directors come from diverse backgrounds with expertise and skills in banking, finance, business, accounting, industry and legal. The present composition of the Board is in compliance with the BNM/RH/GL 005-14 as more than half of its members are Independent Directors.

MEXIM's Directors are persons of high caliber and integrity and they possess the appropriate skills, knowledge, experience and competencies to address key risks and major issues relating to the Bank's policies and strategies. The Directors more than adequately fulfill the fit and proper criteria as specifies in the Development Financial Institutions Act 2002 and the BNM Policy Document on Fit and Proper Criteria.

A brief profile of each member of the Board is presented on pages 20 to 30 of this Annual Report.

Board Charter

In recognition that robust and well thought-out corporate governance practices are essential to safeguard the interests of MEXIM, the Board is guided by the Board Charter in respect of the Board's role, powers, duties and functions.

The Board Charter not only reflects the current best practices and the applicable rules and regulations but also outlines processes and procedures to ensure the Board's and Board Committees' effectiveness and efficiency.

The Board has also delegated specific authority to several Board Committees. Notwithstanding this delegation of authority, the Board remains responsible for its fiduciary duties.

The Board Charter comprises, among others, the following areas:

- Roles of the Board
- Board Composition and Board Balance
- Board Appointments, Reappointments and Re-election
- Conflict of Interest
- Training Requirements
- Balance of Power and Authority between the Chairman and Chief Executive Officer
- Supply of Information

Roles and Responsibilities of the Board

The roles and responsibilities of the Board and that of the Management are clearly demarcated in the Board Charter. The respective principles, roles and responsibilities of the Chairman and Chief Executive Officer are segregated. Nevertheless, their respective functions remain mutually co-dependent enabling efficient and effective execution of their duties and responsibilities.

The Board's principal focus is the overall strategic direction, development and control of MEXIM in an effective and responsible manner. The role of Management, on the other hand, is to run the business operations and general activities and administration of financial matters of MEXIM in accordance with established delegated authority from the Board.

The following core responsibilities serve guiding principles for the Board in discharging its duties:

1. Business Direction
 - i) Provide strategic direction for the Bank by guiding top management in developing corporate strategy. Review and approve strategies,

CORPORATE GOVERNANCE DISCLOSURE REPORT

business plans, annual budget and significant policies that are in line with the Bank's mandated role and monitor Management's performance in implementing them.

- ii) Overseeing and evaluating the conduct of the Bank's businesses and to evaluate whether the business is being properly managed. In this respect, the Board must ensure that there are objectives in place against which Management's performance can be measured.
- iii) To set corporate values and clear lines of responsibility and accountability that is communicated throughout the Bank. There should be a clear division of responsibilities at the helm of the Bank, which will ensure a balanced and clear line of role, responsibility, authority and accountability throughout the Bank.
- iv) To approve new investment, divestments, mergers and acquisitions, including the establishment of subsidiaries, joint ventures, equity acquisition or strategic alliances both locally as well as abroad.

2. Internal Controls

- i) The Board has overall responsibility for maintaining sound internal control systems that cover financial controls, operational and compliance controls as well as risk management to ensure shareholders' investment, customers' interests and the Bank's assets are safeguarded.
- ii) The Board ensures the system of internal controls is reviewed on a regular basis.

3. Business Operations

- i) Veto loans/financing/credit insurance related facilities for amounts as prescribed by the Bank's Approving Authority and Authority Limits (AA and AL).
- ii) To oversee the conduct of the Bank's business, to evaluate whether the business is effectively managed and to ensure that the operation of the business are conducted within the framework of relevant laws, policies and guidelines.
- iii) To consider and approve the annual financial statements including interim and final dividend to Shareholders.

4. Management Oversight

- i) To ensure that there is a managed and effective process to select and appoint competent senior management officers of the Bank.
- ii) To recommend to the Ministry of Finance (MoF) the appointment/reappointment, removal, termination and terms and conditions of service of P/CEO of the Bank.
- iii) To approve succession planning policy and continuously monitor P/CEO and senior management officers' performance.

- iv) To approve key human resource matters including selection, recruitment, termination and promotion of senior management officers.
- v) To approve human resource policies including compensation package and benefits pertaining to Management and staff of the Bank.
- vi) To approve changes to the corporate organisation structure of the Bank.

5. Responsibilities in relation to Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA 2001)

To maintain adequate oversight of the overall Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures undertaken and be fully committed in establishing an effective internal control system, including but not limited to the following:

- i) To ensure that the required AML/CFT measures are in place;
- ii) To set minimum standards and approve the AML/CFT policies, procedures and controls;
- iii) To designate compliance officers at senior management level with sufficient authority;
- iv) To regularly review and assess the measures adopted and implemented for AML/CFT;
- v) To ensure regular independent audit of the internal AML/CFT measures to determine their effectiveness and compliance with AMLATFPUAA 2001; and
- vi) To ensure that proper training programs on AML/CFT practices and measures for its employees are sufficiently and appropriately conducted.

Segregation of position of Chairman and President/Chief Executive Officer

MEXIM's leadership model adopts a clear division of responsibilities between the Chairman and the President/Chief Executive Officer (P/CEO), which ensures an appropriate balance of power, increased accountability and enhanced independence in decision-making. The positions of Chairman and P/CEO are held by different individuals with distinct and separate roles to enhance governance and transparency so that no individual or group dominates Board proceedings.

CORPORATE GOVERNANCE DISCLOSURE REPORT

Board Appointment Process

The Nomination Committee (NC) is responsible for screening and proposing to the Board qualified candidates to serve as Directors and members of Board Committees based on the candidates' skills, core competencies, experience, integrity and time to effectively discharge his or her role. The screening process is in accordance with the BNM Guidelines and guided by the criteria outlined in MEXIM's Policy on Fit and Proper Criteria and Policy on the Appointment/ Reappointment of Chairman, Directors and P/CEO.

Detailed assessments are conducted on candidates with the relevant skill sets, expertise and experience to fill the gaps and the NC recommends the appointments for the Board's approval prior submission to BNM for verification.

The following aspects would be considered by the Board in making the selection, with the assistance of the NC:

1. Probity, personal integrity and reputation - the person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
2. Competence and Capability - the person must have the necessary skills, experience, ability and commitment to carry out the role.
3. Financial Integrity - the person must manage his debts or financial affairs prudently.

MEXIM also conducts annual assessments on the suitability of the Directors to continuously occupy their strategic leadership position subsequent to the appointment process, in accordance with MEXIM's Policy on Fit and Proper Criteria and BNM/RH/GL 005-14. The fit and proper assessment involves self-declaration by the Directors to ensure the suitability of the Directors to continue to serve as Directors of MEXIM.

Board Meeting and Supply of Information

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year. Special Board meeting may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration. During the financial year ended 31 December 2015, the Board met 13 times.

The Board has full and timely access to information with Board papers distributed in advance of meetings to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed prior to the meetings. The Board papers include the minutes of previous Board meeting, minutes of meeting of Board Committees and report relevant to the issues of the meetings covering the areas of financial, information technology, operational, current review of the operations of the Bank and annual management plans.

Whenever necessary, Management or external advisors are also invited to attend the Board and Board Committee meetings to explain matters within their competencies and provide clarity on agenda items being discussed to enable the Board and/or Board Committees to arrive at a considered and informed decision.

All issues raised, discussions, deliberations, decisions and conclusions including dissenting views made at Board meetings with clear actions to be taken by responsible parties are recorded in the meetings.

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Bank. An interested Director is required to abstain from deliberations and decisions of the Board on the transaction and he or she does not exercise any influence over the Board in respect of the transaction.

CORPORATE GOVERNANCE DISCLOSURE REPORT

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary, who responsible for ensuring that the Board meeting's procedures are followed and that all applicable rules and regulations are complied with.

Directors, collectively or individually may seek independent professional advice in furtherance of their duties in the event such services are required. MEXIM also provides the Board full access to necessary materials and relevant information including the services of the Company Secretary in order for the Board to fulfil their duties and specific responsibilities.

Details of attendance of each Director on the Board and respective Board Committees of MEXIM during the financial year ended 31 December 2015 are as follows:

Name of Directors	Board Number of Meetings		BCC Number of Meetings		BRC Number of Meetings		NC Number of Meetings		RC Number of Meetings		BAC Number of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Director												
Datuk Mat Noor Nawi (Chairman) (Appointed on 1 October 2015)	3	3	5	5	-	-	-	-	-	-	-	-
Dato' Rosli Mohamed Nor	13	13	23	22	12	12	12	12	8	8	-	-
Dato' Sri Dr. Mohd Isa Hussain	13	7	23	21	-	-	12	11	8	7	-	-
Nik Najib Husain	13	13	23	21	-	-	12	12	8	8	6	6
Dato' Agil Natt	13	13	23	22	12	12	-	-	-	-	6	6
Ismail Mahbob ¹	11	13	23	22	3	2	12	12	8	8	4	4
Datuk Wong Seng Foo	13	13	23	20	12	11	-	-	-	-	6	6
YM Tunku Afwida Tunku A. Malek	13	10	23	21	12	12	-	-	-	-	6	6
Mohammad Fadzlan Abdul Samad ² (Appointed on 29 April 2015)	8	8	13	13	7	7	6	6	3	3	-	-
Datuk Syed Ahmad Helmy Syed Ahmad ³ (Appointed on 24 August 2015)	4	4	7	7	-	-	2	2	2	2	2	2
Directors who have ceased/resigned since the last report												
Datuk Mohd Hashim Hassan (Chairman) (ceased on 1 October 2015)	10	10	18	18	-	-	-	-	-	-	-	-
Dato' Adissadikin Ali (President/CEO) (resigned on 15 May 2015)	5	5	9	9	-	-	-	-	-	-	-	-

Notes:

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

1 Appointed as a member of BRC and discharged as a member of BAC with effect from 1 October 2015

2 Appointed as a member of the Board of Directors with effect from 29 April 2015 as well as the BCC, BRC, NC and RC with effect from 28 May 2015

3 Appointed as a member of the Board of Directors with effect from 24 August 2015 as well as the BCC, NC, RC and BAC with effect from 1 October 2015

CORPORATE GOVERNANCE DISCLOSURE REPORT





Training and Development of Directors

MEXIM places importance on on-going development of its Directors and encourages Directors to participate in courses or activities as this will serve to enhance their knowledge and performance as members of the Board and Board Committees. MEXIM regularly keeps Directors informed of relevant training courses for their consideration.

Newly appointed Directors are required to complete the Financial Institutions Directors' Education (FIDE) core programme developed by BNM and PIDM in collaboration with the International Centre for Leadership in Finance (ICLIF) as well as Basic Course or Onboarding Programme organised by Malaysian Directors Academy (MINDA). In addition, the Directors are also required to attend an induction programme coordinated by the Management of the Bank in order to facilitate new Directors with the necessary information and overview to assist them in understanding the operations of the Bank and appreciating the challenges and issues the Bank faces in achieving its objectives. The programme covers subject matters, amongst others, MEXIM business and strategy, work processes and Board Committee and the duties and responsibilities of Directors of financial institutions.

The Company Secretary facilitates the Directors' attendance of external seminars and programmes and keeps a complete record of the training received by the Directors. A comprehensive list of training programmes covering topics relevant to the Directors and training assessment is sent to all Directors at the beginning of the financial year to assess the training needs and identify key areas of focus for training programme.

In furtherance of the quest for continuous learning and acquisition of relevant skills and knowledge in order to enhance their business expertise and professionalism, the following are conferences, seminars and training programmes attended by the Directors for the financial year ended 31 December 2015:

Training Focus	List of Conferences/Seminars and Training Programmes
Corporate Governance 	<ul style="list-style-type: none"> • FIDE Core Programme • FIDE FORUM: Invitation To Industry Consultation Session - Non-Executive Directors' Remuneration Study • Corporate Directors Advanced Programme (CDAP) – Innovation : Building Innovation – Related Capabilities • FIDE Elective Programme: Advanced Corporate Governance • 6th Distinguished Board Leadership Series - Digital Transformation and Its Impact on Financial Services – Role of the Board in Maximising Potential • Corporate Directors Onboarding Programme (CDOP) • Launch of FIDE FORUM's Directors' Remuneration Report 2015 ("Report")
Economics 	<ul style="list-style-type: none"> • The International Directors Summit 2015 – Inculcating Innovation, Catalysing Growth Through Public-Private Partnership (Complimentary session - Keynote Address, Official Opening and Panel Discussion on New Ecosystem for Creativity and Sustainability) • FIDE FORUM: Second BNM-FIDE Forum Annual Dialogue with the Governor, BNM on the outlook of the Malaysian and world economy as well as insights into the current economic and financial issues in conjunction with the release of the 2014 BNM Annual Report and the 2014 Financial Stability and Payment Systems Report
Finance 	<ul style="list-style-type: none"> • Project Finance – Infrastructure Project Finance • Project Finance for Public Private Projects • Corporate Finance & Funding Strategies • CFO Programme • Mastering FRS on Financial Instruments-W3: Derivatives Valuation Methodologies
Audit, Compliance and Risk Management 	<ul style="list-style-type: none"> • Compliance, Regulation and Governance - Shariah Governance, Risk & Compliance • FIDE Elective Programme: Advanced Risk Governance and Risk Management

CORPORATE GOVERNANCE DISCLOSURE REPORT

Board Performance Evaluation

The individual performance assessment and performance evaluation of the Board of Directors of MEXIM is implemented based on MoF's Guideline to ensure the appointed Director contribute to the effectiveness of the role of the Board of Directors. This is undertaken upon the completion of every financial year and will also be used as the basis for the extension of the Director concerned.

The performance evaluation forms comprises of Director Peer Evaluation and Board Self Evaluation. It is designed to improve the Board's effectiveness as well as to draw the Board's attention to key areas that need to be addressed in order to maintain cohesion of the Board despite its diversity.

The findings will be presented and deliberated at the Nomination Committee and thereafter to the Board to enable the Board to identify its strength, areas for improvement and potential issues.

Directors' Remuneration

MEXIM 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.

1. Non-Executive Director (NED)

The NEDs' remuneration package generally commensurate the expertise, skills, responsibilities and the risks undertaken by the NEDs concerned. NEDs are entitled to monthly fees, meeting allowances and reimbursement of expenses incurred in the course of their duties as Directors. Remuneration of NEDs is decided by the shareholder following recommendation made by MEXIM.

2. Executive Director (ED)

The ED component parts of remuneration are structured so as to link rewards to corporate and individual performance. The make-up of the ED's remuneration consists of basic salary, performance bonus, benefits-in-kind and Employees Provident Fund (EPF) contribution. The ED is not entitled to fees nor entitled to receive any meeting allowances for the Board and Board Committee meetings attended. The performance of the ED is measured based on the achievements which is determined based on the individual Key Performance Indicators in a scorecard aligned with the corporate objectives and approved by the Board.

The following table outlines the remuneration on monthly fees and meeting allowances for MEXIM's NEDs:

	Directors' Fees (per month) (RM)	Meeting Allowance (per month) (RM)
Board		
Chairman	15,000.00	5,000.00
NED	5,000.00	3,000.00
		<i>*maximum once a month</i>
Board Credit Committee		
Chairman	-	5,000.00
Members	-	3,000.00
		<i>*maximum twice a month</i>
Board Risk Committee and Board Audit Committee		
Chairman	-	5,000.00
Members	-	3,000.00
		<i>*maximum once a month</i>
Nomination Committee and Remuneration Committee		
Chairman	-	4,000.00
Members	-	2,500.00
		<i>*maximum once a month</i>

CORPORATE GOVERNANCE DISCLOSURE REPORT

A summary of the total remuneration of the Directors, distinguishing between ED and NEDs, in aggregate with categorisation into appropriate components for the financial year ended 31 December 2015 is set out on page 136 of this Annual Report.

BOARD COMMITTEES

Delegation of certain of its governance responsibilities has been undertaken by the Board in favour of its Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for final decision on all matter lies with the entire Board. The Chairmen of the Board Committees will report to the Board on matters dealt with at their respective Committee Meetings.

The Board Committees are as follows:

1. Board Credit Committee (BCC)
2. Board Risk Committee (BRC)
3. Nomination Committee (NC)
4. Remuneration Committee (RC)
5. Board Audit Committee (BAC)

Board Credit Committee

Primarily responsible to perform supervisory and oversight role of credit approval and to ensure adequate credit consideration processes including risk management are in place.

The BCC shall have the following specific responsibilities on:

1. Veto power to challenge, reject credit and modify the terms of credits which have been approved by the full-time executive committee should the majority of the BCC be of the opinion that the loan/financing would expose the Bank to undue excessive risk.
2. To approve "policy loans/financing" and loans/financing/credit insurance which are required by the statute to be approved by the Board, provided that the initial filter of approval is conducted by the full-time executive committee.
3. Have full authority to seek/obtain any information it requires from any employee of the Bank and to commission any investigations, reports or surveys, which it deems necessary.

During the financial year ended 31 December 2015, the BCC met 23 times. Members of BCC and details of meeting attended by members are stated on page 45 of this Annual Report.

Board Audit Committee

The Board Audit Committee to review the financial condition of the Bank, its internal controls, performance and findings of the internal auditors, and to recommend appropriate remedial action regularly through its meeting, preferably at least once in three months.

The BAC presently comprises five members, exclusively Non-Executive Directors and chaired by the Independent Director.

The responsibilities of the BAC are as follows:

1. External Audit
 - Review with the external auditors, the scope of their audit plan, the system of internal accounting controls, the audit reports, the assistance given by the management and its staff to the auditors and any findings and actions to be taken. The BAC should also select external auditors for appointment by the Board each year and to review their compensation, the scope and quality of their work and their discharge or resignation.
 - Ensure co-ordination where more than one audit firm is involved.
2. Internal Audit
 - Oversees the functions of the Internal Audit Department and to ensure compliance with BNM/RH/GL 013-4 (Guidelines on Internal Audit Function of Licensed Institutions, UPW/GP1 (Standard Guidelines on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT), BNM/RH/GL-012-3 (Shariah Governance Framework for Islamic Financial Institutions) and the requirement of the relevant laws and regulations of others supervisory authority.
 - Review internal controls, including the scope of the internal audit programme, the internal audit findings, and recommend action to be taken by management. The reports of internal auditors and BAC should not be subject to the clearance of the Chief Executive Officer or Executive Directors.
 - Approve the Audit Charter before being endorsed by the Board, so that the internal audit function may be effectively discharged.
 - Approve the audit plan for the internal audit and should be flexible to respond to changing priorities and needs.
 - Ensure that adequate and appropriate resources are made available to the internal audit function and the compensation scheme of internal auditors are consistent with the objectives and demands of internal audit function.
 - Ensure that the continuing professional development for internal audit staff and to ensure that they have sufficient up to date knowledge of auditing and the activities of the Bank.

CORPORATE GOVERNANCE DISCLOSURE REPORT

3. Financial Reporting

- Ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, and bad and doubtful debts. Review the balance sheet and profit and loss account for submission to the full board of directors and ensure the prompt publication of annual accounts.

4. Related Party Transaction

- Review any related party transactions that may arise within the MEXIM group.

The BAC held 6 meetings during the financial year 31 December 2015. Members of the BAC and details of meeting attended by members are stated on page 45 of this Annual Report.

Board Risk Committee

Primarily responsible for effective functioning of the Bank's risk management function.

The BRC presently comprises six members, exclusively Non-Executive Directors and chaired by the Independent Director.

The BRC shall have the following specific responsibilities on:

1. Strategy and Policy

- Reviewing and recommending risk management philosophy and strategy to the Board for Board's approval.
- Reviewing and approving the risk management policies, controls and systems of the Bank in line with the Board approved risk management philosophy and strategy.
- Reviewing and proposing the setting of the risk appetite/tolerance of the Bank at enterprise and at strategic business unit levels to the Board.
- Approving new products/services, which are fundamentally different from the Bank's existing products/services, based on advice from the Management Risk Committee (MRC) and Risk Management Division. In case of approval granted, to notify the Board of the same in accordance with local regulatory requirements.
- Maintaining continued awareness of any changes in the Bank's risk profile to ensure that the Bank's business activities are in line with the overall risk strategy.

2. Organisation

- Overseeing the overall management of all risks including market risk management, asset and liability management, credit risk management, country risk management and operational risk management.

- Ensuring that there are clear and independent reporting lines and responsibilities for the overall business activities and risk management functions and recommending risk management derived organisational alignments where necessary to the Board.
- Cultivating a proactive risk management culture within the Bank so that risk management processes are applied in the day-to-day business and activities.
- Appropriating independent review of the Bank's risk management infrastructure, capabilities, environment and processes where necessary.

3. Measurement

- Approving risk methodologies for measuring and managing risks arising from the Bank's business and operational activities.
- Ensuring the appropriateness of the risk measurement methodologies (including assumptions made within the methodologies) under the prevailing business environment.
- Engaging external and independent reviewers for the validation of risk measurement methodologies and outputs.
- Reviewing and recommending broad-based risk limits to the Board for approval and ensuring the risk limits are appropriate for the Bank's business activities.
- Approving detail risk limits based on broad-based risk limits as approved by the Board and ensuring the risk limits are appropriate for the Bank's business activities.

4. Processes and Technology Enabler

- Ensuring sufficient internal controls to detect any deficiencies in the internal control environment in a timely manner; reviewing the independence and robustness of risk management processes and internal controls throughout the Bank; and approving the Bank's key risk control and mitigation processes.
- Periodically reviewing risk exposures of the Bank in line with its risk strategy and objectives.
- Determining and empowering (to the MRC or members of management) the authority to approve deviations from limits and the extent of deviations from limits.
- Approving the contingency plan for dealing with various extreme internal/external events disasters.
- Ensuring the adequacy of tools, systems and resources for the successful management of risk management functions within the Bank.
- Reviewing the progress of all core risk management initiatives within the Bank.

The BRC met 12 times during the financial year ended 31 December 2015. Members of BRC and details of meeting attended by members are stated on page 45 of this Annual Report.

CORPORATE GOVERNANCE DISCLOSURE REPORT

Remuneration Committee

The primary objective of the Remuneration Committee is to provide a formal and transparent procedure for developing a remuneration policy for Directors, President/Chief Executive Officer (P/CEO), Deputy President Operations (DPO), Deputy President Business (DPB), Chief Financial Officer (CFO), Chief Risk Officer (CRO) and Chief Credit Officer (CCO) and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategies.

The RC presently comprises six members, exclusively Non-Executive Directors and chaired by the Independent Director.

The functions and responsibilities of the RC are as follows:

1. To propose and recommend to the Board the remuneration policy and guidelines for the Directors, P/CEO, DPO, DPB, CFO, CRO and CCO of MEXIM. The remuneration policy should:
 - i) Be documented and approved by the board and any changes thereto should be subject to the endorsement of the Board;
 - ii) Be competitive and align to market to ensure its sufficient to attract and retain key talents within the organization and the need to manage the Bank successfully;
 - iii) Be reflective of its accountability and job descriptions in carrying out their duties as senior management members of the Bank; and
 - iv) Be balanced against the need to ensure that the funds of the Bank are not used to subsidise excessive remuneration package and to ensure that the remuneration are in line with the current industry best practices.
2. To propose or review and recommend to the Board the specific remuneration packages for Directors, P/CEO, DPO, DPB, CFO, CRO and CCO of MEXIM. The remuneration packages should:
 - i) Be based on an objective consideration and approved by the Board;
 - ii) Reflect the experience and level of responsibility borne by individual Directors, P/CEO, DPO, DPB, CFO, CRO and CCO.
 - iii) Take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Director, P/CEO, DPO, DPB, CFO, CRO and CCO concerned;
 - iv) Not be decided by the exercise of sole discretion of any one individual or restricted group of individual; and
 - v) Be competitive and is consistent with the Bank's culture, objective and strategy.
3. To recommend to the Board with regards to the payment guideline for staff bonus and annual salary increment of the company.

During the financial year ended 31 December 2015, the RC met 8 times. Members of RC and details of meeting attended by members are stated on page 45 of this Annual Report.

Nomination Committee

The primary objective of the Nomination Committee is to establish a documented, formal and transparent procedure for the appointment of Directors, P/CEO, DPO, DPB, CFO, CRO and CCO (or its equivalent respectively) and to assess the effectiveness of individual directors, the Board as a whole and the various committees of the Board, the P/CEO, DPO, DPB, CFO, CRO and CCO.

The NC presently comprises six members, exclusively Non-Executive Directors and chaired by the Independent Director.

The functions and responsibilities of the NC are as follows:

1. To establish minimum requirements for the Board and the P/CEO to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the board in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, and mix of skills and other core competencies required, through annual reviews;
2. To recommend and assess the nominees for directorship, the directors to fill board committees, as well as nominees for the P/CEO. This includes assessing directors and P/CEO proposed for reappointment, before an application for verification is submitted to Bank Negara Malaysia;
3. To establish a mechanism for formal assessment and assess the effectiveness of the board as a whole, the contribution by each director to the effectiveness of the board, the contribution of the board's various committees and the performance of the board's various committees;
4. To recommend to the board on removal of a director if he is ineffective, errant or negligent in discharging his responsibilities;
5. To ensure that all Directors undergo appropriate induction programmes and receive continuous training;
6. To oversee appointment, management succession planning and performance evaluation of P/CEO, DPO, DPB, CFO, CRO and CCO, and recommending to the board the removal of DPO, DPB, CFO, CRO and CCO, if they are ineffective, errant and negligent in discharging their responsibilities; and
7. To formulate, review and recommend to the Board in respect of human resource development (training) policies and human resource management policies, including the terms & conditions of service of the company.

