



ANNUAL REPORT 2017



**RISE TO THE CHALLENGE**





## VISION

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



## CORE VALUES

- Efficient and professional delivery of products and services
- Excellence in servicing our customers with full integrity
- Innovative in providing solutions to global financial needs of our customers
- Mutual respect among all staff and disciplined teamwork in meeting the expectations of stakeholders

## RISE TO THE CHALLENGE

In the face of adversity, we rise to the challenge. In 2017, EXIM Bank steadfastly fulfilled its mandate in spite of uncertainties in global economic conditions. The Bank's Risk Appetite Statement was streamlined and implemented to continuously improve overall asset quality. Focus was dedicated towards maintaining a well balanced portfolio mix to ensure the Bank can discharge its mandated role on a sustainable basis. The year also saw the Bank advancing towards becoming a full-fledged Islamic Bank in order to support the nation's vision to develop as an international Shariah-compliant financial hub. By continuing to rise to the challenge and staying responsive to the nation's macroeconomic policies, we remain steadfast as financial partners to fortify strengths and fulfil aspirations.

Scan the QR Code by following these simple steps:



Get it



Run it



Access it

Download the "QR Code Reader" app from Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Store

Run the QR Code Reader app and point your camera at the QR Code

Get access to EXIM Bank's website



## FEEDBACK

We need your feedback to make sure we are covering the things that matter to you. For the feedback form, scan the QR Code with your smartphone.

You can also email [communications@exim.com.my](mailto:communications@exim.com.my)

# CONTENTS

## 01

### SERVING OUR MANDATE

Expanding Frontiers	4
Corporate Information	5
Business Model & Strategy	8
How We Help Companies	10
- Banking Portfolio 2017	
- Credit Insurance Portfolio 2017	
- Banking and Credit Insurance by Country	
Organisation Structure	16
5-Year Financial Highlights	18

## 02

### GROWING OUR IMPACT

Strategy 2020 to Strategy 2025	19
Mitigating Risks	23
Message from the Chairman	26
Message from the President/ Chief Executive Officer	28
Management Discussion & Analysis	30

## 03

### DRIVEN BY VISION

Board of Directors	40
Directors' Profiles	42
Shariah Committee	48
Shariah Committee Profile	50
Management Committee	54

## 04

### ANCHORED ON COMMITMENT

Specific Disclosure on Performance Assessment	56
Corporate Governance Disclosure Report	57
Statement on Internal Control	67
Statement on Risk Management	68
Shariah Governance Disclosure Report	70

## 05

### CREATING VALUE

Our Corporate Social Responsibility Journey	74
Event Highlights	82
Media Highlights	90

## 06

### FINANCIAL STATEMENTS

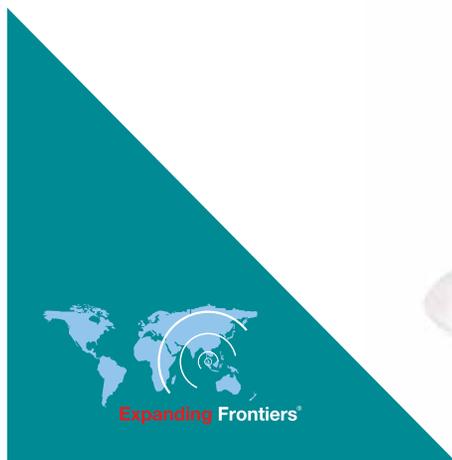
Financial Statements	92
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## ABOUT THIS REPORT

Export-Import Bank of Malaysia Berhad (EXIM Bank or MEXIM) continues to fulfil its mandate as a steadfast partner through global economic uncertainties by fortifying its resilience and sustainability. Supporting the national development agenda, it is enhancing engagement with small medium enterprises (SMEs) and transforming as a full-fledged Islamic Development Financial Institution (DFI) by 2025.

### 01 Serving Our Mandate

02  
03  
04  
05  
06



Braving current and anticipated challenges, MEXIM is moving forward on sound leadership, prudent risk appetite, more stringent underwriting, and stronger corporate governance. These will enable us to excel in dynamic environments and take on tough challenges on the road to 2025. This Report shows how we are catalysing Malaysia's global businesses through cross-border financial solutions. Progressing into integrated reporting, we continue to offer 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. As 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 2017 to  
31 December 2017

#### 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](mailto:communications@exim.com.my)

## 2017 KEY PERFORMANCE HIGHLIGHTS



Operating Profit



**RM256.97 million**

Increased by 8.9% from RM236.06 million in 2016



Building Islamic Business



**45%**

Increased by 6% from 39% in 2016



Net Income



**RM346.03 million**

Increased by 2.4% from RM337.96 million in 2016



Net Impaired Loans



**5.11%**

Reduced by 49% from 10.06% in 2016



Loan Disbursement



**RM10.19 billion**

Exceeded target of RM9.5 billion by 7.3%



Operating Revenue



**RM570.18 million**

Increased by 15.8% from RM492.24 million in 2016



Allowances Coverage Ratio



**74.54%**

Improved to 74.54% from 38.41% in 2016

# EXPANDING FRONTIERS

Export-Import Bank of Malaysia Berhad (EXIM Bank or 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.

## 01 Serving Our Mandate

### CURRENT FACILITIES OFFERED BY MEXIM

#### BANKING/CREDIT FACILITIES



#### ISLAMIC BANKING

##### Cross-Border Financing

- Overseas Project/Investment Financing-i
- Contract 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-i
- Foreign Bill of Exchange Purchase-i
- Letter of Credit-i

##### Guarantee

- Bank Guarantee-i
- Forward Foreign Exchange-i



#### CREDIT TAKAFUL

##### Short-Term Credit Takaful

- Trade Credit Takaful
- Bankers Trade Credit Takaful

##### Medium/Long-Term

- Specific Takaful
- Overseas Investment Takaful

# CORPORATE INFORMATION

## DIRECTORS

**Datuk Mat Noor Nawi**  
Chairman

**Norzilah Mohammed**  
President/Chief Executive Officer

**Dato' Rosli Mohamed Nor**

**Dato' Sri Dr. Mohd Isa Hussain**  
(Retired w.e.f 11 March 2018)

**Dato' Agil Natt**

**Ismail Mahbob**

**YM Tunku Afwida Tunku A. Malek**

**Mohammad Fadzlan Dato' Abdul Samad**

**Datuk Syed Ahmad Helmy Syed Ahmad**

**Normah Osman**  
(Appointed w.e.f. 21 September 2017)

## SHARIAH COMMITTEE

**Dr. Zaharuddin Abd. Rahman**

**Assoc. Prof. Dr. Zulkifli Hasan**

**Assoc. Prof. Dr. Mek Wok Mahmud**

**Assoc. Prof. Dr. Sharifah Faigah  
Syed Alwi**

**Zainal Abidin Mohd Tahir**

## REGISTERED OFFICE

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

## REPRESENTATIVE OFFICE

### PULAU PINANG

No. 2, Ground Floor, Lebuhr Tenggiri 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

## PRESIDENT/ CHIEF EXECUTIVE OFFICER

**Norzilah Mohammed**

## COMPANY SECRETARY

**Julina Mohd Salleh**  
(LS0008055)

## AUDITOR

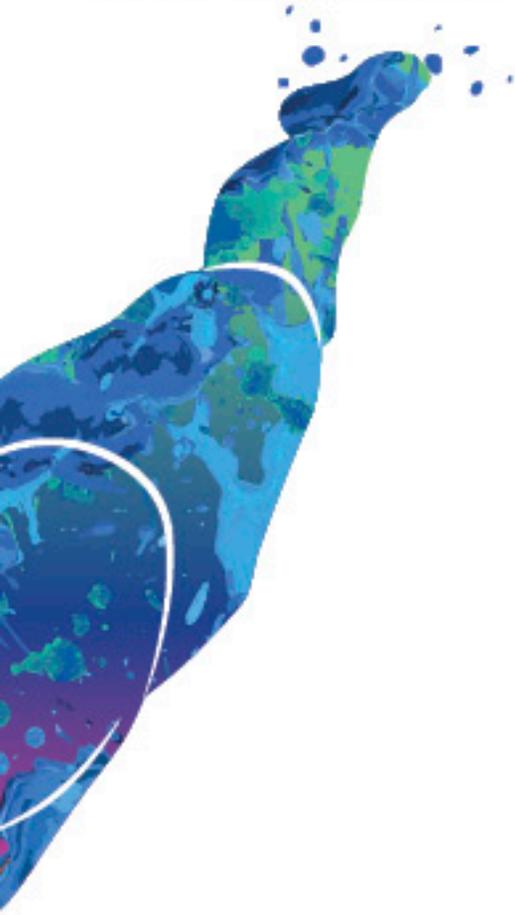
**Ernst & Young**

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

**ENTER NEW ENVIRONMENTS**



**WITH SKILL AND EXPERTISE**



# BUSINESS MODEL & STRATEGY

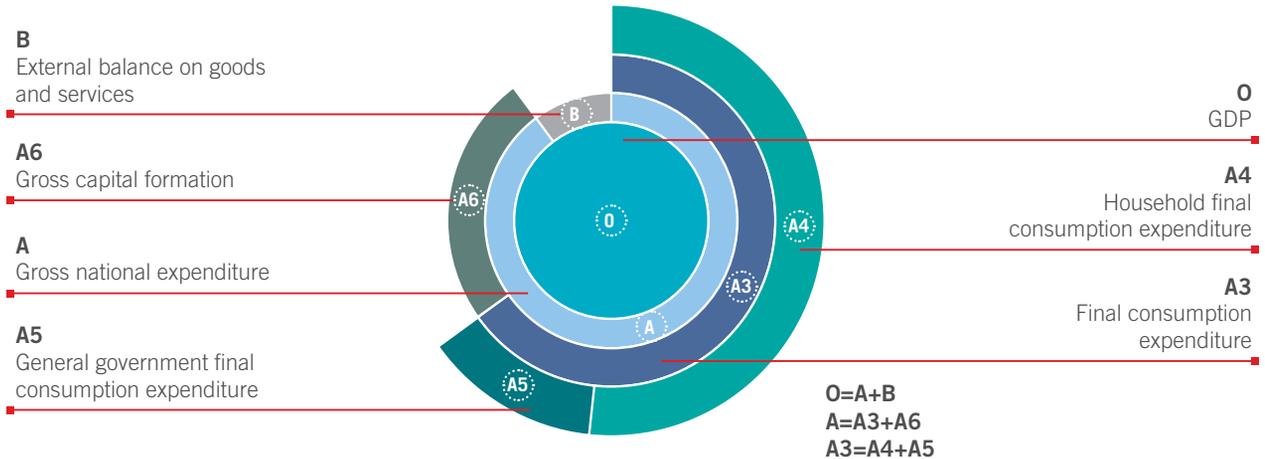


- MEXIM's core business is driven by the Government's mandate and market needs.
- The Government's aspirations are complemented by the needs of Malaysian businesses.
- Balancing the two drivers with sound risk management practice ensures the business sustainability of MEXIM.

01 Serving Our Mandate

## ECONOMIC VALUE CREATION

The Gross Domestic Product (GDP) is one of the primary indicators used to gauge the health of a country's economy. It represents the total value of all goods and services produced over a specific time period, often referred to as the size of the economy.



- **[B]** External balance of goods and services quadrant: Under Net Export
- **[A6]** Gross capital formation quadrant: Business expenditures. Investments in Malaysia (by local or foreign control companies) or spending of goods or services that will result in current or future incoming contributions from overseas.
- **[A5]** General government final consumption expenditure quadrant: Government expenditures. Strictly in relation to capital goods and also in relation to specific Government initiatives/programmes.
- **X:** Includes Malaysia companies investing in overseas (cross border investments) or trading of services of goods out of Malaysia.
- **M:** The eligible import has to fulfill the following criteria:
  - Raw materials of intermediary goods for value add activities, intended for export; or
  - Capital goods for export oriented production capacity; or
  - Import of strategic importance.

MEXIM strives to support the nation in its economic strength by contributing to several quadrants of the GDP. The main focus is on the external balance on goods and services (represented by the 'B' quadrant) which equals to exports of goods and services minus imports of goods and services. It is crucial for Malaysia to maintain a trade surplus or a "favourable balance" between export and import in order to add to the GDP.

In addition, the Bank also indirectly supports the nation in the gross capital formation (represented by quadrant 'A6') where the Bank provides support to investments in Malaysia (by local or foreign controlled company) that will eventually generate income from overseas.

MEXIM also plays its role in supporting the general government final consumption expenditure (represented by quadrant 'A5') by assisting in importing specific capital goods in relation to specific Government's initiatives/programme of which will bring greater benefit to the nation as a whole.

### MANDATE PRINCIPLES

1. MEXIM strives to enhance the competitiveness of the overall value chain which will result in current or future economic benefits. The value creation of the following has to be apparent:

<p><b>01</b></p>	<p><b>02</b></p>	<p><b>03</b></p>
<p><b>Employment Opportunities</b></p> 	<p><b>Transfer of technology or adoption of new technology</b></p> 	<p><b>Utilisation of domestic resources</b></p> 

2. Transactions are to be invoiced out of Malaysia and the source of cash (payment) to service the loan/financing will or may be derived from international sales/investments.

## HOW WE HELP COMPANIES

### BANKING PORTFOLIO 2017

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

#### CONVENTIONAL

RM7,448.02 mil | 58.1%



01 Serving Our Mandate

02

03

04

05

06

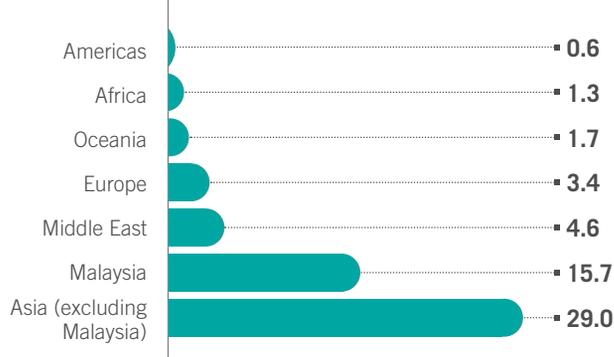
#### ISLAMIC

RM5,378.57 mil | 41.9%

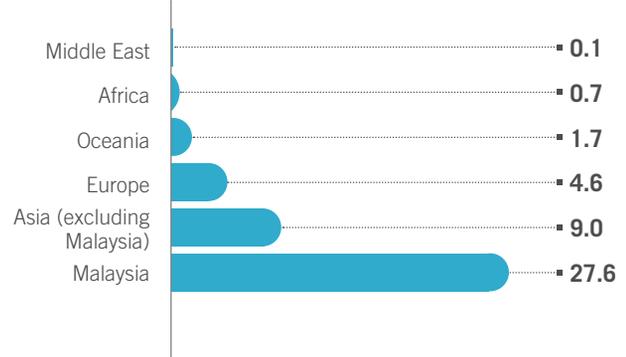


**Loan and Guarantee Exposure - Region Breakdown**  
by Conventional and Islamic (%)

**CONVENTIONAL**      **RM6,938.57 mil | 56.3%**

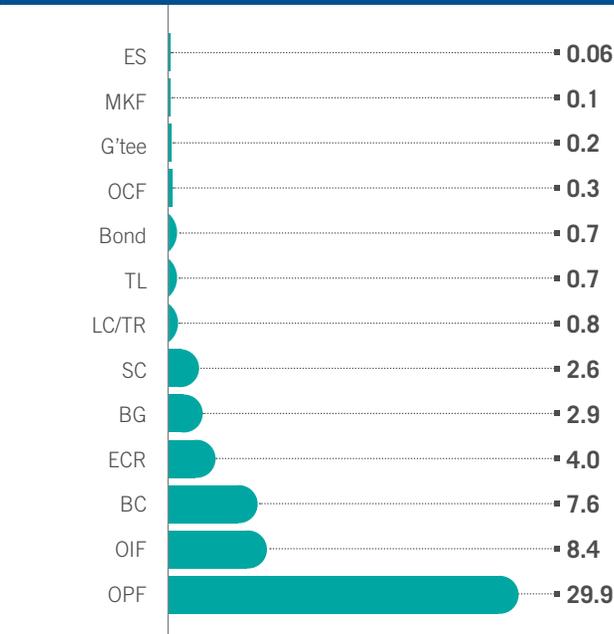


**ISLAMIC**      **RM5,378.57 mil | 43.7%**

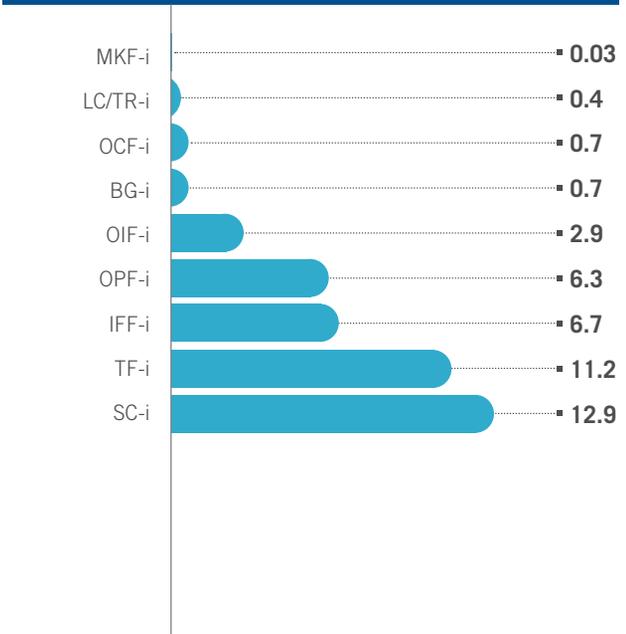


**Loan and Guarantee Exposure - Facilities Breakdown**  
by Conventional and Islamic (%)

**CONVENTIONAL**      **RM7,448.02 mil | 58.1%**



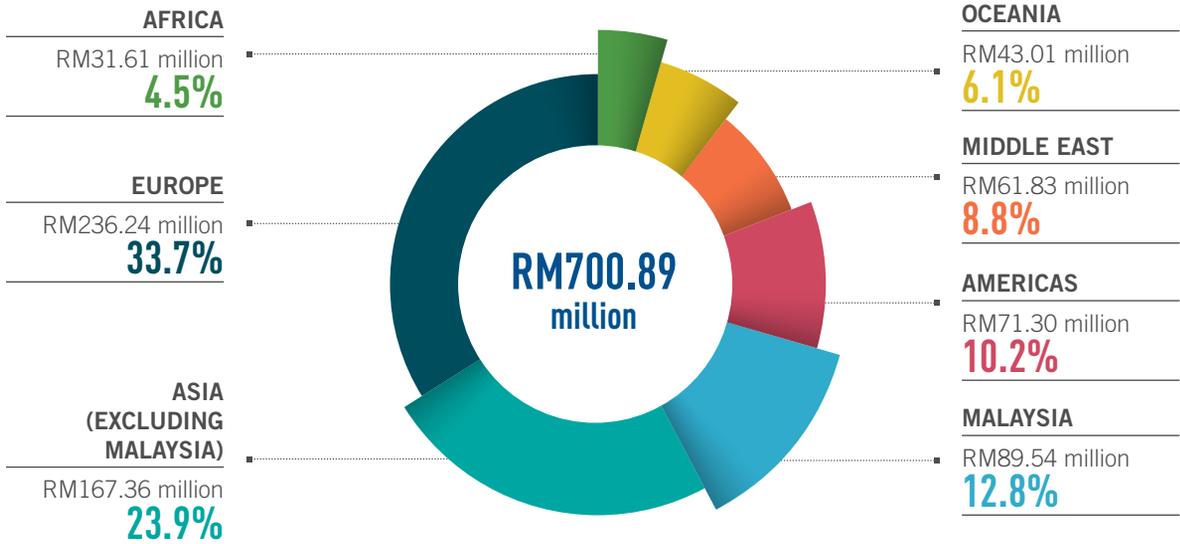
**ISLAMIC**      **RM5,378.57 mil | 41.9%**



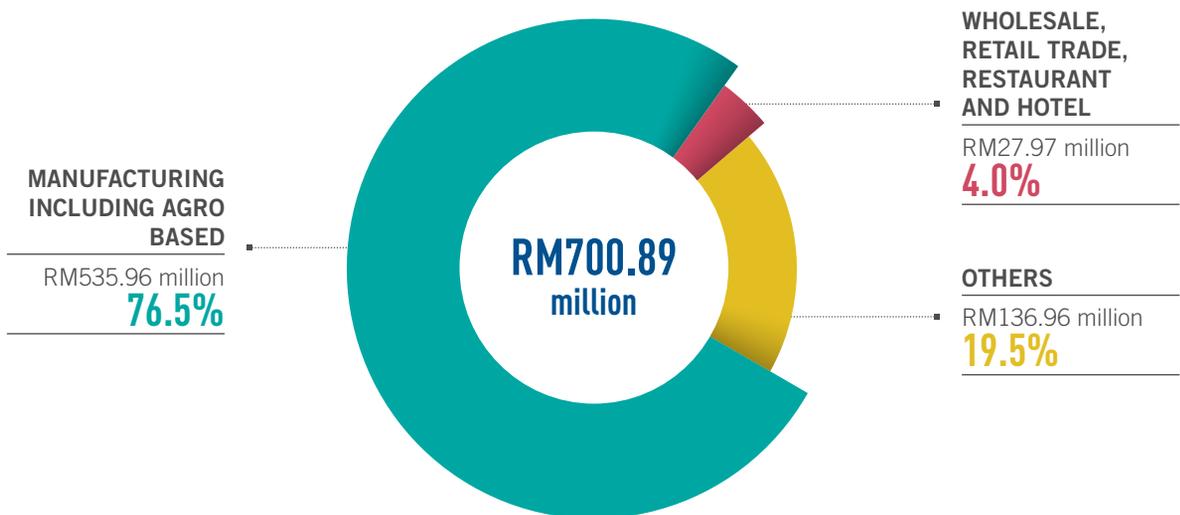
**CREDIT INSURANCE PORTFOLIO 2017**

Credit Insurance Portfolio - Short-Term

**BY REGION**



**BY SECTOR**



01 Serving Our Mandate

02

03

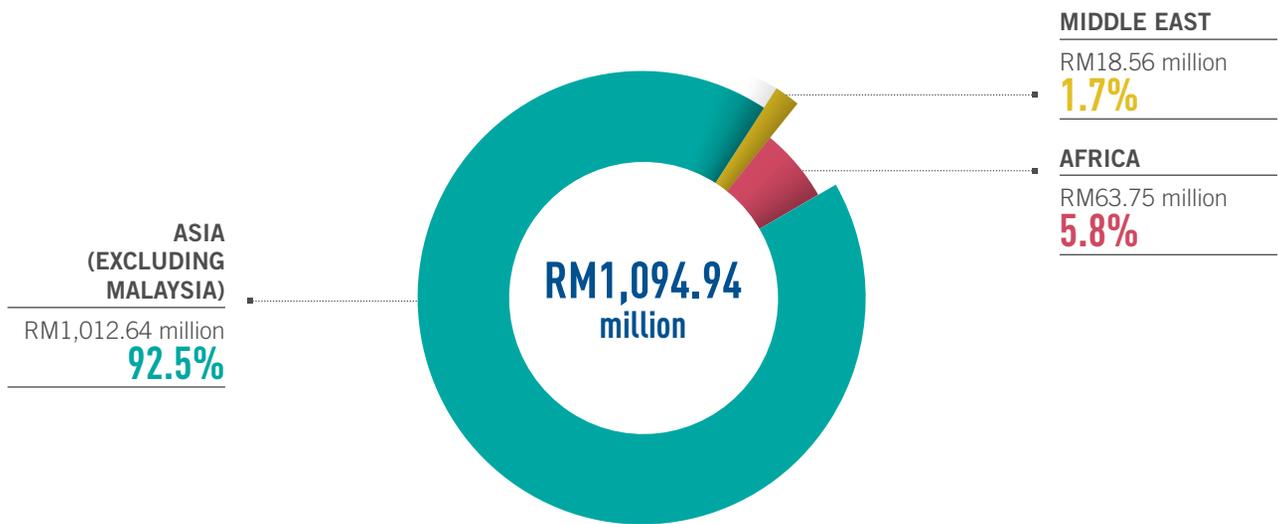
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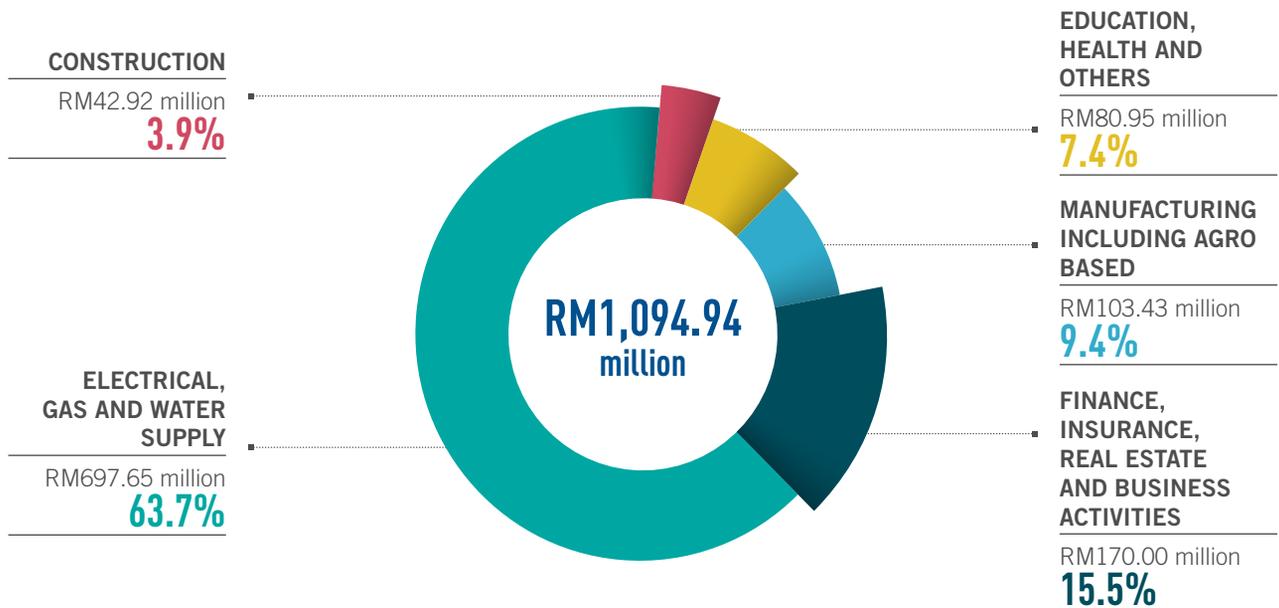
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Credit Insurance Portfolio - Medium/Long-Term

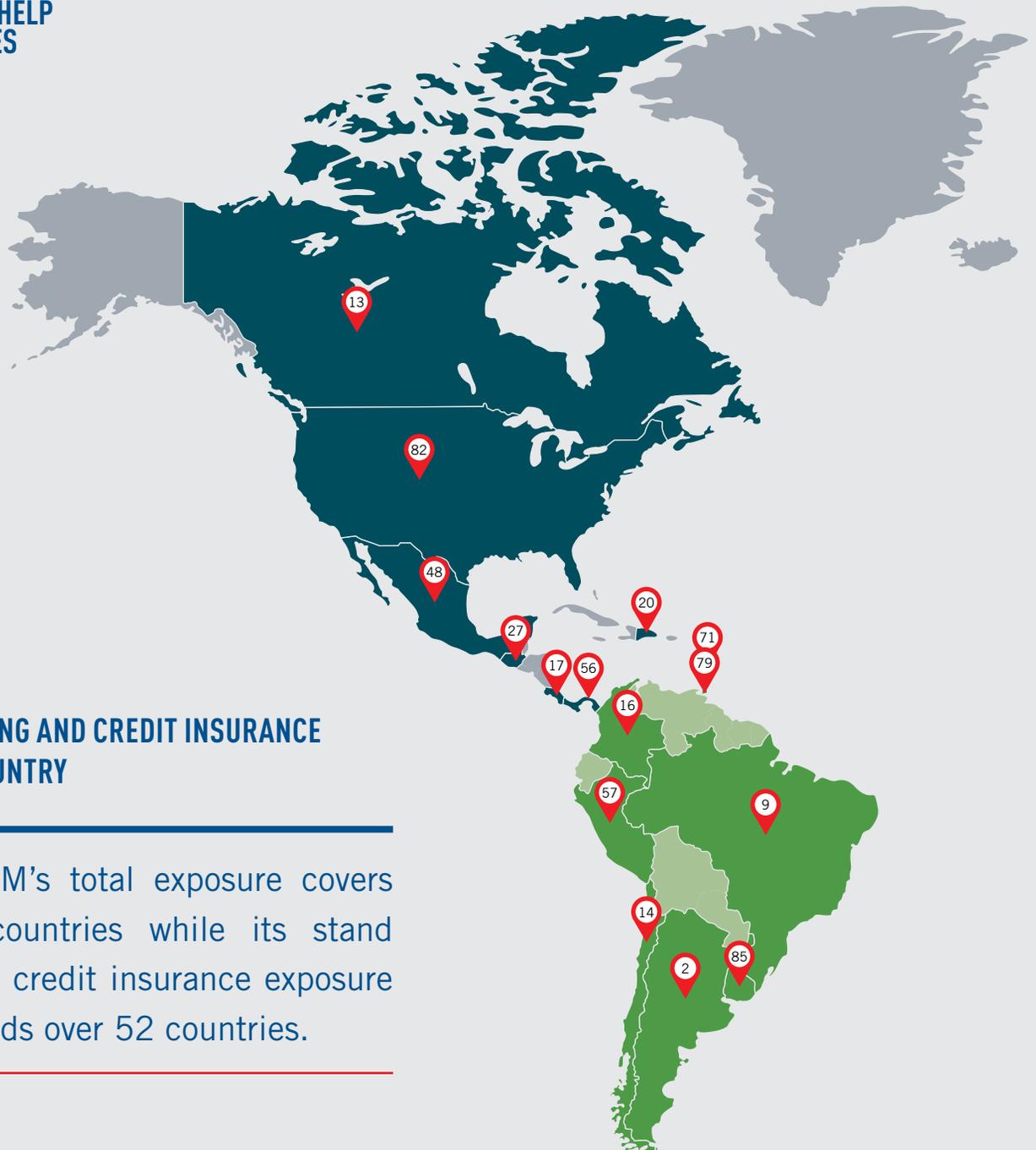
BY REGION



BY SECTOR



## HOW WE HELP COMPANIES



01 Serving Our Mandate

02

03

04

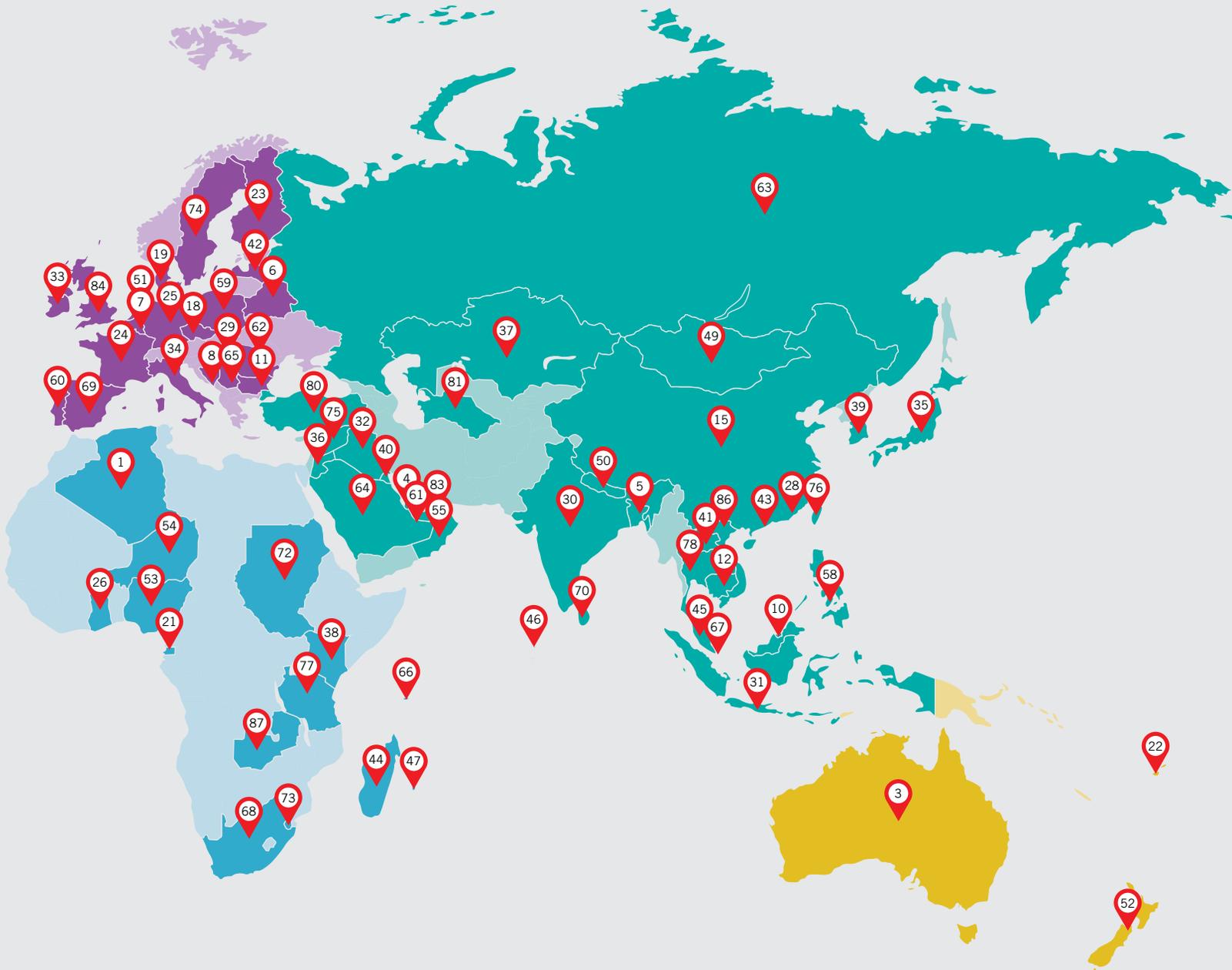
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### BANKING AND CREDIT INSURANCE BY COUNTRY

MEXIM's total exposure covers 87 countries while its stand alone credit insurance exposure extends over 52 countries.

