EXIM BANK™
MALAYSIA

Expanding Frontiers™

Transcending *Beyond*

Annual Report **2012**

EXPORT-IMPORT BANK OF MALAYSIA BERHAD
ANNUAL REPORT
2012

Transcending Beyond

In flight, a flock of migratory birds in coordinated pattern demonstrate its strength and ability of synergy, leadership, efficiency, focus and direction to traverse across great span of distances. As part of the transition of nature, migration represents the transition of birds to seek new sanctuaries for survival, continuity and long term progression.

Recognised as the nation's premier financial institution, EXIM Bank's journey of transformation is focused on charting future sustainable growth in the wake of present challenges. By its strategic collaboration with Malaysians seeking total financing facilities for cross-border ventures, the Bank maps its next stage of transcending beyond new opportunities.

ANNUAL REPORT
2012
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CORPORATE INFORMATION

DIRECTORS

DATUK MOHD HASHIM BIN HASSAN
(Chairman)

DATO' ADISSADIKIN BIN ALI
(Managing Director/
Chief Executive Officer)

ZAKARIA BIN ISMAIL

DATO' ROSLI BIN MOHAMED NOR

DATO' DR. MOHD ISA HUSSAIN

NIK NAJIB BIN HUSAIN

DATO' AGIL NATT
(appointed w.e.f 02/02/2012)

ISMAIL BIN MAHBOB
(appointed w.e.f 10/08/2012)

WONG SENG FOO
(appointed w.e.f 23/10/2012)

AB. GANI BIN HARON
(term end w.e.f 01/05/2012)

SHARIAH COMMITTEE

DATO' HJ. MOHD MOKHTAR
BIN HJ. SHAFII
(Chairman)

HJ. ABDUL RASID BIN ABDUL KADIR

DR. MOHD SABRI BIN ZAKARIA

HJ. AZIZ BIN MUSTAPHA

DR. SUHAIMI AB RAHMAN

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

DATO' ADISSADIKIN BIN ALI

COMPANY SECRETARY

JULINA BINTI MOHD SALLEH
(LS 0008055)

AUDITORS

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

REGISTERED OFFICE

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

REPRESENTATIVE OFFICE

Pulau Pinang
No. 2, Ground Floor
Lebuh Tenggiri Dua
Pusat Bandar Seberang Jaya
13700 Seberang Jaya
Perai Penang
MALAYSIA

Johor Darul Takzim
No. 95, Ground Floor
Jalan Damai
Taman Seri Setia
Off Jalan Stulang Darat
80300 Johor Bharu
MALAYSIA

VISION

To be a leading financial institution for Malaysian cross -border ventures.

In defining the vision;

- Leading means being a preferred financial institution for Malaysians seeking financing facilities, insurance cover and advisory services when venturing business abroad.

- Malaysian cross-border ventures means all types of business ventures abroad participated by Malaysians that meet the requirement as specified under the Bank's business rules.

MISSION

- As a development financial institution we strive to facilitate Malaysia's global businesses by providing banking and credit insurance products and services;

- Provide developmental advisory services in nurturing Malaysian cross-border business ventures.

SHARED VALUES




E X I M

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.

EXIM BANK IN BRIEF

BACKGROUND

Export-Import Bank of Malaysia Berhad (EXIM Bank) was incorporated on 29 August 1995 as a government owned Development Financial Institution through a wholly owned subsidiary of the Minister of Finance Incorporated. The Bank was established to promote reverse investment and export of strategic sectors such as capital goods, infrastructure projects, shipping, value added manufactured products and to facilitate the entry of Malaysian companies to new markets, particularly to the non-traditional markets.

MANDATED ROLE

As an agency under the purview of the Ministry of Finance, EXIM Bank's mandated role as specified by the Government is as follows: -

- To provide credit facilities to finance and support exports and imports of goods, services and overseas projects with emphasis on non-traditional markets as well as the provision of export credit insurance services, export financing insurance, overseas investments insurance and guarantee facilities.

CLIENTELE

The Bank's clientele consists of large corporations, SMEs, foreign governments and foreign companies and cover all sectors ranging from trading, manufacturing and infrastructure.

STRATEGIC ALLIANCES

- EXIM Bank continues to pursue alliances with international associations and multilateral organisations and have also executed several agreements to further boost its business and market outlook.

- EXIM Bank is a member of the Berne Union, an international organisation for Export Credit Agencies; a member of Asian EXIM Banks Forum, an association of 9 EXIM Banks in Asia; The Aman Union and Association of Development Financing Institutions in Asia and the Pacific.

- EXIM Bank in its export promotion effort also collaborates with Malaysian government agencies including Ministry of International Trade and Industry (MITI), Malaysia External Trade Development Corporation (MATRADE), Malaysian Industrial Development Authority (MIDA), Small And Medium Enterprise Corporation Malaysia (SMECorp), and Construction Industry Development Board Malaysia (CIDB).

CURRENT FACILITIES OFFERED BY EXIM BANK

1. Banking Facilities

a. Conventional

- Overseas Project Financing
- Overseas Contract Financing
- Buyer Credit
- Export of Services Financing
- Supplier Credit
- Guarantee
- Export Credit Refinancing (ECR) Scheme
- EXIM Overseas Guarantee Facility (EOGF)
- MalaysiaKitchen Financing
- Import Financing
- Forward Forex
- Overseas Investment Financing
- Trust Receipt

b. Islamic

- Buyer Financing-i
- Supplier Financing-i
- Term Financing-i
- MalaysiaKitchen Financing-i
- IDB Co-Financing
- Letter of Credit-i
- Overseas Project Financing-i
- Overseas Contract Financing-i
- Bank Guarantee-i
- Import Financing-i
- Forward Forex-i
- ECR-i
- Overseas Investment Financing-i
- Trust Receipt-i

2. Credit Insurance

Facilities

- Exporters Trade Credit Insurance (Export)
- Exporters Trade Credit Insurance (Domestic)
- Bank Letter of Credit Policy (BLCP)
- Overseas Investment Insurance (Political Risks Insurance Cover)

- Buyer Credit Guarantee
- Multi Currency Trade Financing (MCTF) Scheme
- Indirect Exporters' Financing Scheme (IEFS)
- Bond Risk Insurance
- Bond Indemnity Support
- EXIM Domestic Credit Insurance
- Takaful
  : Exporters Trade Credit Takaful (Export/Domestic)
  : Bankers Trade Credit Takaful

PRODUCT ADVERTISEMENTS


Supplier Credit Facility
We're with your business
from start to end.
EXIM BANK
MALAYSIA
With EXIM Bank, we're with you every step of the way in fulfilling your export shipment needs. From the working capital for production of goods before shipment to export bills after shipments, our Supplier Credit facility gives you:
• Pre and Post-shipment financing
• Margin of financing up to 85% of export order value, and up to 100% of export bill
• Available in various currencies (USD, EUR, AUD and SGD)
So let the experts take your business places. Contact us today at 03-2601 2000.
*This service is available in both Conventional and Islamic Financing
www.exim.com.my
Expanding Frontiers


Overseas Project / Contract / Investment Financing
The right support to build
your business abroad.
EXIM BANK
MALAYSIA
If you're looking for financing to develop projects abroad or as working capital for overseas contracts, we're here to help. Our Overseas Project, Contract or Investment Financing facility offers:
• Margin of financing up to 85%
• A maximum tenor of 10 years
• 2 years grace period
So let the experts take your business places. Contact us today at 03-2601 2000.
*This service is available in both Conventional and Islamic Financing.
www.exim.com.my
Expanding Frontiers

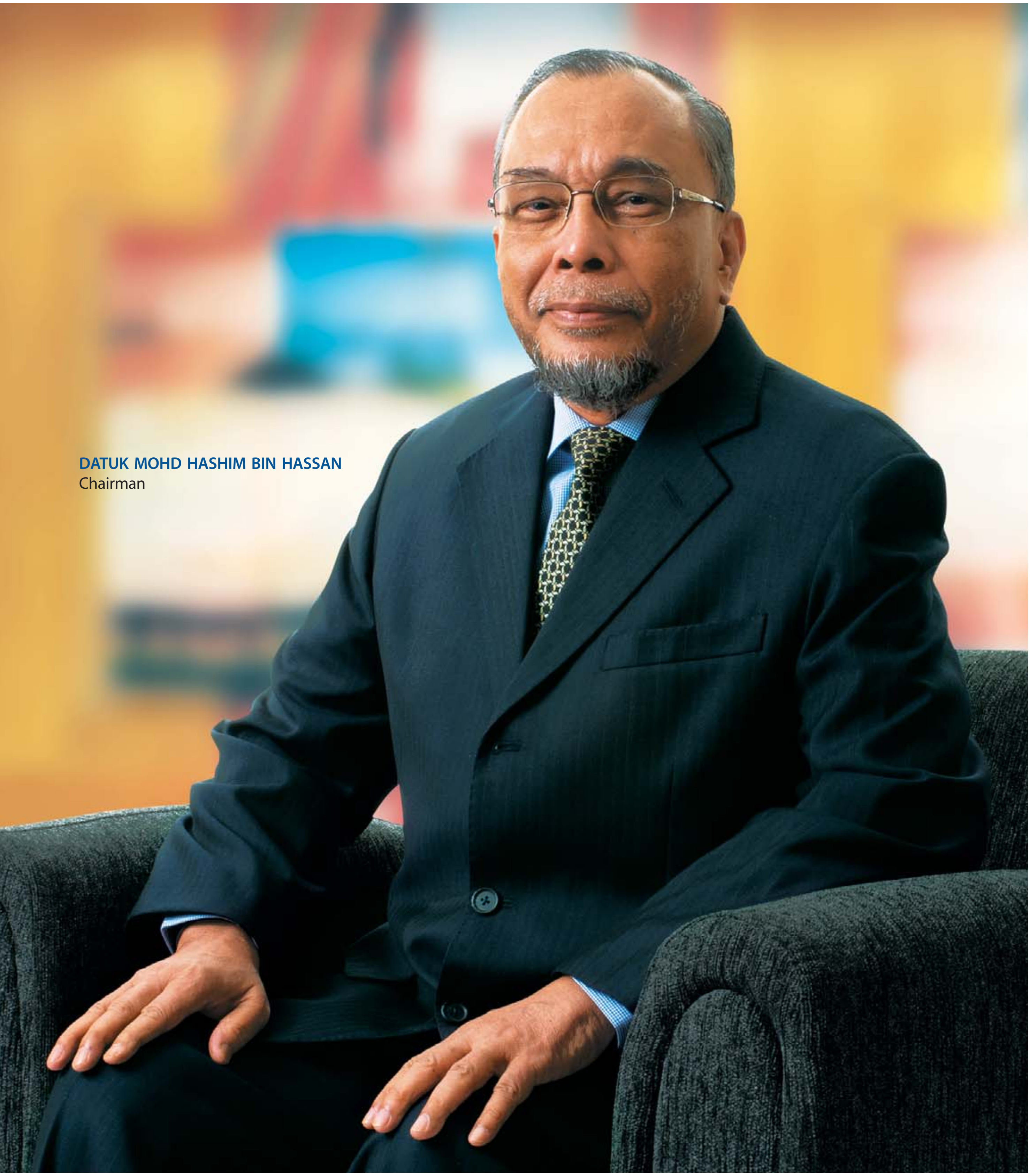

Political Risk Insurance
Expand your business globally
and leave your worries behind.
PEACE
OF
MIND
EXIM BANK
MALAYSIA
Here at EXIM Bank, we encourage the participation of Malaysian businesses in the international arena. Our Political Risk Insurance service allows you to focus on expanding your business without worrying about the uncertainties of foreign countries. It offers the following:
• Mid to long-term policies on non-commercial risks
• A cover of up to 90% losses
• Coverage of up to 15 years
So let the experts take your business places. Contact us today at 03-2601 2000.
*This service is available in both Conventional and Takaful
www.exim.com.my
Expanding Frontiers

Efficient

SYNONYMOUS WITH SERVICE

As we embarked on the final leg of our transformation, we continue to enhance our people in realising the vision that remains relevant and sustainable, through increased performances of our operational effectiveness and efficiencies.

MESSAGE FROM THE CHAIRMAN



DATUK MOHD HASHIM BIN HASSAN
Chairman

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

DEAR STAKEHOLDERS,

PLAGUED BY UNCERTAINTY AND SETBACKS, NAMELY THE CONTRACTION OF EUROZONE AS WELL AS WEAKER THAN EXPECTED GROWTH IN LARGE EMERGING COUNTRIES UNDERPINNED THE CHALLENGING GLOBAL ECONOMIC LANDSCAPE FOR 2012. DESPITE THIS, MUCH HAS BEEN ACHIEVED BY THE BANK IN ITS QUEST TO BECOME A LEADING FINANCIAL INSTITUTION FOR MALAYSIAN CROSS-BORDER VENTURES. IT IS NOTEWORTHY TO HIGHLIGHT THAT EVER SINCE 2008; WE HAVE BEEN STRIVING TO POSITION THE BANK AS AN IMPORTANT ENABLER IN CATAPULTING MALAYSIANS' EXPORT REACH. INTRODUCTION OF CORPORATE IMPROVEMENT PROGRAMME IN 2008, AIMED AT STABILISING THE OPERATIONS OF THE BANK COUPLED WITH THE REVISED BUSINESS MODEL WHICH WAS IMPLEMENTED IN 2011 HAS ALLOWED THE BANK TO CHART A COMMENDABLE GROWTH NOT JUST FINANCIALLY BUT ALSO TO COMMAND A HEIGHTENED PRESENCE IN THE BUSINESS COMMUNITY. HENCE, ON BEHALF OF THE BOARD OF DIRECTORS, I AM PLEASED TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2012 (FY2012).

Our 2012 Annual Report cover design, illustrates a flock of birds flying in V formation, encapsulates the Bank's integral belief on leadership and the importance of having a common direction for the Bank to move forward. Against this backdrop, the Bank is now yielding fruits in the form of better results. EXIM Bank has become more purpose-driven and altogether more discerning, disciplined and professional in its business. Our promotion of a culture of performance, discipline and prudence has improved risk management, driven talent management initiatives and set us on the path to sustainable asset growth. We are now a market-driven, competitive and profitable bank with a record of success and a growing reputation at home and abroad.

NET INCOME INCREASED
8%
RM245.0 million

PROFIT BEFORE TAX INCREASED
16%
RM169.7 million

NET LOAN GROWTH
62%
RM3,151.1 million

MESSAGE FROM THE CHAIRMAN

In the current world, where borderless businesses are transacted, the silo approach will eventually overwhelm those who do not response nimble enough in adapting to such evolution. Understanding this fact, EXIM Bank has paved ways into numerous markets by establishing links with their local financial institutions to address the assumed risks of our exporters. Not stopping only at banking facilities, our credit insurance business has also witness heightened collaborations effort to share the risk with other Export Credit Agencies of the world via Reciprocal Risk Participation Agreement. We have also been leveraging on the Asian EXIM Banks Forum (AEBF) which serves as a platform for EXIMs of Asia to collaborate and arrive at mutually beneficial arrangements. We foresee more of this kind of initiative in the future in our efforts to grow the Malaysians' footprints abroad.

In the Bank's effort to be closer to the business community, EXIM Bank has also supported and participated in international trade and investment initiatives organised by the Ministry of International Trade and Industry (MITI) and other related Government agencies such as MATRADE, Malaysian Investment Development Authority and SME Corporation Malaysia. Recognizing the importance of elevating the Bank's presence among Malaysian business community, specifically to the SMEs, we take great pride to partner the Star in its The Star Business Awards (SOBA) 2012 as the main presenter. SOBA recognizes up-and-coming enterprises across industry sectors and their contributions to the local economy with attention given to those involved in the export of local products or services.

During the year under review, the Bank has also made significant inroads to our Islamic business as we had managed to mirror all of our conventional facilities for Banking, to make avail Shariah-compliant facilities. The same can be said for the credit insurance business. The growth of Islamic business is high on the agenda as we have witnessed the heightened interest on these products.

With the strengthening of our international affiliations, coupled with a more aggressive approach in targeting the Malaysia's capable exporters, we are definitely on the right track in amplifying our significance in the Nation's export and import spectrum.

FINANCIAL AND BUSINESS HIGHLIGHTS

Building upon the positive upward trajectory we established last year EXIM Bank's profit before tax in 2012 has increased by 16% to RM169.7 million. Total assets climbed from RM6.2 billion to RM7.3 billion owing to the strong growth in net loans, advances and financing. Return on Equity (ROE) in 2012 declined though to 4.4% compared to 7.1% the previous year due to the higher net profit recorded in 2011 arising from the recognition of unrecognised deferred tax assets. Islamic banking assets made up to 14.5% of the Bank's total loan assets recorded a 54% year-on-year improvement at RM534.0 million.

The Bank continued to improve its asset quality as evidenced from the declining trend of gross and net impaired assets, registering 19.2% and 9.7% respectively as opposed to 25.5% and 12.9% in 2011.

As I mentioned in the last Annual Report, we introduced two new departments namely Strategic Project Finance and Trade Services and Financial Institutions to address specific needs of Malaysian exporters. I am pleased to share that these departments together with the overall business division had contributed positively to growing the Bank's business.

The year had marked an important milestone for the Bank where funding is concerned, as we had successfully established our maiden Multicurrency Medium Term Note Programme in June. Our turnaround and subsequent return to profit has received wide international acclaim. A six times over subscription of our maiden USD500 million, 5.5 years bond was a testament to the interest of the international investors on Asian issuer the likes of EXIM Malaysia's stature. Moving forward we do not discount the fact that we may continue to tap into capital market from time to time in addressing our funding needs.

STRENGTHENING THE BOARD

The most significant occurrence in EXIM Bank's existence since it was spun-off by the government from Bank Industri to be revitalised as a standalone organisation 17 years ago was when a new Board of Directors and Management team were introduced in 2008. Recently steps have been taken to strengthen the Board of Directors. While the leadership from the chair is crucial, the participation of every board member is also essential for effectiveness. With the addition of three new Directors during the year under review, we have constituted a team with complementary skill sets that allows them to work together to apply their many years of accumulated experience to help make the most effective decisions for the organisation. Our Directors' specialist knowledge of banking and insurance along with their perspective, diversity and commitment, ensures the Board's decisions on the guidance and governance of the organisation deliver true value.

THE DIVIDEND

The Board of Directors has recommended a final dividend of RM0.69 sen per ordinary share (2011: RM0.26 sen) on 2,708,665,283 ordinary shares, less 25% taxation, amounting to a dividend payable of RM13,924,310.

PROSPECTS

EXIM Bank aspires to become a leading import-export facilitator in Malaysia. The journey may be full of obstacles, but definitely rewarding eventually. We have witnessed how small steps we took since 2008 began to bear fruit, not immediately as we would want it to be, but suffice to mark important milestones for the Bank year in year out. Nonetheless, we believe there are opportunities for further growth as Malaysia is gearing towards becoming a high income nation by 2020 coupled with the fact that our 27 million populations may not be able to drive the economy as big as we wish to. Hence, export will be an important factor, while EXIM Bank will naturally be the important element in bridging the aspiration.

ACKNOWLEDGEMENTS

I would like to record my sincere appreciation to the Government of Malaysia and our stakeholders for their continued support. Finally, my sincere gratitude goes to the Members of the Board, the management and employees for their continued commitment, dedication and contribution to the progress of the Bank.

In this regard, I wish to welcome the new members who joined the Board in 2012 and look forward to their contributions for the years to come.

DATUK MOHD HASHIM BIN HASSAN
Chairman

MANAGING DIRECTOR'S OPERATIONS REVIEW

DATO' ADISSADIKIN BIN ALI
Managing Director/Chief Executive Officer

INTERNATIONAL TRADE AND INVESTMENTS ARE IMPORTANT TO TRADING NATIONS. THEIR ROLES IN ACHIEVING THE TARGETED ECONOMIC GROWTH OF A NATION BECOME MORE PROMINENT ESPECIALLY IN NATION WITH LIMITED DOMESTIC CONSUMPTION VOLUME.

Malaysia is a trading nation. In its Economic Transformation Program, the country aims to attain the high income nation status by the year 2020. However, domestic consumption in Malaysia is rather limited due to its relatively small population base. Hence, the nation will be depending a lot more on international trade and investments to double its Gross Domestic Product and attain the economic goal. This entails amongst others, Malaysia exporting more to its usual trading partner nations and exploring new markets.

EXIM Bank, in line with its mandated role, is relevant to support the nation's economic agenda especially in helping Malaysian businesses venture into new markets. In spite of its relevancy, the Bank's significance in support of the nation's economic agenda has yet to be felt. Unless the Bank is significant, its existence will be a case of inefficient use of resources, in contrast to other prominent EXIM Banks in the world that have played pivotal roles in support of the economic progression of their nations. In the quest to boost EXIM Bank's significance, we benchmarked ourselves against other established EXIM Banks of the world. Thus, as part of the transformation journey that we embarked in 2008, we have set a year-on-year business growth rate target of 30% from 2011 to 2015.

While size does matter, in pursuing such growth, volume of business is not the sole driving factor. Sustainability of our business in the long run becomes the prime objective. EXIM Bank needs to be sustainable in the long run to enable it to continuously discharge its mandate effectively, in support of the nation's economic agenda. Thus, in becoming significant through the sustainable business growth mode, we are guided by the established risk management framework that ensures that the sufficiency of capital, quality of assets and optimal liquidity is maintained at all times. Whilst capital adequacy is not an issue to support the targeted growth, apart from concentrating our efforts in growing quality assets portfolio, we have also taken initiatives to address the issues of our asset-liability tenor mismatch and liquidity.

For the year under review, 2012, the Bank is in its accelerated growth phase, continued to chart commendable business growth and profitability. This was achieved at the back of improved overall borrowers' credit rating. At the same time, the legacy asset quality issue has been addressed equally well whereby the impaired assets ratio continued its downward trend as envisaged by the Bank. In support of this growth, to ensure sufficient funding liquidity, we had successfully established a Multicurrency Medium Term Note (MTN) Programme and issued our first ever US Dollar Bond in June 2012.

FINANCIAL PERFORMANCE

During the period under review, the Bank's total asset stood at RM7.3 billion, a 16% growth over previous year. The net loans and financing grew by 62% to RM3,151.1 million against RM1,943.8 million, in 2011. This was attributed to our focused marketing approach as well as operational efficiency specifically in disbursement support functions. On the other hand, our gross and net impaired asset ratios continued to decline to 19.2% and 9.7% respectively, compared to 25.5% and 12.9%, registered in 2011. This was attributable to continuous loan rehabilitation and recovery efforts, coupled with the enlarged loan assets base.

The Bank's operating revenue in Financial Year 2012 increased by 8%, from RM171.6 million to RM185.2 million in the previous year. Net interest income however declined by 13%, resulting from higher interest expenses incurred during the year, due to the introduction of longer tenured borrowing (MTN).

Despite a moderate level of increase in operating revenue, the Bank achieved a 16% increase in profit before tax from RM146.4 million, to RM169.7 million. This was mainly attributed to a higher contribution from Islamic Business, increased fee income, and more importantly lower allowances on loans made during the year under review due to improved asset quality.

BANKING BUSINESS

Diligence and disciplined execution of the revised business model introduced in 2011 continued to yield positive outcome in building our loan assets. The Bank is pursuing its agenda for growth premised on our targeted optimum portfolio mix that serves as a guide in identifying and acquiring the right blend of borrowers as well as the type of facilities to be offered.

The Banking section as a whole contributed 62% of the Bank's net income. A 42% upturn in loans approval was registered, an improvement from RM4,700.4 million to RM6,665.2 million. Total disbursements more than doubled, elevated from RM1,212.6 million to a total of RM3,072.4 million. Following this, the Bank recorded a 41% improvement in our interest income from non-impaired loans amounting to RM110.8 million from RM78.6 million. The Bank has yielded three-folds improvement

MANAGING DIRECTOR'S OPERATIONS REVIEW

in its trade finance business. The disbursement contribution from trade finance accounted for 38% of the total disbursement amounting to RM1,160.1 million as opposed to only RM349.5 million in the previous financial year.

In our effort to further facilitate international trade, Trade Services and Financial Institutions Department had established 20 new correspondent banking relationships worldwide. Following that, the Bank had established a total credit limit of RM250 million during the year with 4 financial institutions, namely in India and Turkey with a view of enabling Malaysian exporters to grow their business in these markets.

In building our loan portfolio, we continue to diversify our risks through syndications, risk reciprocal participating arrangements and other means of risk sharing arrangements with other domestic and international commercial banks, export credit agencies and multilateral banks, whenever necessary.

CREDIT INSURANCE BUSINESS

The importance of credit insurance in enabling international trade has been made prominent by the economic crisis in the Eurozone and the general uncertainty in the global economy.

Exporters at large recognised the importance of having to cover their transactions with credit insurance to mitigate the risk of non payment, thus allowing them to focus their resources to other critical areas of their business. In 2012, the Bank has issued 34 new policies as opposed to only 17 in corresponding period.

The Bank continued to discharge its developmental role by not only facilitating the traditional export sectors, but also in other new high value economic segments. It was interesting to note that among those that we have covered included exposures in green technology as well as bio-technology sectors.

In 2012, the Bank had also introduced Domestic Credit Insurance, aimed at covering domestic buyers' non-payment risk. Malaysian exporters, now, are not only able to mitigate the non payment risk of their overseas buyer but also domestic buyers. The enlarged scope of risk coverage serves as our value proposition to export oriented businesses that concurrently serves the domestic market as well.

ISLAMIC BANKING AND CREDIT TAKAFUL

In addition to our conventional banking and credit insurance offerings, Shariah-compliant facilities for both banking and credit Takaful also commanded significant improved performance in financial year 2012.

Our third year of operations in Islamic banking saw a strong asset growth of 54%, amounting to RM534.0 million gross advances and financing, compared to only RM346.0 million in 2011.The credit Takaful business, introduced in 2011, has insured exports worth RM389 million generating RM1.3 million in premium contribution.

In preparation for a more robust Shariah operation, the Bank had during the year under review, introduced and enhanced Shariah-compliant products, namely Bankers' Comprehensive Takaful, Domestic Takaful and Supplier Financing-i.

We have been successful in mapping all our conventional banking facilities to its Shariah-compliant equivalent to ensure that we have a larger array of offerings to meet the needs of our customers, both in the conventional and Shariah compliant business.

DIVERSIFICATION OF FUNDING SOURCES

As a non-deposit taking institution, the Bank has been largely funding its assets through its capital and bank borrowings. Prior to 2012, we were heavily relying on short tenured bank borrowings in growing our loan assets. These were relatively cheaper sources of funding but exposed the Bank to a tenor gap as the maturity profile of the Bank's average lending were on the longer scale of the tenor. Hence managing the tenor gap was pivotal to ensure sustainable growth by mitigating the interest rate (repricing) risk.