The NC held 13 meetings during the financial year 31 December 2015. Members of the NC and details of meeting attended by members are stated on page 45 of this Annual Report.

RISK MITIGATION

The Board of Directors (Board) of Export-Import Bank of Malaysia Berhad (EXIM Bank/MEXIM) is cognisant of the principles and best practices of Corporate Governance as set out in Bank Negara Malaysia's Guidelines on Corporate Governance for Development Financial Institutions (BNM/RH/GL 005-14). The Board is committed to uphold good corporate governance and endeavours to continuously advocate for transparency, accountability, responsibility and integrity. This commitment enables the Bank to achieve an optimal governance framework and maximise shareholder value, as well as to lay a solid foundation for MEXIM to carry out its policy role and even realise sustainable, long-term growth.

RISK MANAGEMENT FRAMEWORK

The Bank's risk management framework, which governs its risk management initiatives, is comprised of four elements:



- Strategy** refers to clear risk management strategies that enable the Bank to control and manage its risks.
- Organisation** refers to a risk based organisation structure with appropriate checks and balances and focus on responsibilities in relation to risk management.
- Processes and Enablers** refer to common, continuous and consistent application of a standard risk management process across all levels within the Bank's organisation. Enablers are operational and management tools that are established to support and monitor the effectiveness of the risk management processes.
- Measurement and Control** refers to comprehensive measurement of risks undertaken by the Bank with risk control mechanisms that act to limit the effect of the measured risks.

RISK MITIGATION

RISK MANAGEMENT STRATEGIES

The Bank's risk management strategies were formulated based on the objective of protecting its capital from potential losses through effective management of risks which arise from fulfilling its vision to become a leading financial institution for Malaysia's cross-border ventures. In order to achieve the above objective, the Bank has identified the following risk strategies:

- a. **Clear Responsibilities for Risk Management**
The Bank clearly defines the roles and responsibilities of parties involved in the entire risk management process. The ultimate responsibility for understanding the risks run by the Bank and ensuring that they are properly managed lies with the Board. The Bank's management team (the "Management") is responsible for overseeing day-to-day management of risk.
- b. **Integrate Risk Management in all Decision-making Processes**
As risk management is an essential component of good management, the Bank integrates risk management into its existing strategic management and operational processes.
- c. **Comprehensive Assessment of Risks on all Activities**
All material risks faced by the Bank are assessed. Risk assessment is conducted based on consistent application of the following process: identification of risk, measurement of risk and evaluation of risk.
- d. **Effective Risk Control Mechanisms**
Risk control mechanisms include policies, guidelines, procedures and risk limits. Each risk control ensures that each risk has a process or measure to help contain or control that risk and that such process or measure is being applied and works as intended. The Bank ensures that a proper risk control mechanism is established for each of its key risk areas.
- e. **Adequate System for Monitoring and Reporting**
The Bank ensures the adequacy of its systems for monitoring and reporting risk exposures by assessing how the Bank's changing risk profile affects the need for capital. The Board and Management receive reports on the Bank's risk profile and capital needs on a regular basis.

- f. **Effective Internal Control Review**

The Bank has established an effective internal control review system to support its risk management process. Effective control of the risk management processes includes an independent review and, where appropriate, the involvement of internal or external audits.

- g. **Operational Risks**

Operational risk is the risk that is not inherent in financial, systematic or market-wide risk. It is the risk remaining after determining financing and systematic risk, and includes risks resulting from breakdowns in internal procedures, people and systems.

HOW WE IDENTIFY RISK PRIORITIES

1. **Asset Liability Management**
 - Manage the Bank's capital management activities based on the Bank's Capital Management Framework.
 - Catalyst to drive export - requirement for adequate capital, and sufficient liquidity continue to increase.
2. **Credit Risk Management**
 - Credit approvals within prudential limits.
 - Risk mitigating factors to be built in i.e. insurance cover, security and collateral.
 - Diversify portfolio risk.
3. **Compliance**
 - Improving regulatory compliance through bank-wide initiatives and programmes i.e. trainings, formation of FEA committee and etc.
4. **Shariah Risk**
 - The Bank is to comply with the Shariah Governance Framework issued by the Bank Negara Malaysia.
 - Ensure that all operations and business activities related to Islamic Financing are in accordance with Shariah.

SHARIAH GOVERNANCE DISCLOSURE REPORT

1. OBJECTIVE

Shariah Committee (SC) is responsible in ensuring that the Islamic banking and takaful business activities of MEXIM are in compliance and conforms with Shariah rules and principles.

2. COMPOSITION

During the financial year ended 31 December 2015, the SC consists of six (6) members.

During the year, eight (8) series of meeting were held. The details of attendance of each SC members are as follows:

No.	Name of SC Members	No. of Meetings Attended
1	Dato' Dr. Mohd Ali Haji Baharum (Deceased on 26 April 2016)	8/8
2	Dr. Suhaimi Ab. Rahman	8/8
3	Assoc. Prof. Dr. Zulkifli Hasan	8/8
4	Dr. Zaharuddin Abd. Rahman	8/8
5	Assoc. Prof. Dr. Mek Wok Mahmud	8/8
6	Dr. Sharifah Faigah Syed Alwi	8/8

3. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the SC are governed by the Shariah Governance Framework for Islamic financial Institutions issued by Bank Negara Malaysia.

a. Responsibility & Accountability

The SC shall be responsible and accountable for all Shariah decisions, opinions and views provided by them.

b. To advise the Board on Shariah matters in its Islamic business operation

The SC shall advise the Board on Shariah matters in order to ensure that the Islamic business operations of the Bank comply with Shariah principles at all times.

c. To endorse Shariah Policy and Procedure

The Shariah Policy and Procedure shall be endorsed by the SC to ensure that the contents do not contain any elements which are not in line with Shariah.

d. To endorse and validate relevant documentations

To ensure that the Islamic financing products of the Bank comply with Shariah principles in all aspects, the SC must endorse the following:-

- (i) The terms and conditions contained in the proposal form, contract, agreement or other legal documentation used in executing the transactions; and
- (ii) The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

SHARIAH GOVERNANCE DISCLOSURE REPORT

e. Assess work carried out by Shariah review, research, compliance and audit

Assess work carried out by Shariah review, research compliance and audit functions in order to ensure compliance with Shariah matters in its Islamic business operations.

f. To assist related parties on Shariah matters for advice upon request

The related parties of the Bank such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the SC.

The SC is expected to provide assistance to them so that the compliance with Shariah principles can be assured completely.

g. To advice on matters to be referred to the Shariah Advisory Council (SAC), BNM

The SC may advise the Bank to consult the SAC on any Shariah matters, which have not been resolved or endorse by the SAC.

h. To provide written Shariah opinion

The SC is required to record any opinion given. In particular, the Committee shall prepare written Shariah opinions in the following circumstances:

(i) Where the Bank make reference to the SAC for advice; or

(ii) Where the Bank submits application to BNM for new product approval. The SC shall provide the endorsement and decision with regard to the Shariah compliance on the concept and the mechanism/structure of every new product, furnishing the relevant *fiqh* literature, supporting evidence and reasoning. The endorsement shall be in the form of a letter and a copy of the Shariah paper presented to the SC.

i. To assist the SAC of BNM on reference for advice

The SC must explain the Shariah issues involved and the recommendations for a decision. It must be supported by relevant Shariah jurisprudential literature from the established sources.

The SC is also expected to assist the SAC on any matters referred by the Bank. Upon obtaining any advice of the SAC, the SC shall ensure that all SAC's decisions are properly implemented by the Bank.

j. To recommend on the appointment and reappointment of SC members and the Chairman

The SC may recommend on the appointment and reappointment of SC members and the Chairman for consideration and submission to Nomination Committee and Board of Directors.

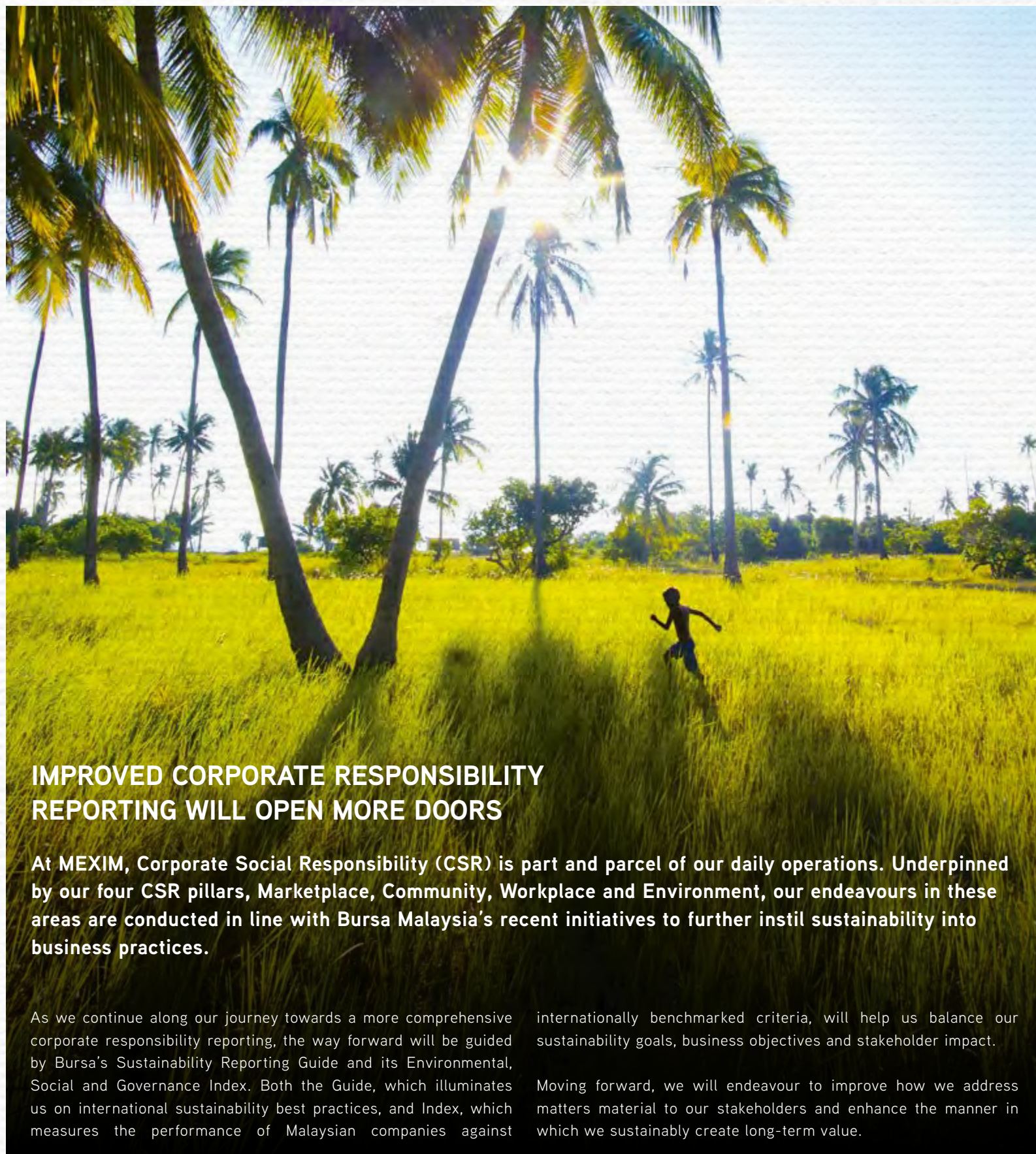
k. To review, verify and recommend to the Board on financial year report of Islamic finance business and activities

The SC shall review, verify and recommend to the Board that the financial year report on Islamic financing business and activities that does not contravene with Shariah principles.

l. Represent the Bank or to attend any meetings with the SAC or other relevant bodies pertaining to any Shariah issues relating to the Bank's Islamic business and operation.

m. The SC shall maintain the confidentiality of the Bank's internal information. All information shall be kept in strict confidence, except when disclosure is authorised by the Bank or required by the law.

CORPORATE SOCIAL RESPONSIBILITY REPORT



IMPROVED CORPORATE RESPONSIBILITY REPORTING WILL OPEN MORE DOORS

At MEXIM, Corporate Social Responsibility (CSR) is part and parcel of our daily operations. Underpinned by our four CSR pillars, Marketplace, Community, Workplace and Environment, our endeavours in these areas are conducted in line with Bursa Malaysia's recent initiatives to further instil sustainability into business practices.

As we continue along our journey towards a more comprehensive corporate responsibility reporting, the way forward will be guided by Bursa's Sustainability Reporting Guide and its Environmental, Social and Governance Index. Both the Guide, which illuminates us on international sustainability best practices, and Index, which measures the performance of Malaysian companies against

internationally benchmarked criteria, will help us balance our sustainability goals, business objectives and stakeholder impact.

Moving forward, we will endeavour to improve how we address matters material to our stakeholders and enhance the manner in which we sustainably create long-term value.

CORPORATE SOCIAL RESPONSIBILITY REPORT

BEYOND BANKING: OTHERS BEFORE SELF

How MEXIM views CSR

The Bank approaches CSR with the same spirit and drive as it does its business operations, based on a commitment to honesty, openness and transparency to all its stakeholders. Whether one is a client, shareholder, employee, government regulator or member of the general public, the Bank treats everyone with respect and integrity. MEXIM's CSR pillars help it to consolidate its efforts in addressing key issues affecting different segments of society and the shared environment.

These pillars are:

ENVIRONMENT

The Bank champions the betterment of the environment among its employees and stakeholders through support for various environmental initiatives by the government and NGOs.

WORKPLACE

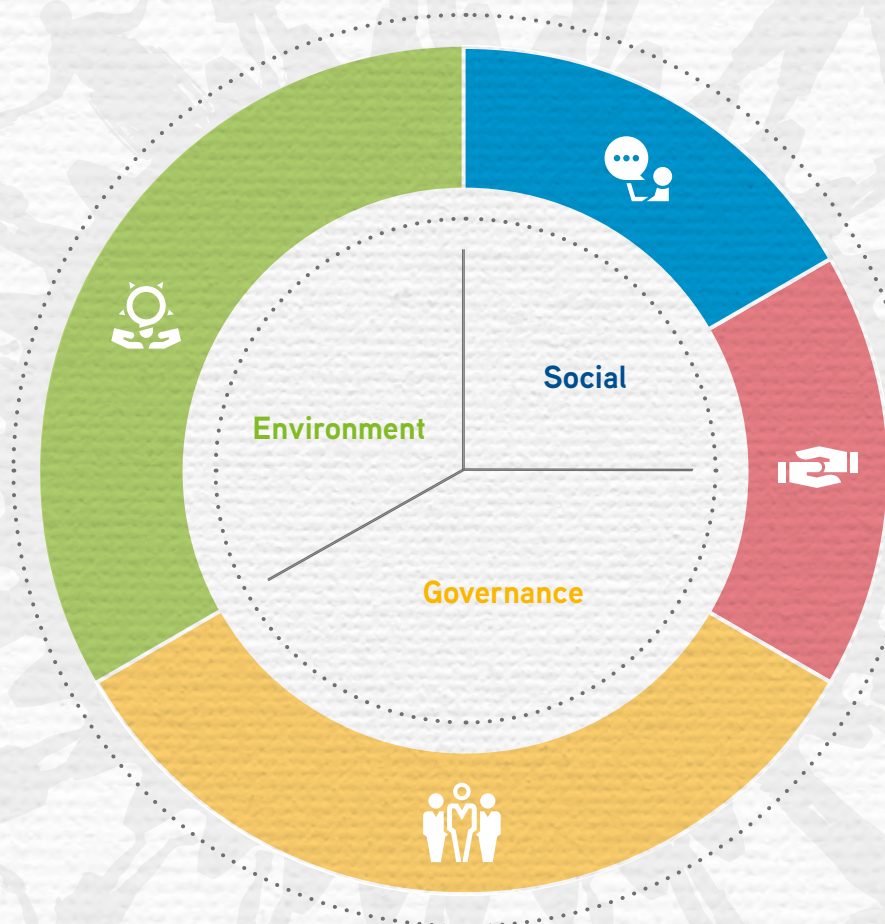
MEXIM's high-performance work culture is efficient and effective, resulting from the deliberate creation of a conducive and supportive workplace environment for all employees.

COMMUNITY

MEXIM stands with the communities in and around its areas of operations, and is a responsible corporate citizen that both listens to and assists those in need.

MARKETPLACE

The Bank's outreach efforts in the marketplace builds on its reputation across industries and sectors, and its initiatives enable it to connect businesses with people, share best practices and contribute towards advancements in the economy.



CORPORATE SOCIAL RESPONSIBILITY REPORT

THE CSR PROCESS

1 COMMITMENT

It begins with a genuine commitment towards being responsible and changing for the betterment of society.

2 ASSESS

We then assess the opportunities and impact of our socially responsible actions.

3 DEFINE

To achieve concrete results, we define our goals, strategies and policies.

4 IMPLEMENT

Only then do we implement them.

5 COMMUNICATE

We communicate and engage with stakeholders to facilitate continuous improvements.

6 MEASURE

Finally, we measure and monitor our impact, progress and achievements.

AT A GLANCE

MEXIM CONTRIBUTED

TOWARDS THE PROGRESS OF MANY INDUSTRIES INCLUDING



THE MALAYSIAN PALM OIL AND AUTOMOTIVE SECTORS.

WE ENGAGED WITH

THE COMMUNITY AND TOUCHED THOUSANDS



OF LIVES
ACROSS THE NATION.

OVER 70 NGOs
HAVE BEEN SUPPORTED



BY MEXIM TO IMPROVE THE LIVES
OF THE NEEDY.

MEXIM MOVED INTO
THE NEXT LEVEL OF ITS GREEN
PROJECT,



TO INSTIL THE IMPORTANCE OF
PRESERVING OUR ENVIRONMENT.

EMPLOYEES & THEIR FAMILIES
WORKED TOGETHER TO CLEAN UP



THE KROH RIVER IN FRIM.

CORPORATE SOCIAL RESPONSIBILITY REPORT



MARKETPLACE

As one of Malaysia's Development Financial Institution dedicated towards promoting trade, MEXIM's responsibility to the nation and its clients goes beyond financial products and services; it also includes helping our communities realise their aspirations.



Puan Norzilah Mohammed, President/Chief Executive Officer (P/CEO) received a token of appreciation from representative of MICCI, Mr. Tay Beng Chai.

The year under review was one where the Bank contributed strongly towards the domestic palm oil industry, a key sector for the nation. We supported various initiatives by the Malaysian Palm Oil Council (MPOC), such as the MPOC Palm Oil Internet Seminar 2015 and the Malaysia-Philippines Palm Oil Trade Fair & Seminar 2015. Through these events, we were able to help palm oil players understand issues affecting the

industry, enhance their knowledge, share ideas and create networking platforms in the domestic and international arenas.

Furthermore, we also contributed to the Asian Organization of Supreme Audit Institutions (ASOSAI) Assembly 2015 which aimed to upskill local public sector auditors and provide them with the opportunity to learn from international attendees and speakers.

In April, the Bank was a sponsor of the Modenas Vendors Conference, an annual sales strategy event for Modenas vendors. A month later, in May 2015, MEXIM's helped sponsor the Islamic Finance News (IFN) Asia Forum 2015 which was aimed at increasing awareness on and participation from Asian Islamic capital markets on matters pertaining to sukuk and other Islamic products as a viable alternative to conventional financing. MEXIM was also involved in sponsoring

CORPORATE SOCIAL RESPONSIBILITY REPORT



Cheque presentation from the sponsors for Malaysian Press Institute (MPI).



Student visit from Politeknik Ungku Omar.

appreciation events such as the Malaysia India Business Council Dinner and Malaysian Press Institute's Journalist Night.

In an effort to engage with and educate Malaysia's future leaders, the Bank facilitated several student visits to its headquarters. The Bank had the pleasure of hosting students from two (2) local universities, UiTM Melaka and UiTM Machang, Kelantan, as well as one (1) from

Politeknik Ungku Omar. These visits enabled students to learn about international finance, gain business knowledge and understand what skills were needed to gain employment in financial institutions like MEXIM.

In November 2015, our P/CEO, Norzilah Mohammed, spoke at the Malaysian International Chamber Of Commerce and Industry (MICCI) Business Tea Talk and Networking event, Going

SHARING KNOWLEDGE, BUILDING BRIDGES

In 2015, MEXIM contributed towards the success of various key events for Malaysian industries.

Global, which was held at our headquarters. At the event, attendees were shown how the Bank furthered national economic development initiatives, especially in the area of exports, through its financial services and products. Malaysian SMEs and businesspeople were given the opportunity to explore how possibilities could be unlocked through close partnership with MEXIM.

Beyond these efforts, and for the past two (2) consecutive years, MEXIM also participated and contributed to Tabung Haji's main annual programme, Program Sahabat Korporat TH. In 2015, MEXIM sponsored two (2) guidebooks entitled Panduan Ibadat Haji Wanita and Risalah Ziarah Makkah dan Madinah with 15,000 and 25,000 printed copies respectively. These guidebooks were distributed to pilgrims during *bulan haji*.

Throughout the year, MEXIM assisted a wide range of Malaysian industries to produce a greater combined effect for the economy. Through our endeavours in the Marketplace, MEXIM will continue to help businesses attain their goals and facilitate the nation's progress towards developed nation status.

CORPORATE SOCIAL RESPONSIBILITY REPORT



COMMUNITY

MEXIM is a responsible corporate citizen with a role to play in ensuring the well-being of society. Across the nation, there are many of those who are in need. We are always listening and are at-the-ready to respond.

In 2015, the Bank continued to touch the lives of thousands through financial aid, material aid and personal interaction. When MEXIM staff are close to the ground, they are able to learn about the needs and hear about the hopes and dreams of many. MEXIM is proud to be able to support the needy as well as celebrate the joys of life with them, particularly during festivals. Ramadhan was a hectic yet fulfilling month for the Bank as it hosted several events for the less fortunate where there were feted to 'buka puasa' delights and given financial and material aid. The Management and staff both participated in these festivities and shared many happy moments with their fellow brothers and sisters during the holy month.

During the 'Berbuka Puasa' Treat event, at our headquarters, 70 children received 'duit raya' from MEXIM and its media guests, and the Bank also gave a RM5,000 cheque to Pertubuhan Kebajikan Ehsan As-Shakur for the upkeep of its home. We believe in the personal touch and community engagement efforts such as this enables us to interact directly with our beneficiaries.

Such events are made possible due to the efforts of our Mawaddah



The siblings received their house key upon completion of their new home at Kg. Merbok, Kedah.

Committee, which manages funds under our Mawaddah account for the less fortunate. Young and old, urban and rural, the Committee channelled funds to those in need as well as conducted due diligence on the progress of MEXIM's beneficiaries. It also assessed and approved new donation requests, and beneficiaries included those with physical, health and mental challenges, students, orphans, widows, religious institutions and many others.



The orphan is trying out her new 'baju kurung' with assistance of MEXIM staff.

CORPORATE SOCIAL RESPONSIBILITY REPORT

STRENGTHENING INDIVIDUALS IN THE COMMUNITY

We aim to empower individuals in society just as how we enable each and every member of our organisation to be able to perform at their best.



Puan Norzilah, P/CEO, is presenting the mock-check to PPR Hiliran Ampang Representative.



MEXIM staff's participation during the 'Feed the Homeless' programme.

One such recipient of the funds under MEXIM's Mawaddah account was a family of four (4) orphans who had lived in a dilapidated shack since their parents passed away. A house was built for them, complete with basic necessities, at a cost of RM50,000. During the handing over ceremony, Puan Norzilah delivered the house key to the eldest brother and she also stated that the Bank would continue to assist charities and enable the less fortunate.

Furthermore, MEXIM also donated RM5,000 to Persatuan Perpaduan Penyumbang Insani KL (ZUBEDY) for their annual servesomethingnice campaign. The donation was distributed to the homeless through their Feed The Homeless initiative, which is a part of the campaign. Staff from MEXIM as well as representatives from various organisations volunteered to distribute the donation to those in need.

During the year, MEXIM distributed its annual zakat to over 200 individuals totalling RM260,442.15.

To-date, over RM300,000 in zakat has been given to improve the lives of the needy and over 70 NGOs have been supported by MEXIM.

CORPORATE SOCIAL RESPONSIBILITY REPORT



WORKPLACE

Investing time and effort into creating a conducive and positive workplace enables our key asset, our people, to reach their full potential and ensure that the Bank continues to perform highly.



'Trust and unity' – one of the activities during MEXIM's Teambuilding 2015 held at Port Dickson.