- |                       |                        |                               |
|-----------------------|------------------------|-------------------------------|
| 1. Algeria            | 16. Colombia           | 31. Indonesia                 |
| 2. Argentina          | 17. Costa Rica         | 32. Iraq                      |
| 3. Australia          | 18. Czech Republic     | 33. Irish Republic or Ireland |
| 4. Bahrain            | 19. Denmark            | 34. Italy                     |
| 5. Bangladesh         | 20. Dominican Republic | 35. Japan                     |
| 6. Belarus            | 21. Equatorial Guinea  | 36. Jordan                    |
| 7. Belgium            | 22. Fiji               | 37. Kazakhstan                |
| 8. Bosnia-Herzegovina | 23. Finland            | 38. Kenya                     |
| 9. Brazil             | 24. France             | 39. Korea (South)             |
| 10. Brunei            | 25. Germany            | 40. Kuwait                    |
| 11. Bulgaria          | 26. Ghana              | 41. Laos                      |
| 12. Cambodia          | 27. Guatemala          | 42. Latvia                    |
| 13. Canada            | 28. Hong Kong          | 43. Macau                     |
| 14. Chile             | 29. Hungary            | 44. Madagascar                |
| 15. China             | 30. India              | 45. Malaysia                  |

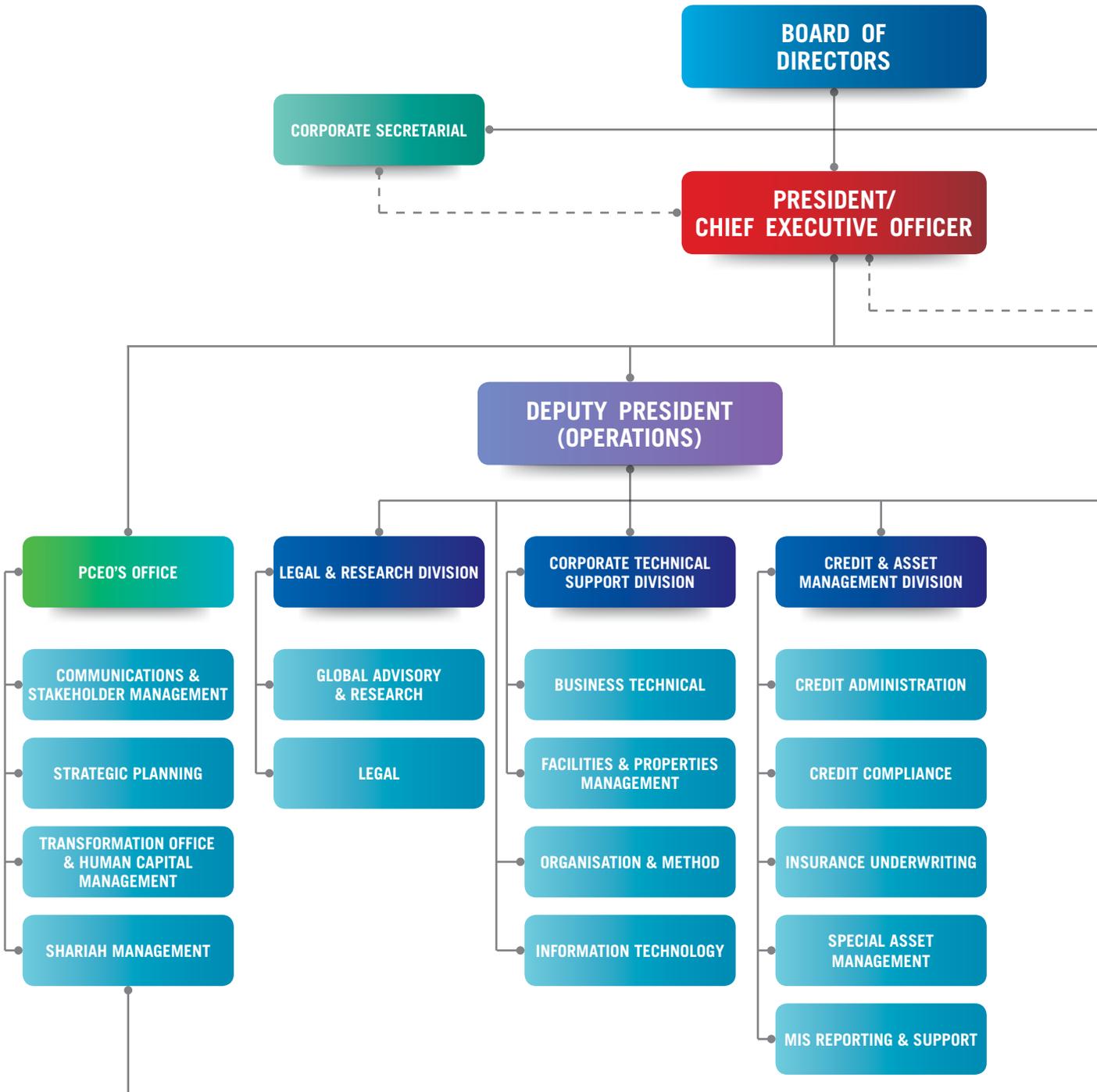


- 46. Maldives
- 47. Mauritius
- 48. Mexico
- 49. Mongolia
- 50. Nepal
- 51. Netherlands (Holland)
- 52. New Zealand
- 53. Nigeria
- 54. Niger Republic
- 55. Oman
- 56. Panama
- 57. Peru
- 58. Philippines
- 59. Poland
- 60. Portugal

- 61. Qatar
- 62. Romania
- 63. Russia
- 64. Saudi Arabia
- 65. Serbia
- 66. Seychelles
- 67. Singapore
- 68. South Africa
- 69. Spain (including Canary Islands)
- 70. Sri Lanka
- 71. St. Lucia
- 72. Sudan
- 73. Swaziland
- 74. Sweden

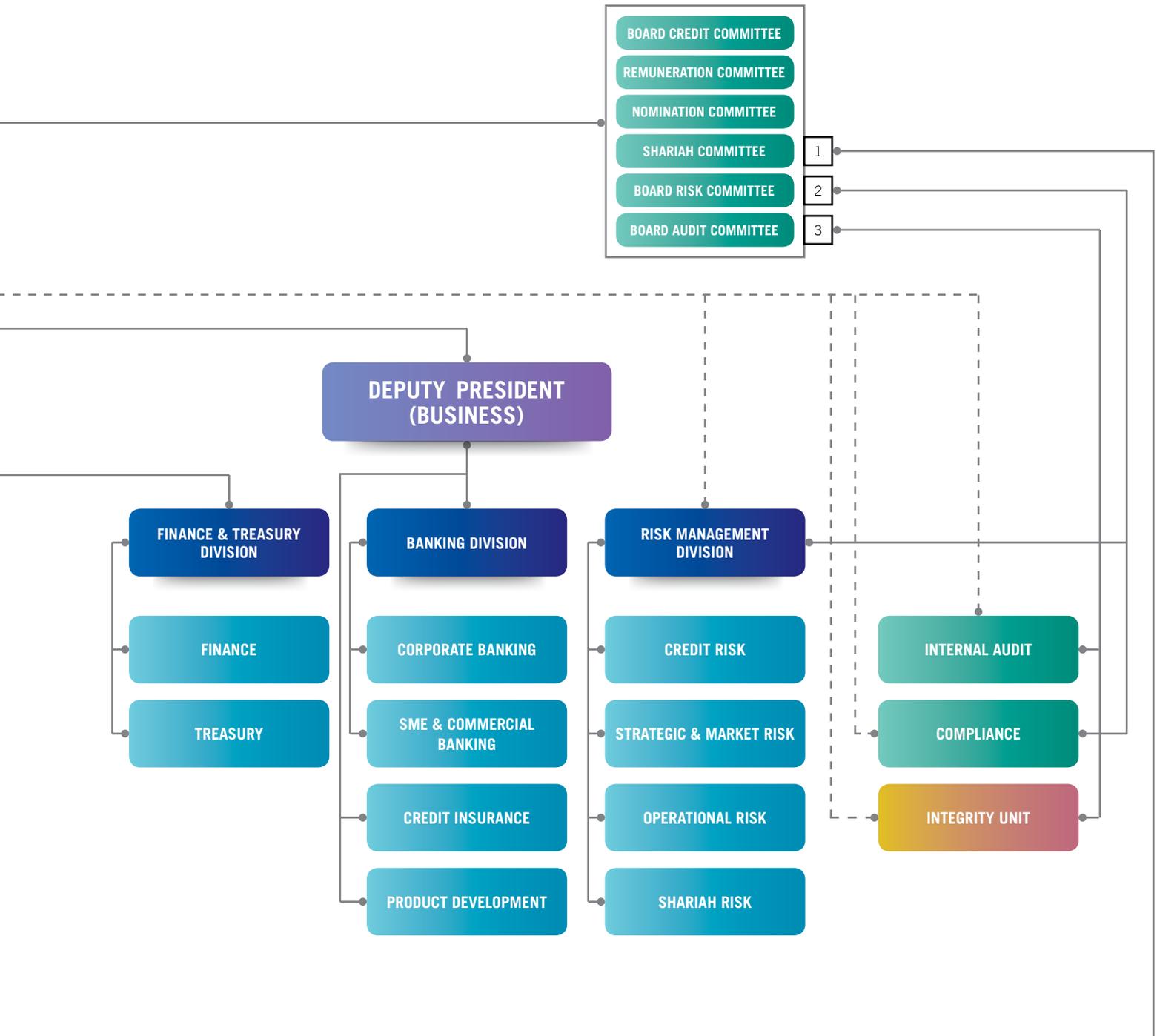
- 75. Syrian Arab Republic
- 76. Taiwan
- 77. Tanzania
- 78. Thailand
- 79. Trinidad & Tobago
- 80. Turkey
- 81. Turkmenistan
- 82. U.S.A
- 83. United Arab Emirates
- 84. United Kingdom
- 85. Uruguay
- 86. Vietnam
- 87. Zambia

# ORGANISATION STRUCTURE



01 Serving Our Mandate

02  
03  
04  
05  
06

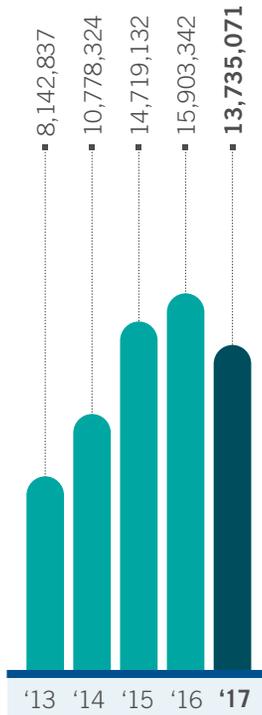


INDEPENDENT	1	Secretariat: Shariah Management
DIVISION	2	Secretariat: Risk Management
DEPARTMENT	3	Secretariat: Internal Audit
INDEPENDENT UNIT		
Administrative Reporting Line - - - - -		

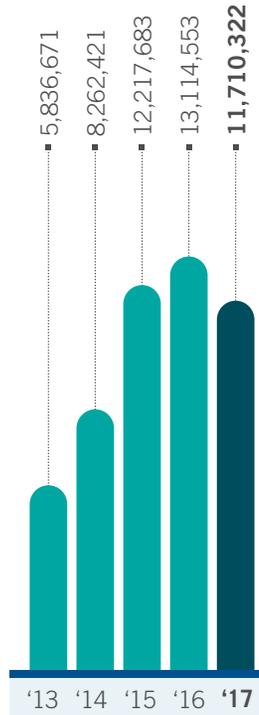
## 5-YEAR FINANCIAL HIGHLIGHTS

ITEM	FY2013 (RM'000)	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	FY2017 (RM'000)
Total Assets	8,142,837	10,778,324	14,719,132	15,903,342	<b>13,735,071</b>
Total Disbursement	3,914,666	6,613,909	9,056,422	10,349,258	<b>10,190,959</b>
Operating Revenue	273,511	363,642	472,543	492,236	<b>570,178</b>
Total Gross Loans and Financing Assets	5,836,671	8,262,421	12,217,683	13,114,553	<b>11,710,322</b>
Net Income	273,104	272,598	395,966	337,956	<b>346,032</b>
Net Impaired Loans	7.70%	6.20%	4.80%	10.44%	<b>5.11%</b>
Operating Profit	202,853	198,385	317,422	236,062	<b>256,970</b>
Profit Before Tax	190,253	40,850	46,013	(244,656)	<b>(88,083)</b>

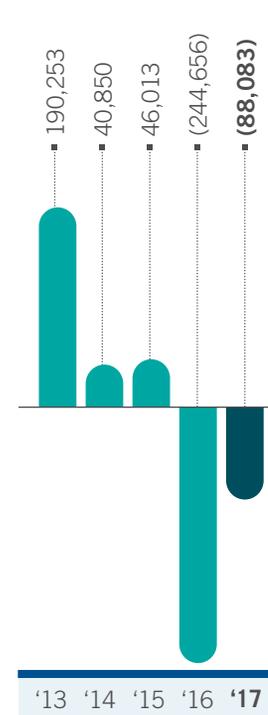
**TOTAL ASSETS**  
(RM'000)



**TOTAL GROSS LOANS AND  
FINANCING ASSETS**  
(RM'000)



**PROFIT BEFORE TAX**  
(RM'000)



## STRATEGY 2020 TO STRATEGY 2025

The execution of Strategy 2020 has already made significant progress. Many important milestones have been completed, which drive the achievement of our high level key strategies;

- **Grow business strategically and enhance business strategies to SMEs** – since the Bank embarked on the SME Strategy in 2016, MEXIM has been providing significant and constant support by specifically allocating (1) new financing of RM200 million; and (2) new credit insurance face value coverage of up to RM1 billion every year and has been gazetted in the Malaysian Budget for both 2017 and 2018. For 2017, MEXIM has provided financing of up to RM745 million and insurance coverage of up to RM1.3 billion as compared to FY2016, where financing was up to RM478 million and insurance cover was at RM1.7 billion of the face value. The Bank will continue its mission to serve SMEs in 2018 and maintain its developmental roles as the mandated DFI in supporting Malaysian exporters.
- **Build Islamic finance business** – the Bank have made significant progress with respect to our high level strategy in building Islamic finance business to up to 45 per cent in order to achieve our aspiration of becoming a full-fledged Islamic Bank by FY2025.
- **Build trade credit insurance business** – the Bank is re-strategising the Insurance business income in meeting a higher number.
- **Leverage on alliances with export credit agencies and multilateral bodies** – These alliances have proven to be beneficial to MEXIM where referrals were seem to come from the multilateral bodies. With this, the Bank will continue to focus on SME marketing by leveraging on cooperation with related agencies or trade associations. In addition to that, from credit insurance perspective, a harmonised approach shall be done through joint collaboration with Export Credit Agency members as well as the commercial banks to meet their development goals.

The current Global Economy is full of uncertainties and is still struggling to gain momentum as many high-income countries continue to grapple with legacies of the global financial crisis and emerging economies are less dynamic than in the past. MEXIM is maintaining its current goals set in the Strategy 2020 but after much analysis on the current situation the Bank has prolonged the timeline to achieve its aspirations from 2020 to 2025.

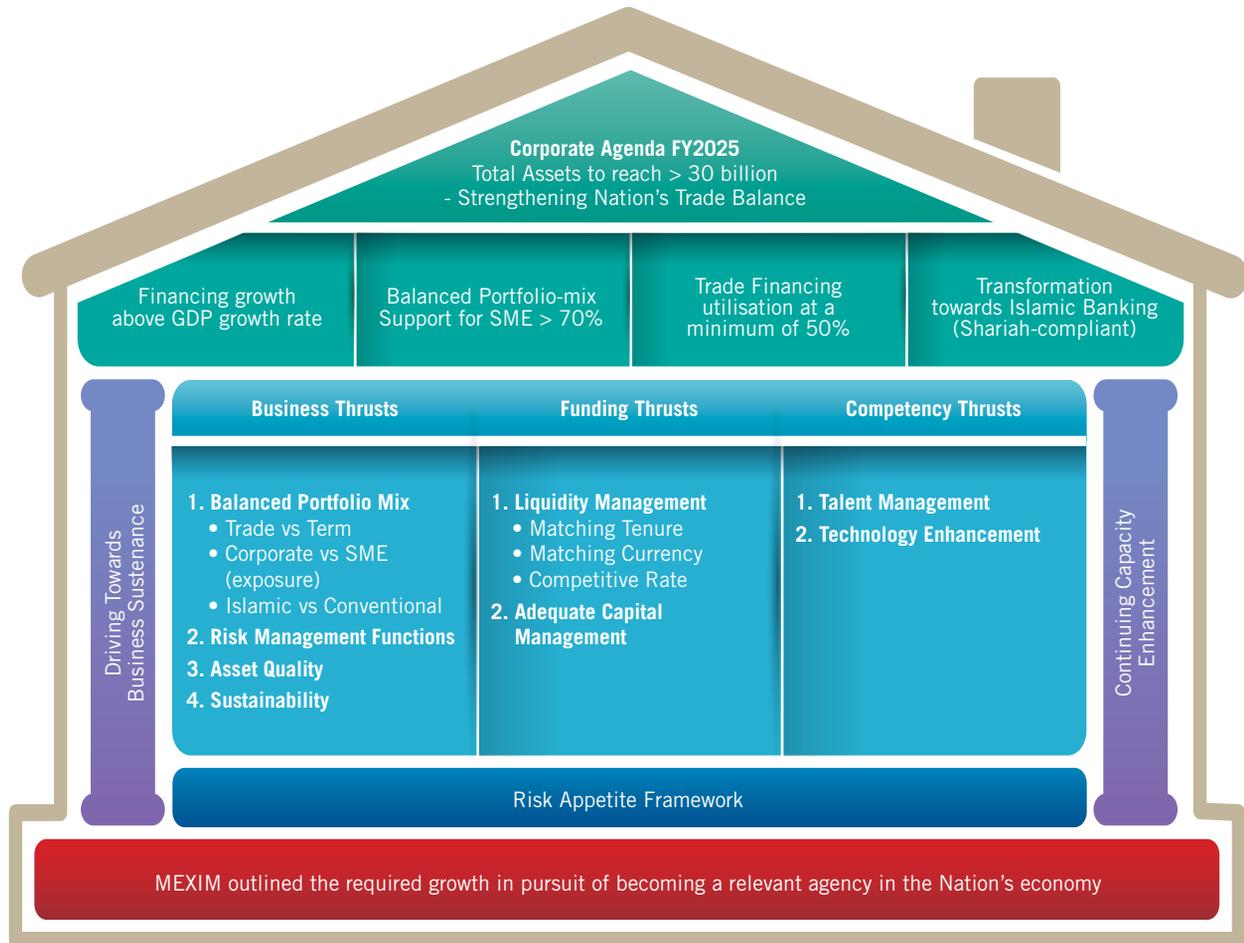
The realignment is seen as a very crucial step in order to remain sustainable in the industry. The exercise is inevitable due to rapid changes in the current market condition influencing the Bank to also adapt to the changes so that the Bank's mandate is strongly upheld. Amidst the market condition, tighter regulations imposed on banking institutions including all DFIs such as the adoption of the new accounting standard known as International Financial Reporting Standard 9 (IFRS 9), or MFRS 9 as the Malaysian equivalent is known, have also called for this realignment exercise.

We reaffirm our commitment to being a preferred Financial Institution for Malaysian businesses seeking financing facilities, insurance cover and advisory services when conducting business abroad.

In some ways, our strategic course remains constant, and in others, Strategy 2025 represents change as follows:-

- a) Realign our growth to a moderate pace to be above the nation's GDP growth in complementing the nation as a DFI.
- b) Embark on a transformation journey to become a full fledged Islamic Bank within 3 to 5 years time.
- c) Ensure the quality of assets in order to operate sustainably.
- d) Ensure the Bank has adequate capital by better managing and sourcing so as to ensure the Bank's further growth.
- e) Stand guided by the Bank Negara Malaysia's new Performance Measurement Framework.

## Strategy 2025



The timeline to achieve what has been aspired has been prolonged from 2020 to 2025 amidst the current uncertainties in the current global economic condition and in anticipation of a moderate recession targeted between 2018 and 2020.

The Bank has also recalibrated its growth to be in line with the country's GDP to be more realistic and to grow in tandem with Malaysia's growth. On top of that, the Bank also aspires to become a full-fledged Islamic Bank in order to support the nation's vision by maintaining the country's lead in and become an international Shariah-compliant financial hub.

Towards driving a more sustainable business, the Bank has added two items under the business thrust which are Asset Quality and Sustainability. These two items need to be monitored closely thus the new Risk Appetite Statement (RAS) has been further streamlined and implemented to continuously improve the overall asset quality and maintain a well balanced portfolio mix to ensure the Bank can discharge its mandated role on a sustainable basis, and meet the specific strategic direction of the Bank as listed in the following table:

Risk Appetite Statement

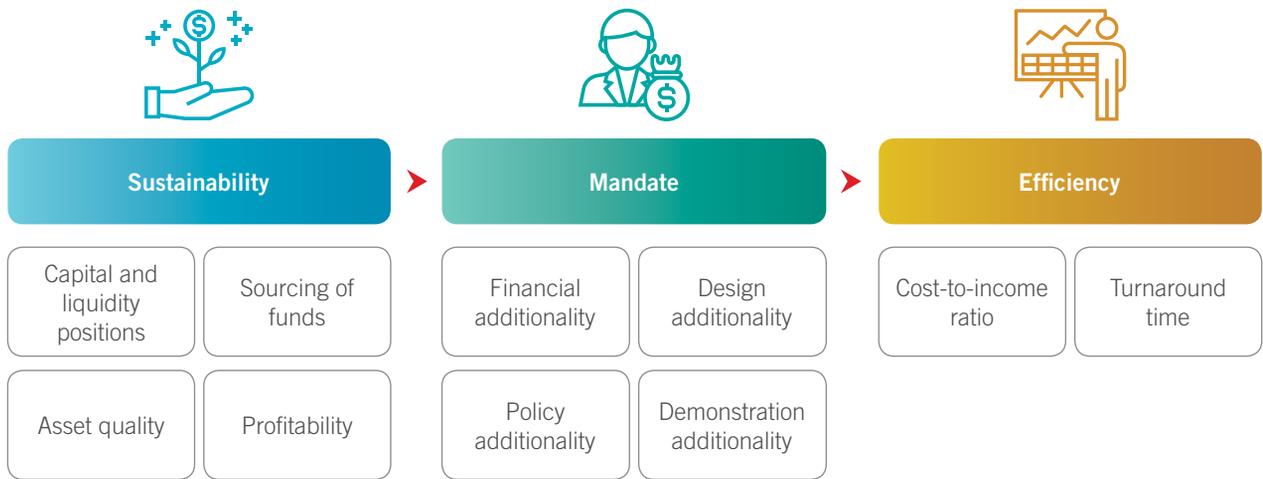
	OBJECTIVE
 <p><b>Mandated Role</b></p>	To perform the Bank's mandated role which; value and support the Small and Medium Enterprises (SMEs) through activities such as export, cross-border financing and credit insurance for Malaysian exporters.
 <p><b>Capital</b></p>	The Bank is to preserve its capital above the regulatory requirement.
 <p><b>Regulatory and compliance</b></p>	The Bank shall comply with the applicable laws and guidelines, and is determined in a manner consistent with the Supervisory Risk-Based Framework.
 <p><b>Earning/Profitability</b></p>	The Bank will strive to maximise its profitability.
 <p><b>Concentration Risk</b></p>	The Bank shall effectively manage the credit concentration risk, particularly where the potential losses can jeopardise the Bank's solvency or public confidence.
 <p><b>Asset Quality</b></p>	The Bank shall effectively manage, monitor and maintain the quality of financing asset.
 <p><b>Islamic Financing and Shariah Compliance</b></p>	The Bank aspires to be a full-fledged Islamic Banking.
 <p><b>Market/Liquidity/ Interest Rate Risk</b></p>	The Bank shall ensure that there is sufficient liquidity to meet any unexpected call on the contingent liabilities and undrawn amount at all times.
 <p><b>Operational Risk</b></p>	The Bank aims to minimise operational losses through a robust operating environment.

**STRATEGY 2020 TO STRATEGY 2025**

In terms of Funding Thrust, an adequate capital management also plays an important role in order to achieve the targeted growth as well as the total assets of RM30 billion with sufficient capital while adhering to the Risk Weighted Capital Ratio (RWCR) as guided by Bank Negara Malaysia (BNM).

MEXIM must also always be ready to follow and/or adopt any new guidelines or requirement set by the regulators. In January 2018, the Bank will fully adopt the MFRS9 accounting standard which requires the Bank to make provisions in anticipation of future losses rather than the current practice of making provisions only when loans have been classified as impaired and the Bank had in place the system that can cater to this.

Acting as a strong base supporting the Bank’s Strategic Direction is the new Performance Measurement Framework introduced by BNM to all the DFIs in Malaysia. The robust framework focuses on sustainability achievement of mandate and efficiency as follows:



The new Performance Measurement Framework will focus on effectiveness of all the DFIs in discharging its mandate by introducing four (4) additionalities. Please refer to page 30 under Redefining the role of MEXIM in the new millennium – Performance Measurement Framework for DFIs for further details.

# MITIGATING RISKS

A strategic review of the industry landscape reveals several key risks that can impact MEXIM's performance. These are as follows:

RISK	CONTEXT	MITIGATION	LINK TO KEY GOALS
<b>Tighter regulations</b>	<p>Regulatory requirements for capital adequacy, leverage, liquidity and funding.</p> <p>The regulatory requirements include:</p> <ul style="list-style-type: none"> <li>• Higher Capital Buffer</li> <li>• Capital Adequacy</li> <li>• New Liquidity Framework</li> <li>• MFRS 9</li> </ul> <p>The MFRS 9 could lead to higher provision and increase in the cost of regulatory compliance as well as the cost in implementation of new controls.</p>	<ul style="list-style-type: none"> <li>• Increase the Bank's Capital via injection from shareholders and increase in retained earnings.</li> <li>• Strengthen the Asset Liability Management (ALM) to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of assets and liabilities as a whole.</li> <li>• Implement MFRS 9 requirements on the classification and measurements of financial assets and liabilities based on business models, impairment methodology and hedge accounting.</li> <li>• Enhance effective implementation of risk management systems which assist in delivering the Bank's growth plan within the board-approved risk appetite and controlled environment.</li> </ul>	<ul style="list-style-type: none"> <li>• To further strengthen the Bank's capital in order to remain resilient, amidst challenging future economic conditions.</li> <li>• Minimise undue concentrations of exposure, limit potential losses from stress events initiatives, focusing particularly on preserving levels of liquidity and capital, and also effectively managing the risk portfolios.</li> <li>• Manage liquidity risk arising from maturity mismatches whilst aiming to stabilise short-term profits, long-term earnings and long-term sustainability of the Bank.</li> <li>• The Bank shall remain cautious and selective on financing approvals, with continuous efforts to tighten its credit appraisal systems, credit risk monitoring and effective risk management functions.</li> </ul>
<b>Higher risk of inferior credit portfolio pursuant to current economic environment</b>	<p>Global uncertainties could impact international financial markets leading to further volatility in foreign currency and weakening of Ringgit.</p> <p>Slowdown in the external factors will limit arrival of FDI into Malaysia.</p> <p>Impact of economic downturn towards the Bank.</p>	<ul style="list-style-type: none"> <li>• Embark on competitive cost efficiency measures.</li> <li>• Pro-actively conduct review on the portfolios affected by an adverse credit event(s).</li> <li>• The Bank is guided by the statutory and regulatory requirements, Risk Appetite Statement (RAS), policies, guidelines and risk controls in managing its business.</li> <li>• Adhere to the Bank's internal measures which includes setting up concentration limits (by country and industry sector) and regular review on the effectiveness of the Bank's risk policies and controls.</li> <li>• Maintain ideal portfolio mix subject to prudential limits (by country and industry sector) and constantly observe high risk portfolios that could possibly cause imminent threat to the Bank's provisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain and improve Bank's portfolio of good quality assets.</li> <li>• Ensure quality assets with adequate security are being approved.</li> <li>• The Bank shall remain cautious and selective on financing approvals, with continuous efforts to tighten its credit appraisal systems, credit risk monitoring and effective risk management functions.</li> </ul>



**PUSH THE LIMITS**



**WITH SECURITY AND ASSURANCE**

## MESSAGE FROM THE CHAIRMAN

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

### CONTINUING TO PLAY A CENTRAL ROLE

The Malaysian economy grew at a healthy and better-than-expected pace in 2017, registering a gross domestic product growth of 5.9 per cent during the year. Staying relevant to Malaysia’s economy, EXIM Bank is expected to play an important role in the “Eleventh Malaysia Plan 2016 – 2020” through its central role in promoting exports. Nonetheless, we are aware that global or regional developments may expose the Bank’s sustainability to material adverse impact.

Although Malaysia experienced impressive domestic economic growth performance in 2017, it is a known fact that the current global economy is full of uncertainties and is still struggling to gain momentum as many high-income countries continue to grapple with the legacies of the global financial crisis and emerging economies are less dynamic than in the past.

MEXIM experienced the after-effects of global uncertainties in 2017, seeing a drop in assets from RM15.9 billion in 2016 to RM13.74 billion last year, despite a higher operating revenue of RM570.18 million in 2017. The Bank’s long-standing prudent management policies however, ensured that losses before tax narrowed to RM88.08 million last year compared to the RM244.66 million registered in 2016.

Despite the Bank’s best efforts, the 2017 results were significantly impacted by high allowances provided by multiple one-off items, under the Bank’s merchanting business. The merchanting business is part of the Global Incentive For Trading (GIFT) programme financed by the Bank, a programme which finances commodities-related businesses. That said, the reduced losses compared to 2016 and strengthening impairment ratios are testament to the Bank’s resilience.

### DEVELOPMENTS BY THE BANK

To create market transparency, MEXIM is adopting the new accounting standard known as the International Financial Reporting Standard 9 (MFRS 9 in Malaysia), which requires us to change the way we make loan provisions.

“The Malaysian economy performed impressively in 2017, which has spurred EXIM Bank to take our performance to the next level.”

**On behalf of the Board of Directors, I would like to present to you the Annual Report and the audited financial statements for the year ending 2017.**



**DATUK MAT NOOR NAWI**  
Chairman

01

02 Growing Our Impact

03

04

05

06

The MFRS 9 accounting standard requires the Bank to make provisions in anticipation of future losses rather than the current practice of making provisions only when loans have been classified as impaired and the Bank had in place the system that can cater to this. While the new accounting standard will have an impact on our balance sheet, we are confident that with our prudent Risk Management Framework, the impact will be manageable.

The Bank also remains supportive of the nation's vision to become an international Shariah-compliant financial hub, with our own internal ambition to become a full-fledged Islamic bank. As at December 2017, our Islamic assets were 45 per cent of the Bank's total loan, asset and financing (LAF).

We foresee that the mammoth exercise will become successful in just a matter of time and the Bank is helping to facilitate the conversion process for our customers using conventional facilities, so that the process is easy and as painless as possible for them. Moving forward, the Bank's new facilities will only be Islamic-based.

As Chairman of the Bank, I would like to take this opportunity to announce that MEXIM is also serious in strengthening the rule of law and the public's confidence in the Bank. As such, the Bank is embracing an anti-corruption culture in order to serve our customers as well as run our daily operations with more integrity.

Several initiatives have been taken by the Bank's own Integrity Unit such as a continuous awareness programme, review on policies and procedures as well as the *Ikrar Bebas Rasuah* undertaken by all the Board of Directors, Management and all staff of MEXIM witnessed by the officers of Malaysian Anti Corruption Commission. The Bank has also introduced a new **"No Gift Policy"** in line with these initiatives.

## FUTURE OUTLOOK

The prospects for the Malaysian economy are viewed as bright going forward, despite some challenges that remain in the global economic environment. Bank Negara Malaysia (BNM) has stated that in 2018, growth is expected to remain favourable with domestic demand continuing to be the key driver of growth. According to the central bank, the positive growth momentum will continue to benefit from spillovers from better global growth on to domestic economic activity.

The central bank also noted that at this juncture, upside potential to the global growth outlook marks a distinction from past years, which had been dominated by downside risks.

It is envisaged that with the improved global economy, Malaysian companies will continue to leverage on it by exporting their products and expertise that have gained accolades internationally.

All of the plans outlined for the Bank will be supported by prudent financial management, innovation and strategic insight on the part of the MEXIM management.

Moreover, MEXIM will continue to support the Malaysian economy and businesses and facilitate successful cross-border business ventures to this end, via collaborations with key stakeholders and partners from the public and private sectors.

Based on our solid reputation built over 23 years, we will continue to be the developmental bank that supports and helps local and foreign companies take their businesses to the next level. As a Bank that has vast experience helping companies in 133 countries across five continents, we are confident of being the go-to bank for companies wanting to do business in the Asian region and beyond.

## ACKNOWLEDGEMENTS

On behalf of the Board and Management of MEXIM, I would like to take this opportunity to thank the Malaysian government, BNM, partners and supporters of the Bank for their continued support in boosting the nation's trade. MEXIM is actively engaged in Strategy 2025 and is determined in its commitment to leverage on all the opportunities available.

I would like to extend my appreciation to all my colleagues in the Board of Directors as well as Shariah Committee for their commitment and priceless contribution. I look forward to working closely with them to further bring MEXIM to a higher level of success.

My deep appreciation also goes out to Encik Nik Najib Husain and Datuk Wong Seng Foo, who ended their term from the Board on 19 June 2017 and 4 July 2017 respectively. Their dedication to the growth and success of the Bank are indeed commendable.

I would also like to take this opportunity to welcome Cik Normah Osman who joined the Board on 21 September 2017. We are confident, given her extensive experience and expertise with Ministry of International Trade and Industry; that she will be able to contribute positively to MEXIM.

Last but not least, I would like to express my heartfelt gratitude to the Management and staff of MEXIM who have demonstrated high levels of honesty and dedication in their daily tasks amidst the many challenges. It is my hope that this contribution will be further improved in the years to come.

## DATUK MAT NOOR NAWI

Chairman

## MESSAGE FROM THE PRESIDENT/CHIEF EXECUTIVE OFFICER

The Malaysian economy in 2017 showed a remarkable 5.9 per cent growth and the nation's trade performance for the year was similarly stellar, growing at the highest rate in 13 years. Heartened by these developments, EXIM Bank continued to support the Malaysian government's aspirations to further boost the country's economic and trade performance in 2017 and beyond.

Towards this end, the Bank extended financing support of RM10.2 billion into 12 primary key sectors under the national key economic areas and this amount was equivalent to 11.3 per cent of the country's net trade balance during the year. We remained steadfast and resolute in our commitment to manage the financial health of the Bank, putting in place measures to both preserve asset quality and strengthen our role of helping Malaysian exporters increase their global presence.

We are pleased to report that our total assets stood at RM13.74 billion as of end 2017, equivalent to 1.2 per cent of the nation's gross domestic product (GDP). Our financial standing was further validated by renowned rating agencies Fitch, Moody's Investors Service and RAM Ratings, who declared the Bank's long-term outlook as stable. Moody's in particular, affirmed the Bank's A3 foreign currency senior unsecured debt and issuer ratings, as well as our (P) A3 senior unsecured medium-term notes programme rating.

### KEY ACHIEVEMENTS

MEXIM continued to enhance its developmental role in 2017 to invigorate investments and trade for Malaysian exporters, many of whom are small-and-medium enterprises (SMEs). During the year under review, we extended RM2.05 billion in both financing and insurance to support the SME segment. This amount far exceeded the RM1.2 billion gazetted in the 2017 Malaysian Budget, thus signifying our commitment to this segment, which now makes up 80 percent of our total clientele.

A major headway made in 2017 was in relation to our transformation towards a full-fledged Islamic bank, where we provided Islamic-only trade financing facilities to our clients. As the Bank pursues its Islamic banking aspirations, we plan to broaden and deepen our Islamic financing portfolio and facilitate a smooth transition process for our existing customers.

Another key task the Bank took on during the year was to strengthen internal governance policies, in accordance with Bank Negara Malaysia's promotion of good governance within the Malaysian financial sector. The Bank signed the Corruption Free Pledge (also known as Ikrar Bebas Rasuah) in August 2017, further cementing our commitment by establishing an organisation-wide integrity plan.

**Being agile and astute in today's economic environment is crucial to the success of the Bank.**



**NORZILAH MOHAMMED**  
President/Chief Executive Officer

01

02 Growing Our Impact

03

04

05

06

People are the pulse of MEXIM and we continued to invest in our people during the year as part of a longer-term plan to develop our talent. We embarked on specialised training and certification programmes for our staff in 2017, in line with Bank Negara's aspiration of improving the quality of talent in the domestic banking industry, as well as our own Islamic banking aspirations.

Furthermore, we deepened our pledge to the community and environment in 2017 by collaborating with Credit Guarantee Corporation Malaysia to help refugee children. We also extended our financial support to Zoo Negara for another year for its upkeep of the endangered South American Macaws, and also supported elephant conservation in Malaysia through our work with the Kuala Gandah National Elephant Conservation Centre.

In terms of business performance, a higher revenue of RM570.18 million was recorded for the year 2017, 15.89 per cent higher than the RM492.0 million posted in 2016. Notwithstanding the improvement in performance, the Bank registered a loss before tax and zakat of RM88.08 million for 2017, mainly contributed by the total provision made for Global Incentive For Trading ("GIFT") accounts amounting to RM391.67 million. In response, the Bank has engaged specialists to strengthen its internal processes as a good measure to expand its future financing venture, particularly its readiness to facilitate innovative products to support challenging global market needs.

Cognizant of the somewhat challenging global economic conditions during the year, the Bank continued to remain astute and vigilant in managing asset quality. Therefore, despite seeing a minor decrease in total gross loans, advances and financing (RM11.7 billion compared to RM13.1 billion in 2016), MEXIM successfully improved asset quality by reducing its Net Impaired Ratio to 5 per cent during the year compared to 10 per cent the year before.

During the year, MEXIM also continued to receive strong support from its major shareholder, the Minister of Finance (Incorporated), whereby RM250 million was injected for subscription of Redeemable Cumulative Convertible Preference Shares to be issued. This will enable the Bank to further spread its wings to support Malaysian businesses.

## REALIGNMENT OF STRATEGY AND TRANSFORMATION

All our efforts to date have been in sync with our realigned organisational strategy, now known as Strategy 2025. Among the changes that have been outlined are to realign our growth to be above the nation's GDP growth, the transformation journey to become an Islamic bank within 3 to 5 years, to ensure asset quality, to ensure adequate capital and to stand guided by Bank Negara's new Performance Measurement Framework.

MEXIM has already completed many important milestones under Strategy 2025. As at December 2017, we have provided financing of up to RM745 million and insurance coverage of up to RM1.3 billion to SMEs. We also built our Islamic finance business up to 45% and continued to leverage on alliances with export credit agencies and multilateral bodies in 2017.

In addition, to better serve our SME as well as corporate clients, we established dedicated teams in 2017 for these two different segments. We are confident that this redefining of roles within the Bank will help pave the way for us to become a leading financial institution serving these important segments.

As our Islamic banking transformation journey progresses, we have realised that the implementation of this journey requires close supervision to facilitate its materialisation. As such, we have created a Transformation Office to see our Islamic banking aspirations to fruition, as well as champion other future transformation projects for the Bank.

## FORGING AHEAD

In 2018, MEXIM will continue to focus on Islamic banking, prioritising the trade and non-trade segments, which includes project financing as well as takaful. We have subsequently established a dedicated Transformation Office to spearhead the development of our Islamic finance competencies focusing on Shariah compliance and regulatory framework.

We will continue to support the SME community in 2018, with RM1.2 billion allocated for this crucial segment, supported by our dedicated team. We believe that with our corporate policies in place and the implementation of high-level strategies designed to propel the Bank forward, we will achieve our vision of becoming a leading financial institution for Malaysian cross-border ventures.

MEXIM also foresees further expansion of Malaysian businesses into the ASEAN region, bolstered by the region's sustainable economic growth. ASEAN economies are expected to grow more than 5 per cent in 2018, supported by buoyant infrastructure spending and strong global demand.

Against this backdrop, we expect 2018 to be a year of transition for ASEAN, as the domestic engines of growth take the reins from external drivers. Potential funding opportunities to various sectors are estimated to be more than USD20 trillion through 2030, posing a significant financing gap that EXIM Bank aspires to leverage on and tap into.

ASEAN opportunities aside, uncertainties surrounding the global economic environment remain. While we are keenly aware of this mixed economic outlook, it will not prevent us from continuing to implement our plans for the year and beyond to ensure that our growth plans remain on track. We will place greater emphasis on developmental activities going forward, as well as enhance the credit and asset quality of EXIM Bank.

All of our undertakings will be supported by the innovative and prudent management practices of the Bank, whereby we will focus our efforts on high-priority areas that will help grow Malaysian businesses and the economy as a whole.

I would like to express our deep and sincere appreciation to the Minister of Finance (Incorporated) for its continued and invaluable support, which has enabled MEXIM to grow from strength to strength.

I would also like to take this opportunity to thank the Board, Shariah Committee, management and staff of MEXIM for their dedication and commitment towards ensuring the success of the Bank to date. I also wish to thank Bank Negara and our other stakeholders, and look forward to their continued support.

## NORZILAH MOHAMMED

President/Chief Executive Officer

## MANAGEMENT DISCUSSION AND ANALYSIS



01

02 Growing  
Our Impact

03

04

05

06

### REDEFINING THE ROLE OF EXIM BANK IN THE NEW MILLENNIUM – PERFORMANCE MEASUREMENT FRAMEWORK FOR DEVELOPMENT FINANCIAL INSTITUTIONS (DFIs)

The DFIs in Malaysia are specialised financial institutions established by the Government with specific mandate to develop and promote key sectors that are considered of strategic importance to the overall socio-economic development objectives of the country.

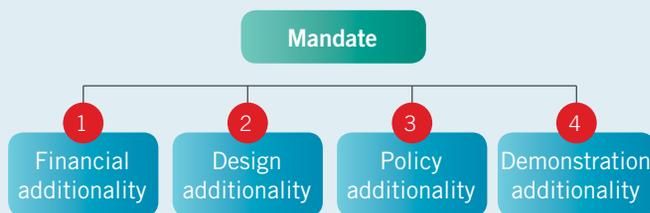
As for MEXIM, the specific mandate is to provide banking and credit insurance products and services to facilitate Malaysia's global businesses. The Bank therefore complement the banking institutions and act as a strategic conduit to bridge the gaps in the supply of financial products and services to the identified strategic areas for the purpose of long-term economic development.

Moving forward, a new performance measurement is to be developed to capture the DFIs, including MEXIM's performance, not just on the financial aspect but also on the non-financial aspect specifically on the mandate discharged and its achievement.



Introduction of a more robust measurement framework is timely for DFIs in Malaysia to focus on sustainability, achievement of mandate as well as efficiency.

Since each DFIs are entrusted with their own unique mandate, It has been proposed that the mandate will be driven by the following four (4) additionalities:



**1.1 Financial Additionality**

To measure the Bank’s contribution towards the overall socio-economy of the nation such as through market share in mandated sector, private funding (co-funding), provision of countercyclical financing, financing products and/or industries that are not available in the market and many more.

**1.2 Design Additionality**

To measure spill over effects to the economy by our customers based on the following, among others, jobs or income, contribution to government tax revenues, productivity, as well as welfare.

**1.3 Policy Additionality**

The Bank is involved in the preparation of high-value impacts of the Malaysia’s trade balance through MEXIM’s active participation in the national export council and during National Annual Budget execution.

On top of the above, the Bank’s President/CEO sits on the Board of MATRADE of which plays a pivotal role in promoting export of Malaysian products.

In addition, some personnel from the Bank are also involved in several working committees with SME Corp, CIDB and several more where our expertise is required in collating relevant information towards the nation’s agenda involving the specific industries.

**1.4 Demonstration Additionality**

The Bank will demonstrate its ability touching on the following areas among others such as customers ability to get subsequent funding from commercial banks as well as business model / products replicated by commercial banks.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF THE BANK'S BUSINESS AND OPERATIONS

The Bank was initially established as the "International Division" of Bank Industri and Teknologi Malaysia Berhad (BITMB) and was subsequently incorporated on 29 August 1995 as a government-owned DFI under the Companies Act, 1965 of Malaysia through it becoming a subsidiary of BITMB. As a DFI, the Bank is governed by the DFIA. The Bank was subsequently spun off as an independent institution in 2005 to function as an independent DFI focused on export credit. On 30 December 2005, the Bank merged with Malaysia Export Credit Insurance Berhad, retaining the name Export-Import Bank of Malaysia Berhad.