The need to manage the tenor gap, coupled with the need to minimize foreign exchange risk has brought about the Bank to consider tapping the international capital market. We consider this to be one of the high points of the year when the

Bank had successfully established our maiden Multicurrency MTN programme with a nominal value of USD1.5 billion. We became the first Malaysian developmental financial institution to issue a foreign currency bond with the issuance of USD500 million, 5.5 year, Fix Rate Notes in June 2012.

Against the adverse and uncertain economic backdrop that may have dampened the appetite of investors, the bond issue was oversubscribed by six times. The timely issuance resulted in the lowest yield ever achieved by a Malaysian issuer in a comparable issuance. We were extremely pleased with the sentiment showed by investors globally.

As we continue to expand, the Bank foresees that capital market funding is one of the important alternative funding sources for the Bank. Nevertheless, in securing funding to further support our business growth, we are driven by these 3 objectives namely:

1) To achieve the lowest cost possible. This is imperative to enable us to pass the benefit to our borrowers in order to help them become competitive in their cross border venture, and

2) To match the maturity tenor of our borrowings to the tenor of our loans in order to minimize the repricing risk, and

3) To match the currency of borrowings to the currency of lending in order to minimize the foreign exchange risk.

STRATEGIC DIRECTION: GOING FORWARD

FY2012 was indeed an exciting and yet a challenging year for us, driving growth at its core whilst ensuring sustainability, guided by the optimum portfolio mix target, with close scrutiny on the risks assumed. We had successfully navigated the Bank to another year of improved performance.

Obviously, FY2013 will present us with continued challenges amidst geopolitical and economic uncertainty. The Bank will continue to amplify our significance by targeting higher disbursement numbers. Identification of priority sectors shall result in a more focused marketing approach in pursuit of amassing higher quality assets and continuous preservation of capital.

The Bank will strive to continue building its trade finance portfolio including through further establishment of credit limits among our identified counterparties in selected markets. Opportunities to collaborate in reinsurance or co-financing arrangement with other commercial banks, Export Credit Agencies and/or other EXIM Banks of the world, will be further pursued to promote stronger business relationships as well as to better manage the risk exposure.

Notwithstanding the global economic uncertainties and constraints, we are prepared to support existing as well as potential customers in their quest to set Malaysia's footprint globally.

ACKNOWLEDGEMENTS

As we are now on the right track to becoming a preferred financial institution for Malaysian cross-border ventures, I am extremely pleased with the commitment shown by everyone in EXIM Bank in continuously driving the Bank forward. None of the achievements this year would have been made possible if not for the dedications and concerted efforts of everyone in the Bank.

To all personnel of the Bank, I wish to record my personal gratitude for their willingness to believe in the transformation agenda that we are driving and most importantly, their collaborative efforts in bringing about the change and improvements that we wish for. To the Board of Directors, I thank you for the endearing concerns, patience, trust and understanding granted to the Management and I.

I also take this opportunity to record our utmost appreciation to the government and Bank Negara Malaysia for the trust they have placed on us. We are also appreciative of the collaborative spirit of our business partners and associates and the support of the regulatory authorities and other stakeholders. Last but not least, we extend our heartfelt gratitude to our customers, whose faith and continued confidence in EXIM Bank are crucial to our development.

In view of the fruition of the Revised Business Model, improved management and operational capability and effectiveness, we are confident that we are on the right track. There will be much to look forward to. I have no doubt that our commitment to excellence and intelligent planning will deliver the ultimate objective of achieving our vision and enhancing long-term shareholder value.

I am positive with the improved business approach as displayed by the Bank in the year under review. Hence, I have great confidence that we are capable to map greater success in coming years. I believe we are starting to write an exciting new chapter in EXIM Bank's history with continuous year-on-year improvements in financial standing and sustainable business growth, the Bank will continue to remain relevant and will grow to become more significant. I am pleased to have witnessed the ongoing successful execution of the Revised Business Model which has provided the right motivation for the management to impel performance. With unyielding commitment by our people on business drive and operational support, the Bank has forged ahead to claim yet another commendable result.

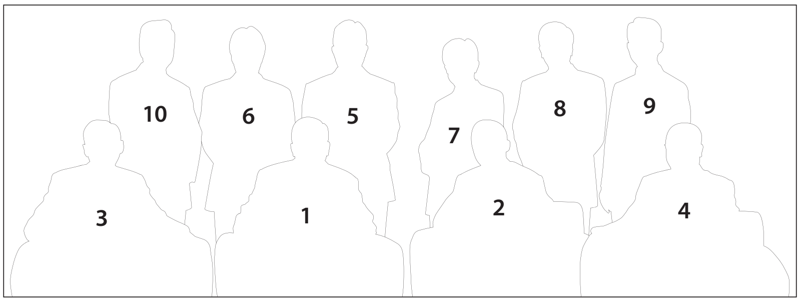
DATO' ADISSADIKIN BIN ALI
Managing Director/
Chief Executive Officer

EXcellence

AFFIRMING OUR FORTE

By focusing on achieving sustainable business growth, we reaffirmed our commitment as a Development Financial Institution (DFI) that supports our customers' competitiveness, in their export orientated niche services.

BOARD OF DIRECTORS



1. **DATUK MOHD HASHIM BIN HASSAN**
   Chairman
2. **DATO' ADISSADIKIN BIN ALI**
   Managing Director/Chief Executive Officer
3. **ZAKARIA BIN ISMAIL**
4. **DATO' DR. MOHD ISA HUSSAIN**
5. **AB. GANI BIN HARON**
6. **DATO' ROSLI BIN MOHAMED NOR**
7. **NIK NAJIB BIN HUSAIN**
8. **DATO' AGIL NATT**
9. **ISMAIL BIN MAHBOB**
10. **WONG SENG FOO**

BOARD OF DIRECTORS

DATUK MOHD HASHIM BIN HASSAN

Chairman

Datuk Mohd Hashim bin Hassan is the Chairman of EXIM Bank since 2008. Prior to joining EXIM Bank he had spent 15 years of his working career with Malaysian Agricultural Research and Development Institute (MARDI). He commenced his career as a Food Technology Officer and held various positions before his final appointment as Director of the Food Technology Division.

He joined Kumpulan FIMA Berhad for 5 years, where he served as the General Manager and thereafter appointed as the Executive Director of Fima Metal Box in 1990. From 1993 to 1996, he served the Kedah State Development Corporation as Chief Executive Officer. At the same time, he was appointed as the Managing Director of Kulim Technology Park Corporation from 1994 to 1996 and as the Executive Chairman of Bina Darulaman Berhad till 1997.

Datuk Mohd Hashim then joined Putrajaya Holdings Sdn Bhd, first as its Chief Executive Officer and later as Director in 1996 and was appointed as Chairman of the company in 2003. He was also appointed as Chairman of Padiberas Nasional Berhad from 2004 to 2006 and Chairman of Juta Asia Properties Sdn. Bhd. from 2005 to 2009. He was a member of the Investment Committee and subsequently Director of Employees Provident Fund Board from 2005 to 2008 and Amanah Raya Berhad from 2005 to 2011. He was appointed as a Chairman of Amanah Raya Development Sdn Bhd from 2005 to 2012 and Amanah Raya Hartanah Sdn Bhd. since 2007 till 2012. He has vast experience with other listed, private and government link companies.

Datuk Mohd Hashim graduated from the University of Malaya with a Bachelor's degree in Agricultural Science (Honors) and earned his Masters degree in Food Science from the Michigan State University, United States. He is also a Masters degree holder in Business Administration from the Ohio University, United States.

DATO' ADISSADIKIN BIN ALI

Managing Director/Chief Executive Officer

Dato' Adissadikin bin Ali holds a Masters Degree in Business Administration (Finance) from University of Malaya, Kuala Lumpur, a Bachelor Degree in Business (Banking & Finance) from Monash University, Melbourne, Australia and Diploma in Investment Analysis, UiTM, Shah Alam.

Dato' Adissadikin started his career as the Management Trainee Executive with Renong Berhad in 1995. During his 4-year tenor with the Group, he served various departments within a few subsidiaries of the Group namely Prolink Development Sdn Bhd, HBN Management Sdn Bhd and Projek Lebuhraya Utara Selatan Berhad in the areas of corporate finance, internal audit, sales and marketing and project management.

In April 1999, he joined Pengurusan Danaharta Nasional Berhad and served the national asset management corporation for four years in the areas of Non-Performing Loans (NPLs) Recovery and Corporate Recovery & Reconstruction. In March 2003, Dato' Adissadikin joined Bank Muamalat Malaysia Berhad as the Special Assistant to the Chief Executive Officer and later became the Head of Corporate Planning in January 2005.

In June 2005, he joined Bank Islam Malaysia Berhad as Assistant General Manager, Managing Director's Office. In 2006, he was promoted to assume the position of Chief Financial Officer cum General Manager, Special Projects. He was responsible for managing NPL carving-out and bank-wide cost rationalization program in Bank Islam.

Prior to his appointment as the MD/CEO of EXIM Bank in September 2010, Dato' Adissadikin was the Chief Operating Officer of EXIM Bank since 2008. Currently, he is also a Director of Malaysia External Trade Development Corporation (MATRADE), Malaysia Export Credit Insurance Berhad (MECIB), Pengkalan Megaria Sdn Bhd, Morning Glory Co. Ltd and Masceana Co. Ltd.

BOARD OF DIRECTORS

AB. GANI BIN HARON
Director

Ab. Gani bin Haron holds a Bachelor of Economics (Hons) from the University Malaya. He began his career as Accountant, Accountant General Department, Headquarters in 1977 before serving as an Assistant Director, Accountant General Department, Perak Branch in 1978 and Director, Accountant General Department for Malacca and Pahang Branch in 1980. In 1982, Ab. Gani served as an Assistant Treasurer at State Treasury of Sabah and later on, appointed as Deputy Head of Accountant at Ministry of Education and Director of Accountant General Department, Kelantan and Selangor Branch from 1986 to 1997.

Between 1999 to 2007, Ab. Gani was appointed as Director for the Central Operations & Agency Services Division in Accountant General Department & Accounting Development & Management Division and thereafter the post of Deputy Accountant General (Corporate) & (Operations) in the Accountant General Department, Headquarters.

He is currently a Director of Amanah Raya Capital Sdn Bhd, YLI Holdings Berhad, Censoft Holding Berhad (formerly known as Century Software Holding Berhad), Amanah Raya Investment Bank Bhd, Amanah Raya Trustee Bhd, Amanah Raya (Labuan) Limited and Al-Jewar Ltd. Ab. Gani was appointed as a Director of EXIM Bank in May 2008 and retired in May 2012.

ZAKARIA BIN ISMAIL
Director

Zakaria bin Ismail holds a Master of Arts in Economics and Master in Business Administration from Boston University, USA. Graduated with a Bachelor of Economics (Honours) from University of Malaya, he is also an Associate of The Institute of Bankers, London. Beginning his career in 1974 with Bank Negara Malaysia in the Banking Supervision Department, he was temporarily attached to the South-East Asia Group International Monetary Fund, Washington DC, USA as Assistant to the Executive Director between 1984 to 1986.

Between 1986 to 2002, he assumed various positions at various departments within Bank Negara Malaysia from Economics, Banking, Investment, Insurance Supervision and Insurance Regulation, holding positions from Manager, Deputy Director and Director. He was also a Director of Credit Guarantee Corporation Malaysia Berhad from 1995 to 1996 and The Malaysian Insurance Institute from 1999 to 2001. From 2002 to 2004, he was seconded as Managing Director for the Entrepreneurs Rehabilitation Fund, a fund established by Bank Negara Malaysia to assist small and medium entrepreneurs. Subsequently, he was seconded as Director of Training and Administration for the South East Asia Central Bank Training and Research Centre (The SEACEN Centre) till November 2007. Zakaria was appointed as a Director of EXIM Bank in September 2008. Currently he is also a Director of Syarikat Takaful Malaysia Berhad.

DATO' ROSLI BIN MOHAMED NOR
Director

Dato' Rosli bin Mohamed Nor holds a Bachelor of Science in Civil Engineering from Brighton University, United Kingdom.

He started his career as a Design Engineer with Engineering and Environmental Consultants Sdn Bhd. in 1982. He held various positions in the design firm before joining United Engineers (M) Bhd in 1988 as a Senior Manager.

In 1992, he started his own construction business by forming Benar Antara Sdn Bhd, a PKK Class A, CIDB G7 registered Bumiputera Contractor. The company undertook various projects that include highways, LRT tunnels, water reservoirs, rail lines and many others. The company has since been sold to a public listed company, but he remained as their Managing Director till 2000.

Then onwards he moved on to develop new businesses, of which he has shareholdings in KMK Plus Sdn Bhd (construction), Landas Idaman Sdn Bhd (property development), Guomara Sdn Bhd (coal trader) and a few others.

Presently, he is also the Business Development Director of a company wholly owned by TRC Synergy Berhad, listed on Bursa Malaysia.

Dato' Rosli was appointed as a Director of EXIM Bank in September 2009.

DATO' DR. MOHD ISA HUSSAIN
Director

Dato' Dr. Mohd Isa Hussain graduated with a PhD in Finance from University Putra Malaysia. He also holds an MBA in Finance from the University Kebangsaan Malaysia, Bachelor of Economics (Honours) (Applied Statistics) from the University of Malaya and a Diploma in Public Management from National Institute of Public Administration.

He commenced his career as Assistant Director in the Prime Minister's Department in 1983 before serving as Assistant Director in the Economic Planning Unit of Pahang in 1985. He has held various positions in the Ministry of Finance, including Assistant Secretary in the Government Procurement Division in 1990, Senior Assistant Director of the Budget Management Division in 1995 and Deputy Undersecretary of Investment, MOF (Inc.) and Privatisation Division in 2004. He moved to the Ministry of Transport Malaysia in 2008 as Deputy Secretary General (Operation) before he was appointed as Head of the Public Land Transportation Commission in 2009. Currently, he is the Deputy Under Secretary of Investment, MOF (Inc.) and Privatisation Division in the Ministry of Finance Malaysia.

Currently, he is also a Director of Felcra Bhd, Permodalan Felcra Sdn Bhd, K.L International Airport Bhd, Penang Port Holdings Bhd, Pelaburan Hartanah Bhd, Syarikat Jaminan Pembiayaan Perniagaan Bhd, Syarikat Jaminan Kredit Perumahan Bhd, Dana Infra Nasional Bhd, Prokhas Sdn Bhd, Danaharta Hartanah Sdn Bhd, NECC Sdn Bhd and Turus Pesawat Sdn Bhd.

Dato' Dr. Mohd Isa Hussain was appointed as a Director of EXIM Bank in May 2011.

BOARD OF DIRECTORS

NIK NAJIB BIN HUSAIN
Director

Nik Najib bin Husain holds B. A. Econs. (Hons) from University of Malaya and Masters in Public Administration from University of Wisconsin-Madison, USA.

He started his career in the Economic and Finance Divisions in the Federal Treasury, Ministry of Finance, Malaysia from 1973 to 1990. He then served Malayan Banking Berhad (Maybank) in its Corporate Banking and International Banking Departments from 1990 to 1999.

Beginning May 1999, Nik Najib worked in the Trade Finance and Promotion Department of the Jeddah-based Islamic Development Bank (IDB) and was later appointed as Advisor to the CEO, International Islamic Trade Finance Corporation (subsidiary of the IDB Group), He retired in December 2008.

He was appointed as a Director of EXIM Bank in June 2011.

DATO' AGIL NATT
Director

Dato' Agil Natt graduated with a Bachelor of Science in Economics (Hons) degree from Brunel University, London. He obtained a Master of Science in Finance degree from the CASS Business School, London. He also attended the Advanced Management Program, Harvard Business School in the United States of America.

He started his career in 1977 as Corporate Finance Manager with Bumiputra Merchant Bankers Berhad before serving as Senior General Manager (Finance) at Island & Peninsular Bhd in 1982.

Dato' Agil Natt has extensive experience in various capacities in senior management positions during his tenure with Maybank Group, including Senior General Manager, Corporate Banking, Chief Executive Officer of Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) and Executive Director/Deputy President of Maybank. Prior to joining Maybank, he was the Regional Chief Representative of Kleinwort Benson Ltd.

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

He currently sits on the Boards of Cagamas Berhad, Manulife Insurance Berhad, Manulife Asset Management Services Berhad and Sogo (KL) Department Store Sdn Bhd. He is also a Member of the Board of Trustees of Yayasan Tun Abdul Razak.

Dato' Agil Natt was appointed as a Director of EXIM Bank in February 2012.

ISMAIL BIN MAHBOB
Director

Ismail bin Mahbob holds a Diploma in Marketing from Chartered Institute of Marketing and an Associate Chartered Islamic Finance Professionals (ACIFP), Malaysia.

Ismail's working experience evolved around the insurance industry both in Malaysia and overseas covering the main sectors of broking, retail insurance, reinsurance and retakaful. His career in insurance started in 1977 as a broker. In 1979 he joined Progressive Insurance Sdn. Bhd. where he served at various managerial positions till 1988 after which he moved to American Malaysian Insurance as an Assistant General Manager overseeing the company's branch operations nationwide. In 1990, Ismail left for Malene CSB Insurance Brokers as a Senior Broker where he headed the non-energy section for six years. He moved to Labuan Reinsurance (L) Ltd. in 1997 as a Senior Vice President. At Labuan Reinsurance, Ismail was entrusted with developing new markets covering countries in Africa, the MENA region (Middle East & North Africa) including Turkey, the Indian Sub-Continent and some countries of South-East Asia. He also headed its retakaful operation and oversaw the Company's business participation at Lloyd's of London. In 2007 Ismail joined the first Malaysian retakaful company, MNRB Retakaful Berhad as its President/ Chief Executive Officer till his retirement in mid 2012.

Ismail was appointed as Director of EXIM Bank in August 2012 and a Director of Saudi Reinsurance Company, Saudi Arabia in January 2013. He was also appointed an Adjunct Fellow of College of Business, University Utara Malaysia, Malaysia in March 2013. Ismail also contributed in the production of book by The World Bank on takaful and mutual insurance.

WONG SENG FOO
Director

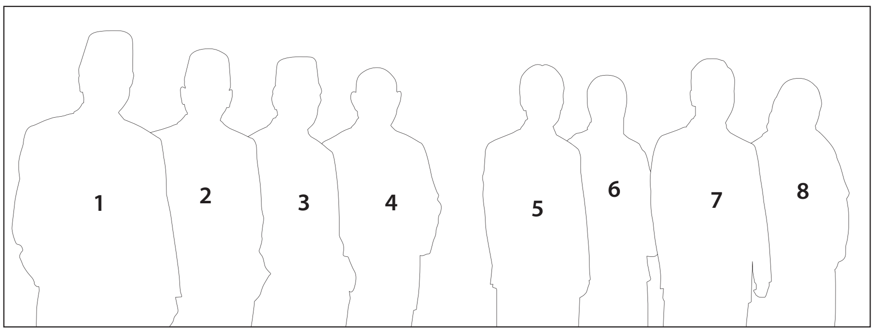
Wong Seng Foo has been the Senior Director of Economic and Trade Relations Division of Ministry of International Trade and Industry (MITI) since 2009. Prior to his current position in MITI, he was also Senior Director of Trade Policy and FTA Negotiations Coordination, Principal Assistant Director of Multilateral Trade Relations in which he was responsible for WTO/GATT affairs.

As Assistant Director in the International Trade Division, as well as in the Industrial Development Division respectively he worked on Malaysia's participation in intra –ASEAN economic cooperation initiatives.

Wong Seng Foo holds a Masters of Business Administration (MBA) from Henley Management College/Brunel University, United Kingdom. He is also a graduate from University of Malaya and holds a Diploma in Marketing from Chartered Institute, Marketing (UK).

Wong Seng Foo was appointed as a Director of EXIM Bank in October 2012.

SHARIAH COMMITTEE



1. DATO' HJ. MOHD MOKHTAR BIN HJ. SHAFII
2. HAJI AZIZ BIN MUSTAPHA
3. DR. MOHD SABRI BIN ZAKARIA
4. HJ. ABD RASID BIN ABD KADIR
5. DR. SUHAIMI BIN AB. RAHMAN
6. DR. SHARIFAH FAIGAH BINTI SYED ALWI
7. DR. ZULKIFLI BIN HASAN
8. ASSOC. PROF. DR. MEK WOK BINTI MAHMUD

SHARIAH COMMITTEE

DATO' HJ. MOHD MOKHTAR BIN HJ. SHAFII

Dato' Hj. Mohd Mokhtar bin Hj. Shafii holds a Diploma in Education from Kolej Islam Malaya and Master of Arts and Bachelor of Arts (Hons) in Islamic Studies majoring in Shariah from the University of Malaya. He has been the Chairman of the EXIM Bank's Shariah Committee since 2006. He has served as a Shariah Committee Member in several organisations for over 26 years including Bank Kerjasama Rakyat Malaysia, Lembaga Tabung Haji as well as a member of Expert Consultation Panels of Jabatan Kemajuan Islam Malaysia (JAKIM). Presently, he is the Chairman of the Shariah Committee for Takaful Ikhlas Sdn. Bhd., Chairman of Shariah Committee OCBC Al-Amin and member of Shariah Committee Malaysia Rating Corporation Berhad (MARC). He is a member of the Fatwa Council for Pahang and Selangor and also a senior member of the Islamic Religious Council for Pahang and Selangor.

HAJI AZIZ BIN MUSTAPHA

Haji Aziz bin Mustapha holds a Bachelor in Economics (Hons) in Accounting and a Diploma in Accounting from the University of Malaya. He has been a member of the EXIM Bank's Shariah Committee since 2006. He has experience in the areas of finance, banking and capital markets. He began his career with the Bank of America before joining Promet Bhd as Group Corporate Treasurer and Finance Director of the Property Division. He was a Remisier with TA Securities Sdn. Bhd., Capital Corp Securities Sdn. Bhd. and Mohaiyani Securities Sdn. Bhd. He was also a shareholder and director of Mercury Securities Sdn. Bhd.

DR. MOHD SABRI BIN ZAKARIA

Dr. Mohd. Sabri bin Zakaria is an Assistant Professor at the Department Fiqh & Usul Fiqh, Kulliyyah of Islamic Revealed Knowledge & Human Sciences, International Islamic University Malaysia. He received Bachelor's degree in Shariah from the University of Al-Azhar. He completed his Masters Degree in Islamic Economic from Yarmouk University, Jordan and obtained his PhD in Fiqh & Usul Fiqh from the International Islamic University Malaysia. He lectures several subjects such as Islamic Jurisprudence, Contemporary Fiqh Issues, Islamic Law of Transaction and Islamic Finance. In July 2010, he was appointed as a Member of the Board of Directors for the Institute of Islamic Banking & Finance (IIBF), International Islamic University of Malaysia. He is the academic adviser to Al-Madinah International University (MEDIU) and a member of Malaysian Qualification Agency (MQA). He has been the member of EXIM Bank's Shariah Committee since 2006 and he is also the Shariah Committee member of Great Eastern Takaful Sdn. Bhd. (GETSB).

HJ. ABD RASID BIN ABD KADIR

Hj. Abd Rasid bin Abd Kadir holds a Masters Degree in Business Administration (MBA), Bachelor of Arts (Hons) in Economics and Diploma in Education and Islamic Studies from the National University of Malaysia. He also obtained a professional qualification in Islamic Financial Planning (Professional) from Islamic Banking and Finance Institute Malaysia (IBFIM), a programme jointly conducted with the Financial Planning Association of Malaysia (FPAM). He has been a member of the EXIM Bank's Shariah Committee since 2008. He worked for Bank Bumiputra Malaysia Berhad (BBMB) and Bank Muamalat Malaysia Berhad (BMMB), collectively for 30 years. His last appointment was as an Executive Vice President Consumer Banking Division at BMMB. He is currently attached to the International Center of Education on Islamic Finance (INCEIF) as a Teaching Fellow and a Member of the Steering Committee for the setting up of a new Islamic Bank.

SHARIAH COMMITTEE

DR. SUHAIMI BIN AB. RAHMAN

Dr. Suhaimi bin Ab. Rahman holds a Doctorate in Law from University of Wales and a Master in Comparative Law from International Islamic University Malaysia (IIUM) . He also holds a Bachelor of Islamic Law (Honours) degree from Al- Azhar University. He was appointed as EXIM Bank's Committee member on 16 Sept 2011. Currently he is the Senior Lecturer/Head of Laboratory of Policy & Management, HALAL Product Research Institute, UPM. He has written no less than 30 journals on various topics particularly relating to Halal Development and rainwater sustainability. He has also presented approximately 26 working papers in seminars of various topics involving the Halal consumer products and services. He is actively participate in Shariah compliant consumerism movements.

DR. ZULKIFLI BIN HASAN

Dr. Zulkifli bin Hasan is a senior lecturer at Faculty of Shariah and Law, Islamic Science University of Malaysia (USIM). He holds a PhD in Islamic Finance from Durham University, UK. Besides, he holds Master of Comparative Laws from International Islamic University of Malaysia where he also obtained his LLB (Bachelor of Laws) and LLB.S (Bachelor of Shariah) as his first degree. He was appointed as EXIM Bank's Shariah Committee member on 7 Dec 2012. He is also a Shariah panel for the Institute of Fatwa Management and Research, USIM as well as editor and reviewer for various journals such as the Malaysian Journal of Shariah and Law, the International Journal of Business and Finance Research, Shariah Law Reports and the Global Islamic Finance Magazine. He is also the member of Shariah Committee of Affin Islamic Bank.

His industry experience were as in-house counsel for Bank Muamalat Malaysia Berhad, member of Rules and Regulations Working Committee for Association of Islamic Banking Institutions Malaysia and member of corporate governance working committee for Awqaf South Africa. He also underwent internship at Hawkamah, the Institute for Corporate Governance, Dubai International Financial Centre in 2009 whereby he assisted the Task Force on Corporate Governance in Islamic financial institutions (IFIs) to develop corporate governance guidelines for IFIs in Middle East and North Africa (MENA) as well as the Task Force on Environmental, Social and Governance (ESG) to specifically introduce the S&P/Hawkamah Pan Arab ESG Index for listed companies in 11 MENA markets. He has also published numerous articles in various academic journals and presented many papers in various conferences both local and abroad. His research interest include corporate and Shariah governance and regulation in Islamic finance.