We aspire, at all times, to be an employer that prioritises good labour and human rights practices and one that is dedicated towards realising the full potential of each and every individual staff, which come from diverse backgrounds. As such, we are driven to create the right environment for our people to shine.

The Bank is a competitive employer that invests in and recognises the importance of appreciating its employees and, consequently, is able to attract and retain talents who are engaged and successful. The efficacy of the Bank's investments into its staff is evidenced by its ability to win many awards over its past two decades of operations, particularly those that involve ground-breaking trade finance deals and programmes that bolster Malaysia's economic progress.

Every year, the Bank awards long-serving employees—those with over 10 years of service—with a Long Service Award in recognition of their dedication to the organisation. In 2015, MEXIM celebrated 26 such employees.

The Bank also celebrates its staff in other annual events. Activities aimed at further strengthening staff morale and cohesion

CORPORATE SOCIAL RESPONSIBILITY REPORT

ENGAGED. ENERGISED. EMPOWERED

An engaged, energised and empowered employee reflects the culture of an organisation and ours is one where the workplace is a significant priority for investments of time, effort and resources.



Celebrating the MEXIM staff's children on their outstanding academic performance.



EXIMers selflessly lending support to the flood victims.



One of the sports activities during MEXIM's Annual Family Day at Swiss Garden Damai Laut, Lumut, Perak.

during the year included team and employee-family activities such as MEXIM's Annual Family Day, staff birthday celebrations and various sporting events managed by MEXIM's Sports Club, Kelab Sukan dan Sosial EXIM Bank (KSSEB) and others. During the year, MEXIM also organised team building events that were attended by all staff. The staff were divided into eight (8) groups and the events were carried out in batches over two (2) months, from April to May 2015.

Moreover, MEXIM's Emergency Response Team (ERT), comprised of 48 responders drawn from the staff, were further upskilled and trained to address a variety of crises that could potentially occur. As the frontline responders during emergencies, their primary responsibilities include the safe and efficient evacuation of all personnel during such situations and assistance in mitigating untoward incidences. The 48 individuals are

assigned to different teams, which are the Evacuation, Search and Rescue, Fire and Medical teams. The ERT initiative is part of the Bank's Business Continuity Management (BCM) strategy, and the teams undergo training on a yearly basis.

CORPORATE SOCIAL RESPONSIBILITY REPORT



ENVIRONMENT

Living green means one has to be green at home, at play and at work.



Appreciation received by En. Thariq Abdullah, Head, Corporate Services of MEXIM, from the FRIM representative after the cleaning up session at Kroh River.

On-going environmental campaigns and initiatives throughout the years have inculcated a strong sense of environmental awareness in our employees.

In June, MEXIM helped sponsor the Perak International Ecotourism Symposium 2015, which was an event aimed at bolstering ecotourism in Perak's local communities. Then, in September, a focused environmental initiative was undertaken when the Bank organised its River Cleaning Programme. More than 50 staff and their family members worked together to clean up the Kroh River at the Forest Research Institute of Malaysia (FRIM). The objective of this programme was to make a conscious effort to keep our rivers clean, in the hopes that it will facilitate the smooth flow of water through urban areas on to mangroves that filter the water before it disperses into the sea.



LED lights being installed in one of the meeting rooms.

CORPORATE SOCIAL RESPONSIBILITY REPORT

TOTAL GREEN LIVING

On-going environmental campaigns and initiatives throughout the years have inculcated a strong sense of environmental awareness in our employees.

The Bank's previous environmental impact project involved the refurbishment of the ground floor of the Bank's headquarters with LED lighting, a solution that is more energy saving and efficient than fluorescent lamps. In 2015, the Bank continued with its plans to increase the lighting efficiency of its entire headquarters, and this effort will be carried out in stages.

Additionally, MEXIM has been using recycled papers to produce its various collaterals, including its annual reports and calendars. The effort to reduce the use and wastage of precious natural resources has not only helped MEXIM to focus more on environmental preservation, but the Bank's green endeavour has also rendered benefits to the workplace.



Installation of LED Lights by MEXIM staff at Rumah Kasih Sayang, Bandar Tasik Puteri.

EVENT HIGHLIGHTS



EVENT

9 March - Islamic Finance News (IFN) Awards 2015



EVENT

13 April - Chairman of Malaysian Press Institute (MPI) received a sponsorship cheque from MEXIM



EVENT

28 April - Star Business Awards (SOBA) Launch



EVENT

25 May - Farewell session for Dato' Adissadikin



VISIT

9 June - Visit from The Public Authority for Investment Promotion & Export Development, Oman



EVENT
HIGHLIGHTS

CONFERENCE

1 July - Malaysia SME Congress 2015, Setia City Convention Centre



EVENT

31 July - Secretarial for the Advancement of Malaysian Entrepreneur (SAME) Business talk



EVENT

4 August - Appreciation Ceremony for "Sahabat Korporat TH" Sponsorship to Tabung Haji



VISIT

11 August - Study visit by the Officials from Swaziland



EVENT

27 August - MEXIM's 20th Anniversary Celebration



VISIT

28 August - Courtesy Visit by the Ambassador of Hungary



EVENT HIGHLIGHTS



EVENT

29 September - Farewell Luncheon for
Datuk Mohd Hashim Hassan



SIGNING CEREMONY

26 October - Construction Industry Development Board (CIDB)
- Pledge of Support Signing Ceremony



CONFERENCE

27 October - 6th Muslim World BIZ 2015 Conference by Organisation of Islamic Cooperation (OIC)



EVENT

21 November - Star Business Awards (SOBA) night



EVENT HIGHLIGHTS



CONFERENCE

2 December - 21st Annual Meeting of the ASIAN EXIM BANKS CEOs FORUM 2015 in Tokyo, Japan



EVENT

1 December - MoU Signing between MEXIM and EXIM India



EVENT

11 December - Matrade Exporters Forum, Alor Setar





MUSTAFA MOHAMMED (Baru) beramah mesra dengan para pemimpin dalam Perhimpunan Ekonomi 2015 di Kuala Lumpur semalam. - UTUSAN/REUTERS/AGENCE FRANCE PRES

賀長：去年批准12计划
生物质投资达8290万

2015年生物质项目投资达8290万元，同比增长12%。这是中国生物质投资历史上最高的一年。

生物质能是一种可再生资源，具有环保、低碳等优点。随着国家对清洁能源的重视，生物质能产业得到了快速发展。

Terima anugerah paling inovatif

Export-Import Bank of Malaysia Bhd (EXIM Bank) dinamakan antara penerima anugerah 'Urus Niaga Kewangan Islam Paling Inovatif Tahun 2014 di Asia Tenggara'.

EXIM Bank berkata, ia diberikan anugerah berkenaan oleh Alpha South-East Asia Magazine berikutan terbitan sukunya AS\$300 juta (RM1.07 bilion).

Industri biomass bank tingkat pendapatan

Industri biomassa dianggap sebagai sektor yang berpotensi meningkatkan pendapatan negara. Dengan adanya bank biomassa, perusahaan dapat mengakses pembiayaan yang lebih mudah untuk mengembangkan proyek-proyek biomassa.

EXIM diiktiraf

Export-Import Bank of Malaysia Bhd (EXIM Bank) telah diiktiraf sebagai bank yang paling inovatif dalam menguruskan transaksi perdagangan antarabangsa. Ini menunjukkan kepercayaan yang tinggi terhadap bank ini oleh masyarakat dan industri.

Insuring against high risk trade can increase exports

Trade credit insurance helps exporters mitigate the risks of payment defaults in countries with security risks. By insuring receivables against non-payment or late payment, businesses are assured of profitability as well as liquidity.

EXIM Bank dilantik Mat Noor sebagai PBE

KUALA LUMPUR 30 Sept. - Export-Import Bank of Malaysia Bhd. (EXIM Bank) mengumumkan pelantikan bekas Timbalan Ketua Setiausaha Perbendaharaan (Dasar), Kementerian Kewangan, Datuk Mat Noor Nawi (gambar) sebagai Pengerusi Bukan Eksekutif (PBE) syarikat ini berkuat kuasa esok.

EXIM Bank berkata, Mat Noor yang bersama wajib pada 6 Jun lalu, dilantik memegang jawatan berkenaan bagi menggantikan Datuk Mohd. Hashim Hassan yang tempoh perkhidmatannya berakhir.

Look overseas, SMEs urged

A forum by the Secretariat for the Advancement of Malaysia Entrepreneurs (SAME) says local businesses must look at venturing abroad, with Exim Bank saying it's ready to lend assistance, financial or otherwise. LIM WING HOON reports.

Exim Bank galakkan lebih PKS eksport-import

Bank ini akan menyediakan pembiayaan untuk PKS yang ingin melakukan transaksi perdagangan antarabangsa. Dengan adanya Exim Bank, PKS dapat mengakses pembiayaan yang lebih mudah untuk mengembangkan bisnis mereka.

EXIM Bank bantu kanak-kanak tidak bermasib

EXIM Bank telah membantu beberapa kanak-kanak yang mengalami masalah ekonomi. Dengan adanya bank ini, kanak-kanak dapat mengakses pembiayaan yang lebih mudah untuk mengembangkan bisnis mereka.

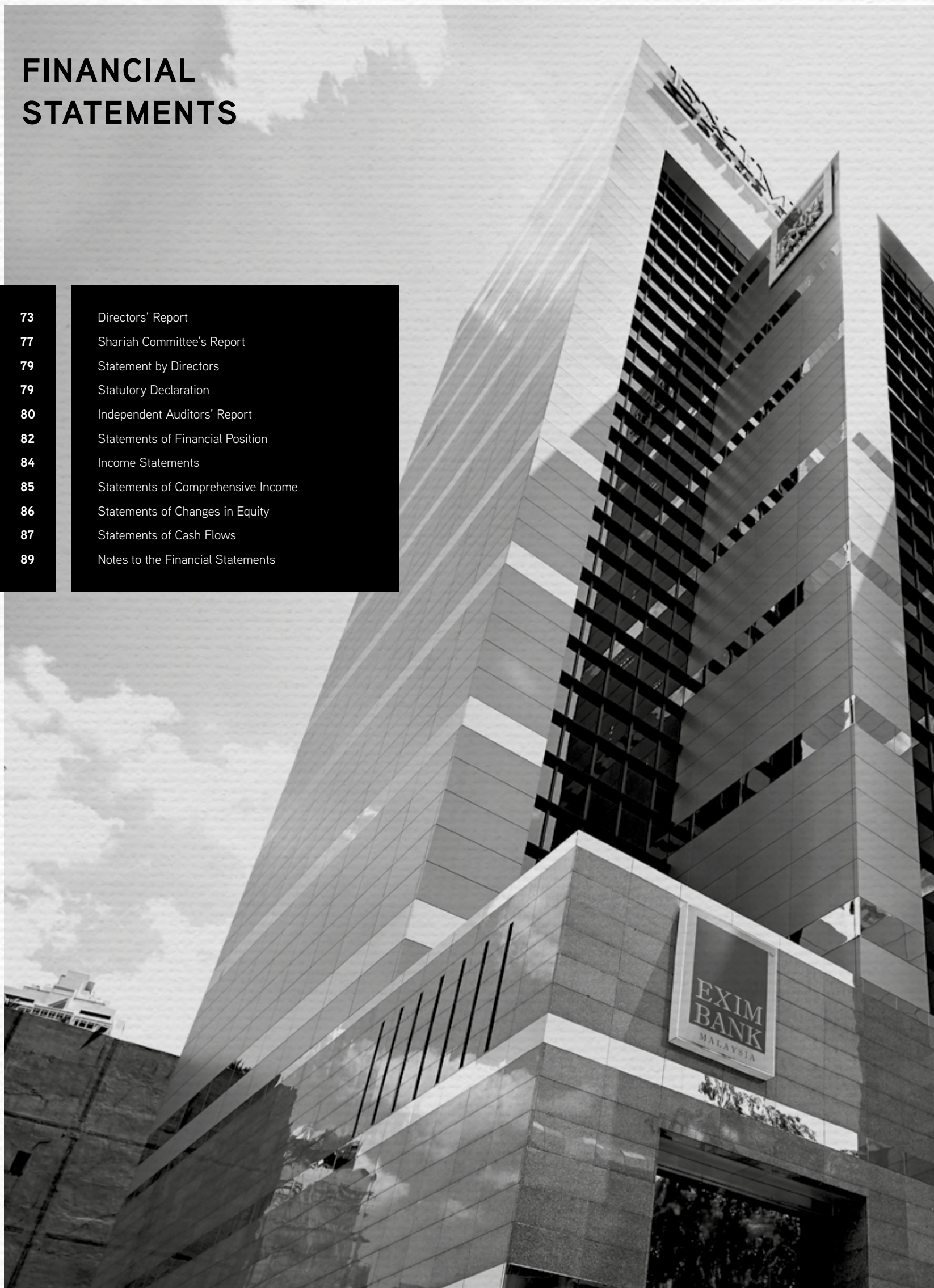
Program Sahabat Korporat TH prihatin kebajikan jemaah

TH telah melaksanakan Program Sahabat Korporat TH (THSC) untuk membantu jemaah yang mengalami masalah ekonomi. Dengan adanya program ini, jemaah dapat mengakses pembiayaan yang lebih mudah untuk mengembangkan bisnis mereka.

G H L I G H T S

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors hereby present their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the business of conventional and Islamic banking in the promotion and support of export, import and investment for the country's development by granting credit, issuing guarantees and providing other related services. The Bank is also engaged in the provision of export and domestic credit insurance, takaful facilities and trade related guarantees to Malaysian companies.

The principal activities of the subsidiaries and the jointly controlled entity are as disclosed in Note 13 to the financial statements.

There have been no other significant changes in the nature of the Group's and Bank's principal activities during the financial year.

RESULTS

	Group RM'000	Bank RM'000
Profit for the year	25,163	25,163

There were no material transfers to or from reserves during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the Bank paid a final ordinary dividend of 0.25 sen per ordinary share totalling RM6,677,301 in respect of the year ended 31 December 2014 on 18 June 2015.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2015 of 0.33 sen per ordinary share amounting to RM8,806,810 will be proposed for shareholder's 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 2016.

DIRECTORS' REPORT

DIRECTORS

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are:

Datuk Mat Noor bin Nawawi - Chairman (appointed on 01.10.2015)
Datuk Mohd Hashim bin Hassan - Chairman (resigned on 01.10.2015)
Dato' Adissadikin bin Ali (resigned on 15.05.2015)
Norzilah binti Mohammed (appointed on 08.03.2016)
Dato' Rosli bin Mohamed Nor
Dato' Sri Dr. Mohamad Isa bin Hussain
Encik Nik Najib bin Husain
Dato' Md Agil bin Mohd Natt
Encik Ismail bin Mahbob
Datuk Wong Seng Foo
YM Tunku Afwida binti Tunku A. Malek
Encik Mohammad Fadzlan bin Abdul Samad (appointed on 29.04.2015)
Datuk Syed Ahmad Helmy bin Syed Ahmad (appointed on 24.08.2015)

None of the Directors at the end of the financial year held any direct interest in the shares of the Bank or its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank 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 Directors or the fixed salary of a full time employee of the Bank as shown in Note 28 to the financial statements) by reason of a contract made by the Bank or a related company with the 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid up capital of the Bank during the year.

There were no issuance of debentures during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Bank during the year.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

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

DIRECTORS' REPORT

SIGNIFICANT EVENT

Rating agencies, Moody's Investors Service, Fitch Ratings and RAM Ratings have re-affirmed the Bank's rating during their annual review for 2015 as follows:

Rating agencies	Date	Ratings
Moody's Investors Service	16 April 2015	Issuer Rating: A3 Senior Unsecured: A3
RAM Ratings	4 August 2015	Global-scale Financial Institution Rating: gA2 Malaysian Rating: AAA/Stable/P1 ASEAN-scale Financial Institution Rating: seaAAA/Stable/seaP1 Global-scale Rating (Exim Sukuk Malaysia Berhad): gA2(s)
Fitch Ratings	9 September 2015	Foreign Long-term Issuer Default Rating: A- Support Rating: 1 Support Rating Floor: A- Senior Unsecured Notes: A-

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 1 April 2016.

Datuk Mat Noor bin Naw

Norzilah binti Mohammed

SHARIAH COMMITTEE'S REPORT



IN THE NAME OF ALLAH, THE BENEFICENT, THE MOST MERCIFUL

All Praise Is Due To Allah, The Cherisher Of The World, And The Peace And Blessing Be Upon The Prophet Of Allah, On His Family And All His Companions.

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ and "Salam Sejahtera"

To the shareholders, customers and stakeholders of Export-Import Bank of Malaysia ("EXIM Bank or the Bank"):

In carrying out the roles and responsibilities as EXIM Bank's Shariah Committee ("the Committee") as prescribed in the Bank's Shariah Governance Framework as well as the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia. As members of the Committee, we hereby submit the following report in respect of Shariah compliant business activities of EXIM Bank for the financial year ended 31 December 2015:-

1. The Committee had conducted eight (8) meetings during the financial year to review and approve various new and enhancement to the Bank's Islamic banking and takaful products as well as guidelines and manuals relating to Shariah compliant transactions and internal processes. We confirmed that we have reviewed the applicability and appropriateness of Shariah principles and the Shariah contracts adopted relating to the new and enhancement products, transactions and operational processes of Islamic banking and takaful activities of EXIM Bank for the period from 1 January 2015 until 31 December 2015.
2. The Committee has provided appropriate advisory and counsel on various aspects of the Bank's Islamic business operations in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of Bank Negara Malaysia.
3. The Committee have assessed the work carried out by Shariah review and the report has been presented and deliberated in the Committee meeting, which the findings shall be the basis for the Committee to form an opinion on its compliance to Shariah rules and principles, Shariah guidelines and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia as well as Shariah decisions and resolutions made by the Committee.
4. Moneys derived from the late payment charges on Islamic financing activities and other tainted income is channelled to charity fund and distributed progressively to the eligible beneficiaries.
5. During the financial year, training sessions were organized which not only aimed at building strong understanding on Shariah application in the banking and takaful business activities but also to infuse Islamic values among staff.
6. The Bank has fulfilled its obligation to pay zakat on its Islamic banking business to state zakat authority. The Bank paid zakat on the Bank's portion only i.e. shareholders' fund and the zakat was computed using working capital method. Zakat was distributed to the asnaf fakir, miskin and fisabilillah as approved by the Management and concurred by the Committee.
7. The Committee has reviewed the financial statements of the Bank, including the calculation of Zakat and confirmed that the financial statements prepared are in compliance to the Shariah rules and principles as well as the minimum disclosure requirements as stipulated by Bank Negara Malaysia.

SHARIAH COMMITTEE'S REPORT

We also affirm that the Bank's management is responsible for ensuring that the Islamic banking and takaful businesses are conducted in accordance with Shariah rules and principles. Our responsibility is to form an independent opinion, based on the information and explanations provided on the operations of the Bank and thereby report to you.


Hence to the best of our knowledge based on the information provided to us and decisions made during the Shariah Committee meeting, we are of the opinion that the Islamic banking and takaful business operations of EXIM Bank for the financial year ended 31 December 2015 have been conducted in conformity with the Shariah rules and principles.

We beg Allah the Almighty to grant us all the success and straight-forwardness and Allah knows best.

Signed on behalf of the Committee,



DATO' DR. MOHD ALI HAJI BAHARUM
Chairman



DR. ZAHARUDDIN ABD RAHMAN
Member

Kuala Lumpur, Malaysia
2 March 2016

STATEMENT BY DIRECTORS

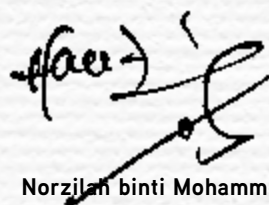
Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Mat Noor bin Nawawi and Norzilah Mohammed, being two of the Directors of Export-Import Bank of Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 82 to 183 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2015 and of the results and cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 1 April 2016.



Datuk Mat Noor bin Nawawi



Norzilah binti Mohammed

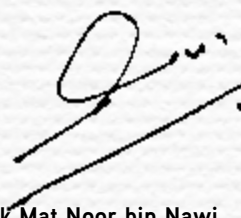
STATUTORY DECLARATION

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

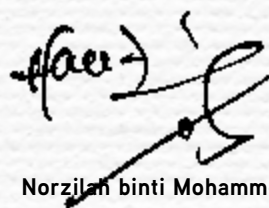
We, Datuk Mat Noor bin Nawawi and Norzilah Mohammed, being the Directors primarily responsible for the financial management of Export-Import Bank of Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 82 to 183 are in our opinion correct, and 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
above named Datuk Mat Noor bin Nawawi and
Norzilah binti Mohammed at Kuala Lumpur
in the Federal Territory on 1 April 2016

Before me,

Datuk Mat Noor bin Nawawi



Norzilah binti Mohammed

INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Export-Import Bank of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Bank, and the income statements, 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 a summary of significant accounting policies and other explanatory information, as set out on pages 82 to 183.

Directors' responsibility for the financial statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad (Incorporated in Malaysia)

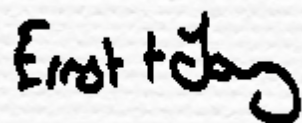
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

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



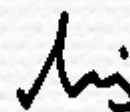
Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

1 April 2016



Megat Iskandar Shah Bin Mohamad Nor

No. 3083/07/17(J)

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

		Group		Bank	
	Note	2015 RM'000	2014 RM'000 (Restated*)	2015 RM'000	2014 RM'000 (Restated*)
Assets					
Cash and bank balances	4	56,832	17,279	56,832	17,279
Deposits and placements with banks and other financial institutions	5	2,155,220	1,970,958	2,155,220	1,970,958
Investment securities	6	200,338	120,974	200,338	120,974
Amount due from Export Credit Refinancing (“ECR”) debtors	7	322,512	410,647	322,512	410,647
Loans, advances and financing	8	11,655,030	7,933,864	11,655,030	7,933,864
Insurance receivables	9	1,272	561	1,272	561
Derivative financial instruments	10	79,301	29,599	79,301	29,599
Other assets	11	107,983	162,964	107,983	162,964
Deferred tax assets	12	39,880	29,410	42,195	31,725
Investment in subsidiaries	13(a)	-	-	64,140	64,147
Investment in jointly controlled entity	13(b)	**	**	**	**
Investment properties	14	455	473	455	473
Intangible assets	15	1	1	1	1
Property and equipment	16	100,308	101,594	100,308	101,594
Total assets		14,719,132	10,778,324	14,785,587	10,844,786
Liabilities					
Borrowings	17	11,243,835	7,460,587	11,243,835	7,460,587
Other payables and accruals	18	412,560	260,098	412,560	260,098
Derivative financial instruments	10	22,926	30,205	22,926	30,205
Deferred income	19	28,662	17,890	28,662	17,890
Provision for guarantee and claims	20	11,023	28,721	11,023	28,721
Amount due to subsidiaries	35	-	-	64,117	64,124
Amount due to joint venture	13(b)	**	**	**	**
Total liabilities		11,719,006	7,797,501	11,783,123	7,861,625

* Certain amounts shown here do not correspond to the 31 December 2014 financial statements and reflect adjustments made, refer Note 40.

** Amount is less than RM1,000.

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	Group		Bank	
		2015	2014	2015	2014
		RM'000	RM'000 (Restated*)	RM'000	RM'000 (Restated*)
Financed by:					
Share capital	21	2,708,665	2,708,665	2,708,665	2,708,665
Fair value adjustment reserve		168	(118)	168	(118)
Retained profits		292,027	273,541	294,365	275,879
Shareholders' fund		3,000,860	2,982,088	3,003,198	2,984,426
Takaful participants fund	38	(734)	(1,265)	(734)	(1,265)
Total liabilities, shareholders' fund and Takaful fund		14,719,132	10,778,324	14,785,587	10,844,786
Commitments and contingencies	34	3,968,816	3,880,904	3,968,816	3,880,904

* Certain amounts shown here do not correspond to the 31 December 2014 financial statements and reflect adjustments made, refer Note 40.

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

INCOME STATEMENTS

For the year ended 31 December 2015

	Note	Group		Bank	
		2015	2014	2015	2014
		RM'000	RM'000 (Restated*)	RM'000	RM'000 (Restated*)
Operating revenue	22	472,543	363,642	472,543	363,642
Interest income	23	371,255	302,961	371,255	302,961
Interest expense	24	(147,422)	(117,596)	(147,422)	(117,596)
Net interest income		223,833	185,365	223,833	185,365
Underwriting results	25	8,397	10,652	8,397	10,652
Income from Islamic business	38	124,308	79,088	124,308	79,088
Other income/(expense)	26	39,428	(2,507)	39,428	(2,507)
Net income		395,966	272,598	395,966	272,598
Overhead expenses	27	(78,544)	(74,213)	(78,537)	(74,195)
Operating profit		317,422	198,385	317,429	198,403
Allowance for diminution in value of investment in a subsidiary		-	-	(7)	(7)
Allowances for losses on loans, advances and financing	30	(271,409)	(157,535)	(271,409)	(157,535)
Profit before taxation		46,013	40,850	46,013	40,861
Taxation	31	(17,342)	(21,054)	(17,342)	(21,054)
Zakat		(3,508)	(729)	(3,508)	(729)
Net profit for the year		25,163	19,067	25,163	19,078
Earnings per share (sen)	32	0.93	0.70	0.93	0.70

* Certain amounts shown here do not correspond to the 31 December 2014 financial statements and reflect adjustments made, refer Note 2.1.