As at 31 December 2017, the Bank had an authorised share capital of RM3,000,000,001 divided into 3,000 million ordinary shares and one redeemable preference share of par value RM1.00 each and an issued and paid-up share capital of RM2,708,665,284 comprising the following:

- (a) 2,708,665,282 ordinary shares owned by MOF (Inc.);
- (b) 1 ordinary share owned by Federal Lands Commissioner of Malaysia; and
- (c) 1 redeemable preference share owned by MOF (Inc.).

However, in March 2018, MOF Inc has subscribed Redeemable Cumulative Convertible Preference Shares (RCCPS) issued by MEXIM at RM250,000,000 for the purpose of capital injection.

MOF (Inc.), as the holder of the redeemable preference share, has the right to appoint no more than four members out of the maximum 11 members to the Bank's Board of Directors (the "Board"). As at December 2017, there is one representative from MOF (Inc.) on the Board. Any appointment to the Board and of the Chief Executive Officer of the Bank is subject to the approval by MOF (Inc.). The Bank's Board currently comprises the Chairman (who is also an independent non-executive director), six other independent non-executive directors, one executive director, two non-independent non-executive directors (one being a representative from MOF (Inc.) and the other being a representative from MITI).

### Vision and Mission

The Bank's vision is to be a leading financial institution for Malaysian cross-border ventures. The Bank strives to be the preferred financial institution for Malaysian businesses seeking financing facilities, insurance cover and advisory services when conducting business abroad.

As a DFI, the Bank strives to facilitate Malaysian-owned businesses by providing banking and credit insurance products and services as well as developmental advisory services with a view to nurturing Malaysian cross-border business ventures.

### Business of the Bank

The Bank is the only DFI in Malaysia dedicated to promoting the development of cross-border ventures through the provision of financing and insurance facilities to Malaysian entities conducting their business overseas. As an agency under the purview of MOF (Inc.), the Bank's mandated role is to provide credit facilities to finance and support exports and imports of capital goods, services, infrastructure projects, shipping and value-added manufacturing to facilitate the entry of Malaysian companies into new markets abroad with an emphasis on non-traditional markets where there is limited participation from commercial banks. The Bank also provides export credit insurance services, overseas investments insurance and guarantee facilities.

The Bank operates its business mainly from its headquarters in Kuala Lumpur and also from its three representative offices in Pulau Pinang, Johor Bahru and Kuching, which serve its clients in northern, southern and eastern Malaysia respectively. The Bank's clientele consists of locally incorporated corporations and SMEs as well as foreign companies and selected foreign governments. The Bank in its export promotion efforts collaborates with the Government's agencies including MITI, Malaysia External Trade Development Corporation (MATRADE), Malaysian Investment Development Authority (MIDA), Small and Medium Enterprise Corporation Malaysia (SMECorp) and Construction Industry Development Board Malaysia (CIDB Malaysia).

01

02 Growing  
Our Impact

03

04

05

06

The facilities offered by the Bank fall into two principal categories: banking facilities and credit insurance facilities. The Bank offers both conventional and Islamic variations of these products. The contribution of the Bank's Islamic finance business to the Bank's overall business was 39 per cent for the year ended 31 December 2016 and 45 per cent for the year ended 31 December 2017, in each case based on outstanding loan assets. The Bank intends to further strengthen its Islamic finance business going forward and envisage to be a full-fledged Islamic Bank in the near future.

### Banking facilities

In its aspiration to become a full-fledged Islamic Bank, MEXIM currently only offers a wide range of Islamic banking facilities. The Islamic banking facilities offered by the Bank are classified into three key categories: cross border term financing, trade finance and guarantees.

- **Cross border term financing**

The Bank provides overseas project, contract and investment financing facilities to Malaysian contractors or investors to undertake projects overseas such as manufacturing, infrastructure and other developmental projects and financing to Malaysian companies engaging in the supply of Malaysian goods and services and making investments overseas. Buyer credit facilities are offered by the Bank to provide opportunities to Malaysian exporters and contractors in bidding for overseas jobs and contracts. The financing is extended directly to a foreign government or foreign buyer to facilitate the import of Malaysian goods and services.

The Bank also provides export of services facilities to facilitate Malaysian companies in exporting their professional services overseas which are typically in the form of consultancy in areas like information technology, engineering, architecture and design and other technical services.

Malaysia Kitchen Financing Facilities-i (MKFF-i) are also offered by the Bank to assist Malaysian entrepreneurs in financing the setting up of new restaurants overseas, the expansion of existing Malaysian restaurants overseas or the establishment of Malaysian food franchises internationally. In addition, MKFF-i also provides financing for the export of Malaysian processed food, food ingredients and agricultural produce to such Malaysian restaurants, the setting up of warehouse facilities and the establishment of supermarkets to promote Malaysian food products and cuisine internationally.

As at 31 December 2017, the Bank's total loans outstanding relating to term financing (including both conventional and Islamic banking facilities) amounted to RM8.3 billion.

- **Trade finance**

The Bank makes available various facilities in support of cross-border trade. Malaysian manufacturers, exporters and suppliers of Malaysian goods can also take advantage of the trade finance facilities offered by the Bank to boost their exports into international markets through working capital financing under the supplier credit or financing facilities. Such facilities offer pre-shipment financing as working capital for the production of goods prior to shipment and post-shipment financing as working capital after the shipment of goods pending the receipt of proceeds for the exported goods.

Import financing facilities assist Malaysian companies with the import of strategic goods and services which are unavailable in Malaysia to promote the socio-economic development of Malaysia.

The Bank also makes available competitively priced short-term trade finance facilities to direct exporters and indirect exporters to promote the export of manufactured products, agricultural products and primary commodities under the Export Credit Refinancing (ECR) scheme. Financing is categorised under pre-shipment ECR and post-shipment ECR. Pre-shipment ECR is an advance to facilitate the production of goods prior to shipment and to encourage the development of a network of economic inter-dependence between exporters and Malaysian suppliers in industrial development. Post-shipment ECR is an advance to exporters to finance the export of goods after shipment pending the receipt of proceeds for the exported goods.

Further, the Bank provides short-term trust receipt financing to importers to bridge their working capital requirements through the extension of credit under documentary credit transactions until the receipt of sales proceeds. As the imported goods are unavailable in the country of import, such financing has the ability to enhance the competitiveness of the product imported. The Bank also offers financing to Malaysian manufacturers that are involved in or support export-related industries in selected vendor programmes developed by the Government or its agencies by financing the working capital needs of such manufacturers for the post delivery of goods or services supplied to their customers.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2017, the Bank's total loans outstanding relating to trade finance (including both conventional and Islamic facilities) amounted to RM3.4 billion.

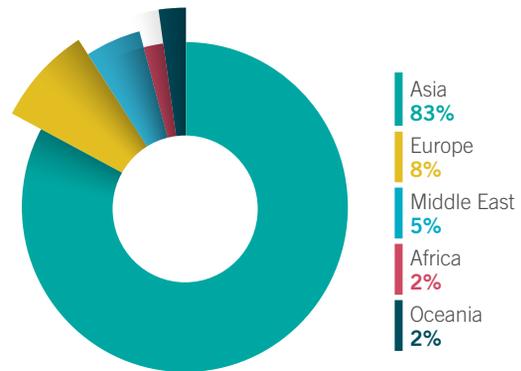
- Guarantees**

Guarantees are made available by the Bank to facilitate the issuance of advance payment bonds, performance bonds and standby letters of credit required by overseas contracts undertaken by Malaysian contractors. Such guarantees may also be offered to Malaysian investors seeking to raise funds overseas.

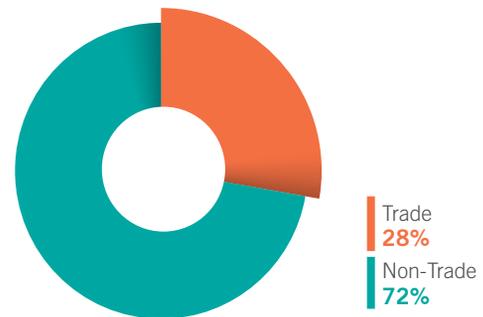
The Bank facilitates the import of strategic goods, being goods that will enhance the manufacturing capability of Malaysian companies or which are unavailable in Malaysia, through the issuance of letters of credit. The Bank also offers forward foreign exchange facilities which allow customers to hedge against adverse fluctuations in the exchange rate.

As at 31 December 2017, the Bank's total guarantees outstanding amounted to RM606,621 million.

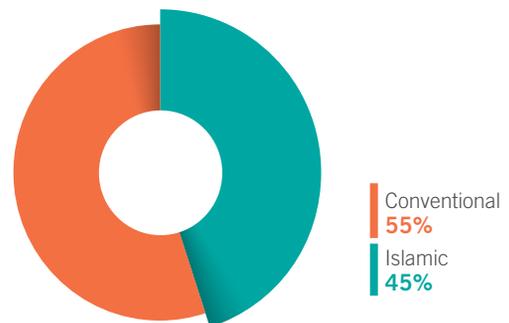
**Loan Exposure based on Region as at December 2017**



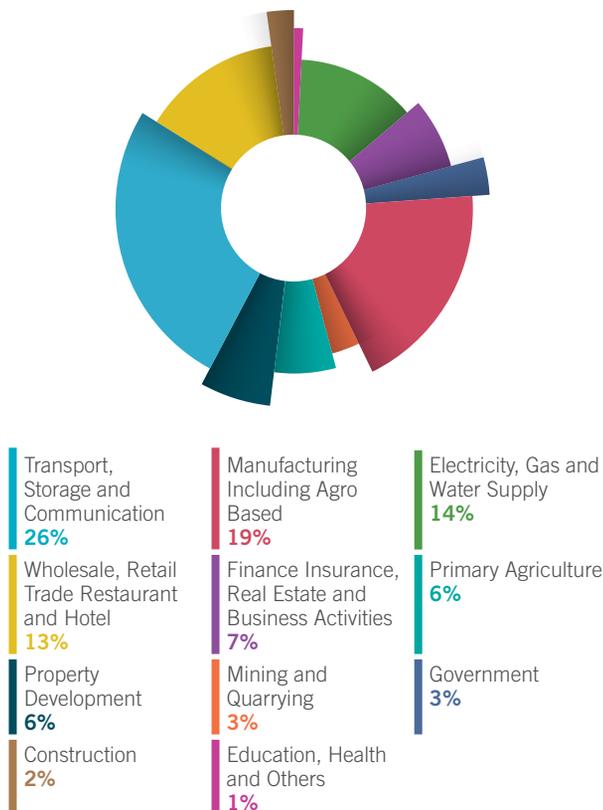
**Trade and Non-Trade as at December 2017**



**Conventional and Islamic as at December 2017**



**Loan Exposure based on Sectors as at December 2017**



**Trade credit insurance and takaful facilities**

The Bank offers conventional short-term trade credit insurance and medium- to long-term trade credit insurance as well as Islamic takaful variations of certain of these products.

- **Short-term trade credit insurance and takaful facilities**

Short-term trade credit insurance/takaful covers export, domestic and import trade transactions with a policy term of less than one year. The facilities provide “umbrella” cover for exporters/importers who make regular exports to overseas importers and imports to domestic buyers on credit for up to 180 days. The facilities also provide cover for exports directly from third-country suppliers to their destination overseas without passing through Malaysia. As part of the type of takaful facilities available to cover short-term commercial credit risk, the Bank also provides Shariah-compliant bankers trade credit takaful facilities to protect Islamic financial institutions against the risk of non-payment by exporters arising from the default by their customers overseas.

The Bank provides bank letter of credit insurance policies covering Malaysian banks against the risk of non-payment of irrevocable letters of credit issued by overseas banks in respect of Malaysian exports.

The Bank also provides a multicurrency trade finance scheme which is an insurance policy covering participating Malaysian commercial banks against losses on advances made to their trade finance customers in respect of their working capital financing for exports. The aim of this scheme is to facilitate SME exporters in their export of Malaysian goods and/or services overseas and to assist SME exporters in financing the production of goods or rendering services against letters of credit issued by overseas issuing banks. The scheme covers pre-shipment risk relating to non-shipment of goods and post-shipment risk in circumstances when letters of credit are not honoured by the overseas issuing banks. The SME exporters are not required to provide any collateral.

The Bank offers insurance cover against insolvency of the direct exporters or payment default to SMEs operating in the manufacturing, primary agriculture and services industries, against default by their direct exporters via the indirect exporter’s financing scheme policy. The indirect exporter’s financing scheme is a non-recourse financing scheme for SMEs which are indirect exporters, whereby participating commercial banks discount commercial documents arising from the supply of goods and/or services to direct exporters and insurance cover is provided by the Bank to such participating commercial banks.

As at 31 December 2017, the Bank’s total exposure under short-term trade credit insurance and comprehensive takaful shipment amounted to RM0.7 billion.

- **Medium- to long-term trade credit insurance and takaful facilities**

Medium- to long-term trade credit insurance is insurance which has a policy term of more than one year and is offered by the Bank to enable Malaysian companies to venture into new and unfamiliar markets. The Bank provides specific insurance policies to cover the export of capital goods or services with lengthy manufacturing and/or payment periods and high contract values.

Overseas investment insurance/takaful is provided to protect overseas investments against certain political risks such as losses arising from restrictions on the conversion or transfer of local currency, expropriation, wars and civil disturbances and breaches of contract by counterparties.

The Bank also issues buyer credit guarantees which enable Malaysian exporters to assist their overseas buyers to secure long-term financing. With this guarantee, the Malaysian exporter will receive payment under the supply contract from financing secured by the foreign buyer, which will be backed by the guarantee issued by the Bank.

The Bank also offers bond risk insurance policies which cover the risk of any calling of surety bonds by principals or contract awarders of contractors who are required to provide surety bonds to their principals or contract awarders when undertaking overseas projects and overseas investment insurance. Such insurance policies cover unfair and fair calls by principals on surety bonds. In an unfair call, the principal is not entitled under the terms of the contract with the contractor to call on the surety bond as the contractor is not in material default of its obligations under the contract or the contractor obtains a final and binding arbitration award against the buyer which was not subsequently honoured by the buyer. The principal may call on the surety bond in the event of political risks arising (such as the imposition of transfer restrictions, wars and civil disturbances) which renders the contractor unable to fulfil its obligations under the contract.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Bank also offers specific takaful facilities to provide medium- to long-term Shariah-compliant coverage to Malaysian contractors and manufacturers undertaking one-off contracts for export of capital goods, turnkey projects, construction works or rendering services abroad against commercial, economic and political risks and losses occurring outside Malaysia due to events which are beyond the control of the contractor, manufacturer or its buyer.

As at 31 December 2017, the Bank's total exposure under medium- to long-term trade credit insurance and takaful facilities amounted to RM1.1 billion.

### OBJECTIVES AND STRATEGIES

#### Strategic Roadmap 2008 – 2020

The Bank aims to realise its vision of becoming a leading financial institution for Malaysian cross-border ventures through its 12-year Strategic Roadmap 2008-2020 (the "12-year Strategic Roadmap"), which it has been implementing through three phases:



#### Phase 1 (2008-2010)

In Phase 1 of the Bank's 12-year Strategic Roadmap, the Bank implemented a "Corporate Improvement Programme" from 2008 to 2010 to position itself to successfully deliver on its mandate as a DFI and to be a leading financial institution for Malaysian cross-border ventures. The aim of the Corporate Improvement Programme was to restructure its operating structure and establish a platform for future growth. The implementation of the Corporate Improvement Programme placed the Bank in a better position to grow its business, strengthened its balance sheet and enabled the Bank to set a target year-on-year business growth rate of 30 per cent. from 2012 to 2015 which the Bank had surpassed.

#### Phase 2 (2011-2012)

During Phase 2 of the Bank's 12-year Strategic Roadmap, which took place between 2011 and 2012, the Bank focussed on reconfiguring its business model and organisational framework to accelerate growth by introducing a new business model (the "Business Model") and a targeted portfolio mix in respect of its credit portfolio.

- **New Business Model**

Following the completion of the Corporate Improvement Programme, the Bank introduced the Business Model in 2011. Under the Business Model, the Bank recognised that the Government's mandate and the market needs of Malaysian businesses were the two core drivers of the Bank's business. To ensure business sustainability, the Bank strived to balance these two drivers with sound risk management practices which it had implemented under the Corporate Improvement Programme.

- **Targeted portfolio mix**

The Bank introduced a targeted portfolio mix to serve as a guide in managing the Bank's credit portfolio. Such approach helped shape the marketing activities of the Bank and the approach undertaken by the Bank when building its loan assets. The Bank strived to maintain a well-balanced portfolio mix of trade finance versus term financing, exposure to corporates versus SMEs and Islamic versus conventional facilities.

#### Phase 3 (2013-2020)

In the final phase of the Bank's 12-year Strategic Roadmap from 2013 to 2020, the Bank will seek to identify key strategic goals in order to remain relevant and to increase its significance in supporting the international trade of Malaysian businesses through sustainable growth.

#### Strengths

The Bank's key strengths include the following:

- **The Bank's role as a key policy bank with Government support**

The Bank's strength as a key policy bank with a high degree of Government support is reflected by MOF (Inc.)'s and the Federal Lands Commissioner of Malaysia's ownership of the Bank's entire share capital and the history of support by way of capital injection, direct funding support and loan guarantees from the Government and BNM.

The Government established the NEC at the end of 2014 and the aim of the NEC is to set up a body to monitor and enhance Malaysia's export performance, particularly that of the services and manufacturing areas. With the establishment of the NEC and the Bank being a key engine in facilitating Malaysian cross-border business ventures, the Bank believes the Government and BNM will continue to lend their support to the Bank.

01

02 Growing  
Our Impact

03

04

05

06

- **The Bank's strong capital and the turnaround in its asset quality**

The Bank continues to increase its asset diversification towards low risk counterparties through active marketing strategies which has contributed to its strong capital position and turnaround in asset quality. The Bank's Impaired Assets recorded on an annual basis have seen a significant decline since the implementation of the Bank's new risk governance framework under the Corporate Improvement Programme.

The Bank aims to continuously improve the overall asset quality and maintain a well-balanced portfolio mix to ensure it is able to discharge its mandated role on a sustainable basis. The Bank targets low risk borrowers and aims to achieve a portfolio mix comprising at least 30 per cent of low risk borrowers. These low risk borrowers contribute approximately 60 per cent. of the Bank's outstanding loan assets. A loan disbursement mix of 40:60 with regard to trade to non-trade assets ensures business sustainability and sufficient liquidity without relying on further capital injections from the Government.

Despite the growth in its business, the Bank continues to exercise prudence in managing its business and adheres closely to its principles for sustainable growth, including quality asset growth and risk mitigation. To ensure asset quality, only companies that meet stringent requirements such as proven performance and financial viability are accepted by the Bank.

- **The Bank's experienced and committed senior management**

The directors of the Bank have significant relevant experience in their respective fields of expertise and have a mandate to develop a sustainable business model for the Bank. As of 31 December 2017, Datuk Mat Noor bin Nawawi remains the Chairman and Non-executive Director of the Board. There are currently 10 Board members, including the Chairman. The Board is complemented by an experienced management team which contributes to the growth of the business of the Bank.

- **The Bank's established systems and prudent risk management**

Risk management is a critical part of the Bank's operating model. The Bank's established and prudent risk management approach forms an integral part of the Bank's management and decision-making process at all levels. The Bank maintains geographic diversification in terms of its credit portfolio and sets concentration limits (by country and industry sector). The Bank also constantly monitors

its portfolio to identify and manage concentrations risk and regularly reviews the suitability of its risk policies and controls. The Bank conducts stress testing on its credit portfolio to identify possible events or future changes in economic conditions that could affect its credit exposures and assesses its ability to withstand such changes. Further, for prudent risk mitigation, the Bank sets maximum limits for buyer credit limits and client facility limits.

- **The Bank offers a broad spectrum of conventional and Islamic financing products**

The Bank offers a broad spectrum of conventional and Islamic financing products to meet the diverse needs for financing of Malaysian importers and exporters and to adapt to the ever changing operating environment of the global financial market. The Bank maintains a dedicated Shariah Committee, comprised of reputable Shariah scholars in Malaysia, to advise the Board on Shariah matters and oversee the compliance by the Bank's Islamic products with Shariah principles.

### Realigning Phase 3 (2013 – 2025)

Going into the FY2018, MEXIM is embarking on significant business restructurings in order to remain sustainable in the industry. Rapid changes in current market conditions has also influenced the Bank's performance in terms of adapting to changes in cross-border banking environment, increase in external trade, mandate and also tighter regulation imposed to banking institution including all DFIs. MEXIM is also facing limitation in respect to capital in compliance to the regulation requirement as well as liquidity.

Reformation of strategies to reshape MEXIM's strategic direction is crucially needed in facing the vibrant economy scenario for the year 2018 onwards. In order to fit in with the new economy flavour, to be resilient and sustainable, and more realistic in adapting to the current scenario, MEXIM has decided to extend another 8 years beginning 2018 in order to achieve what has been outlined in Strategy 2020.

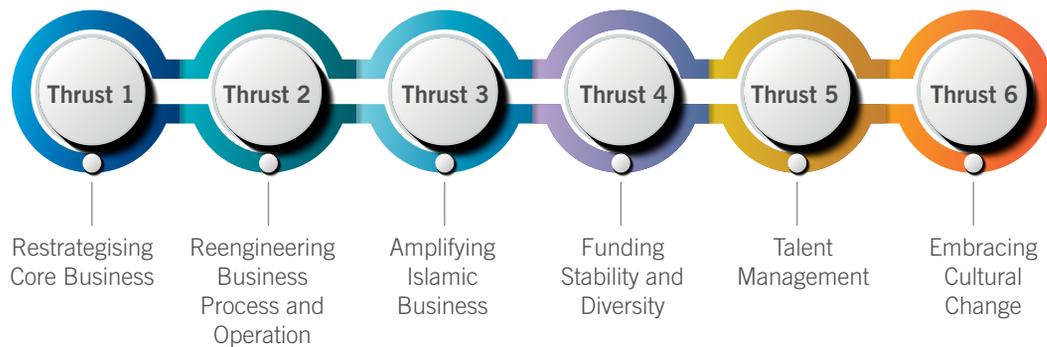
The new Strategy 2025 has made significant refurbishment on the elements of the corporate agenda. During the 8 years journey, MEXIM will strive to achieve the target of more than RM30 billion of total assets as well as strengthen the nation's trade balance. Financing growth is expected to increase above the nation's GDP growth rate. Besides that, MEXIM's aspiration of becoming a full-fledged Islamic Bank will be materialised during this journey.

## MANAGEMENT DISCUSSION AND ANALYSIS

### STRATEGY 2018: STEERING TOWARDS GREATER RESILIENCE AND SUSTAINABILITY

Looking at an immediate change, MEXIM has also identified six thrusts that can catapult its position to a higher place. In anticipation of an uncertain global outlook, MEXIM must remain steadfast in order to fulfil the mandate that has been entrusted to us. In pursuit of becoming the leading financial institution for cross border financing, MEXIM must be able to withstand any challenges or circumstances.

For the Bank to steer towards greater resilience and sustainability, six key thrusts have been identified for the year 2018. These serve as guiding lights in the Bank's strategy and operation. The identified themes are as below:



01

02 Growing Our Impact

In detail, our strategic goals and execution of strategy for the financial year 2018 comprise the following:-

#### Restrategising core business

The Bank sees the need for a revamp in the Bank's core business function. This move will be taken after careful deliberation as well as conducting several case studies based on the current market condition as well as learning from previous loan books.

Being a major exercise, the Bank envisages doing the following:

**Resilient and sustainable core business** – The Bank is to provide financing and insurance for sustainable businesses with the assumption that the business can sustain any adverse outcome in order to continue generating return for the Bank. Focus and emphasis must be put in adhering and complying with the new Risk Appetite Statement (RAS). It is crucial for the Bank to maintain its risk profile of good quality assets as part of the efforts to reduce the impaired assets and to make sure that the overall quality of loan portfolio will not deteriorate in the future.

**Preserve and reposition Loan and Assets Financing (LAF)** – In terms of asset preservation, to be more proactive in monitoring and reviewing existing accounts upon hearing any red flags about the industry generally or customer specifically. The Bank's LAF can be improved by 'managing' non-performing accounts. It will also reduce provisioning of which may reduce the Bank's profit after allowance significantly arising from high allowance due to provisioning. With the Bank embarking into a new accounting standard i.e. MFRS 9, several measures must be undertaken in order to cushion the impact.

**Intensify recovery efforts** – The Bank's allowance is high mainly due to provisioning done on non-performing loans. This has affected the bottom end of the Bank's book. With recovery of these loans, the allowance can be written back and will eventually help the Bank in staying afloat.

**Rationalise our footprint** – the Bank is currently exposed to 106 countries (54.4 per cent out of 195 countries in the world), both Banking and Insurance for an amount of RM20.3 billion. MEXIM has definitely left a mark or footprint on more than half of the world. Nevertheless, the Bank is to analyse on the existing exposure and should concentrate in granting financing to those who are exporting or undertaking a project/contract in our preferred countries.

03

04

05

06

### Reengineering business process and operation

The Bank will be strengthening its operation and governance process to achieve higher efficiency, reduce complexity without eliminating controls for an easier resolvability. The Bank must also strive to ensure that its operations are in compliance with the Regulatory requirements.

### Amplifying Islamic business

In line with the Government's aspiration to be the leading financial hub for Islamic financing, MEXIM also aspires to become a full-fledged Islamic Bank. At the moment, the Bank's total LAF consists of 45 per cent Islamic facilities with a duplicate of all Islamic facilities in place to replace the conventional facilities.

#### FOCUS 2018: GEARING UP FOR A HOLISTIC TRANSFORMATION

MEXIM's aspiration of becoming a full-fledged Islamic Bank is a huge feat which requires extensive data mining as well as case studies during the initial stage. As it progresses, gradual implementation of the aspiration will also involve close supervision until it materialises towards the end.

As such, a dedicated department is required in order to ensure due attention is given to the aspiration in transforming the Bank into a full-fledged Islamic Bank. It is to be duly noted that the office will not only be responsible for the transformation of the Bank into an Islamic Bank only, but will also be responsible in championing other transformation projects for the Bank in the future.

The department is to be known as the Transformation Office (TO) and will be responsible to cleading the initiatives to deliver and manage the transformation projects.

As at today, the TO will be fully responsible in driving the transformation aspiration of MEXIM into a full-fledged Islamic Bank.

### Funding Stability & Diversity (Capital & Liquidity)

Funding stability and diversity is very crucial for the Bank especially in term of maintaining the Capital Adequacy and Liquidity Ratio at the threshold earlier set. This is so that a robust capital management framework is ensured. The Bank shall maintain a minimum threshold RWCR of 19 per cent as per the consolidated Internal Target Capital (ICT) and 10 per cent as per Islamic Operation ICT. Taking into consideration the RM250 million equity injection from issuance of RCCPS, the Bank's Capital – Leverage ratio (Equity/Total Assets) will be at 18.4 per cent with RWCR of 19.89 per cent.

### Talent Management

The Bank's success depends on the ability and experience of its directors, senior management and other key employees. Competition for qualified personnel is intense and the Bank may not be successful in attracting or retaining qualified personnel. The loss of any director, senior management personnel or key employees, the Bank's inability to recruit or to attract qualified and adequately trained employees or any delay in hiring key personnel could affect the Bank's ability to operate its business or to compete effectively.

### Embracing Cultural Change

Cultural Belief is a system of shared assumptions, values, and beliefs, which governs how people behave in organisations. These shared values have a strong influence on the people in the organisation and dictate how they dress, act, and perform their jobs. Every organisation develops and maintains a unique culture, which provides guidelines and boundaries for the behaviour of the members of the organisation.

The Bank is therefore proposing Cultural Belief as a new core value to be embedded into the Bank as part of MEXIM's working culture.

## BOARD OF DIRECTORS



1



2

**1 Datuk Mat Noor Nawawi**  
Chairman

**2 Norzilah Mohammed**  
President/Chief Executive Officer

**3 Dato' Rosli Mohamed Nor**  
Director

**4 Dato' Sri Dr. Mohd Isa Hussain**  
Director



3



4

01

02

03 Driven by Vision

04

05

06



<p><b>5</b> <b>Dato' Agil Natt</b> Director</p>	<p><b>7</b> <b>YM Tunku Afwida Tunku A. Malek</b> Director</p>	<p><b>9</b> <b>Datuk Syed Ahmad Helmy Syed Ahmad</b> Director</p>
<p><b>6</b> <b>Ismail Mahbob</b> Director</p>	<p><b>8</b> <b>Mohammad Fadzlan Dato' Abdul Samad</b> Director</p>	<p><b>10</b> <b>Normah Osman</b> Director</p>



## DIRECTORS' PROFILES



### DATUK MAT NOOR NAWI

Chairman

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	1 October 2015
<b>Board Committee(s)</b>	Board Credit Committee
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• Master of Science (Policy Economics) from University of Illinois Urbana-Champaign USA</li> <li>• Bachelor of Science (Resource Economics) from Universiti Putra Malaysia, Malaysia</li> </ul>
<b>Present Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Carrier International Sdn Bhd (Chairman)</li> <li>• Universiti Tun Hussein Onn Malaysia</li> <li>• Felcra Training &amp; Consultancy Sdn Bhd</li> <li>• Institut Penyelidikan Perhutanan Malaysia (FRIM)</li> <li>• Gets Global Berhad (GETS)</li> <li>• PDX.com Sdn Bhd</li> <li>• Mirmas Holding Sdn Bhd</li> <li>• FRIM Incorporated Sdn Bhd</li> </ul>
<b>Present Appointment(s)</b>	None
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• 1981 – Agriculture Economist with the Federal Agricultural Marketing Authority</li> <li>• 1983 – Assistant Director in the Economic Planning Unit's (EPU) Distribution Section</li> <li>• Deputy Director I of EPU</li> <li>• Deputy Secretary General (Systems &amp; Controls) of the Ministry of Finance (MOF)</li> <li>• Deputy Secretary General (Policy) of the MOF till 6 June 2015</li> </ul> <p><b>Government Assignments:</b></p> <ul style="list-style-type: none"> <li>• 1989 / 2000 – First and second National Economic Consultative Council Secretariat (NECC)</li> <li>• 1995 / 2003 – Secretaries to the preparation of the Seventh and Eighth Malaysia Plans</li> <li>• 2014 / 2015 Secretariat to the preparation of the Economic Report in 2014 and 2015</li> </ul> <p>Recipient of the Panglima Jasa Negara and many other state and federal medals and awards in recognition of his outstanding service in the public sector</p>
<b>Past Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Pengurusan Aset Air Berhad</li> <li>• Bintulu Port Holdings Berhad</li> <li>• PR1MA Berhad</li> <li>• Bank Kerjasama Rakyat Malaysia Berhad</li> <li>• Kumpulan Wang Simpanan Pekerja</li> <li>• Suruhanjaya Sekuriti</li> <li>• Telekom Malaysia Berhad</li> <li>• Konsortium Bas Ekspres Semenanjung Berhad (Chairman)</li> </ul>

01

02

03 Driven by Vision

04

05

06



## NORZILAH MOHAMMED

President/Chief Executive Officer

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	8 March 2016
<b>Board Committee(s)</b>	Board Credit Committee
<b>Academic / Professional Qualification(s)</b>	Bachelors of Science in Business Administration majoring in Accounting, California State University, Sacramento, United States
<b>Present Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Malaysia External Trade Development Corporation (MATRADE)</li> <li>• Lembaga Pinjaman Perumahan Suruhanjaya Awam (LPPSA)</li> <li>• Malaysia Export Credit Insurance Berhad (MECIB)</li> </ul>
<b>Present Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)</li> <li>• Asian EXIM Banks Forum (AEBF)</li> <li>• Association of Development Financial Institution of Malaysia (ADFIM)</li> <li>• Malaysia South-South Association</li> </ul> <p><b>Working Groups:</b></p> <ul style="list-style-type: none"> <li>• International Working Group (IWG) for Export Credit Agency (ECA) under The Organisation for Economic Co-operation and Development (OECD)</li> <li>• Kumpulan Fokus Sektor Pembinaan, Majlis Eksport Negara, Jabatan Perdana Menteri</li> <li>• Construction Industry Transformation Program (CITP) <ul style="list-style-type: none"> <li>i. Trust Working Group on Internationalisation</li> </ul> </li> </ul>
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Head of Recovery Team, MEXIM</li> <li>• Chief Credit Officer, MEXIM</li> <li>• Chief Risk Officer, MEXIM</li> <li>• Chief Operationg Officer, MEXIM</li> </ul>
<b>Past Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Pengkalan Megaria Sdn. Bhd.</li> </ul> <p>* The company has been dissolved in September 2016</p>


**DATO' ROSLI MOHAMED NOR**

Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	2 September 2009
<b>Board Committee(s)</b>	<ul style="list-style-type: none"> <li>• Board Credit Committee</li> <li>• Board Risk Committee</li> <li>• Nomination and Remuneration Committee</li> </ul>
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science in Civil Engineering, Brighton University, UK</li> <li>• Attended a Finance Course at Harvard Business School, United States</li> </ul>
<b>Present Directorship(s)</b>	<ul style="list-style-type: none"> <li>• ADS Projek Sdn. Bhd.</li> <li>• KMK Plus Sdn. Bhd.</li> <li>• KMK Ventures Sdn. Bhd.</li> <li>• Econpile Holdings Bhd., Chairman of Audit and Risk Management and Remuneration Committee</li> </ul>
<b>Present Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Business Development Director of TRC Infra Sdn. Bhd.</li> </ul>
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• 1982 – Design Engineer, Engineering and Environmental Consultants Sdn. Bhd.</li> <li>• 1988 – Senior Manager with United Engineers (M) Bhd.</li> <li>• 1992 – Founder &amp; Managing Director of Benar Antara Sdn. Bhd, a PKK Class A Contractor</li> <li>• 2002 – Established KMK Plus Sdn. Bhd. (construction), KMK Ventures Sdn. Bhd. (iron ore mining), and Guomara Sdn. Bhd. (coal trader)</li> </ul>
<b>Past Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Guomara Sdn. Bhd.</li> </ul>


**DATO' SRI DR. MOHD ISA HUSSAIN**

Non-Independent Non-Executive Director

(Retired w.e.f 11 March 2018)

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	3 May 2011
<b>Board Committee(s)</b>	<ul style="list-style-type: none"> <li>• Board Credit Committee</li> <li>• Nomination and Remuneration Committee</li> </ul>
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• PhD in Finance from University Putra Malaysia</li> <li>• MBA in Finance from University Kebangsaan Malaysia</li> <li>• Bachelor of Economics (Honours) (Applied Statistics) from University of Malaya</li> <li>• Post-graduate Diploma in Public Management from National Institute of Public Administration</li> </ul>
<b>Present Directorship(s)</b>	Malaysian Airports Holding Bhd., Telekom Malaysia., Pos Malaysia, Destini Berhad, Felcra Bhd., Pelaburan Hartanah Bhd., Integrated Nautical Resort Sdn. Bhd., Garuda Suci Sdn. Bhd., Mass Rapid Transit Corporation Sdn. Bhd., MyHSR Corporation Sdn. Bhd., Lembaga Pembangunan Langkawi, Perbadanan Kemajuan Negeri Pahang, Lembaga Tabung Angkatan Tentera, Suruhanjaya Sekuriti, Dana Pembangunan Pasaran Modal and Malaysian Venture Capital Development Council
<b>Present Appointment(s)</b>	Deputy Secretary General (Investment) in the Ministry of Finance
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• 1983 – Assistant Director in the Prime Minister's Department</li> <li>• 1985 – Assistant Director at the Pahang State Economic Planning Unit of Pahang</li> <li>• 1990 – Assistant Secretary in the Government Procurement Division, Ministry of Finance (MoF)</li> <li>• 1996 – Senior Assistant Director of the Budget Management Division, MoF</li> <li>• 2004 – Deputy Under Secretary of Investment, MoF (Inc.) and Privatisation Division</li> <li>• 2008 – Deputy Secretary General (Operation), Ministry of Transport Malaysia</li> <li>• 2009 – Interim Head of the Public Land Transportation Commission (SPAD)</li> <li>• 2010 – Deputy Under Secretary of Government Investment Companies division of MoF</li> <li>• 2015 – Under Secretary of Government Investment Companies division of MoF</li> </ul>
<b>Past Directorship(s)</b>	None

01

02

03 Driven by Vision

04

05

06



### DATO' AGIL NATT

Independent Non-Executive Director



### ISMAIL MAHBOB

Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	2 February 2012
<b>Board Committee(s)</b>	<ul style="list-style-type: none"> <li>• Board Risk Committee (Chairman)</li> <li>• Board Credit Committee</li> <li>• Board Audit Committee</li> </ul>
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science in Economics (Honours), Brunel University, London</li> <li>• Master of Science in Finance, Cass Business School, City, University of London</li> <li>• Advanced Management Program, Harvard Business School, USA</li> </ul>
<b>Present Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Credit Guarantee Corporation Malaysia Berhad (Chairman)</li> <li>• Manulife Insurance Berhad (Chairman)</li> <li>• Manulife Asset Management Services Berhad (Chairman)</li> <li>• Cagamas Berhad</li> <li>• Sogo (KL) Department Store Sdn. Bhd.</li> <li>• Sogo (KL) Sdn. Bhd.</li> <li>• Member of the Investment Panel of the Employees Provident Fund</li> <li>• Member of the Board of Trustees of Yayasan Tun Abdul Razak</li> </ul>
<b>Present Appointment(s)</b>	None
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• 1977 – Corporate Finance Manager, Bumiputra Merchant Bankers Berhad</li> <li>• 1982 – Senior General Manager (Finance), Island &amp; Peninsular Bhd</li> <li>• 1990 – Regional Chief Representative, Kleinwort Benson Ltd.</li> <li>• 1995 – Senior General Manager, Corporate Banking in Maybank</li> <li>• 2000 – Chief Executive Officer and Managing Director of Aseambankers Malaysia Berhad (now Maybank Investment Bank Berhad)</li> <li>• 2004 – Executive Director/Deputy President of Maybank</li> <li>• 2006 – President and Chief Executive Officer of the International Centre for Education in Islamic Finance (INCEIF), The Global University of Islamic Finance</li> </ul>
<b>Past Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Sumitomo Mitsui Banking Corporation Malaysia Berhad (Chairman)</li> </ul>

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	10 August 2012
<b>Board Committee(s)</b>	<ul style="list-style-type: none"> <li>• Nomination and Remuneration Committee (Chairman)</li> <li>• Board Credit Committee</li> <li>• Board Risk Committee</li> </ul>
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• Diploma in Marketing, Chartered Institute of Marketing, UK</li> <li>• Member, Associate Chartered Institute of Islamic Finance Professionals (CIIF) Malaysia</li> </ul>
<b>Present Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Saudi Reinsurance Company (Saudi Arabia)</li> <li>• Bank of Tokyo-Mitsubishi UFJ (M) Berhad</li> </ul>
<b>Present Appointment(s)</b>	None
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• 1977 – Broker at Magnet Insurance Brokers, Kota Kinabalu</li> <li>• 1979 – Branch Manager with Progressive Insurance Sdn Bhd, Kota Kinabalu</li> <li>• 1988 – Assistant General Manager at American Malaysian Insurance Sdn Bhd</li> <li>• 1990 – Head of Non-Energy Section, Malene CSB Insurance Brokers Sdn Bhd</li> <li>• 1997 – Senior Vice President at Labuan Reinsurance (L) Ltd</li> <li>• 2007 – President/Chief Executive Officer of MNRB Retakaful Berhad</li> </ul>
<b>Industry Participation:</b>	Contributed to the production of a book on Takaful and Mutual Insurance produced by The World Bank
<b>Past Directorship(s)</b>	None