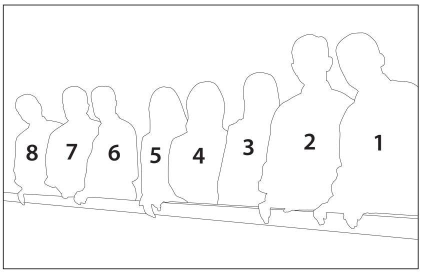
ASSOC. PROF. DR. MEK WOK BINTI MAHMUD

Assoc. Prof. Dr. Mek Wok binti Mahmud was appointed as a member of EXIM Bank Shariah Committee on 7 Dec 2012. She holds a Ph.D in Shariah/Islamic Law from International University of Africa, Sudan, and a Master Degree in Islamic Revealed Knowledge, International Islamic University of Malaysia where she also obtained her Bachelor of laws (LLB) as her first degree. At present, she is the Deputy Dean Postgraduate & Research, Kuliyyah of Islamic Revealed Knowledge, International Islamic University Malaysia. Her field of specialization include the Islamic Law of Transactions and 'Ibadat, Islamic Family Law, Family Management and Parenting as well as Modern Application of Fiqh and Usul al-Fiqh. She has published numerous journals on various Shariah issues and actively presented many papers in various local conferences and seminars. She is also the member of Shariah Committee of Bank of Tokyo Mitsubishi UFJ (M) Berhad.

DR. SHARIFAH FAIGAH BINTI SYED ALWI

Dr. Sharifah Faigah binti Syed Alwi holds a PhD in Islamic Banking and Finance from International Islamic University Malaysia. She also holds Master in Shariah (Islamic Banking) from University of Malaya where she also obtained her BA (Hons) Shariah (Economics). She is a senior lecturer Islamic Banking Department at Faculty of Business Management, University Technology MARA. Her lectures cover among others Usul Fiqh (Islamic Jurisprudence), Fiqh Muamalat (Islamic Law of Transaction), Islamic Finance as well as Islamic Financial Framework Regulations and Governance. She was appointed as member of Shariah Committee of EXIM Bank on 7 Dec 2012. She has presented many papers, particularly on Trade Finance in various seminars and conferences.

MANAGEMENT TEAM



1. **DATO' ADISSADIKIN BIN ALI**
   Managing Director/Chief Executive Officer

2. **WAN ZALIZAN BIN WAN JUSOH**
   Chief Operating Officer

3. **JULINA BINTI MOHD SALLEH**
   Company Secretary

4. **NORZILAH BINTI MOHAMMED**
   Chief Risk Officer

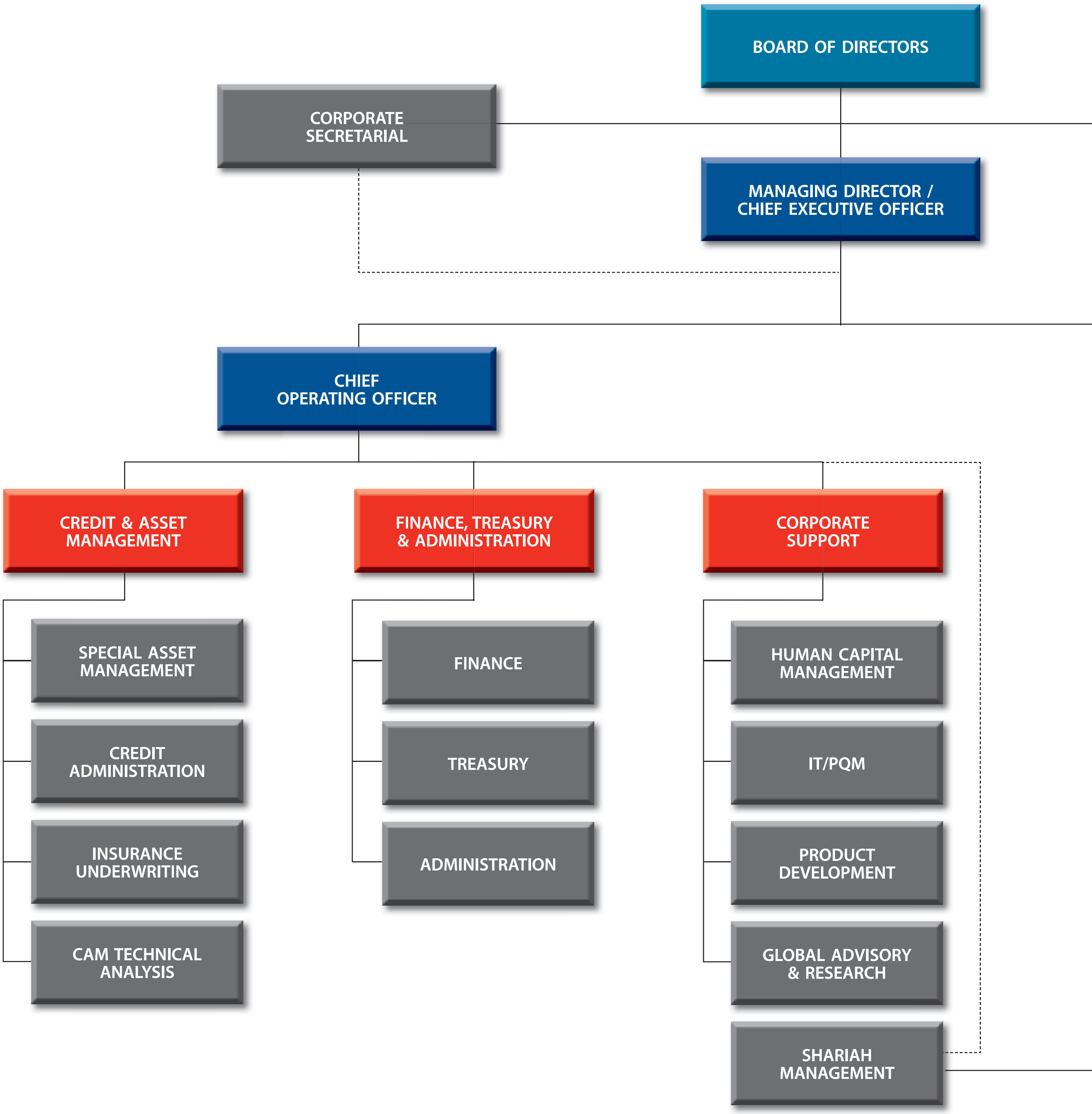
5. **NORLELA BINTI SULAIMAN**
   Chief Financial Officer

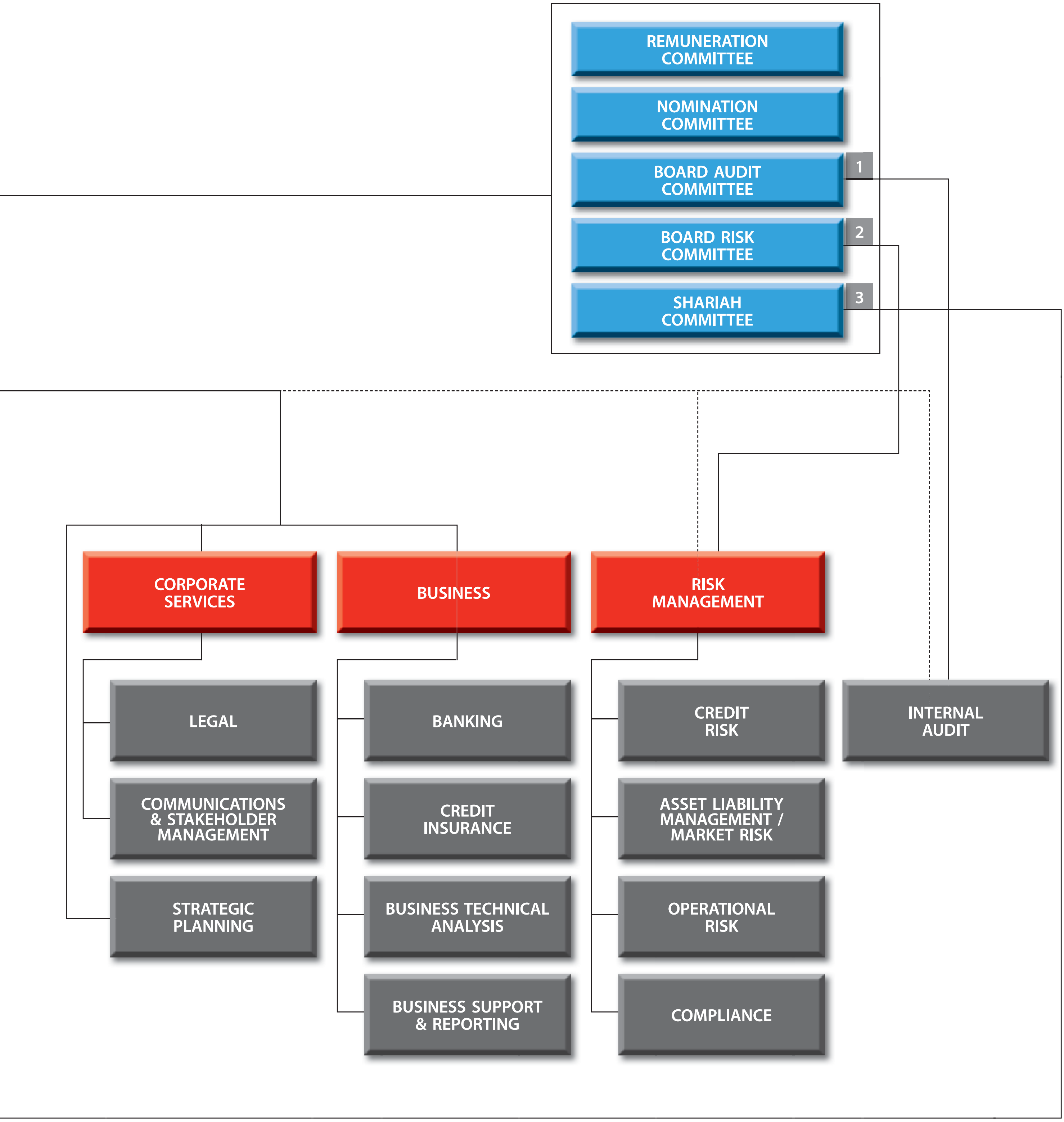
6. **THARIQ BIN ABDULLAH**
   Head, MD/CEO's Office

7. **MD HARRIS BIN MD TAIB**
   Chief Business Officer

8. **AMINUDDIN BIN BASHAH**
   Chief Credit Officer

ORGANISATIONAL STRUCTURE





INDEPENDENTS
DIVISION
DEPARTMENT
Administrative Reporting Line

1 SECRETARIAT: INTERNAL AUDIT
2 SECRETARIAT: RISK MANAGEMENT
3 SECRETARIAT: SHARIAH MANAGEMENT

Innovative

KEY TO OUR EDGE

With a strategic direction to capitalise on our strength of export, import and advisory services, we stay focused towards charting future sustainable growth, by identifying potential sectors and markets in an environment of change.

CORPORATE GOVERNANCE DISCLOSURE REPORT

INTRODUCTION

The Board of Directors (Board) of Export-Import Bank of Malaysia Berhad (EXIM Bank) have always placed good corporate governance practices as one of its highest priorities when conducting the bank's business activities. As such, EXIM Bank puts the utmost effort into observing the best corporate governance practices to ensure that not only its shareholders, but also other stakeholders, are well protected at all times.

Hence, EXIM Bank is fully committed and firmly subscribes to the Principles and Best Practices in Corporate Governance as set out in the Bank Negara Malaysia's Guideline on Corporate Governance Standards on Directorship for Development Financial Institutions (BNM/RH/GL 005-14), whereby the internal controls are further strengthened to ensure proper checks and balances are formed as an integral part of EXIM Bank's operations.

THE BOARD OF DIRECTORS

Roles and Responsibilities of the Board

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. The roles and responsibilities of the Board of Directors shall be governed by the Development Financial Institutions Act (DFIA) 2002, Companies Act 1965, 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.

The Board is also guided by its documented Terms of Reference (ToR) and Board Charter (Charter) which define matters that are specifically reserved for the Board and the delegated day-to-day management of EXIM Bank to the Managing Director/Chief Executive Officer (MD/CEO).

In particular, the roles and responsibilities are as follows:-

1. Business Direction
   i) Provide strategic direction for the Bank by guiding top management in developing corporate strategy. Review and approve strategies, business plans, annual budget and significant policies that are in line with the Bank's mandated role and monitor Management's performance in implementing them.
   ii) Overseeing and evaluating the conduct of the Bank's businesses and to evaluate whether the business is being properly managed. In this respect, the Board must ensure that there are objectives in place against which Management's performance can be measured.
   iii) To set corporate values and clear lines of responsibility and accountability that is communicated throughout the Bank. There should be a clear division of responsibilities at the helm of the Bank, which will ensure a balanced and clear line of role, responsibility, authority and accountability throughout the Bank.
   iv) To approve new investment, divestments, mergers and acquisitions, including the establishment of subsidiaries, joint ventures, equity acquisition or strategic alliances both locally as well as abroad.

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

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

4. Management Oversight
   i) To ensure that there is a managed and effective process to select and appoint competent senior management officers of the Bank.
   ii) To recommend to the Ministry of Finance (MoF) the appointment/reappointment, removal, termination and terms and conditions of service of MD/CEO of the Bank.

iii) To approve succession planning policy and continuously monitor MD/CEO and senior management officers' performance.

iv) To approve key human resource matters including selection, recruitment, termination and promotion of senior management officers.

v) To approve human resource policies including compensation package and benefits pertaining to Management and staff of the Bank.

vi) To approve changes to the corporate organisation structure of the Bank.

5. Responsibilities in Relation to Anti-Money Laundering and Counter Financing of Terrorism Act 2001 (AMLATFA)

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

i) To ensure that the required AML/CFT measures are in place;

ii) To set minimum standards and approve the AML/CFT policies, procedures and controls;

iii) To designate compliance officers at senior management level with sufficient authority;

iv) To regularly review and assess the measures adopted and implemented for AML/CFT;

v) To ensure regular independent audit of the internal AML/CFT measures to determine their effectiveness and compliance with AMLATFA; and

vi) To ensure that proper training programs on AML/CFT practices and measures for its employees are sufficiently and appropriately conducted.

Board Composition and Balance

The Board, as at the date of this Statement, comprises nine (9) Directors. Out of nine (9), six (6) are Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors including nominee of Minister of Finance (Incorporated) and Ministry of International Trade and Industry and one (1) who is an Executive Director (MD/CEO).

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.

All Directors have the skills and experience in their respective areas of expertise, which have contributed significantly to the decision-making process of the Board. The structure of EXIM Bank provides a clear separation on functions, roles and responsibilities between the Chairman of the Board and the MD/CEO. A brief profile of each member of the Board is presented on pages 22 to 29 of this Annual Report.

Board Appointment Process

The appointment of all Directors to the Board is set out in a formal and transparent procedure, the primary responsibility of which has been delegated to the Nomination Committee (NC) in compliance with the BNM/RH/GL 005-14 and the Bank's Articles of Association. The selection of Directors, as affirmed by the Board, is based on merit, and guided by the criteria outlined in the Bank's Policy on Fit and Proper Criteria (Fit and Proper Policy) Policy on the Appointment/Reappointment of Chairman, Directors and MD/CEO of EXIM Bank.

The Board, assisted by the NC, considers the following aspects in making the selection:-

(i) Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.

(ii) Competence and Capability- the person must have the necessary skills, experience, ability and commitment to carry out the role.

(iii) Financial Integrity- the person must manage his debts or financial affairs prudently.

Board Meeting and Supply of Information

The Board meets at least once a month with additional meetings convened as and when urgent issues and important decisions are required to be taken between the scheduled meetings to deliberate on, inter alia, policy and strategic issues and review of the financial performance as well as credit matters of the Bank. During the financial year ended 31 December 2012, the Board met 15 times. All Directors have complied with the requirement that Directors must attend at least 75% of Board meetings held in the financial period in accordance with BNM/RH/GL 005-14.

Among others, the Board papers include comprehensive management reports, minutes of meetings, credit proposals (if any), current review of the operations of the Bank and annual management plans. A full agenda and comprehensive Board papers are circulated to all Directors well in advance of each Board meeting.

CORPORATE GOVERNANCE
DISCLOSURE REPORT

All Directors have direct access to the services of the Company Secretary and to the Management. Directors, collectively or individually may seek independent professional advice in furtherance of their duties in the event such services are required.

The record of attendance by Directors at the Board Meetings for 2012 are as follows:

No	Name of Director	No. of Meetings Attended *
1	Datuk Mohd Hashim bin Hassan (Chairman)	15/15
2	Zakaria bin Ismail	14/15
3	Dato' Rosli bin Mohamed Nor	15/15
4	Dato' Dr. Mohd Isa Hussain	13/15
5	Nik Najib bin Husain	12/15
6	Dato' Agil Natt [1]	13/14
7	Ismail bin Mahbob [2]	5/5
8	Wong Seng Foo [3]	2/2
9	Ab. Gani bin Haron (term ended w.e.f 1/5/2012)	5/5
10	Dato' Adissadikin bin Ali	14/15

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

[1] Appointed as Director with effect from 2 February 2012

[2] Appointed as Director with effect from 10 August 2012

[3] Appointed as Director with effect from 23 October 2012

Training and Development of Directors

For financial year ended 2012, all Directors appointed to the Board, apart from attending the Corporate Directors' Training Programme accredited by Companies Commission of Malaysia, they have also attended various training programmes and seminars on issues relevant to the Group, which were organized internally or by external training providers. The Board members had also attended key training programmes for Directors of financial institutions, namely the Financial Institutions Directors' Education (FIDE).

Newly appointed Directors are 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.

Directors' Remuneration

The level of directors' remuneration is to attract and retain directors of calibre needed to direct the Bank successfully.

1. **Executive Director (ED)**

   The ED component parts of remuneration are structured so as to link rewards to corporate and individual performance. The current remuneration package of the ED 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.

2. **Non-Executive Director (NED)**

   The NEDs' remuneration generally reflects the experience, expertise and level of responsibilities 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 MoF following recommendation made by the Bank.

   Details of NEDs remuneration on monthly fees and meeting allowances are provided below:-

Fixed Allowance

Chairman	- RM10,000.00 per month
NED	- RM3,000.00 per month

Meeting Allowances

Board of Directors (maximum once a month)	- RM3,000.00 per meeting (Chairman) RM2,000.00 per meeting
Board Credit Committee (maximum twice a month)	- RM2,000.00 per meeting (Chairman) RM2,000.00 per meeting
Board Risk Committee, Board Audit Committee, Nomination Committee and Remuneration Committee (maximum once a month)	- RM2,000.00 per meeting (Chairman) RM2,000.00 per meeting

The Directors' aggregate remuneration for FY2012 distinguishing between ED and NEDs (including past directors) is as set out on page 125 of this Annual Report.

BOARD COMMITTEES

There are five (5) Board Committees established to assist the Board in discharging its duties and responsibilities, namely Board Credit Committee, Board Audit Committee (formerly known as Internal Audit Committee), Board Risk Committee, Remuneration Committee and Nomination Committee.

The details of the Board Committees are presented as follows:

Board Credit Committee

1. Objective

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

2. Composition

During the financial year ended 31 December 2012, the Board Credit Committee (BCC) met 24 times. Details of members of the Committee and attendance of each member for year 2012 are as follows:

No	Name of Director	No. of Meetings Attended *
1	Datuk Mohd Hashim bin Hassan (Chairman)	24/24
2	Zakaria bin Ismail	22/24
3	Dato' Rosli bin Mohamed Nor	20/24
4	Dato' Dr. Mohd Isa Hussain	21/24
5	Nik Najib bin Husain	22/24
6	Dato' Agil Natt [1]	21/22
7	Ismail bin Mahbob [2]	8/8
8	Wong Seng Foo [3]	4/4
9	Ab. Gani bin Haron (term ended w.e.f 1/5/2012)	8/8
10	Dato' Adissadikin bin Ali	21/24

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

[1] Appointed as a member of BCC with effect from 21 February 2012

[2] Appointed as a member of BCC with effect from 28 August 2012

[3] Appointed as a member of BCC with effect from 23 October 2012

3. Roles and Responsibilities

The BCC shall have the following specific responsibilities on:

i) 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.

ii) 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.

iii) 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.

Board Audit Committee

1. Objective

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

2. Composition

During the financial year ended 31 December 2012, the BAC met 9 times. Details of members of the Committee and attendance of each member for year 2012 are as follows:

No	Name of Director	No. of Meetings Attended *
1	Ab. Gani bin Haron (Chairman) (term ended w.e.f 1/5/2012)	3/3
2	Nik Najib bin Husain [1]	9/9
3	Dato' Dr. Mohd Isa Hussain [2]	6/6
4	Dato' Rosli bin Mohamed Nor [3]	8/8
5	Dato' Agil Natt [4]	6/7
6	Zakaria bin Ismail [3]	6/6
7	Ismail bin Mahbob [5]	3/3

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

[1] Appointed as a Chairman of BAC with effect from 26 April 2012

[2] Discharged as a member of BAC with effect from 28 August 2012

[3] Appointed as a member of BAC with effect from 26 April 2012

[4] Appointed as a member of BAC with effect from 21 February 2012

[5] Appointed as a member of BAC with effect from 28 August 2012

CORPORATE GOVERNANCE
DISCLOSURE REPORT

3. Roles and Responsibilities

The responsibilities of the BAC are as follows:

i) 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.

ii) Internal Audit

- Oversees the functions of the internal audit department and to ensure compliance with BNM/RH/GL 013-4 (Guidelines on Internal Audit Function of Licensed Institutions, UPW/GP1 (Standard Guidelines on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT), BNM/RH/GL-012-3 (Shariah Governance Framework for Islamic Financial Institutions) and the requirement of the relevant laws and regulations of others supervisory authority.

- Review internal controls, including the scope of the internal audit programme, the internal audit findings, and recommend action to be taken by management. The reports of internal auditors and IAC should not be subject to the clearance of the chief executive officer or executive directors.

- Approve the Audit Charter before being endorsed by the Board, so that the internal audit function may be effectively discharged.

- Approve the audit plan for the internal audit and should be flexible to respond to changing priorities and needs.

- Ensure that adequate and appropriate resources are made available to the internal audit function and the compensation scheme of internal auditors are consistent with the objectives and demands of internal audit function.

- Ensure that the continuing professional development for internal audit staff and to ensure that they have sufficient up to date knowledge of auditing and the activities of the Bank.

iii) 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.

iv) Related Party Transaction

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

Board Risk Committee

1. Objective

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

2. Composition

During the financial year ended 31 December 2012, the Board Risk Committee (BRC) met 11 times. Details of members of the Committee and attendance of each member for year 2012 are as follows:

No	Name of Director	No. of Meetings Attended *
1	Zakaria bin Ismail (Chairman)	11/11
2	Dato' Agil Natt [1]	10/10
3	Dato' Rosli bin Mohamed Nor	11/11
4	Nik Najib bin Husain	10/11
5	Dato' Dr. Mohd Isa Hussain [2]	3/3
6	Ismail bin Mahbob [3]	4/4
7	Ab. Gani bin Haron (term ended w.e.f 1/5/2012)	3/3

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

[1] Appointed as new Chairman of BRC with effect from 26 April 2012

[2] Appointed as a member of BRC with effect from 26 April 2012 and discharged as a member of BRC with effect from 28 August 2012

[3] Appointed as a member of BRC with effect from 28 August 2012

3. Roles and Responsibilities

The BRC shall have the following specific responsibilities on:

i) 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 Committe (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.

ii) 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.

iii) 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 riks limits are appropriate for the Bank's business activities.

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

CORPORATE GOVERNANCE DISCLOSURE REPORT

Remuneration Committee

1. Objective

The primary objective of the Remuneration Committee (RC) is to provide a formal and transparent procedure for developing a remuneration policy for Directors, (MD/CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Business Officer (CBO), Chief Risk Officer (CRO) and Chief Credit Officer (CCO) and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategies.

2. Composition

During the financial year ended 31 December 2012, the RC met 8 times. Details of members of the Committee and attendance of each member for year 2012 are as follows:

No	Name of Director	No. of Meetings Attended *
1	Zakaria bin Ismail (Chairman)	8/8
2	Dato' Rosli bin Mohamed Nor [1]	8/8
3	Dato' Dr. Mohd Isa Hussain	8/8
4	Dato' Agil Natt [2]	6/7
5	Nik Najib bin Husain [3]	4/5
6	Ab. Gani bin Haron (term ended w.e.f 1/5/2012)	3/3

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

[1] Appointed as new Chairman of RC with effect from 26 April 2012

[2] Appointed as a member of RC with effect from 21 February 2012

[3] Appointed as a member of RC with effect from 26 April 2012

3. Roles and Responsibilities

i) To propose and recommend to the Board the remuneration policy and guidelines for the Directors, MD/CEO, COO, CFO, CBO, CRO and CCO of EXIM Bank. The remuneration policy should:-

1) Be documented and approved by the board and any changes thereto should be subject to the endorsement of the Board;

2) Be competitive and align to market to ensure its sufficient to attract and retain key talents within the organization and the need to manage the Bank successfully.

3) Be reflective of its accountability and job descriptions in carrying out their duties as senior management members of the Bank; and

4) Be balanced against the need to ensure that the funds of the Bank are not used to subsidize excessive remuneration package and to ensure that the remuneration are in line with the current industry best practices.

ii) To propose or review and recommend to the Board the specific remuneration packages for Directors, MD/CEO, COO, CFO, CBO, CRO and CCO of EXIM BANK. The remuneration packages should:-

1) Be based on an objective consideration and approved by the Board;

2) Reflect the experience and level of responsibility borne by individual Directors, MD/CEO, COO, CFO, CBO, CRO and CCO.

3) Take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Director, MD/CEO, COO, CFO, CBO, CRO and CCO concerned;

4) Not be decided by the exercise of sole discretion of any one individual or restricted group of individual; and

5) Be competitive and is consistent with the Bank's culture, objective and strategy.

iii) To recommend to the Board with regards to the payment guideline for staff bonus and annual salary increment of the company.