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

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	25,163	19,067	25,163	19,078
Other comprehensive income/(loss):				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Fair value changes on available-for-sale investments securities	286	(254)	286	(254)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	286	(254)	286	(254)
Total comprehensive income for the year, net of tax	25,449	18,813	25,449	18,824

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital RM'000	Distributable retained profits RM'000	Non- distributable fair value adjustment reserve RM'000	Total RM'000
Group				
At 1 January 2014 as previously stated	2,708,665	259,987	136	2,968,788
Prior year adjustment (Note 40)	-	16,195	-	16,195
At 1 January 2014 restated	2,708,665	276,182	136	2,984,983
Total comprehensive income	-	19,067	(254)	18,813
Dividend paid (Note 33)	-	(21,708)	-	(21,708)
At 31 December 2014 restated	2,708,665	273,541	(118)	2,982,088
Total comprehensive income	-	25,163	286	25,449
Dividend paid (Note 33)	-	(6,677)	-	(6,677)
At 31 December 2015	2,708,665	292,027	168	3,000,860
Bank				
At 1 January 2014 as previously stated	2,708,665	262,314	136	2,971,115
Prior year adjustment (Note 40)	-	16,195	-	16,195
At 1 January 2014 restated	2,708,665	278,509	136	2,987,310
Total comprehensive income	-	19,078	(254)	18,824
Dividend paid (Note 33)	-	(21,708)	-	(21,708)
At 31 December 2014 restated	2,708,665	275,879	(118)	2,984,426
Total comprehensive income	-	25,163	286	25,449
Dividend paid (Note 33)	-	(6,677)	-	(6,677)
At 31 December 2015	2,708,665	294,365	168	3,003,198

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2015

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
Profit before taxation	46,013	40,850	46,013	40,861
Adjustments for:				
Individual allowance				
- Charged for the year	222,675	183,341	222,675	183,341
- Written back during the year	(18,553)	(34,358)	(18,553)	(34,358)
Collective allowance				
- Charged for the year	67,287	8,552	67,287	8,552
Depreciation				
- Property and equipment	4,927	4,823	4,927	4,823
- Investment properties	18	18	18	18
Amortisation of intangible assets	-	336	-	336
Allowance for diminution in value of investment in a subsidiary	-	-	7	7
Gain on disposal of equipment	(7)	(13)	(7)	(13)
Unrealised foreign exchange loss	53,649	31,364	53,649	31,364
Unrealised gain on financial instruments designated at fair value through profit or loss	(55,104)	(56,671)	(55,104)	(56,671)
Unrealised loss on MTN/Sukuk designated as hedge accounting	42,092	74,857	42,092	74,857
Allowance for doubtful debts	(141)	-	(141)	-
Amortisation of premium less accretion of discount	117	414	117	414
Premium liabilities	(2,147)	(5,934)	(2,147)	(5,934)
Operating profit before changes in working capital	360,826	247,579	360,833	247,597
Changes in working capital:				
Amount due from ECR debtors	88,135	(28,302)	88,135	(28,302)
Loans, advances and financing	(3,992,575)	(2,789,891)	(3,992,575)	(2,789,891)
Insurance receivables	(570)	274	(570)	274
Other assets	52,436	(14,759)	52,436	(14,759)
Derivative financial instruments	(1,877)	(679)	(1,877)	(679)
Other payables and accruals	142,221	(7,989)	142,221	(7,989)
Deferred income	12,919	7,909	12,919	7,909
Net claims paid for bank guarantee and insurance claims	(17,698)	1,648	(17,698)	1,648
Takaful participants fund	531	1,154	531	1,154
Amount due to subsidiaries	-	-	(7)	(18)
Cash used in operations	(3,355,652)	(2,583,056)	(3,355,652)	(2,583,056)
Income tax paid	(17,805)	(34,725)	(17,805)	(34,725)
Zakat paid	(729)	(695)	(729)	(695)
Net cash used in operating activities	(3,374,186)	(2,618,476)	(3,374,186)	(2,618,476)

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2015

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Proceeds from disposals of property and equipment	7	13	7	13
Purchases of property and equipment	(3,659)	(4,739)	(3,659)	(4,739)
(Purchases of)/proceeds from investments	(79,177)	323,979	(79,177)	323,979
Net cash (used in)/generated from investing activities	(82,829)	319,253	(82,829)	319,253
Cash flows from financing activities				
Net drawdown of borrowings	3,687,507	2,564,960	3,687,507	2,564,960
Dividend paid	(6,677)	(21,708)	(6,677)	(21,708)
Less: Deposits and placements on behalf of customers and government	(376,514)	(289,163)	(376,514)	(289,163)
Net cash generated from financing activities	3,304,316	2,254,089	3,304,316	2,254,089
Net decrease in cash and cash equivalents	(152,699)	(45,134)	(152,699)	(45,134)
Cash and cash equivalents at beginning of the year	1,657,935	1,659,386	1,657,935	1,659,386
Add: Opening of deposits and placements on behalf of customers and government	289,163	84,822	289,165	84,822
Add: Opening balance of deposits and placements more than three months	41,139	-	41,139	-
Less: Deposits and placements more than three months	(120,000)	(41,139)	(120,000)	(41,139)
Cash and cash equivalents at end of the year	1,715,538	1,657,935	1,715,538	1,657,935

Cash and cash equivalents comprise the following balances:

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	56,832	17,279	56,832	17,279
Deposits and placements with banks and other financial institutions	2,155,220	1,970,958	2,155,220	1,970,958
Less: Deposits and placements on behalf of customers and government	(376,514)	(289,163)	(376,514)	(289,163)
Less: Deposits and placements more than three months	(120,000)	(41,139)	(120,000)	(41,139)
Cash and cash equivalents	1,715,538	1,657,935	1,715,538	1,657,935

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE INFORMATION

Export-Import Bank of Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Bank is located at Level 16, Exim Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Bank is principally engaged in the business of conventional and Islamic banking in the promotion and support of export, import and investment for the country's development by granting credit, issuing guarantees and providing other related services. The Bank is also engaged in the provision of export and domestic credit insurance takaful facilities and trade related guarantees to Malaysian companies.

The principal activities of the subsidiaries are as stated in Note 13.

There have been no significant changes in the nature of the Group's and the Bank's principal activities during the year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 1 April 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standard Board and the Companies Act, 1965. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Bank's functional currency, and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The operating revenue disclosure has been re-defined and the comparatives have been restated to conform with the current year presentation:

	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Group and Bank			
2014			
Operating revenue	357,797	5,845	363,642

2.2 Amended standards and interpretation

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

On 1 January 2015, the Group and the Bank adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods on or after 1 January 2015.

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

The adoption of the above pronouncements did not have any impact of the financial statements of the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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's and the Bank's financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
• Annual Improvements to MFRSS 2012-2014 Cycle	1 January 2016
• Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
• Amendments to MFRS 7: Financial Instruments: Disclosures	1 January 2016
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by MASB
• Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities : Applying the Consolidation Exception	1 January 2016
• Amendments to MFRS 11: Accounting for Acquisitions of Interest In Joint Operators	1 January 2016
• MFRS 14: Regulatory Deferral Accounts	1 January 2016
• Amendments to MFRS 101: Disclosure Initiative	1 January 2016
• Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
• Amendments to MFRS 119: Employee Benefits	1 January 2016
• Amendments to MFRS 127: Equity Method in Separate Financial Statement	1 January 2016
• Amendments to MFRS 134: Interim Financial Reporting	1 January 2016
• MFRS 9: Financial Instruments	1 January 2018
• MFRS 15: Revenue from Contracts with Customers	1 January 2018

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

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139. MFRS 9 requires financial assets to be classified on the basis of the business model within which they are held and their contractual cash flow characteristic. The requirements related to the fair value option for financial liabilities were also changed to address own credit risk. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group and the Bank's financial assets, but will not have an impact on the classification and measurement of the Group and the Bank's financial liabilities.

MFRS 9 also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

The Group and the Bank are currently assessing the effect of the adoption of this standard.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Bank's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On the disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statements of income.

(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 used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in statements of income on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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 such control ceases.

(iii) Consolidation of EXIM Sukuk Malaysia Berhad (EXIM Sukuk)

EXIM Sukuk Malaysia Berhad is a Special Purpose Vehicle Company ("SPV") established by the Bank as part of its Multicurrency Sukuk Issuance Programme. The entire issued share capital of the SPV is held by TMF Trustees Malaysia Berhad. The SPV shall act as issuer, trustee and purchaser/seller of tangible/non- tangible assets. Management had concluded that control over Exim Sukuk existed in line with the revised definition of control introduced by MFRS 10. Accordingly, EXIM Sukuk is deemed to be a subsidiary and its financial position and results for the year ended 31 December 2015 have been consolidated in the financial statements of the Group for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(b) Property and equipment**

All items of property and equipment are initially recorded at cost. The cost of an item of property 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 cost of the item can be measured reliably.

Subsequent to recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statements of income as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 Years
Renovation and improvement	10 Years
Furniture, electrical fittings and equipment	10 Years
Motor vehicles	5 Years
Office equipment	5 Years
Computers	3 Years

Assets under construction/work-in-progress included in property and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for the recognition and measurement of impairment is in accordance with Note 2.4(e).

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the statements of income in the year the asset is derecognised.

(c) Intangible assets: Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. The costs are amortised over their useful lives of three (3) years and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at each reporting date.

The policy for the recognition and measurement of impairment is in accordance with Note 2.4(e).

Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will probably generate economic benefits exceeding costs beyond one (1) year, are recognised as intangible assets. These costs include software development, employee costs and appropriate portion of relevant overheads.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use.

Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property and equipment as stated in accounting policy Note 2.4(b).

Depreciation is charged to the statements of income on a straight-line basis over the estimated useful lives of fifty (50) years for building. Freehold land is not depreciated.

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 gain or loss on the retirement or disposal of an investment property is recognised in statements of income in the year of retirement or disposal.

(e) Impairment of non-financial assets

The carrying amount of the assets, other than deferred tax assets, non-current assets held for sales and financial assets (other than investments in subsidiaries), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised in the statements of income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

(f) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction cost.

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include loans and receivables, held-to-maturity investments, available-for-sale financial assets and fair value through profit or loss.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in statements of income when the loans and receivables are derecognised or impaired, through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than twelve (12) months after the reporting date which are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(f) Financial assets (cont'd.)****(ii) Financing and receivables**

Financing and receivables consist of Murabahah, Istisna', Bai' Al Dayn, Tawarruq, Ijarah and Kafalah. These contracts are recognised at amortised cost (except for Kafalah contract), including direct and incremental transaction costs using the 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: Sale of an asset by the Bank to the Customer at cost plus a mark-up in which the profit rate has to be disclosed to the Customer. The Sale Price is payable by the Customer on deferred terms.
- (b) Tawarruq: An arrangement that involves sale of commodity by the Bank to the Customer in which the Sale Price is payable on a deferred basis and subsequent sale of the commodity to a third party on a cash basis to obtain cash.
- (c) Ijarah: A lease contract to transfer the usufruct (benefits) of a particular property of the Bank to Customer in exchange for a rental payment for a specified period.
- (d) Istisna': An agreement to sell to a Customer a non-existent asset that is to be manufactured or built according to the agreed specifications and delivered on a specified future date at a predetermined selling price.
- (e) Bai' Al Dayn: Sale of debt in which the Customer sells his payable right to the Bank at discount price or at cost price on the spot payment basis.
- (f) Kafalah: Conjoining the guarantor's liability to the guaranteed party's liability such that the obligation of the guaranteed party is established as a joint liability of the guarantor and the guaranteed party.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Bank have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in statements of income when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets except for those having maturity within twelve (12) months after the reporting date which are classified as current.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

(iv) Available-for-sale investments

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

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

Investment in equity instruments which fair value cannot be reliably measured are measured at cost less impaired loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within twelve (12) months after the reporting date.

(v) Financial assets at fair value through profit or loss

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statements of income.

Regular way purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Bank commit to purchase or sell the assets.

(vi) Derivative instruments and hedge accounting

(a) Derivative instruments

The Group and the Bank use derivatives such as interest/profit rate swaps, cross currency interest/profit rate swaps and forward contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value. These derivatives are recorded at fair value and are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss as "Other income".

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

(vi) Derivative instruments and hedge accounting (cont'd.)

(b) Hedge accounting

The Group and the Bank use derivatives instruments to manage their exposures to interest/profit rate, foreign currency and credit risks. In order to manage particular risk, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

At the inception of each hedge relationship, the Group and the Bank formally designates and documents the relationship between the hedged item and the hedging instruments, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must demonstrate that it is highly effective on prospective and retrospective basis for the designated period in order to qualify for hedge accounting.

Fair value hedge

For designating and qualifying fair value hedges, the cumulative changes in the fair value of a hedge derivative is recognised in the statements of income. Meanwhile the cumulative changes in the fair value of the hedge item attributable to the risk hedged is recorded as part of the carrying value of the hedge item in the statements of financial position and the statements of income.

If the hedging instruments expired or sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the Effective Interest/Profit rate ("EIR") method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statements of income.

The Bank has interest/profit rate swaps and cross currency interest/profit rate swaps that are used as hedge for the exposure of changes in the fair value of some of its Medium Term Notes/Sukuk. See Note 10 for more details.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(g) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

(i) Loans, advances, financing and receivables

For loans, advances, financing and receivables carried at amortised cost, the Group and the Bank first assess individually whether objective evidence of impairment exists individually for financial assets 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, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans and financing or receivables reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

Interest/profit income continues to be accrued on the reduced carrying amount based on the original effective interest/profit rate of the asset. The interest/profit income is recorded as part of the overall interest/profit income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collaterals have been realised or have been transferred. 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 income.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

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

(ii) Held-to-maturity investments

The Group and the Bank assess at each reporting date whether objective evidence of impairment of held-to-maturity investments 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 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 loss previously recognised.

(iii) Available-for-sale investments

The Group and the Bank assess at each reporting date whether objective evidence that a financial asset classified as available-for-sale has impaired.

In the case of equity investments classified as available-for-sale, an objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where such evidence exists, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the statements of income, is removed from equity and recognised in the statements of income. Impairment losses on equity investments are not reversed through statements of income; increase in their fair value after impairment are recognised directly in equity.

Certain unquoted equity instruments are stated at cost less impairment as the fair value cannot be reliably measured.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as other available-for-sale investments. Where impairment losses have been previously recognised in the statements of income, if there is a subsequent increase in the fair value of the debt instruments that can be objectively related to a credit event occurring after the impairment losses was recognised in the statements of income, the impairment loss is reversed through statements of income.

(h) 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, within the scope of MFRS 139, 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.

The Group's and the Bank's financial liabilities include borrowings, derivative liabilities as well as other payables. Financial liabilities except derivatives and those liabilities under hedge accounting are recognised at amortised cost. Derivative and hedge accounting are explained as per note 2.4(f).

A financial liability is derecognised when they are redeemed or extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statements of income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, deposits with banks/financial institutions and short-term, highly liquid investments with maturity of three (3) months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(j) Provisions

Provisions are recognised if, as a result of past event, the Group and the Bank have a present legal and constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

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.

Where the Group and the Bank enter into financial guarantee contracts to guarantee the indebtedness of other companies, the Group and the Bank treat the guarantee contract as a contingent liability until such time as it becomes probable that the Group and the Bank will be required to make a payment under the guarantee.

(k) Employee benefits

Short-term employee benefits obligation 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 employees and the obligation can be estimated reliably.

The Group's and the Bank's contribution to statutory pension funds is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(l) Insurance/Takaful contract liabilities**

These liabilities comprise premium/contribution liabilities and claims liabilities.

(i) Premium/Contribution liabilities

Provision for premium/contribution liabilities is the higher of the aggregate of the Unearned Premium/Contribution Reserves ("UPR"/"UCR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") with a provision of risk margin for adverse deviation.

For the purpose of disclosure in the financial statements, premium/contribution liabilities and deferred income arising from bank guarantee are classified as deferred income.

Unearned premium/contribution reserves

UPR/UCR represents the portion of the net premium/contribution of insurance/Takaful policies written that relate to the unexpired periods of policies at the end of the financial year. In determining the UPR/UCR at the balance sheet date, the following methods are used:

- In respect of short term comprehensive policies, 75% is recognised over the period of risk on a straight-line basis. The remaining 25% of the premium/contribution is transferred to the unearned premium/contribution reserves and is recognised in the following financial year.
- In respect of medium and long term policies, the premium/contribution is recognised over the period of risk on a straight-line basis.

Unexpired risk reserves

At each reporting date, the Group and the Bank review the unexpired risks and a liability adequacy test is performed by an independent actuarial firm. URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance/retakaful, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium/contribution refunds.

(ii) Claims liabilities

Claims liabilities are recognised when a claimable event occurs and/or the Group and the Bank are notified. The amount of outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs less other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of reporting period.

The liability is calculated at the reporting date by an independent actuarial firm using projection techniques that included risk margin for adverse deviation. The liabilities are derecognised when the contract expires, is discharged or cancelled.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Deferred income arising from guarantee facility and fee from loan and financing facility

Income arising from guarantee facility and fee from loan and financing facility are recognised over the period of risk on a straight-line basis. Should a claim be paid or provided for in respect of such policies, the balance of the premium shall be recognised in the financial year in which the claim is made.

(n) Government Fund - Malaysian Kitchen Financing Facility ("MKFF" or "the Fund")

The primary objective of the Fund is to encourage Malaysian companies involved in the food and beverages industry to venture abroad. In this respect, the Bank received funds from the Government of Malaysia ("the Government") to be disbursed as loans.

The total placement amount and the interest/profit income shall be refunded to the Government upon expiry of the agreement. The interest/profit income earned on the loans financed by the Government funds and from the investment of the unutilised fund are recognised as amount payable to Government in accordance with the placement agreement.

The Bank received in return, a management fee of 1.5% of total placement amount. The fee income is recognised in the income statement in accordance with Note 2.4(o)(iii). Credit losses or charges as a result of loan default are shared based on agreed ratio between the Bank and the Government of Malaysia. The portion of allowance for loan losses borne by the Bank is recognised in the income statement in accordance with Note 2.4(g)(i).

(o) Revenue recognition

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 measured.

(i) Interest/profit and similar income and expense

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

For impaired financial assets where the value of the financial asset have been written down as a result of an impairment loss, interest/profit income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(o) Revenue recognition (cont'd.)****(ii) Dividend income**

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

(iii) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include upfront and facility fees.

(iv) Premium income

Premium income is recognised as income in the financial year in respect of risks assumed during that particular financial year. Method of deferral of premium income is as stated in Note 2.4(I).

Premium income from reinsurance is recognised based on periodic advices received from ceding insurers.

(v) Islamic income recognition

Income from financing and receivables is recognised in the statements of income using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payment 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 instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate.

Murabahah, Tawarruq and Istisna'

Murabahah, Tawarruq and Istisna' income are accrued on monthly basis on the cost outstanding at the prevailing effective profit rate over the duration of the financing.

Ijarah

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

Bai' Al Dayn

Bai' Al Dayn income is recognised monthly on the effective discount rate on the purchase price of the invoice over the duration of the financing.

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include upfront and facility fees.

Takaful income

The source of Takaful income is derived from Takaful Contributions. Income is recognised based on specific percentage of the contribution amount from participants. The remaining amount is placed in Risk Fund which is pooled for underwriting purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of significant accounting policies (cont'd.)****(p) Income tax**

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rate that has been enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rate that is expected to apply in the year when the asset is realised or the liability is settled, based on tax rate that has been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the statements of income for the year, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(q) Zakat

Zakat is payable by the Group and the Bank in compliance with the principle of shariah and in line with National Fatwa Committee regulations.

(i) Method applied

Zakat is calculated using the working capital method which is based on the adjusted net asset of the Group and the Bank i.e. Net asset excludes any items that do not meet the condition for zakat assets and liabilities.

(ii) Beneficiaries of zakat fund

The method of zakat distribution, as being practised by the Group and the Bank, is as follows:

- Zakat is paid to Pusat Pungutan Zakat ("PPZ") based on certain percentage of the adjusted net asset of the Bank and the Group;
- PPZ will determine a certain percentage of the zakat for the Bank's own distribution; and
- The distribution of zakat will be allocated by the Bank to three (3) groups of people who are eligible to receive zakat (asnaf):
 - a. The destitute (*fakir*);
 - b. The poor (*miskin*);
 - c. Those in the cause of Allah (*fi sabilillah*).

(r) Foreign currencies

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rate at the date of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statements of income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(s) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

(t) Goods and Service Tax

Effective from 1st April 2015, the Bank's sales and service tax is replaced by Goods and Service Tax ("GST"). The Bank charges GST output tax on its taxable supply of goods and services made to customers. The Bank also claims any GST incurred on its purchases i.e. input tax which are tax claimable by the Bank, subject to Fixed Input Tax Rate ("FITR"), currently at 78%.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

3.1 Key sources of estimation uncertainty

In the preparation of financial statements, management is required to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates is revised and in the future periods affected.

Significant areas of estimation, uncertainty and critical judgment used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(a) Going concern

The Bank has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Bank is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Allowance for impairment on loans, advances and financing

(i) Individual impairment allowance

The Group and the Bank determine the allowance appropriate for each individual significant loans, advances and financing on an individual basis. The allowances are established based primarily on estimates of the realisable value of the collateral to secure the loans, advances and financing and are measured as the difference between the carrying amount of the loans, advances and financing and the present value of the expected future cash flows discounted at original effective interest/profit rate of the loans, advances and financing. All other loans, advances and financing that have been individually evaluated, but not considered to be individually impaired are collectively assessed for impairment.

(ii) Collective impairment allowance

For the purposes of a collective evaluation of impairment under MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139"), loans, advances and financing are grouped on the basis of similar credit risk characteristics, taking into account the historical loss experience of such financing.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT (CONT'D.)**3.1 Key sources of estimation uncertainty (cont'd.)****(c) Uncertainty in accounting estimates for credit insurance/Takaful business**

The principal uncertainty in the credit insurance/Takaful business arises from the technical provisions which include the premium/contribution liabilities and claims liabilities. The premium/contribution liabilities comprise unearned premium reserves and unexpired risk reserves while claim liabilities comprise provision for outstanding claims. The estimation bases for unearned premium/contribution reserves and unexpired risk reserves are explained in the related accounting policy statement.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums/contribution and claims liabilities will not exactly develop as projected and may vary from the projections.

The estimates of premiums/contribution and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions in an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums/contribution and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

(d) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning (see Note 12).

4. CASH AND BANK BALANCES

	Group and Bank	
	2015	2014
	RM'000	RM'000
Cash and bank balances	56,832	17,279

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2015 RM'000	2014 RM'000
Deposits and placements with:		
Licensed banks	1,295,123	1,024,284
Other financial institutions	860,097	946,674
	2,155,220	1,970,958
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	1,778,706	1,681,795
On behalf of customers and government**	376,514	289,163
	2,155,220	1,970,958

** Included in deposits and placements with licensed banks and other financial institutions are placements of the unutilised fund from the Government of Malaysia under MKFF Scheme amounting to RM185,623,170 (2014: RM186,576,000). The accounting policy in respect of MKFF Scheme is disclosed in Note 2.4(n).

6. INVESTMENT SECURITIES

	Group and Bank	
	2015 RM'000	2014 RM'000
Group and Bank		
Available-for-sale investments:		
Unquoted debt securities	190,338	110,971
Held-to-maturity investments:		
Unquoted debt securities	10,000	10,003
	200,338	120,974

Included in Investment securities are amount that have been pledged for Sukuk Issuance amounting to RM76,186,728. (2014: Nil).