## DIRECTORS' PROFILES



### YM TUNKU AFWIDA TUNKU A. MALEK

Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	15 August 2014
<b>Board Committee(s)</b>	<ul style="list-style-type: none"> <li>• Board Audit Committee (Chairman)</li> <li>• Board Credit Committee</li> <li>• Board Risk Committee</li> </ul>
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science (Hons.) in Economics and Accounting, City, University of London</li> <li>• Chartered Accountant, The Institute of Chartered Accountants in England and Wales</li> </ul>
<b>Present Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Asia Equity Research Sdn. Bhd.</li> <li>• Gamuda Berhad</li> <li>• Telekom Malaysia Berhad</li> <li>• i-VCAP Management Sdn. Bhd.</li> <li>• Lafarge Malaysia Berhad</li> <li>• Benih Semaian Sdn. Bhd.</li> </ul>
<b>Present Appointment(s)</b>	None
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• 1995 – Executive Director/Chief Investment Officer of Commerce Asset Fund Managers Sdn. Bhd.</li> <li>• 2003 – Chief Executive Officer and Executive Director of MIMB Investment Bank Berhad</li> <li>• 2006 – Chief Executive Officer and Executive Director of Kenanga Investment Bank Berhad</li> </ul>
<b>Past Directorship(s)</b>	None



### MOHAMMAD FADZLAN DATO' ABDUL SAMAD

Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	29 April 2015
<b>Board Committee(s)</b>	<ul style="list-style-type: none"> <li>• Board Credit Committee</li> <li>• Board Risk Committee</li> <li>• Nomination and Remuneration Committee</li> </ul>
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science in Biochemistry &amp; Biology, Universiti Malaya</li> <li>• Certificate in International Management, INSEAD</li> </ul>
<b>Present Directorship(s)</b>	<ul style="list-style-type: none"> <li>• Rekrea Corp Sdn. Bhd. (Executive Chairman)</li> <li>• Global Foods Integrated Sdn Bhd (Non-Executive Director)</li> </ul>
<b>Present Appointment(s)</b>	None
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• 2003 – Managing Director/Chief Executive Officer of Asean Bintulu Fertiliser Sdn Bhd</li> <li>• 2006 – Managing Director/Chief Executive Officer of PETRONAS Trading Corporation Sdn Bhd</li> <li>• 2007 – Senior General Manager/ Retail Business Division, PETRONAS Dagangan Berhad</li> <li>• 2009 – Managing Director/CEO of PETRONAS NGV Sdn Bhd</li> </ul>
<b>Past Directorship(s)</b>	<ul style="list-style-type: none"> <li>• PETRONAS Penapisan (Terengganu) Sdn Bhd</li> <li>• PETRONAS Trading Corp Sdn. Bhd (PETCO)</li> <li>• Thang Long LPG Co Ltd (a joint venture between PETRONAS and Petro Vietnam)</li> </ul>

01

02

03 Driven by Vision

04

05

06



## DATUK SYED AHMAD HELMY SYED AHMAD

Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	24 August 2015
<b>Board Committee(s)</b>	<ul style="list-style-type: none"> <li>• Board Credit Committee</li> <li>• Board Audit Committee</li> <li>• Nomination and Remuneration Committee</li> </ul>
<b>Academic / Professional Qualification(s)</b>	Bachelor of Laws (LLB) Honours from University of Singapore
<b>Present Directorship(s)</b>	AEON Malaysia Berhad
<b>Present Appointment(s)</b>	None
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• 1972 – Advocate &amp; Solicitor in Singapore</li> <li>• 1977 – Private legal practice in Johor Bahru and Kuala Lumpur</li> <li>• 2000 – Appointed to the Judiciary as a Judge of the High Court in Johor Bahru</li> <li>• 2007 – Appointed to the Judiciary as a Judge of the High Court in Shah Alam</li> <li>• 2009 – Elevated to the Court of Appeal</li> </ul>
<b>Past Directorship(s)</b>	None



## NORMAH OSMAN

Non-Independent Non-Executive Director  
(Appointed w.e.f 21 September 2017)

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	21 September 2017
<b>Board Committee(s)</b>	<ul style="list-style-type: none"> <li>• Board Credit Committee</li> <li>• Board Audit Committee</li> </ul>
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• Masters of Administration (MA) in Management, Claremont Graduate University in California, USA</li> <li>• Bachelor of Administration (Hons) (BBA), University Kebangsaan Malaysia</li> <li>• Public Administration Diploma, National Institute of Public Administration (INTAN)</li> </ul>
<b>Present Directorship(s)</b>	Perbadanan Kemajuan Negeri Perak (PKNP)
<b>Present Appointment(s)</b>	Senior Director, Multilateral Trade Policy and Negotiations Division, Ministry of International Trade and Industry (MITI)
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• 1994 – Administrative and Diplomatic Officer, INTAN Malaysia</li> <li>• 1995 – Assistant Director, Industry Division, MITI Malaysia</li> <li>• 2002 – Principal Assistant Director, Industry Division, MITI Malaysia</li> <li>• 2004 – Principal Assistant Director, Asia Pacific Economic Cooperation Division, MITI Malaysia</li> <li>• 2006 – Minister Counsellor (Economy), Malaysian Trade Commission to Singapore</li> <li>• 2008 – Director, Bumiputera Business Development Section Industry Division, MITI Malaysia</li> <li>• 2009 – Director, Policy and Strategy Section, Strategic Planning Division, MITI Malaysia</li> <li>• 2009 – Minister Counsellor (Economy), Embassy of Malaysia in Belgium</li> <li>• 2014 – Director, Internal Relations Section, ASEAN Economic Cooperation Division, MITI Malaysia</li> <li>• 2014 – Director, Research Section, Strategic Planning Division, MITI Malaysia</li> <li>• 2015 – Senior Director, Bilateral Economic and Trade Relations Division, MITI Malaysia</li> </ul>
<b>Past Directorship(s)</b>	None

# SHARIAH COMMITTEE



01  
02  
03  
04  
05  
06

03 Driven by  
Vision

- 1 Dr. Zaharuddin Abd. Rahman**  
Chairman
- 2 Assoc. Prof. Dr. Zulkifli Hasan**  
Committee Member
- 3 Assoc. Prof. Dr. Mek Wok Mahmud**  
Committee Member



- 4 Assoc. Prof. Dr. Sharifah Faigah Syed Alwi**  
Committee Member
- 5 Zainal Abidin Mohd Tahir**  
Committee Member
- 6 Zulkipli Yunos**  
Committee Secretariat

# SHARIAH COMMITTEE PROFILE



## DR. ZAHARUDDIN ABD RAHMAN

Chairman

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	2 April 2013 (as member) 13 July 2016 (as Chairman)
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• PhD in Shariah and Islamic Finance from the University of Wales, United Kingdom</li> <li>• Master in Shariah (Hons) from Al-Yarmouk University, Jordan</li> <li>• Bachelor of Arts (Hons) in Usuluddin from University of Malaya</li> </ul>
<b>Present Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Assistant Professor at the Kuliyyah of Economics &amp; Management Sciences, International Islamic University, Malaysia</li> <li>• Shariah Committee for BNP Paribas Malaysia Berhad (Chairman)</li> <li>• Shariah Advisor, Employee Provident Fund Islamic, Malaysia</li> <li>• Shariah Advisor, ACR ReTakaful Berhad, Malaysia</li> <li>• Shariah Advisor, ACR MEA Takaful, Bahrain</li> <li>• Shariah Advisor, Yasmin Holdings Group Sdn Bhd</li> </ul>
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Shariah Expert &amp; Consultant of Bank Negara Malaysia</li> <li>• Shariah Expert, Panel Member, Jabatan Kemajuan Islam Malaysia (JAKIM)</li> <li>• Shariah Advisor, Al-Rajhi Bank Berhad</li> <li>• Board of Management member, Institute of Islamic Banking and Finance (IiBF), IIUM</li> <li>• Shariah Consultant, UEM Land Berhad</li> <li>• Shariah Counsel, Siraj Capital Ltd, Jeddah</li> </ul>
<b>Expertise &amp; Experience:</b>	<ul style="list-style-type: none"> <li>• Prominent Shariah scholar with strong academic research background and hands on experience in Islamic finance operations</li> <li>• Written numerous books and articles on Islamic Jurisprudence and Islamic Banking published in local and international media and Shariah journals</li> <li>• Features on local television and radio articulating on various Shariah issues especially with regard to Islamic commercial transactions</li> </ul>

01

02

03 Driven by Vision

04

05

06



**ASSOC. PROF. DR. ZULKIFLI HASAN**  
Committee Member



**ASSOC. PROF. DR. MEK WOK MAHMUD**  
Committee Member

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	7 December 2012
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• PhD in Islamic Finance from Durham University, United Kingdom</li> <li>• Master of Comparative Laws from International Islamic University of Malaysia</li> <li>• LLB (Bachelor of Laws) and LLB.S (Bachelor of Shariah) from International Islamic University of Malaysia</li> </ul>
<b>Present Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Associate Professor at the Faculty of Shariah and Law, Universiti Sains Islam Malaysia (USIM)</li> <li>• Shariah panel member for the Institute of Fatwa Management and Research, USIM</li> <li>• Shariah Committee of Zurich Takaful (Malaysia) Berhad and Affin Islamic Bank Berhad</li> <li>• Editor for 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</li> </ul>
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• In-house legal counsel for Bank Muamalat Malaysia Berhad</li> <li>• Member of Rules and Regulations Working Committee for Association of Islamic Banking Institutions Malaysia</li> <li>• Member of corporate governance working committee for Awqaf South Africa</li> </ul>
<b>Expertise &amp; Experience:</b>	<ul style="list-style-type: none"> <li>• Recipient of a 2014 grant to conduct scholarly research at Fordham University, New York, through the Fulbright US-ASEAN Visiting Scholars Initiative</li> <li>• Involved in developing corporate governance guidelines towards development of the S&amp;P/Hawkamah Pan Arab ESG Index</li> <li>• Published articles in various academic journals</li> <li>• Presented conference papers on corporate and Shariah governance and regulation in Islamic finance</li> </ul>

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	7 December 2012
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• PhD in Shariah/Islamic Law, International University of Africa, Sudan</li> <li>• Masters in Islamic Revealed Knowledge, International Islamic University of Malaysia</li> <li>• Bachelor of Law (LLB), International Islamic University of Malaysia</li> </ul>
<b>Present Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Associate Professor at the Kuliyyah of Islamic Revealed Knowledge, International Islamic University Malaysia</li> <li>• Shariah Committee of Bank of Tokyo Mitsubishi UFJ (M) Berhad</li> </ul>
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Deputy Dean Postgraduate &amp; Research, Kuliyyah of Islamic Revealed Knowledge, International Islamic University Malaysia</li> <li>• Head Department of Fiqh &amp; Usul al-Fiqh, Kuliyyah of Islamic Revealed Knowledge, International Islamic University Malaysia</li> </ul>
<b>Expertise &amp; Experience:</b>	<ul style="list-style-type: none"> <li>• Specialisation in Islamic Law of Transactions (Muamalat), Fiqh al-'Ibadat, Fiqh al Qada', Islamic Family Law, as well as Modern Application of Fiqh and Usul al-Fiqh</li> <li>• Published numerous articles and books on various Shariah issues</li> <li>• Presented many papers in various local conferences and seminars</li> </ul>

## SHARIAH COMMITTEE PROFILE



### ASSOC. PROF. DR. SHARIFAH FAIGAH SYED ALWI

Committee Member

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	7 December 2012
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• PhD in Islamic Banking and Finance, International Islamic University, Malaysia</li> <li>• Masters in Shariah (Islamic Banking), University of Malaysia</li> <li>• B.A. (Hons) Shariah (Economics), University of Malaya</li> </ul>
<b>Present Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Associate Professor at Arshad Ayub Graduate Business School, Faculty of Business and Management, Universiti Teknologi Mara Malaysia</li> <li>• Shariah Committee of UOB Malaysia</li> <li>• Panel reviewer for Malaysian Qualifications Agency on Islamic banking and finance programmes offered by universities in Malaysia</li> </ul>
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Coordinator (Quality and Accreditation), Arshad Ayub Graduate Business School, Faculty of Business Management, Universiti Teknologi MARA</li> </ul>
<b>Expertise &amp; Experience:</b>	<ul style="list-style-type: none"> <li>• Lectures on Usul Fiqh (Islamic Jurisprudence), Fiqh Muamalat (Islamic Law of Transactions), Islamic Finance and Accounting as well as Islamic Financial Regulatory Framework and Governance</li> <li>• Presented many papers, particularly on Islamic Trade Finance and Shariah Issues in Islamic Finance products in various seminars and conferences, both locally and internationally</li> </ul>



### ZAINAL ABIDIN MOHD TAHIR

Committee Member

<b>Nationality</b>	Malaysian
<b>Date of Appointment</b>	2 November 2017
<b>Academic / Professional Qualification(s)</b>	<ul style="list-style-type: none"> <li>• MBA in Islamic Banking &amp; Finance from International Islamic University Malaysia</li> <li>• Bachelor of Economics-Analytical Economics from University of Malaya</li> <li>• Diploma (post-graduate) in Islamic Finance from Kolej Dar al Hikmah, Malaysia</li> <li>• Member of Asian Institute of Chartered Bankers (formerly known as Institute of Bankers Malaysia)</li> </ul>
<b>Present Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Teaching Fellow cum Deputy Dean of School of Professional Studies, INCEIF</li> <li>• Accredited trainer with Islamic Banking &amp; Finance Institute of Malaysia (IBFIM)</li> <li>• Besides teaching at INCEIF, he has been occasionally invited to be speaker/facilitator for Islamic and conventional commercial banks' training programmes.</li> </ul>
<b>Past Appointment(s)</b>	<ul style="list-style-type: none"> <li>• Vice President/Head of Entrepreneur Department, Bank Muamalat Malaysia Berhad</li> <li>• Vice President/Head of Credit Risk Department, Bank Muamalat Malaysia Berhad</li> <li>• Shariah Committee, Bank Muamalat Malaysia Berhad</li> </ul>
<b>Expertise &amp; Experience:</b>	<ul style="list-style-type: none"> <li>• Has a total of 23 years involvement in Islamic banking and finance, as practitioner as well as academician.</li> <li>• Training activities for bank personnel as well as customers in the areas of Islamic banking, financial management, credit and entrepreneurship</li> <li>• Speaker/facilitator for IBFIM and IBBM</li> <li>• Consultant in the areas of Islamic banking operation and education</li> </ul>

01

02

03 Driven by Vision

04

05

06

# UNLOCKING CROSS BORDER SOLUTIONS... THE SHARIAH COMPLIANT WAY



Export-Import Bank of Malaysia Berhad (357198-K)

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# MANAGEMENT COMMITTEE



- 1 Norzilah Mohammed**  
President/Chief Executive Officer
- 2 Chairil Mohd Tamil**  
Deputy President Business

- 3 Norlela Sulaiman**  
Chief Financial Officer
- 4 Zulkefli Samat**  
Chief Risk Officer

01  
02  
03  
04  
05  
06

03 Driven by Vision



<p><b>5 Thariq Abdullah</b> Head, Corporate Services</p>	<p><b>7 Mohd Nasir Johar</b> Head, Communications &amp; Stakeholder Management</p>	<p><b>9 Julina Mohd Salleh</b> Company Secretary</p>
<p><b>6 Noor Hanim Ahmad Kushairi</b> Chief Credit Officer</p>	<p><b>8 Zaleha Che Mustapha</b> Head, Transformation Office &amp; Human Capital Management</p>	

## SPECIFIC DISCLOSURE ON PERFORMANCE ASSESSMENT

### BANKING

Trade	FY2017	FY2018	FY2019
	Actual RM	Budget RM	Projected RM
Loan Approval	1.03 billion	2.53 billion	2.91 billion
Loan Assets	3.38 billion	5.71 billion	6.57 billion
Loan Disbursement	8.28 billion	8.38 billion	9.64 billion
Non-Trade	FY2017	FY2018	FY2019
	Actual RM	Budget RM	Projected RM
Loan Approval	2.88 billion	3.80 billion	4.37 billion
Loan Assets	8.33 billion	7.74 billion	8.90 billion
Loan Disbursement	1.91 billion	0.70 billion	0.81 billion
ECR	FY2017	FY2018	FY2019
	Actual RM	Budget RM	Projected RM
Loan Utilisation	509 million	500 million	500 million
MKFF	FY2017	FY2018	FY2019
	Actual RM	Budget RM	Projected RM
Loan Approval	N/A	N/A	N/A
Loan Assets	14.75 million	12.7 million*	14.61 million
Loan Disbursement	N/A	N/A	N/A

Note (\*): Repayment due to the maturity of the facility (RM2.13 million)

### INSURANCE BUSINESS (OFF BALANCE SHEET)

ST Business	FY2017	FY2018	FY2019
	Actual RM	Budget RM	Projected RM
Premium Income	5.87 million	1.48 million	1.75 million
Wakalah Fee	0.84 million	4.39 million	5.18 million
Contingent Liability/ Face Value	3.59 billion	4.94 billion	5.83 billion
MLT Business	FY2017	FY2018	FY2019
	Actual RM	Budget RM	Projected RM
Premium Income	1.97 million	1.48 million	1.75 million
Wakalah Fee	0.09 million	-Nil-	-Nil-
Contingent Liability/ Face Value	2.23 billion	1.15 billion	1.36 billion

01

02

03

04 Anchored on Commitment

05

06

# CORPORATE GOVERNANCE DISCLOSURE REPORT

The Board of Directors (Board) of Export-Import Bank of Malaysia Berhad (MEXIM or EXIM Bank) 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 upholding good corporate governance and endeavours to continuously advocate for transparency, accountability, responsibility and integrity. This commitment enables the Bank 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 even realise sustainable, long-term growth.

## BOARD OF DIRECTORS

### Board Composition and Balance

Article 91(1) of EXIM Bank's Articles of Association provides that there should not be more than 12 members of the Board. The Board currently has 9 members, with seven (7) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director (nominee of 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.

EXIM Bank'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 specified in the Financial Services Act 2013 (FSA) and the BNM Policy Document on Fit and Proper Criteria.

A brief profile of each member of the Board is presented on pages 42 to 47 of this Annual Report.

### Board Charter

In recognition that robust and well thought-out corporate governance practices are essential to safeguard the interests of EXIM Bank, 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 EXIM Bank 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 EXIM Bank in accordance with established delegated authority from the Board.

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

- 1) The Board is charged with leading and managing EXIM Bank in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Bank. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of EXIM Bank are managed. The Board sets EXIM Bank values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.

## CORPORATE GOVERNANCE DISCLOSURE REPORT

- 2) The Board play critical role in ensuring sound and prudent policies and practices of the Bank. The Board will perform its oversight role effectively and understands its overall responsibilities to stakeholders. The Board will not be involved in the day-to-day operations of the institutions, but will provide effective check and balance mechanism in the overall management of EXIM Bank.
- 3) The Board carries ultimate responsibility for the proper stewardship of the Bank. The Board understands that the responsibility for good Corporate Governance in ensuring the maximisation of shareholders' value and safeguarding the stakeholders' interest through rigorous and diligent oversight over EXIM Bank affairs, establishing, amongst others, the corporate values, vision and strategy that will direct the activities of the Bank, and to be aware of the types of material financial activities the Bank intends to pursue.
- 4) The Board has a fiduciary responsibility to act in the best interest of the EXIM Bank and to protect it from inappropriate actions or influences of dominant or controlling shareholders that are detrimental or not to the best interest of the Bank and its other shareholders and stakeholders.
- 5) The Board understands that the responsibility for good Corporate Governance rests with them and therefore strives to follow the principles and best practices stated in the Malaysia Code of Corporate Governance (MCCG).
- 6) The roles and responsibilities of the Board of Directors shall be governed by the Development Financial Institutions (Amendment) Act (DFIA) 2015, Companies Act 2016, BNM's Guidelines on Corporate Governance for Development Financial Institutions (BNM/RH/GL 005-14) and the Memorandum and Articles of Association of the Bank, including any guidelines as may be issued by the relevant authorities from time to time.

### Segregation of position of Chairman and President/Chief Executive Officer

EXIM Bank'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.

### 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 EXIM Bank'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 and reputation - the person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
2. Competency - 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.

EXIM Bank 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 EXIM Bank'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 EXIM Bank.

### 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 2017, the Board met 16 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 have an interest in any transaction to be entered into either directly or indirectly by the Bank. An interested Director or if the Director is deemed as “connected party” 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.

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary, who is responsible for ensuring that the procedures for Board meeting 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. EXIM Bank 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 EXIM Bank during the financial year ended 31 December 2017 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
<b>Director</b>												
Datuk Mat Noor Nawi (Chairman)	16	15	25	24	-	-	-	-	-	-	-	-
Dato' Rosli Mohamed Nor	16	16	25	25	12	12	15	15	5	5	-	-
Dato' Agil Natt	16	16	25	25	12	12	-	-	-	-	10	10
Ismail Mahbob	16	16	25	23	12	12	15	15	5	5	-	-
Tunku Afwida Tunku A. Malek	16	15	25	25	12	12	-	-	-	-	10	10
Mohammad Fadzlan Abdul Samad	16	16	25	25	12	12	15	15	5	5	-	-
Datuk Syed Ahmad Helmy bin Syed Ahmad	16	16	25	24	-	-	15	15	5	5	10	10
Normah Osman <sup>1</sup> (appointed w.e.f. 21 September 2017)	5	4	8	6	3	2	-	-	-	-	2	2
* Norzilah Mohammed (President/CEO)	16	15	25	25	12	12	15	14	5	4	10	8

Note: \* Permanent attendee for BRC, NC, RC and BAC only.

## CORPORATE GOVERNANCE DISCLOSURE REPORT

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

### Directors who have ceased/resigned since the last report

Dato' Sri Dr. Mohd Isa Hussain (retired w.e.f. 11 March 2018)	16	12	25	20	-	-	15	13	5	4	-	-
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#### Notes:

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

<sup>1</sup> Appointed as a member of the Board of Directors with effect from 21 September 2017 as well as member of the BCC, BAC and BRC with effect from 28 September 2017. Subsequently, Normah Osman was excluded from BRC with effect from 28 November 2017 as per her request.

### Training and Development of Directors

EXIM Bank 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. EXIM Bank 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 Program 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, EXIM Bank 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 2017:

Training Focus	List of Conferences/Seminars and Training Programmes
Corporate Governance	<ul style="list-style-type: none"> <li>FIDE Core Programme</li> <li>FIDE Elective – Corporate Governance for Development Financial Institutions</li> <li>Corporate Directors Onboarding Programme (CDOP)</li> <li>Governing Boards – Excellence in Governance</li> <li>Boardroom Effectiveness</li> <li>International Foundations of Directorship (IFoD) 2017</li> <li>Building High Performance Directors 2.0 – Dynamic Board Stewardship</li> <li>Exclusive Workshop for Nomination Committee Chairman and Members: Board Selection – Engagement with Potential Directors</li> <li>MKD Directors Talk: Best Practice of Nomination &amp; Remuneration Committee</li> <li>Khazanah Megatrends Forum 2017 – Cerebrum X Algorithm</li> </ul>

01  
02  
03  
04  
05  
06

04 Anchored on Commitment

Training Focus	List of Conferences/Seminars and Training Programmes
<b>Economics</b>	<ul style="list-style-type: none"> <li>• Exclusive BNM–FIDE FORUM Dialogue: “Economic and Financial Services Sector: Trends and Challenges Moving Forward”</li> <li>• Talk on Creating New Themes in Islamic Finance Towards Real Economy Practices</li> <li>• Nomura Expert Series: ETP – Growing the Economy Responsibly and Sustainably</li> <li>• Cryptocurrency and Blockchain Technology by Mr Eric E. Vogt</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>• Fundamentals of Bank Financial Statement Analysis</li> <li>• Advanced Bank Analysis</li> <li>• Latest Developments and Structures in Sukuk and Islamic Capital Markets</li> </ul>
<b>Audit, Compliance and Risk Management</b>	<ul style="list-style-type: none"> <li>• FIDE Elective – Understanding Liquidity Risk Management in Banking</li> <li>• Risk and Reward: What Must Boards Know About A Sustainable FI Remuneration System for Senior Management and Material Risk Takers?</li> <li>• Key Issues in Asset &amp; Liability Management for Islamic Financial Institutions</li> </ul>

### Board Performance Evaluation

The individual performance assessment and performance evaluation of the Board of Directors of EXIM Bank 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

EXIM Bank 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 EXIM Bank.

#### 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.

## CORPORATE GOVERNANCE DISCLOSURE REPORT

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

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

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 2017 is set out on page 164 of this Annual Report.

### 04 Anchored on Commitment

## 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 Audit Committee (BAC)
3. Board Risk Committee (BRC)
4. Nomination Committee (NC)\*
5. Remuneration Committee (RC)\*

\* With effect from 29 March 2018, the Nomination and Remuneration Committee (NRC) was established with the purpose of combining the functions, roles and responsibilities of the NC and RC into one committee. With the establishment of the NRC, the NC and RC are officially disbanded on 29 March 2018.

### 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 2017, the BCC met 25 times. Members of BCC and details of meeting attended by members are stated on page 59 of this Annual Report.

### Board Audit Committee

The Board Audit Committee is 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.
  - Monitor and assess the effectiveness of the external audit, including meeting with the external auditors without the presence of senior management at least annually.
2. Internal Audit
  - Maintain regular, timely, open and honest communication with the external auditors, requiring the external auditors to report to the BAC on significant matters, mainly on:
    - i. Appropriateness of the accounting and financial reporting principles used by the Bank.
    - ii. Unbiased opinion on the business conduct of the Management and staff.
    - iii. New implementation or enforcement of regulatory requirements.
  - Ensure that senior management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations.
  - 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 P/CEO 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.
  - Noting significant disagreements between the CIA and the senior management team, in order to identify any impact the disagreements may have on the audit process or findings.

## 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 EXIM group.

The BAC held 6 meetings during the financial year 31 December 2017. Members of the BAC and details of meeting attended by members are stated on page 59 of this Annual Report.

#### Board Risk Committee

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

The BRC presently comprises seven 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.

01

02

03

04

Anchored on  
Commitment

05

06

- 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 2017. Members of BRC and details of meeting attended by members are stated on page 59 of this Annual Report.

#### Remuneration Committee

The primary objective of the RC 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) including employees in grade EX2B (Senior Vice President II) (SVP) and above as well as staff salary increment and bonus and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategies.

The RC comprised five members, exclusively Non-Executive Directors and chaired by the Independent Director.

The functions and responsibilities of the RC were as follows:

- 1) To propose and recommend to the Board the remuneration policy and guidelines for the Directors, Shariah Committee (SC) members, P/CEO, DPO, DPB, CFO, CRO and CCO of EXIM Bank including employees in grade EX2B (Senior Vice President II)(SVP) and above. The remuneration policy should:
  - Be documented and approved by the board and any changes thereto should be subject to the endorsement of the board;
  - Reflect the experience and level of responsibility borne by individual Directors, SC, P/CEO, DPO, DPB, CFO, CRO, CCO and SVP and above.
  - Be sufficient to attract and retain Directors, SC, P/CEO, DPO, DPB, CFO, CRO, CCO and SVP and above of caliber needed to manage the Bank successfully; and
  - 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 and/or periodically review and recommend to the Board the specific remuneration packages for Directors, SC, P/CEO, DPO, DPB, CFO, CRO and CCO of EXIM Bank including employees engaged at Senior Vice President II level (EX2B)(SVP) and above. The remuneration packages should:
  - Be based on an objective consideration and approved by the Board;
  - Reflect the experience and level of responsibility borne by individual Directors, SC, P/CEO, DPO, DPB, CFO, CRO CCO and SVP and above.
  - Take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Directors, SC, P/CEO, DPO, DPB, CFO, CRO, CCO and SVP concerned;
  - Not be decided by the exercise of sole discretion of any one individual or restricted group of individual; and
  - 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 2017, the RC met 5 times. Members of RC and details of meeting attended by members are stated on page 59 of this Annual Report.

#### Nomination Committee

The primary objective of the Nomination Committee (NC) is to establish a documented, formal and transparent procedure for the appointment of 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) including employees in grade EX2B (Senior Vice President II) (SVP) and above as well as the Shariah Committee (SC) members 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, CCO and SVP and above as well as the SC.

The NC comprised five members, exclusively Non-Executive Directors and chaired by the Independent Director.

## CORPORATE GOVERNANCE DISCLOSURE REPORT

The functions and responsibilities of the NC were as follows:

- (i) 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;
- (ii) To recommend and assess the nominees for directorship, the directors to fill board committees, as well as nominees for the P/CEO and the SC members. This includes assessing directors, P/CEO and the SC members proposed for reappointment, before an application for verification is submitted to Bank Negara Malaysia;
- (iii) 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;
- (iv) To recommend to the board on removal of a director or P/CEO if she/he is ineffective, errant or negligent in discharging his responsibilities;
- (v) To ensure that all Directors undergo appropriate induction programmes and receive continuous training;
- (vi) To oversee appointment, management succession planning and performance evaluation of P/CEO, DPO, DPB, CFO, CRO and CCO, including employees at grade EX2B (Senior Vice President II) and above and recommending to the board the removal of P/CEO, DPO, DPB, CFO, CRO and CCO or SVP and above, if they are ineffective, errant and negligent in discharging their responsibilities; and
- (vii) 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 15 meetings during the financial year 31 December 2016. Members of the NC and details of meeting attended by members are stated on page 59 of this Annual Report.

01

02

03

04

**04** Anchored on  
Commitment

05

06

# STATEMENT ON INTERNAL CONTROL

## INTERNAL CONTROL

Internal control is defined as “the whole system of checks and controls, financial or otherwise, established by management in order to provide reasonable assurance” regarding the achievement of one or more of the following objectives:

- The reliability and integrity of information.
- Compliance with policies, plans, procedures, laws, regulations and contracts.
- The safeguarding of assets.
- The economical and efficient use of resources.
- The accomplishment of established objectives and goals for operations or plans.

The Board recognises the importance of maintaining a sound system of internal controls and risk management practices as well as good corporate governance. The Board exercises overall responsibility in identifying, evaluating and reviewing the adequacy and effectiveness of the Bank’s risk management, governance and internal controls. The Board recognises that risks cannot be eliminated completely and as such, systems and processes have been put in place to provide reasonable, and not absolute, assurance against material misstatement of financial information or against any losses and fraud. The Board is of the view that the internal control framework that has been instituted throughout EXIM Bank is sufficient to safeguard the stakeholder’s investment, customers’ interest and EXIM Bank’s assets. Reviews are continuously carried out by the Bank to ensure effectiveness of the system.

## THE BOARD AUDIT COMMITTEE

The Board Audit Committee (BAC) was established to further strengthen EXIM Bank’s internal audit process, where it meets regularly with the objective of assisting the Board in managing EXIM Bank’s range of inter-related risks in an integrated manner. The key processes that the Board has established in reviewing the integrity of the system of internal controls are as follows:-

- (a) The President/Chief Executive Officer (P/CEO) is entrusted with the management of EXIM Bank, where her roles, responsibilities and authority limits are set by the Board. The appointment of the P/CEO requires the approval of the Board;
- (b) Specific responsibilities have been delegated to the relevant Board Committees, based on their respective terms of references. These Committees have the authority to examine all matters within their scope of responsibility and submit their recommendations to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board;

- (c) Delegation of authority, including limits at various levels of Management and those requiring the Board’s approval, are documented and designed to ensure proper accountability and responsibility;
- (d) Policies and procedures manuals for key processes are documented and regularly reviewed and updated for application across EXIM Bank;
- (e) The BAC regularly reviews the adequacy and integrity of EXIM Bank’s internal control systems and management information system including systems for compliance with applicable laws, regulations, rules, directives and guidelines as identified by the internal auditors, the external auditor and regulatory authorities. It also reviews the adequacy and comprehensiveness of the internal audit process, scope of audit, competency of the auditors and the independence of the Internal Audit function;
- (f) EXIM Bank’s annual business plan and budget are submitted to the Board for approval. In addition, variances between actual and targeted results are also presented to the Board on a monthly basis. This allow for timely responses and corrective actions to be taken to mitigate risks;
- (g) The IAD reports to the BAC, performs regular reviews of the processes to assess their effectiveness and highlights any significant risks affecting EXIM Bank. The BAC reviews the internal auditor’s auditable areas and resources annually, via the Annual Audit Plan;
- (h) The BAC regularly reviews and holds discussions with the Management on actions taken to address lapses in internal controls and issues identified in reports prepared by the internal auditors, external auditor and regulatory authorities;

## INTERNAL AUDIT DEPARTMENT

Internal Audit Department (IAD) function independently reviews the adequacy and integrity of the system of internal controls in managing the key risks, and reports accordingly to the Board Audit Committee (BAC) on every two months basis. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls and follow-up audits are conducted by IAD to assess the status of implementation thereof by Management.

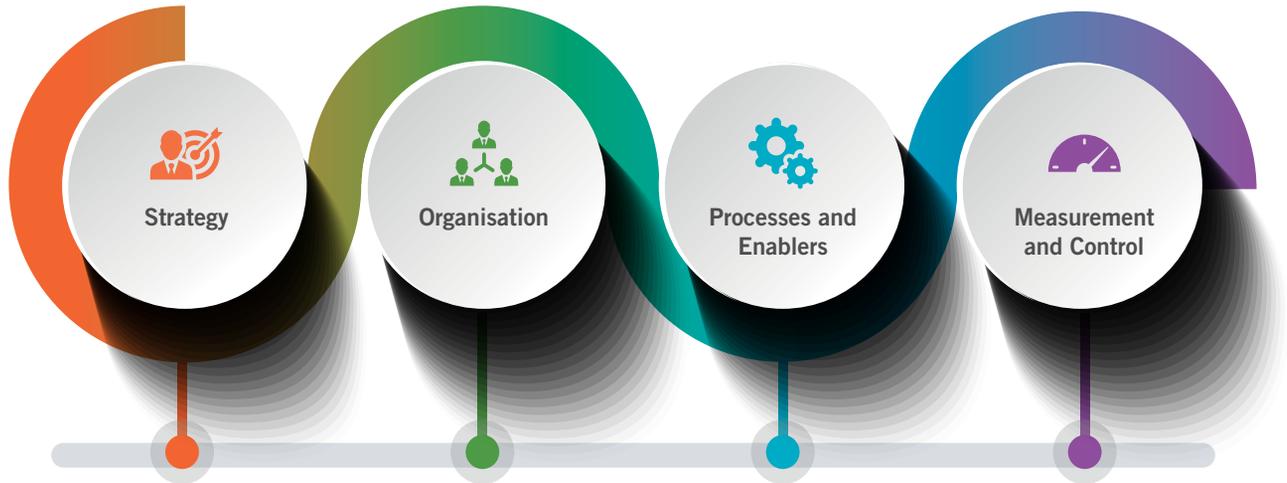
## RELATIONSHIP WITH EXTERNAL AUDITOR

The BAC has established an appropriate and transparent relationship with the external auditor. The BAC meets at least once a year with the external auditor without the presence of the Management of the EXIM Bank.

# STATEMENT ON RISK MANAGEMENT

## RISK MANAGEMENT FRAMEWORK

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



Strategy refers to clear risk management strategies that enable the Bank to control and manage its risks in its conduct of business.

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 Issuer'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 Issuer with risk control mechanisms that act to limit the effect of the measured risks.

01

02

03

04 Anchored on Commitment

05

06

## 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 effective oversight 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.

**RISK MANAGEMENT PROCESS**

An integrated risk management system facilitates the Bank to achieve a uniform view of risk across its various business operations which is vital in performing its strategic role effectively.

It is also critical for the Bank to be able to respond swiftly to changes in the regulatory requirement, operating environment as well as the overall business strategies. Hence, it is crucial to be able to identify the categories of risk as well as its risk management practices in order to achieve its desired business growth, long-term viability and also success.

With risk management process in place, the Bank identifies the risk categories and its management as follows:

Risk categories	Risk Management Practices
<b>Credit Risk</b>	The Bank has in placed sound Credit Risk Management Framework to manage its credit portfolio which encompass of Risk Appetite Statement as strategies and the Policies and Guidelines as enables and controls. The above further defines authority structure for credit risk approvals, credit risk measurements, credit risk mitigation, credit risk monitoring and reporting, as well the compliance to the internal and regulatory requirements.
<b>Capital Management</b>	The Bank has systematic approach to ensure sufficient level of capital in accordance to the requirements of internal capital as well as the regulator.
<b>Asset Liability Management</b>	The Bank adopts appropriate strategies in managing the liquidity level which includes monitoring and managing the structural liquidity indicators, liquidity gaps and stress testing.
<b>Shariah Risk</b>	The Bank's established Shariah Committee is responsible for ensuring compliance and conformity with Shariah rules and principles on all Islamic banking and takaful business activities of the Bank. The role and responsibilities of Shariah Committee are governed by the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia.
<b>Operational Risk</b>	The Bank has established Operational Risk Management Framework in managing the operational risk. This is meant to minimise the operational risk; to an acceptable level via established tool and techniques, practised by the industry. The Bank has in place programs for managing crisis and business continuity which may arise from the unforeseen events.
<b>Emerging Risk</b>	In addressing emerging risk which may occur due to the challenging and uncertain economic outlook, the Bank has established processes and strategies to manage the affected portfolio (for example: adverse economic/industry factors on the oil and gas industries, foreign currency fluctuations, etc). The strategies include close monitoring and reporting of affected accounts to the respective Board committees, as well as conducting related scenario analysis through stress testing etc.

# SHARIAH GOVERNANCE DISCLOSURE REPORT

## 1. OBJECTIVE

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

## 2. COMPOSITION

EXIM Bank SC consists of five (5) members. During the financial year ended 31 December 2017, twelve (12) 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	Y.Brs. Dr. Zaharuddin bin Abd. Rahman (Chairman)	12/12
2	Y.Brs. Assoc. Prof. Dr. Suhaimi bin Ab. Rahman*	9/12
3	Y.Brs. Assoc. Prof. Dr. Zulkifli bin Hasan	10/12
4	Y.Brs. Assoc. Prof. Dr. Mek Wok Mahmud	12/12
5	Y.Brs. Assoc. Prof. Dr. Sharifah Faigah Syed Alwi	12/12
6	Y.Brs. En. Zainal Abidib Mohd Tahir**	2/12

\* term ended on 15.9.2017

\*\* appointed on 2.11.2017

## 3. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the SC are governed by the DFIA 2002 (including any amendment that will be made from time to time), and BNM'S Shariah Governance Framework for Islamic Financial Institutions.