Nomination Committee

1. Objective

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

2. Composition

During the financial year ended 31 December 2012, the NC met 12 times. Details of members of the Committee and attendance of each member for year 2012 are as follows:

No	Name of Director	No. of Meetings Attended *
1	Dato' Rosli bin Mohamed Nor (Chairman)	12/12
2	Zakaria bin Ismail [1]	12/12
3	Dato' Dr. Mohd Isa Hussain	12/12
4	Nik Najib bin Husain [2]	10/11
5	Dato' Agil Natt [3]	7/9
6	Ab. Gani bin Haron (term ended w.e.f 1/5/2012)	3/3

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

[1] Appointed as new Chairman of NC with effect from 26 April 2012

[2] Appointed as a member of NC with effect from 21 February 2012

[3] Appointed as a member of NC with effect from 26 April 2012

3. Roles and Responsibilities

The functions and responsibilities of the NC are as follows:

i) To establish minimum requirements for the Board and the MD/CEO to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the board in terms of the approriate 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 MD/CEO. This includes assessing directors and MD/CEO 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, if he is ineffective, errant or negligent in discharging his responsibilities;

v) To ensure that all Directors undergo approriate induction programmes and receive continuous training;

vi) To oversee appointment, management succession planning and performance evaluation of MD/CEO, COO, CFO, CBO, CRO and CCO, and recommending to the board the removal of CFO, CBO, CRO and CCO, if they are ineffective, errant and negligent in discharging their responsibilities; and

vii) To formulate, review and recommand to the Board in respect of human resource development (training) policies and human resource management policies, including the terms and conditions of service of the company.

SHARIAH GOVERNANCE DISCLOSURE REPORT

1. Objective

The primary objective of Shariah Committee (SC) is to ensure that the Islamic banking and takaful business activities of EXIM Bank are in compliance and conforms with Shariah rules and principles.

2. Composition

During the financial year ended 31 Dec 2012, SC of EXIM Bank consists of seven (7) members appointed by the Board of Directors.

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

SC Members	No. of Meetings Attended *
Dato' Haji Mohd Mokhtar Haji Shafii (term ended w.e.f 17 Nov 2012)	8/8
Haji Aziz Mustapha	8/8
Haji Abd. Rasid Abd. Kadir	8/8
Dr. Mohamad Sabri Zakaria (term ended w.e.f 17 Nov 2012)	8/8
Dr. Suhaimi Ab. Rahman	6/8
Assoc. Prof. Dr. Mek Wok Mahmud*	-
Dr. Zulkifli Hasan *	-
Dr. Sharifah Faigah Syed Alwi *	-

* Appointed as a member of SC with effect from 7 Dec 2012

3. Roles and Responsibilities

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

The main duties and responsibilities of the SC are as follows:

a) 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 EXIM Bank comply with Shariah principles at all times.

b) To endorse Shariah Policy and Procedure

EXIM Bank shall have Shariah Policy and Procedure Manuals where it must define the framework, responsibilities, accountabilities, conduct and operations of the SC.

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.

c) To endorse and validate relevant documentations

To ensure that the Islamic finance products of EXIM 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.

d) To assist related parties on Shariah matters for advice upon request

The related parties of EXIM 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.

e) To advice on matters to be referred to the Shariah Advisory Council, Bank Negara Malaysia

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

f) 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 EXIM Bank make reference to the SAC for advice; or

(ii) Where EXIM Bank submits application to Bank Negara Malaysia 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 Committee.

g) 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 EXIM Bank. Upon obtaining any advice of the SAC, the SC shall ensure that all SAC's decision are properly implemented by EXIM Bank

h) 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.

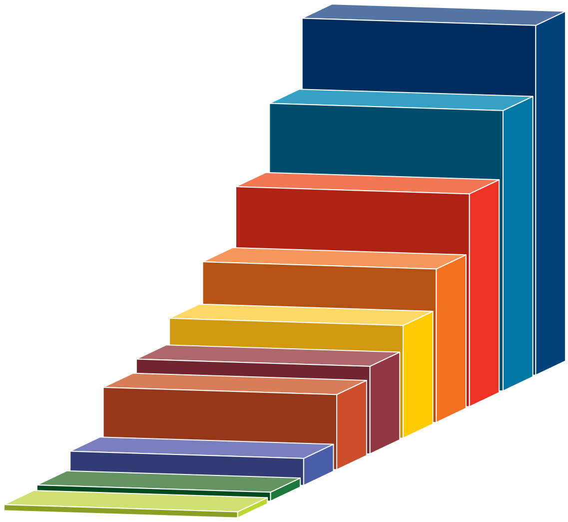
Mutual

RESPECT IN TEAMWORK

The success of the Bank's transformation journey is a reflection of our captains at the helm, the Directors, management and people who continue to explore, enrich and empower each other by rising to the Bank's defining moments.

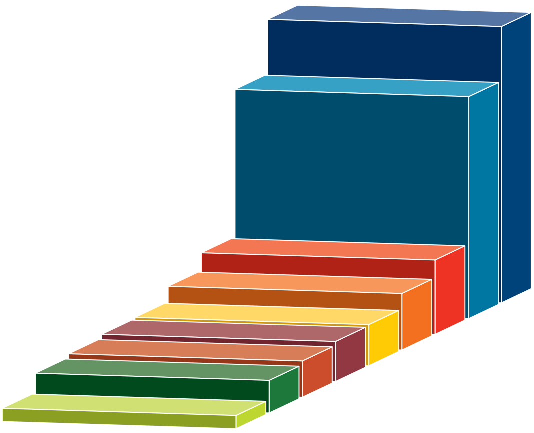
BANKING PORTFOLIO 2012

Loan and Guarantee Exposure - Sector



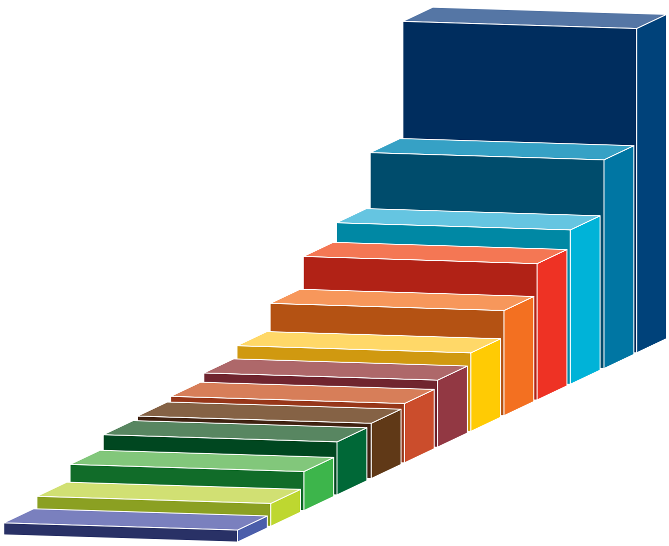
- Construction **26.7%**
- Wholesale and Retail Trade, and Restaurant and Hotel **21.4%**
- Manufacturing **16.3%**
- Government **11.7%**
- Electricity, Gas & Water Supply **8.6%**
- Agriculture, Hunting & Forestry **6.7%**
- Mining & Quarrying **5.7%**
- Transport, Storage & Communication **2.1%**
- Finance, Insurance, Real Estate & Business Activities **0.7%**
- Other **0.1%**

Loan and Guarantee Exposure - Region



- East Asia **35.0%**
- Malaysia **28.1%**
- Middle East **9.3%**
- Europe **7.1%**
- South Asia **5.2%**
- Oceania **5.0%**
- Central Asia **4.6%**
- Africa **4.1%**
- America **1.6%**

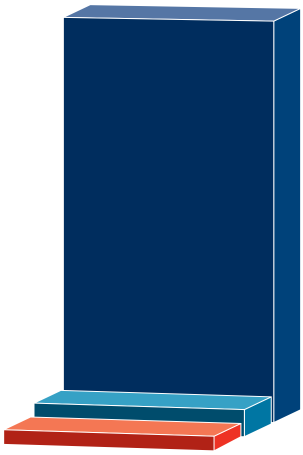
Loan and Guarantee Exposure - Facilities



- OPF **41.4%**
- BC **20.6%**
- ECR **R13.1%**
- TL **10.1%**
- SC **5.6%**
- TF **2.9%**
- OCF **2.1%**
- G'tee **2.0%**
- Bond **0.8%**
- BG **0.7%**
- MKF **R0.5%**
- EOGF **0.2%**
- ES **0.1%**
- IFF **0%**

CREDIT INSURANCE PORTFOLIO 2012

CREDIT INSURANCE BUSINESS
MLT INSURANCE : BY REGIONS AND SECTORS



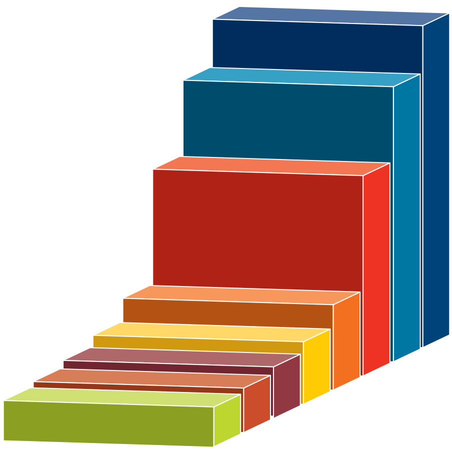
Region

Europe	95%
Middle East	3%
East Asia	2%
Grand Total	100%

Sector

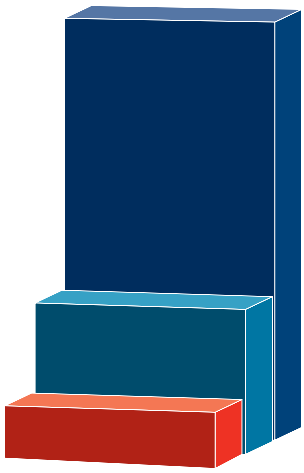
Construction	95%
Manufacturing	5%
Grand Total	100%

CREDIT INSURANCE BUSINESS
SHORT-TERM INSURANCE : BY REGIONS AND SECTORS



Region

East Asia	78%
Europe	7%
America	5%
Middle East	3%
Oceania	2%
Malaysia	2%
Africa	2%
South Asia	1%
Grand Total	100%



Sector

Others	71%
Manufacturing	28%
Wholesale and Retail Trade, and Restaurant and Hotels	1%
Grand Total	100%

MEDIA HIGHLIGHTS

Exim Bank's transformation story

By DALJIT DHESI

Exports outlook remains dim

Third-quarter performance will be a big drag on economic growth

Exim Bank set to lend RM1.5bil

By CHOONG EN HAN

Exim Bank hopes to disburse RM1.5b

Malakoff CEO Zainal Abidin Jalil (left) exchanging documents with Exim Bank CEO and MD Datuk Adissadikin Ali during the signing of a US$90 million financing facility deal yesterday. Looking on are Malakoff chairman Datuk Wira Syed Abdul Jabbar Syed Hassan (centre) and Mizuho Corporate Bank managing director Yuki Chikamoto.

Exim Bank expands into India

Exim Bank: SMEs should be prudent

Business targets abroad must fit the stability criterion

By ZAZALI MUSA

Lending SMEs the support they deserve

Al-Rajhi, EXIM Bank bekerjasama bantu PKS

AL-RAJHI Bank Malaysia Bhd menjalinkan kerjasama strategik dengan Export-Import Bank Malaysia Bhd (EXIM Bank) bagi menyediakan perkhidmatan agensi berkaitan kewangan, keselamatan dan kemudahan kepada pelanggan EXIM Bank yang menjalankan perniagaan di negara Majlis Kerjasama Teluk (GCC).

Melalui kerjasama itu, kedua-dua pihak akan memanfaatkan kekuatan masing-masing dalam membantu syarikat perusahaan kecil dan sederhana

EXIM Bank, ECGD meterai kerjasama

ADISSADIKIN bertukar doukumen perjanjian dengan Pengarah Perniagaan Kumpulan Ekport ECGD, Steve Dodgson di Kuala Lumpur, semalam

Good response to Exim Bank's US$500m bonds

SUCCESSFUL OFFERING: Strong order book of about US$3b from more than 180 investors

Exim Bank sasar pinjaman RM6 bilion

Exim launches inaugural US$500m bond

Exim Bank bantu dagangan 2 negara

Malaysia's Exim bank

EXPORT-IMPORT Bank of Malaysia Bhd (Exim Bank) has signed a collaborative deal with Indian banks namely, ICICI Bank Ltd and YES Bank, to further enhance Malaysia-India trade especially for palm oil. Through this collaboration, Exim Bank will provide credit lines to ICICI Bank, which is India's largest private sector bank and YES Bank, to facilitate the imports of goods from

EXIM Bank sumbang RM26,675

KLANG 4 Jan. - Sebanyak RM26,675 wang zakat sumbangan Export-Import Bank of Malaysia (EXIM Bank) diagihkan kepada 26 asnaf pada satu majlis di pejabat Jabatan Kebajikan Masyarakat (JKM) daerah di sini baru-baru ini.

Sumbangan itu disampaikan oleh

EXIM launches inaugural US$500 million bonds

Exim Bank forms strategic partnership with Al Rajhi

Growth forecast low 'but still good'

BETTER TO BE CONSERVATIVE: Need to factor in external market uncertainties, says deputy finance minister

Helping SMEs trade across borders assuredly

EXIM Bank's role is to provide credit facilities and insurance services to support exports and imports of goods, services and overseas investments with emphasis on non-traditional markets ... provision of export credit insurance services, export financing ... investment insurance and guarantee facilities.

Exim eyes RM1bil loans

Bank aims to reach target by the end of the year

Demand for trade credit insurance rises amid economic uncertainty

Malakoff dapat biaya RM276.79j

... oleh daripada EXIM ... Corporate Bank

Awards to honour the best in M'sian businesses

PETALING JAYA: The Star Outstanding Business Awards 2011 (SOBA 2011) was officially launched yesterday to pay tribute to up-and-coming local non-listed companies and small and medium enterprises

Kuala Lumpur is the official hotel. The awards are supported by Bursa Malaysia and audited by BDO.

The awards have been modified this year with two new categories, namely "Innovation" and "Rising Star."

The "SME of the Year Award" will be known as "Business of the Year Award" to broaden the spectrum of

Exim Bank in tie-up with UK's ECGD

PETALING JAYA: Export-Import Bank of Malaysia Bhd (Exim Bank) has signed a memorandum of understanding (MoU) with the United Kingdom's Export Credit Guarantee Department (ECGD).

The MoU is aimed at establishing a basis for the exchange of information, co-insurance, reinsurance, and training.

The MoU also provided the means for Exim Bank and ECGD to reinsure each other where exporters and investors from both countries

Terlibat dalam projek loji jana kuasa, nyah garam

Malakoff kukuh di Asia Barat

Bank perkenal dua ... takaful pengeksport

Exim Bank perluas operasi ke India

... expands into India

SMEs need to grow out of fringes

They must innovate in order to stand out and compete with big players

Exim Bank to fund infrastructure projects in Asean

CORPORATE EVENTS

17 JANUARY 2012
TRADE CLINICS - MATRADE

14-16 FEBRUARY 2012
International Construction Week Exhibition

19 MARCH 2012
Uganda Visit at EXIM Bank

23 MARCH 2012
Credit Takaful Facilities Product Launching Officiated by Y.B. Senator Dato' Dr. Awang Adek Hussin, Deputy Finance Minister Malaysia

03-05 MAY 2012
Asian EXIM Banks Forum Keynote Speech in Manila Philippines

15 MAY 2012
4th MSME Congress Soft Launch

23 MAY 2012
MEDIA BRIEFING
Financial Performance

28 MAY 2012
Medium Term Notes
Programme Road Shows

05 JUNE 2012
10th Chief Internal Auditors Meeting

CORPORATE EVENTS

13 SEPTEMBER 2012
EXIM Bank Raya Open House

13 SEPTEMBER 2012
14th Perdasama Annual General Meeting & Executive Officer Personage Award Recipient in conjunction with Hari Raya Open House 2012

06 NOVEMBER 2012
SOBA Business Award Night 2012

18 DECEMBER 2012
Tea Talk With Insurance Brokers - Sheraton Hotel

SIGNING CEREMONY

30 JANUARY 2012
EXIM Bank Facilitates Solartif To Penetrate Global Market On Green Technology

18 APRIL 2012
MoU Signing between EXIM Bank & Al Rajhi Bank

09-11 MAY 2012
Islamic Development Bank Group Investment Forum

14 MAY 2012
Signing Ceremony of Facility Agreement between Malakoff, EXIM Bank & Mizuho Corporate Bank Ltd

SIGNING CEREMONY

22 JUNE 2012
MoU Signing between EXIM Bank and Export Credit Guarantee Department UK

10 AUGUST 2012
Signing Ceremony between EXIM Bank and Asian Development Bank

20 NOVEMBER 2012
Signing Ceremony of Agreements and MoUs between Export-Import Bank Malaysia Berhad, Turk EXIMBank, Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), Export Credit Insurance Company of The Emirates (ECIE), Export Credit Agency of Oman (ECGA), Garant Versicherungs-AG

AMAN UNION
ANNUAL MEETING

20-22 NOVEMBER 2012

The 3rd Annual Meeting of the AMAN UNION

AMAN Union is a professional forum assembling Commercial and Non-Commercial Risks Insurers and Reinsurers from member countries of the Organisation of Islamic Conference (OIC). The meeting was attended by 120 delegates from 22 countries. EXIM Bank Malaysia hosted the 3rd Annual Meeting of the AMAN UNION on 20-22 November 2012 in Kuala Lumpur.

CORPORATE SOCIAL RESPONSIBILITY REPORT

OUR COMMITMENT

EXIM Bank is committed to developing all areas of our Corporate Social Responsibility (CSR) programmes and ensure that we work together to achieve the highest possible standards. We aim to have a positive impact through the way we conduct our business both inside and outside the Bank.

Our leadership team is committed to CSR and we make sure that our performance and reporting will continue to improve to meet the raising expectations of our stakeholders.

Against the background of ongoing interest among our stakeholders for greater transparency in disclosing EXIM Banks' CSR activities, this inaugural CSR report published in conjunction with the Bank's Annual Report 2012, summarizes much of what we have done to fulfill that interest.

In implementing the CSR activities, each organization has its unique characteristic and circumstances that will affect how it views its operational context and its definition of social responsibilities. For this inaugural CSR report, EXIM Bank defines CSR as carrying out social action which is beyond EXIM Banks mandated requirements. As the learning process continues, this criterion is expected to change gradually to take into consideration the current CSR practices.

The primary reference for EXIM Bank 2012 CSR reporting will be the Bursa Malaysia CSR Framework. The Framework, incorporating four focus areas of Marketplace, Community, Environment and Workplace is to highlight the CSR activities relevant to the organization.

Marketplace

EXIM Bank to date has contributed close to RM 3 million in providing support to the small and medium enterprises (SME) business community with the objective to inspire and motivate them to achieve excellence in every aspect of their business endeavor. This is our way of showing our social responsibility in promoting and motivating them in inculcating excellence. The Star Outstanding Business Awards (SOBA) is an example of the social initiative that was undertaken in 2012.

Being a partner in promoting the program, the various awards presented are to recognise local businesses to move to the level of excellence in managing their businesses. This is in line with the Government commitment to nurture and develop home grown enterprises so that one day these companies are able to showcase its products and services to the world.

EXIM Bank's contribution to SOBA is to ensure a conducive environment and motivation for the SMEs to innovate and implement best practices in the Management and operations of their respective business. Our long term objective is to see more of these companies moving forward to the next level of business proposition, from local to global.

Apart from SOBA, EXIM Bank has also extended its CSR contribution to the SME community via Malaysia SME (MSME) in its endeavour to support local SMEs to thrive and achieve excellence. The 6-month program covers various activities including seminars and workshops nationwide, conference, as well as identifying participating SMEs and their success stories.

EXIM Bank also contributed to the Government initiative in promoting the SMEs through its national agency, SME Corporation Bhd (SME Corp). The agency is making available national SME excellence awards to registered members. Apart from the awards, EXIM Bank also contributed to the international SME Conference in Kuala Lumpur organised by SME Corp. This effort is to see that strong business linkages are continuously strengthen within ASEAN and among ASEAN and Asian countries.

Financial Year 2012 marks the active operations of EXIM Bank's Global Advisory Research unit (GARD) in processing and delivering accurate and up-todate information on domestic and world market scenario. The reports that GARD produced covers country, industrial and service sectors that greatly assist EXIM Bank as well as key external stakeholders, including potential clients, to assist them in making fast and accurate decisions. There were also special requests for specific reports to assist the external stakeholders in making their decisions. In 2012, GARD had issued over 80 reports altogether. As part of EXIM Bank's CSR contribution to the Marketplace, these reports are available free of charge and past reports can be accessed through EXIM Bank's website. GARD also conducts regular advisory and marketplace update seminars to benefit stakeholders, namely the customers, would-be customers and Government agencies. In 2012, GARD has conducted 6 such seminars covering over 300 participants.

Star Outstanding Business Awards (SOBA) at Royal Chulan Hotel

Malaysia SME Congress 2012

Country & Industrial Reports

CORPORATE SOCIAL
RESPONSIBILITY REPORT

Community

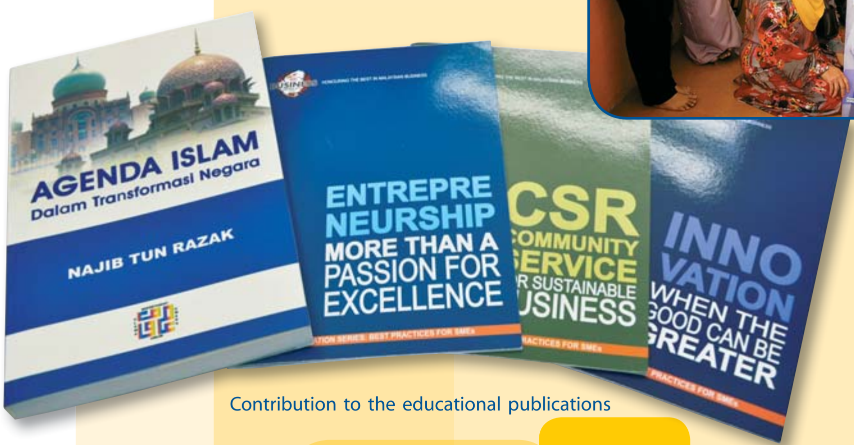
Contributing to the communities in which EXIM Bank operates will be an important element of our CSR initiatives. In 2012, EXIM Bank has initiated community service through donations and employee engagements to various charitable organizations, educational institutions, and religious and sports activities.

Last year the Bank had set up a special charity account called Mawaddah for the purpose of funding donations to the under privileged. To ensure equitable and fair charitable distribution the Bank has established a committee to look into matters pertaining to the distribution.

Both EXIM Bank and Mawaddah Charitable Account contributed about RM410,000. Though small in terms of value, we hope the beginning of Mawaddah in 2012 will pave the way for greater contribution in years to come, to make a difference in the communities where we operate and where our employees live and work.

Iftar with 3 Orphanages from Klang Valley

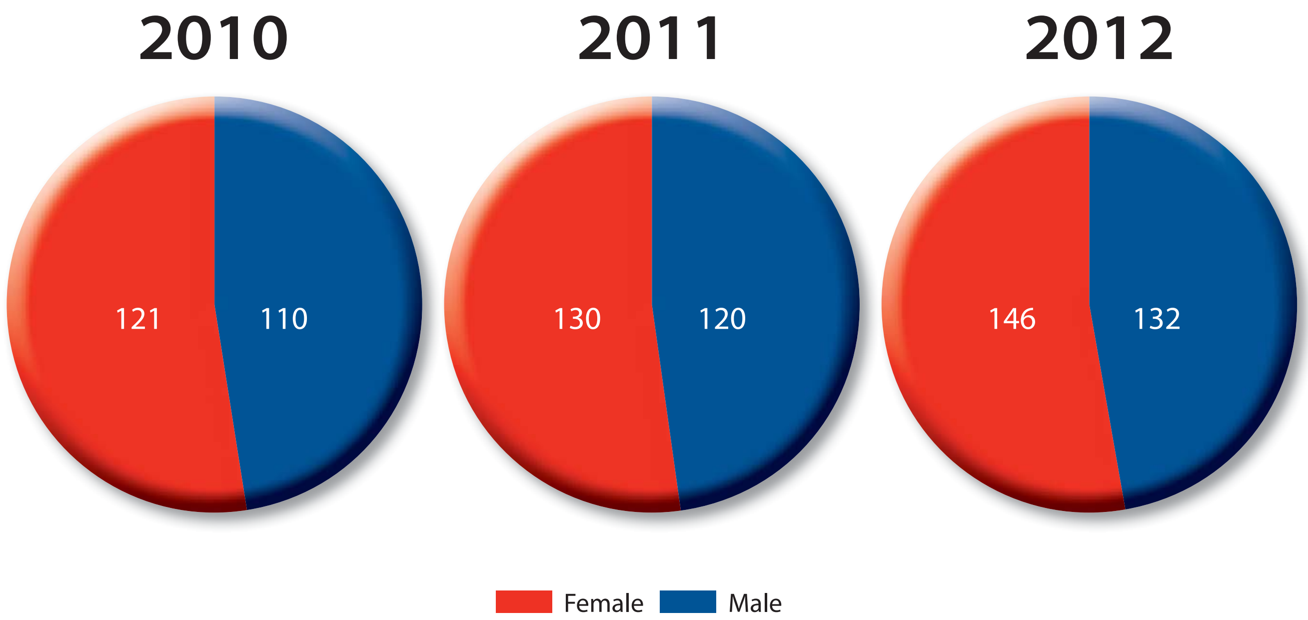
Visit and donation to Pusat Jagaan Nur Hasanah



Contribution to the educational publications

Workplace

Our employees are the core of our business. As at end of 2012, there were 278 employees in the Bank with the gender representation as follows:



As in all other organisations, we do face various challenges at the workplace and we introduce many initiatives to address these challenges to make sure that EXIM Bank remains a workplace of choice.

We conducted periodic employee engagement surveys to better understand our employees and to ensure that our efforts to build a better workplace are effective; our most recent survey was in 2010 covering about 51% employee participation. That survey resulted in the development of Human Capital Blueprint highlighting the key focus areas of Human Capital, set for development and enhancement. These focus areas include organisational competencies, EES Framework, Organisational Culture, Reward and Recognition Framework, Communications Framework, Succession Plan, Leadership and Organisational Framework, Career Placement and Performance and Talent Management. The initiatives under these focus areas will be rolled out beginning 2013 and are expected to continue until 2014.

In 2012, our Talent Management Programme established a career framework to improve the level of education and qualifications that is directly related to the Bank's activities and operations. This framework is the basis to implement various initiatives to help employees improve their job performance and build their career path in the Bank. Managed by GARD, our resource centre has been expanded and is currently stock over 1,000 titles from economy to project financing to self-development.

Our workplace safety and health programme started with the introduction of the Safety and Health mission statement introduced by the Safety and Health committee in 2012 to create safety and health consciousness among employees. The committee had also formed an Emergency Response Team (ERT) to respond to emergencies when necessary. Safety and health training programmes were arranged with the assistance from National Institute of Occupational Safety and Health (NIOSH) for the employees.