7. AMOUNT DUE FROM EXPORT CREDIT REFINANCING ("ECR") DEBTORS

	Group and Bank	
	2015 RM'000	2014 RM'000
Amount due from participating licensed banks under ECR Scheme	322,512	410,647
The maturity structure of the ECR debtors are as follows:		
Maturity within one year	322,512	410,647

The amount represents block discounting of bills facility provided to participating banks in Malaysia granted under ECR Scheme. The primary objective of the Scheme is for the promotion of Malaysian export by offering competitive rates to banks participating in the ECR Scheme for on-lending to exporters.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

8. LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2015 RM'000	2014 RM'000
At amortised cost		
Loans, advances and financing	12,200,296	8,241,014
Loans under MKFF scheme	15,571	19,340
Staff loans	1,816	2,067
Gross loans, advances and financing	12,217,683	8,262,421
Less: Allowance for impaired loans, advances and financing:		
- Individual allowance	(359,605)	(192,796)
- Collective allowance	(203,048)	(135,761)
Net loans, advances and financing	11,655,030	7,933,864

(i) Gross loans, advances and financing analysed by facility are as follows:

	Group and Bank	
	2015 RM'000	2014 RM'000
Buyer Credit	738,837	704,884
Overseas Contract Financing	242,532	243,538
Overseas Project Financing	5,816,800	4,465,821
Supplier Credit	402,256	170,614
Export Finance	6,006	4,061
Supplier Financing- <i>i</i>	1,222,495	370,390
Term Financing- <i>i</i>	3,301,505	1,881,505
Overseas Contract Financing- <i>i</i>	68,674	60,440
Overseas Project Financing- <i>i</i>	401,191	339,761
Malaysian Kitchen Financing Facility ("MKFF")	12,172	19,340
Malaysian Kitchen Financing Facility- <i>i</i> ("MKFF- <i>i</i> ")	3,399	-
Staff loans and advances	1,816	2,067
	12,217,683	8,262,421

Included in Term Financing-*i* are amount that have been pledged for Sukuk Issuance amounting to RM631,382,072 (2014: RM356,643,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(ii) Gross loans, advances and financing analysed by contractual maturity are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Within one year	3,693,682	1,907,135
One year to three years	1,993,212	845,348
Three years to five years	3,060,772	1,671,830
Over five years	3,470,017	3,838,108
	12,217,683	8,262,421

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

	Group and Bank	
	2015	2014
	RM'000	RM'000
Conventional		
Fixed rate	190,407	171,551
Variable rate	7,030,010	5,438,775
Islamic		
Fixed rate	731,594	670,675
Variable rate	4,265,672	1,981,420
	12,217,683	8,262,421

(iv) Movements of impaired loans, advances and financing ("impaired loans") are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
At 1 January	726,711	884,357
Impaired during the year	376,397	243,880
Reclassified as non-impaired	(1,085)	(14,192)
Recoveries	(332,028)	(49,359)
Amount written off	(62,150)	(401,900)
Exchange differences	238,361	63,925
At 31 December	946,206	726,711

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(iv) Movements of impaired loans, advances and financing ("impaired loans") are as follows (cont'd.):

	Group and Bank	
	2015	2014
	RM'000	RM'000
Gross impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	7.55%	8.38%
- without ECR debtors	7.74%	8.80%
Net impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	4.68%	6.16%
- without ECR debtors	4.80%	6.46%

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

	Group and Bank	
	2015	2014
	RM'000	RM'000
<u>Individual allowance</u>		
At 1 January	192,796	407,954
Allowance made during the year (Note 30)	222,675	183,341
Amount written back (Note 30)	(18,553)	(34,358)
Net charge to income statement	204,122	148,983
Amount written off	(62,150)	(401,900)
Allowance recoverable from the Government of Malaysia for MKFF scheme	1,913	1,149
Interest accrued on impaired loans, advances and financing	-	126
Exchange differences	22,924	36,484
At 31 December	359,605	192,796

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(v) Movements in the allowance for impaired loans, advances and financing are as follows (cont'd.):

	Group and Bank	
	2015	2014
	RM'000	RM'000
<u>Collective allowance</u>		
At 1 January	135,761	127,209
Allowance (made during the year (Note 30))	67,287	8,552
At 31 December	203,048	135,761
Breakdown of collective allowance:		
From impaired loans, advance and financing	19,997	14,438
From non-impaired loans, advance and financing	183,051	121,323
	203,048	135,761
As % of net loans, advances and financing	1.71%	1.68%

(vi) Gross impaired loans, advances and financing analysed by geographical area are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Malaysia	123,364	38,328
East Asia	304,361	273,095
South Asia	131,292	108,070
Central Asia	325,007	-
Middle East	21,807	-
Africa	-	30,405
Europe	5,742	183,490
America	6,919	2,274
Oceania	27,714	91,049
	946,206	726,711

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(vii) Gross impaired loans, advances and financing analysed by industry are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Primary agriculture	20,675	16,603
Manufacturing	120,000	94,955
Transport, storage and communication	94,421	71,491
Construction	187,232	130,325
Wholesale and retail trade, and restaurants and hotels	94,720	85,199
Others	429,158	328,138
	946,206	726,711

9. INSURANCE RECEIVABLES

	Group and Bank	
	2015	2014
	RM'000	RM'000
Amount due from agents, brokers and co-insurers	1,868	1,166
Less: Allowance for doubtful debts	(596)	(605)
	1,272	561

10. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts, recorded at gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

The following table shows the fair value of derivative financial instruments recorded as assets or liabilities together with their notional amounts. In accordance with MFRS 132, derivative assets and derivative liabilities are disclosed on a gross basis as it is the Bank's practice to settle those derivative on a gross basis.

	Group and Bank					
	2015			2014		
	Fair Value		Notional Amount RM'000	Fair Value		Notional Amount RM'000
	Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000	
<u>Derivative used as fair value hedges</u>						
Interest/profit rate swaps	41,093	3,264	4,563,991	25,432	13,318	3,716,780
Cross currency interest/profit rate swap	38,208	19,662	1,515,107	4,167	16,887	672,910
Total	79,301	22,926	6,079,098	29,599	30,205	4,389,690

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

At their inception, derivatives often involve only mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Over-the-counter derivative may expose the Bank to the risks associated with absence of an exchange market on which to close out an open position.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over-time based on specified notional amounts, in relation to movements in a specified underlying index such as interest/profit rate, foreign currency rate or equity index.

Interest/profit rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest/profit, respectively, in return for paying or receiving a fixed rate of interest/profit. The payment flows are usually netted against each other with the difference being paid by one party to the other.

In a cross currency interest/profit rate swap, the Bank swaps its fixed coupon interest rate into a floating rate coupon in different currencies.

Forwards

The Bank enters into Forward Exchange Contract to sell or buy a specific amount of currency at a specified exchange rate for settlement in the future. The contract is entered for the Bank's own requirement or on behalf of customer based on approved foreign exchange line.

Fair values

Disclosure concerning the fair value of derivatives are provided in Note 36.

Fair value hedge

The Bank's fair value hedges consist of interest/profit rate swaps and cross currency interest/profit rate swaps. The financial instruments hedged for interest/profit rate risk and foreign currency risk consist of the Medium Term Notes ("MTN") and Multicurrency Sukuk Programme (Sukuk) issued by the Bank and the Group respectively.

As at 31 December 2015, the Bank has entered into the following derivative financial instruments:

- (i) Interest/Profit Rates Swap ("IRS") Contract is used to swap the Bank's fixed coupon MTN/Sukuk into floating rate IRS. The purpose is to convert the liability profile of a fixed MTN/Sukuk into floating rate cost with short term resets to match the Bank's asset profile. This strategy would enable a stable revenue margin over the Assets & Liabilities profile arising from the MTN programme/Sukuk programme whilst maintaining market based pricing of its asset.
- (ii) Cross Currency Interest Rate Swap ("CCIRS") Contract is used to swap the Bank's fixed coupon MTN into floating rate coupon on a different currency. The purpose is to convert the liability profile of a fixed MTN into floating rate cost with short term resets to match the Bank's asset profile. This strategy would enable a stable revenue margin over the Assets & Liabilities profile arising from the MTN programme whilst maintaining market based pricing of its asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

Full details of hedging as follows:

Group and Bank
2015

Notional amount	Hedge instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD350 million	Floating rate of 3 months Libor + 1.755% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 3 months Libor + 1.765% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.78% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD25 million	Floating rate of 3 months Libor + 1.75% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD63 million	Floating rate of 3 months Libor + 1.85% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.509% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 6 months Libor + 1.264% p.a (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.2615% p.a (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.26% p.a (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.264% p.a (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD50 million	Floating rate of 3 months Libor + 1.01% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.85% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.00% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% per annum (payable semi-annually)	Fair value hedge	Interest rate

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

Full details of hedging as follows (cont'd.):

Group and Bank
2015 (cont'd.)

Notional amount	Hedge instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD100 million	Floating rate of 3 months Libor + 1.40% p.a (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
Notional amount	Hedge instrument: Cross Currency Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
HKD402 million	USD51.82 million at floating rate of 3 months USD Libor + 0.88% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency rate
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency rate
HKD300 million	SGD47.88 million at floating rate of 6 months SGD SOR + 1.00% p.a (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency rate
JPY3 billion	USD29.34 million at floating rate of 3 months Libor + 0.94% p.a (receive fixed JPY semi-annually/pay float USD quarterly)	Fixed 0.65% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency rate
HKD610 million	USD78.68 million at floating rate of 3 months USD Libor + 0.51 p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.43% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency rate
USD40 million	GBP25.90 million at fixed rate of 2.43% p.a (receive fixed GBP semi-annually/pay USD semi-annually)	Fixed 2.45% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency rate

Group and Bank
2014

Notional amount	Hedge instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD350 million	Floating rate of 3 months Libor + 1.755% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 3 months Libor + 1.765% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

Full details of hedging as follows (cont'd.):

Group and Bank
2014 (cont'd.)

Notional amount	Hedge instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD50 million	Floating rate of 3 months Libor + 1.78% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD25 million	Floating rate of 3 months Libor + 1.75% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.875% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD63 million	Floating rate of 3 months Libor + 1.85% p.a (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.509% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 6 months Libor + 1.264% p.a (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.2615% p.a (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.26% p.a (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.264% p.a (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
Notional amount	Hedge instrument: Cross Currency Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
HKD402 million	USD51.82 million at floating rate of 3 months USD Libor + 0.88% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency rate
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency rate
HKD300 million	SGD47.88 million at floating rate of 6 months SGD SOR + 1.00% p.a (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency rate
JPY3 billion	USD29.34 million at floating rate of 3 months Libor + 0.94% p.a (receive fixed JPY semi-annually/pay float USD quarterly)	Fixed 0.65% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency rate

NOTES TO THE FINANCIAL STATEMENTS

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10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

The gain/(loss) arising from the fair value hedges is as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Gain/(loss) arising from fair value hedges:		
Hedging instruments	55,758	56,560
Hedging items	(42,092)	(74,857)
	13,666	(18,297)

11. OTHER ASSETS

	Group and Bank	
	2015	2014
	RM'000	RM'000
Interest/profit receivables (excluding interest/profit on loans, advances and financing)	63,287	47,671
Other receivables, deposits and prepayments	22,614	20,959
Foreclosed property	-	69,707
Tax prepayment	22,082	24,627
	107,983	162,964

12. DEFERRED TAX ASSETS

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 31 December 2014/2013 as previously stated	13,215	7,633	15,530	9,948
Prior year adjustment (Note 40)	-	16,195	-	16,195
Prior year adjustment brought forward	16,195	-	16,195	-
At 1 January restated	29,410	23,828	31,725	26,143
Recognised in profit or loss (Note 31)	10,470	5,582	10,470	5,582
At 31 December 2015/2014	39,880	29,410	42,195	31,725

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. DEFERRED TAX ASSETS (CONT'D.)

Deferred tax assets

Other deductible
temporary differences
RM'000

Group

At 1 January 2014 as previously stated	13,088
Prior year adjustment (Note 40)	16,195
At 1 January restated	29,283
Recognised in income statement	6,777
At 31 December 2014 restated	36,060
Recognised in income statement	9,364
At 31 December 2015	45,424

Bank

At 1 January 2014 as previously stated	15,403
Prior year adjustment (Note 40)	16,195
At 1 January restated	31,598
Recognised in income statement	6,777
At 31 December 2014 restated	38,375
Recognised in income statement	9,364
At 31 December 2015	47,739

Deferred tax liabilities

Accelerated
capital allowance on
property and equipment
RM'000

Group

At 1 January 2014	(5,455)
Recognised in income statement	(1,195)
At 31 December 2014	(6,650)
Recognised in income statement	1,106
At 31 December 2015	(5,544)

Bank

At 1 January 2014	(5,455)
Recognised in income statement	(1,195)
At 31 December 2014	(6,650)
Recognised in income statement	1,106
At 31 December 2015	(5,544)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. DEFERRED TAX ASSETS (CONT'D.)

Deferred tax liabilities (cont'd.)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000 (Restated)	2015 RM'000	2014 RM'000 (Restated)
Deferred tax assets	45,424	36,060	47,739	38,375
Deferred tax liabilities	(5,544)	(6,650)	(5,544)	(6,650)
	39,880	29,410	42,195	31,725

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 taxes relates to the same taxation authority.

No deferred tax has been recognised for the following items:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unutilised tax losses				
- Bank	-	-	-	-
- Subsidiary	67,289	67,289	-	-
	67,289	67,289	-	-
Tax rate	24%	25%	25%	25%
	16,149	16,822	-	-

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders, the unutilised tax losses carried-forwards is amounting to RM67,289,000 (2014: RM67,289,000).

13. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

(a) Investment in subsidiaries

	Bank	
	2015 RM'000	2014 RM'000
Unquoted shares - at cost	73,419	73,419
Less: Allowance for diminution in value	(9,279)	(9,272)
	64,140	64,147

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13. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY (CONT'D.)**(a) Investment in subsidiaries (cont'd.)**

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest (%)	
			2015	2014
Malaysian Export Credit Insurance Berhad	Dormant	Malaysia	100	100
Pengkalan Megaria Sdn Bhd*	Dormant	Malaysia	100	100
Morning Glory Company Limited**	Dormant	Laos	100	100

* Not required to be audited in 2015

** Not audited by Ernst & Young, Malaysia

Malaysian Export Credit Insurance Berhad, a wholly owned subsidiary of the Bank was formerly engaged in the provision of export and domestic credit insurance facilities and guarantees. The Company is currently dormant.

Pengkalan Megaria Sdn Bhd, a wholly owned subsidiary of the Bank was set up to act as a trustee for a vessel which was previously assigned as a collateral for a financing given by the Bank to a borrower. The Company is currently dormant and in the process of members voluntarily winding up. The process of members voluntarily winding up is expected to finalise by June 2016.

Morning Glory, a wholly owned subsidiary of the Bank was set up to facilitate the takeover and administer a hotel in Laos in which was previously assigned as a collateral for a financing given by the Bank to a borrower. The Company is currently dormant.

(b) Investment in jointly controlled entity

Morning Glory owns 51% of Masceana Co Ltd, a joint venture company that was set up to facilitate the takeover of the hotel mentioned in Note 13(a). The share capital of the Company is USD2.00 and it is currently dormant.

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14. INVESTMENT PROPERTIES

	Group and Bank	
	2015 RM'000	2014 RM'000
Cost		
At 1 January	1,390	1,390
At 31 December	1,390	1,390
Accumulated depreciation and impairment losses		
At 1 January		
Accumulated depreciation	387	369
Accumulated impairment losses	530	530
	917	899
Charged for the year (Note 27)	18	18
At 31 December	935	917
Carrying amount	455	473
Included in the investment properties carrying amount are:		
Freehold land	400	400
Buildings	1	16
Long term leasehold building with unexpired lease period of more than 50 years	54	57
	455	473
Fair value of investment properties	1,210	1,210

The investment properties were valued by Raine & Horne International Zaki & Partners Sdn. Bhd., an independent professional valuer on 7 October 2014. The fair value is determined by reference to open market values based on an existing use basis.

This method of valuation seeks to determine the value of the properties being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving similar properties in the vicinity.

Management has conducted an internal assessment regarding the latest market value of the investment properties and there is no significant difference noted in market value between the last valuation done by professional valuer and market value as at 31 December 2015.

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15. INTANGIBLE ASSETS

	Group and Bank	
	2015 RM'000	2014 RM'000
Computer software		
Cost		
At 1 January	3,717	3,717
Additions	-	-
At 31 December	3,717	3,717
Accumulated depreciation		
At 1 January	3,716	3,380
Charged for the year (Note 27)	-	336
At 31 December	3,716	3,716
Carrying amount	1	1

NOTES TO THE FINANCIAL STATEMENTS

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16. PROPERTY AND EQUIPMENT

	Freehold land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture, electrical fittings and equipment RM'000	Computer RM'000	Work-in- progress RM'000	Total RM'000
Group and Bank									
Cost									
At 1 January 2015	30,000	33,000	1,374	21,731	843	4,993	9,679	24,805	126,425
Additions	-	-	96	19	-	93	1,051	2,400	3,659
Reclassifications	-	-	-	-	-	-	494	(494)	-
Disposals	-	-	(24)	-	(92)	(1)	(21)	-	(138)
At 31 December 2015	30,000	33,000	1,446	21,750	751	5,085	11,203	26,711	129,946
Accumulated depreciation									
At 1 January 2015	-	3,630	932	8,359	593	3,415	7,902	-	24,831
Charged for the year	-	660	187	2,174	92	526	1,288	-	4,927
Disposal	-	-	(10)	-	(92)	(1)	(17)	-	(120)
At 31 December 2015	-	4,290	1,109	10,533	593	3,940	9,173	-	29,638
Carrying amount									
At 31 December 2015	30,000	28,710	337	11,217	158	1,145	2,030	26,711	100,308
Cost									
At 1 January 2014	30,000	33,000	1,269	21,726	802	4,826	8,013	22,282	121,918
Additions	-	-	213	5	148	184	1,666	2,523	4,739
Disposals	-	-	(108)	-	(107)	(17)	-	-	(232)
At 31 December 2014	30,000	33,000	1,374	21,731	843	4,993	9,679	24,805	126,425
Accumulated depreciation									
At 1 January 2014	-	2,970	858	6,186	597	2,851	6,778	-	20,240
Charged for the year	-	660	182	2,173	103	581	1,124	-	4,823
Disposal	-	-	(108)	-	(107)	(17)	-	-	(232)
At 31 December 2014	-	3,630	932	8,359	593	3,415	7,902	-	24,831
Carrying amount									
At 31 December 2014	30,000	29,370	442	13,372	250	1,578	1,777	24,805	101,594

NOTES TO THE FINANCIAL STATEMENTS

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17. BORROWINGS

	Group and Bank	
	2015 RM'000	2014 RM'000
(i) Term loans/revolving credits - unsecured		
Repayable within one year	3,007,300	2,138,806
One year to two years	638,409	17,483
Three years to five years	21,468	17,483
Over five years	196,934	191,953
	3,864,111	2,365,725
(ii) Medium Term Notes/Sukuk		
One year to two years	3,132,428	-
Three years to five years	2,924,137	4,475,062
Over five years	1,323,159	619,800
	7,379,724	5,094,862
Total borrowings	11,243,835	7,460,587

Repayment based on the currencies of the borrowings are as follows:

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1-2 years RM'000	3-5 years RM'000	Over 5 years RM'000
2015						
- USD	2022	8,605,817	2,234,287	2,876,504	2,650,587	844,439
- RM	2022	170,100	-	-	-	170,100
- EUR	2017	450,221	262,629	187,592	-	-
- GBP	2016	359,553	359,553	-	-	-
- SGD	2019	216,784	34,650	-	182,134	-
- AUD	2018	257,380	116,181	141,199	-	-
- HKD	2023	1,071,096	-	565,542	-	505,554
- JPY	2019	112,884	-	-	112,884	-
		11,243,835	3,007,300	3,770,837	2,945,605	1,520,093
2014						
- USD	2022	5,231,362	1,036,892	17,483	3,937,933	239,054
- RM	2022	170,100	-	-	-	170,100
- EUR	2017	286,837	286,837	-	-	-
- GBP	2016	606,809	606,809	-	-	-
- SGD	2019	181,535	22,977	-	158,558	-
- AUD	2018	314,044	185,291	-	128,753	-
- HKD	2023	581,133	-	-	178,534	402,599
- JPY	2019	88,767	-	-	88,767	-
		7,460,587	2,138,806	17,483	4,492,545	811,753

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17. BORROWINGS (CONT'D.)***Term loans/Revolving credits***

- (a) Revolving multi-currency loan of one (1) year up to an aggregate of USD60,000,000 (approximately RM257,610,000) (2014: USD60,000,000 (approximately RM209,790,000)) renewable after one (1) year.

The loan was obtained on 14 September 2006 and subsequently renewed on 6 September 2012. The loan was revised to USD60,000,000 on 16 July 2013 and interest rate of the loan was revised to 0.80% on 4 August 2014. Interest rate on the loan is charged at the rate of 0.80% (2014: 0.80%) per annum above the cost of fund ("COF").

- (b) Term loan of USD35,000,000 (approximately RM150,273,000) (2014: USD35,000,000 (approximately RM122,380,000)). The loan is repayable semi-annually within twenty eight (28) semi-annual instalments from 12 August 2008 and ending on 12 February 2022.

The loan was obtained on 25 April 2006. Interest on the loan is charged at 0.395% (2014: 0.395%) above LIBOR per annum.

- (c) Revolving multi-currency loan of six (6) months up to an aggregate of USD150,000,000 (approximately RM644,025,000) (2014: USD150,000,000 (approximately RM524,475,000)).

The loan was obtained on 25 June 2009. The principal and interest of the loan was revised to USD100,000,000 and 0.80% respectively on March 2014 and further revised to USD150,000,000 on July 2014. Interest on the loan is charged at the rate of 0.80% (2014: 0.80%) above LIBOR per annum.

- (d) Commodity Murabahah Revolving Credit-i up to an aggregate of USD100,000,000 (approximately RM429,350,000 (2014: USD40,000,000 (approximately RM244,760,000)) renewable after one (1) year.

The financing was obtained on 10 November 2010 for USD30,000,000, renewed on 14 December 2011, 21 March 2014 and 2 March 2015 with an additional amount of USD10,000,000, USD30,000,000 and USD30,000,000 respectively. Profit rate on the financing is charged at the rate of 0.80% and revised to 0.50% in March 2014 (2014:0.50%) above the Islamic Cost of Fund per annum.

- (e) Revolving US Dollar loan up to an aggregate of USD100,000,000 (approximately RM429,350,000) (2014: USD100,000,000 (approximately RM349,650,000)).

The loan was obtained on 28 January 2011. Interest on loan is charged at the rate of 0.80% above LIBOR per annum (2014: 0.80%). This loan was fully repaid in February 2015.

- (f) Revolving Euro loan of one (1) year up to an aggregate of EUR30,000,000 (approximately RM140,694,000) (2014: EUR30,000,000 (approximately RM127,490,000)) renewable after one (1) year.

The loan was obtained on 12 March 2012. Interest rate on the loan is charged at the rate of 0.80% (2014 :0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

- (g) Structured Commodity Financing-i of one (1) year up to an aggregate of USD35,000,000 (approximately RM150,273,000) (2014: USD35,000,000 (approximately RM122,380,000)).

The financing was obtained on 25 July 2012 for USD25,000,000 and was renewed on 11 July 2013 with an additional amount of USD10,000,000. Profit rate on the financing is charged at the rate of 1.30% (2014: 1.30%) above LIBOR per annum.

- (h) Term loan of EUR40,000,000 (approximately RM187,592,000) (2014: EUR40,000,000 (approximately RM169,990,000)) repayable within a period of five (5) years.

The loan was obtained on 3 September 2012. Interest on the loan is charged at the rate of 0.80% (2014: 0.80%) above EURIBOR per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17. BORROWINGS (CONT'D.)***Term loans/Revolving credits (cont'd.)***

- (i) Multi-Currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD85,000,000 (approximately RM364,948,000) (2014: USD85,000,000 (approximately RM297,200,000)) renewable after one (1) year.

The financing was obtained on 14 June 2013 for USD25,000,000. The limit was revised to USD85,000,000 on 12 August 2013 and profit rate was reduced to 0.80% per annum on 4 August 2014. Profit rate on the financing is charged at the rate of 0.80% (2014: 0.85%) above the Islamic Cost of Fund per annum.

- (j) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM107,338,000) (2014: USD25,000,000 (approximately RM87,410,000)) approximately renewable after one (1) year.

The financing was obtained on 13 May 2013. Profit rate on the financing is charged at the rate of 0.50% (2014: 0.50%) above the Islamic Cost of Fund per annum.

- (k) Revolving multi-currency loan of one (1) year up to an aggregate of USD100,000,000 (approximately RM429,350,000) (2014: USD100,000,000 (approximately RM349,650,000)) renewable after one (1) year.

The loan was obtained on 2 April 2013. Interest rate on the loan is charged at the rate of 0.70% (2014: 0.70%) per annum above LIBOR. The loan was fully repaid during the year.

- (l) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM171,740,000) (2014: USD40,000,000 (approximately RM139,860,000)) renewable after one (1) year.

The financing was obtained on 15 August 2013. Profit rate on the financing is charged at the rate of 0.75% (2014: 0.75%) above the Islamic Cost of Fund per annum.

- (m) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM562,776,000) (2014: EUR120,000,000 (approximately RM509,980,000)) renewable after one (1) year.

The financing was obtained on 18 September 2013. Profit rate on the financing is charged at the rate of 0.80% (2014: 0.80%) above EURIBOR.

- (n) Revolving US Dollar loan up to an aggregate of USD150,000,000 (approximately RM644,025,000) (2014: USD50,000,000 (approximately RM174,830,000)).

The loan was obtained on 6 December 2013. The loan was revised to USD150,000,000 on 19 January 2015. Interest on loan is charged at the rate of 0.80% (2014 : 0.80%) above LIBOR per annum.