### 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

01

02

03

04 Anchored on  
Commitment

05

06

**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.**



**GO FURTHER**



**WITH OUR SUPPORT AND LEVERAGE**

## OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY



MEXIM's Chairman, Datuk Mat Noor Nawawi (middle) during the zakat distribution to children of Asrama Anak Yatim & Miskin Darul Ehsan, Kuala Nerang in Kedah

01  
02  
03  
04  
05  
06

05 Creating Value

## RISING TO THE CHALLENGE IN GIVING MORE VALUE TO OUR STAKEHOLDERS

### IN OUR SOCIETY

At MEXIM, our Corporate Social Responsibility (CSR) endeavours stem from the same desire that drives us to create value, build bridges and expand frontiers. Whether for our client, shareholder, employee, government regulator or member of the general public, the Bank seeks to make a meaningful and positive impact to uplift lives through financial aid, material aid and personal interaction. These range from zakat distribution, channeling financial and material contributions to help the underprivileged to providing cheer to orphans and refugee children.

We have also established a keen interest in animal welfare and in protecting the environment. This has been close to our hearts since we got involved with the Zoo Negara sponsorship programme in 2016 to sponsor a pair of endangered South American Macaw Birds. Last year we extended our efforts to help bring awareness to the plight of Asian elephants and support the efforts of the Kuala Gandah National Elephant Conservation Center (NECC).

Our commitment to our CSR community causes are not just limited to financial sponsorship but also support in creating further awareness, encouraging employee volunteerism and building a longer term engagement where we can.



MEXIM's President/Chief Executive Officer, Puan Norzilah Mohammed (middle) with some of the zakat recipients from Seberang Jaya at Masjid Jamek Seberang Jaya in Pulau Pinang

### Zakat Distribution & Other Contributions

Every year MEXIM contributes zakat towards improving the lives of the needy. During the year, MEXIM distributed its annual zakat totalling RM1.3 million in Penang, Kuala Lumpur, Negeri Sembilan, Selangor, Terengganu and Kedah. Some of these were presented to selected recipients personally by our top leaders.

On 17 February, MEXIM's President/Chief Executive Officer, Puan Norzilah Mohammed presented the RM183,000 contribution to 183 underprivileged families from Seberang Jaya, Pulau Pinang in a distribution ceremony at Masjid Jamek Seberang Jaya. In addition, a RM5,000 cheque was handed over for the mosque's expenses.

On 16 October, MEXIM's Chairman, Datuk Mat Noor Nawri presided over the zakat distribution ceremony at Kuala Nerang, Kedah. At the event, a total of RM100,000 was contributed to about a hundred recipients and representatives from Kompleks Asrama Anak Yatim & Miskin Baitul Ehsan.

The Bank also contributes to orphans and orphanages annually through its Iftar programme. In 2017, the contribution was given to Pertubuhan Kebajikan dan Bimbingan At-Taqwa for their upkeep and daily expenses in caring for 60 orphans, as well as to Masjid Universiti Teknologi Malaysia, where the Iftar event was held. In addition, every child received Duit Raya and a new schoolbag.



MEXIM's President/Chief Executive Officer, Puan Norzilah Mohammed, presenting the RM100,000 mock cheque to Dato' Dr. Zaininah, Director of HKL

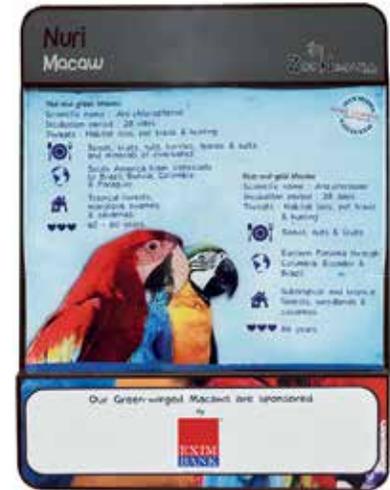
### Socially Responsible Projects

MEXIM keeps itself responsive and looks out to help targeted communities through special projects that can make a sustainable difference. In February, the Bank contributed medical equipment worth RM100,000 to Hospital Kuala Lumpur. These equipment comprise an oxygen concentrator, respiratory machines, ripple mattress and wheelchairs for the Pediatric, Geriatrics and Orthopedic Unit. The contribution is part of the Bank's continuous CSR effort in providing better community healthcare services.

## OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY



MEXIM collaborated with CGC for its CSR Programme with Rohingya children from Madrasah Hashimiah



### Bringing Cheer to Refugee Children

On 26 April 2017, MEXIM in its first ever collaboration with Credit Guarantee Corporation Malaysia Berhad (CGC), invited a group of 171 orphans from Madrasah Hashimiah to spend a fun-filled day at Zoo Negara. Madrasah Hashimiah, located in Selayang, is home to more than a hundred Rohingya child refugees aged 4 to 18 years old. This home's source of income is derived solely from donations by corporate companies, non-governmental organisations, charitable organisations, zakat and personal donations. These are therefore reserved only for day to day operational expenses. Earlier in the year, MEXIM had also purchased household items and food supplies for the upkeep of the home.

As resources for recreational and enrichment outings for these children are limited, the idea to bring these children for a visit to Zoo Negara was a heartfelt intention to provide

an opportunity for them to experience outdoor activities and at the same time gain knowledge on the preservation and conservation of animals at Zoo Negara. The children were taken around the Zoo by trained tour guides who educated them on the variety of animal species and the importance of these animals to the ecosystem. They were also treated to a show performance by the pair of Macaw Birds that continues to be sponsored by the Bank.

### Renewal of Contribution for Macaw Birds at Zoo Negara

The Bank continued to sponsor Zoo Negara's upkeep for its pair of South American Macaw birds for another year in our effort to maintain awareness of these endangered species. Since their arrival in May 2016, the intelligent birds have been trained to perform a mini show twice daily and are now established and popular performers at the Zoo.



Children from Madrasah Hashimiah were also treated to a show by a pair of Macaw birds which was sponsored by MEXIM



One of the Macaw birds sponsored by MEXIM during the Bird Show at Zoo Negara



**World Elephant Day Programme**

As part of its CSR environmental programme, MEXIM raised awareness on elephants and the World Elephant Day in 2017. The Bank disseminated a myriad of information about the elephants, elephants characteristics, their natural habitat, issues challenging their survival; and created awareness about the Kuala Gandah National Elephant Conservation Centre (NECC) which has been established as the nation's elephant sanctuary since 1989. These were released as a series of public awareness advertisements during the lead up to World Elephant Day on 12 August.

Working hand-in-hand with Jabatan Perhilitan, Kuala Gandah NECC and the media, MEXIM also refreshed the look of Kuala Gandah NECC's information centre, contributed a newly designed Welcome Board and redesigned the dual language visitor pamphlet to increase the sanctuary's attractiveness to public visitors.

## OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY



MEXIM's Chairman, Datuk Mat Noor Nawi feeding 'Selendang' the handicapped elephant during the World Elephant Day Programme

01  
02  
03  
04

05 **Creating Value**

06

### Donation of Prosthetic Leg for Handicapped Elephant

Selendang, also known as Miss Tripod at the Kuala Gandah NECC suffered a permanent disability after walking into poachers' wire snares 10 years ago. The unfortunate animal received its first prosthetic leg in 2012 and so far, has used six of such legs because the leg needs to be changed as she grows bigger. On World Elephant Day 2017, MEXIM sponsored her seventh prosthetic leg, costing RM9,000, which was fitted amidst much fanfare. Her well wishers were happy when the 12-year old Selendang moved easily and her body language showed that the prosthetic leg fitted her well. The Bank is committed to follow Selendang's development and step in again as sponsor when the leg needs to be replaced as she gains more weight over the years.



MEXIM's Head of Communications & Stakeholder Management Department (right) showing Datuk Mat Noor Nawi the new information center visuals sponsored by MEXIM

**AT THE WORKPLACE**

MEXIM focuses considerable resources on continuously developing our human capital and enhancing employee well-being throughout the Bank. We believe diversity of thought, background and culture in business decision-making is essential in order for our business to continue to thrive in a multicultural world. Our commitment to respect human rights extends across all aspects of our business conduct, including the ways we interact with suppliers, colleagues, customers, consumers and communities. This is embodied in our Code of Ethics.

**Employee Remuneration & Benefits**

The Bank's philosophy is to create an attractive workplace with good prospects for employee advancement and a competitive remuneration package over the long term. Employees are appropriately remunerated based on job scope/requirements, qualification, experience, ability and performance. To maintain a competitive remuneration package to retain quality people, MEXIM constantly assesses and benchmarks its compensation structure against industry standards as well as the marketplace. For the year under review, MEXIM continued to provide the following benefits for its employees:

- Medical benefits for employees and family, with insurance coverage.
- Training and development opportunities; employees are sent for technical and leadership programmes locally and abroad to expand their skills and keep abreast with latest industrial developments. High potential talents are sent for professional accreditation certification programmes.
- Hari Raya gifts in the form of shopping vouchers at AEON, Parkson, SOGO, Tesco and Giant.



MEXIM's Long Service Awards 2017

- In-house gymnasium, surau, parking space and convenience store; comfortable and sanitised room for breastfeeding mothers to express milk.

The Bank's turnover rate for 2017 was 7.4 per cent, an increase from 2016's 4.7 per cent. Hence going forward MEXIM aims to focus on more initiatives to retain staff loyalty by enhancing benefits and creating better work-life balance. Towards this end, for 2018, a new benefit has been put in place to increase paid maternity leave for female employees from 300 days to a maximum of 360 days throughout their tenure of employment.

**Employee Engagement 2017**

Employees of the Bank are considered its prime and valuable main assets hence employee welfare and engagement initiatives are consistently held during the year. In line with the corporate KPIs on In-House Staff Welfare, the Bank's Administration Department, Human Capital Management Department and Kelab Sukan & Sosial EXIM Bank (KSSEB) have been identified as the custodians of employee engagement programmes and take the lead in organising the events.



MEXIM's staff participating in the Cergas Explo-Trail 2017 Programme

## OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY



MEXIM's staff during the 60th National Day celebrations



Staff reciting poetry as they competed in the Declaration of Independence Poetry event



MEXIM's President/Chief Executive Officer with employees' children who excelled in UPSR up to degree education during the Children Excellence Award 2017

### 60th National Day In-House Competitions and Celebrations

In order to foster patriotism and build teamwork amongst our employees, the Bank organised Deko Merdeka and Deklamasi Sajak Kemerdekaan (Merdeka Décor and Declaration of Independence Poetry) competitions to celebrate National Day this year. Every department was asked to decorate their respective floors to illustrate proposed themes and were given a deadline. External judges were appointed to judge the competition.

### Children Excellence Award 2017

In March, the Bank held a Motivational Parenting Programme followed by the Children Excellence Award 2017. This is part of our employee engagement initiative in order to rope in parental involvement in their children's academic excellence. The objective of this programme was also to help and motivate participants, especially students who will be sitting for major examinations this year to explore their potential and transform their personalities. The full day event attracted over 80 parents and about 40 children aged between 11 to 17 years old. They were treated to a motivation session and leadership activities by YBhg. Prof (Adjunct) Dato' Dr. Haji Mohd. Fadzillah Kamsah and his team of facilitators. The event ended with the awards presentation ceremony and a high tea spread.

01

02

03

04

05 Creating Value

06



*Y.Bhg Tan Sri Wahid Omar, Group Chairman of Permodalan Nasional Berhad together with MEXIM's Board of Directors during MEXIM's Productivity Day*

**Productivity Day 2017**

In consultation and collaboration with the Malaysian Productivity Corporation, the Bank held a Productivity Day event for all its employees in line with the government's aspirations to improve processes and procedures with emphasis on the National Key Economic Areas. The half day event was held in October at the Main Hall and included a motivational talk on productivity by Y.Bhg Tan Sri Wahid Omar, Group Chairman of Permodalan Nasional Berhad; a sharing of best practices by Sime Darby; inter-department competitions; and the establishment of a productivity booth to create further awareness on productivity.

**Gender & Age Diversity**

MEXIM understands that a positive and respectful culture across the organisation is critical for overall business sustainability and is committed to providing an environment where all employees, regardless of age, gender, race or education, have equal opportunity to thrive.

The Bank has increased its number of female employees during the year, with females comprising almost 50 per cent of total workforce in 2017. We also continued to monitor the age diversity of our workforce, and where appropriate, strive to ensure that we achieve a right balance across the ages in order to benefit from diverse perspectives.

a) Number of employees by gender

Year	Female	Male	Grand Total
2017	164	168	332
2016	155	169	324

b) Number of employees by age

Generation Name	Births Start	Total Staff	Youngest Age	Oldest Age
Generation X (Baby – Boomers)	1965 – 1979	174	38	53
Generation Y (The Millennials)	1980 – 1995	134	23	37
Generation Z	1996 – 2010	1	19	19

**Advocacy & Accident Prevention Programme and Health Screening**

MEXIM is committed to the welfare of its employees and have made every effort to promote awareness and create a work environment that is safe, healthy and accident free.

On 6 April 2017, MEXIM in collaboration with Social Security Organisation (SOCSO) conducted an Advocacy & Accident Prevention programme and health screening through mobile clinics. This was to educate MEXIM employees on best safety and health practices at work an while on the road. The health screening allowed staff to conduct their medical examination and encouraged them to use their HSP voucher provided by SOCSO. The programme was made compulsory for all the Bank's employees.



*MEXIM's Advocacy & Accident Prevention Programme*

## EVENT HIGHLIGHTS

13-15

January 2017  
Dewan Tun  
Razak 1, PWTC  
Kuala Lumpur



### KARNIVAL KEWANGAN 2017

Organised for the first time by Bank Negara Malaysia, this event was held as a platform to create greater public awareness of financial and insurance products, services and information; and reach out to 'underserved' communities such as the lower income group, youth and Small Medium Enterprises (SMEs). This provided a good opportunity for the Bank to engage and interact with the SMEs.

01

02

03

04

05 Creating Value

06

22

February 2017  
Mandarin  
Oriental Hotel,  
Kuala Lumpur



### ISLAMIC FINANCE NEWS (IFN) AWARDS

The Bank was awarded the IFN Award for Africa Deal of the Year 2016, coordinated by Maybank Investment Bank Berhad for Yinson Production (West Africa) Pte Ltd's conversion of USD780 million conventional syndicated term loan to an Islamic Murabahah term financing facility.

27

February 2017  
Hospital Kuala Lumpur



**CSR COMMUNITY PROGRAMME**

The Bank contributed medical equipment worth RM100,000 to Hospital Kuala Lumpur. These equipment comprise an oxygen concentrator, respiratory machines, ripple mattress and wheelchairs for the Pediatric, Geriatrics and Orthopedic Unit. The contribution is part of the Bank's continuous CSR effort in helping communities benefit from better healthcare services.

4

April 2017  
Pusat Pelancongan Malaysia (MaTic) Kuala Lumpur



**SPONSORSHIP FOR MALAM WARTAWAN MALAYSIA 2017**

The Bank continued to sponsor Malam Wartawan Malaysia 2017, an annual event which celebrates and acknowledges the achievements of outstanding work from various journalists. It contributed RM20,000 towards this worthwhile cause that provides an opportunity for the Bank to strengthen its relationships and networking with the press and build a more public profile of its position in society.

26

**April 2017**  
Zoo Negara,  
Kuala Lumpur



#### CSR COMMUNITY PROGRAMME WITH ROHINGYA KIDS

In its first ever collaboration with Credit Guarantee Corporation Malaysia Berhad (CGC), the Bank brought a group of 171 orphans from Madrasah Hashimiah to Zoo Negara, to provide an opportunity for them to experience outdoor activities and at the same time gain knowledge on the preservation and conservation of animals at Zoo Negara. The children enjoyed an educational tour of the zoo, and were thrilled by the animal shows.

01

02

03

04

05 Creating Value

06

14-15

**May 2017**  
National  
Convention  
Centre,  
Chaoyang  
District &  
Yanqi Lake  
International  
Convention  
Centre, Huairou  
District, Beijing  
China



#### BELT & ROAD FORUM FOR INTERNATIONAL COOPERATION, BEIJING, CHINA

The Bank participated in the forum which was a platform for the signing of cooperation agreements with countries and international organisations in the areas of financial cooperation mechanism; as well as a cooperation platform for science, technology and environmental protection and enhanced exchanges and training of talent and financing agreements for backing projects. The round table summit was chaired by President Xi Jinping with the participation of 29 foreign heads of state and government and representatives from more than 130 countries and 70 international organisations including the heads of the United Nations, World Bank, and International Monetary Fund.

14

**June 2017**  
Masjid Universiti  
Teknologi  
Malaysia, Jalan  
Semarak Kuala  
Lumpur



#### ANNUAL IFTAR PROGRAMME 2017

The Bank organised its annual Iftar Programme at Masjid Universiti Teknologi Malaysia for 60 orphans from Pertubuhan Kebajikan dan Bimbingan At-Taqwa, to share the bliss of breaking fast and performing prayers with those who have no family of their own. This Iftar Programme is an annual event that has become a tradition for the Bank in the holy month of Ramadan. During the event, the children received 'Duit Raya' and new school bags. A contribution was made to the welfare home for their upkeep and daily expenses. MEXIM also contributed financially to Masjid Universiti Teknologi Malaysia.

18

**July 2017**  
Sheraton Imperial  
Hotel, Kuala  
Lumpur



#### HARI RAYA OPEN HOUSE

The Bank held its annual Hari Raya Open house amidst much fanfare and cheer. This is a long standing tradition to commemorate the end of Ramadan and the beginning of Syawal by strengthening fellowship with its employees, clients, vendors, regulatory authorities and the government. Staff and management dressed traditionally in shades of green to receive over a thousand stakeholders and guests.

20

**July 2017**  
 Sheraton  
 Imperial Hotel,  
 Kuala Lumpur



#### CSR MALAYSIA AWARDS

The Bank was honoured to be highlighted as sponsor and supporter of CSR Malaysia Awards 2017, an event by RHA Media that provides a platform to celebrate the outstanding achievers and inspiring corporations for their efforts of creating a better Malaysia through their CSR activities. The annual event also serves as a bridge to connect corporate companies with worthy causes.

01

02

03

04

05 **Creating  
Value**

06

12

**August 2017**  
 National  
 Elephant  
 Conservation  
 Centre (NECC),  
 Kuala Gandah,  
 Pahang



#### WORLD ELEPHANT DAY PROGRAMME, KUALA GANDAH

As part of its CSR environmental programme, MEXIM worked hand-in-hand with Jabatan Perhilitan, Kuala Gandah NECC and the media to raise awareness on elephants and the World Elephant Day in 2017 through a series of public awareness advertisements from 8 August to 12 August. The Bank also redesigned the look of Kuala Gandah NECC information center and contributed a newly designed Welcome Board and visitor's pamphlet in dual language to increase the sanctuary's attractiveness to public visitors. These were all made ready in time for the World Elephant Day event at the elephant sanctuary. As part of the celebrations, the Bank sponsored a prosthetic leg to Selendang, an elephant permanently disabled by cruel poachers snares in 2012.

17

August 2017  
 Sheraton  
 Imperial Hotel,  
 Kuala Lumpur



**EXIM BANK INTEGRITY PLEDGE**

In collaboration with Suruhanjaya Pencegahan Rasuah Malaysia (SPRM), the Bank's working citizens reiterated their commitment to ethical conduct by taking a Corruption-Free Integrity Pledge. It also marked the introduction of a Whistleblowing policy and launch of our INTEGRITY logo which depicts its people as integrity drivers of the Bank's 4 core values (Efficient eXcellence Innovative Mutual respect).

**19-20**

**September 2017**  
 Sasana Kijang,  
 Kuala Lumpur



#### **GLOBAL SYMPOSIUM ON DEVELOPMENT FINANCIAL INSTITUTIONS (DFIS)**

The Bank attended the two-day global symposium on development financial institutions (DFIs) organised by World Bank Group and Bank Negara Malaysia. It was themed “Balancing Sustainability and Social Mandate: Development Financial Institutions in a New World”.

01

02

03

04

**05** Creating  
 Value

06

**25-26**

**October 2017**  
 Intercontinental  
 Hotel, Kuala  
 Lumpur



#### **ADFIM INTERNATIONAL CEO FORUM**

The Bank also participated in the International CEO Forum on “Sustaining Economic Growth with Social Consciences – Modalities of the New Era”, which was organised jointly by ADFIM (Association of Development Financial Institution of Malaysia), ADFIMI (Association of Development Financial Institution in Member Countries of the Islamic Development Bank) and ADFIAP (Association of Development Financing Institutions in Asia and the Pacific). Honorable Dato’ Sri Mustapa bin Mohamed, Minister of International Trade and Industry of Malaysia inaugurated the meeting and delivered the inaugural address.

13

October 2017  
One World  
Hotel, Petaling  
Jaya



#### BEST UNDER BILLION AWARDS (BUBA) 2017

BUBA is an annual business awards event organised by Focus Malaysia since 2015, to honour and recognise Bursa Malaysia's best mid-and small-cap listed companies with market cap of between RM150 million to RM1 billion. As most of the winners from previous years were exporting companies, the Bank decided to be a main sponsor of the awards to broaden our business network to current and new public listed companies, SMEs and other various business entities who participated in this event. In its third year, BUBA had grown both in size and stature with more awards given out in 12 categories. The ceremony was graced by Guest-of-Honour, Bursa Malaysia CEO Datuk Seri Tajuddin Atan.

# MEDIA HIGHLIGHTS



**EXIM BANK SAMPAIKAN BEG SEKOLAH**



#KualaGandah



**EXIM Bank salur pembiayaan RM685 juta bantu PKS**



**EXIM BANK CONTINUES CSR EFFORTS**



## EXIM Malaysia IN THE NEWS

### Malaysia's Exim Bank wins Africa Deal of the Year Award



Malaysia's Exim Bank has been awarded the Africa Deal of the Year Award for its financing of the \$1.5 billion African Development Bank (ADB) project in the Democratic Republic of Congo.



**TANGGUNGJAWAB SOSIAL**  
PENERUS Exim Bank, Datuk Mat Hour Hwee (tengah) bersama 61 anak yam Madrasah Hadisiah ketika menurahkan sumbangan ke Zoo Negara, Kuala Lumpur, semalam. - UTUSAN/TOY AZIS ABB AZIZ



**Pilih tokoh media**  
Anugerah HKM MPI-Petronas perkenal kategori baru



01  
02  
03  
04  
05  
06

Creating Value

### Exim Bank, CGC rai 171 anak Rohingya



KUALA LUMPUR 16 Sept - Exim Bank of Malaysia Berhad (Exim Bank) dengan kerjasama (JICA) Overseas Corporate Cooperation Centre (OCC) hari ini (Sabtu) 17 anak Rohingya di Kuala Lumpur, Kuala Lumpur.

### Exim Bank allocates RM1 million for CSR programmes

KUALA LUMPUR: Export-Import Bank of Malaysia Bhd (Exim Bank) has allocated RM1 million annually for its continued corporate social responsibility (CSR) programmes.

### EXIM BANK CONDUCTS ADVOCACY & ACCIDENT PREVENTION PROGRAMME



### 峇哈鲁丁：中小企为主 进出口银行批准融资达70%



### 'MORE FLEXIBILITY IN SHAPING POLICY'

Interest rate level should promote growth, ensure inflation is managed, says governor  
The central bank's first monetary policy statement for the year 2017 was released on 15 Sept. The statement said that the Bank will continue to monitor the global economic and financial developments and will adjust its policy as needed.

### 171 children from home treated to day at zoo



BERSAMA - Exim Bank Distributor Zakat To Rohingya Childrens Orphanage



### More participation is needed to save the elephants

More participation is needed to save the elephants  
The Bank said that the funding for the conservation of elephants in the Malay Peninsula is still insufficient. It called for more participation from the private sector and other stakeholders to support the conservation efforts.

### BNM keluar rangka kerja kredit perdagangan disemak semula

Exim Bank penyedia tunggal  
Ketika ini, Exim Bank adalah satu-satunya penyedia takaful kredit perdagangan di Malaysia dan produk itu hanya dipasarkan di dalam negara.



### UNLOCKING CROSS BORDER SOLUTIONS THE SHARIAH COMPLIANT WAY



### EXIM Bank distributes RM183,000 of Zakat in Penang

PULAU PINANG: In its continuous effort to support human capital development in the country, Export-Import Bank of Malaysia Berhad (EXIM Bank) presented part of its 2017 zakat payment to underprivileged families from Seberang Jaya, Pulau Pinang.



### Rumah Terbuka Aidilfitri EXIM BANK 2017



### HKL terima sumbangan Exim Bank RM100,000



### Three More SMEs To Be Listed On Bursa's LEAP Market By Year-End



### EXIM BANK TANDATANGANI IKRAR BEBAS RASUAH

KUALA LUMPUR, 17 OGOS - Warga kerja Exim Bank Malaysia menandatangani inisiatif Suruhajaya Pencegahan Rasuah Malaysia (SPRM) dengan menandatangani ikrar Bebas Rasuah (IBR) dalam satu majlis yang diadakan di Nusantara Ballroom 3, Hotel Sheraton Imperial di sini hari ini.

### BEST UNDER BILLION AWARDS





# — FINANCIAL STATEMENTS —

Directors' Report	93
Shariah Committee's Report	97
Statement by Directors	99
Statutory Declaration	99
Independent Auditors' Report	100
Statements of Financial Position	105
Income Statements	107
Statements of Comprehensive Income	108
Statements of Changes in Equity	109
Statements of Cash Flows	110
Notes to the Financial Statements	113

# 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 2017.

## 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 the Bank's principal activities during the financial year.

## RESULTS

	Group RM'000	Bank RM'000
Loss for the year	(124,901)	(124,900)

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

The Directors do not recommend any dividend payment for the current financial year.

## DIRECTORS

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

Datuk Mat Noor bin Nawi - Chairman  
 Norzilah binti Mohammed  
 Dato' Rosli bin Mohamed Nor  
 Dato' Md Agil bin Mohd Natt  
 Encik Ismail bin Mahbob  
 YM Tunku Afwida binti Tunku A. Malek  
 Encik Mohammad Fadzlan bin Abdul Samad  
 Datuk Syed Ahmad Helmy bin Syed Ahmad  
 Normah binti Osman  
 Hijah Arifakh binti Othman  
 Dato' Dzulkifli bin Mahmud  
 Datuk Wong Seng Foo  
 Encik Nik Najib bin Husain  
 Dato' Sri Dr. Mohamad Isa bin Hussain

(Appointed on 21 September 2017)  
 (Appointed on 3 January 2018)  
 (Appointed on 9 March 2018)  
 (Resigned on 4 July 2017)  
 (Resigned on 19 June 2017)  
 (Resigned on 11 March 2018)

The names of the Directors of the Bank's subsidiaries in office since the beginning of the financial year to the date of this report are:

Malaysian Export Credit Insurance Berhad

Norzilah binti Mohammed  
Norlela binti Sulaiman

EXIM Sukuk Malaysia Berhad

Loke Chee Kien  
Norhayati binti Azit  
Abdul Jamil bin Sulaiman

(Resigned on 28 April 2017)

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' INDEMNITY**

There was an amount of insurance premium paid or payable amounted to RM27,500 or RM27,500 for the directors of the Group and the Bank in respect of their liability for any act or omission in their capacity as directors of the Group and the Bank or in respect of costs incurred by them in defending or settling any claim or proceedings relating to any such liability for the financial year ended 31 December 2017.

### **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.

**OTHER STATUTORY INFORMATION (CONT'D.)**

- (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.

**SIGNIFICANT AND SUBSEQUENT EVENTS**

- a) Rating agencies, Moody's Investors Service, Fitch Ratings and RAM Ratings have re-affirmed the Bank's rating during their annual review in 2017 as follows:

<b>Rating agencies</b>	<b>Date</b>	<b>Ratings</b>
Moody's Investors Service	11 December 2017	Long-term Foreign Currency Issuer: A3 Senior Unsecured Rating: A3 Stand-alone Credit Profile: ba1 Long-term Ratings (Exim Sukuk Malaysia Berhad): A3 Outlook: Stable
Fitch Ratings	22 September 2017	Long-term Foreign Currency Issuer Default Rating: A- Support Rating: 1 Support Rating Floor: A- Senior Unsecured Notes: A- Outlook: Stable
RAM Ratings	November 2017	National Ratings (Long-term) : AAA, (Short-term) : P1 ASEAN Ratings (Long-term) : seaAAA, (Short-term) : seaP1 Global Ratings (Long-term) : gA2, (Short-term) : gP1 Long-term Global Scale Rating (Exim Sukuk Malaysia Berhad): gA2(s) Outlook: Stable

**SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)**

- (b) Issuance of Redeemable Convertible Cumulative Preference Shares ("RCCPS") in relation to the capital raising programme.

On 21 December 2017, the Bank received an advance from MoF, Inc of RM250 million. This advance carries a financing cost of 4.40% plus 30 basis points. This advance is to be capitalised as Redeemable Convertible Cumulative Preference Shares ("RCCPS") via a Subscription Agreement based on the terms that was approved by Bank Negara Malaysia on 21 November 2017 and 30 January 2018. The Bank has obtained the shareholder's approval on the proposed RCCPS issuance via Extraordinary General Meeting held on 8 March 2018.

**AUDITORS AND AUDITORS' REMUNERATION**

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

Auditors' remuneration are disclosed in Note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 March 2018.



**Datuk Mat Noor bin Nawawi**



**Norzilah binti Mohammed**

01

02

03

04

05

06

# 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.

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 2017:

1. The Committee had conducted twelve (12) meetings during the financial year to review and approve various new and enhancement to the Bank’s Islamic banking and takaful products and its operational processes as well as guidelines and manuals relating to Shariah compliant transactions. 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 2017 until 31 December 2017.
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 Council of Bank Negara Malaysia.
3. The Committee have assessed the work carried out by Shariah review and Shariah audit. 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 Shariah non-compliant event and late payment charges on Islamic financing activities were channelled to charity fund and distributed progressively to the eligible beneficiaries.
5. The Bank has fulfilled its obligation to pay zakat on its Islamic banking and takaful businesses to the zakat authority. The Bank has paid zakat based on working capital method to the Pusat Pungutan Zakat Wilayah Persekutuan. A specific amount was returned by Pusat Pungutan Zakat for the Bank’s self-distribution to asnaf fakir, miskin and fisabilillah as approved by the Management and concurred by the Committee.
6. 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.

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.

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**SHARIAH COMMITTEE'S  
REPORT**

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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 2017 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,



**Dr. Zaharuddin Abd Rahman**

Chairman



**Assoc. Prof. Dr Zulkifli Hasan**

Member

01

02

Kuala Lumpur, Malaysia

03

29 March 2018

04

05

06

# STATEMENT BY DIRECTORS

## PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Datuk Mat Noor bin Nawi 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 105 to 227 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017 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 29 March 2018.



Datuk Mat Noor bin Nawi



Norzilah binti Mohammed

# STATUTORY DECLARATION

## PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016 AND SECTION 73(1)(e) OF THE DEVELOPMENT FINANCIAL INSTITUTIONS ACT, 2002

We, Datuk Mat Noor bin Nawi 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 105 to 227 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 Nawi and Norzilah binti Mohammed at Kuala Lumpur in the Federal Territory on 29 March 2018.



Datuk Mat Noor bin Nawi



Norzilah binti Mohammed

Before me,



Lot LG 27B, Lower Ground Floor,  
Wilyah Complex,  
2, Jalan Murni Abdullah,  
50100 Kuala Lumpur.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EXPORT-IMPORT BANK OF MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of Export-Import Bank of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2017 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 105 to 227.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia.

### *Basis for opinion*

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

### *Independence and other ethical responsibilities*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Bank. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

01

02

03

04

05

06

**Risk area and rationale****Our response***Impairment of loans, advances and financing*

The impairment of loans, advances and financing is estimated by the management through the application of judgment and use of subjective assumptions with respect to both the impaired classification and estimation of the size of any such impairment. A material portion of the impairment is individually assessed using management judgment and assumptions on the expected future cash flows. The remaining portion is collectively calculated based on management assumptions and proxies or benchmarks, which give rise to certain degree of uncertainty. The management used externally available industry and financial data as appropriate.

Due to the significance of loans, advances and financing (representing 78% of total assets of the Group and of the Bank as at 31 December 2017) and the corresponding uncertainty inherent in such an estimate, we considered this as a key audit matter.

Refer to summary of significant accounting policies in Note 2, significant accounting estimates and judgment in Note 3 and the disclosures of loans, advances and financing in Note 8 and disclosures of credit risk management in Note 36 to the financial statements.

*Valuation of credit insurance and Takaful contract liabilities*

Insurance and Takaful contract liabilities, which include the Group's and Bank's claims and premium liabilities, are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies.

Estimates of claims liabilities have to be made for both the expected ultimate cost of claims reported at the reporting date, and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. The estimation of credit insurance and Takaful contract liabilities are sensitive to various factors and uncertainties. Significant management judgement is applied in setting these assumptions. In deriving the claims and premium liabilities, the Board of Directors and management have commissioned a third-party independent professional actuary to perform a valuation of such liabilities as at 31 December 2017 based on requirements of MFRS 4 Insurance Contracts.

Our audit procedures included the assessment of controls over the approval, recording and monitoring of loans, advances and financing, and evaluating the methodologies, inputs and assumptions used by the Group and the Bank in calculating individual impairment allowance and collective impairment allowance.

For individual impairment, we tested a sample of loans, advances and financing to ascertain whether the impaired accounts were identified by the Group and the Bank on a timely manner. For cases where impairment triggers had been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the values of realisable collaterals based on available and appropriate information. We challenged the assumptions and compared estimates to external evidences where available and appropriate.

With respect to collective impairment, we verified the reasonableness of the assumptions applied and tested the calculations used by the Bank for collective impairment allowance. In addition, we assessed, on a sample basis, the reasonableness of credit ratings applied internally for collective impairment calculation.

We also assessed whether the financial statement disclosures appropriately reflect the Group's and the Bank's exposures to credit risk.

We engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620: Reliance on the Work of an Auditors' Expert to assist us in performing our audit procedures on the credit insurance and Takaful contract liabilities. Our audit focused on the following key areas:

- (a) understood and documented the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating the credit insurance and Takaful contract liabilities;
- (b) tested the completeness and sufficiency of data used in the actuarial valuation;
- (c) compared the actuarial valuation methodologies and assumptions used by management with industry data, and against recognised actuarial practices;
- (d) reviewed the assumptions used by the Appointed Actuary and rationale for conclusions made thereon;

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EXPORT-IMPORT BANK OF MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

Risk area and rationale	Our response
Refer to summary of significant accounting policies in Note 2, significant accounting estimates and judgment in Note 3 and the disclosures of premium and contribution liabilities and claim liabilities in Note 20 to the financial statements.	<p>(e) assessed consistency of valuation methodologies applied;</p> <p>(f) assessed whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience;</p> <p>(g) performed independent analysis and re-computation of the credit insurance and Takaful contract liabilities of selected classes of business. We focused on the largest and most uncertain reserves. We compared our independent analysis to those performed by management; and</p> <p>(h) reviewed management's estimation of the calculated reinsurance assets and thereon, their assessment of the credit quality of the underlying reinsurance counterparties.</p> <p>We also considered whether the disclosures in relation to credit insurance and Takaful contract liabilities comply with the relevant disclosure requirements.</p>

### *Information other than the financial statements and auditors' report thereon*

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

### *Responsibilities of the directors for the financial statements*

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

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

01

02

03

04

05

06

### *Auditors' responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**INDEPENDENT  
AUDITORS' REPORT**

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TO THE MEMBERS OF EXPORT-IMPORT BANK OF MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

**OTHER MATTERS**

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**Ernst & Young**  
AF: 0039  
Chartered Accountants



**Dato' Megat Iskandar Shah Bin Mohamad Nor**  
No. 03083/07/2019 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
29 March 2018

01

02

03

04

05

06

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Cash and bank balances	4	172,964	126,224	172,964	126,224
Deposits and placements with banks and other financial institutions	5	950,584	2,312,815	950,584	2,312,815
Investment securities	6	1,119,379	120,988	1,119,379	120,988
Amount due from Export Credit Refinancing ("ECR") debtors	7	509,447	497,081	509,447	497,081
Loans, advances and financing	8	10,740,408	12,464,564	10,740,408	12,464,564
Insurance receivables	9	2,040	4,679	2,040	4,679
Derivative financial instruments	10	53,804	119,952	53,804	119,952
Other assets	11	102,845	110,651	102,845	110,651
Deferred tax assets	12	-	53,598	-	55,913
Investment in subsidiaries	13(a)	-	-	64,129	64,132
Investment in jointly controlled entity	13(b)	-	**	-	**
Investment properties	14	886	961	886	961
Intangible assets	15	8,606	9,794	8,606	9,794
Property and equipment	16	74,108	82,035	74,108	82,035
<b>Total assets</b>		<b>13,735,071</b>	<b>15,903,342</b>	<b>13,799,200</b>	<b>15,969,789</b>
<b>Liabilities</b>					
Borrowings	17	10,268,829	12,647,503	10,268,829	12,647,503
Other payables and accruals	18 (a)	340,105	339,057	340,105	339,057
Advance from Ministry of Finance Inc.	18 (b)	250,000	-	250,000	-
Derivative financial instruments	10	104,387	100,374	104,387	100,374
Deferred tax liabilities	12	2,316	-	-	-
Deferred income	19	44,978	38,068	44,978	38,068
Provision for guarantee and claims	20	19,597	19,758	19,597	19,758
Amount due to subsidiaries	35	-	-	64,134	64,137
Amount due to joint venture		-	**	-	**
<b>Total liabilities</b>		<b>11,030,212</b>	<b>13,144,760</b>	<b>11,092,030</b>	<b>13,208,897</b>

\*\* 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 2017

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Financed by:</b>					
Share capital	21	2,708,665	2,708,665	2,708,665	2,708,665
Fair value adjustment reserve		71,320	831	71,320	831
(Accumulated losses)/retained profits		(68,960)	55,941	(66,649)	58,251
<b>Shareholders' funds</b>		<b>2,711,025</b>	<b>2,765,437</b>	<b>2,713,336</b>	<b>2,767,747</b>
<b>Takaful participants fund</b>	38	<b>(6,166)</b>	<b>(6,855)</b>	<b>(6,166)</b>	<b>(6,855)</b>
<b>Total liabilities, shareholders' fund and Takaful funds</b>		<b>13,735,071</b>	<b>15,903,342</b>	<b>13,799,200</b>	<b>15,969,789</b>
<b>Commitments and contingencies</b>	34	<b>4,623,417</b>	<b>4,670,633</b>	<b>4,623,417</b>	<b>4,670,633</b>

01

02

03

04

05

06

Financial Statements

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

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating revenue	22	570,178	492,236	570,178	492,236
Interest income	23	383,102	363,228	383,102	363,228
Interest expense	24	(216,138)	(175,938)	(216,138)	(175,938)
Net interest income		166,964	187,290	166,964	187,290
Underwriting results	25	9,469	3,299	9,469	3,299
Income from Islamic business	38	154,029	114,938	154,029	114,938
Other income	26	15,570	32,429	15,570	32,429
Net income		346,032	337,956	346,032	337,956
Overhead expenses	27	(89,062)	(101,894)	(89,059)	(101,887)
Operating profit		256,970	236,062	256,973	236,069
Allowance for diminution in value of investment in a subsidiary		-	-	(3)	(7)
Allowances for losses on loans advances and financing	30	(345,053)	(380,718)	(345,053)	(380,718)
Allowances on investment securities		-	(100,000)	-	(100,000)
Loss before taxation		(88,083)	(244,656)	(88,083)	(244,656)
Taxation	31	(33,655)	19,772	(33,654)	19,772
Zakat		(3,163)	(2,395)	(3,163)	(2,423)
Net loss for the year		(124,901)	(227,279)	(124,900)	(227,307)
Loss earnings per share (sen)	32	(4.61)	(8.39)	(4.61)	(8.39)

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net loss for the year	(124,901)	(227,279)	(124,900)	(227,307)
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Fair value changes on available-for-sale investments securities	92,748	663	92,748	663
Tax effect	(22,259)	-	(22,259)	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	70,489	663	70,489	663
Total comprehensive loss for the year, net of tax	(54,412)	(226,616)	(54,411)	(226,644)

01

02

03

04

05

06

Financial Statements

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital RM'000	Retained profit/ losses (Accumulated) RM'000	Non-distributable fair value adjustment reserve RM'000	Total RM'000
<b>Group</b>				
At 1 January 2016	2,708,665	292,027	168	3,000,860
Total comprehensive (loss)/gain	-	(227,279)	663	(226,616)
Dividend paid (Note 33)	-	(8,807)	-	(8,807)
<b>At 31 December 2016</b>	2,708,665	55,941	831	2,765,437
Total comprehensive (loss)/gain	-	(124,901)	70,489	(54,412)
<b>At 31 December 2017</b>	2,708,665	(68,960)	71,320	2,711,025
<b>Bank</b>				
At 1 January 2016	2,708,665	294,365	168	3,003,198
Total comprehensive (loss)/gain	-	(227,307)	663	(226,644)
Dividend paid (Note 33)	-	(8,807)	-	(8,807)
<b>At 31 December 2016</b>	2,708,665	58,251	831	2,767,747
Total comprehensive (loss)/gain	-	(124,900)	70,489	(54,411)
<b>At 31 December 2017</b>	2,708,665	(66,649)	71,320	2,713,336

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

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(88,083)	(244,656)	(88,083)	(244,656)
Adjustments for:				
Individual allowance				
- Charged for the year	473,881	323,728	473,881	323,728
- Written back during the year	(67,614)	(25,471)	(67,614)	(25,471)
Collective allowance				
- Charged for the year	74,090	168,130	74,090	168,130
- Written back during the year	(135,304)	(85,669)	(135,304)	(85,669)
Allowance on investment securities	-	100,000	-	100,000
Claim and guarantee				
- Charged for the year	4,722	13,122	4,722	13,122
- Written back during the year	(46)	(2,676)	(46)	(2,676)
Depreciation				
- Property and equipment	5,974	6,092	5,974	6,092
- Investment properties	18	24	18	24
Amortisation of intangible assets	5,744	4,887	5,744	4,887
Allowance for diminution in value of investment in a subsidiary	-	-	3	7
Gain on disposal of equipment	(103)	(2)	(103)	(2)
Reversal of impairment loss on investment properties	-	(530)	-	(530)
Unrealised foreign exchange (gain)/loss	(301,547)	57,839	(301,547)	57,839
Unrealised loss on derivatives	73,265	43,767	73,265	43,767
Unrealised gain on MTN/Sukuk	(33,597)	(98,108)	(33,597)	(98,108)
Amortisation of premium less accretion of discount	(1,072)	23	(1,072)	23
Premium liabilities	(158)	(984)	(158)	(984)
Operating profit before changes in working capital	10,170	259,516	10,173	259,523

01

02

03

04

05

06

Financial Statements

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities (cont'd.)</b>				
Changes in working capital:				
Deposits and placements with banks and other financial institutions	278,767	(202,868)	278,767	(202,868)
Amount due from ECR debtors	(12,366)	(174,569)	(12,366)	(174,569)
Loans, advances and financing	1,208,673	(1,190,251)	1,208,673	(1,190,251)
Insurance receivables	2,797	(2,423)	2,797	(2,423)
Other assets	12,628	(8,817)	12,628	(8,817)
Derivative financial instruments	(2,711)	(6,970)	(2,711)	(6,970)
Other payables and accruals	1,616	(46,334)	1,616	(46,334)
Deferred income	6,910	9,406	6,910	9,406
Net claims paid for bank guarantee and insurance claims	(4,837)	(1,711)	(4,837)	(1,711)
Takaful participants fund	689	(6,121)	689	(6,121)
Amount due to subsidiaries	-	-	(3)	(7)
Cash generated from/(used in) operations	1,502,336	(1,371,142)	1,502,336	(1,371,142)
Income tax paid	(5,550)	(13,875)	(5,550)	(13,875)
Zakat paid	(2,423)	(3,508)	(2,423)	(3,508)
<b>Net cash generated from/(used in) operating activities</b>	<b>1,494,363</b>	<b>(1,388,525)</b>	<b>1,494,363</b>	<b>(1,388,525)</b>
<b>Cash flows from investing activities</b>				
Proceeds from disposals of property and equipment	169	23	169	23
Purchases of property and equipment	(2,482)	(2,498)	(2,482)	(2,498)
Purchases of intangible assets	(130)	-	(130)	-
Proceed from disposal of investment	5,000	-	5,000	-
Purchases of investments	(912,564)	(20,010)	(912,564)	(20,010)
<b>Net cash used in investing activities</b>	<b>(910,007)</b>	<b>(22,485)</b>	<b>(910,007)</b>	<b>(22,485)</b>

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

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from financing activities</b>				
Net (repayment)/drawdown of borrowings	(1,871,080)	1,443,936	(1,871,080)	1,443,936
Advance received from Ministry of Finance	250,000	-	250,000	-
Dividend paid	-	(8,807)	-	(8,807)
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,621,080)</b>	<b>1,435,129</b>	<b>(1,621,080)</b>	<b>1,435,129</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,036,724)</b>	<b>24,119</b>	<b>(1,036,724)</b>	<b>24,119</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,739,657</b>	<b>1,715,538</b>	<b>1,739,657</b>	<b>1,715,538</b>
<b>Cash and cash equivalents at end of the year</b>	<b>702,933</b>	<b>1,739,657</b>	<b>702,933</b>	<b>1,739,657</b>
Cash and cash equivalents comprise the following balances:				
Cash and bank balances	172,964	126,224	172,964	126,224
Deposits and placements with banks and other financial institutions	950,584	2,312,815	950,584	2,312,815
Less : Deposits and placements on behalf of customers and government	(127,478)	(181,232)	(127,478)	(181,232)
Less : Deposits and placements more than three months	(293,137)	(518,150)	(293,137)	(518,150)
Cash and cash equivalents	702,933	1,739,657	702,933	1,739,657

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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 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 29 March 2018.

## 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 2016. 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.

### 2.2 Changes in accounting policies

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

On 1 January 2017, the Group and the Bank adopted the following new and amended MFRS mandatory for annual financial periods on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
• MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
• MFRS 107: Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
• Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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
• MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
• MFRS 9 Financial Instruments	1 January 2018
• MFRS 15 Revenue from Contracts with Customers	
• MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
• Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
• IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
• MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2018
• MFRS 16 Leases	1 January 2019
• MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
• Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
• MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Bank expects 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 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2017, the Bank has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the Bank adopts MFRS 9.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Standards issued but not yet effective (cont'd.)

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

Based on the analysis of the Bank's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Bank have assessed the impact of MFRS 9 to the Bank's financial statements as follows:

#### (i) Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Debt securities are expected to be measured at fair value through OCI as the Bank expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Bank analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

#### (ii) Impairment

MFRS 9 requires the Bank to record expected credit losses on all of its debt securities, financing and trade receivables, either on a 12-month or lifetime basis. The guiding principle improvement in the credit quality of financial instruments. The amount of ECLs to be recognised as a loss allowance or provision depends on the extent of the credit stage deterioration since initial recognition. The extent of credit deterioration helps define the credit stage of an obligor and hence the loss allowance.

Under MFRS 9, the Bank will use a three stage approach in recognising the increased credit risk at each higher stage:

Stage 1 refers to all accounts which have not shown any sign of deterioration since origination. All accounts which have been identified as Low Credit Risk ("LCR") (under low credit risk expedient) shall be classified as Stage 1 without periodic check for significant increase in credit risk.

Stage 2 refers to all accounts which have shown a significant deterioration in credit quality since origination. The definition of a significant deterioration is subject to assessment on an ad-hoc/annual basis. Lifetime losses are computed for all accounts classified under Stage 2.

Stage 3 refers to all impaired assets (purchased impaired and original credit impaired assets). Lifetime losses are computed for all accounts classified as Stage 3.

MFRS 9 requires 12 month expected credit loss provision for all accounts in Stage 1 and lifetime expected credit losses for all other accounts. The 12 month credit loss refers to the portion of expected credit loss resulting from possible defaults events within 12 months after reporting date. Lifetime losses result from all possible default events over the expected life of the financial instrument after the reporting date. The lifetime refers to the financing tenure of the financial instrument.

#### (iii) Hedge accounting

The Bank determined that all existing hedge relationships that are currently designated as effective will continue to qualify for hedge accounting under MFRS 9. As MFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of MFRS 9 will not have a significant impact on the Bank's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 income statements.

###### (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.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

##### (ii) Basis of consolidation (cont'd.)

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 income statements 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 Malaysia Berhad is a Special Purpose Vehicle ("SPV") entity 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, hence, EXIM Sukuk is deemed to be a subsidiary.

#### (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 placed 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 included in income statements 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 - 99 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).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (b) Property and equipment (cont'd.)

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 income statements 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 year, are recognised as intangible assets. These costs include software development, employee costs and appropriate portion of relevant overheads.

##### (d) Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both.

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 income statements on a straight-line basis over the estimated useful lives of fifty to ninety nine (50 - 99) 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 income statements 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 income statements 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.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

#### (f) Financial assets

Financial asset 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 investments and financial assets at fair value through profit and loss.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and bank balances, loans, advances and financing and other receivables.

These financial assets are initially recognised at fair value, including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses.

#### (ii) Financing and receivables

Financing and receivables consist of Murabahah, Tawarruq, Ijarah, Istisna', Bai' Al Dayn 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

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group and the Bank has the intention and ability to hold to maturity.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (f) Financial assets (cont'd.)

##### (iii) Held-to-maturity investments (cont'd.)

After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest and similar income in the income statements. The losses arising from impairment of such investments are recognised in the income statements within credit loss expense.

If the Group and Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group and the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

##### (iv) Available-for-sale investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in market conditions.

The Bank has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in other comprehensive income in the fair value adjustment reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement, in other income.

Where the Group or the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest method, which takes into account any discount/premium and qualifying transaction costs that are an integral part of the instrument's yield. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statements as other income when the right of the payment has been established.

Where applicable, the losses arising from impairment of such investments are recognised in the income statements, and removed from the the fair value adjustment reserve. Further details on impairment of available-for-sale investments is provide in Note 2.4 (g).

##### (v) Derivative instruments and hedge accounting

##### (a) Derivative instruments

The Group and the Bank trade 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. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

#### (f) Financial assets (cont'd.)

##### (v) 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 and foreign currency 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. Hedge ineffectiveness is recognised in the income statements.

The Group and the Bank only account for hedge that meets the strict criteria for hedge accounting, as described below:

###### 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 income statements. Meanwhile the cumulative changes in the fair value of the hedge item attributable to the risk hedged are recorded as part of the carrying value of the hedge item in the statements of financial position and the income statements.

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 income statements.

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.

The Bank has incorporated credit risk of counterparties and the Bank's own credit risk in fair valuation of derivatives. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions and is known as the credit value adjustment ('CVA'). Another adjustment of debit value adjustment ('DVA') is made to the valuation of derivatives to reflect within fair value the Bank's own credit risk.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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.

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. 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 write-off is later recovered, the recovery is credited to the income statements.

##### (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 will determine whether there is an objective evidence that a financial asset classified as available-for-sale has impaired.

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

##### (iii) Available-for-sale investments (cont'd.)

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 income statements, is removed from equity and recognised in the income statements. Impairment losses on equity investments are not reversed through income statements; increase in their fair value after impairment are recognised directly in equity.

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

#### (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 statements 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 income statements.

#### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, deposits and placements with banks and other financial institutions, with original maturity of 3 months or less.

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 when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

When the Group and the Bank expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statements net of any reimbursement.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increase in the provision which due to the passage of time is recognised in the income statements.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (j) Provisions (cont'd.)

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.

##### (k) Financial guarantee contracts

Financial guarantees are contracts that require the Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when it is due in accordance with the contractual terms. In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letter of credit, guarantees and acceptances. Where the Group and the Bank enter into such contracts, the guarantee contract is treated 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.

Financial guarantees premium are initially recognised at fair value on the date the guarantee was issued, and presented as 'deferred income' in the statements of financial position. Subsequent to initial recognition, the received premium is amortised over the life of the financial guarantee on a straight line basis. The guarantee liability (the notional amount) is subsequently recognised at the higher of this amortised amount and the present value of any expected payments (when a payment under guarantee has become probable). The unamortised premium received on these financial guarantees is included within 'other payables' in the statements of financial position.

##### (l) 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.

##### (m) Insurance/Takaful contract liabilities

These liabilities comprise premium/contribution liabilities.

###### (i) Premium/Contribution liabilities

For the purpose of disclosure in the financial statements, premium/contribution liabilities are classified as deferred income.

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"), and a liability adequacy test with a provision of risk margin for adverse deviation.

###### 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

#### (m) Insurance/Takaful contract liabilities (cont'd.)

##### (i) Premium/Contribution liabilities (cont'd.)

###### Unearned premium/contribution reserves (cont'd.)

UPR/UCR at the balance sheet date for both short-term policies and medium and long term policies are recognised over the period of risk on a straight-line basis.

The movement in premium/contribution liabilities is released over the term of the policies and is recognised in underwriting results as premium income.

###### Unexpired risk reserves

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. 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.

##### (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.

#### (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 and financing.

The total placement amount and the interest income/profit shall be refunded to the Government upon expiry of the agreement. The interest income/profit 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 statements 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 losses on loans and financing 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (o) Revenue recognition (cont'd.)

##### (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 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 income/profit continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### (ii) Dividend income

Dividend income is recognised when the right to receive 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(m).

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 income statements 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, facility and Kafalah contract fees.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

#### (o) Revenue recognition (cont'd.)

##### (v) Islamic income recognition (cont'd.)

###### ***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.

#### (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 income statements 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*); and
  - c. Those in the cause of Allah (*fi sabilillah*).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (r) Foreign currencies

The Group's consolidated financial statements are presented in Malaysian Ringgit, currency which is also the Bank's (i.e. parent company's) functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are translated to the functional currencies of the Group's entities at their respective functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in income statements.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or income statement, respectively).

##### (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

The Bank charges Goods and Service Tax ("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 95%.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

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

#### 3.1 Judgements

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

##### (a) Impairment losses on loans, advances and financing

The Bank reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in income statements. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimation the cash flows, the Bank make judgments about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT (CONT'D.)

#### 3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group and the Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, However, may change due to market changes or circumstances arising that are beyond the control of the Group and the Bank. Such changes are reflected in the assumptions when they occur.

##### (a) Impairment losses on loans, advances and financing

Loans, advances and financing that have been assessed individually but for which no impairment is required and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowances should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. 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.

##### (b) 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.

### 4. CASH AND BANK BALANCES

	Group and Bank	
	2017	2016
	RM'000	RM'000
Cash and bank balances	172,964	126,224

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2017	2016
	RM'000	RM'000
Deposits and placements with:		
Licensed banks	473,971	999,761
Other financial institutions	476,613	1,313,054
	950,584	2,312,815
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	823,106	2,131,583
On behalf of customers and government **	127,478	181,232
	950,584	2,312,815

\*\* 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 RM21,021,796 (2016: RM21,129,274). The accounting policy in respect of MKFF Scheme is disclosed in Note 2.4(n).

### 6. INVESTMENT SECURITIES

	Group and Bank	
	2017	2016
	RM'000	RM'000
Available-for-sale investments:		
Unquoted debt securities	916,509	220,988
Less: Impairment losses	(100,000)	(100,000)
	816,509	120,988
Held-to-maturity investments:		
Unquoted debt securities	302,870	-
	302,870	-
Total investment securities	1,119,379	120,988

Included in investment securities are amount that have been pledged for Sukuk Issuance amounting to RM481,767,176 (2016: RM115,986,900).

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**7. AMOUNT DUE FROM EXPORT CREDIT REFINANCING (“ECR”) DEBTORS**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from participating licensed banks under ECR Scheme	509,447	497,081
The maturity structure of the ECR debtors are as follows:		
Maturity within one year	509,447	497,081

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.

**8. LOANS, ADVANCES AND FINANCING**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Loans, advances and financing	11,694,294	13,097,508
Loans under MKFF scheme	14,750	15,621
Staff loans	1,278	1,424
Gross loans, advances and financing	11,710,322	13,114,553
Less: Allowance for impaired loans, advances and financing:		
- Individual allowance	(745,619)	(364,480)
- Collective allowance	(224,295)	(285,509)
Net loans, advances and financing	10,740,408	12,464,564

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	Group and Bank	
	2017	2016
	RM'000	RM'000
Buyer Credit	884,485	539,700
Overseas Contract Financing	107,993	133,124
Overseas Investment Financing	1,079,254	556,177
Term Financing	22,041	28,135
Overseas Project Financing	3,941,938	6,165,650
Supplier Credit	394,859	476,250
Export Finance	8,097	8,103
Buyer Credit-i	338,439	-
Supplier Financing-i	2,653,520	1,326,265
Term Financing-i	2,122,271	3,047,303
Overseas Investment Financing-i	375,880	905,451
Overseas Contract Financing-i	86,107	77,507
Overseas Project Financing-i	579,174	765,798
Malaysian Kitchen Financing Facility ("MKFF")	10,929	11,965
Malaysian Kitchen Financing Facility-i ("MKFF-i")	3,821	3,656
Unearned income	(899,764)	(932,255)
Staff loans and advances	1,278	1,424
	11,710,322	13,114,553

Included in Term Financing-i are amounts that have been pledged for Sukuk Issuance amounting to RM297,310,460 (2016 : RM372,586,224).

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

	Group and Bank	
	2017	2016
	RM'000	RM'000
Within one year	3,660,000	3,547,743
One year to three years	1,766,605	1,541,789
Three years to five years	1,884,799	3,484,057
Over five years	4,398,918	4,540,964
	11,710,322	13,114,553

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

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Conventional</b>		
Fixed rate	164,464	184,260
Variable rate	6,286,412	7,736,268
<b>Islamic</b>		
Fixed rate	383,274	686,455
Variable rate	4,876,172	4,507,570
	<b>11,710,322</b>	<b>13,114,553</b>

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	1,733,159	946,206
Impaired during the year	689,092	1,140,340
Reclassified as non-impaired	(126,756)	(157)
Recoveries	(802,834)	(101,393)
Amount written off	-	(307,624)
Exchange differences	(122,377)	55,787
At 31 December	<b>1,370,284</b>	<b>1,733,159</b>
Gross impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	11.21%	12.73%
- without ECR debtors	11.70%	13.22%
Net impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	5.11%	10.06%
- without ECR debtors	5.33%	10.44%

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	Group and Bank	
	2017	2016
	RM'000	RM'000
<u>Individual allowance</u>		
At 1 January	364,480	359,605
Allowance made during the year (Note 30)	473,881	323,728
Amount written back (Note 30)	(67,614)	(25,471)
Net charge to income statement	406,267	298,257
Amount written off	-	(307,624)
Allowance recoverable from the Government of Malaysia for MKFF scheme	-	(947)
Exchange differences	(25,128)	15,189
	745,619	364,480
<u>Collective allowance</u>		
At 1 January	285,509	203,048
Allowance made during the year (Note 30)	74,090	168,130
Amount written back (Note 30)	(135,304)	(85,669)
At 31 December	224,295	285,509
Breakdown of collective allowance :		
From impaired loans, advance and financing	23,472	19,969
From non-impaired loans, advance and financing	200,823	265,540
	224,295	285,509
As % of net loans, advances and financing	2.05%	2.24%

01

02

03

04

05

06

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

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	617,549	940,267
East Asia	162,330	179,281
South Asia	41,711	42,324
Central Asia	306,318	339,457
Middle East	30,105	22,579
Africa	121,685	129,045
Europe	4,895	3,966
America	4,267	4,694
Oceania	81,424	71,546
	<b>1,370,284</b>	<b>1,733,159</b>

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	11,259	-
Manufacturing	82,724	72,070
Transport, storage and communication	141,888	911,714
Construction	338,176	108,347
Wholesale and retail trade, and restaurants and hotels	374,963	68,187
Others	421,274	572,841
	<b>1,370,284</b>	<b>1,733,159</b>

**9. INSURANCE RECEIVABLES**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from agents, brokers and co-insurers	2,582	5,276
Less: Allowance for doubtful debts	(542)	(597)
	<b>2,040</b>	<b>4,679</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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					
	2017			2016		
	Fair Value		Notional Amount RM'000	Fair Value		Notional Amount RM'000
	Assets RM'000	Liability RM'000		Assets RM'000	Liability RM'000	
<u>Derivative used as fair value hedges</u>						
Interest/profit rate swaps	24,036	86,286	4,453,464	30,925	75,349	7,178,946
Cross currency interest/profit rate swap	28,777	14,855	1,465,193	53,503	24,264	1,629,526
<u>Derivative held for trading</u>						
Forward foreign exchange contract	991	3,246	344,607	35,524	761	794,071
<b>Total</b>	<b>53,804</b>	<b>104,387</b>	<b>6,263,264</b>	<b>119,952</b>	<b>100,374</b>	<b>9,602,543</b>

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 an 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.

## 10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

### Fair value hedge

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

As at 31 December 2017, 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 revenue margin over the Assets & Liabilities profile arising from the MTN programme/Sukuk would enable a stable programme whilst maintaining market based pricing of its asset.
- (ii) Cross Currency Interest/Profit Rate Swap (“CCIRS”) Contract is used to swap the Bank’s fixed coupon MTN/Sukuk into floating rate coupon on a different currency. 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 or Sukuk whilst maintaining market based pricing of its asset.

Full details of hedging as follows:

### 2017

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD350 million*	Floating rate of 3 months Libor + 1.755% pa (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% pa (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% pa (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% pa (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% pa (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% pa (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% pa (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% pa (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% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

#### Fair value hedge (cont'd.)

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

#### 2017 (cont'd.)

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD50 million	Floating rate of 3 months Libor + 1.01% pa (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% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% pa (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD37.3 million	Floating rate of 3 months Libor + 1.70% pa (receive fixed USD half yearly/pay float USD quarterly)	Fixed 3.01% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD150 million	Floating rate of 3 months Libor + 1.16% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.21% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.214% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.165% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
Notional amount	Hedging 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
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
HKD300 million	SGD47.89 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

01

02

03

04

05

06

Financial Statements

**10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)****Fair value hedge (cont'd.)**

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

**2017 (cont'd.)**

<b>Notional amount</b>	<b>Hedging instrument: Cross Currency Interest/ Profit Rate Swap</b>	<b>Hedged item: MTN/SUKUK</b>	<b>Hedging relationship</b>	<b>Nature of risk</b>
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
HKD610 million	USD 78.69 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
USD40 million	GBP 25.99 million at fixed rate of 2.43% (receive fixed GBP semi-annually/pay USD semi-annually)	Fixed 2.45% per annum (payable semi-annually)	Fair value hedge	Profit rate & foreign currency
HKD400 million	USD 51.57 million at floating rate of 3 months USD Libor + 1.18% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.10% per annum (payable annually)	Fair value hedge	Profit rate & foreign currency

\* The derivative financial instruments were matured on 14 December 2017.

**2016**

<b>Notional amount</b>	<b>Hedging instrument: Interest/Profit Rate Swap</b>	<b>Hedged item: MTN/SUKUK</b>	<b>Hedging relationship</b>	<b>Nature of risk</b>
USD350 million	Floating rate of 3 months Libor + 1.755% pa (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% pa (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% pa (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% pa (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% pa (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% pa (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

#### Fair value hedge (cont'd.)

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

#### 2016 (cont'd.)

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD75 million	Floating rate of 6 months Libor + 1.2615% pa (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% pa (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% pa (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% pa (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% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% pa (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD37.3 million	Floating rate of 3 months Libor + 1.70% pa (receive fixed USD half yearly/pay float USD quarterly)	Fixed 3.01% per annum (payable annually)	Fair value hedge	Profit rate
USD150 million	Floating rate of 3 months Libor + 1.16% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.21% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.214% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.165% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate

01

02

03

04

05

06

**10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)****Fair value hedge (cont'd.)**

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

**2016 (cont'd.)**

<b>Notional amount</b>	<b>Hedging instrument: Cross Currency Interest/ Profit Rate Swap</b>	<b>Hedged item: MTN/SUKUK</b>	<b>Hedging relationship</b>	<b>Nature of risk</b>
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
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
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
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
HKD610 million	USD 78.68 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
USD40 million	GBP 25.99 million at fixed rate of 2.43% (receive fixed GBP semi-annually/pay USD semi-annually)	Fixed 2.45% per annum (payable semi-annually)	Fair value hedge	Profit rate & foreign currency
HKD400 million	USD 51.57 million at floating rate of 3 months USD Libor + 1.18% p.a (receive fixed HKD annually/pay USD quarterly)	Fixed 2.10% per annum (payable annually)	Fair value hedge	Profit rate & foreign currency

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
(Loss)/gain arising from fair value hedges:		
Hedging instruments	(36,152)	(79,279)
Hedged items	33,597	98,108
	(2,555)	18,829

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 11. OTHER ASSETS

	Group and Bank	
	2017 RM'000	2016 RM'000
Interest/profit receivables (excluding interest/profit on loans, advances and financing)	69,505	80,022
Other receivables, deposits and prepayments	11,850	14,689
Tax prepayment	21,490	15,940
	102,845	110,651

### 12. DEFERRED TAX (LIABILITIES)/ASSETS

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	53,598	39,880	55,913	42,195
Recognised in profit or loss (Note 31)	(33,655)	13,718	(33,654)	13,718
Recognised in other comprehensive income	(22,259)	-	(22,259)	-
At 31 December	(2,316)	53,598	-	55,913

#### Deferred tax assets

	Allowance for diminution in value of investment in a subsidiary RM'000	Provision for expenses RM'000	Unrealised losses on foreign exchange RM'000	Unutilised business losses RM'000	Unabsorbed capital allowances RM'000	Total deductable temporary differences RM'000
<b>Group</b>						
At 1 January 2016	-	2,849	42,575	-	-	45,424
Recognised in income statement	-	927	13,881	-	-	14,808
At 31 December 2016	-	3,776	56,456	-	-	60,232
Recognised in income statement	-	362	(56,456)	35,226	1,213	(19,655)
At 31 December 2017	-	4,138	-	35,226	1,213	40,577

## 12. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D.)

## Deferred tax assets (cont'd.)

	Allowance for diminution in value of investment in a subsidiary RM'000	Provision for expenses RM'000	Unrealised losses on foreign exchange RM'000	Unutilised business losses RM'000	Unabsorbed capital allowances RM'000	Total deductable temporary differences RM'000
<b>Bank</b>						
At 1 January 2016	2,227	2,937	42,575	-	-	47,739
Recognised in income statement	1	926	13,881	-	-	14,808
At 31 December 2016	2,228	3,863	56,456	-	-	62,547
Recognised in income statement	1	362	(56,456)	35,226	1,213	(19,654)
At 31 December 2017	2,229	4,225	-	35,226	1,213	42,893

## Deferred tax liabilities

	Unrealised gain on available-for-sale investment securities RM'000	Unrealised gain on foreign exchange RM'000	Accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
<b>Group</b>				
At 1 January 2016	-	-	(5,544)	(5,544)
Recognised in income statement	-	-	(1,090)	(1,090)
At 31 December 2016	-	-	(6,634)	(6,634)
Recognised in income statement	-	(15,915)	1,915	(14,000)
Recognised in other comprehensive income	(22,259)	-	-	(22,259)
At 31 December 2017	(22,259)	(15,915)	(4,719)	(42,893)
<b>Bank</b>				
At 1 January 2016	-	-	(5,544)	(5,544)
Recognised in income statement	-	-	(1,090)	(1,090)
At 31 December 2016	-	-	(6,634)	(6,634)
Recognised in income statement	-	(15,915)	1,915	(14,000)
Recognised in other comprehensive income	(22,259)	-	-	(22,259)
At 31 December 2017	(22,259)	(15,915)	(4,719)	(42,893)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 12. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D.)

#### Deferred tax liabilities (cont'd.)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	40,577	60,232	42,893	62,547
Deferred tax liabilities	(42,893)	(6,634)	(42,893)	(6,634)
	(2,316)	53,598	-	55,913

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 relate to the same taxation authority.

At the reporting date, the Group and the Bank have recognised the deferred tax assets for the following items:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses	146,775	-	146,775	-
Tax rate	24%	24%	24%	24%
	35,226	-	35,226	-

The deferred tax assets have been recognised as at 31 December 2017 to the extent that the Group and the Bank has sufficient taxable temporary differences to utilise.

At the reporting date, the Group and the Bank have not recognised the deferred tax assets for the following items:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses				
- Bank	363,775	152,030	363,775	152,030
- Subsidiary	67,289	67,289	-	-
Unabsorbed capital allowances				
- Bank	-	3,400	-	3,400
	431,064	222,719	363,775	155,430
Tax rate	24%	24%	24%	24%
	103,455	53,453	87,306	37,303

The unutilised tax losses above are available for offset against future taxable profits at the Group and the Bank.

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 no substantial change in shareholders, the unutilised tax losses carried-forward is amounting to RM431,064,000 (2016: RM219,319,000).

01

02

03

04

05

06

**13. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY****(a) Investment in subsidiaries**

	Bank	
	2017 RM'000	2016 RM'000
Unquoted shares - at cost	73,419	73,419
Less: Allowance for diminution in value	(9,290)	(9,287)
	64,129	64,132

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest (%)	
			2017	2016
Malaysia Export Credit Insurance Berhad	Dormant	Malaysia	100	100
Morning Glory Company Limited*	Dormant	Laos	-	100
EXIM Sukuk Malaysia Berhad	Special Purpose Vehicle for Sukuk issuance	Malaysia	100	100

\* Not audited by Ernst & Young, Malaysia

Malaysia 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.

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. During the year, the Bank disposed of its 100% equity interest in Morning Glory on 14 June 2017.

**(b) Investment in jointly controlled entity**

Morning Glory owns 51% of Masceana Co Ltd, a joint venture company that was set up to facilitate takeover of the hotel mentioned in Note 13(a). The share capital of the Company is USD2.00. During the year, the Bank disposed indirectly shares with Masceana Co Ltd on 14 June 2017.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 14. INVESTMENT PROPERTIES

	Group and Bank	
	2017	2016
	RM'000	RM'000
<b>Cost</b>		
At 1 January	1,390	1,390
Disposal	(90)	-
At 31 December	1,300	1,390
<b>Accumulated depreciation and impairment losses</b>		
At 1 January		
Accumulated depreciation	429	405
Accumulated impairment losses	-	530
	429	935
Reversal of impairment loss (Note 26)	-	(530)
Disposal	(33)	-
Charged for the year (Note 27)	18	24
At 31 December	414	429
<b>Carrying amount</b>	886	961
Included in the carrying amount of investment properties are:		
Freehold land	400	400
Buildings	486	504
Long term leasehold building with unexpired lease period of more than 50 years	-	57
	886	961
Fair value of investment properties	1,239	1,239

The investment properties were mainly valued by Raine & Horne International Zaki & Partners Sdn. Bhd., an independent professional valuer, on 22 December 2016. 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.

## 15. INTANGIBLE ASSETS

	Group and Bank	
	2017 RM'000	2016 RM'000
<b>Computer software</b>		
<b>Cost</b>		
At 1 January	18,397	3,717
Additions	130	-
Transfer from property and equipment	4,426	14,680
At 31 December	22,953	18,397
<b>Accumulated depreciation</b>		
At 1 January	8,603	3,716
Charged for the year (Note 27)	5,744	4,887
At 31 December	14,347	8,603
<b>Carrying amount</b>	8,606	9,794

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 16. PROPERTY AND EQUIPMENT

	Freehold land RM'000	Building RM'000	Office equipment improvements RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture, electrical, fittings and equipment RM'000	Computers RM'000	Work-in-progress RM'000	Total RM'000
<b>Group and Bank</b>									
<b>Cost</b>									
At 1 January 2017	30,000	33,000	1,555	28,312	902	5,200	14,281	4,498	117,748
Additions	-	-	47	130	212	74	1,308	711	2,482
Transfer to intangible assets	-	-	-	-	-	-	-	(4,426)	(4,426)
Disposals	-	-	(200)	-	(71)	(50)	(20)	-	(341)
At 31 December 2017	30,000	33,000	1,402	28,442	1,043	5,224	15,569	783	115,463
<b>Accumulated depreciation</b>									
At 1 January 2017	-	4,950	1,236	13,352	694	4,210	11,271	-	35,713
Charged for the year	-	660	131	2,829	116	268	1,970	-	5,974
Disposal	-	-	(195)	-	(71)	(50)	(16)	-	(332)
At 31 December 2017	-	5,610	1,172	16,181	739	4,428	13,225	-	41,355
<b>Carrying amount</b>									
At 31 December 2017	30,000	27,390	230	12,261	304	796	2,344	783	74,108

## 16. PROPERTY AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Building RM'000	Office equipment improvements RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture, electrical, fittings and equipment RM'000	Computers RM'000	Work-in-progress RM'000	Total RM'000
<b>Group and Bank</b>									
<b>Cost</b>									
At 1 January 2016	30,000	33,000	1,446	21,750	751	5,085	11,203	26,711	129,946
Additions	-	-	112	180	160	113	541	1,392	2,498
Transfer from/(to) work-in-progress	-	-	-	6,381	-	-	2,423	(8,804)	-
Transfer to intangible assets	-	-	-	-	-	-	-	(14,680)	(14,680)
Reclassifications	-	-	1	1	-	2	124	(121)	7
Disposals	-	-	(4)	-	(9)	-	(10)	-	(23)
At 31 December 2016	30,000	33,000	1,555	28,312	902	5,200	14,281	4,498	117,748
<b>Accumulated depreciation</b>									
At 1 January 2016	-	4,290	1,109	10,533	593	3,940	9,173	-	29,638
Charged for the year	-	660	128	2,819	110	270	2,105	-	6,092
Disposal	-	-	(1)	-	(9)	-	(7)	-	(17)
At 31 December 2016	-	4,950	1,236	13,352	694	4,210	11,271	-	35,713
<b>Carrying amount</b>									
At 31 December 2016	30,000	28,050	319	14,960	208	990	3,010	4,498	82,035

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 17. BORROWINGS

	Group and Bank	
	2017	2016
	RM'000	RM'000
(i) <u>Term loans/Revolving credits - unsecured</u>		
Repayable within one year	1,874,622	2,266,841
One year to three years	-	22,430
Three years to five years	45,534	22,430
Over five years	35,928	41,536
	1,956,084	2,353,237
(ii) <u>Medium Term Notes/Sukuk</u>		
Repayable within one year	968,236	2,225,813
One year to three years	3,013,719	4,159,614
Three years to five years	3,369,438	2,562,844
Over five years	961,352	1,345,995
	8,312,745	10,294,266
	10,268,829	12,647,503

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

	Carrying amount	Within 1 year	1 - 3 years	3 - 5 years	Over 5 years
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2017</b>					
- USD	7,436,342	1,203,411	2,511,115	3,221,483	500,333
- RM	35,928	-	-	-	35,928
- EUR	445,377	251,888	-	193,489	-
- GBP	489,261	489,261	-	-	-
- SGD	221,957	40,290	181,667	-	-
- AUD	332,807	332,807	-	-	-
- HKD	1,191,985	525,201	205,765	-	461,019
- JPY	115,172	-	115,172	-	-
	10,268,829	2,842,858	3,013,719	3,414,972	997,280

**17. BORROWINGS (CONT'D.)**

Repayment based on the currencies of the borrowings are as follows: (cont'd.)

	Carrying amount RM'000	Within 1 year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
<b>2016</b>					
- USD	10,025,072	3,676,586	2,917,051	2,585,274	846,161
- RM	35,928	-	-	-	35,928
- EUR	279,448	279,448	-	-	-
- GBP	434,361	434,361	-	-	-
- SGD	194,550	8,682	185,868	-	-
- AUD	239,214	93,578	145,636	-	-
- HKD	1,317,717	-	812,276	-	505,441
- JPY	121,213	-	121,213	-	-
	12,647,503	4,492,655	4,182,044	2,585,274	1,387,530

**Term loans/Revolving credits**

- (a) Revolving multi-currency loan of one (1) year up to an aggregate of USD60,000,000 (approximately RM242,850,000) (2016: USD60,000,000 (approximately RM269,160,000)) 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% (2016: 0.80%) per annum above the cost of fund ("COF"). The loan was fully repaid during the year.

- (b) Term loan of USD35,000,000 (approximately RM141,662,500) (2016: USD35,000,000 (approximately RM157,010,000)). The loan is repayable semi-annually within twenty eight (28) semi-annual instalments from 12 August 2008 to 12 February 2022.

The loan was obtained on 25 April 2006. Interest on the loan is charged at 0.395% (2016: 0.395%) per annum above LIBOR.

- (c) Revolving multi-currency loan of six (6) months up to an aggregate of USD150,000,000 (approximately RM607,125,000) (2016: USD150,000,000 (approximately RM672,900,000)).

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% (2016: 0.80%) per annum above LIBOR.

- (d) Commodity Murabahah Revolving Credit-i up to an aggregate of USD100,000,000 (approximately RM404,750,000) (2016: USD100,000,000 (approximately RM448,600,000)) 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 additional amounts of USD10,000,000, USD30,000,000 and USD30,000,000 respectively. Profit rate on the financing was charged at the rate of 0.80% and has been subsequently revised to 0.50% (2016:0.50%) per annum above the Islamic Cost of Fund since March 2014.

- (e) Revolving Euro loan of one (1) year up to an aggregate of EUR30,000,000 (approximately RM145,320,000) (2016: EUR30,000,000 (approximately RM141,612,000)) 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% (2016 :0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 17. BORROWINGS (CONT'D.)

#### *Term loans/Revolving credits (cont'd.)*

- (f) Structured Commodity Financing-i of one (1) year up to an aggregate of USD35,000,000 (approximately RM141,662,50) (2016 : USD35,000,000 (approximately RM157,010,000)).

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% (2016 :1.30%) per annum above LIBOR.

- (g) Term loan of EUR40,000,000 (approximately RM193,760,000) (2016: EUR40,000,000 (approximately RM188,816,000)) 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% (2016 : 0.80%) per annum above EURIBOR. The loan was fully repaid during the year.

- (h) Multi-Currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD85,000,000 (approximately RM344,037,500) (2016: USD85,000,000 (approximately RM381,310,000)) 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% (2016: 0.80%) per annum above the Islamic Cost of Fund.

- (i) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM101,187,500) (2016: USD25,000,000 (approximately RM112,150,000)) 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% (2016: 0.50%) per annum above the Islamic Cost of Fund.

- (j) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM161,900,000) (2016:USD40,000,000 (approximately RM179,440,000)) 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% (2016 : 0.75%) per annum above the Islamic Cost of Fund.

- (k) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM581,280,000) (2016: EUR120,000,000 (approximately RM566,448,000)) 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% (2016: 0.80%) per annum above EURIBOR.

- (l) Revolving US Dollar loan up to an aggregate of USD150,000,000 (approximately RM607,125,000) (2016 :USD150,000,000 (approximately RM672,900,000)).