CORPORATE SOCIAL RESPONSIBILITY REPORT

EXPORT-IMPORT BANK OF MALAYSIA BERHAD SAFETY AND HEALTH MISSION STATEMENT

It is our responsibility to accommodate our staff, clients and people in the workplace with a safe and healthy working condition, place and environment that are free of occupational and health hazard.

The Mission Statement comprises the following safety aspects:

- To provide and ensure that a safe, healthy and hazard free working system and environment to the staff, clients and people at the workplace is maintained.
- To provide a comprehensive information to the staff on the importance of having a safe working habit.
- To enhance the staff knowledge on the safety and health at the work place by providing the necessary training on the safety and health requirements.
- To provide the necessary support as well as resources to investigate all accidents, diseases and to take or initiate prompt corrective measures in the event of non-compliance with the safety rules and regulations.
- To provide the necessary support as well as resources in maintaining a safe and healthy working environment with adequate welfare facilities and take timely corrective measures and actions in the event of willful non-compliance of safety regulation.
- To comply with the minimal requirements of the Occupational Safety and Health Act 1994.

We believe that a good and safe working habit is an essential aspect to be followed that will en-route the Bank to achieve its mission.

A Safety and Health Committee for the Bank has been established to hold regular discussion of the safety and health issues at the workplace. The Committee shall review measures taken and investigate any related matters brought to the employer's attention and propose corrective action.

DATO' ADISSADIKIN ALI

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
EXPORT-IMPORT BANK OF MALAYSIA BERHAD

EXIM Bank In House Program On ERT Plan and CPR Training

As we want our employees to live healthy, productive lives and fit for work, EXIM Bank has allocated half of the floor space on the second floor of its 18-story headquarters for the gymnasium centre, indoor sports area and music studio. The sports club and social office (KSSEB) is also located on the floor. The Bank contributes RM300,000 annually to KSSEB to organize various sports and social activities in an effort to foster employees sense of belonging, promoting teamwork and camaraderie.

Our Human Capital Department has also set up Staff Children Education Fund and monetary rewards to employees' children who achieved outstanding result in national examinations. Apart from this, 2012 also saw various other activities such as Family Day in Langkawi, Employee Long Service Award, celebrating employee birthdays quarterly with an out of town trip and Teh Tarik session for new employees with the Bank's top management.

Family Day

Resource Centre located at Level 12

EXIM Bank Gymnasium

CORPORATE SOCIAL RESPONSIBILITY REPORT

Environment

Our efforts in addressing environmental issues begin with raising the level of awareness among employees on the need to minimise environmental impact on the Bank's operations. At the same time we also introduce practical activities with the purpose of reducing energy and other resources consumption within our property.

We introduce thriftiness campaign and austerity drive to manage our energy, water and paper consumptions. The efforts managed to save up to 20% of our utility bills. Though small in its contribution, but it is the beginning for EXIM Bank to look seriously in environmental responsibilities. Apart from environmental campaigns, we have also started sending our employees to courses and seminars on green technology and renewal energy to gain more knowledge.

Externally, our environmental responsibilities stretch beyond our own business operation and extend to the businesses that we finance through lending and guarantee activities. In Responsible Financing we provided facilities that minimise carbon footprint of the world through hydroelectric power sectors, waste management, manufacturing of solar panels and other Renewal Energy projects.

MOVING FORWARD

This 2012 report, our first, recognizes EXIM Bank's CSR commitments in its various roles. As our markets and stakeholders' expectations evolve, we at EXIM Bank will continue to develop and refine further our approach in implementing CSR. We reflect this commitment in the four key areas which relates to:

Marketplace : We seek to provide our stakeholders a service, hallmarked by efficient, excellence, innovative and mutual respect.

Community : We strive to be a good corporate citizen, recognizing our responsibility to the communities through corporate and philanthropy, employee giving and volunteerism.

Workplace : We are guided by our aim to be employer of choice.

Environment : We are committed to minimise impact to the environment while meeting our functional requirements.

FINANCIAL STATEMENTS

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 2012.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the business of 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 facilities and trade related guarantees to Malaysian companies.

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

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

RESULTS

	Group RM'000	Bank RM'000
Profit for the year	123,766	123,770

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

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

DIVIDENDS

Since the end of the previous financial year, the Bank paid a final ordinary dividend of 0.35 sen per ordinary share less tax at 25% totalling RM7,110,246 (0.26 sen net per ordinary share) in respect of the year ended 31 December 2011 on 23 May 2012.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2012, of 0.69 sen per ordinary share less tax of 25% amounting to RM13,924,310 (0.51 sen net per ordinary share) will be proposed for shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2013.

DIRECTORS

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

Datuk Mohd Hashim bin Hassan – Chairman
Dato' Adissadikin bin Ali
Haji Zakaria bin Ismail
Encik Ir. Rosli bin Mohamed Nor
Dato' Dr. Mohmad Isa bin Hussain
Encik Nik Najib bin Husain
Dato' Md Agil bin Mohd Natt
Encik Ismail bin Mahbob (appointed on 10 August 2012)
Encik Wong Seng Foo (appointed on 23 October 2012)
Haji Abdul Gani bin Haron (resigned on 1 May 2012)

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 29 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.

OTHER STATUTORY INFORMATION

(a) Before the balance sheets and income statements of the Group and of the Bank were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

  (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group 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 EVENT

In June 2012, the Bank launched its USD1.5 billion multi-currency Medium Term Notes ("MTN") Programme. In the same month, the Bank also announced the successful offering of its inaugural USD500 million, 5.5 year Fixed Rate Notes, issued pursuant to the MTN Programme, the first-ever foreign currency bond issued by a Malaysian Development Financial Institution. The notes were priced at 2.895% on a 2.875% coupon, the lowest yield ever achieved by a Malaysian issuer in a comparable issuance. The deal attracted interest from a diverse group of domestic and international investors with a strong order book of approximately USD3.0 billion from more than 180 investors. Subsequently in July 2012, the Bank raised additional USD63 million from the private placement of 10 years bond under the same programme, priced at 5.406% on a 3.509% coupon.

In addition, Moody's Investors Service and Fitch Ratings have also re-affirmed the Bank's rating during their annual review for 2012 as follows:

Rating agencies	Date	Ratings
Moody's Investors Service	25 September 2012	Long-term Foreign Currency Issuer Rating / Outlook: A3/Stable
Fitch Ratings	11 June 2012	Foreign Long-term Issuer Default Rating: A– Support Rating: 1 Support Rating Floor: A–

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 February 2013.

Datuk Mohd Hashim bin Hassan

Dato' Adissadikin bin Ali

SHARIAH COMMITTEE'S REPORT

بسم الله الرحمن الرحيم

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.

السلام عليكم ورحمة الله وبركاته and Salam Sejahtera
To the shareholders, customers and stakeholders of Export-Import Bank of Malaysia ("EXIM Bank or the Bank"):

In carrying out the roles and responsibilities as EXIM Bank's Shariah Committee ("the Committee") as prescribed in the Bank's Shariah Compliance Framework as well as the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, we the members of the Committee hereby submit the following report in respect of Shariah compliant business activities of EXIM Bank for the financial year ended 31 December 2012:-

1. The Committee had conducted eight (8) meetings during the financial year to review and approve various new and enhancement to the Bank's Islamic banking and takaful products as well as guidelines and manuals relating to Shariah compliant transactions and internal processes. We confirmed that we have reviewed the applicability and appropriateness of Shariah principles and the Shariah contracts adopted relating to the new products, transactions and operational processes of Islamic banking and Takaful activities of EXIM Bank for the period from 1 January 2012 until 31 December 2012.

2. The Committee has provided appropriate advisory and counsel on various aspects of the Bank's Islamic banking and takaful operations in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of Bank Negara Malaysia.

3. The Bank has carried out Shariah audit performed by the Internal Audit Department and the report has been presented and deliberated at 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. 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 EXIM Bank and thereby report to you.

Hence to the best of our knowledge based on the information provided to us and discussions and decisions transpired and made in the meetings of or attended by the Shariah Committee of the Bank, we are of the opinion that the Islamic banking and takaful business operations of EXIM Bank for the financial year ended 31 December 2012 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 Suhaimi bin Ab Rahman
Member of the Committee

Hj Abd Rasid bin Abd Kadir
Member of the Committee

Kuala Lumpur, Malaysia
21 February 2013

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Mohd Hashim bin Hassan and Dato' Adissadikin bin Ali, 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 79 to 173 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012 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 26 February 2013.

Datuk Mohd Hashim bin Hassan

Dato' Adissadikin bin Ali

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965 AND SECTION 73(1)(E) OF THE DEVELOPMENT FINANCIAL INSTITUTIONS ACT, 2002

We, Datuk Mohd Hashim bin Hassan and Dato' Adissadikin bin Ali, 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 79 to 173 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 abovenamed Datuk Mohd Hashim bin Hassan and Dato' Adissadikin bin Ali at Kuala Lumpur in the Federal Territory on 26 February 2013.

Before me,

PESURUHJAYA SUMPAH
NO: W 590
M. SIVANASON
MALAYSIA

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

Datuk Mohd Hashim bin Hassan

Dato' Adissadikin bin Ali

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Export-Import Bank of Malaysia Berhad which comprise statements of financial position as at 31 December 2012 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 79 to 173.

Directors' responsibility for the financial statements

The Directors of the Bank are responsible for the preparation of financial statements 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 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

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

OTHER MATTERS

As stated in Note 2.2 to the financial statements, the Group adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Bank for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the year then ended.

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

Ernst & Young
AF: 0039
Chartered Accountants

Abdul Rauf bin Rashid
No. 2305/05/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
26 February 2013

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

		Group			Bank		
	Note	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Assets							
Cash and bank balances	4	**43,747**	60,720	70,116	**43,747**	60,720	70,116
Deposits and placements with banks and other financial institutions	5	**2,961,894**	2,539,759	1,945,641	**2,961,894**	2,539,759	1,945,641
Investment securities	6	**248,088**	449,094	430,102	**248,088**	449,094	430,102
Amount due from Export Credit Refinancing ("ECR") debtors	7	**572,570**	977,932	1,708,137	**572,570**	977,932	1,708,137
Loan, advances and financing	8	**3,151,128**	1,943,820	1,247,300	**3,151,128**	1,943,820	1,247,300
Insurance receivables	9	**864**	1,405	628	**864**	1,405	628
Derivative financial instruments	10	**20,927**	–	–	**20,927**	–	–
Other assets	11	**127,945**	107,071	29,267	**127,945**	107,071	29,267
Deferred tax assets	12	**28,660**	56,484	8,075	**30,973**	58,796	10,385
Investment in subsidiaries	13(a)	**–**	–	–	**64,161**	64,167	64,173
Investment in jointly controlled entity	13(b)	**	–	–	**	–	–
Investment properties	14	**509**	527	545	**509**	527	545
Intangible assets	15	**790**	1,343	335	**790**	1,343	335
Property and equipment	16	**99,080**	99,696	101,279	**99,080**	99,696	101,279
Total assets		**7,256,202**	6,237,851	5,541,425	**7,322,676**	6,304,330	5,607,908
Liabilities							
Borrowings	17	**4,217,539**	3,360,470	2,802,509	**4,217,539**	3,360,470	2,802,509
Other payables and accruals	18	**167,197**	117,583	121,680	**167,197**	117,583	121,680
Deferred income	19	**13,533**	13,012	25,698	**13,533**	13,012	25,698
Provision for guarantee and claims	20	**20,291**	24,433	65,960	**20,291**	24,433	65,960
Amount due to subsidiaries	36	**–**	–	–	**64,151**	64,160	64,169
Amount due to joint venture	13(b)	**	–	–	**	–	–
Total liabilities		**4,418,560**	3,515,498	3,015,847	**4,482,711**	3,579,658	3,080,016

*** 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 2012

		Group			Bank		
	Note	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Financed by:							
Share capital	21	**2,708,665**	2,708,665	2,708,665	**2,708,665**	2,708,665	2,708,665
Reserves		**716**	1,150	4,846	**716**	1,150	4,846
Retained profits/ (Accumulated losses)	22	**129,194**	12,538	(187,933)	**131,517**	14,857	(185,619)
Shareholders' funds		**2,838,575**	2,722,353	2,525,578	**2,840,898**	2,724,672	2,527,892
Takaful participant funds	39	**(933)**	–	–	**(933)**	–	–
Total liabilities, shareholders' fund and Takaful funds		**7,256,202**	6,237,851	5,541,425	**7,322,676**	6,304,330	5,607,908
Commitments and contingencies	35	**3,832,274**	1,395,772	1,586,852	**3,832,274**	1,395,772	1,586,852

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

STATEMENTS OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Operating Revenue		**185,157**	171,554	**185,157**	171,554
Interest income	24	**217,166**	204,997	**217,166**	204,997
Interest expense	25	**(67,785)**	(32,975)	**(67,785)**	(32,975)
Net interest income		**149,381**	172,022	**149,381**	172,022
Underwriting results	26	**(1,371)**	31,259	**(1,371)**	31,259
Income from Islamic business	39	**21,364**	7,996	**21,364**	7,996
Other income	27	**75,617**	16,490	**75,617**	16,490
Net income		**244,991**	227,767	**244,991**	227,767
Overhead expenses	28	**(59,590)**	(43,274)	**(59,581)**	(43,265)
Operating profit		**185,401**	184,493	**185,410**	184,502
Allowance for diminution in value of investment in a subsidiary		**–**	–	**(6)**	(6)
Allowance for losses on loans, advances and financing	31	**(15,664)**	(38,136)	**(15,664)**	(38,136)
Profit before taxation		**169,737**	146,357	**169,740**	146,360
Taxation	32	**(45,542)**	53,796	**(45,541)**	53,798
Zakat		**(429)**	318	**(429)**	318
Net profit for the year		**123,766**	200,471	**123,770**	200,476
Earnings per share (sen)	33	**4.57**	7.40	**4.57**	7.40

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net profit for the year	**123,766**	200,471	**123,770**	200,476
Other comprehensive income				
Fair value changes on available-for-sale investments securities	**(434)**	(3,696)	**(434)**	(3,696)
	(434)	(3,696)	**(434)**	(3,696)
Total comprehensive income for the year, net of tax	**123,332**	196,775	**123,336**	196,780

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital RM'000	(Accumulated losses)/ Distributable retained profits RM'000	Non-distributable fair value adjustment reserve RM'000	Total RM'000
Group				
At 1 January 2011	2,708,665	(126,608)	4,846	2,586,903
Effect of full adoption of MFRS 139 (Note 42)	–	(61,325)	–	(61,325)
At 1 January 2011	2,708,665	(187,933)	4,846	2,525,578
Total comprehensive income	–	200,471	(3,696)	196,775
At 31 December 2011	2,708,665	12,538	1,150	2,722,353
Total comprehensive income	–	123,766	(434)	123,332
Dividend paid (Note 34)	–	(7,110)	–	(7,110)
At 31 December 2012	**2,708,665**	**129,194**	**716**	**2,838,575**
Bank				
At 1 January 2011	2,708,665	(124,294)	4,846	2,589,217
Effect of full adoption of MFRS 139 (Note 42)	–	(61,325)	–	(61,325)
At 1 January 2011	2,708,665	(185,619)	4,846	2,527,892
Total comprehensive income	–	200,476	(3,696)	196,780
At 31 December 2011	2,708,665	14,857	1,150	2,724,672
Total comprehensive income	–	123,770	(434)	123,336
Dividend paid (Note 34)	–	(7,110)	–	(7,110)
At 31 December 2012	**2,708,665**	**131,517**	**716**	**2,840,898**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities				
Profit before taxation	169,737	146,357	169,740	146,360
Adjustments for:				
Individual allowance				
– Charged for the year	31,309	44,663	31,309	44,663
– Written back	(36,610)	(24,541)	(36,610)	(24,541)
Collective allowance				
– Charged for the year	20,965	8,817	20,965	8,817
Provision/(Write-back) for claims and guarantees	17,570	(32,089)	17,570	(32,089)
Depreciation				
– Property and equipment	3,985	4,015	3,985	4,015
– Investment properties	18	18	18	18
Amortisation of intangible assets	553	331	553	331
Allowance for diminution in value of investment in a subsidiary	–	–	6	6
Dividend income	(477)	(994)	(477)	(994)
Loss/(Gain) on				
– Disposal of equipment	(25)	–	(25)	–
– Assets written off	4	7	4	7
Unrealised foreign exchange loss	29,735	(6,888)	29,735	(6,888)
Unrealised gain from evaluation of derivative	(20,990)	–	(20,990)	–
Allowance for doubtful debts	(1,874)	–	(1,874)	–
Amortisation of premium less accretion of discount	(2,369)	(4,594)	(2,369)	(4,594)
Premium liabilities	71	(10,036)	71	(10,036)
Operating profit before changes in working capital	211,602	125,066	211,611	125,075
Changes in working capital:				
Amount due from ECR debtors	405,362	730,205	405,362	730,205
Loans, advances and financing	(1,222,972)	(725,459)	(1,222,972)	(725,459)
Insurance receivables	2,415	(777)	2,415	(777)
Other assets	(9,406)	(74,312)	(9,406)	(74,312)
Other payables and accruals	31,505	(3,671)	31,505	(3,671)
Deferred income	450	(2,650)	450	(2,650)
Net claims paid for bank guarantee and insurance claims	(21,712)	(9,438)	(21,712)	(9,438)
Takaful participant funds	(933)	–	(933)	–
Amount due to subsidiaries	–	–	(9)	(9)
Cash used in operations	(603,689)	38,964	(603,689)	38,964
Income tax paid	(11,458)	(11,250)	(11,458)	(11,250)
Income tax refund	–	13,145	–	13,145
Zakat paid	(48)	(107)	(48)	(107)
Net cash used in operating activities	(615,195)	40,752	(615,195)	40,752

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

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Cash flows from investing activities				
Dividend received	**477**	994	**477**	994
Proceeds from disposal of investment	**220,485**	25,243	**220,485**	25,243
Proceeds from disposal of property and equipment	**21**	–	**21**	–
Purchase of property and equipment	**(3,369)**	(3,778)	**(3,369)**	(3,778)
Purchase of derivative financial instruments	**63**	–	**63**	–
Purchase of investments	**(17,544)**	(43,338)	**(17,544)**	(43,338)
Net cash used in investing activities	**200,133**	(20,879)	**200,133**	(20,879)
Cash flows from financing activities				
Net drawdown of borrowings	**827,334**	564,849	**827,334**	564,849
Dividend paid	**(7,110)**	–	**(7,110)**	–
Net cash generated from financing activities	**820,224**	564,849	**820,224**	564,849
Net increase in cash and cash equivalents	**405,162**	584,722	**405,162**	584,722
Cash and cash equivalents at beginning of the year	**2,600,479**	2,015,757	**2,600,479**	2,015,757
Cash and cash equivalents at end of the year	**3,005,641**	2,600,479	**3,005,641**	2,600,479

Cash and cash equivalents comprise the following balances:

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Cash and bank balances	**43,747**	60,720	**43,747**	60,720
Deposits and placements with financial institutions	**2,961,894**	2,539,759	**2,961,894**	2,539,759
	3,005,641	2,600,479	**3,005,641**	2,600,479

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

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 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 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 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 26 February 2013.

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 Standards Board with effect from 1 January 2012 and the Companies Act 1965. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These are the Group's and the Bank's first annual financial statements prepared in accordance with MFRS and MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In previous financial years, the financial statements of the Group and the Bank were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia.

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 a) First time adoption of Malaysian Financial Reporting Standards

The financial statements of the Group and of the Bank for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with MFRSs, including MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. Subject to certain changes in accounting policy as discussed in Note 42 to the financial statements, the Group and the Bank have consistently applied the same accounting policies in the opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all periods presented, as if these policies had always been in effect. Comparative figures for year 2011 in these financial statements have been restated to give effect to these changes. The impact of the transition to MFRS on the Group and the Bank's reported financial position and financial performance are disclosed in Note 42 to the financial statements. The transition from FRSs to MFRSs does not have a material impact on the statement of cash flows.

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

2.2 b) **Standards, amendments to published standards and interpretation to the existing standards that are applicable to the Bank and are affective**

In November 2011, the Malaysian Accounting Standards Board formally announced the Malaysian reporting entities would be required to comply with the new IFRS-compliant framework, Malaysian Financial Reporting Standards (MFRS) for financial years commencing on or after 1 January 2012. MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

The Bank will be required to adopt the new standards, amendments to standards and interpretations in the following financial year and comparative financial information prepared in compliance with MFRS will be required for the year commencing 1 January 2012:

Financial year beginning on/after 1 January 2012

(i) **MFRS 139 *Financial Instruments: recognition and measurement***

MFRS 139 "Financial instruments: recognition and measurement" – Bank Negara Malaysia has removed the transitional provision for banking institutions on loan impairment assessment and provisioning to comply with the MFRS 139 requirements.

(ii) **MFRS 124 *Related party disclosures***

The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

- The name of the government and the nature of their relationship;
- The nature and amount of each individually significant transactions; and
- The extent of any collectively significant transactions, qualitatively or quantitatively.

(iii) **MFRS 112 *Income taxes***

Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes – recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

(iv) **IC Interpretation 19 *Extinguishing financial liabilities with equity instruments***

IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

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

2.2 b) **Standards, amendments to published standards and interpretation to the existing standards that are applicable to the Bank and are affective** (cont'd)

(v) **MFRS 7 Financial instruments: *Disclosure on transfers of financial assets***

Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

2.3 **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective**

Financial year beginning on/after 1 January 2013

(a) **MFRS 9 *Financial Instruments***

MFRS 9 "Financial instruments – classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

(b) **MFRS 10 *Consolidated Financial Statements***

MFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by MFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Special Purpose Entities. Based on the preliminary analyses performed, MFRS 10 is not expected to have any impact on the currently held investments of the Group and the Bank.

(c) **MFRS 11 *Joint Arrangements***

MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

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

2.3 **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective** (cont'd)

(d) **MFRS 12 *Disclosure of Interests in Other Entities***

MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

(e) **MFRS 13 *Fair Value Measurement***

MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

(f) **MFRS 128 *Investment In Associates and Joint Ventures***

The revised MFRS 128 "Investments in associates and joint ventures"(effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

2.4 **Summary of significant accounting policies**

(a) **Subsidiaries and basis of consolidation**

(i) **Subsidiaries**

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

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

(ii) **Basis of consolidation**

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

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

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)

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

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

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

(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 individuals assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statements of income as incurred.

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

(b) Property and equipment (cont'd)

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

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

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

(c) Intangible assets: Computer software

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

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

Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will probably generate economic benefits exceeding costs beyond one 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. These include land held for a currently undetermined future use.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

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

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

(e) **Impairment of non-financial assets**

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

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

(f) **Financial assets**

Financial 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 and available-for-sale financial assets.

(i) **Loans and receivables**

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

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

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

(ii) **Held-to-maturity investments**

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

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

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

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

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

(f) **Financial assets** (cont'd)

(iii) **Available-for-sale investments**

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

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

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

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

(iv) **Financial assets at fair value through profit or loss**

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

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

(v) **Derivatives recorded at fair value through profit or loss**

The Bank uses derivatives such as interest rate swaps. This is recorded at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives are included in "Other income".

NOTES TO THE FINANCIAL STATEMENTS
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2. **SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

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

(g) **Impairment of financial assets**

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

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

(i) **Loans and receivables**

For loans and receivables carried at amortised cost, the Group and the Bank first assess individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statements of income.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

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

(ii) Held-to-maturity investments

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

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

(iii) Available-for-sale investments

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

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

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

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

(h) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised at amortised cost. The Group's and the Bank's financial liabilities include borrowings and other payables.

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

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

2.4 Summary of significant accounting policies (cont'd)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, deposits with banks and short-term, highly liquid investments which are subject to an insignificant risk of changes in value.

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

(j) Provisions

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

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

(k) Employee benefits

Short-term employee benefits obligation in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of significant accounting policies (cont'd)

(l) Insurance/Takaful contract liabilities

These liabilities comprise premium/contribution liabilities and claims liabilities.

(i) Premium/Contribution liabilities

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

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

Unearned premium/contribution reserves

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

– In respect of short term comprehensive policies, 75% of the premium/contribution is recognised in the financial year in which the policies are issued. The remaining 25% of the premium/contribution is transferred to the unearned premium/contribution reserves and is recognised in the following financial year.

– In respect of medium and long term policies, the premium/contribution is recognised over the period of risk on a straight-line basis.

Unexpired risk reserves

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

(ii) Claims liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS
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2. **SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

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

(m) **Deferred income arising from guarantee facility**

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

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

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

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

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

(o) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or measured.

(i) **Interest and similar income and expense**

For all financial instruments measured at amortised cost and interest/profit 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/financing income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) **Dividend income**

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

(iii) **Fee income**

Fee income from bank guarantee arrangement, management fee of MKFF and letter of credit is recognised on an accrual basis.

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

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

(o) **Revenue recognition** (cont'd)

(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(l).

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

(p) **Income tax**

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

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

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

(q) **Zakat**

This represents business zakat payable by the Bank in compliance with the principles of Shariah and as approved by the Shariah Supervisory Council.

(r) **Foreign currencies**

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

3.1 Key sources of estimation uncertainty

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

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

(a) Going concern

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

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

(i) Individual impairment allowance

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

(ii) Collective impairment allowance

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

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

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

3.1 Key sources of estimation uncertainty (cont'd)

(c) Uncertainty in accounting estimates for credit insurance/Takaful business

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

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

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

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

(d) Deferred tax assets

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

4. Cash and bank balances

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Cash and bank balances	**43,747**	60,720	70,116

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Deposits and placements with:			
Licensed banks	**2,155,378**	1,504,291	1,631,840
Other financial institutions	**806,516**	1,035,468	313,801
	2,961,894	2,539,759	1,945,641

Included in deposits and placements with banks and other financial institutions are placements of the unutilised fund from the Government of Malaysia under MKFF Scheme amounting to RM162,378,000 (31 Dec 2011: RM160,593,000, 1 Jan 2011: RM159,161,000). The accounting policy in respect of MKFF Scheme is disclosed in Note 2.4(n).