- (o) Revolving multi currency loan up to an aggregate of USD50,000,000 (approximately RM214,675,000) (2014: USD50,000,000 (approximately RM174,830,000)).

The loan was obtained on 17 February 2014. Interest on loan is charged at the rate of 0.80% (2014: 0.80%) above LIBOR per annum.

- (p) Revolving US Dollar loan up to an aggregate of USD50,000,000 (approximately RM214,675,000) (2014: USD50,000,000 (approximately RM174,830,000)).

The loan was obtained on 6 August 2014. Interest on loan is charged at the rate of 0.42% (2014: 0.42%) above LIBOR per annum. The loan was fully repaid during the year.

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31 December 2015

17. BORROWINGS (CONT'D.)

Term loans/Revolving credits (cont'd.)

- (q) Commodity Murabahah Revolving Credit-i up to an aggregate of USD55,000,000 (approximately RM236,143,000) (2014: USD55,000,000 (approximately RM192,310,000)).

The financing was obtained on 24 September 2014. Profit rate on the financing is charged at the rate of 0.50% (2014: 0.50%) above the LIBOR per annum.

- (r) Term loan of USD100,000,000 (approximately RM429,350,000) repayable within the period of 3 years.

The loan was obtained on 15 June 2015. Interest on the loan is charged at 0.85% above LIBOR per annum.

- (s) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM171,740,000).

The financing was obtained on 29 October 2015. Profit rate on the financing is charged at the rate of 0.80% above the LIBOR per annum.

- (t) Included in the term loan is a placement from the Government of Malaysia for Malaysian Kitchen Financing Facility Scheme amounting to RM170,100,000 for the purpose of providing loans to qualified applicants under the Malaysia The Truly Asian Kitchen or Malaysia Kitchen Program.

The placement is interest-free and repayable after a period of fifteen (15) years from dates of disbursement of 14 December 2007 and 15 January 2009.

Medium Term Notes

In June 2012, the Bank established multicurrency Medium Term Notes (MTN) programme. The maximum principal of notes that may be issued under the programme is USD1,500,000,000 (approximately RM6,440,250,000). Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating rate of interest.

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17. BORROWING (CONT'D.)

Medium Term Notes (cont'd.)

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
14 June 2012	USD500 mil	5.5 years	2.875%	Fixed
11 July 2012	USD63 mil	10 years	3.509%	Fixed
8 March 2013	HKD402 mil	5 years	1.600%	Fixed
12 March 2013	HKD896 mil	10 years	2.950%	Fixed
19 March 2013	AUD45 mil	5 years	BBSW + 1.20%	Floating
13 March 2014	USD25 mil	5 years	Libor + 1.00%	Floating
14 March 2014	SGD60 mil	5 years	SOR + 0.90%	Floating
3 April 2014	USD20 mil	5 years	Libor + 1.00%	Floating
11 April 2014	USD50 mil	5 years	2.850%	Fixed
17 April 2014	USD50 mil	5 years	2.660%	Fixed
8 May 2014	JPY3 bil	5 years	0.650%	Fixed
28 May 2014	USD25 mil	5 years	Libor + 0.95%	Floating
29 May 2014	USD50 mil	5 years	Libor + 0.80%	Floating
6 June 2014	USD100 mil	15 years	4.250%	Fixed
9 February 2015	HKD610 mil	3 years	1.430%	Fixed

Multicurrency Sukuk Programme

In September 2013, the Bank launched its USD1.0 billion multicurrency Sukuk programme through Special Purpose Vehicle (SPV) company. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating rate of interest.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
19 February 2014	USD300 mil	5 years	2.874%	Fixed
6 May 2015	USD20 mil	10 years	3.350%	Fixed
8 June 2015	USD40 mil	4 years	2.450%	Fixed
8 June 2015	USD50 mil	5 years	2.700%	Fixed
22 June 2015	USD40 mil	3 years	1.950%	Fixed
10 December 2015	USD30 mil	3 years	Libor + 1.20%	Floating

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18. OTHER PAYABLES AND ACCRUALS

	Group and Bank	
	2015 RM'000	2014 RM'000
Sinking fund and debt services reserve accounts	190,565	120,070
Interest payable	80,240	57,861
Amount due to the Government of Malaysia for MKFF Scheme	24,825	22,219
Provision for zakat	3,508	729
Provision for taxation	26,071	18,609
Others	87,351	40,610
	412,560	260,098

19. DEFERRED INCOME

Group and Bank	Gross RM'000	Reinsurance RM'000	Net RM'000
2015			
Arising from:			
(i) Guarantee and fee from conventional banking activities			
At 1 January	2,430	-	2,430
Addition during the year	7,512	-	7,512
Recognised in income statement	(5,063)	-	(5,063)
At 31 December	4,879	-	4,879
(ii) Guarantee and fee from Islamic banking activities			
At 1 January	5,918	-	5,918
Addition during the year	12,050	-	12,050
Recognised in income statement	(3,757)	-	(3,757)
At 31 December	14,211	-	14,211
(iii) Premium liabilities			
At 1 January	15,726	(8,242)	7,484
Decrease in reserve	(2,907)	1,858	(1,049)
At 31 December	12,819	(6,384)	6,435
(iv) Takaful premium liabilities			
At 1 January	2,058	-	2,058
Addition during the year	433	-	433
Increase in reserve (Note 38)	646	-	646
At 31 December	3,137	-	3,137
	35,046	(6,384)	28,662

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19. DEFERRED INCOME (CONT'D.)

Group and Bank	Gross RM'000	Reinsurance RM'000	Net RM'000
2014			
Arising from:			
(i) Guarantee and fee from conventional banking activities			
At 1 January	78	-	78
Addition during the year	3,413	-	3,413
Recognised in income statement	(1,061)	-	(1,061)
At 31 December	2,430	-	2,430
(ii) Guarantee and fee from Islamic banking activities			
At 1 January	-	-	-
Addition during the year	5,918	-	5,918
Recognised in income statement	-	-	-
At 31 December	5,918	-	5,918
(iii) Premium liabilities			
At 1 January	20,677	(7,259)	13,418
Increase in reserve	(4,951)	(983)	(5,934)
At 31 December	15,726	(8,242)	7,484
(iv) Takaful premium liabilities			
At 1 January	2,419	-	2,419
Increase in reserve (Note 38)	(361)	-	(361)
At 31 December	2,058	-	2,058
	26,132	(8,242)	17,890

NOTES TO THE FINANCIAL STATEMENTS

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20. PROVISION FOR GUARANTEE AND CLAIMS

	Group and Bank	
	Gross RM'000	Net RM'000
2015		
Arising from:		
(i) Insurance claims		
At 1 January	26,602	26,602
Addition during the year	1,119	1,119
Paid during the year (Note 25)(ii))	(17,338)	(17,338)
At 31 December	10,383	10,383
(ii) Takaful claims		
At 1 January	1,963	1,963
Reversal during the year	(53)	(53)
Paid during the year	(1,321)	(1,321)
At 31 December	589	589
(iii) Expenses liabilities		
At 1 January	156	156
Reversal during the year	(105)	(105)
At 31 December	51	51
	11,023	11,023
2014		
Arising from:		
(i) Insurance claims		
At 1 January	25,400	25,400
Addition during the year	2,175	2,175
Paid during the year (Note 25 (ii))	(973)	(973)
At 31 December	26,602	26,602
(ii) Takaful claims		
At 1 January	1,543	1,543
Addition during the year	503	503
Paid during the year	(83)	(83)
At 31 December	1,963	1,963
(iii) Expenses liabilities		
At 1 January	130	130
Addition during the year	26	26
At 31 December	156	156
	28,721	28,721

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21. SHARE CAPITAL

	Group and Bank			
	2015		2014	
	Number of shares	Amount RM	Number of shares	Amount RM
Authorised:				
Ordinary shares of RM1 each	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Special Rights	1	1	1	1
At 31 December	3,000,000,001	3,000,000,001	3,000,000,001	3,000,000,001
Issued and fully paid:				
Ordinary shares of RM1 each	2,708,665,283	2,708,665,283	2,708,665,283	2,708,665,283
Special Rights	1	1	1	1
At 31 December	2,708,665,284	2,708,665,284	2,708,665,284	2,708,665,284

The Special Rights Redeemable Share ("Special Rights") may be held or transferred only to the Minister of Finance (Incorporated) or its successors or any Minister, representative or any person acting on behalf of the Government of Malaysia.

The Special Rights shareholder shall have the right from time to time to appoint any person to be an appointed Director ("Government Appointed Director"), so that there shall not be more than four Government appointed Directors at any time.

The Special Rights shareholder or any person acting on its behalf shall be entitled to receive notice of and to attend and speak at all general meetings of any meeting of any class of shareholders of the Bank, but the Special Share shall carry neither right to vote nor any other rights at any such meeting.

In a distribution of capital in a winding up of the Bank, the Special Rights shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other member. The Special Share shall confer no other right to participate in the capital or profits of the Bank.

The Special Rights shareholder may subject to the provision of the Companies Act, 1965, require the Bank to redeem the Special Share at par at any time by serving written notice upon the Bank and delivering the relevant share certificate.

The Special Rights shareholder shall determine on general guidelines pertaining to lending, investments and divestment by the Bank from time to time as deemed appropriate.

22. OPERATING REVENUE

Operating revenue of the Group and the Bank comprises gross interest income, fee and commission income, income from insurance operation and income from Islamic banking and Takaful.

NOTES TO THE FINANCIAL STATEMENTS

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23. INTEREST INCOME

	Group and Bank	
	2015 RM'000	2014 RM'000
Loans, advances and financing		
- Interest income from non-impaired loans	213,239	189,216
- Recoveries from impaired loans	53,045	26,884
Money at call and deposit placements with banks and other financial institutions	62,238	50,939
Investment securities	1,613	4,213
Amortisation of premium less accretion of discount	(117)	(414)
Net income from interest rate and cross currency interest rate swaps	41,237	32,123
	371,255	302,961

24. INTEREST EXPENSE

	Group and Bank	
	2015 RM'000	2014 RM'000
Borrowings		
Term loans/Revolving credits	17,875	22,699
Medium Term Notes	129,547	94,897
	147,422	117,596

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25. UNDERWRITING RESULTS

	Group and Bank	
	2015 RM'000	2014 RM'000
Gross premium	10,040	8,986
Reinsurance	(3,336)	(2,607)
Net premium	6,704	6,379
Decrease in premium liabilities reserves	2,147	5,934
Net earned premium (Note 25 (i))	8,851	12,313
Other fee income	503	496
Write-back of allowance for doubtful debts	141	-
	9,495	12,809
Net claims incurred (Note 25 (ii))	(1,098)	(2,157)
Underwriting results	8,397	10,652
(i) Net earned premium		
Gross premium	10,040	8,986
Change in premium liabilities reserves	2,147	5,934
	12,187	14,920
Premium ceded	(3,336)	(2,607)
Net earned premium	8,851	12,313
(ii) Net claims incurred		
Gross claims paid less salvage (Note 20)	(17,338)	(973)
Recoveries	21	18
Net claims paid	(17,317)	(955)
Net outstanding claims		
- 1 January	26,602	25,400
- 31 December	(10,383)	(26,602)
Net claims incurred	(1,098)	(2,157)

NOTES TO THE FINANCIAL STATEMENTS

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26. OTHER INCOME/(EXPENSE)

	Group and Bank	
	2015 RM'000	2014 RM'000
Fee income	31,599	37,305
Foreign exchange (loss)/gain		
- unrealised	(53,649)	(31,364)
- realised	48,212	9,518
Gain on disposal of equipment	7	13
Assets written off	(1)	-
Rental income	31	27
Unrealised gain on financial instruments designated at fair value through profit or loss	55,104	56,671
Unrealised loss on MTN/Sukuk designated as hedge accounting	(42,092)	(74,857)
Others	217	180
	39,428	(2,507)

27. OVERHEAD EXPENSES

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel costs	(i)	45,420	43,532	45,420	43,532
Establishment related expenses	(ii)	10,147	9,841	10,147	9,841
Promotion and marketing expenses	(iii)	3,507	4,617	3,507	4,617
General administrative expenses	(iv)	19,470	16,223	19,463	16,205
		78,544	74,213	78,537	74,195

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27. OVERHEAD EXPENSES (CONT'D.)

		Group and Bank		
		2015	2014	
		RM'000	RM'000	
(i) Personnel costs				
Salaries, allowances and bonuses		35,838	33,008	
Defined contribution plan		4,479	4,183	
Other staff related expenses		5,103	6,341	
		45,420	43,532	
(ii) Establishment related expenses				
Depreciation:				
- Property and equipment (Note 16)		4,927	4,823	
- Investment properties (Note 14)		18	18	
Amortisation of intangible assets (Note 15)		-	336	
Rental of leasehold land and premises		339	309	
Repairs and maintenance of property and equipment		4,863	4,355	
		10,147	9,841	
(iii) Promotion and marketing expenses				
Advertisement and publicity		3,507	4,617	
(iv) General administrative expenses				
		Group	Bank	
		2015	2014	
		RM'000	RM'000	
		2015	2014	
		RM'000	RM'000	
Administrative expenses	3,036	3,042	3,036	3,042
Auditors' remuneration				
- statutory audit	327	282	325	278
- regulated related services	3	3	3	3
- other assurance services	-	84	-	84
General expenses	7,623	6,806	7,623	6,806
Non-Executive Directors remuneration	1,350	1,254	1,350	1,254
Professional fees	6,795	4,162	6,790	4,148
Sundry debtors written off	27	-	27	-
Others	309	590	309	590
	19,470	16,223	19,463	16,205

NOTES TO THE FINANCIAL STATEMENTS

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28. DIRECTORS' FEES AND REMUNERATION

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
Group and Bank					
2015					
Executive Director:					
Dato' Adissadikin bin Ali	233	-	260	355	848
	233	-	260	355	848
Non-Executive Directors:					
Datuk Mohd Hashim bin Hassan	-	153	-	-	153
Datuk Mat Noor bin Nawawi	-	49	-	9	58
Dato' Rosli bin Mohamed Nor	-	164	-	-	164
Dato' Sri Dr. Mohamad Isa bin Hussain	-	126	-	-	126
Encik Nik Najib bin Husain	-	150	-	-	150
Dato' Md Agil bin Mohd Natt	-	140	-	-	140
Encik Ismail bin Mahbob	-	146	-	-	146
Datuk Wong Seng Foo	-	136	-	-	136
YM Tunku Afwida binti Tunku A. Malek	-	132	-	-	132
Encik Mohammad Fadzlan bin Abdul Samad	-	98	-	-	98
Datuk Syed Ahmad Helmy bin Syed Ahmad	-	47	-	-	47
	-	1,341	-	9	1,350
Total Directors' remuneration (excluding benefits in-kind)	233	1,341	260	364	2,198

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
Group and Bank					
2014					
Executive Director:					
Dato' Adissadikin bin Ali	562	-	225	192	979
	562	-	225	192	979
Non-Executive Directors:					
Datuk Mohd Hashim bin Hassan	-	204	-	-	204
Haji Zakaria bin Ismail	-	126	-	-	126
Dato' Rosli bin Mohamed Nor	-	174	-	-	174
Dato' Sri Dr. Mohmad Isa bin Hussain	-	126	-	-	126
Encik Nik Najib bin Husain	-	172	-	-	172
Dato' Md Agil bin Mohd Natt	-	156	-	-	156
Encik Ismail bin Mahbob	-	140	-	-	140
Datuk Wong Seng Foo	-	106	-	-	106
YM Tunku Afwida binti Tunku A. Malek	-	50	-	-	50
	-	1,254	-	-	1,254
Total Directors' remuneration (excluding benefits in-kind)	562	1,254	225	192	2,233

29. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel comprise person having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly. It comprises the President/Chief Executive Officer and Acting President/Chief Executive Officer of the Group and of the Bank.

The key management personnel compensation is as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Short-term employee benefits (excluding benefit in-kind)	1,340	979
Included in the total key management personnel is:		
Executive Director's remuneration (Note 28)	848	979

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30. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2015 RM'000	2014 RM'000
Individual allowance		
- Charged for the year	222,675	183,341
- Written back during the year	(18,553)	(34,358)
Collective allowance		
- Charged for the year	67,287	8,552
	271,409	157,535

31. TAXATION

The major components of taxation for the years ended 31 December 2015 and 2014 are:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax expense:				
- Current year	26,071	18,609	26,071	18,609
- Underprovision in prior years	1,741	8,027	1,741	8,027
Deferred tax expense:				
- Origination and reversal of temporary differences	(12,228)	(5,582)	(12,228)	(5,582)
- Effect on deferred tax opening due to reduction in Malaysian income tax rate	1,758	-	1,758	-
	17,342	21,054	17,342	21,054

Income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. Effective year of assessment 2016, the income tax rate will be reduced to 24%.

A reconciliation of the taxation applicable to profit before taxation and zakat at the statutory tax rate to taxation at the effective tax rate of the Group and the Bank is as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	46,013	40,850	46,013	40,861
Income tax using Malaysian statutory tax rate of 25% (2014: 25%)	11,503	10,215	11,503	10,215
Non-deductible expenses	2,031	2,812	2,031	2,812
	13,534	13,027	13,534	13,027
Effect on deferred tax opening due to reduction in Malaysian income tax rate	1,758	-	1,758	-
Underprovision in prior years deferred tax	2,050	8,027	2,050	8,027
	17,342	21,054	17,342	21,054

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

32. EARNINGS PER SHARE

	Group		Bank	
	2015	2014	2015	2014
Issued ordinary shares as at 31 December ('000)	2,708,665	2,708,665	2,708,665	2,708,665
Profit after taxation (RM'000)	25,163	19,067	25,163	19,078
Basic earnings per share (sen)	0.93	0.70	0.93	0.70

The basic earnings per ordinary share has been calculated based on the profit after taxation and the weighted average number of ordinary shares during the year.

33. DIVIDENDS

Since the end of the previous financial year, the Bank paid a final ordinary dividend of 0.25 sen per ordinary share totalling RM6,677,301 in respect of the year ended 31 December 2014 on 18 June 2015. (2014: 0.80 sen per ordinary share totalling RM21,708,115 in respect of the year ending 31 December 2013 on 20 June 2014.)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2015, of 0.33 sen per ordinary share amounting to RM8,806,810 will be proposed for shareholder's 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 2016.

34. COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2015 RM'000	2014 RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	579,801	573,997
Letter of credit	46,121	20,954
Undrawn loans and financing	2,153,312	2,203,017
	2,779,234	2,797,968

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34. COMMITMENTS AND CONTINGENCIES (CONT'D.)

	Group and Bank	
	2015 RM'000	2014 RM'000
<u>Insurance operation commitments</u>		
Contracted but not provided for:		
Within one year	751,611	596,014
One year or later and no later than five years	425,723	476,899
	1,177,334	1,072,913
<u>Operational commitments</u>		
Approved but not contracted for:		
Within one year	12,248	10,023
Total commitments and contingencies	3,968,816	3,880,904

35. SIGNIFICANT RELATED PARTIES TRANSACTION AND BALANCES

For the purposes 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 Group has related party transactions and balances with the following parties:

(a) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel consists of the President/Chief Executive Officer and Acting President/Chief Executive Officer of the Group and the Bank. The key management personnel compensation is disclosed in Note 29.

(b) The significant outstanding balances of the Bank with the related companies are as follows:

	Bank	
	2015 RM'000	2014 RM'000
Amount due to subsidiaries	64,117	64,124

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35. SIGNIFICANT RELATED PARTIES TRANSACTION AND BALANCES (CONT'D.)

(c) Government related parties

Included in the financial position of the Group and the Bank are the amounts due from/(to) The Government of Malaysia represented by the following:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Transaction during the year		
Other income: Management fee	2,552	2,552
Expense: Bad debt written off	3,135	-

The Government of Malaysia

At the end of the tenure, the Bank shall repay the fund received under the MKFF scheme together with all interest earned, less the allowance for impaired loans and return all proceeds derived from investment of the unutilised funds to the Government. The net amount repayable to the Government as at the financial year is represented as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Fund under MKFF Scheme	170,100	170,100
Less:		
Loans and financing	(15,566)	(19,297)
Allowance for losses on loans and financing	(7,072)	(10,704)
Bad debt written off	(8,525)	(3,002)
Add:		
Interest earned from financing	460	1,434
Interest income on investment	40,552	33,287
Net repayable	179,949	171,818

(d) Licensed banks and other financial institutions

	Group and Bank	
	2015	2014
	RM'000	RM'000
Deposits and placements	853,320	770,527

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT 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 unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Bank.

The Risk Management Division of the Group is responsible for formulating policies and the oversight of credit, market liquidity and operational risks.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence to Group's financial risk management policies, which are reported to and approved by the Board of Directors. The Board also approves the treasury practices which cover the management of these risks.

The main areas of financial risks faced by the Group and the Bank and the policies are set out as follows:

a. Capital management

Capital management refers to continuous, proactive and systematic process to ensure the Group and the Bank have sufficient capital in accordance to its risk profile and regulator's requirements.

b. Market risk

Market risk refers to the potential loss arising from adverse movements in the market variables such as market rate, foreign exchange rate, equity price and commodity price. In other words, it is the risk that the Group's and the Bank's earnings or capital position will be affected by fluctuation in market rates or prices.

c. Asset liability management risk

Asset Liability Management ("ALM") risk comprises:

(i) Interest rate risks

This refers to the exposure of the Group's and the Bank's financial conditions due to adverse movements in interest rates.

(ii) Liquidity risks

Defined as the risk of not being able to obtain sufficient funds in a timely manner at a reasonable cost to meet financial commitments when due.

d. Credit risk

Credit risk is defined as risk due to uncertainty in the customers or the counterparties ability to meet its obligations or failure to perform according to the terms and conditions of the credit-related contract.

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Oversight and organisation

A stable enterprise-level organisational structure for risk management is necessary to ensure a uniform view of risk across the Group and the Bank. It is also important to have clear roles and responsibilities defined for each functions.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that the risks are properly managed.

While the Board of Directors is ultimately responsible for risk management of the Group, it has entrusted the Board Risk Committee ("BRC") to carry out its functions. Although the responsibilities have been delegated, the Board still remains accountable. BRC, which is chaired by an independent Director of the Board, oversees the overall management of all risks covering credit risk management, country risk management, market risk management, asset liability management and operational risk management.

Executions of the Board's risk strategies and policies are the responsibilities of the Group's and the Bank's management and the conduct of these functions are being exercised under a committee structure, namely Management Risk Committee ("MRC"). The President/Chief Executive Officer chairs MRC. The Committee focuses on the overall business strategies and daily business operations of the Group and the Bank in respect of risk management.

To carry out the day-to-day risk management function, a dedicated Risk Management Division ("RMD") that is independent of profit and volume targets supports the Committee. RMD reports functionally to the BRC and administratively to the President/Chief Executive Officer.

Capital management

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and able to provide cushion for any potential losses. In line with this objective, the Group and the Bank view capital position as an important key barometer of financial health.

In order to support its mandated roles, the Group and the Bank must have strong and adequate capital to support its business activities on an on-going basis. In lieu to this, 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 Group and the Bank through a progressive and systematic building up of the reserve fund, the Group and the Bank are required to maintain a reserve fund and transfer a certain percentage of its net profits to the reserve fund once the RWCR falls below the threshold of 16%.

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Capital management (cont'd.)

Regulatory capital

The following table set forth capital resources and capital adequacy for the Bank as at 31 December:

	2015 RM'000	2014 RM'000
Ordinary share capital	2,708,665	2,708,665
Retained profit	269,202	256,801
Current year profit	25,163	19,078
Eligible Tier 1 capital	3,003,030	2,984,544
Collective allowance on loans, advances and financing*	183,051	121,323
Provision for guarantee and claims	3,991	7,459
Eligible Tier 2 capital	187,042	128,782
Investment in subsidiaries	(64,140)	(64,147)
Total capital base	3,125,932	3,049,179
Risk weighted assets	14,035,518	10,219,656
Tier 1 Capital Ratio		
- With proposed dividend		
Core capital ratio	21.33%	29.14%
RWCR	22.21%	29.77%
- Without proposed dividend		
Core capital ratio	21.40%	29.20%
RWCR	22.27%	29.84%

* The eligible amounts for Tier II Capital is only limited to the excess of total collective allowances over the identifiable incurred losses in the collective allowance pool.

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Capital monitoring

The Group's and the Bank's capital are closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Group and the Bank have set an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Group and the Bank a "well capitalised" status. The MRC shall be responsible in managing and monitoring both the internal capital limit and regulatory capital requirement.

Market risk managementApproach and risk strategy

The principal objectives of the market risk management are to assume an appropriate balance between the level of risk and the level of return desired in order to maximise the return to shareholder's funds and to ensure prudent management of the Group's and the Bank's resources to support the growth of the Group's and the Bank's economic value.

The Group's market risk management strategies are to identify measure, monitor and manage the Group's and the Bank's earnings and capital against market risk inherent in all activities of the Group and the Bank and ensure all relevant personnel clearly understand the Group's and the Bank's approach in managing market risk.