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% (2016 : 0.80%) per annum above LIBOR. The loan was fully repaid during the year.

- (m) Revolving multi currency loan up to an aggregate of USD50,000,000 (approximately RM202,375,000) (2016: USD50,000,000 (approximately RM224,300,000)).

The loan was obtained on 17 February 2014 and renewable yearly. Interest on loan is charged at the rate of 0.80% (2016 : 0.80%) per annum over cost of fund.

01

02

03

04

05

06

## 17. BORROWINGS (CONT'D.)

### *Term loans/Revolving credits (cont'd.)*

- (n) Term loan of USD100,000,000 (approximately RM404,750,000) (2016: USD100,000,000 (approximately RM448,600,000)) repayable within the period of 3 years.

The loan was obtained on 15 June 2015. Interest on the loan is charged at 0.85% (2016 : 0.85%) per annum above LIBOR. The loan was fully repaid during the year.

- (o) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM161,900,000) (2016 : USD40,000,000 (approximately RM179,440,000)).

The financing was obtained on 29 October 2015 and renewable yearly. Profit rate on the financing is charged at the rate of 0.80% (2016 : 0.80%) per annum above LIBOR.

- (p) Commodity Murabahah Revolving Credit-i up to an aggregate of USD75,000,000 (approximately RM303,562,500) (2016 : USD75,000,000 (approximately RM336,450,000)).

The financing was obtained on 26 February 2016 and renewable yearly. Profit rate on the financing is charged at the rate of 0.85% (2016: 0.75%) per annum above the LIBOR.

- (q) Commodity Murabahah Revolving Credit-i up to an aggregate of USD50,000,000 (approximately RM202,375,000) (2016 : USD50,000,000 (approximately RM224,300,000)).

The financing was obtained on 28 January 2016. Profit rate on the financing is charged at the rate of 0.50% (2016:0.50%) per annum above the Islamic Cost of Fund.

- (r) The term loan 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.

In June 2016, the Bank has partially repaid to Government of Malaysia amounting to RM134,171,653. The remaining amount available for utilisation under this Scheme is RM35,928,347.

- (s) Revolving US Dollar loan up to a maximum facility of USD60,000,000 (approximately RM242,850,000).

The loan was obtained on 9 January 2017. Interest on loan is charged at the rate of 0.80% per annum above LIBOR.

### *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 was USD1,500,000,000, which was subsequently upsized to USD3,000,000,000 in October 2016. 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 of interest.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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
20 October 2016	USD500 mil	5 years	2.480%	Fixed
21 August 2017	EUR40 mil	5 years	3m Euribor+0.75%	Floating
7 November 2017	USD20 mil	5 years	3m Libor+0.85%	Floating
8 November 2017	USD100 mil	5 years	3m Libor+0.85%	Floating
10 November 2017	USD15 mil	5 years	3m Libor+0.85%	Floating
10 November 2017	USD25 mil	5 years	3m Libor+0.85%	Floating

\* The Medium Term Note of USD500 million was matured on 14 December 2017.

#### *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 of interest.

The Bank established a SPV entity, EXIM Sukuk Berhad, to issue the abovementioned Multicurrency Sukuk Programme. Correspondingly, the borrowings from Sukuk are transacted with the SPV at the Bank level. In the contrary, at the Group level, the borrowings from Sukuk are transacted with third parties who subscribed to and invested in the Sukuk.

**17. BORROWING (CONT'D.)*****Multicurrency Sukuk Programme (cont'd.)***

Issuances made as at year end are as follows:

<b>Date of issuance</b>	<b>Nominal value</b>	<b>Tenure</b>	<b>Coupon rate</b>	<b>Fixed/Floating</b>
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
28 January 2016	USD37.3 mil	5 years	3.010%	Fixed
28 July 2016	USD17 mil	3 years	3m Libor + 1.20%	Floating
5 August 2016	HKD400 mil	3 years	2.100%	Fixed
4 May 2017	USD45 mil	5 years	3.00%	Fixed

**18. OTHER PAYABLES AND ACCRUALS AND ADVANCE FROM MINISTER OF FINANCE****(a) Other payables and accruals**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Sinking fund and debt services reserve accounts	160,348	167,248
Interest payable	108,038	113,600
Amount due from the Government of Malaysia for MKFF scheme	(980)	(1,717)
Provision for zakat	3,163	2,423
Others	69,536	57,503
	<b>340,105</b>	<b>339,057</b>

**(b) Advance from Ministry of Finance Inc.**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Advance from Minister of Finance	250,000	-

On 21 December 2017, the Bank received an advance from MOF, Inc of RM250 million. This advance carries a financing cost of 4.40% plus 30 basis points. This advance is to be capitalised as Redeemable Convertible Cumulative Preference Shares ("RCCPS") via a Subscription Agreement based on the terms that was approved by Bank Negara Malaysia on 21 November 2017 and 30 January 2018. The Bank has obtained the shareholder's approval on the proposed RCCPS issuance via Extraordinary General Meeting held on 8 March 2018.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 19. DEFERRED INCOME

	Group and Bank		Net RM'000
	Gross RM'000	Reinsurance RM'000	
<b>2017</b>			
Arising from:			
(i) Guarantee and fee from conventional banking activities			
At 1 January	10,065	-	10,065
Addition during the year	17,940	-	17,940
Recognised in income statement	(10,378)	-	(10,378)
At 31 December	17,627	-	17,627
(ii) Guarantee and fee from Islamic banking activities			
At 1 January	11,088	-	11,088
Addition during the year	6,281	-	6,281
Recognised in income statement	(4,581)	-	(4,581)
At 31 December	12,788	-	12,788
(iii) Premium liabilities			
At 1 January	10,946	(5,611)	5,335
Decrease in reserve	5,430	(5,730)	(300)
At 31 December	16,376	(11,341)	5,035
(iv) Takaful premium liabilities			
At 1 January	19,064	(7,484)	11,580
Addition during the year	-	-	-
Decrease in reserve	(3,079)	1,027	(2,052)
At 31 December	15,985	(6,457)	9,528
	62,776	(17,798)	44,978

## 19. DEFERRED INCOME (CONT'D.)

	Group and Bank		Net RM'000
	Gross RM'000	Reinsurance RM'000	
<b>2016</b>			
Arising from:			
(i) Guarantee and fee from conventional banking activities			
At 1 January	4,879	-	4,879
Addition during the year	9,107	-	9,107
Recognised in income statement	(3,921)	-	(3,921)
At 31 December	10,065	-	10,065
(ii) Guarantee and fee from Islamic banking activities			
At 1 January	14,211	-	14,211
Addition during the year	4,822	-	4,822
Recognised in income statement	(7,945)	-	(7,945)
At 31 December	11,088	-	11,088
(iii) Premium liabilities			
At 1 January	12,819	(6,384)	6,435
Decrease in reserve	(1,873)	773	(1,100)
At 31 December	10,946	(5,611)	5,335
(iv) Takaful premium liabilities			
At 1 January	3,137	-	3,137
Addition during the year	11	-	11
Increase in reserve (Note 38)	15,916	(7,484)	8,432
At 31 December	19,064	(7,484)	11,580
	51,163	(13,095)	38,068

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 20. PROVISION FOR GUARANTEE AND CLAIMS

	Group and Bank	
	Gross	Net
	RM'000	RM'000
<b>2017</b>		
Arising from:		
(i) Insurance claims		
At 1 January	16,245	16,245
Addition during the year	2,344	2,344
Paid during the year (Note 25(ii))	(4,837)	(4,837)
At 31 December	13,752	13,752
(ii) Takaful claims		
At 1 January	3,238	3,238
Addition during the year	2,378	2,378
At 31 December	5,616	5,616
(iii) Expenses liabilities		
At 1 January	275	275
Reversal during the year	(46)	(46)
At 31 December	229	229
	19,597	19,597

01

02

03

04

05

06

**20. PROVISION FOR GUARANTEE AND CLAIMS**

	Group and Bank	
	Gross RM'000	Net RM'000
<b>2016</b>		
Arising from:		
(i) Insurance claims		
At 1 January	10,383	10,383
Addition during the year	7,572	7,572
Paid during the year (Note 25(ii))	(1,710)	(1,710)
At 31 December	16,245	16,245
(ii) Takaful claims		
At 1 January	589	589
Reversal during the year	2,649	2,649
Paid during the year	-	-
At 31 December	3,238	3,238
(iii) Expenses liabilities		
At 1 January	51	51
Addition during the year	224	224
At 31 December	275	275
	19,758	19,758

**21. SHARE CAPITAL**

	Group and Bank			
	2017		2016	
	Number of shares	Amount RM	Number of shares	Amount RM
<b>Issued and fully paid-up</b>				
Ordinary shares	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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 21. SHARE CAPITAL (CONT'D.)

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, 2016, 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 businesses.

### 23. INTEREST INCOME

	Group and Bank	
	2017	2016
	RM'000	RM'000
Loans, advances and financing		
- Interest income from non-impaired loans	301,681	259,705
- Recoveries from impaired loans	21,973	12,107
Money at call and deposit placements with banks and other financial institutions	51,229	63,596
Investment securities	-	350
Amortisation of premium, net	-	(23)
Net interest on derivatives	8,219	27,493
	383,102	363,228

### 24. INTEREST EXPENSE

	Group and Bank	
	2017	2016
	RM'000	RM'000
Borrowings :		
Term loans/Revolving credits	14,467	23,685
Medium Term Notes	201,671	152,253
	216,138	175,938

01

02

03

04  
05  
06  
Financial Statements

## 25. UNDERWRITING RESULTS

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross premium	38,586	11,589
Reinsurance	(28,460)	(3,253)
Net premium	10,126	8,336
Decrease in premium liabilities reserves	158	984
Net earned premium (Note 25(i))	10,284	9,320
Other fee income	1,489	1,516
Write-back of allowance for doubtful debts	(24)	-
	11,749	10,836
Net claims incurred (Note 25(ii))	(2,280)	(7,537)
Underwriting results	9,469	3,299

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Net earned premium</b>		
Gross premium	38,586	11,589
Change in premium liabilities reserves	158	984
	38,744	12,573
Net premium ceded	(28,460)	(3,253)
Net earned premium	10,284	9,320
<b>(ii) Net claims incurred</b>		
Gross claims paid less salvage (Note 20)	(4,837)	(1,710)
Recoveries	103	131
Bad debt written off	(39)	(96)
Net claims paid	(4,773)	(1,675)
Change to insurance claims	2,493	(5,862)
Net claims incurred	(2,280)	(7,537)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 26. OTHER INCOME

	Group and Bank	
	2017	2016
	RM'000	RM'000
Fee income	26,419	27,729
Foreign exchange gain/(loss)		
- unrealised	301,547	(57,839)
- realised	(245,805)	7,485
Gain on disposal of equipment	103	2
Rental income	32	19
Unrealised loss on derivatives	(73,265)	(43,767)
Gain/(loss) on MTN/Sukuk		
- unrealised	33,597	98,108
- realised	(29,352)	-
Reversal of impairment loss (Note 14)	-	530
Reversal of brokerage fees	2,024	-
Others	270	162
	15,570	32,429

### 27. OVERHEAD EXPENSES

	Note	Group		Bank	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Personnel costs	(i)	47,522	50,513	47,522	50,513
Establishment related expenses	(ii)	16,755	15,680	16,755	15,680
Promotion and marketing expenses	(iii)	3,436	3,965	3,436	3,965
General administrative expenses	(iv)	21,349	31,736	21,346	31,729
		89,062	101,894	89,059	101,887

#### (i) Personnel costs

	Group and Bank	
	2017	2016
	RM'000	RM'000
Salaries, allowances and bonuses	35,847	40,104
Defined contribution plan	5,538	5,090
Other staff related expenses	6,137	5,319
	47,522	50,513

01

02

03

04

05

06

**27. OVERHEAD EXPENSES (CONT'D.)****(ii) Establishment related expenses**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Depreciation:		
- Property and equipment (Note 16)	5,974	6,092
- Investment properties (Note 14)	18	24
Amortisation of intangible assets (Note 15)	5,744	4,887
Rental of leasehold land and premises	417	355
Repairs and maintenance of property and equipment	4,602	4,322
	<b>16,755</b>	<b>15,680</b>

**(iii) Promotion and marketing expenses**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Advertisement and publicity	3,436	3,965

**(iv) General administrative expenses**

	<b>Group</b>		<b>Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Administrative expenses	3,095	2,981	3,095	2,981
Auditors' remuneration				
- statutory audit	348	356	338	346
- regulatory related services	3	3	3	3
General expenses	7,720	8,257	7,720	8,257
Non-Executive Directors remuneration	2,317	2,399	2,317	2,399
Professional fees	7,421	3,963	7,421	3,958
Brokerage fees	28	13,206	28	13,206
Others	417	571	424	579
	<b>21,349</b>	<b>31,736</b>	<b>21,346</b>	<b>31,729</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 28. DIRECTORS' FEES AND REMUNERATION

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
<b>Group and Bank 2017</b>					
<b>Executive Director:</b>					
Norzilah binti Mohammed	480	-	40	154	674
	480	-	40	154	674
<b>Non-Executive Directors:</b>					
Datuk Mat Noor bin Nawī	-	355	-	36	391
Dato' Rosli bin Mohamed Nor	-	244	-	-	244
Dato' Sri Dr. Mohmad Isa bin Hussain	-	178	-	-	178
Encik Nik Najib bin Husain	-	105	-	-	105
Dato' Md Agil bin Mohd Natt	-	252	-	-	252
Encik Ismail bin Mahbob	-	255	-	-	255
Datuk Wong Seng Foo	-	118	-	-	118
YM Tunku Afwida binti Tunku A. Malek	-	241	-	-	241
Encik Mohammad Fadzlan bin Abdul Samad	-	252	-	-	252
Datuk Syed Ahmad Helmy bin Syed Ahmad	-	229	-	-	229
Normah binti Osman	-	52	-	-	52
	-	2,281	-	36	2,317
Total Directors' remuneration (excluding benefits in-kind)	480	2,281	40	190	2,991

01

02

03

04

05

06

Financial Statements

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

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
<b>Group and Bank</b>					
<b>2016</b>					
<b>Executive Director:</b>					
Norzilah binti Mohammed	462	-	224	266	952
	462	-	224	266	952
<b>Non-Executive Directors:</b>					
Datuk Mat Noor bin Nawī	-	355	-	36	391
Dato' Rosli bin Mohamed Nor	-	236	-	-	236
Dato' Sri Dr. Mohamad Isa bin Hussain	-	191	-	-	191
Encik Nik Najib bin Husain	-	218	-	-	218
Dato' Md Agil bin Mohd Natt	-	243	-	-	243
Encik Ismail bin Mahbob	-	245	-	-	245
Datuk Wong Seng Foo	-	195	-	-	195
YM Tunku Afwida binti Tunku A. Malek	-	228	-	-	228
Encik Mohammad Fadzlan bin Abdul Samad	-	242	-	-	242
Datuk Syed Ahmad Helmy bin Syed Ahmad	-	210	-	-	210
	-	2,363	-	36	2,399
Total Directors' remuneration (excluding benefits in-kind)	462	2,363	224	302	3,351

**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 of the Group and of the Bank.

The key management personnel compensation is as follows:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term employee benefits (excluding benefit in-kind)	674	952
Included in the total key management personnel is:		
Executive Director's remuneration (Note 28)	674	952

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 30. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2017	2016
	RM'000	RM'000
Individual allowance		
- Charged for the year	473,881	323,728
- Written back during the year	(67,614)	(25,471)
Collective allowance		
- Charged for the year	74,090	168,130
- Written back during the year	(135,304)	(85,669)
	345,053	380,718

### 31. TAXATION

The major components of taxation for the years ended 31 December 2017 and 2016 are:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
- Overprovision in prior years	-	(6,054)	-	(6,054)
Deferred tax expense (Note 12):				
- Origination and reversal of temporary differences	69,083	(14,667)	69,082	(14,667)
- Benefits from previously unutilised business losses	(35,226)	-	(35,226)	-
- (Over)/underprovision in prior year	(202)	949	(202)	949
	33,655	(19,772)	33,654	(19,772)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

01

02

03

04

05

06

**31. TAXATION (CONT'D.)**

A reconciliation of the taxation applicable to loss 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loss before taxation	(88,083)	(244,656)	(88,083)	(244,656)
Income tax using Malaysian statutory tax rate of 24% (2016: 24%)	(21,140)	(58,717)	(21,140)	(58,717)
Non-deductible expenses	4,994	2,952	4,993	2,952
Deferred tax assets recognised on unutilised business losses and unabsorbed capital allowances	(36,042)	-	(36,042)	-
Deferred tax assets not recognised on unutilised business losses	86,045	41,098	86,045	41,098
(Over)/underprovision of deferred tax in prior year	(202)	949	(202)	949
Overprovision of income tax expense in prior years	-	(6,054)	-	(6,054)
	33,655	(19,772)	33,654	(19,772)

**32. LOSS PER SHARE**

	Group		Bank	
	2017	2016	2017	2016
Issued ordinary shares as at 31 December ('000)	2,708,665	2,708,665	2,708,665	2,708,665
Loss after taxation (RM'000)	(124,901)	(227,279)	(124,900)	(227,307)
Basic loss per share (sen)	(4.61)	(8.39)	(4.61)	(8.39)

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

**33. DIVIDENDS**

In the previous financial year, the Bank paid a final ordinary dividend of 0.33 sen per ordinary share totalling RM8,806,810 in respect of the year ended 31 December 2015 on 23 June 2016.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 34. COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2017	2016
	RM'000	RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	600,508	668,229
Letter of credit	6,113	61,214
Undrawn loans and financing	2,208,275	2,618,860
	2,814,896	3,348,303

	Group and Bank	
	2017	2016
	RM'000	RM'000
<u>Insurance operation commitments</u>		
Contracted but not provided for:		
Within one year	700,891	747,524
One year or later and no later than five years	1,094,945	561,963
	1,795,836	1,309,487
<u>Operational commitments</u>		
Approved but not contracted for:		
Within one year	12,685	12,843
<b>Total commitments and contingencies</b>	4,623,417	4,670,633

### 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 of the Group and the Bank. The key management personnel compensation is disclosed in Note 29.

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

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

	<b>Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due to subsidiaries	64,134	64,137

(c) Government related parties

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Transaction during the year		
Other income: Management fee	569	540
Bad debt written off	-	3,009

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:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Fund under MKFF Scheme	170,100	170,100
Less:		
Loan repayment	(134,172)	(134,172)
	35,928	35,928
Less:		
Loans and financing	(14,750)	(15,621)
Allowance for losses on loans and financing	(6,055)	(5,280)
Bad debt written off	-	(3,009)
Add:		
Interest earned from financing	761	363
Interest income on investment	4,798	4,060
Net repayable	20,682	16,441

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

(d) Licensed banks and other financial institutions

	Group and Bank	
	2017	2016
	RM'000	RM'000
Deposits and placements	21,022	21,129

### 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 interest 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 interest 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.

01

02

03

04

05

06

## 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. 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 refers 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%.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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:

	2017 RM'000	2016 RM'000
Ordinary share capital	2,708,665	2,708,665
Retained profit	58,251	285,558
Current year loss	(124,900)	(227,307)
Eligible Tier 1 capital	2,642,016	2,766,916
Collective allowance on loans, advances and financing*	200,823	265,540
Provision for guarantee and claims	13,687	9,573
Eligible Tier 2 capital	214,510	275,113
Investment in subsidiaries	(64,129)	(64,132)
Total capital base	2,792,397	2,977,897
Risk weighted assets	13,947,071	15,194,659
Capital Ratio		
- With proposed dividend		
Core capital ratio	18.94%	18.21%
RWCR	20.02%	19.60%
- Without proposed dividend		
Core capital ratio	18.94%	18.21%
RWCR	20.02%	19.60%

\* 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.

#### 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 Management Risk Committee ("MRC") shall be responsible in managing and monitoring both the internal capital limit and regulatory capital requirement.

**36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)****Market risk management**Approach 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 arise due to changes in market rates, prices and volatilities which would lead to a decline in the value of the Group's and the Bank's investment securities, derivatives, borrowings, 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 RM'000	Decrease in FX rate RM'000	Increase in FX rate RM'000	Decrease in FX rate RM'000
<b>2017</b>					
<b>AED</b>	5	(3)	3	(3)	3
<b>EUR</b>	5	(6,936)	6,936	(6,936)	6,936
<b>GBP</b>	5	2,138	(2,138)	2,138	(2,138)
<b>JPY</b>	5	(3)	3	(3)	3
<b>SGD</b>	5	8,449	(8,449)	8,449	(8,449)
<b>USD</b>	10	76,545	(76,545)	76,545	(76,545)
<b>AUD</b>	10	(15,339)	15,339	(15,339)	15,339
<b>HKD</b>	5	(59,654)	59,654	(59,654)	59,654
		5,197	(5,197)	5,197	(5,197)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### Market risk management (cont'd.)

##### Measurement (cont'd.)

	Changes in foreign exchange rates (+/-) %	Effect on profit/loss		Effect on equity	
		Increase in FX rate RM'000	Decrease in FX rate RM'000	Increase in FX rate RM'000	Decrease in FX rate RM'000
<b>2016</b>					
<b>AED</b>	-	-	-	-	-
<b>EUR</b>	5	9,869	(9,869)	9,869	(9,869)
<b>GBP</b>	5	4,629	(4,629)	4,629	(4,629)
<b>JPY</b>	5	(1)	1	(1)	1
<b>SGD</b>	5	9,443	(9,443)	9,443	(9,443)
<b>USD</b>	10	29,028	(29,028)	29,028	(29,028)
<b>AUD</b>	10	2,262	(2,262)	2,262	(2,262)
<b>HKD</b>	5	(65,873)	65,873	(65,873)	65,873
		(10,643)	10,643	(10,643)	10,643

#### 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.

##### 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.

**36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)****Asset liability management (cont'd.)**Measurement (cont'd.)

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 Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap:

<b>Group</b>	<b>Less than 3 months RM'000</b>	<b>3 to 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest bearing RM'000</b>	<b>Total RM'000</b>
<b>2017</b>						
<b>Assets</b>						
Cash and bank balances	-	-	-	-	172,964	172,964
Deposits and placement with banks and other financial institutions	657,447	293,137	-	-	-	950,584
Investment securities	-	10,000	405,000	704,379	-	1,119,379
Amount due from ECR debtors	494,224	15,222	-	-	-	509,447
Loans, advances and financing	7,058,748	2,171,493	17,812	1,492,355	-	10,740,408
Derivative financial instruments	-	-	-	-	53,804	53,804
Other assets	-	-	-	-	188,485	188,485
<b>Total assets</b>	<b>8,210,419</b>	<b>2,489,853</b>	<b>422,812</b>	<b>2,196,734</b>	<b>415,253</b>	<b>13,735,071</b>
<b>Liabilities and equity</b>						
Borrowings	2,541,019	283,325	6,487,795	956,690	-	10,268,829
Derivative financial instruments	-	-	-	-	104,387	104,387
Advance from Ministry of Finance Inc.	-	-	-	-	250,000	250,000
Other liabilities	-	-	-	-	406,996	406,996
Shareholders' and Takaful participants fund	-	-	-	-	2,704,859	2,704,859
<b>Total liabilities and equity</b>	<b>2,541,019</b>	<b>283,325</b>	<b>6,487,795</b>	<b>956,690</b>	<b>3,466,242</b>	<b>13,735,071</b>
<b>Period gap</b>	<b>5,669,400</b>	<b>2,206,528</b>	<b>(6,064,983)</b>	<b>1,240,044</b>	<b>(3,050,989)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>5,669,400</b>	<b>7,875,928</b>	<b>1,810,945</b>	<b>3,050,989</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### Asset liability management (cont'd.)

##### Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd):

Bank	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
<b>2017</b>						
<b>Assets</b>						
Cash and bank balances	-	-	-	-	172,964	172,964
Deposits and placement with banks and other financial institutions	657,446	293,137	-	-	-	950,583
Investment securities	-	10,000	405,000	704,379	-	1,119,379
Amount due from ECR debtors	494,224	15,222	-	-	-	509,447
Loans, advances and financing	7,058,748	2,171,493	17,812	1,492,355	-	10,740,408
Derivative financial instruments	-	-	-	-	53,804	53,804
Other assets	-	-	-	-	252,614	252,614
<b>Total assets</b>	<b>8,210,418</b>	<b>2,489,853</b>	<b>422,812</b>	<b>2,196,734</b>	<b>479,382</b>	<b>13,799,199</b>
<b>Liabilities and equity</b>						
Borrowings	2,541,019	283,325	6,487,795	956,690	-	10,268,829
Derivative financial instruments	-	-	-	-	104,387	104,387
Advance from Ministry of Finance Inc.	-	-	-	-	250,000	250,000
Other liabilities	-	-	-	-	468,814	468,814
Shareholders' and Takaful participants fund	-	-	-	-	2,707,170	2,707,170
<b>Total liabilities and equity</b>	<b>2,541,019</b>	<b>283,325</b>	<b>6,487,795</b>	<b>956,690</b>	<b>3,530,371</b>	<b>13,799,200</b>
<b>Period gap</b>	<b>5,669,400</b>	<b>2,206,528</b>	<b>(6,064,983)</b>	<b>1,240,044</b>	<b>(3,050,989)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>5,669,400</b>	<b>7,875,928</b>	<b>1,810,944</b>	<b>3,050,989</b>	<b>-</b>	<b>-</b>

**36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)****Asset liability management (cont'd.)**Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd):

<b>Group</b>	<b>Less than 3 months RM'000</b>	<b>3 to 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest bearing RM'000</b>	<b>Total RM'000</b>
<b>2016</b>						
<b>Assets</b>						
Cash and bank balances	-	-	-	-	126,224	126,224
Deposits and placement with banks and other financial institutions	1,794,665	518,150	-	-	-	2,312,815
Investment securities	5,041	-	115,947	-	-	120,988
Amount due from ECR debtors	457,099	39,982	-	-	-	497,081
Loans, advances and financing	9,281,515	1,659,989	246,855	1,276,205	-	12,464,564
Derivative financial instruments	-	35,590	36,411	47,951	-	119,952
Other assets	-	-	-	-	261,718	261,718
<b>Total assets</b>	<b>11,538,320</b>	<b>2,253,711</b>	<b>399,213</b>	<b>1,324,156</b>	<b>387,942</b>	<b>15,903,342</b>
<b>Liabilities and equity</b>						
Borrowings	2,201,243	2,188,921	6,724,171	1,533,168	-	12,647,503
Derivative financial instruments	-	761	75,349	24,264	-	100,374
Other liabilities	-	-	-	-	396,883	396,883
Shareholders' and Takaful participants fund	-	-	-	-	2,758,582	2,758,582
<b>Total liabilities and equity</b>	<b>2,201,243</b>	<b>2,189,682</b>	<b>6,799,520</b>	<b>1,557,432</b>	<b>3,155,465</b>	<b>15,903,342</b>
<b>Period gap</b>	<b>9,337,077</b>	<b>64,029</b>	<b>(6,400,307)</b>	<b>(233,276)</b>	<b>(2,767,523)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>9,337,077</b>	<b>9,401,106</b>	<b>3,000,799</b>	<b>2,767,523</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### Asset liability management (cont'd.)

##### Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd):

Bank	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
<b>2016</b>						
<b>Assets</b>						
Cash and bank balances	-	-	-	-	126,224	126,224
Deposits and placement with banks and other financial institutions	1,794,665	518,150	-	-	-	2,312,815
Investment securities	5,041	-	115,947	-	-	120,988
Amount due from ECR debtors	457,099	39,982	-	-	-	497,081
Loans, advances and financing	9,281,515	1,659,989	246,855	1,276,205	-	12,464,564
Derivative financial instruments	-	35,590	36,411	47,951	-	119,952
Other assets	-	-	-	-	328,165	328,165
<b>Total assets</b>	<b>11,538,320</b>	<b>2,253,711</b>	<b>399,213</b>	<b>1,324,156</b>	<b>454,389</b>	<b>15,969,789</b>
<b>Liabilities and equity</b>						
Borrowings	2,201,243	2,188,921	6,724,171	1,533,168	-	12,647,503
Derivative financial instruments	-	761	75,349	24,264	-	100,374
Other liabilities	-	-	-	-	461,020	461,020
Shareholders' and Takaful participants fund	-	-	-	-	2,760,892	2,760,892
<b>Total liabilities and equity</b>	<b>2,201,243</b>	<b>2,189,682</b>	<b>6,799,520</b>	<b>1,557,432</b>	<b>3,221,912</b>	<b>15,969,789</b>
<b>Period gap</b>	<b>9,337,077</b>	<b>64,029</b>	<b>(6,400,307)</b>	<b>(233,276)</b>	<b>(2,767,523)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>9,337,077</b>	<b>9,401,106</b>	<b>3,000,799</b>	<b>2,767,523</b>	<b>-</b>	<b>-</b>

### 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:

	2017		2016	
	Impact on profit	Impact on equity	Impact on profit	Impact on equity
	RM'000	RM'000	RM'000	RM'000
Interest rate - parallel shift				
+ 50 basis points	12,042	12,042	9,542	9,542
- 50 basis points	(11,425)	(11,425)	(13,347)	(13,347)

#### Liquidity risk management

##### Approach 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### Liquidity risk management (cont'd.)

##### Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity:

Group	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
<b>2017</b>						
<b>Assets</b>						
Cash and bank balances	172,964	-	-	-	-	172,964
Deposits and placements with banks and other financial institutions	-	657,447	293,137	-	-	950,584
Investment securities	-	-	10,000	405,000	704,379	1,119,379
Amount due from ECR debtors	-	494,224	15,223	-	-	509,447
Loans, advances and financing	-	1,295,185	2,924,811	3,702,558	2,817,854	10,740,408
Derivative financial instruments	53,804	-	-	-	-	53,804
Other assets	188,485	-	-	-	-	188,485
<b>Total assets</b>	<b>415,253</b>	<b>2,446,856</b>	<b>3,243,171</b>	<b>4,107,558</b>	<b>3,522,233</b>	<b>13,735,071</b>
<b>Liabilities</b>						
Borrowings	-	2,466,463	283,325	6,487,795	1,031,247	10,268,829
Derivative financial instruments	104,387	-	-	-	-	104,387
Advance from Ministry of Finance Inc.	250,000	-	-	-	-	250,000
Other liabilities	406,996	-	-	-	-	406,996
<b>Total liabilities</b>	<b>761,383</b>	<b>2,466,463</b>	<b>283,325</b>	<b>6,487,795</b>	<b>1,031,247</b>	<b>11,030,212</b>
<b>Net maturity mismatch</b>	<b>(346,130)</b>	<b>(19,607)</b>	<b>2,959,846</b>	<b>(2,380,237)</b>	<b>2,490,986</b>	<b>2,704,859</b>

**36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)****Liquidity risk management (cont'd.)**Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity (cont'd.):

<b>Bank</b>	<b>On demand RM'000</b>	<b>Less than 3 months RM'000</b>	<b>3 to 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>2017</b>						
<b>Assets</b>						
Cash and bank balances	172,964	-	-	-	-	172,964
Deposits and placements with banks and other financial institutions	-	657,447	293,137	-	-	950,584
Investment securities	-	-	10,000	405,000	704,379	1,119,379
Amount due from ECR debtors	-	494,224	15,223	-	-	509,447
Loans, advances and financing	-	1,295,185	2,924,811	3,702,558	2,817,854	10,740,408
Derivative financial instruments	53,804	-	-	-	-	53,804
Other assets	252,614	-	-	-	-	252,614
<b>Total assets</b>	<b>479,382</b>	<b>2,446,856</b>	<b>3,243,171</b>	<b>4,107,558</b>	<b>3,522,233</b>	<b>13,799,200</b>
<b>Liabilities</b>						
Borrowings	-	2,466,463	283,325	6,487,795	1,031,247	10,268,829
Derivative financial instruments	104,387	-	-	-	-	104,387
Advance from Ministry of Finance Inc.	250,000	-	-	-	-	250,000
Other liabilities	468,814	-	-	-	-	468,814
<b>Total liabilities</b>	<b>823,201</b>	<b>2,466,463</b>	<b>283,325</b>	<b>6,487,795</b>	<b>1,031,247</b>	<b>11,092,030</b>
<b>Net maturity mismatch</b>	<b>(343,819)</b>	<b>(19,607)</b>	<b>2,959,846</b>	<b>(2,380,237)</b>	<b>2,490,986</b>	<b>2,707,170</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### Liquidity risk management (cont'd.)

##### Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity (cont'd.):

Group	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
<b>2016</b>						
<b>Assets</b>						
Cash and bank balances	126,224	-	-	-	-	126,224
Deposits and placements with banks and other financial institutions	960,855	833,810	518,150	-	-	2,312,815
Investment securities	-	5,041	-	115,947	-	120,988
Amount due from ECR debtors	19,188	437,912	39,981	-	-	497,081
Loans, advances and financing	192,140	1,338,440	2,369,636	4,960,002	3,604,346	12,464,564
Derivative financial instruments	-	-	72,001	47,951	-	119,952
Other assets	261,718	-	-	-	-	261,718
<b>Total assets</b>	<b>1,560,125</b>	<b>2,615,203</b>	<b>2,999,768</b>	<b>5,123,900</b>	<b>3,604,346</b>	<b>15,903,342</b>
<b>Liabilities</b>						
Borrowings	1,087,432	1,113,811	2,188,921	6,724,171	1,533,168	12,647,503
Derivative financial instruments	-	-	76,109	24,265	-	100,374
Other liabilities	396,883	-	-	-	-	396,883
<b>Total liabilities</b>	<b>1,484,315</b>	<b>1,113,811</b>	<b>2,265,030</b>	<b>6,748,436</b>	<b>1,533,168</b>	<b>13,144,760</b>
<b>Net maturity mismatch</b>	<b>75,810</b>	<b>1,501,392</b>	<b>734,738</b>	<b>(1,624,536)</b>	<b>2,071,178</b>	<b>2,758,582</b>

**36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)****Liquidity risk management (cont'd.)**Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity (cont'd.):

<b>Bank</b>	<b>On demand RM'000</b>	<b>Less than 3 months RM'000</b>	<b>3 to 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>2016</b>						
<b>Assets</b>						
Cash and bank balances	126,224	-	-	-	-	126,224
Deposits and placements with banks and other financial institutions	960,855	833,810	518,150	-	-	2,312,815
Investment securities	-	5,041	-	115,947	-	120,988
Amount due from ECR debtors	19,188	437,912	39,981	-	-	497,081
Loans, advances and financing	192,140	1,338,440	2,369,636	4,960,002	3,604,346	12,464,564
Derivative financial instruments	-	-	35,524	36,440	47,988	119,952
Other assets	328,165	-	-	-	-	328,165
<b>Total assets</b>	<b>1,626,572</b>	<b>2,615,203</b>	<b>2,963,291</b>	<b>5,112,389</b>	<b>3,652,334</b>	<b>15,969,789</b>
<b>Liabilities</b>						
Borrowings	1,087,432	1,113,811	2,188,921	6,724,171	1,533,168	12,647,503
Derivative financial instruments	-	-	2,317	90,718	7,339	100,374
Other liabilities	461,020	-	-	-	-	461,020
<b>Total liabilities</b>	<b>1,548,452</b>	<b>1,113,811</b>	<b>2,191,238</b>	<b>6,814,889</b>	<b>1,540,507</b>	<b>13,208,897</b>
<b>Net maturity mismatch</b>	<b>78,120</b>	<b>1,501,392</b>	<b>772,053</b>	<b>(1,702,500)</b>	<b>2,111,827</b>	<b>2,760,892</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 do 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 does not necessarily reflect behavioural cash flows.

Group and Bank	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
<b>2017</b>						
<b>Non-derivative financial liabilities</b>						
Borrowings	-	2,607,879	440,013	6,959,525	1,178,273	11,185,690
Other liabilities	340,107	-	-	-	-	340,107
<b>Total financial liabilities</b>	<b>340,107</b>	<b>2,607,879</b>	<b>440,013</b>	<b>6,959,525</b>	<b>1,178,273</b>	<b>11,525,797</b>
<b>Commitments and contingencies</b>						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	600,508	-	-	-	-	600,508
Letter of credit	6,113	-	-	-	-	6,113
Undrawn loans and financing	-	-	849,037	1,359,238	-	2,208,275
	606,621	-	849,037	1,359,238	-	2,814,896
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	700,891	-	-	700,891
One year or later and no later than five years	-	-	-	1,094,945	-	1,094,945
	-	-	700,891	1,094,945	-	1,795,836
<b>Total commitments and contingencies</b>	<b>606,621</b>	<b>-</b>	<b>1,549,928</b>	<b>2,454,183</b>	<b>-</b>	<b>4,610,732</b>

01

02

03

04

05

06

Financial Statements

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

## Liquidity risk management (cont'd.)

Group and Bank	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
<b>2016</b>						
<b>Non-derivative financial liabilities</b>						
Borrowings	-	2,339,665	2,415,372	7,391,535	1,777,499	13,924,071
Other liabilities	339,937	-	-	-	-	339,937
Total financial liabilities	339,937	2,339,665	2,415,372	7,391,535	1,777,499	14,264,008

## Commitments and contingencies

Banking operation commitments

## Contracted but not provided for:

Guarantee facility	668,229	-	-	-	-	668,229
Letter of credit	61,214	-	-	-	-	61,214
Undrawn loans and financing	-	-	594,349	1,438,124	586,387	2,618,860
	729,443	-	594,349	1,438,124	586,387	3,348,303

Insurance operation commitments

## Contracted but not provided for:

Within one year	-	-	747,524	-	-	747,524
One year or later and no later than five years	-	-	-	132,816	429,147	561,963
	-	-	747,524	132,816	429,147	1,309,487
Total commitments and contingencies	729,443	-	1,341,873	1,570,940	1,015,534	4,657,790

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 process;
- 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.

#### Credit risk management

##### 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.

01

02

03

04

05

06

**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 Income Statements. 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:

<b>Group and Bank</b>	<b>Maximum exposure to credit risk RM'000</b>	<b>Collateral value RM'000</b>	<b>Net exposures RM'000</b>
<b>2017</b>			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	172,964	-	172,964
Deposits and placements with banks and other financial institutions	950,584	-	950,584
Investment securities:			
Available-for-sale	1,119,379	-	1,119,379
Amount due from ECR debtors	509,447	-	509,447
Loans, advances and financing	10,740,408	12,676,115	6,961,682
Insurance receivables	2,040	-	2,040
Derivative financial assets	53,804	-	53,804
Other assets	81,355	-	81,355
	13,629,981	12,676,115	9,851,255
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	2,814,896	-	2,814,896
Insurance operations commitments			
Short term	700,891	-	700,891
Medium/Long term	1,094,945	-	1,094,945
	4,610,732	-	4,610,732
	18,240,713	12,676,115	14,461,987

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### Credit risk exposure (cont'd.)