6. INVESTMENT SECURITIES

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Available-for-sale investments			
Quoted shares in Malaysia	–	19,025	25,163
Unquoted debt securities	**238,080**	410,061	309,982
	238,080	429,086	335,145
Held-to-maturity investments			
Unquoted debt securities	**10,008**	20,008	94,957
	248,088	449,094	430,102

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

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Amount due from participating licensed banks under ECR Scheme	**572,570**	977,932	1,708,137
The maturity structure of the ECR debtors are as follows:			
Maturity within one year	**572,570**	977,932	1,708,137

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

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
At amortised cost			
Loans, advances and financing	**3,637,766**	2,444,891	1,940,878
Loans under MKFF Scheme	**21,474**	16,929	13,902
Staff loans and advances	**3,588**	5,802	9,503
Gross loans, advances and financing	**3,662,828**	2,467,622	1,964,283
Less: allowance for impaired loans, advances and financing:			
– Individual allowance	**(400,582)**	(433,649)	(635,647)
– Collective allowance	**(111,118)**	(90,153)	(81,336)
Net loans, advances and financing	**3,151,128**	1,943,820	1,247,300

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

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
Buyer Credit	**760,225**	657,592	670,084
Overseas Contract Financing	**313,890**	331,129	385,752
Overseas Project Financing	**1,890,765**	1,023,687	654,650
Supplier Credit	**146,651**	81,134	124,657
Export Finance	**2,563**	5,338	4,246
Supplier Financing – *i*	**214,216**	131,110	43,126
Overseas Contract Financing – *i*	**2,156**	8,764	–
Overseas Project Financing – *i*	**307,300**	206,137	58,363
Malaysian Kitchen Financing Facility ("MKFF")	**21,474**	16,929	13,902
Staff loans and advances	**3,588**	5,802	9,503
	3,662,828	2,467,622	1,964,283

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

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
Within one year	**1,086,367**	336,461	101,280
One year to three years	**380,310**	208,468	365,098
Three years to five years	**804,633**	420,919	50,443
Over five years	**1,391,518**	1,501,774	1,447,462
	3,662,828	2,467,622	1,964,283

NOTES TO THE FINANCIAL STATEMENTS
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8. LOANS, ADVANCES AND FINANCING (CONT'D)

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

	Group and Bank	
	31-Dec-12 RM'000	**31-Dec-11 RM'000**
At 1 January	**879,562**	1,040,809
Impaired during the year	**8,825**	238,284
Reclassified as non-impaired	**(2,856)**	(62,151)
Recoveries	**(36,624)**	(114,289)
Amount written off	**(14,652)**	(233,479)
Exchange differences	**(21,934)**	10,388
At 31 December 2012	**812,321**	879,562
Gross impaired loans as a percentage of gross loans, advances and financing		
– with ECR debtors	**19.2%**	25.5%
– without ECR debtors	**22.2%**	35.6%
Net impaired loans as a percentage of gross loans, advances and financing		
– with ECR debtors	**9.7%**	12.9%
– without ECR debtors	**11.2%**	18.1%

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

	31-Dec-12 RM'000	**31-Dec-11 RM'000**
Group and Bank		
Individual allowance		
At 1 January	**433,649**	635,647
Allowance made during the year (Note 31)	**31,309**	44,663
Amount written back (Note 31)	**(36,610)**	(24,541)
Net charge to statements of income	**(5,301)**	20,122
Amount written off	**(14,652)**	(233,479)
Allowance recoverable from the Government of Malaysia for MKFF Scheme	**–**	486
Forex revaluation gain	**(13,114)**	10,873
At 31 December	**400,582**	433,649

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

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

	31-Dec-12 RM'000	31-Dec-11 RM'000
Group and Bank		
Collective allowance		
At 1 January	**90,153**	81,336
Allowance made during the year (Note 31)	**20,965**	8,817
At 31 December	**111,118**	90,153
As % of net loans, advances and financing	**3.4%**	4.4%

9. **INSURANCE RECEIVABLES**

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Amount due from agents, brokers and co-insurers	**1,550**	3,965	3,188
Less: Allowance for doubtful debts	**(686)**	(2,560)	(2,560)
	864	1,405	628

10. **DERIVATIVE FINANCIAL INSTRUMENTS**

The table below shows the fair value of derivative financial instruments recorded as asset together with their notional amounts. 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.

	Group and Bank					
	31-Dec-12 RM'000		31-Dec-11 RM'000		01-Jan-11 RM'000	
	Assets	Notional Amount	Assets	Notional Amount	Assets	Notional Amount
Derivative used as fair value hedges-Interest rate swaps	**20,927**	**1,721,654**	–	–	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS
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10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

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 rate, foreign currency rate or equity index.

Interest 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, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted gainst each other with the difference being paid by one party to the other.

Fair values

Disclosure concerning the fair value of derivative are provided in Note 37.

11. OTHER ASSETS

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
Interest receivables excluding loans and financing	**17,844**	8,751	5,063
Other receivables, deposits and prepayments	**13,302**	12,989	12,072
Foreclosed property	**69,707**	69,707	–
Tax recoverables	**27,092**	15,624	12,132
	127,945	107,071	29,267

12. DEFERRED TAX ASSETS

Recognised deferred tax assets

	Accelerated capital allowance on property and equipment RM'000	Other deductable temporary differences RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	Total RM'000
Group					
At 1 January 2011	(1,026)	9,101	–	–	8,075
Recognised in income statement	(4,782)	8,156	32,639	–	36,013
At 31 December 2011	(5,808)	17,257	32,639	–	44,088
Effect of full adoption of MFRS 139 (Note 42)	–	12,396	–	–	12,396
At 31 December 2011 (restated)	(5,808)	29,653	32,639	–	56,484
Recognised in income statement	389	4,426	(32,639)	–	(27,824)
At 31 December 2012	**(5,419)**	**34,079**	**–**	**–**	**28,660**
Bank					
At 1 January 2011	(1,026)	11,411	–	–	10,385
Recognised in income statement	(4,782)	8,159	32,638	–	36,015
At 31 December 2011	(5,808)	19,570	32,638	–	46,400
Effect of full adoption of MFRS 139 (Note 42)	–	12,396	–	–	12,396
At 31 December 2011 (restated)	(5,808)	31,966	32,638	–	58,796
Recognised in income statement	389	4,426	(32,638)	–	(27,823)
At 31 December 2012	**(5,419)**	**36,392**	**–**	**–**	**30,973**

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12. DEFERRED TAX ASSETS (CONT'D)

Recognised deferred tax assets (cont'd)

No deferred tax has been recognised for the following items:

	Group			Bank		
	2012 RM'000	2011 RM'000	2010 RM'000	2012 RM'000	2011 RM'000	2010 RM'000
Other deductible temporary differences	–	–	18,532	–	–	18,535
Unabsorbed capital allowances	–	–	7,607	–	–	7,607
Unutilised tax losses						
– bank	–	–	281,037	–	–	281,030
– subsidiary	**67,289**	**67,289**	67,296	–	–	–
	67,289	**67,289**	374,472	–	–	307,172
Tax rate	**25%**	25%	25%	**25%**	25%	25%
	16,822	16,822	93,618	–	–	76,793

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders, unutilised tax losses carried-forwards amounting to RM67,289,000 (2011: RM67,289,000 , 2010: RM67,296,000) will not be available to the Group.

13. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

(a) Investment in subsidiaries

	Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Unquoted shares – at cost	**73,419**	73,419	73,419
Less: Allowance for diminution in value	**(9,258)**	(9,252)	(9,246)
	64,161	64,167	64,173

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest (%)		
			2012	2011	2010
Malaysian Export Credit Insurance Berhad	Dormant	Malaysia	100	100	100
Pengkalan Megaria Sdn Bhd	Dormant	Malaysia	100	100	100
Morning Glory Company Limited **	Dormant	Laos	100	–	–

*** Not audited by Ernst & Young, Malaysia*

13. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY (CONT'D)

(a) Investment in subsidiaries (cont'd)

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

Pengkalan Megaria Sdn Bhd, a wholly owned subsidiary of the Bank was set up to act as a trustee for a vessel which was previously assigned as a collateral for a financing given by the Bank to a borrower. The Company is currently dormant.

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

(b) Investment in jointly controlled entity

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

14. INVESTMENT PROPERTIES

	Group and Bank	
	31-Dec-12 RM'000	31-Dec-11 RM'000
Cost		
At 1 January	**1,390**	1,390
Disposal	**–**	–
At 31 December	**1,390**	1,390
Accumulated depreciation and impairment losses		
At 1 January		
Accumulated depreciation	**333**	315
Accumulated impairment losses	**530**	530
	863	845
Charge for the year (Note 28)	**18**	18
At 31 December	**881**	863
Carrying amount	**509**	527

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14. INVESTMENT PROPERTIES (CONT'D)

	Group and Bank	
	31-Dec-12 RM'000	**31-Dec-11 RM'000**
Included in the investment properties carrying amount are:		
Freehold land	**400**	400
Buildings	**50**	67
Long term leasehold building with unexpired lease period of more than 50 years	**59**	60
	509	527
Fair value of investment properties	**780**	780

Investment properties were valued by Raine & Horne International Zaki & Partners Sdn. Bhd., an independent professional valuer as at 31 December 2011. Fair value is determined by reference to open market values based on an existing use basis.

15. INTANGIBLE ASSETS

	Group and Bank	
	31-Dec-12 RM'000	**31-Dec-11 RM'000**
Computer software		
Cost		
At 1 January	**3,717**	2,378
Transfer from property and equipment (Note 16)	**–**	1,339
At 31 December	**3,717**	3,717
Accumulated depreciation		
At 1 January	**2,374**	2,043
Charge for the year (Note 28)	**553**	331
At 31 December	**2,927**	2,374
Carrying amount	**790**	1,343

16. PROPERTY AND EQUIPMENT

Group and Bank	Freehold Land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture electrical fittings and equipment RM'000	Computer RM'000	Work-in–progress RM'000	Total RM'000
Cost									
At 1 January 2012	30,000	33,000	1,016	19,023	848	4,438	6,417	17,024	111,766
Additions	–	–	32	–	–	73	783	2,481	3,369
Disposals	–	–	(2)	–	(75)	–	(7)	–	(84)
At 31 December 2012	**30,000**	**33,000**	**1,046**	**19,023**	**773**	**4,511**	**7,193**	**19,505**	**115,051**
Accumulated depreciation									
At 1 January 2012	–	1,650	602	2,121	528	1,854	5,315	–	12,070
Charge for the year	–	660	128	1,902	98	498	699	–	3,985
Disposal	–	–	(2)	–	(75)	–	(7)	–	(84)
At 31 December 2012	–	2,310	728	4,023	551	2,352	6,007	–	15,971
Carrying amount									
At 31 December 2012	**30,000**	**30,690**	**318**	**15,000**	**222**	**2,159**	**1,186**	**19,505**	**99,080**

16. PROPERTY AND EQUIPMENT (CONT'D)

Group and Bank	Freehold Land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture electrical fittings and equipment RM'000	Computer RM'000	Work-in– progress RM'000	Total RM'000
Cost									
At 1 January 2011	30,000	33,000	965	19,023	631	4,275	5,508	15,939	109,341
Additions	–	–	51	–	217	163	630	2,717	3,778
Transfer to intangible assets (Note 15)	–	–	–	–	–	–	–	(1,339)	(1,339)
Reclassifications	–	–	–	–	–	–	293	(293)	–
Disposals	–	–	–	–	–	–	(14)	–	(14)
At 31 December 2011	30,000	33,000	1,016	19,023	848	4,438	6,417	17,024	111,766
Accumulated depreciation									
At 1 January 2011	–	990	441	217	442	1,308	4,664	–	8,062
Charge for the year	–	660	161	1,904	86	546	658	–	4,015
Disposal	–	–	–	–	–	–	(7)	–	(7)
At 31 December 2011	–	1,650	602	2,121	528	1,854	5,315	–	12,070
Carrying amount									
At 31 December 2011	30,000	31,350	414	16,902	320	2,584	1,102	17,024	99,696

17. BORROWINGS

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
(i) Term loans – unsecured			
Repayable within one year	**998,594**	1,419,201	396,987
One year to two years	**123,446**	703,838	721,802
Two years to five years	**191,976**	23,764	458,744
Over five years	**1,189,212**	1,213,667	1,224,976
	2,503,228	3,360,470	2,802,509
(ii) Medium Term Notes			
Two years to five years	**1,521,668**	–	–
Over five years	**192,643**	–	–
	1,714,311	–	–
Total borrowings	**4,217,539**	3,360,470	2,802,509

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

Group and Bank	**Year of maturity**	**Carrying amount RM'000**	**Under 1 year RM'000**	**1 – 2 years RM'000**	**2 – 5 years RM'000**	**Over 5 year RM'000**
31-Dec-12						
– USD	2022	**2,509,243**	**621,794**	**123,446**	**49,692**	**1,714,311**
– RM	2021	**1,170,100**	–	–	–	**1,170,100**
– EURO	2015	**312,800**	**151,404**	–	**161,396**	–
– GBP	2013	**218,707**	**218,707**	–	–	–
– SGD	2013	**6,689**	**6,689**	–	–	–
		4,217,539	**998,594**	**123,446**	**211,088**	**2,884,411**
31-Dec-11						
– USD	2022	1,723,982	1,106,277	550,374	23,764	43,567
– RM	2021	1,208,173	7,444	30,629	–	1,170,100
– EURO	2012	302,652	179,817	122,835	–	–
– GBP	2012	116,116	116,116	–	–	–
– SGD	2012	9,547	9,547	–	–	–
		3,360,470	1,419,201	703,838	23,764	1,213,667

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17. BORROWINGS (CONT'D)

Group and Bank	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Over 5 year RM'000
01-Jan-11						
– USD	2022	1,384,016	186,536	714,235	433,107	50,138
– RM	2021	1,215,175	7,133	7,567	25,637	1,174,838
– EURO	2011	203,318	203,318	–	–	–
		2,802,509	396,987	721,802	458,744	1,224,976

Term loans

(a) Revolving multi-currency loan of 1 year up to an aggregate of USD120,000,000 (approximately RM366,960,000) (2011: USD120,000,000 (approximately RM380,220,000); 2010: USD120,000,000 (approximately RM370,260,000)) renewable after one year.

The loan was obtained on 14 September 2006 and subsequently renewed on 6 September 2012. Interest rate on the loan is charged at the rate of 0.85% (2011: 0.65%; 2010: 0.65%) per annum above the cost of fund ("COF").

(b) Revolving US Dollar loan up to an aggregate of USD11,000,000 (approximately RM33,638,000) (2011: USD11,000,000 (approximately RM34,854,000); 2010: USD11,000,000 (approximately RM33,940,000)).

The loan was obtained on 31 March 2000. Interest on the loan was charged at the rate of 0.75% (2011 – 0.40% (2010 – 0.40%)) per annum above COF. The loan was fully repaid during the year.

(c) Term loan of USD13,980,000 (approximately RM42,750,000) (2011: USD13,980,000 (approximately RM44,296,000); 2010: USD13,980,000 (approximately RM43,135,000)) repayable by 27 scheduled quarterly instalments commencing March 2006.

The loan was obtained on 5 August 2005. Interest on the loan is charged at the rate of 0.56% (2011: 0.56%; 2010: 0.56%) above LIBOR per annum. The loan is fully repaid during the year.

(d) Term loan of USD20,000,000 (approximately RM61,160,000) (2011: USD20,000,000 (approximately RM63,370,000); 2010: USD20,000,000 (approximately RM61,710,000)) repayable by 32 quarterly instalments commencing September 2007.

The loan was obtained on 30 June 2006. Interest on the loan is charged at the rate of 0.33% (2011: 0.33%; 2010: 0.33%) above LIBOR per annum.

(e) Term loan of RM1,000,000,000 (2011: RM1,000,000,000; 2010: RM1,000,000,000) from the Ministry of Finance ("MOF") and Bank Negara Malaysia ("BNM") repayable after a period of 15 years.

The loan was obtained on 26 June 2006. Interest on the loan is charged at the fixed rate of 1.00% (2011: 1.00%; 2010: 1.00%) per annum.

17. BORROWINGS (CONT'D)

Term loans (cont'd)

(f) Term loan of USD35,000,000 (approximately RM107,030,000) (2011: USD35,000,000 (approximately RM110,898,000); 2010: USD35,000,000 (approximately RM107,993,000)). The loan is repayable semi-annually within 28 semi-annual instalments from 12 August 2008 and ending on 12 February 2022.

The loan was obtained on 25 April 2006. Interest on the loan is charged at 0.395% (2011: 0.395%; 2010: 0.395%) above LIBOR per annum.

(g) Syndicated term loan of USD150,000,000 (approximately RM458,700,000) (2011: USD150,000,000 (approximately RM475,275,000; 2010: USD150,000,000 (approximately RM462,825,000)) repayable within a period of five years.

The loan was obtained on 14 November 2007. Interest on loan was charged at 0.20% (2011: 0.20%; 2010: 0.20%) above LIBOR per annum. The loan was fully repaid during the year.

(h) Term financing of RM55,000,000 repayable within a period of 7 years.

The financing was obtained on 8 April 2009. Profit on the financing is charged at the rate of 0.50% (2011: 0.50%; 2010: 0.50%) above the Bank's Base Financing Rate per annum. The loan have been fully repaid in during the year.

(i) Revolving multi-currency loan of 6 months up to an aggregate of USD20,000,000 (approximately RM61,160,000) (2011: USD 20,000,000 (approximately RM63,370,000); 2010: USD20,000,000 (approximately RM68,530,000)).

The loan was obtained on 25 June 2010. Interest on the loan is charged at the rate of 1.00% (2011: 1.00%; 2010: 1.00%) above London Inter Bank Offer Rate ("LIBOR") per annum.

(j) Term loan up to an aggregate of USD100,000,000 (approximately RM305,800,000) (2011: USD100,000,000 (approximately RM316,854,000); 2010: USD100,000,000 (approximately RM308,550,000)). The loan is repayable semi-annually after a grace period of 30 months from 21 April 2012 and ending on 21 October 2014.

The loan was obtained on 22 October 2009. Interest on the loan is charged at 0.60% (2011: 0.60%; 2010: 0.60%) above LIBOR per annum.

(k) Term loan of EUR30,000,000 (approximately RM121,047,000) repayable within a period of one year (2011: EUR25,000,000 (approximately RM122,835,000; 2010: EUR25,000,000 (approximately RM105,163,000)).

The loan was obtained on 2 December 2009 and was subsequently renewed on 21 January 2011 with an additional amount of EUR5,000,000. Interest on the loan is charged at the rate of 0.80% (2011: 0.80%; 2010: 0.80%) above Euro Interbank Offer Rate ("EURIBOR") per annum. The loan was fully repaid during the year.

(l) Syndicated term loan of USD100,000,000 (approximately RM 305,800,000 (2011: USD 100,000,000 (approximately RM316,850,000); 2010: USD 100,000,000 (approximately RM308,550,000)) repayable within a period of three years.

The loan was obtained on 14 January 2010. Interest on loan is charge at 1.00% above LIBOR (2011: 0.50%; 2010: 0.50%) repayable within a period of three years.

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17. BORROWINGS (CONT'D)

Term loans (cont'd)

(m) Commodity Murabahah Revolving Credit-i of 1 year up to an aggregate of USD50,000,000 (approximately RM152,900,000 (2011: USD50,000,000 (approximately RM158,425,000); 2010: USD50,000,000 (approximately RM154,275,000)) renewable after one year.

The financing was obtained on 27 October 2010. Profit rate on the financing was charged at the rate of 0.50% (2011: 0.50%; 2010: 0.50%) above the Islamic Cost of Fund per annum. The loan was fully repaid during the year.

(n) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM122,320,000 (2011: USD40,000,000 (approximately RM126,740,000); 2010: USD30,000,000 (approximately RM92,565,000)) renewable after one year.

The financing was obtained on 10 November 2010 for USD30,000,000 and was subsequently renewed on 14 December 2011 with an additional amount of USD10,000,000. Profit rate on the financing is charged at the rate of 0.80% (2011:0.80%; 2010:0.80%) above the Islamic Cost of Fund per annum.

(o) Revolving US dollar loan up to an aggregate of USD50,000,000 (approximately RM152,900,000 (2011: USD50,000,000 (approximately RM158,425,000; 2010: USD50,000,000 (approximately RM158,425,000)).

The loan was obtained on 28 January 2011. Interest on loan is charged at the rate of 0.80% above LIBOR per annum (2011: 0.80%).

(p) Commodity Murabahah Facility of 1 year up to an aggregate of USD6,000,000 (approximately RM18,348,000); 2011: USD6,000,000 (approximately RM19,011,000).

The financing was obtained on 15 December 2011. Profit rate on the financing was charged at the rate of 1.5% above the Islamic Cost of Fund per annum (2011: 1.5%). The loan was fully repaid during the year.

(q) Revolving Euro loan of 1 year up to an aggregate of EUR30,000,000 (approximately RM121,047,000) renewable after one year.

The loan was obtained on 12th March 2012. Interest rate on the loan is charged at the rate of 1.23% per annum above Euro Interbank Offer Rate ("EURIBOR").

(r) Structured Commodity Financing-i of 1 year up to an aggregate of USD25,000,000 (approximately RM76,450,500)

The financing was obtained on 25 July 2012. Profit rate on the financing is charged at the rate of 1.3% above LIBOR per annum.

(s) Term loan of EUR40,000,000 (approximately RM161,396,000) repayable within a period of five year.

The loan was obtained on 3 September 2012. Interest on the loan is charged at the rate of 0.80% above Euro Interbank Offer Rate ("EURIBOR") per annum.

(t) Short term loan of USD50,000,000 million (approximately RM152,900,000) repayable within a period of six months.

The loan was obtained on 19 June 2012. Interest on the loan was charged at the rate of 0.70% above LIBOR per annum. The loan was fully repaid during the year.

17. BORROWINGS (CONT'D)

Term loans (cont'd)

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

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

Medium Term Notes

In June 2012, the Bank established Multi-currency Medium Term Notes (MTN) programme. The maximum principal of notes that may be issued under the programme is USD1,500,000,000 (approximately RM4,587,000,000). Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenors, and may bear fixed or floating of interest.

Issuance made during the year are as follows:

Date of Issuance	Nominal Value	Tenor	Coupon rate	Fixed/floating
14 June 2012	USD 500 Mil	5.5 years	2.875%	Fixed
11 July 2012	USD 63 Mil	10 years	3.509%	Fixed

18. OTHER PAYABLES AND ACCRUALS

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
Sinking fund and debt services reserve accounts	**94,234**	74,443	64,742
Deposit	**–**	–	11,299
Interest payable	**18,355**	11,404	10,038
Amount due to the Government of Malaysia for MKFF Scheme	**12,386**	6,214	2,782
Provision for zakat	**431**	50	476
Provision for taxation	**17,728**	–	–
Others	**24,063**	25,472	32,343
	167,197	117,583	121,680

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19. DEFERRED INCOME

Group and Bank

31-Dec-12	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Arising from:			
(i) Guarantee from banking activities			
At 1 January	1,496	–	1,496
Addition during the year	377	–	377
Recognised in income statement	(1,333)	–	(1,333)
At 31 December	540	–	540
(ii) Premium liabilities			
At 1 January	13,431	(1,915)	11,516
Incease in reserve (Note 26)	660	(589)	71
At 31 December	14,091	(2,504)	11,587
(iii) Takaful premium liabilities			
At 1 January	–	–	–
Incease in reserve	1,406	–	1,406
At 31 December	1,406	–	1,406
	16,037	(2,504)	13,533

31-Dec-11	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Arising from:			
(i) Guarantee from banking activities			
At 1 January	4,146	–	4,146
Addition during the year	4,398	–	4,398
Recognised to income statement	(7,048)	–	(7,048)
At 31 December	1,496	–	1,496
(ii) Premium liabilities			
At 1 January	21,887	(335)	21,552
Incease in reserve (Note 26)	(8,456)	(1,580)	(10,036)
At 31 December	13,431	(1,915)	11,516
	14,927	(1,915)	13,012

20. PROVISION FOR GUARANTEE AND CLAIMS

Group and Bank

31-Dec-12	**Gross RM'000**	**Net RM'000**
Arising from:		
(i) Insurance claims		
At 1 January	**24,433**	**24,433**
Addition during the year	**17,209**	**17,209**
Paid during the year (Note 26)	**(21,712)**	**(21,712)**
At 31 December	**19,930**	**19,930**
(ii) Takaful claims		
At 1 January	–	–
Addition during the year	**361**	**361**
At 31 December	**361**	**361**
	20,291	**20,291**

31-Dec-11	**Gross RM'000**	**Net RM'000**
Arising from:		
(i) Guarantee from banking activities		
At 1 January	28,495	28,495
Addition during the year	(28,495)	(28,495)
At 31 December	–	–
(ii) Insurance claims		
At 1 January	37,465	37,465
Reversal during the year	(3,594)	(3,594)
Paid during the year (Note 26)	(9,438)	(9,438)
At 31 December	24,433	24,433
	24,433	24,433

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21. SHARE CAPITAL

	Group and Bank					
	31-Dec-12		31-Dec-11		01-Jan-11	
	Number of shares	Amount RM	Number of shares	Amount RM	Number of shares	Amount RM
Authorised						
Ordinary shares of RM1 each	**3,000,000,000**	**3,000,000,000**	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Special Rights	**1**	**1**	1	1	1	1
At 31 December	**3,000,000,001**	**3,000,000,001**	3,000,000,001	3,000,000,001	3,000,000,001	3,000,000,001
Issued and fully paid						
Ordinary shares of RM1 each	**2,708,665,283**	**2,708,665,283**	2,708,665,283	2,708,665,283	2,708,665,283	2,708,665,283
Special Rights	**1**	**1**	1	1	1	1
At 31 December	**2,708,665,284**	**2,708,665,284**	2,708,665,284	2,708,665,284	2,708,665,284	2,708,665,284

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

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

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

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

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

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

22. RETAINED PROFITS/(ACCUMULATED LOSSES)

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the section 108 balance as at 31 December 2012 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

23. 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.