Risk identification

The Group's and the Bank's market risk arises due to changes in market rates, prices and volatilities which lead to a decline in the value of the Group's and the Bank's investment securities, foreign exchange and equity position.

Measurement

The Group's and the Bank's policies are to minimise the exposures to foreign currency risk arising from lending activities by monitoring and obtaining the Board's approval for funding requisitions that involve foreign currencies.

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

	Changes in foreign exchange rates (+/-) %	Effect on profit/loss		Effect on equity	
		Increase in FX rate	Decrease in FX rate	Increase in FX rate	Decrease in FX rate
		RM'000	RM'000	RM'000	RM'000
2015					
AED	10	6	(6)	6	(6)
EUR	5	(2,972)	2,972	(2,972)	2,972
GBP	5	(847)	847	(847)	847
JPY	10	-	-	-	-
SGD	5	(8,525)	8,525	(8,525)	8,525
USD	10	(76,717)	76,717	(76,717)	76,717
AUD	10	3,018	(3,018)	3,018	(3,018)
HKD	5	53,554	(53,554)	53,554	(53,554)
		(32,483)	32,483	(32,483)	32,483

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Market risk management (cont'd.)

Measurement (cont'd.)

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

	Changes in foreign exchange rates (+/-) %	Effect on profit/loss		Effect on equity	
		Increase in FX rate	Decrease in FX rate	Increase in FX rate	Decrease in FX rate
		RM'000	RM'000	RM'000	RM'000
2014					
AED	10	5	(5)	5	(5)
EUR	5	(577)	577	(577)	577
GBP	5	(189)	189	(189)	189
JPY	10	8,822	(8,822)	8,822	(8,822)
SGD	5	(6,958)	6,958	(6,958)	6,958
USD	10	(59,132)	59,132	(59,132)	59,132
AUD	10	(2,348)	2,348	(2,348)	2,348
HKD	5	29,056	(29,056)	29,056	(29,056)
		(31,321)	31,321	(31,321)	31,321

Asset liability management

Approach and risk strategy

The main objective is to proactively manage the Group's and the Bank's financial position which includes assets, liabilities and capital, in order to maximise earnings and to attain its strategic goal, within the overall risk/return preferences.

The Group's and the Bank's Asset and Liability Management ("ALM") strategies are as follows:

- Ensure that the Group and the Bank achieve its financial objective through strategic business plan which shall be developed within the risk tolerance level;
- Ensure that the Group's and Bank's pricing and funding are adequately maintain to support a sound capital base through strategic management of balance sheet; and
- Ensure that the Group and the Bank are able to sustain its capital against ALM risk inherent in all activities of the Group and the Bank.

Risk identification

When analysing whether or not an activity introduces a new element of ALM risk exposure, the Group and the Bank should be aware that changes to an instrument's maturity, repricing or repayment terms could materially affect the product's ALM risks characteristics.

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31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Asset liability management (cont'd.)

Measurement

The Group and the Bank face interest rate risks arising from re-pricing mismatches of assets and liabilities from its banking businesses. These risks are monitored through economic value of equity limit and net interest income changes.

The Group and the Bank perform regular net interest income simulation to better understand the sensitivity to changes in interest rates on the net interest income. In addition, MRC will actively manage the re-pricing mismatches with the aid of monthly re-pricing gap and Earning-at-Risk ("EAR") reports.

The table below shows the Bank's interest rate risk exposure based on contractual re-pricing gap:

	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2015						
Assets						
Cash and bank balances	-	-	-	-	56,832	56,832
Deposits and placements with banks and other financial institutions	2,035,220	120,000	-	-	-	2,155,220
Investment securities	10,017	185,313	5,008	-	-	200,338
Amount due from ECR debtors	279,889	42,623	-	-	-	322,512
Loans, advances and financing	8,818,919	1,315,100	597,651	923,360	-	11,655,030
Derivative financial instruments	-	1,527	16,709	61,065	-	79,301
Other assets	-	-	-	-	316,354	316,354
Total assets	11,144,045	1,664,563	619,368	984,425	373,186	14,785,587
Liabilities and equity						
Borrowings	2,992,982	14,318	6,716,442	1,520,093	-	11,243,835
Derivative financial instruments	-	2,181	2,348	18,397	-	22,926
Other liabilities	-	-	-	-	515,628	515,628
Shareholders' fund	-	-	-	-	3,003,198	3,003,198
Total liabilities and equity	2,992,982	16,499	6,718,790	1,538,490	3,518,826	14,785,587
Period gap	8,151,063	1,648,064	(6,099,422)	(554,065)	(3,145,640)	-
Cumulative gap	8,151,063	9,799,127	3,699,705	3,145,640	-	-

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Asset liability management (cont'd.)

Measurement (cont'd.)

The table below shows the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd.):

	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2014						
Assets						
Cash and bank balances	-	-	-	-	17,279	17,279
Deposits and placements with banks and other financial institutions	1,929,819	41,139	-	-	-	1,970,958
Investment securities	5,041	35,284	80,649	-	-	120,974
Amount due from ECR debtors	314,549	96,098	-	-	-	410,647
Loans, advances and financing	1,125,858	761,057	3,574,761	2,472,188	-	7,933,864
Derivative financial instruments	-	-	-	29,599	-	29,599
Other assets	-	-	-	-	361,465	361,465
Total assets	3,375,267	933,578	3,655,410	2,501,787	378,744	10,844,786
Liabilities and equity						
Borrowings	1,981,654	147,790	4,121,944	1,209,199	-	7,460,587
Derivative financial instruments	-	-	-	30,205	-	30,205
Other liabilities	-	-	-	-	369,568	369,568
Shareholders' fund	-	-	-	-	2,984,426	2,984,426
Total liabilities and equity	1,981,654	147,790	4,121,944	1,239,404	3,353,994	10,844,786
Period gap	1,393,613	785,788	(466,534)	1,262,383	(2,975,250)	-
Cumulative gap	1,393,613	2,179,401	1,712,867	2,975,250	-	-

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Asset liability management (cont'd.)Analysis of net interest income ("NII") sensitivity

The table below shows the Bank's net interest income sensitivity based on possible parallel shift in interest rate:

	2015		2014	
	Impact on profit RM'000	Impact on equity RM'000	Impact on profit RM'000	Impact on equity RM'000
Interest rate - parallel shift				
+ 50 basis points	12,701	12,701	11,270	11,270
- 50 basis points	(13,459)	(13,459)	(11,900)	(11,900)

Liquidity risk managementApproach and risk strategy

The inability to create liquidity would cause serious repercussion to the Group and the Bank in terms of its reputation and even its continued existence. In view of this, the Group and the Bank pay particular attention to liquidity risk management approach and strategy.

The objective of liquidity risk management is to ensure the availability of sufficient liquidity to honour all financial obligations and able to meet any stressful events. The Group's and the Bank's liquidity risk management strategies involve:

- Establish appropriate policies to oversee the management of liquidity risk of the Group and the Bank;
- Establish prudent liquidity risk limits to ensure the Group and the Bank maintain a safe level of asset liquidity; and
- Develop contingency funding plans to manage the Group's and the Bank's funding requirement during liquidity crisis.

Risk identification

There are two types of liquidity risk i.e. funding liquidity risk and market liquidity risk. Funding liquidity risk refers to the potential inability of the Group and the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost. Market liquidity risk refers to the Group's and the Bank's potential inability to liquidate positions quickly and in sufficient volumes, at a reasonable price.

Measurement

Liquidity is measured by the Group's and the Bank's ability to efficiently and economically accommodate decrease in deposits/funding (such as funds obtained from the Government) and other purchased liabilities and to fund increases in assets to ensure continued growth of the Group and the Bank.

The Group and the Bank maintain large capital base, sufficient liquid assets, diversified funding sources, and regularly assesses the long-standing relationship with traditional fund providers. These processes are subject to regular reviews to ensure adequacy and appropriateness.

In addition, the Group's and the Bank's liquidity position are monitored and managed through structural liquidity indicators, such as loan to purchase funds and offshore revolving funds utilisation rate ratios to maintain an optimal funding mix and asset composition.

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Bank according to their contractual maturity:

	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2015						
Assets						
Cash and bank balances	56,832	-	-	-	-	56,832
Deposits and placements with banks and other financial institutions	-	2,035,220	120,000	-	-	2,155,220
Investment securities	10,017	-	185,313	5,008	-	200,338
Amount due from ECR debtors	-	279,889	42,623	-	-	322,512
Loans, advances and financing	-	1,418,767	2,372,681	4,582,983	3,280,599	11,655,030
Derivative financial instruments	-	-	1,527	16,709	61,065	79,301
Other assets	316,354	-	-	-	-	316,354
Total assets	383,203	3,733,876	2,722,144	4,604,700	3,341,664	14,785,587
Liabilities						
Borrowings	-	2,992,982	14,318	6,716,442	1,520,093	11,243,835
Derivative financial instruments	-	-	2,181	2,348	18,397	22,926
Other liabilities	516,362	-	-	-	-	516,362
Total liabilities	516,362	2,992,982	16,499	6,718,790	1,538,490	11,783,123
Net maturity mismatch	(133,159)	740,894	2,705,645	(2,114,090)	1,803,174	3,002,464

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Bank according to their contractual maturity (cont'd.):

	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2014						
Assets						
Cash and bank balances	17,279	-	-	-	-	17,279
Deposits and placements with banks and other financial institutions	-	1,929,819	41,139	-	-	1,970,958
Investment securities	5,041	-	35,284	80,649	-	120,974
Amount due from ECR debtors	-	314,549	96,098	-	-	410,647
Loans, advances and financing	-	1,125,858	761,057	3,574,761	2,472,188	7,933,864
Derivative financial instruments	-	-	-	-	29,599	29,599
Other assets	361,465	-	-	-	-	361,465
Total assets	383,785	3,370,226	933,578	3,655,410	2,501,787	10,844,786
Liabilities						
Borrowings	-	1,981,654	147,790	4,121,944	1,209,199	7,460,587
Derivative financial instruments	-	-	-	-	30,205	30,205
Other liabilities	370,833	-	-	-	-	370,833
Total liabilities	370,833	1,981,654	147,790	4,121,944	1,239,404	7,861,625
Net maturity mismatch	12,952	1,388,572	785,788	(466,534)	1,262,383	2,983,161

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Liquidity risk management (cont'd.)

The following tables show the contractual undiscounted cash flow payable for financial liabilities. The financial liabilities in the tables below does not agree to the balances in the statements of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile do not necessarily reflect behavioural cash flows.

	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2015						
Non-derivative financial liabilities						
Borrowings	-	3,686,866	142,035	6,412,490	1,766,972	12,008,363
Other liabilities	513,175	-	-	-	-	513,175
Total financial liabilities	513,175	3,686,866	142,035	6,412,490	1,766,972	12,521,538
Commitment and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	579,801	-	-	-	-	579,801
Letter of credit	46,121	-	-	-	-	46,121
Undrawn loans and financing	-	-	322,071	716,362	1,114,879	2,153,312
	625,922	-	322,071	716,362	1,114,879	2,779,234
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	751,611	-	-	751,611
One year or later and no later than five years	-	-	-	164,639	261,084	425,723
	-	-	751,611	164,639	261,084	1,177,334
Total commitments and contingencies	625,922	-	1,073,682	881,001	1,375,963	3,956,568

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Liquidity risk management (cont'd.)

	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2014						
Non-derivative financial liabilities						
Borrowings	-	2,040,255	235,826	4,565,506	1,432,757	8,274,344
Other liabilities	370,833	-	-	-	-	370,833
Total financial liabilities	370,833	2,040,255	235,826	4,565,506	1,432,757	8,645,177
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	573,997	-	-	-	-	573,997
Letter of credit	20,954	-	-	-	-	20,954
Undrawn loans and financing	-	-	341,649	941,740	919,628	2,203,017
	594,951	-	341,649	941,740	919,628	2,797,968
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	596,014	-	-	596,014
One year or later and no later than five years	-	-	-	261,029	215,870	476,899
	-	-	596,014	261,029	215,870	1,072,913
Total commitments and contingencies	594,951	-	937,663	1,202,769	1,135,498	3,870,881

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk management

Approach and risk strategy

The Group and the Bank recognise that credit risk is inherent in its banking and insurance activities. The main objective of the Group's and the Bank's credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

The Group's and the Bank's strategies in credit risk management are:

- Consistent credit approving standards are applied in each of its credit decision processes;
- All credit decisions are within credit risk tolerance that the Group and the Bank are willing to take in meeting its mandated role;
- All credit risk inherent in business activities of the Group and the Bank are comprehensively identified, measured and managed;
- Ensure the Group and the Bank hold adequate capital against credit risk and adequately compensated for risks assumed;
- Regular credit review is performed as an effective tool to constantly evaluate the quality of credits given and adherence to the credit process;
- The composition and quality of the Group's and the Bank's credit portfolio are constantly monitored to identify and manage concentrations risk; and
- Conduct stress testing on the Group's and the Bank's credit portfolio to identify possible events or future changes in economic conditions that could have favourable effects to its credit exposures and assess the Groups and the Bank's ability to withstand such changes.

Risk identification

The Group and the Bank take into account the sources of credit risks identified from all lines of business on a bank-wide basis such as direct financing risk, contingent financing risk, issuer risk, pre-settlement risk and settlement risk.

As a development financial institution, the Group and the Bank are expected primarily to fill the gaps in the supply of financial services that are not normally provided by other banking institutions. Therefore, the Group and the Bank are exposed to credit risk mainly from credit facilities to finance and support exports and imports of goods, services and overseas projects with emphasis on non-traditional markets, provision of export credit insurance services, export financing insurance, overseas investment insurance and guarantee facilities. The Group and the Bank are also exposed to credit risk from investment in securities and other financial market transactions.

Measurement

The Group and the Bank monitor actual exposures against established limits and have in place procedures for the purpose of monitoring and taking appropriate actions when such limits are breached. If exceeded limits, such occurrences must be reported to the MRC and subsequently, corrective measures are taken to avoid recurrence of such breaches.

Internal credit rating system is an integral part of the Group's and the Bank's credit risk management. It provides a good means of differentiating the degree of credit risk in the different credit exposures of the Group and the Bank. This will allow more accurate determination of the overall characteristics of the credit portfolio, concentrations, problem credits and the adequacy of allowances for losses on loans, advances and financing.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk management (cont'd.)

Impairment of financial assets

The Group and the Bank individually assesses its financial assets for any objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition. In determining that there is objective evidence of an impaired loss, the Group and the Bank adopted a systematic mechanism for a prompt trigger of impairment test whereby the triggers are based on obligatory and judgmental event triggers.

When there is objective evidence of impairment of the financial assets, the classification of these assets as impaired shall be endorsed and approved by Management Committee ("MC"). Impairment losses are recorded as charges to the statements of income. The carrying amount of impaired loan on the statement of financial position is reduced through the use of impairment allowance account. Losses expected from future events are not recognised.

Credit risk exposure

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2015			
<u>Credit exposure for on-balance sheet assets:</u>			
Deposits and placements with banks and other financial institutions	2,155,220	-	2,155,220
Investment securities			
Available-for-sale	190,338	-	190,338
Held-to-maturity	10,000	-	10,000
Amount due from ECR debtors	322,512	-	322,512
Loans, advances and financing	11,655,030	12,457,729	-
Derivative assets	79,301	-	79,301
	14,412,401	12,457,729	2,757,371
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	2,779,234	-	2,779,234
Insurance operations commitments			
Short term	751,611	-	751,611
Medium/Long term	425,723	-	425,723
	3,956,568	-	3,956,568
	18,368,969	12,457,729	6,713,939

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk exposure (cont'd.)

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2014			
<u>Credit exposure for on-balance sheet assets:</u>			
Deposits and placements with bank and other financial institutions	1,970,958	-	1,970,958
Investment securities			
Available-for-sale	110,971	-	110,971
Held-to-maturity	10,003	-	10,003
Amount due from ECR debtors	410,647	-	410,647
Loans, advances and financing	7,933,864	8,760,475	5,341,288
Derivative assets	29,599	-	29,599
	10,466,042	8,760,475	7,873,466
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	2,797,968	-	2,797,968
Insurance operations commitments			
Short term	596,014	-	596,014
Medium/long term	476,899	-	476,899
	3,870,881	-	3,870,881
	14,336,923	8,760,475	11,744,347

Collateral and credit enhancement

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

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

	2015 RM'000	2014 RM'000
<u>Collateral type</u>		
Secured by cash	654,328	230,766
Secured by property	11,803,401	8,529,709
	12,457,729	8,760,475

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk exposure (cont'd.)

Geographical analysis

Exposures to credit risk by geographical region are as follows:

On-balance sheet exposure

	Deposits and placements with banks and other financial institutions RM'000	Investment securities RM'000	Amount due to ECR debtors RM'000	Loans, advances and financing RM'000	Derivatives RM'000	Total RM'000
2015						
Malaysia	2,155,220	200,338	322,512	6,471,651	79,301	9,229,022
East Asia	-	-	-	3,052,625	-	3,052,625
South Asia	-	-	-	458,322	-	458,322
Central Asia	-	-	-	321,841	-	321,841
Middle East	-	-	-	585,731	-	585,731
Africa	-	-	-	226,583	-	226,583
Europe	-	-	-	720,623	-	720,623
America	-	-	-	72,576	-	72,576
Oceania	-	-	-	307,731	-	307,731
	2,155,220	200,338	322,512	12,217,683	79,301	14,975,054
2014						
Malaysia	1,970,958	120,974	410,647	3,559,687	29,599	6,091,865
East Asia	-	-	-	2,320,002	-	2,320,002
South Asia	-	-	-	377,003	-	377,003
Central Asia	-	-	-	274,699	-	274,699
Middle East	-	-	-	347,599	-	347,599
Africa	-	-	-	184,877	-	184,877
Europe	-	-	-	740,900	-	740,900
America	-	-	-	55,371	-	55,371
Oceania	-	-	-	402,283	-	402,283
	1,970,958	120,974	410,647	8,262,421	29,599	10,794,599

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk exposure (cont'd.)

Geographical analysis (cont'd.)

Off-balance sheet exposure

	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2015				
Malaysia	1,095,653	65,753	-	1,161,406
East Asia	680,054	154,645	311,040	1,145,739
South Asia	87,319	30,711	-	118,030
Central Asia	-	-	-	-
Middle East	94,533	68,841	47,060	210,434
Africa	175,581	86,196	67,623	329,400
Europe	396,178	212,287	-	608,465
America	9,756	86,734	-	96,490
Oceania	240,160	46,444	-	286,604
	2,779,234	751,611	425,723	3,956,568
2014				
Malaysia	1,184,080	57,702	-	1,241,782
East Asia	913,583	160,062	232,560	1,306,205
South Asia	173,033	35,482	4,920	213,435
Central Asia	-	1,123	-	1,123
Middle East	16,549	34,494	84,340	135,383
Africa	37,597	74,683	-	112,280
Europe	248,770	105,988	155,080	509,838
America	49,525	72,027	-	121,552
Oceania	174,831	54,453	-	229,284
	2,797,968	596,014	476,900	3,870,882

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk exposure (cont'd.)

Industrial analysis

Exposures to credit risk by industry are as follows:

On-balance sheet exposure

	Deposits and placements with banks and other financial institutions RM'000	Investment securities RM'000	Amount due to ECR debtors RM'000	Loans, advances and financing RM'000	Derivatives RM'000	Total RM'000
2015						
Primary agriculture	-	20,022	-	147,666	-	167,688
Mining and quarrying	-	-	-	1,184,185	-	1,184,185
Manufacturing	-	-	-	2,285,212	-	2,285,212
Transport, storage and communication	-	10,000	-	3,025,912	-	3,035,912
Construction	-	-	-	230,462	-	230,462
Wholesale and retail trade, and restaurants and hotels	-	-	-	886,334	-	886,334
Finance, insurance, real estate and business activities	2,155,220	170,316	322,512	773,242	79,301	3,500,591
Electricity, gas and water	-	-	-	2,153,630	-	2,153,630
Education, health & others	-	-	-	58,149	-	58,149
Property development	-	-	-	971,196	-	971,196
Government	-	-	-	488,846	-	488,846
Others	-	-	-	12,849	-	12,849
	2,155,220	200,338	322,512	12,217,683	79,301	14,975,054

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31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk exposure (cont'd.)

Industrial analysis (cont'd.)

Exposures to credit risk by industry are as follows (cont'd.):

On-balance sheet exposure (cont'd.)

	Deposits and placements with banks and other financial institutions RM'000	Investment securities RM'000	Amount due to ECR debtors RM'000	Loans, advances and financing RM'000	Derivatives RM'000	Total RM'000
2014						
Primary agriculture	-	85,756	-	474,645	-	560,401
Mining and quarrying	-	-	-	979,562	-	979,562
Manufacturing	-	-	-	1,672,496	-	1,672,496
Transport, storage and communication	-	10,003	-	1,642,320	-	1,652,323
Construction	-	-	-	269,805	-	269,805
Wholesale and retail trade, and restaurants and hotels	-	-	-	712,528	-	712,528
Finance, insurance, real estate and business activities	1,970,958	20,215	410,647	274,933	29,599	2,706,352
Electricity, gas and water	-	5,000	-	999,036	-	1,004,036
Education, health & others	-	-	-	177,829	-	177,829
Property development	-	-	-	560,030	-	560,030
Government	-	-	-	492,048	-	492,048
Others	-	-	-	7,189	-	7,189
	1,970,958	120,974	410,647	8,262,421	29,599	10,794,599

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk exposure (cont'd.)

Industrial analysis (cont'd.)

Off-balance sheet exposure

	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2015				
Manufacturing	695,547	68,297	88,016	851,860
Transport, storage and communication	500,911	-	29,373	530,284
Construction	138,183	-	93,512	231,695
Electricity, gas and water supply	308,048	-	181,019	489,067
Finance, insurance, real estate and Business Activities	364,696	-	-	364,696
Wholesale and retail trade, and restaurants and hotels	118,485	26,402	-	144,887
Government	-	-	-	-
Mining and quarrying	255,629	-	29,166	284,795
Information technology	-	-	-	-
Primary agriculture	25,080	-	-	25,080
Education, health and others	20,294	-	4,637	24,931
Property development	352,361	-	-	352,361
Others	-	26,912	-	26,912
	2,779,234	121,611	425,723	3,326,568
2014				
Manufacturing	997,756	484,911	171,506	1,654,173
Transport, storage and communication	528,100	7,024	63,357	598,481
Construction	107,855	-	86,297	194,152
Electricity, gas and water supply	514,319	-	123,291	637,610
Finance, insurance, real estate and business activities	236,885	-	-	236,885
Wholesale and retail trade, and restaurants and hotels	77,955	48,155	-	126,110
Government	-	-	-	-
Mining and quarrying	198,942	-	26,619	225,561
Information technology	-	6,158	2,053	8,211
Primary agriculture	128,078	-	-	128,078
Education, health and others	935	-	3,776	4,711
Property development	7,143	-	-	7,143
Others	-	49,766	-	49,766
	2,797,968	596,014	476,899	3,870,881

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit quality by class of financial assets

Credit quality for treasury credit risk exposures

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

	2015 RM'000	2014 RM'000
Available-for-sale investment securities:		
Long-term		
AAA	10,062	50,551
AA	180,276	60,420
	190,338	110,971
Held-to-maturity investments securities:		
Long-term		
AAA	10,000	10,003
Derivative financial assets:		
Financial institutions		
A	-	2,365
A+	2,570	919
A-	31,660	26,315
AA-	6,685	-
AA2	5,632	-
BBB+	32,754	-
	79,301	29,599

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit quality by class of financial assets (cont'd.)

Credit quality by loans, advances and financing

For commercial exposures, the Group and the Bank use nine risk grades with rating '1' representing the lowest risk. Meanwhile for Sovereign exposures, the Group and the Bank use five risk grades with rating 'A' representing the lowest risk. The exposure under each of these risk grades is as follows:

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2015				
Commercial customer				
Risk Rating 1	140,478	-	-	140,478
Risk Rating 2	900,902	-	-	900,902
Risk Rating 3	1,553,067	388	-	1,553,455
Risk Rating 4	4,905,636	9,341	-	4,914,977
Risk Rating 5	1,844,736	66,860	-	1,911,596
Risk Rating 6	1,275,835	40,000	-	1,315,835
Risk Rating 7	-	-	-	-
Risk Rating 8	11,067	-	-	11,067
Risk Rating 9	10,725	-	-	10,725
Unrated	-	-	-	-
Impaired	-	-	946,206	946,206
	10,642,446	116,589	946,206	11,705,241
Sovereign				
Risk Rating A	-	-	-	-
Risk Rating B	-	-	-	-
Risk Rating C	24,023	-	-	24,023
Risk Rating D	289,835	-	-	289,835
Risk Rating E	196,717	1,867	-	198,584
	510,575	1,867	-	512,442
	11,153,021	118,456	946,206	12,217,683

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31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit quality by class of financial assets (cont'd.)

Credit quality by loans, advances and financing (cont'd.)