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements (cont'd.):

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
<b>2016</b>			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	126,224	-	126,224
Deposits and placements with banks and other financial institutions	2,312,815	-	2,312,815
Investment securities:			
Available-for-sale	120,988	-	120,988
Amount due from ECR debtors	497,081	-	497,081
Loans, advances and financing	12,464,564	19,144,949	6,346,236
Insurance receivables	4,679	-	4,679
Derivative financial assets	119,952	-	119,952
Other assets	94,711	-	94,711
	15,741,014	19,144,949	9,622,686
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	3,348,303	-	3,348,303
Insurance operations commitments			
Short term	747,524	-	747,524
Medium/Long term	561,963	-	561,963
	4,657,790	-	4,657,790
	20,398,804	19,144,949	14,280,476

01

02

03

04

05

06

**36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)****Credit risk exposure (cont'd.)**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:

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Collateral type</u>		
Secured by cash	224,247	1,479,028
Secured by property	8,760,540	10,313,194
Secured by machinery	3,691,328	7,352,727
	<b>12,676,115</b>	<b>19,144,949</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

01  
02  
03  
04  
05

06

Financial Statements

## 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

Group and Bank	Cash and bank balances RM'000	Deposit and placement 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	Insurance receivables RM'000	Derivatives financial instruments RM'000	Other assets RM'000	Total RM'000
<b>2017</b>									
Malaysia	172,964	950,584	1,119,379	509,447	5,109,939	2,040	53,804	81,355	7,999,512
East Asia	-	-	-	-	3,850,636	-	-	-	3,850,636
South Asia	-	-	-	-	447,172	-	-	-	447,172
Central Asia	-	-	-	-	306,318	-	-	-	306,318
Middle East	-	-	-	-	554,340	-	-	-	554,340
Africa	-	-	-	-	245,234	-	-	-	245,234
Europe	-	-	-	-	933,880	-	-	-	933,880
America	-	-	-	-	38,103	-	-	-	38,103
Oceania	-	-	-	-	224,701	-	-	-	224,701
	172,964	950,584	1,119,379	509,447	11,710,322	2,040	53,804	81,355	14,599,895

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

## Credit risk exposure (cont'd.)

Geographical analysis (cont'd.)

Exposures to credit risk by geographical region are as follows (cont'd.):

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposit and placement 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	Insurance receivables RM'000	Derivatives financial instruments RM'000	Other assets RM'000	Total RM'000
<b>2016</b>									
Malaysia	126,224	2,312,815	120,988	497,081	6,389,354	4,679	119,952	94,711	9,665,804
East Asia	-	-	-	-	3,551,297	-	-	-	3,551,297
South Asia	-	-	-	-	445,949	-	-	-	445,949
Central Asia	-	-	-	-	339,457	-	-	-	339,457
Middle East	-	-	-	-	770,105	-	-	-	770,105
Africa	-	-	-	-	249,990	-	-	-	249,990
Europe	-	-	-	-	969,289	-	-	-	969,289
America	-	-	-	-	72,623	-	-	-	72,623
Oceania	-	-	-	-	326,489	-	-	-	326,489
	126,224	2,312,815	120,988	497,081	13,114,553	4,679	119,952	94,711	16,391,003

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### Credit risk exposure (cont'd.)

##### Geographical analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking	Insurance	Insurance	Total
	operation	operation	operation	
	commitments	short term	medium/ long term	
	RM'000	RM'000	RM'000	RM'000
<b>2017</b>				
Malaysia	921,715	225,853	-	1,147,568
East Asia	1,417,172	133,860	991,510	2,542,542
Central Asia	-	218	-	218
South Asia	4,667	32,960	21,128	58,755
Middle East	21,859	61,831	18,558	102,248
Africa	5,601	31,207	63,749	100,558
Europe	52,483	98,906	-	151,390
America	46,260	73,042	-	119,302
Oceania	345,139	43,012	-	388,151
	2,814,896	700,891	1,094,945	4,610,732
<b>2016</b>				
Malaysia	2,021,624	193,679	-	2,215,303
East Asia	706,259	170,661	451,689	1,328,609
South Asia	56,575	35,603	22,457	114,635
Middle East	70,461	75,290	20,058	165,809
Africa	76,657	33,504	67,759	177,920
Europe	59,899	113,035	-	172,934
America	49,395	79,214	-	128,609
Oceania	307,433	46,538	-	353,971
	3,348,303	747,524	561,963	4,657,790

01

02

03

04

05

06

## 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

Group and Bank	Cash and bank balances		Deposit and placement with banks and other financial institutions		Investment securities	Amount due to ECR debtors	Loans, advances and financing	Insurance receivables	Derivatives financial instruments	Other assets	Total
	RM'000	RM'000	RM'000	RM'000							
2017											
Primary agriculture	-	-	100,568	-	731,918	-	-	-	-	-	832,486
Mining and quarrying	-	-	-	-	347,122	-	-	-	-	-	347,122
Manufacturing	-	-	-	-	2,282,653	-	-	-	-	-	2,282,653
Transport, storage and communication	-	-	360,649	-	3,055,383	-	-	-	-	-	3,416,032
Construction	-	-	-	-	180,899	-	-	-	-	-	180,899
Wholesale and retail trade and restaurants and hotels	-	-	-	-	1,525,363	-	-	-	-	-	1,525,363
Finance, insurance, real estate and business activities	172,964	950,584	339,795	509,447	786,926	-	53,804	-	-	-	2,813,520
Electricity, gas and water	-	-	318,367	-	1,653,130	-	-	-	-	-	1,971,497
Education, health & others	-	-	-	-	79,690	-	-	-	-	-	79,690
Property development	-	-	-	-	681,649	-	-	-	-	-	681,649
Government	-	-	-	-	384,311	-	-	-	-	-	384,311
Others	-	-	-	-	1,278	2,040	-	-	-	81,355	84,673
	172,964	950,584	1,119,379	509,447	11,710,322	2,040	53,804	81,355	14,599,895		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

01  
02  
03  
04  
05

06

Financial Statements

## 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:

On-balance sheet exposure

Group and Bank	Cash and bank balances		Deposit and placement with banks and other financial institutions		Investment securities	Amount due to ECR debtors	Loans, advances and financing		Insurance receivables		Derivatives financial instruments		Other assets	Total
	RM'000	RM'000	RM'000	RM'000			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2016														
Primary agriculture	-	-	-	105,410	-	-	323,007	-	-	-	-	-	-	428,417
Mining and quarrying	-	-	-	-	-	-	386,223	-	-	-	-	-	-	386,223
Manufacturing	-	-	-	-	-	-	2,661,511	-	-	-	-	-	-	2,661,511
Transport, storage and communication	-	-	-	-	-	-	4,136,390	-	-	-	-	-	-	4,136,390
Construction	-	-	-	-	-	-	174,894	-	-	-	-	-	-	174,894
Wholesale and retail trade and restaurants and hotels	-	-	-	-	-	-	1,633,014	-	-	-	-	-	-	1,633,014
Finance, insurance, real estate and business activities	126,224	2,312,815	-	-	497,081	-	665,659	-	-	119,952	-	-	-	3,721,731
Electricity, gas and water	-	-	-	15,578	-	-	1,883,283	-	-	-	-	-	-	1,898,861
Education, health & others	-	-	-	-	-	-	52,973	-	-	-	-	-	-	52,973
Property development	-	-	-	-	-	-	789,513	-	-	-	-	-	-	789,513
Government	-	-	-	-	-	-	406,662	-	-	-	-	-	-	406,662
Others	-	-	-	-	-	-	1,424	4,679	-	-	-	94,711	-	100,814
	126,224	2,312,815	120,988	497,081	13,114,553	4,679	119,952	94,711	16,391,003					

**36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)****Credit risk exposure (cont'd.)**Industrial analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking	Insurance	Insurance	Total
	operation	operation	operation	
	commitments	short term	medium/ long term	
	RM'000	RM'000	RM'000	RM'000
<b>2017</b>				
Manufacturing	539,430	535,962	103,435	1,178,827
Transport, storage and communication	177,961	-	-	177,961
Construction	88,481	-	42,917	131,398
Electricity, gas and water supply	239,289	-	697,648	936,937
Finance, insurance, real estate and business activities	61,233	-	169,995	231,228
Wholesale and retail trade and restaurants and hotels	631,887	27,972	-	659,859
Government	228,782	-	-	228,782
Mining and quarrying	217,888	-	-	217,888
Primary agriculture	-	-	-	-
Education, health and others	404,582	-	80,950	485,532
Property development	225,363	-	-	225,363
Others	-	136,957	-	136,957
	2,814,896	700,891	1,094,945	4,610,732

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### Credit risk exposure (cont'd.)

Industrial analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking	Insurance	Insurance	Total
	operation	operation	operation	
	commitments	short term	medium/ long term	
	RM'000	RM'000	RM'000	RM'000
<b>2016</b>				
Manufacturing	793,894	583,697	110,274	1,487,865
Transport, storage and communication	251,092	-	35,831	286,923
Construction	155,026	-	75,751	230,777
Electricity, gas and water supply	239,796	-	130,190	369,986
Finance, insurance, real estate and business activities	136,772	-	180,692	317,464
Wholesale and retail trade and restaurants and hotels	703,039	30,623	-	733,662
Government	-	-	-	-
Mining and quarrying	265,926	-	29,225	295,151
Primary agriculture	548,648	-	-	548,648
Education, health and others	21,629	-	-	21,629
Property development	232,481	-	-	232,481
Others	-	133,204	-	133,204
	3,348,303	747,524	561,963	4,657,790

01

02

03

04

05

06

**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:

<b>Group and Bank</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Available-for-sale investment securities:		
AA	116,065	120,988
D	100,000	100,000
Government guarantees	700,444	-
	916,509	220,988
Held-to-maturity investments securities:		
Long-term		
AAA	302,870	-
Derivative financial assets:		
Financial institutions		
AAA	46,007	54,204
A	-	28,074
AA-	6,123	4,980
AA2	1,674	32,694
	53,804	119,952

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 'aaa' 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
<b>2017</b>				
Commercial customer				
Risk Rating 1	-	-	-	-
Risk Rating 2	2,036,613	-	-	2,036,613
Risk Rating 3	2,274,013	-	-	2,274,013
Risk Rating 4	2,630,311	40,368	-	2,670,679
Risk Rating 5	1,326,975	36,911	-	1,363,886
Risk Rating 6	1,455,577	52,329	-	1,507,906
Risk Rating 7	62,806	70,417	-	133,223
Risk Rating 8	324	-	-	324
Risk Rating 9	10,187	-	-	10,187
Impaired	-	-	1,248,599	1,248,599
	9,796,806	200,025	1,248,599	11,245,430
Sovereign				
Risk Rating b+	229,266	-	-	229,266
Risk Rating bb	24,493	-	-	24,493
Risk Rating bb+	79,303	-	-	79,303
Risk Rating bbb	-	-	-	-
Risk Rating ccc+	8,866	-	-	8,866
Impaired	-	-	121,685	121,685
	341,929	-	121,685	463,614
	10,138,735	200,025	1,370,284	11,709,044

01

02

03

04

05

06

Financial Statements

**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
<b>2016</b>				
Commercial customer				
Risk Rating 1	-	-	-	-
Risk Rating 2	1,454,110	-	-	1,454,110
Risk Rating 3	2,565,437	8,996	-	2,574,433
Risk Rating 4	3,190,877	255	-	3,191,132
Risk Rating 5	1,713,096	8,167	-	1,721,263
Risk Rating 6	1,968,141	62,609	-	2,030,750
Risk Rating 7	75,989	681	-	76,670
Risk Rating 8	1,805	-	-	1,805
Risk Rating 9	10,415	-	-	10,415
Impaired	-	-	1,604,115	1,604,115
	10,979,870	80,708	1,604,115	12,664,693
Sovereign				
Risk Rating b+	204,233	-	-	204,233
Risk Rating bb	71,891	-	-	71,891
Risk Rating bb-	13,401	-	-	13,401
Risk Rating ccc+	31,291	-	-	31,291
Risk Rating b-	-	-	129,044	129,044
	320,816	-	129,044	449,860
	11,300,686	80,708	1,733,159	13,114,553

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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:

	2017 RM'000	2016 RM'000
1 month overdue	41,304	72,271
2 months overdue	53,329	3,203
3 months overdue	-	5,234
4 months overdue	-	-
5 months overdue	105,392	-
	200,025	80,708

##### 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 RM Nil (2016: RM105.08 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.

01

02

03

04

05

06

## 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 - Valuation method for which all significant inputs are, or are based on, observable market data.
- Level 3 - Valuation method for which significant inputs are not based on observable data.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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:

Group and Bank	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
<b>2017</b>			
<b>Financial assets</b>			
AFS securities			
Unquoted debt securities	816,509	816,509	-
HTM securities			
Unquoted debt securities	302,870	302,870	-
Derivative financial instruments	53,804	53,804	-
Loans, advances and financing	10,740,408	10,740,408	-
	11,913,591	11,913,591	-
<b>Financial liabilities</b>			
Borrowings - Medium Term Notes/Sukuk (Hedged items)	7,969,375	7,969,375	-
Derivative financial instruments	104,387	104,387	-
	8,073,762	8,073,762	-
<b>Assets for which fair values are disclosed:</b>			
Investment properties	886	-	1,239

01

02

03

04

05

06

**36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)****Fair values (cont'd.)****(ii) Fair value hierarchy (cont'd.)**

<b>Group and Bank</b>	<b>Carrying value RM'000</b>	<b>Fair value Level 2 RM'000</b>	<b>Fair value Level 3 RM'000</b>
<b>2016</b>			
<b>Financial assets</b>			
AFS securities			
Unquoted debt securities	120,988	120,988	-
Derivative financial instruments	119,952	119,952	-
Loans, advances and financing	12,464,564	12,464,564	-
	<b>12,705,504</b>	<b>12,705,504</b>	<b>-</b>
<b>Financial liabilities</b>			
Borrowings - Medium Term Notes/Sukuk (Hedged items)	8,722,296	8,722,296	-
Derivative financial instruments	100,374	100,374	-
	<b>8,822,670</b>	<b>8,822,670</b>	<b>-</b>
<b>Assets for which fair values are disclosed:</b>			
Investment properties	961	-	1,239

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 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, corporate debt securities and issued notes.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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

	2017 Net RM'000	2016 Net RM'000
Estimated claim liabilities	19,597	19,758

01

02

03

04

05

06

Financial Statements

**37. INSURANCE RISKS (CONT'D.)****Claim liability sensitivity analysis (cont'd.)****a. Change in claim costs**

Assumed an average claim cost of RM360,000 (2016: RM365,000) 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 result:

	2017 Net		2016 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	20,580	18,613	20,329	19,187

**b. Change in average number of claims**

Assumed 10.5% (2016: 9%) of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following result:

	2017 Net		2016 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	20,682	18,511	20,629	18,887

**c. Change in Claims Handling Expenses ("CHE")**

Assumed the following expenses 5% of gross IBNR and 4% of the specific provisions. Changing this by 10% points gives the following result:

	2017 Net		2016 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	19,684	19,509	19,928	19,588

**d. Change in PRAD %**

Assumed a claim Provision of Risk Margin for Adverse Deviation ("PRAD") of 20%. Changing this by 10% (to 22% and 18% respectively) gives the following result:

	2017 Net		2016 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	19,923	19,270	20,016	19,500

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 37. INSURANCE RISKS (CONT'D.)

#### Premium/contribution liability sensitivity analysis

	2017 Net RM'000	2016 Net RM'000
Estimated premium	14,562	16,915

#### a. Change in probability of default

We have assumed 1-year probability of default of ranging from 1% to 2.5% for short-term contracts, depending on the type of contract. For the MLT policies all 1-year probabilities were assumed to have a BB rating which equated to a 0.58% 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 result:

	2017 Net		2016 Net	
	High B rating points	Low BBB rating points	High B rating points	Low BBB rating points
Estimated premium	34,637	8,054	31,836	11,089

#### b. Change in recovery rates

On the premium liability front, some of the MLT policies have reinsurance cover. For the "High" Scenario, we reduce all of these by 10%. For the "Low" scenario we increase them by 10%.

	2017 Net		2016 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	17,476	11,648	19,563	14,268

#### c. Change in Maintenance Expenses ("ME")

Assumed ME of 5%. Changing this by 10% points gives the following result:

	2017 Net		2016 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	14,616	14,509	16,940	16,890

01

02

03

04

05

06

**37. INSURANCE RISKS (CONT'D.)****Premium/contribution liability sensitivity analysis (cont'd.)****d. Change in PRAD %**

Assumed a premium PRAD of 25%. Changing this by 10% (to 38.5% and 31.5% respectively) gives the following result:

	2017 Net		2016 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	14,940	14,185	17,247	16,583

**38. ISLAMIC BUSINESS FUNDS****Statement of financial position as at 31 December 2017**

	Note	Group and Bank					
		2017			2016		
		Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
<b>Assets</b>							
Cash and bank balances	(a)	47,253	218	47,471	1,066	57	1,123
Deposits and placements with banks and other financial institutions	(b)	167,022	10,598	177,620	167,806	5,645	173,451
Investment securities	(c)	1,119,379	-	1,119,379	120,988	-	120,988
Islamic financing	(d)	4,805,414	-	4,805,414	4,915,286	-	4,915,286
Derivative financial instruments	(e)	16,730	-	16,730	30,974	-	30,974
Contribution receivable		-	978	978	-	4,024	4,024
Other receivables		17,078	6,428	23,506	21,372	7,128	28,500
<b>Total assets</b>		<b>6,172,876</b>	<b>18,222</b>	<b>6,191,098</b>	<b>5,257,492</b>	<b>16,854</b>	<b>5,274,346</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of financial position as at 31 December 2017 (cont'd.)

	Note	Group and Bank					
		2017			2016		
		Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
<b>Liabilities</b>							
Financing payable	(f)	3,613,079	-	3,613,079	4,004,348	-	4,004,348
Deferred income		12,788	9,528	22,316	11,088	11,580	22,668
Derivative financial instruments	(e)	12,897	-	12,897	8,607	-	8,607
Deferred taxation	(j)	-	-	-	-	-	-
Provision for claim		-	5,616	5,616	-	3,238	3,238
Provision for expenses liability		229	-	229	275	-	275
Other liabilities		1,614,107	3,078	1,617,185	697,355	2,036	699,391
<b>Total liabilities</b>		<b>5,253,100</b>	<b>18,222</b>	<b>5,271,322</b>	<b>4,721,673</b>	<b>16,854</b>	<b>4,738,527</b>
<b>Financed by:</b>							
Islamic banking fund		800,000	-	800,000	500,000	-	500,000
Reserves		71,320	-	71,320	831	-	831
Retained profits		54,622	-	54,622	41,843	-	41,843
Takaful participants fund	(l)	(6,166)	-	(6,166)	(6,855)	-	(6,855)
<b>Total Islamic business fund and Takaful fund</b>		<b>919,776</b>	<b>-</b>	<b>919,776</b>	<b>535,819</b>	<b>-</b>	<b>535,819</b>
<b>Total liabilities, Islamic business fund, and Takaful participants fund</b>		<b>6,172,876</b>	<b>18,222</b>	<b>6,191,098</b>	<b>5,257,492</b>	<b>16,854</b>	<b>5,274,346</b>
<b>Commitments and contingencies</b>	(m)	1,226,873	472,715	1,699,588	1,912,844	504,918	2,417,762

## 38. ISLAMIC BUSINESS FUNDS (CONT'D.)

## Income Statements for the year ended 31 December 2017

	Note	Group and Bank					
		2017		2016			
		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	(g)	256,114	-	256,114	200,998	-	200,998
Financing cost		(103,220)	-	(103,220)	(86,847)	-	(86,847)
Net income from							
Islamic banking fund		152,894	-	152,894	114,151	-	114,151
Gross contribution		-	1,972	1,972	-	13,855	13,855
(Refund)/Income from recoveries		-	(3)	(3)	-	48	48
Wakalah fee		995	(995)	-	914	(914)	-
Reinsurance outward		-	(30)	(30)	-	(7,976)	(7,976)
Decrease/(increase) in contribution liability		-	2,055	2,055	-	(8,432)	(8,432)
Increase in claim liability		-	(2,378)	(2,378)	-	(2,649)	(2,649)
Decrease/(increase) in expenses liability		46	-	46	(224)	-	(224)
Brokerage comission		-	(3)	(3)	-	(7)	(7)
Takaful fees		94	-	94	97	14	111
Allowance on doubtful debt		-	-	-	-	(60)	(60)
Income from Takaful activities		1,135	618	1,753	787	(6,121)	(5,334)
Islamic banking fund and Takaful fund results		154,029	618	154,647	114,938	(6,121)	108,817
Other income	(h)	37,578	-	37,578	6,788	-	6,788
Net Income from Islamic business		191,607	618	192,225	121,726	(6,121)	115,605
Administrative expenses		(575)	-	(575)	(712)	-	(712)
Reversal of allowance on doubtful debt		-	71	71	-	-	-
Allowances for losses on financing	(i)	(197,349)	-	(197,349)	(175,767)	-	(175,767)
Allowance on investment securities		-	-	-	(100,000)	-	(100,000)
(Loss)/profit for the year before zakat		(6,317)	689	(5,628)	(154,753)	(6,121)	(160,874)
Taxation	(k)	22,259	-	22,259	-	-	-
Zakat		(3,163)	-	(3,163)	(2,423)	-	(2,423)
Net profit/(loss) for the year		12,779	689	13,468	(157,176)	(6,121)	(163,297)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 38. ISLAMIC BUSINESS FUNDS (CONT'D.)

#### Statement of Comprehensive Income for the year ended 31 December 2017

	Note	Group and Bank					
		2017			2016		
		Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Net profit/(loss) for the year (cont'd.)		12,779	689	13,468	(157,176)	(6,121)	(163,297)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Fair value changes on available-for-sale investments securities		92,748	-	92,748	703	-	703
Tax effect		(22,259)	-	(22,259)	-	-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		70,489	-	70,489	703	-	703
Total comprehensive income/(loss) for the year		83,268	689	83,957	(156,473)	(6,121)	(162,594)

## 38. ISLAMIC BUSINESS FUNDS (CONT'D.)

## Statement of changes in Islamic business fund and Takaful fund for the year ended 31 December 2017

	Islamic Banking Fund RM'000	Retained profits RM'000	Fair value adjustment reserve RM'000	Total RM'000
<b>Group and Bank</b>				
At 1 January 2016	500,000	198,285	128	698,413
Net loss for the year	-	(163,297)	-	(163,297)
Other comprehensive income	-	-	703	703
At 31 December 2016	500,000	34,988	831	535,819
Additional capital injected	300,000	-	-	300,000
Net loss for the year	-	13,468	-	13,468
Other comprehensive income	-	-	70,489	70,489
At 31 December 2017	800,000	48,456	71,320	919,776

## Statement of cash flows for Islamic business fund the financial year ended 31 December 2017

	Group and Bank	
	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>		
Loss before zakat	(6,317)	(154,753)
Adjustments for:		
Individual allowance		
- Charged for the year	271,461	146,716
- Written back during the year	(42,463)	(49)
Collective allowance		
- Charged for the year	37,295	87,574
- Written back during the year	(68,944)	(58,474)
Allowance on investment securities	-	100,000
Claim and guarantee		
- Charged for the year	-	224
- Written back during the year	-	-
Unrealised foreign exchange loss/(gain)	197,454	(73,849)
Unrealised gain/(loss) on derivatives	19,473	(12,623)
Unrealised (loss)/gain on Sukuk	(31,322)	8,117
Amortisation of premium less accretion of discount	7,772	(174)
Operating profit before working capital changes	375,565	42,709

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 38. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of cash flows for Islamic business fund the financial year ended 31 December 2017 (cont'd.)

	Group and Bank	
	2017	2016
	RM'000	RM'000
Changes in working capital:		
Deposits and placements with banks and other financial institutions	7,886	528
Islamic financing	(158,296)	(189,547)
Other assets	4,840	(10,140)
Derivative financial instruments	(937)	(406)
Other liabilities	937,743	28,763
Deferred income:	1,700	(3,124)
Net claims paid for bank guarantee and insurance claims	(46)	-
Zakat paid	(2,423)	(3,508)
Net cash generated from/(used in) operating activities	1,166,032	(134,725)
<b>Cash flow from investing activities</b>		
Purchase of investments	(934,823)	(39,836)
Proceed from disposal of investment	5,000	-
Net cash used in investing activities	(929,823)	(39,836)
<b>Cash flows from financing activities</b>		
Net (repayment)/drawdown of financing payable	(482,136)	69,804
Proceeds from share capital	300,000	-
Amount due from ECR-i debtors	-	148
Net cash (used in)/generated from financing activities	(182,136)	69,952
Net increase/(decrease) in cash and cash equivalents	54,073	(104,609)
Cash and cash equivalents at beginning of year excluding on behalf of customer	88,406	193,015
Cash and cash equivalents at end of year	142,479	88,406
Cash and cash equivalents comprise:		
Cash and bank balances	47,253	1,066
Deposits and placements with financial institutions	167,022	167,806
Less: Deposits and placements on behalf of customers	(71,796)	(80,466)
	142,479	88,406

01

02

03

04

05

06

Financial Statements

**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 2017

**(a) Cash and bank balances**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	47,471	1,123

**(b) Deposits and placements with banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements with:		
Licensed banks	146,633	147,806
Other financial institutions	30,987	25,645
	177,620	173,451
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	105,824	92,985
On behalf of customers and government	71,796	80,466
	177,620	173,451

**(c) Investment securities**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Available-for-sale investments:		
Unquoted debt securities	916,509	220,988
Less: Impairment losses	(100,000)	(100,000)
	816,509	120,988
Held-to-maturity investments:		
Unquoted debt securities	302,870	-
	302,870	-
Total investment securities	1,119,379	120,988

Included in investment securities are amount that have been pledged for Sukuk Issuance amounting to RM481,767,176 (2016: RM115,986,900).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 2017 (cont'd.)

#### (d) Islamic financing

	Group and Bank	
	2017	2016
	RM'000	RM'000
(i) Murabahah	2,118,260	338,891
Istisna'	188,445	375,279
Bai' Dayn	142,058	127,404
Tawarruq	3,220,735	4,443,555
Ijarah **	489,714	841,151
Unearned income	(899,764)	(932,255)
	5,259,448	5,194,025
Allowances for losses on advances and financing:		
- Individual allowance	(367,516)	(160,572)
- Collective allowance	(86,518)	(118,167)
Net advances and financing	4,805,414	4,915,286

\*\* RM297,310,460 (2016: RM372,568,224) is in respect of Sukuk Issuance.

	Group and Bank	
	2017	2016
	RM'000	RM'000
(ii) The maturity structure of the advances and financing are as follows:		
Within one year	2,421,160	2,018,531
One year to three years	100,480	558,913
Three years to five years	1,350,880	872,279
Over five years	1,386,928	1,744,302
	5,259,448	5,194,025

(iii) Islamic gross financing analysed by profit rate sensitivity are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Fixed rate	383,273	686,455
Variable rate	4,876,175	4,507,570
	5,259,448	5,194,025

**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 2017 (cont'd.)

**(d) Islamic financing (cont'd.)**

(iv) Islamic gross financing analysed by geography are as follows:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	3,961,506	3,823,701
East Asia	765,089	640,253
Middle East	-	22,579
South Asia	19,182	62,853
Europe	250,195	528,928
West Africa	90,424	-
Oceania	173,052	115,711
	<b>5,259,448</b>	<b>5,194,025</b>

(v) Islamic gross financing analysed by industry are as follows:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	138,015	323,007
Mining and quarrying	93,280	46,765
Manufacturing	1,483,246	987,497
Transport, storage and communication	1,056,364	1,728,318
Construction	760,687	61,341
Wholesale and retail trade, and restaurants and hotels	1,040,612	956,424
Finance, insurance, real estate and business activities	623,760	387,716
Electricity, gas and water	63,484	247,701
Others	-	455,256
	<b>5,259,448</b>	<b>5,194,025</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 2017 (cont'd.)

#### (d) Islamic financing (cont'd.)

(vi) Advance and financing analysed by facility and Shariah contract are as follows:

2017	Murabahah RM'000	Istisna RM'000	Bai'Dayn RM'000	Tawarruq RM'000	Ijarah RM'000	Total RM'000
<b>At amortised cost</b>						
Buyer Credit-i	-	-	-	338,439	-	338,439
Malaysian Kitchen Financing Facility-i	-	-	-	3,821	-	3,821
Overseas Contract Financing-i	-	-	-	86,107	-	86,107
Overseas Investment Financing-i	-	-	-	375,880	-	375,880
Overseas Project Financing-i	-	188,445	-	297,568	93,161	579,174
Supplier Financing-i	2,112,811	-	-	540,709	-	2,653,520
Term Financing-i	5,449	-	142,058	1,578,211	396,553	2,122,271
Unearned income	-	-	-	-	-	(899,764)
<b>Gross financing</b>	<b>2,118,260</b>	<b>188,445</b>	<b>142,058</b>	<b>3,220,735</b>	<b>489,714</b>	<b>5,259,448</b>
Allowances for losses on advances and financing:						
- Individual allowance	-	-	-	-	-	(367,516)
- Collective allowance	-	-	-	-	-	(86,518)
<b>Net advances and financing</b>	<b>2,118,260</b>	<b>188,445</b>	<b>142,058</b>	<b>3,220,735</b>	<b>489,714</b>	<b>4,805,414</b>

**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 2017 (cont'd.)

**(d) Islamic financing (cont'd.)**

(vi) Advance and financing analysed by facility and Shariah contract are as follows: (cont'd.)

2016	Murabahah RM'000	Istisna RM'000	Bai'Dayn RM'000	Tawarruq RM'000	Ijarah RM'000	Total RM'000
<b>At amortised cost</b>						
Malaysian Kitchen						
Financing Facility-i	-	-	-	3,956	-	3,956
Overseas Contract						
Financing-i	3	-	-	77,504	-	77,507
Overseas Investment						
Financing-i	-	-	-	905,451	-	905,451
Overseas Project Financing-i	-	375,126	-	287,400	103,272	765,798
Supplier Financing-i	337,668	-	-	988,597	-	1,326,265
Term Financing-i	1,220	153	127,404	2,180,647	737,879	3,047,303
Unearned income	-	-	-	-	-	(932,255)
Gross financing	338,891	375,279	127,404	4,443,555	841,151	5,194,025
Allowances for losses on advances and financing:						
- Individual allowance	-	-	-	-	-	(160,572)
- Collective allowance	-	-	-	-	-	(118,167)
Net advances and financing	338,891	375,279	127,404	4,443,555	841,151	4,915,286

(vii) Movements in impaired financing are as follows:

	Group and Bank	
	2017 RM'000	2016 RM'000
At 1 January	1,019,529	38,390
Impaired during the year	410,793	994,520
Reclassified as non-impaired	(126,756)	-
Recoveries	(682,189)	(35,640)
Amount written off	-	(4,788)
Exchange differences	(71,451)	27,047
At 31 December	549,926	1,019,529

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 2017 (cont'd.)

#### (d) Islamic financing (cont'd.)

(viii) Movements in the allowance for impaired financing are as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
<u>Individual allowance</u>		
Balance at 1 January	160,572	6,694
Allowance made during the year	271,461	146,716
Reversal during the year	(42,463)	(49)
Bad debts written off	-	(4,787)
Exchange differences	(22,054)	11,998
Balance at 31 December	367,516	160,572
<u>Collective allowance</u>		
Balance at 1 January	118,167	89,067
Allowance made during the year	37,295	87,574
Reversal during the year	(68,944)	(58,474)
Balance at 31 December	86,518	118,167
Breakdown of collective allowance:		
From impaired financing	-	-
From non-impaired financing	86,518	118,167
	86,518	118,167

01

02

03

04

05

06

Financial Statements

## 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 2017 (cont'd.)

## (e) Derivatives financial instrument

	Group and Bank					
	2017		Notional Amount RM'000	2016		Notional Amount RM'000
	Fair value Assets RM'000	Liability RM'000		Fair Value Assets RM'000	Liability RM'000	
Derivatives used as fair value hedges						
Profit rate swaps	-	10,024	1,365,222	-	4,437	1,513,128
Cross currency profit rate swaps	16,730	2,873	369,080	30,794	4,170	410,835
Total	16,730	12,897	1,734,302	30,794	8,607	1,923,963

## (f) Financing Payable

	Group and Bank	
	2017 RM'000	2016 RM'000
(i) <u>Revolving credit facility - unsecured</u> Repayable within one year	1,088,274	1,389,848
	1,088,274	1,389,848
(ii) <u>Sukuk</u> within one year	283,240	-
One year to three years	1,830,451	2,136,343
Three years to five years	330,342	388,655
Over five years	80,772	89,502
	2,524,805	2,614,500
	3,613,079	4,004,348

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 2017 (cont'd.)

#### (g) Income derived from investment of Islamic banking fund

	Group and Bank	
	2017	2016
	RM'000	RM'000
Islamic financing:		
Murabahah	58,713	26,918
Istisna'	19,337	11,827
Bai' Dayn	14,508	4,041
Tawarruq	84,690	116,053
Ijarah	10,233	22,098
ECR-i debtors	69	3
Recoveries from impaired loans	19,545	-
Deposits and placements with banks and other financial institutions	8,364	4,538
Investment securities	36,271	6,527
Net income from profit rate swaps	4,384	8,993
	256,114	200,998

#### (h) Other income/(expenses)

	Group and Bank	
	2017	2016
	RM'000	RM'000
Fee Income	8,615	9,269
Foreign exchange (loss)/gain		
- unrealised	(197,454)	73,849
- realised	214,568	(80,836)
Unrealised (loss)/gain on derivatives	(19,473)	12,623
Unrealised gain/(loss) on Sukuk	31,322	(8,117)
	37,578	6,788

01

02

03

04

05

06

Financial Statements

**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 2017 (cont'd.)

**(i) Allowances for losses on financing**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Individual allowance		
- Charged for the year	271,461	146,716
- Written back during the year	(42,463)	(49)
(ii) Collective allowance		
- Charged for the year	37,295	87,574
- Written back during the year	(68,944)	(58,474)
	197,349	175,767

**(j) Deferred tax liabilities**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	-	-
Recognised in profit or loss	22,259	-
Recognised in other comprehensive income	(22,259)	-
	-	-

**Deferred tax assets**

	<b>Unutilised business losses RM'000</b>
<b>Group and Bank</b>	
At 1 January 2017	-
Recognised in income statement	22,259
At 31 December 2017	22,259

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 2017 (cont'd.)

#### (j) Deferred tax liabilities (cont'd.)

##### Deferred tax liabilities

	Unutilised gain on available-for- sale investment securities RM'000
<b>Group and Bank</b>	
At 1 January 2017	-
Recognised in comprehensive income	(22,259)
At 31 December 2017	(22,259)

Presented after appropriate offsetting as follows:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Deferred tax assets	22,259	-
Deferred tax liabilities	(22,259)	-
	-	-

#### (k) Taxation

The major components of taxation for the years ended 31 December 2017 and 2016 are:

	Group and Bank	
	2017	2016
	RM'000	RM'000
Deferred tax expense (Note j)		
- Benefits from previously unutilised business losses	(22,259)	-
	(22,259)	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

**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 2017 (cont'd.)****(k) Taxation (cont'd.)**

A reconciliation of the taxation applicable to loss 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:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Loss before taxation	(6,317)	(154,753)
Income tax using Malaysian statutory tax rate of 24% (2016: 24%)	(1,516)	(37,141)
Deferred tax assets recognised on unutilised business losses	(22,259)	-
Deferred tax assets not recognised on unutilised business losses	1,516	37,141
	(22,259)	-

**(l) Takaful participants fund**

		<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Takaful participants fund</b>			
Accumulated deficit	(i)	(6,166)	(6,855)
Qard	(ii)	6,166	6,855
		-	-

The deficit in the Takaful participant fund is covered by the Qard from Shareholder's funds. Qard represents a financing to the Takaful participants fund to make good any underwriting deficit experienced during a financial period. The amount is unsecured, not subject to any profit elements and has no fixed terms of repayment. The management expects to recover the balance from future profits of Takaful participants fund.

		<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>(i) Accumulated deficit</b>			
At beginning of the year		(6,855)	(734)
Net surplus/(deficit) of the Takaful fund		689	(6,121)
At end of the year		(6,166)	(6,855)
<b>(ii) Qard</b>			
At beginning of the year		6,855	734
(Decrease)/increase in Qard		(689)	6,121
At end of the year		6,166	6,855

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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 2017 (cont'd.)

#### (m) Commitments and contingencies

	Group and Bank	
	2017 RM'000	2016 RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	95,612	118,946
Letter of credit	3,258	49,359
Undrawn financing	1,128,003	1,744,539
	1,226,873	1,912,844
<u>Takaful operation commitments</u>		
Contracted but not provided for:		
Within one year	302,720	313,680
One year or later and no later than five years	169,995	191,238
	472,715	504,918
Total commitments and contingencies	1,699,588	2,417,762

#### (n) Shariah disclosures

##### (i) Shariah non-compliant events

For the financial year ended 31 December 2017, the nature of transactions for Shariah non-compliance are as follows:

	No. of event(s)	RM'000
Disbursement was made prior to commodity trading	1	**
Disbursement was made prior to aqad	2	1
	3	1

\*\* amount is less than RM1,000

**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 2017 (cont'd.)

**(n) Shariah disclosures (cont'd.)**

(ii) Sources and uses of charity funds

	Group and Bank	
	2017	2016
	RM'000	RM'000
At 1 January	1,613	976
Funds collected during the year		
- Shariah non-compliance	1	-
- Income earned from late payment charges	2,227	1,673
Funds distributed during the year		
- Contribution to non-profit organisation	(938)	(1,036)
At 31 December	2,903	1,613

Monies derived from the Shariah non-compliant event and late payment charges on Islamic financing activities were channelled to charity fund and distributed progressively to the eligible beneficiaries.

**(o) Regulatory Capital**

	Group and Bank	
	2017	2016
	RM'000	RM'000
Ordinary share capital	800,000	500,000
Retained profit	41,843	199,019
Current year profit/(loss)	12,779	(157,176)
Eligible Tier 1 capital	854,622	541,843
Collective allowance on Islamic financing*	86,518	118,167
Provision for guarantee and claim	5,298	2,920
Eligible Tier 2 capital	91,816	121,087
Total capital base	946,438	662,930
Risk weighted assets	6,026,561	5,650,088
RWCR	15.70%	11.73%

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

FOR THE YEAR ENDED 31 DECEMBER 2017

### 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.

01

02

03

04

05

06

## 39. SEGMENT INFORMATION (CONT'D.)

	2017				2016			
	Business segments		and		Business segments		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	115,735	-	51,229	166,964	123,367	-	63,923	187,290
Underwriting results	-	9,469	-	9,469	-	3,299	-	3,299
Income from Islamic business	152,894	1,135	-	154,029	114,151	787	-	114,938
Other income	26,419	-	(10,849)	15,570	27,729	-	4,700	32,429
Net income	295,048	10,604	40,380	346,032	265,247	4,086	68,623	337,956
Overhead expenses	(29,276)	(6,088)	(53,698)	(89,062)	(29,379)	(6,234)	(66,281)	(101,894)
Operating profit	265,772	4,516	(13,318)	256,970	235,868	(2,148)	2,342	236,062
Allowances for losses on loans, advances and financing	(345,053)	-	-	(345,053)	(380,718)	-	-	(380,718)
Allowances on investment securities	-	-	-	-	-	-	(100,000)	(100,000)
Taxation	(79,281)	4,516	(13,318)	(88,083)	(144,850)	(2,148)	(97,658)	(244,656)
Zakat for the Bank				(33,654)				19,772
Net loss for the year - Bank				(3,163)				(2,423)
Add: zakat for the Group				(124,900)				(227,307)
Add: taxation for the Group				-				28
Net loss for the year - Group				(1)				
				(124,901)				(227,279)

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