24. INTEREST INCOME

	Group and Bank	
	2012 RM'000	**2011 RM'000**
Loans, advances and financing		
– Interest income from non-impaired loans	**110,760**	78,626
– Recoveries from impaired loans	**10,882**	39,914
Money at call and deposit placements with banks and other financial institutions	**71,419**	66,895
Investment securities	**15,139**	14,968
Amortisation of premium less accretion of discount	**2,369**	4,594
Net income from interest rate swaps	**6,597**	–
	217,166	204,997

25. INTEREST EXPENSE

	Group and Bank	
	2012 RM'000	**2011 RM'000**
Borrowings:		
Term loan	**39,558**	32,975
Medium Term Notes	**28,227**	–
	67,785	32,975

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26. UNDERWRITING RESULTS

	Group and Bank	
	2012 RM'000	2011 RM'000
Gross premium	14,328	14,358
Reinsurance	(4,300)	(3,037)
Net premium	10,028	11,321
(Increase)/Decrease in premium liabilities reserves (Note 19)	(71)	10,036
Net earned premium (Note 26 (i))	9,957	21,357
Other fee income	706	588
Write-back of allowance for doubtful debts	1,874	–
	12,537	21,945
Net claims recovered/(incurred) (Note 26 (ii))	(13,908)	9,314
Underwriting results	(1,371)	31,259
(i) Net earned premium		
Gross premium	14,328	14,358
Change in premium liabilities reserves	(71)	10,036
	14,257	24,394
Premium ceded	(4,300)	(3,037)
Net earned premium	9,957	21,357
(ii) Net claims (incurred)/recovered		
Gross claims paid less salvage (Note 20)	(21,712)	(9,438)
Recoveries	4,631	5,720
Bad debt written off	(1,330)	–
Net claims paid	(18,411)	(3,718)
Net outstanding claims		
– 1 January	24,433	37,465
– 31 December	(19,930)	(24,433)
Net claims (incurred)/recovered	(13,908)	9,314

27. OTHER INCOME

	Group and Bank	
	2012 RM'000	**2011 RM'000**
Fee income	**22,112**	17,879
Dividend income from shares quoted in Malaysia	**477**	994
Foreign exchange (loss)/gain		
– unrealised	**(29,735)**	6,888
– realised	**60,785**	(9,710)
Gain on disposal of equipment	**25**	–
Assets written off	**(4)**	(7)
Rental income	**32**	40
Net gain on financial instruments designated at fair value through profit or loss	**20,990**	–
Others	**935**	406
	75,617	16,490

28. OVERHEAD EXPENSES

		Group		Bank	
	Note	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000
Personnel costs	(i)	**32,178**	21,816	**32,178**	21,816
Establishment related expenses	(ii)	**8,695**	7,754	**8,695**	7,754
Promotion and marketing expenses	(iii)	**2,896**	1,922	**2,896**	1,922
General administrative expenses	(iv)	**15,821**	11,782	**15,812**	11,773
		59,590	43,274	**59,581**	43,265

	Group and Bank	
	2012 RM'000	**2011 RM'000**
(i) Personnel costs		
Salaries, allowances and bonuses	**24,594**	15,860
Defined contribution plan	**3,347**	2,882
Other staff related expenses	**4,237**	3,074
	32,178	21,816

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28. OVERHEAD EXPENSES (CONT'D)

	Group and Bank 2012	Group and Bank 2011
(ii) Establishment related expenses		
Depreciation:		
– Property and equipment (Note 16)	**3,985**	4,015
– Investment properties (Note 14)	**18**	18
Amortisation of intangible assets (Note 15)	**553**	331
Rental of leasehold land and premises	**233**	448
Repairs and maintenance of property and equipment	**3,906**	2,942
	8,695	7,754

	Group and Bank 2012 RM'000	Group and Bank 2011 RM'000
(iii) Promotion and marketing expenses		
Advertisement and publicity	**2,896**	1,922

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
(iv) General administrative expenses				
Administrative expenses	**2,433**	2,496	**2,433**	2,496
Auditors' remuneration				
– statutory audit	**235**	180	**231**	176
– others	**40**	–	**40**	–
General expenses	**8,742**	6,703	**8,737**	6,698
Professional fees	**3,799**	2,289	**3,799**	2,289
Others	**572**	114	**572**	114
	15,821	11,782	**15,812**	11,773

29. DIRECTORS' FEES AND REMUNERATION

	Group and Bank				
2012	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
Directors of the Bank					
Executive Director:					
Dato' Adissadikin bin Ali	474	–	150	184	808
	474	–	150	184	808
Non-Executive Director:					
Datuk Mohd Hashim bin Hassan	–	202	–	–	202
Haji Zakaria bin Ismail	–	172	–	–	172
Encik Ir. Rosli bin Mohamed Nor	–	174	–	–	174
Dato' Dr. Mohmad Isa bin Hussain	–	152	–	–	152
Encik Nik Najib bin Husain	–	160	–	–	160
Dato' Md Agil bin Mohd Natt	–	149	–	–	149
Haji Abdul Gani bin Haron	–	58	–	–	58
Encik Ismail bin Mahbob	–	54	–	–	54
Encik Wong Seng Foo	–	17	–	–	17
	–	1,138		–	1,138
Total Directors' remuneration (excluding benefits in-kind)	474	1,138	150	184	1,946

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

	Group and Bank				
2011	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other Emoluments RM'000**	**Total RM'000**
Directors of the Bank					
Executive Director:					
Dato' Adissadikin bin Ali	423	–	31	245	699
	423	–	31	245	699
Non-Executive Director:					
Datuk Mohd Hashim bin Hassan	–	194	–	–	194
Haji Zakaria bin Ismail	–	134	–	–	134
Encik Ir. Rosli bin Mohamed Nor	–	154	–	–	154
Dato' Dr. Mohmad Isa bin Hussain	–	80	–	–	80
Encik Nik Najib bin Husain	–	53	–	–	53
Dato' Md Agil bin Mohd Natt	–	–	–	–	–
Haji Abdul Gani bin Haron	–	110	–	–	110
Encik Ismail bin Mahbob	–	–	–	–	–
Encik Wong Seng Foo	–	–	–	–	–
Puan Siti Zauyah binti Md Desa	–	48	–	–	48
Dato' Mohammed Che Hussein	–	98	–	–	98
	–	871	–	–	871
Total Directors' remuneration (excluding benefits in-kind)	423	871	31	245	1,570

30. 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 Managing Director/Chief Executive Officer of the Group and of the Bank.

The key management personnel compensation is as follows:

	Group and Bank	
	2012 RM'000	**2011 RM'000**
Short-term employee benefits (excluding benefit in-kind)	**808**	699
Included in the total key management personnel is:		
Executive Director's remuneration (Note 29)	**808**	699

31. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2012 RM'000	**2011 RM'000**
Allowance for losses on loans, advances and financing		
Claims guarantee		
– Crystallised during the year	–	9,197
Individual allowance		
– Charged for the year	**31,309**	44,663
– Written back during the year	**(36,610)**	(24,541)
Collective allowance		
– Charged for the year	**20,965**	8,817
	15,664	38,136

32. TAXATION

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Income tax expense				
– Current year	**17,728**	10	**17,728**	10
– Over provision in prior years	**(10)**	(5,397)	**(10)**	(5,397)
Deferred tax expense				
– Origination and reversal of temporary differences	**27,824**	(48,409)	**27,823**	(48,411)
	45,542	(53,796)	**45,541**	(53,798)

Income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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32. TAXATION (CONT'D)

Reconciliation of effective tax expense

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 are as follows:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation	169,737	146,357	169,740	146,360
Income tax using Malaysian tax rate of 25% (2011: 25%)	**42,434**	36,589	**42,435**	36,590
Non-deductible expenses	**1,733**	545	**1,733**	545
Recognition of previously unrecognised deferred tax assets	**1,385**	(90,930)	**1,383**	(90,933)
	45,552	(53,796)	**45,551**	(53,798)
Overprovision in prior years	**(10)**	–	**(10)**	–
	45,542	(53,796)	**45,541**	(53,798)

33. EARNINGS PER SHARE

	Group		Bank	
	2012	2011	2012	2011
Issued ordinary share as at 31 December ('000)	**2,708,665**	2,708,665	**2,708,665**	2,708,665
Profit after taxation (RM'000)	**123,766**	200,471	**123,770**	200,476
Basic earnings per share (sen)	**4.57**	7.40	**4.57**	7.40

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

34. DIVIDENDS

Since the end of the previous financial year, the Bank paid a final ordinary dividend of 0.35 sen per ordinary share less tax at 25% totalling RM7,110,246 (0.26 sen net per ordinary share) in respect of the year ended 31 December 2011 on 23 May 2012.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2012, of 0.69 sen per ordinary share less tax of 25% amounting to RM13,924,310 (0.51 sen net per ordinary share) will be proposed for shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2013.

35. COMMITMENTS AND CONTINGENCIES

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Banking operation commitments			
Contracted but not provided for:			
Guarantee facility	**2,241,329**	876,455	747,735
Letter of credit	**1,123**	222	6,318
	2,242,452	876,677	754,053
Insurance operation commitments			
Contracted but not provided for:			
Within one year	**1,422,414**	378,815	389,045
One year or later and no later than five years	**149,142**	117,826	418,690
	1,571,556	496,641	807,735
Operational commitments			
Approved but not contracted for:			
Within one year	**18,266**	22,454	25,064
Total commitments and contingencies	**3,832,274**	1,395,772	1,586,852

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36. 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 relationships with its subsidiaries (Note 13), Directors and key management personnel.

(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 Managing Director/Chief Executive Officer of the Group and the Bank. The key management personnel compensation is disclosed in Note 30.

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

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Amount due to subsidiaries:			
Payables	**64,151**	64,160	64,169

(c) Government related parties

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

	Group and Bank	
	2012 RM'000	2011 RM'000
Government of Malaysia:		
Transaction during the year		
Other income: Management fee	**2,552**	2,552
Expenses: Bad debt written off	–	1,823

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

(c) Government related parties (cont'd)

Government of Malaysia: (cont'd)

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

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
Fund under MKFF Scheme	**170,100**	170,100	170,100
Less:			
Loan and financing	**(21,810)**	(14,858)	(10,640)
Allowance for losses on loans and financing	**(7,616)**	(7,616)	(7,130)
Bad debt written off	**(1,823)**	(1,823)	–
Add:			
Interest earned from financing	**745**	466	207
Interest income on investment	**21,075**	15,330	9,676
Net repayable	**160,671**	161,599	162,213

Bank Negara Malaysia

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
Amount due to:			
Borrowings	**1,000,000**	1,000,000	1,000,000
Interest payable	**5,027**	5,041	5,041

	Group and Bank	
	2012 RM'000	**2011 RM'000**
Transaction during the year:		
Interest expense	**10,000**	10,000

(d) Licensed Bank and Other Financial Institution

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
Deposits and placements	**806,516**	1,287,392	923,926

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37. FINANCIAL RISK MANAGEMENT POLICIES

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Bank.

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

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

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

a. Capital management

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

b. Market risk

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

c. Asset liability management risk

Asset Liability Management (ALM) risk comprises:

(i) Interest rate risks

This refers to the exposure of the Group's and the Bank's financial condition 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.

37. 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 risk undertaken by the Group and the Bank and ensuring that the risk 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 Managing Director/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 Managing Director/Chief Executive Officer.

Capital management

Capital policy

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

In order to support its mandated roles, the Group and the Bank must have strong and adequate capital to support its business activities on an on-going basis. In lieu to this, Bank Negara Malaysia has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

In order to further strengthen the capital position of the Group and the Bank through a progressive and systematic building up of the reserve fund, the Group and the Bank are required to maintain a reserve fund and transfer a certain percentage of its net profits to the reserve fund once the RWCR falls below the threshold of 16%.

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37. 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:

	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
Ordinary share capital	**2,708,665**	2,708,665	2,708,665
Retained profit/(loss)	**7,747**	(185,619)	177,746
Current year profit/(loss)	**123,770**	200,476	(363,365)
Eligible Tier 1 capital	**2,840,182**	2,723,522	2,523,046
Collective allowance on loans, advances and financing	**111,118**	90,153	81,336
Provision for guarantee and claims	**5,954**	7,343	7,889
Eligible Tier 2 capital	**117,072**	97,496	89,225
Investment in subsidiaries	**(64,161)**	(64,167)	(64,173)
Total capital base	**2,893,093**	2,756,851	2,548,098
Risk weighted assets	**6,874,076**	4,271,938	3,822,764
Risk weighted capital ratio	42.1%	64.5%	66.7%
Tier 1 Capital Ratio			
– With proposed dividend	41.1%	63.6%	66.0%
– Without proposed dividend	41.3%	63.8%	66.0%

Capital monitoring

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

Market risk 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 and the Bank's resources to support the growth of the Group's and the Bank's economic value.

The Groups' 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 and the Bank's approach in managing market risk.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Market risk management (cont'd)

Risk identification

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

Measurement

The Group's and the Bank's policy 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 currency sensitivity based on reasonable possible movements in foreign exchange (FX) rates.

2012	**Changes in foreign exhange 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**
AED	10	**2**	**(2)**	**2**	**(2)**
EUR	5	**1,187**	**(1,187)**	**1,187**	**(1,187)**
GBP	5	**797**	**(797)**	**797**	**(797)**
JPY	10	**97**	**(97)**	**97**	**(97)**
SGD	5	**11,136**	**(11,136)**	**11,136**	**(11,136)**
USD	10	**(59,216)**	**59,215**	**(59,215)**	**59,215**
		(45,997)	**45,997**	**(45,997)**	**45,997**

2011	**Changes in foreign exhange 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**
AED	10	(2)	2	(2)	2
EUR	5	26	(26)	26	(26)
GBP	5	687	(687)	687	(687)
JPY	10	149	(149)	149	(149)
SGD	5	237	(237)	237	(237)
USD	10	(20,392)	20,392	(20,392)	20,392
		(19,295)	19,295	(19,295)	19,295

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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 attain its strategic goal, within the overall risk/return preferences.

The Group's and the Bank's Asset and Liability Management strategies are to:

- 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 risks 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.

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.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Asset liability management (cont'd)

Measurement (cont'd)

The table below shows the Bank's interest rate risk exposure based on contractual re-pricing gap.

31-Dec-12	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
Assets						
Cash and bank balances	–	–	–	–	43,747	43,747
Deposits and placement with banks and other financial institutions	2,548,796	413,098	–	–	–	2,961,894
Investment securities	–	124,220	123,868	–	–	248,088
Amount due from ECR debtors	446,108	126,462	–	–	–	572,570
Loans, advances and financing	1,893,896	329,275	96,811	831,146	–	3,151,128
Derivatives	–	–	20,441	486	–	20,927
Other assets	–	–	–	–	324,322	324,322
Total assets	4,888,800	993,055	241,120	831,632	368,069	7,322,676
Liabilities and equity						
Borrowings	311,534	687,060	1,837,090	1,381,855	–	4,217,539
Other liabilities	–	–	–	–	264,239	264,239
Shareholders' fund	–	–	–	–	2,840,898	2,840,898
Total liabilities and equity	311,534	687,060	1,837,090	1,381,855	3,105,137	7,322,676
Period Gap	4,577,266	305,995	(1,595,970)	(550,223)	(2,737,068)	–
Cumulative Gap	4,577,266	4,883,261	3,287,291	2,737,068	–	–

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37. **FINANCIAL RISK MANAGEMENT POLICIES** (CONT'D)

Asset liability management (cont'd)

Measurement (cont'd)

The table below shows the Bank's interest rate risk exposure based on contractual re-pricing gap.

31-Dec-11	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
Assets						
Cash and bank balances	–	–	–	–	60,720	60,720
Deposits and placement with banks and other financial institutions	2,539,759	–	–	–	–	2,539,759
Investment securities	15,000	165,000	240,069	10,000	19,025	449,094
Amount due from ECR debtors	589,337	388,595	–	–	–	977,932
Loans, advances and financing	1,158,487	625,109	10,006	150,218	–	1,943,820
Other assets	–	–	–	–	333,005	333,005
Total assets	4,302,583	1,178,704	250,075	160,218	412,750	6,304,330
Liabilities and equity						
Borrowings	544,535	874,666	727,602	1,213,667	–	3,360,470
Other liabilities	–	–	–	–	219,188	219,188
Shareholders' fund	–	–	–	–	2,724,672	2,724,672
Total liabilities and equity	544,535	874,666	727,602	1,213,667	2,943,860	6,304,330
Period Gap	3,758,048	304,038	(477,527)	(1,053,449)	(2,531,110)	–
Cumulative Gap	3,758,048	4,062,086	3,584,559	2,531,110	–	–

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Asset liability management (cont'd)

Measurement (cont'd)

The table below shows the Bank's interest rate risk exposure based on contractual re-pricing gap.

01-Jan-11	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
Assets						
Cash and bank balances	–	–	–	–	70,116	70,116
Deposits and placement with banks and other financial institutions	1,945,641	–	–	–	–	1,945,641
Investment securities	65,000	190,000	139,939	10,000	25,163	430,102
Amount due from ECR debtors	1,115,853	592,284	–	–	–	1,708,137
Loans, advances and financing	548,096	391,737	4,917	302,550	–	1,247,300
Other assets	–	–	–	–	206,612	206,612
Total assets	3,674,590	1,174,021	144,856	312,550	301,891	5,607,908
Liabilities and equity						
Borrowings	–	396,987	1,180,546	1,224,976	–	2,802,509
Other liabilities	–	–	–	–	277,507	277,507
Shareholders' fund	–	–	–	–	2,527,892	2,527,892
Total liabilities and equity	–	396,987	1,180,546	1,224,976	2,805,399	5,607,908
Period gap	3,674,590	777,034	(1,035,690)	(912,426)	(2,503,508)	–
Cumulative gap	3,674,590	4,451,624	3,415,934	2,503,508	–	–

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37. 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.

	2012		2011	
	Impact on profit RM'000	Impact on equity RM'000	Impact on profit RM'000	Impact on equity RM'000
Interest rate – parallel shift				
+ 50 basis points	**21,800**	**21,800**	8,255	8,255
– 50 basis points	**(18,400)**	**(18,400)**	(8,255)	(8,255)

Liquidity risk management

Approach and risk strategy

The inability to create liquidity would cause serious repercussion to the Group and the Bank in term 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. While 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 accesses 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.

37. **FINANCIAL RISK MANAGEMENT POLICIES** (CONT'D)

Liquidity risk management (cont'd)

Measurement (cont'd)

Table below analyses assets and liabilities of the Bank based on undiscounted cash flows according to their contractual maturity.

31-Dec-12	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
Assets						
Cash and bank balances	43,747	–	–	–	–	43,747
Deposits and placement with banks and other financial institutions	–	2,548,796	413,098	–	–	2,961,894
Investment securities	–	–	124,220	123,868	–	248,088
Amount due from ECR debtors	–	446,108	126,462	–	–	572,570
Loans, advances and financing	–	1,893,896	329,275	96,811	831,146	3,151,128
Derivatives	–	–	–	20,441	486	20,927
Other assets	324,322	–	–	–	–	324,322
Total assets	368,069	4,888,800	993,055	241,120	831,632	7,322,676
Liabilities						
Borrowings	–	311,534	687,060	1,837,090	1,381,855	4,217,539
Other liabilities	265,172	–	–	–	–	265,172
Total liabilities	265,172	311,534	687,060	1,837,090	1,381,855	4,482,711
Net maturity mismatch	102,897	4,577,266	305,995	(1,595,970)	(550,223)	2,839,965

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Liquidity risk management (cont'd)

Measurement (cont'd)

Table below analyses assets and liabilities of the Bank based on undiscounted cash flows according to their contractual maturity.

31-Dec-11	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
Assets						
Cash and bank balances	60,720	–	–	–	–	60,720
Deposits and placement with banks and other financial institutions	–	2,539,759	–	–	–	2,539,759
Investment securities	19,025	15,000	165,000	240,069	10,000	449,094
Amount due from ECR debtors	–	589,337	388,595	–	–	977,932
Loans, advances and financing	–	1,158,487	625,109	10,006	150,218	1,943,820
Other assets	333,005	–	–	–	–	333,005
Total assets	412,750	4,302,583	1,178,704	250,075	160,218	6,304,330
Liabilities						
Borrowings	–	544,535	874,666	727,602	1,213,667	3,360,470
Other liabilities	219,188	–	–	–	–	219,188
Total liabilities	219,188	544,535	874,666	727,602	1,213,667	3,579,658
Net maturity mismatch	193,562	3,758,048	304,038	(477,527)	(1,053,449)	2,724,672

37. **FINANCIAL RISK MANAGEMENT POLICIES** (CONT'D)

Liquidity risk management (cont'd)

Measurement (cont'd)

Table below analyses assets and liabilities of the Bank based on undiscounted cash flows according to their contractual maturity.

01-Jan-11	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
Assets						
Cash and bank balances	70,116	–	–	–	–	70,116
Deposits and placement with banks and other financial institutions	–	1,945,641	–	–	–	1,945,641
Investment securities	25,163	65,000	190,000	139,939	10,000	430,102
Amount due from ECR debtors	–	1,115,853	592,284	–	–	1,708,137
Loans, advances and financing	–	548,096	391,737	4,917	302,550	1,247,300
Other assets	206,612	–	–	–	–	206,612
Total assets	301,891	3,674,590	1,174,021	144,856	312,550	5,607,908
Liabilities						
Borrowings	–	–	396,987	1,180,546	1,224,976	2,802,509
Other liabilities	277,507	–	–	–	–	277,507
Total liabilities	277,507	–	396,987	1,180,546	1,224,976	3,080,016
Net maturity mismatch	24,384	3,674,590	777,034	(1,035,690)	(912,426)	2,527,892

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37. 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 will not agree to the balances in the statements of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile do not necessarily reflect behavioural cash flows.

31-Dec-12	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
Non-derivative financial liabilities						
Borrowings	**–**	**318,184**	**755,650**	**2,113,332**	**1,432,394**	**4,619,561**
Other liabilities	**245,884**	**–**	**–**	**–**	**–**	**245,884**
Total financial liabilities	**245,884**	**318,184**	**755,650**	**2,113,332**	**1,432,394**	**4,865,445**

31-Dec-11	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
Non-derivative financial liabilities						
Borrowings	–	544,535	911,630	801,736	1,244,351	3,502,253
Other liabilities	207,784	–	–	–	–	207,784
Total financial liabilities	207,784	544,535	911,630	801,736	1,244,351	3,710,037

01-Jan-11	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
Non-derivative financial liabilities						
Borrowings	–	–	424,584	1,262,205	1,265,714	2,952,503
Other liabilities	267,469	–	–	–	–	267,469
Total financial liabilities	267,469	–	424,584	1,262,205	1,265,714	3,219,972

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk management

Approach and risk strategy

The Group and the Bank recognise that credit risk is inherent in its banking and insurance activities. The main objective of the Group's and the Bank's credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

The Group's and the Bank's strategies in credit risk management are:-

- Consistent credit approving standards are applied in each of its credit decision processes;
- All credit decisions are within credit risk tolerance that the Group and the Bank are willing to take in meeting its mandated role;
- All credit risk inherent in business activities of the Group and the Bank are comprehensively identified, measured and managed;
- Ensure the Group and the Bank hold adequate capital against credit risk and adequately compensated for risks assumed;
- Regular credit review is perform 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 avourable effects to its credit exposures and assess the Group 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 businesses on a bank-wide basis such as direct financing risk, contingent financing risk, issuer risk, pre-settlement risk and settlement risk.

As a developmental 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. However, the Group and the Bank are also exposed to credit risk from investment in securities and other financial market transactions.

Measurement

The Group and the Bank monitor actual exposures against established limits and have in place procedures for the purpose of monitoring and taking appropriate actions when such limits are breached. If exceeded limits, such occurrences must be reported to the MRC and subsequently, corrective measures are taken to avoid recurrence of such breaches.

Internal credit rating system is an integral part of the Group's and the Bank's credit risk management. It provides a good means of differentiating the degree of credit risk in the different credit exposures of the Group and the Bank. This will allow more accurate determination of the overall characteristics of the credit portfolio, concentrations, problem credits and the adequacy of allowances for losses on loans, advances and financing.

NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk management

Impairment of financial assets

The Group and the Bank individually assesses its financial assets for any objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition. In determining that there is objective evidence of an impaired loss the Group and the Bank adopted a systematic mechanism for a prompt trigger of impairment test whereby the triggers are based on obligatory and judgmental event triggers.

When there is objective evidence of impairment of the financial assets, the classification of these assets as impaired shall be endorsed and approved by Management Committee ("MC"). Impairment losses are recorded as charges to the statements of income. The carrying amount of impaired loan on the statement of financial position is reduced through the use of impaired allowance account. Losses expected from future events are not recognised.