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2014				
Commercial customer				
Risk Rating 1	258,773	-	-	258,773
Risk Rating 2	1,795,662	931	-	1,796,593
Risk Rating 3	1,706,713	-	-	1,706,713
Risk Rating 4	1,622,258	5,761	-	1,628,019
Risk Rating 5	416,496	8,960	-	425,456
Risk Rating 6	1,161,628	6,365	-	1,167,993
Risk Rating 7	2,118	-	-	2,118
Risk Rating 8	22,842	-	-	22,842
Risk Rating 9	7,342	909	-	8,251
Unrated	7,189	-	-	7,189
Impaired	-	-	726,711	726,711
	7,001,021	22,926	726,711	7,750,658
Sovereign				
Risk Rating A	-	-	-	-
Risk Rating B	6,536	-	-	6,536
Risk Rating C	231,736	-	-	231,736
Risk Rating D	67,561	-	-	67,561
Risk Rating E	203,953	1,977	-	205,930
	509,786	1,977	-	511,763
	7,510,807	24,903	726,711	8,262,421

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit quality by class of financial assets (cont'd.)Aging analysis of past due but not impaired loans, advances and financing

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

	2015 RM'000	2014 RM'000
1 month overdue	111,640	15,116
2 months overdue	6,816	909
3 months overdue	-	2,410
4 months overdue	-	787
5 months overdue	-	5,681
	118,456	24,903

Collateral and other credit enhancements

The main types of collateral or other credit enhancements held by the Group and the Bank to mitigate credit risk are fixed deposits, securities, commercial and residential properties and machineries.

Restructured items

Restructured loans refer to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The total restructured loans held by the Group and the Bank stood at RM1.88 million (2014: RM248.9 million).

Fair values**(i) Determination of fair values**

The carrying amounts of cash and cash equivalents, other receivables and other payables approximate fair values due to the relatively short term nature of these financial instruments.

Securities available-for-sale ("AFS") and securities held-to-maturity ("HTM")

The fair value of quoted securities is derived from market bid prices as at the reporting date. For unquoted securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method.

Where discounted cash flows method is used, the estimated future cash flow shall include projections from liquidation, realisation of collateral assets or estimates of future operating cash flow. The present value of the estimated future cash flow (excluding future expected credit losses that have not yet been incurred) is discounted at the securities' original effective interest rate or at the current market rate of return for a similar financial asset.

As for investment in unquoted equity instruments that do not have a quoted market price in an active market, it is impracticable to estimate the fair value due to the lack of comparable quoted market prices and inability to estimate the fair value without incurring excessive costs.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Fair values (cont'd.)

(i) Determination of fair values (cont'd.)

Derivative financial assets/liabilities

The fair value is based on quoted market price or marked to model valuation.

Loans, advances and financing

Loans, advances and financing are net of charges for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Borrowings (Non-hedged items)

The fair value of variable rate non-concessional borrowings is estimated to approximate the carrying amount.

Management is of the view that all concessionary borrowings bear interest rate which approximates the market rate for similar concessionary borrowings granted to other development financial institutions. Therefore, the fair value of concessionary borrowings is estimated to approximate the carrying amount.

Borrowings (Hedged items)

The fair value is based on marked to model valuation.

(ii) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Fair values (cont'd.)

(ii) Fair value hierarchy (cont'd.)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
2015			
Financial assets			
AFS securities			
Unquoted debt securities	190,338	190,338	-
HTM securities			
Unquoted debt securities	10,000	10,000	-
Derivative financial assets	79,301	79,301	-
Loans, advances and financing	11,655,030	11,655,030	-
	11,934,669	11,934,669	-
Financial liabilities			
Borrowings - Medium Term Notes/Sukuk (Hedged items)	5,942,864	5,942,864	-
Derivative financial liabilities	22,926	22,926	-
	5,965,790	5,965,790	-
Assets for which fair values are disclosed:			
Investment properties	455	-	1,210

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Fair values (cont'd.)

(ii) Fair value hierarchy (cont'd.)

	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
2014			
Financial assets			
AFS securities			
Unquoted debt securities	110,971	110,971	-
HTM securities			
Unquoted debt securities	10,003	10,003	-
Derivative financial assets	29,599	29,599	-
Loans, advances and financing	7,933,864	7,933,864	-
	8,084,437	8,084,437	-
Financial liabilities			
Borrowings - Medium Term Notes/Sukuk (Hedged items)	4,389,999	4,389,999	-
Derivative financial liabilities	30,205	30,205	-
	4,420,204	4,420,204	-
Assets for which fair values are disclosed:			
Investment properties	473	-	1,210

There were no transfer between Level 1 and Level 2 of the fair value hierarchy during the financial year.

For financial instruments classified as Level 1, the valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions at arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

For financial instruments classified as Level 2, their values are based on quoted prices in inactive markets, or whose values are based on models whereby but the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. These would include certain bonds, government bonds, corporate debt securities and certain issued notes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

37. INSURANCE RISKS

The principal underwriting risk to which the Bank is exposed is credit risk in connection with credit, guarantee and political risk insurance underwriting activities. Management has established underwriting processes and limits to manage this risk by performing credit review on its policy holders and buyers.

The underwriting function undertakes qualitative and quantitative risk assessments on all buyers and clients before deciding on an approved insured amount. Policies in riskier markets may be rejected or charged at a higher premium rate accompanied by stringent terms and conditions to commensurate the risks.

Concentration limits are set to avoid heavy concentration within a specific region or country. Maximum limits are set for buyer credit limits and client facility limits for prudent risk mitigation.

For the monitoring of buyer risks, the Bank takes into consideration both qualitative and quantitative factors and conducts regular reviews on the buyers' credit standing and payment performance to track any deterioration in their financial position that may result in a loss to the Bank.

On country risk, the Bank periodically reviews the economic and political conditions of the insured markets so as to revise its guidelines, wherever appropriate. In order to mitigate the insurance risk, the Bank may cede or transfer the risk to another insurer company. The ceding arrangement minimises the net loss to the Bank arising from potential claims.

Key assumptions

The sensitivity analysis is based upon the assumptions set out in the actuarial report and is subject to the reliances and limitations contained within the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full.

The sensitivity items shown are independent of each other. In practice, a combination of adverse and favourable changes could occur.

The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

Sensitivity analysis

The independent actuarial firm engaged by the Group and the Bank re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's and the Bank's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

Claim liability sensitivity analysis

	2015 Net RM'000	2014 Net RM'000
Estimated claim liabilities	11,023	28,722

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

37. INSURANCE RISKS (CONT'D.)

Claim liability sensitivity analysis (cont'd.)

a. Change in claim costs

Assumed an average claim cost of RM350,000 (2014: RM400,000) net of non-reinsurance recoveries for the Comprehensive Policy Shipments and adopted the Group's and the Bank's specific provisions for the other types of contracts where applicable. Changing the average claims cost and specific provisions by 10% gives the following results:

	2015		2014	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated claim liabilities	11,250	10,796	31,538	25,906

b. Change in average number of claims

Assumed 6% (2014: 4.5%) of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following results:

	2015		2014	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated claim liabilities	11,321	10,725	28,948	28,946

c. Change in Claims Handling Expenses ("CHE")

Assumed the following expenses - 10% of IBNR and 9% of the specific provisions. Changing this by 10% points gives the following results:

	2015		2014	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated claim liabilities	11,116	10,929	31,361	26,325

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

37. INSURANCE RISKS (CONT'D.)

Claim liability sensitivity analysis (cont'd.)

d. Change in PRAD %

Assumed a claim Provision of Risk Margin for Adverse Deviation ("PRAD") of 15%. Changing this by 10% (to 16.5% and 13.5% respectively) gives the following results:

	2015		2014	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated claim liabilities	11,167	10,879	29,097	28,347

Premium/contribution liability sensitivity analysis

	2015	2014
	Net	Net
	RM'000	RM'000
Estimated premium/contribution liabilities	9,571	9,543

a. Change in probability of default

We have assumed 1-year probability of default of ranging from 1% to 5% for short-term contracts, depending on the type of contract. For the MLT policies all 1-year probabilities were assumed have a BB rating which equated to a 0.71% 1-year probability of default. Changing this rating assumption to B rating (less trustworthy - for the "High" Scenario) and BBB rating (more trustworthy - for the "Low" Scenario) gives the following results:

	2015		2014	
	Net		Net	
	High	Low	High	Low
	B rating	BBB rating	B rating	BBB rating
	points	points	points	points
Estimated premium contribution liabilities	20,553	6,788	24,415	5,881

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

37. INSURANCE RISKS (CONT'D.)

Premium/contribution liability sensitivity analysis (cont'd.)

b. Change in recovery rates

On the premium liability front, some of the medium long term ("MLT") policies have reinsurance cover. For the "High" Scenario, we reduce all of these by 10%. For the "Low" Scenario, we add 10% reinsurance coverage to all short-term and MLT policies.

	2015		2014	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated premium liabilities	10,593	8,548	10,926	8,160

c. Change in Claim Handling Expenses ("CHE")

Assumed CHE of 10%. Changing this by 10% points gives the following results:

	2015		2014	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated premium liabilities	9,607	9,534	10,371	8,714

d. Change in PRAD %

Assumed a premium PRAD of 50%. Changing this by 10% (to 55% and 45% respectively) gives the following results:

	2015		2014	
	Net		Net	
	RM'000	RM'000	RM'000	RM'000
	High	Low	High	Low
	+10%	-10%	+10%	-10%
Estimated premium liabilities	9,890	9,252	9,861	9,225

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. ISLAMIC BUSINESS FUNDS

Statement of financial position as at 31 December 2015

	Group and Bank					
	2015			2014		
	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Assets						
Cash and bank balances	9,180	126	9,306	558	52	610
Deposits and placements with banks and other financial institutions	264,829	3,805	268,634	21,730	3,513	25,243
Investment securities	180,276	-	180,276	85,756	-	85,756
Amount due from ECR-i debtors	148	-	148	319	-	319
Islamic financing	4,901,505	-	4,901,505	2,596,870	-	2,596,870
Derivative financial instruments	9,338	-	9,338	1,097	-	1,097
Contribution receivable	-	611	611	-	750	750
Qard receivable	734	734	1,468	1,265	1,265	2,530
Other receivables	17,356	125	17,481	12,962	45	13,007
Total assets	5,383,366	5,401	5,388,767	2,720,557	5,625	2,726,182
Liabilities						
Financing payable	4,000,280	-	4,000,280	2,101,182	-	2,101,182
Deferred income	14,211	3,137	17,348	5,918	2,058	7,976
Provision for claim	-	589	589	-	1,963	1,963
Provision for expenses liability	51	-	51	156	-	156
Other liabilities	669,677	1,675	671,352	387,187	1,604	388,791
Total liabilities	4,684,219	5,401	4,689,620	2,494,443	5,625	2,500,068
Financed by:						
Islamic banking fund	500,000	-	500,000	100,000	-	100,000
Takaful participants fund	-	(734)	(734)	-	(1,265)	(1,265)
Qard payable	734	734	1,468	1,265	1,265	2,530
Reserves	128	-	128	(196)	-	(196)
Retained profits	198,285	-	198,285	125,045	-	125,045
Total Islamic business fund and Takaful fund	699,147	-	699,147	226,114	-	226,114
Total liabilities, Islamic business fund, and Takaful participants fund	5,383,366	5,401	5,388,767	2,720,557	5,625	2,726,182
Commitments and contingencies	1,212,785	208,601	1,421,386	1,077,239	140,687	1,217,926

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of income for the year ended 31 December 2015

	Group and Bank					
	2015			2014		
	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Income derived from						
Islamic banking fund	186,517	-	186,517	118,208	-	118,208
Financing cost	(63,209)	-	(63,209)	(39,999)	-	(39,999)
Net income from Islamic banking fund	123,308	-	123,308	78,209	-	78,209
Gross contribution	-	2,094	2,094	-	2,172	2,172
Wakalah fee	819	(819)	-	783	(783)	-
Reinsurance outward	-	-	-	-	(79)	(79)
(Increase)/Decrease in contribution liability	-	(646)	(646)	-	361	361
Decrease/(Increase) in claim liability	-	52	52	-	(504)	(504)
Decrease/(Increase) in expenses liability	105	-	105	(26)	-	(26)
Takaful fees	76	(18)	58	122	(13)	109
Allowance on doubtful debt	-	(132)	(132)	-	-	-
Income from Takaful activities	1,000	531	1,531	879	1,154	2,033
Islamic banking fund and Takaful fund results	124,308	531	124,839	79,088	1,154	80,242
Other (expenses)/income	(7,683)	-	(7,683)	1,952	-	1,952
Net Income from Islamic business	116,625	531	117,156	81,040	1,154	82,194
Administrative expenses	(512)	-	(512)	(616)	-	(616)
Allowances for losses on financing	(39,897)	-	(39,897)	7,117	-	7,117
Profit for the year before zakat	76,216	531	76,747	87,541	1,154	88,695
Zakat	(3,508)	-	(3,508)	(729)	-	(729)
Net profit	72,708	531	73,239	86,812	1,154	87,966

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of changes in Islamic business fund and Takaful fund for the year ended 31 December 2015

	Islamic Banking Fund RM'000	Retained profits RM'000	Fair value adjustment reserve RM'000	Total RM'000
Group and Bank				
At 1 January 2014	100,000	37,081	(245)	136,836
Net profit for the year	-	87,966	49	88,015
At 31 December 2014	100,000	125,047	(196)	224,851
Additional capital injected	400,000	-	-	400,000
Net profit for the year	-	73,239	324	73,563
At 31 December 2015	500,000	198,286	128	698,414

Statement of cash flows for Islamic business fund for the financial year ended 31 December 2015

	Group and Bank	
	2015	2014
	RM'000	RM'000
Cash flows from operating activities		
Profit before zakat	76,216	87,541
Adjustments for:		
Individual allowance		
- Charged for the year	1,219	4,837
Collective allowance		
- Charged for the year	38,678	-
- Written back during the year	-	(11,954)
Unrealised foreign exchange gain/(loss)	36,408	(24,610)
Unrealised gain/(loss) evaluation on derivative	6,054	(975)
Unrealised (loss)/gain evaluation on MTN	(7,094)	7,177
Operating profit before working capital changes	151,481	62,016
Changes in working capital:		
Other assets	(3,863)	(9,455)
Other liabilities	688,224	(348,292)
Islamic financing	(2,344,532)	(1,138,866)
Zakat paid	(729)	(695)
Net cash used in operating activities	(1,509,419)	(1,435,292)
Cash flows from investing activities		
(Purchase)/disposal of investments	(108,815)	236,452
Net cash (used)/generated in investing activities	(108,815)	236,452

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of cash flows for Islamic business fund for the financial year ended 31 December 2015 (cont'd.)

	Group and Bank	
	2015	2014
	RM'000	RM'000
Cash flows from financing activities		
Net drawdown of financing payable	1,869,784	1,220,705
Net drawdown of ECR-i debtors	171	48
Less : Deposits and placements on behalf of customers	(80,994)	(16,135)
Net cash generated from financing activities	1,788,961	1,204,618
Net increase in cash and cash equivalents	170,727	5,778
Cash and cash equivalents at beginning of year excluding on behalf of customer	6,153	375
Add : Opening balance of deposits and placements on behalf of customers	16,135	-
Cash and cash equivalents at end of year	193,015	6,153
Cash and cash equivalents comprise:		
Cash and bank balances	9,180	558
Deposits and placements with financial institutions	264,829	21,730
Less : Deposits and placements on behalf of customers	(80,994)	(16,135)
	193,015	6,153

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2015

(a) Cash and bank balances

	Group and Bank	
	2015	2014
	RM'000	RM'000
Cash and bank balances	9,306	610

(b) Deposits and placements with banks and other financial institutions

Deposits and placements with:		
Licensed banks	168,359	23,850
Other financial institutions	100,275	1,393
	268,634	25,243
Further breakdown to deposits and placements are as follows:		
Placed for EXIM Bank	183,835	5,595
Placed on behalf of customers	84,799	19,648
	268,634	25,243

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2015 (cont'd.)

(c) Investment securities

	Group and Bank	
	2015	2014
	RM'000	RM'000
Available-for-sale investments: unquoted debt securities	180,276	85,756

Included in Investment securities are amount that have been pledged for Sukuk Issuance amounting to RM76,186,728. (2014 : Nil).

(d) Amount due from ECR-i debtors

	Group and Bank	
	2015	2014
	RM'000	RM'000
Amount due from participating licensed banks under ECR-i Scheme	148	319
The maturity structure of the ECR-i debtors are as follows:		
Maturity within one year	148	319

(e) Islamic financing

	Group and Bank	
	2015	2014
	RM'000	RM'000
(i) Murabahah	342,601	478,428
Istisna'	413,936	379,268
Bai' Dayn	33,530	17,967
Tawarruq	4,507,351	1,832,690
Ijarah**	760,461	610,856
Unearned income	(1,060,613)	(667,113)
	4,997,266	2,652,096
Allowances for losses on advances and financing:		
- Individual allowance	(6,694)	(4,837)
- Collective allowance	(89,067)	(50,389)
Net advances and financing	4,901,505	2,596,870

** RM631,382,072 (2014: RM356,643,000) is in respect of Sukuk Issuance.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2015 (cont'd.)

(e) Islamic financing (cont'd.)

	Group and Bank	
	2015 RM'000	2014 RM'000
(ii) The maturity structure of the advances and financing are as follows:		
Within one year	1,938,242	562,489
One year to three years	926,352	169,016
Three years to five years	941,385	820,606
Over five years	1,191,287	1,099,985
	4,997,266	2,652,096
(iii) Islamic gross financing analysed by profit rate sensitivity are as follows:		
Fixed rate	731,594	670,675
Variable rate	4,265,672	1,981,421
	4,997,266	2,652,096
(iv) Islamic gross financing analysed by geography are as follows:		
Malaysia	3,998,311	1,863,012
East Asia	412,938	311,617
Middle East	86,579	111,629
Africa	-	2,013
Europe	363,759	279,210
Oceania	135,679	84,615
	4,997,266	2,652,096
(v) Islamic gross financing analysed by industry are as follows:		
Primary agriculture	127,331	229,824
Mining and quarrying	46,871	7,291
Manufacturing	797,270	657,182
Transport, storage and communication	1,593,414	836,817
Construction	1,422	32,863
Wholesale and retail trade, and restaurants and hotels	529,211	324,040
Finance, insurance, real estate and business activities	508,654	249,225
Electricity, gas and water	917,445	230,239
Others	475,648	84,615
	4,997,266	2,652,095

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2015 (cont'd.)

(e) Islamic financing (cont'd.)

	Group and Bank	
	2015 RM'000	2014 RM'000
(vi) Movements in impaired financing are as follows:		
At 1 January	6,709	-
Impaired during the year	33,605	6,709
Recoveries	(1,954)	-
Exchange differences	30	-
At 31 December	38,390	6,709
(vii) Movements in the allowance for impaired financing are as follows:		
<u>Individual allowance</u>		
Balance at 1 January	4,837	-
Allowance made during the year	1,219	4,837
Exchange differences	638	-
Balance at 31 December	6,694	4,837
<u>Collective allowance</u>		
Balance at 1 January	50,389	62,343
Allowance made during the year	38,678	-
Reversal during the year	-	(11,954)
Balance at 31 December	89,067	50,389
Breakdown of collective allowance:		
From impaired financing	545	-
From non-impaired financing	88,522	50,389
	89,067	50,389

(f) Derivatives financial instrument

	Group and Bank					
	2015			2014		
	Fair Value Assets RM'000	Liabilities RM'000	Notional Amount RM'000	Fair Value Assets RM'000	Liabilities RM'000	Notional Amount RM'000
Derivatives used as fair value hedges						
Profit rate swaps	3,706	-	1,288,050	1,097	-	1,048,950
Cross currency profit rate swaps	5,632	-	171,740	-	-	-
Total	9,338	-	1,459,790	1,097	-	1,048,950

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2015 (cont'd.)

(g) Financing Payable

	Group and Bank	
	2015	2014
	RM'000	RM'000
(i) Revolving credit facility - unsecured		
Repayable within one year	1,930,933	1,045,670
(ii) Sukuk		
One year to two years	300,268	-
Two years to five years	1,683,443	1,055,512
Over five years	85,636	-
Total borrowings	2,069,347	1,055,512
Total financing payable	4,000,280	2,101,182

(h) Income derived from investment of Islamic banking fund

Islamic financing:		
Murabahah	20,561	19,875
Istisna'	18,509	14,290
Bai' Dayn	2,366	1,043
Tawarruq	90,644	45,167
Ijarah	32,196	15,398
ECR-i debtors	8	758
Deposits and placements with banks and other financial institutions	3,408	202
Investment securities	4,680	10,282
Net income from profit rate swaps	14,145	11,193
	186,517	118,208

(i) Other (expenses)/Income

Fee Income	5,556	6,264
Foreign exchange (loss)/gain		
- unrealised	(36,408)	24,610
- realised	22,129	(22,720)
Net (loss)/gain financial instruments designated through at fair value through profit or loss	(6,054)	975
Net gain/(loss) on Sukuk designated at fair value profit or loss	7,094	(7,177)
	(7,683)	1,952

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2015 (cont'd.)

(j) Allowances for losses on financing

	Group and Bank	
	2015 RM'000	2014 RM'000
(i) Individual allowance		
- Charged for the year	1,219	4,837
(ii) Collective allowance		
- Charged for the year	38,678	-
- Written back during the year	-	(11,954)
	39,897	(7,117)

(k) Commitments and contingencies

Banking operation commitments

Contracted but not provided for:

Guarantee facility	114,615	64,874
Letter of credit	8,410	1,602
Undrawn financing	1,089,760	1,010,763
	1,212,785	1,077,239

Takaful operation commitments

Contracted but not provided for:

Within one year	205,896	140,687
One year or later and no later than five years	2,705	-
Total commitments and contingencies	1,421,386	1,217,926

(l) Regulatory Capital

Ordinary share capital	500,000	100,000
Retained profit	198,285	125,045
Eligible Tier 1 capital	698,285	225,045
Collective allowance on Islamic financing*	88,522	50,389
Provision For Guarantee and Claim	589	737
Eligible Tier 2 capital	89,111	51,126
Total capital base	787,396	276,171
Risk weighted assets	5,382,405	2,891,615
RWCR	14.63%	9.55%

* The eligible amounts for Tier II Capital is only limited to the excess of total collective allowances over the identifiable incurred losses in the collective allowance pool.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

39. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments.

It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity.

Segment information are presented in respect of the Group's business segments as follows:

1) Banking

Banking comprises activities involving conventional and Islamic facilities to finance and support export and import of goods, services and overseas projects as well as financial guarantee facilities with an emphasis on non-traditional markets.

2) Insurance and Takaful

Insurance and Takaful comprise activities involving providing export, credit and political risks insurance.

3) Support

Support refers to non-core operations mainly involving finance, treasury, administration, human resource and others which support the Group's overall operation.

	Group							
	2015				2014			
	Business segments				Business segments			
	Insurance and				Insurance and			
	Banking	Takaful	Support	Total	Banking	Takaful	Support	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income	160,099	-	63,734	223,833	130,627	-	54,738	185,365
Underwriting results	-	8,397	-	8,397	-	10,652	-	10,652
Income from Islamic business	123,308	1,000	-	124,308	78,209	879	-	79,088
Other income	44,611	-	(5,183)	39,428	19,119	-	(21,626)	(2,507)
Net income	328,018	9,397	58,551	395,966	227,955	11,531	33,112	272,598
Overhead expenses	(26,078)	(5,057)	(47,409)	(78,544)	(23,757)	(8,560)	(41,896)	(74,213)
Operating profit	301,940	4,340	11,142	317,422	204,198	2,971	(8,784)	198,385
Allowances for losses on loans, advances and financing	(271,409)	-	-	(271,409)	(157,535)	-	-	(157,535)
	30,531	4,340	11,142	46,013	46,663	2,971	(8,784)	40,850
Taxation				(17,342)				(21,054)
Zakat				(3,508)				(729)
Net profit for the year				25,163				19,067

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

40. PRIOR YEAR ADJUSTMENT

This relates to the recognition of deferred tax asset arising from unrealised foreign exchange losses from prior years.

The effect of the prior year adjustment to the Group and the Bank are as follows:

	Note	As previously stated RM'000	Prior year Adjustment RM'000	As restated RM'000
Group				
At 1 January 2014				
Statement of changes in equity				
Distributable retained profits		259,987	16,195	276,182
At 31 December 2014				
Statement of financial position Assets				
Deferred tax assets	12	13,215	16,195	29,410
Shareholder's funds:				
Retained profit		257,346	16,195	273,541
Statement of changes in equity				
Distributable retained profits		257,346	16,195	273,541
Bank				
At 1 January 2014				
Statement of changes in equity				
Distributable retained profits		262,314	16,195	278,509
At 31 December 2014				
Statement of financial position				
Assets				
Deferred tax assets	12	15,530	16,195	31,725
Shareholder's funds:				
Retained profit		259,684	16,195	275,879
Statement of changes in equity				
Distributable retained profits		259,684	16,195	275,879



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