Credit risk exposure

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

Group and Bank 31-Dec-12	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
Credit exposure for on-balance sheet assets:			
Deposit and placement with banks and other financial institutions	2,961,894	–	2,961,894
Investment securities			
Available-for-sale	238,080	–	238,080
Held-to-maturity	10,008	–	10,008
Amount due from ECR debtors	572,570	–	572,570
Loans, advances and financing	3,151,128	2,646,044	505,084
Derivative	20,927	–	20,927
	6,954,607	2,646,044	4,308,563
Credit exposure for off-balance sheet assets:			
Banking operations commitments	2,242,452	–	2,242,452
Insurance operations commitments			
Short term	1,422,414	–	1,422,414
Medium/Long term	149,142	–	149,142
	3,814,008	–	3,814,008
	10,768,615	2,646,044	8,122,571

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk exposure (cont'd)

Group and Bank **31-Dec-11**	**Maximum exposure to credit risk RM'000**	**Collateral value RM'000**	**Net exposures RM'000**
Credit exposure for on-balance sheet assets:			
Deposit and placement with banks and other financial institutions	2,539,759	–	2,539,759
Investment securities			
Available-for-sale	429,086	–	429,086
Held-to-maturity	20,008	–	20,008
Amount due from ECR debtors	977,932	–	977,932
Loans, advances and financing	1,943,820	3,055,046	(1,111,226)
	5,910,605	3,055,046	2,855,559
Credit exposure for off-balance sheet assets:			
Banking operations commitments	876,677	–	876,677
Insurance operations commitments			
Short term	378,815	–	378,815
Medium/long term	117,826	–	117,826
	1,373,318	–	1,373,318
	7,283,923	3,055,046	4,228,877

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit risk exposure (cont'd)

Group and Bank **1-Jan-11**	**Maximum exposure to credit risk RM'000**	**Collateral value RM'000**	**Net exposures RM'000**
Credit exposure for on-balance sheet assets:			
Deposit and placement with banks and other financial institutions	1,945,641	–	1,945,641
Investment securities			
Available-for-sale	335,145	–	335,145
Held-to-maturity	94,957	–	94,957
Amount due from ECR debtors	1,708,137	–	1,708,137
Loans, advances and financing	1,247,300	2,248,940	(1,001,640)
	5,331,180	2,248,940	3,082,240
Credit exposure for off-balance sheet assets:			
Banking operations commitments	754,053	–	754,053
Insurance operations commitments			
Short term	389,045	–	389,045
Medium/long term	418,690	146,870	271,820
	1,561,788	146,870	1,414,918
	6,892,968	2,395,810	4,497,158

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 is 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:

	Group and Bank	
Collateral type	**2012 RM'000**	**2011 RM'000**
Secured by cash	**65,476**	500,000
Secured by property	**2,580,568**	2,555,046
	2,646,044	3,055,046

37. **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

31-Dec-12	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	Derivative RM'000	Total RM'000
Malaysia	2,961,894	248,088	572,570	655,213	20,927	4,458,692
East Asia	–	–	–	1,473,575	–	1,473,575
South Asia	–	–	–	225,713	–	225,713
Central Asia	–	–	–	198,704	–	198,704
Middle East	–	–	–	389,254	–	389,254
Africa	–	–	–	161,911	–	161,911
Europe	–	–	–	316,091	–	316,091
America	–	–	–	22,987	–	22,987
Oceania	–	–	–	219,380	–	219,380
	2,961,894	248,088	572,570	3,662,828	20,927	7,466,307

31-Dec-11	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	Total RM'000
Malaysia	2,539,759	430,102	977,932	559,151	4,506,944
East Asia	-	-	-	1,113,086	1,113,086
South Asia	-	-	-	199,077	199,077
Middle East	-	-	-	186,170	186,170
Africa	-	-	-	165,059	165,059
Europe	-	-	-	160,090	160,090
America	-	-	-	25,242	25,242
Oceania	-	-	-	59,747	59,747
	2,539,759	430,102	977,932	2,467,622	6,415,415

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Geographical analysis (cont'd)

On-balance sheet exposure (cont'd)

1-Jan-11	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	Total RM'000
Malaysia	1,945,641	449,094	1,708,137	462,712	4,565,584
East Asia	–	–	–	784,675	784,675
South Asia	–	–	–	179,849	179,849
Middle East	–	–	–	276,666	276,666
Africa	–	–	–	132,252	132,252
Europe	–	–	–	43,876	43,876
America	–	–	–	57,766	57,766
Oceania	–	–	–	26,487	26,487
	1,945,641	449,094	1,708,137	1,964,283	6,067,155

Off-balance sheet exposure

31-Dec-12	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
Malaysia	618,292	366,151	–	984,443
East Asia	288,436	699,796	2,790	991,022
South Asia	766,064	24,795	–	790,859
Central Asia	48,900	–	–	48,900
Middle East	16,714	49,984	5,130	71,828
Africa	–	32,581	–	32,581
Europe	62,403	120,023	141,222	323,648
America	18,958	91,173	–	110,131
Oceania	422,685	37,911	–	460,596
	2,242,452	1,422,414	149,142	3,814,008

37. **FINANCIAL RISK MANAGEMENT POLICIES** (CONT'D)

Geographical analysis (cont'd)

Off-balance sheet exposure (cont'd)

31-Dec-11	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
Malaysia	197,700	10,810	–	208,510
East Asia	321,288	83,582	17,509	422,379
South Asia	29,356	37,720	–	67,076
Central Asia	–	–	–	–
Middle East	49,274	23,010	–	72,284
Africa	34,826	14,100	–	48,926
Europe	40,376	132,582	100,317	273,275
America	79,767	46,581	–	126,348
Oceania	124,090	30,430	–	154,520
	876,677	378,815	117,826	1,373,318

1-Jan-11	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
Malaysia	43,098	17,000	–	60,098
East Asia	402,857	97,475	–	500,332
South Asia	–	9,700	–	9,700
Central Asia	–	500	–	500
Middle East	57,387	35,400	–	92,787
Africa	244,385	31,700	229,330	505,415
Europe	5,958	114,570	189,360	309,888
America	137	36,700	–	36,837
Oceania	231	46,000	–	46,231
	754,053	389,045	418,690	1,561,788

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– 31 DECEMBER 2012

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Industrial analysis

Exposures to credit risk by industry are as follows:

31-Dec-12	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	Derivative RM'000	Total RM'000
Agriculture, hunting and forestry	–	–	–	**291,706**	–	**291,706**
Mining, quarrying and manufacturing	–	–	–	**869,294**	–	**869,294**
Transport, storage and communication	–	**36,010**	–	**89,344**		**125,354**
Construction	–	**65,000**	–	**1,138,708**	–	**1,203,708**
Wholesale and retail trade, and restaurants and hotels	–	**10,000**	–	**360,984**	–	**370,984**
Finance, insurance, real estate and business activities	**2,961,894**	**125,000**	**572,570**	**30,741**	**20,927**	**3,711,132**
Electricity, gas and water	–	**10,000**	–	**365,180**	–	**375,180**
Government	–	–	–	**514,336**	–	**514,336**
Others	–	**2,078**	–	**2,535**	–	**4,613**
	2,961,894	**248,088**	**572,570**	**3,662,828**	**20,927**	**7,466,307**

31-Dec-11	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	Total RM'000
Agriculture, hunting and forestry	–	–	–	75,924	75,924
Mining, quarrying and manufacturing	–	35,000	–	431,503	466,503
Transport, storage and communication	–	30,000	–	93,065	123,065
Construction	–	100,000	–	953,688	1,053,688
Wholesale and retail trade, and restaurants and hotels	–	20,000	–	213,657	233,657
Finance, insurance, real estate and business activities	2,539,759	215,000	977,932	203,195	3,935,886
Electricity, gas and water	–	20,000	–	–	20,000
Government	–	–	–	474,118	474,118
Others	–	29,094	–	22,472	51,566
	2,539,759	449,094	977,932	2,467,622	6,434,407

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Industrial analysis (cont'd)

01-Jan-11	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	Total RM'000
Agriculture, hunting and forestry	–	–	–	15,957	15,957
Mining, quarrying and manufacturing	–	30,000	–	480,987	510,987
Transport, storage and communication	–	40,000	–	123,189	163,189
Construction	–	55,000	–	424,878	479,878
Wholesale and retail trade, and restaurants and hotels	–	–	–	305,500	305,500
Finance, insurance, real estate and business activities	1,945,641	195,000	1,708,137	–	3,848,778
Electricity, gas and water	–	85,000	–	–	85,000
Government	–	–	–	291,266	291,266
Others	–	25,102	-	322,506	347,608
	1,945,641	430,102	1,708,137	1,964,283	6,048,163

Off-balance sheet exposure

31-Dec-12	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
Manufacturing	**262,163**	**670,802**	**7,920**	**940,885**
Transport, storage and communication	**93,772**	–	–	**93,772**
Construction	**417,779**	–	**141,222**	**559,001**
Wholesale and retail trade and restaurants and hotels	**67,111**	**23,688**	–	**90,799**
Government	**112,161**	–	–	**112,161**
Others	**1,289,466**	**727,924**	–	**2,017,390**
	2,242,452	**1,422,414**	**149,142**	**3,814,008**

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Industrial analysis (cont'd)

Off-balance sheet exposure (cont'd)

31-Dec-11	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
Manufacturing	199,274	325,208	–	524,482
Transport, storage and communication	–	–	100,315	100,315
Construction	368,085	–	17,511	385,596
Wholesale and retail trade and restaurants and hotels	178,578	9,728	–	188,306
Government	18,176	–	–	18,176
Others	112,564	43,879	–	156,443
	876,677	378,815	117,826	1,373,318

1-Jan-11	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
Manufacturing	61,103	370,720	–	431,823
Transport, storage and communication	–	–	189,365	189,365
Construction	513,694	–	229,325	743,019
Wholesale and retail trade and restaurants and hotels	10,335	18,325	–	28,660
Government	160,812	–	–	160,812
Others	8,109	–	–	8,109
	754,053	389,045	418,690	1,561,788

37. **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:

	31-Dec-12 RM'000	31-Dec-12 RM'000	01-Jan-11 RM'000
Available-for-sale investment securities			
Short term			
P1/MARC-1	**15,053**	128,726	99,396
Long term			
AAA	**100,826**	117,999	12,743
AA	**117,148**	166,271	216,634
A	**5,053**	16,090	6,372
	238,080	429,086	335,145

	31-Dec-12 RM'000	31-Dec-12 RM'000	01-Jan-11 RM'000
Held-to-maturity investments securities			
Short term			
P1/MARC-1	**–**	–	37,000
Long term			
AAA	**10,008**	10,008	10,008
AA	**–**	10,000	47,949
	10,008	20,008	94,957

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit quality by loans, advances and financing

For commercial exposures, the Group and the Bank use nine risk grades with rating '1' representing the lowest risk. Meanwhile for Sovereign exposures, the Group and the Bank use five risk grades with rating 'A' representing the lowest risk. The exposure under each of these risk grades is as follows:

31-Dec-12	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Commercial customer				
Risk Rating 1	–	–	–	–
Risk Rating 2	664,869	–	–	664,869
Risk Rating 3	257,774	5	–	257,779
Risk Rating 4	615,955	53	–	616,008
Risk Rating 5	224,153	–	–	224,153
Risk Rating 6	387,715	1,960	–	389,675
Risk Rating 7	86,300	141	–	86,441
Risk Rating 8	65,609	–	–	65,609
Risk Rating 9	–	–	–	–
Impaired	–	–	812,321	812,321
	2,302,375	2,159	812,321	3,116,855
Sovereign				
Risk Rating A	–	–	–	–
Risk Rating B	46,740	–	–	46,740
Risk Rating C	188,362	–	–	188,362
Risk Rating D	75,027	–	–	75,027
Risk Rating E	235,844	–	–	235,844
Impaired	–	–	–	–
	545,973	–	–	545,973
	2,848,348	2,159	812,321	3,662,828

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit quality by loans, advances and financing (cont'd)

31-Dec-11	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**
Commercial customer				
Risk Rating 1	–	–	–	–
Risk Rating 2	217,054	–	–	217,054
Risk Rating 3	74,710	1,283	–	75,993
Risk Rating 4	363,377	4,470	–	367,847
Risk Rating 5	255,781	–	–	255,781
Risk Rating 6	101,477	–	–	101,477
Risk Rating 7	52,988	–	–	52,988
Risk Rating 8	41,031	–	–	41,031
Risk Rating 9	–	–	–	–
Impaired	–	–	879,562	879,562
	1,106,418	5,753	879,562	1,991,733
Sovereign				
Risk Rating A	–	–	–	–
Risk Rating B	24,935	–	–	24,935
Risk Rating C	141,086	–	–	141,086
Risk Rating D	50,319	–	–	50,319
Risk Rating E	259,549	–	–	259,549
Impaired	–	–	–	–
	475,889	–	–	475,889
	1,582,307	5,753	879,562	2,467,622

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Credit quality by loans, advances and financing (cont'd)

1-Jan-11	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Commercial customer				
Risk Rating 1	–	–	–	–
Risk Rating 2	58,363	–	–	58,363
Risk Rating 3	13,834	5,527	–	19,361
Risk Rating 4	18,975	129	–	19,104
Risk Rating 5	259,295	–	–	259,295
Risk Rating 6	146,892	2,899	–	149,791
Risk Rating 7	124,275	–	–	124,275
Risk Rating 8	33,718	–	–	33,718
Risk Rating 9	–	–	–	–
Impaired	–	–	1,009,924	1,009,924
	655,352	8,555	1,009,924	1,673,831
Sovereign				
Risk Rating A	–	–	–	–
Risk Rating B	14,280	–	–	14,280
Risk Rating C	217,383	–	–	217,383
Risk Rating D	23,858	–	–	23,858
Risk Rating E	4,046	–	–	4,046
Impaired	–	–	30,885	30,885
	259,567	–	30,885	290,452
	914,919	8,555	1,040,809	1,964,283

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:

	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
2 months overdue	**617**	5,753	6,673
3 months overdue	**80,897**	–	129
6 months overdue	**–**	–	1,753
	81,514	5,753	8,555

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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 RM160.2million (2011: RM171.3 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 and securities held-to-maturity

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.

Derivative assets

The fair value of derivative assets is derived from quoted market prices in active markets, including recent market transactions and valuation techniques such as the discounted cash flows model and option pricing model, as appropriate.

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.

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

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.

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37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Fair values (cont'd)

(ii) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table represents assets measured at fair value and classified by level with the following fair value measurement hierarchy:

31-Dec-12	Carrying value RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Total RM'000
Financial assets				
Derivative assets	**20,927**	–	**20,927**	**20,927**
AFS securities				
Unquoted debt securities	**238,080**	–	**238,080**	**238,080**
HTM securities				
Unquoted debt securities	**10,008**	–	**10,008**	**10,008**
	269,015	–	**269,015**	**269,015**

31-Dec-11	Carrying value RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Total RM'000
Financial assets				
AFS securities				
Quoted shares in Malaysia	19,025	19,025	–	19,025
Unquoted debt securities	410,061	–	410,061	410,061
HTM securities				
Unquoted debt securities	20,008	–	20,008	20,008
	449,094	19,025	430,069	449,094

37. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

Fair values (cont'd)

(ii) Fair value hierarchy (cont'd)

1-Jan-11	Carrying value RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Total RM'000
Financial assets				
AFS securities				
Quoted shares in Malaysia	25,163	25,163	–	25,163
Unquoted debt securities	309,982	–	309,982	309,982
HTM securities				
Unquoted debt securities	94,957	–	94,957	94,957
	430,102	25,163	404,939	430,102

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 valuation are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an 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 – but the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. These would include certain bonds, government bonds, corporate debt securities and certain issued notes.

38. 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 minimizes the net loss to the Bank arising from potential claims.

NOTES TO THE FINANCIAL STATEMENTS
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38. INSURANCE RISKS (CONT'D)

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

	31-Dec-12 Net RM'000	31-Dec-11 Net RM'000	01-Jan-11 Net RM'000
Estimated claim liabilities	**20,291**	24,433	26,820

a. **Change in claim costs**

Assumed an average claim cost of RM400,000 net of non-reinsurance recoveries for the Comprehensive Policy Shipments and adopted the Group's and the Bank's specific provisions for the other types of contracts where applicable. Changing the average claims cost and specific provisions by 10% gives the following results:

	31-Dec-12 Net		31-Dec-11 Net		1-Jan-11 Net	
	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%
Estimated claim liabilities	**22,045**	**18,538**	26,876	21,989	29,501	24,138

38. INSURANCE RISKS (CONT'D)

Sensitivity analysis (cont'd)

Claim liability sensitivity analysis (cont'd)

b. Change in average number of claims

Assumed 6.5 % of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following results.

	31-Dec-12 Net		31-Dec-11 Net		1-Jan-11 Net	
	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%
Estimated claim liabilities	**20,769**	**19,813**	24,809	24,809	27,230	26,409

c. Change in Claims Handing Expenses ("CHE")

Assumed the following expenses – 10% of IBNR and 9 % the specific provisions. Changing this by 10% points gives the following results.

	31-Dec-12 Net		31-Dec-11 Net		1-Jan-11 Net	
	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%
Estimated claim liabilities	**22,151**	**18,596**	26,672	22,194	29,236	24,403

d. Change in PRAD %

Assumed a claim Provision of Risk Margin for Adverse Deviation ("PRAD") of 15%. Changing this by 10% (to 16.5% and 13.5% respectively) gives the following results.

	31-Dec-12 Net		31-Dec-11 Net		1-Jan-11 Net	
	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%
Estimated claim liabilities	**20,556**	**20,026**	24,751	24,114	27,169	26,470

Premium/contribution liability sensitivity analysis

	31-Dec-12 Net RM'000	31-Dec-11 Net RM'000	01-Jan-11 Net RM'000
Estimated premium/contribution liabilities	**12,993**	11,516	21,552

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38. **INSURANCE RISKS** (CONT'D)

Sensitivity analysis (cont'd)

Premium/contribution liability sensitivity analysis (cont'd)

a. **Change in probability of default**

Assumed one year probability of default of ranging from 1% to 5%, depending on the type of contract. Increasing and decreasing this by 0.25 % points gives the following results.

	31-Dec-12 Net		31-Dec-11 Net		1-Jan-11 Net	
	High +0.25% points	Low -0.25% points	High +0.25% points	Low -0.25% points	High +0.25% points	Low -0.25% points
Estimated premium/ contribution liabilities	**14,875**	**11,117**	13,887	9,131	25,180	17,924

b. **Change in recovery rates**

On the premium liability front, assumed nil recovery rates for all the products. Increasing this to 10% gives the following results.

	31-Dec-12 Net		31-Dec-11 Net		1-Jan-11 Net	
	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%
Estimated premium liabilities	**N/A**	**11,724**	N/A	10,406	N/A	19,575

c. **Change in Claim Handling Expenses ("CHE")**

Assumed CHE of 10%. Changing this by 10% points gives the following results.

	31-Dec-12 Net		31-Dec-11 Net		1-Jan-11 Net	
	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%
Estimated premium liabilities	**14,147**	**11,839**	12,525	10,507	23,351	19,755

d. **Change in PRAD %**

Assumed a premium PRAD of 50%. Changing this by 10% (to 55% and 45% respectively) gives the following results.

	31-Dec-12 Net		31-Dec-11 Net		1-Jan-11 Net	
	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%	RM'000 High +10%	RM'000 Low –10%
Estimated premium liabilities	**13,426**	**12,560**	11,900	11,132	22,270	20,834

39. ISLAMIC BUSINESS FUNDS

Statement of financial position as at 31 December 2012

		Group and Bank								
		31-Dec-12			31-Dec-11			01-Jan-11		
	Note	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takafu fund RM'000	Total RM'000	Islamic business fund RM'000	Takafu fund RM'000	Total RM'000
Assets										
Cash and bank balances	(a)	**14**	**111**	**125**	29	–	29	1,346	–	1,346
Deposits and placements with banks and other financial institutions	(b)	**200,419**	**516**	**200,935**	1,836	–	1,836	55,583	–	55,583
Amount due from ECR-i debtors	(c)	**625**	**–**	**625**	5,364	–	5,364	10,307	–	10,307
Advances and financing	(d)	**502,266**	**–**	**502,266**	340,603	–	340,603	101,079	–	101,079
Premium receivable		**–**	**380**	**380**	–	–	–	–	–	–
Qard receivable		**933**	**933**	**1,866**	–	–	–	–	–	–
Other receivables		**314**	**1**	**315**	2	–	2	2,025	–	2,025
Total assets		**704,571**	**1,941**	**706,512**	347,834	–	347,834	170,340	–	170,340
Liabilities										
Financing payable		**198,770**	**–**	**198,770**	225,903	–	225,903	60,566	–	60,566
Deferred income	19	**–**	**1,406**	**1,406**	–	–	–	–	–	–
Provision For claim	20	**–**	**361**	**361**	–	–	–	–	–	–
Other liabilities		**399,837**	**174**	**400,011**	11,073	–	11,073	1,703	–	1,703
Total liabilities		**598,607**	**1,941**	**600,548**	236,976	–	236,976	62,269	–	62,269
Financed by:										
Islamic banking fund		**100,000**	**–**	**100,000**	100,000	–	100,000	100,000	–	100,000
Takaful fund		**–**	**(933)**	**(933)**	–	–	–	–	–	–
Qard Payable		**933**	**933**	**1,866**	–	–	–	–	–	–
Reserves		**5,031**	**–**	**5,031**	10,858	–	10,858	8,071	–	8,071
Total Islamic banking fund and Takaful fund		**105,964**	**–**	**105,964**	110,858	–	110,858	108,071	–	108,071
Total liabilities, Islamic banking fund, and Takaful fund		**704,571**	**1,941**	**706,512**	347,834	–	347,834	170,340	–	170,340

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39. ISLAMIC BUSINESS (CONT'D)

Statement of Income for the financial year ended 31 December

	Note	Group and Bank					
		2012			2011		
		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	(e)	25,480	–	25,480	9,976	–	9,976
Financing cost		(4,607)	–	(4,607)	(1,980)	–	(1,980)
Net income from islamic banking Fund		20,873	–	20,873	7,996	–	7,996
Gross premium contribution		–	1,282	1,282	–	–	–
Wakalah fee		449	(449)	–	–	–	–
Increase in premium liabilty		–	(1,405)	(1,405)	–	–	–
Increase in claim liability		–	(361)	(361)	–	–	–
Takaful fees		42	–	42	–	–	–
Income from takaful activities		491	(933)	(442)	–	–	–
Islamic banking fund and Takaful fund results		21,364	(933)	20,431	7,996	–	7,996
Administrative expenses		(390)	–	(390)	(149)	–	(149)
Allowance for losses on advances and financing	(f)	(26,372)	–	(26,372)	(5,378)	–	(5,378)
Loss for the year before taxation and zakat		(5,398)	(933)	(6,331)	2,469	–	2,469
Zakat		(429)	–	(429)	318	–	318
Net loss		(5,827)	(933)	(6,760)	2,787	–	2,787

39. ISLAMIC BUSINESS (CONT'D)

Statement of changes in Islamic banking fund and Takaful fund for the year ended 31 December 2012

	Islamic Banking Fund RM'000	Retained profits RM'000	Total RM'000
Group and Bank			
At 1 January 2011 as previously stated	100,000	6,583	106,583
Effect of full adoption of MFRS 139 (Note 42)	–	1,488	1,488
At 1 January 2011 as restated	100,000	8,071	108,071
Net profit for the year	–	2,787	2,787
At 31 December 2011	100,000	10,858	110,858
Net profit for the year	–	(6,760)	(6,760)
At 31 December 2012	**100,000**	**4,098**	**104,098**

Statement of cash flows for the financial year ended 31 December 2012

	Group and Bank	
	2012 RM'000	2011 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation and zakat	**(5,398)**	2,469
Adjustments for:		
Allowance for losses on advances and financing	**26,372**	5,405
Operating profit before working capital changes	**20,974**	7,874
Changes in working capital:		
Other assets	**(312)**	2,023
Other liabilities	**388,383**	9,795
Advances and financing	**(188,035)**	(244,929)
Zakat paid	**(48)**	(107)
Net cash generated from/(used in) operating activities	**220,962**	(225,344)

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

39. ISLAMIC BUSINESS (CONT'D)

Statement of Cash flow for the financial year ended 31 December (cont'd)

	Group and Bank	
	2012 RM'000	**2011 RM'000**
Cash flows from financing activities		
Net (repayment)/ drawdown of financing payable	**(27,133)**	165,337
Net drawdown of ECR-i debtors	**4,739**	4,943
Net cash (used in)/generated from financing activities	**(22,394)**	170,280
Net increase/(decrease) in cash and cash equivalents	**198,568**	(55,064)
Cash and cash equivalents at beginning of year	**1,865**	56,929
Cash and cash equivalents at end of year	**200,433**	1,865
Cash and cash equivalents comprise:		
Cash and bank balances	**14**	29
Deposits and placements with financial institutions	**200,419**	1,836
	200,433	1,865

Notes to the financial statements for the financial year ended 31 December 2012

	Group and Bank		
	31-Dec-12 RM'000	**31-Dec-11 RM'000**	**01-Jan-11 RM'000**
(a) Cash and bank balances			
Cash and bank balances	**125**	29	1,346
(b) Deposits and placements with lisenced banks sand other financial institutions			
Deposits and placements	**200,935**	1,836	55,583
(c) Amount due from ECR-i debtors			
Amount due from participating licensed banks under ECR-i Scheme	**625**	5,364	10,307
The maturity structure of the ECR-i debtors are as follows:			
Maturity within one year	**625**	5,364	10,307

39. ISLAMIC BUSINESS (CONT'D)

	Group and Bank		
	31-Dec-12 RM'000	31-Dec-11 RM'000	01-Jan-11 RM'000
(d) Advances and financing			
Murabahah	**205,588**	121,867	43,125
Istisna'	**353,301**	379,051	260,157
Bai' Dayn	**882**	10,609	–
Tawwaruq	**213,155**	35,064	–
Unearned income	**(238,882)**	(200,582)	(202,175)
	534,044	346,009	101,107
Allowances for losses on advances and financing:			
– Individual allowance	**(6,435)**	–	–
– Collective allowance	**(25,343)**	(5,406)	(28)
Net advances and financing	**502,266**	340,603	101,079
The maturity structure of the advances and financing are as follows:			
Within one year	**222,054**	139,880	42,745
One year to three years	**36,911**	3,515	–
Three years to five years	**67,980**	14,204	–
Over five years	**207,099**	188,410	58,362
	534,044	346,009	101,107
Individual allowance			
Balance at 1 January	–	–	–
Allowance made during the year	**6,435**	–	–
Balance at 31 December	**6,435**	–	–
Collective allowance			
Balance at 1 January	**5,406**	28	–
Allowance made during the year	**19,937**	5,378	28
Balance at 31 December	**25,343**	5,406	28

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

39. ISLAMIC BUSINESS (CONT'D)

	Group and Bank	
	2012 RM'000	**2011 RM'000**
(e) Income derived from investment of Islamic banking fund		
Advances and financing:		
Murabahah	**8,550**	2,586
Istisna'	**10,459**	4,977
Bai' Dayn	**1,224**	16
Tawwaruq	**2,373**	32
ECR-i debtors	**137**	227
Deposits and placements with licensed banks and other financial institutions	**1,066**	1,540
Others	**1,671**	598
	25,480	9,976
(f) Allowances for losses on advances and financing		
(i) Individual allowance		
– Charge for the year	**6,435**	–
(ii) Collective allowance		
– Charge for the year	**19,937**	5,378
	26,372	5,378

40. 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 Group's business segments as follows:

1) Banking

   Banking comprise of 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 of 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.

40 SEGMENT INFORMATION (CONT'D)

	Group							
	2012				2011			
	Business Segments				Business Segments			
	Banking RM'000	Insurance and Takaful RM'000	Support RM'000	Total RM'000	Banking RM'000	Insurance and Takaful RM'000	Support RM'000	Total RM'000
Net interest income	88,681	–	60,700	149,381	85,565	–	86,457	172,022
Underwriting results	–	(1,371)	–	(1,371)	–	31,259	–	31,259
Income from Islamic Business	20,873	491	–	21,364	7,996	–	–	7,996
Other income	43,102	–	32,515	75,617	17,879	–	(1,389)	16,490
Net income	152,656	(880)	93,215	244,991	111,440	31,259	85,068	227,767
Overhead expenses	(19,095)	(7,086)	(33,409)	(59,590)	(13,867)	(5,146)	(24,261)	(43,274)
Operating profit	133,561	(7,966)	59,806	185,401	97,573	26,113	60,807	184,493
Allowance for losses on loans, advances and financing	(15,664)	–	–	(15,664)	(38,136)	–	–	(38,136)
	117,897	(7,966)	59,806	169,737	59,437	26,113	60,807	146,357
Taxation				(45,542)				53,796
Zakat				(429)				318
Net profit/(loss) for the year				123,766				200,471

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2012

41 COMPARATIVE

Certain comparative figures have been reclassified to conform current years presentation, as shown below:

	Note	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Group and Bank				
Balance sheet				
31-Dec-11				
Loans, advances and financing **	8	1,987,786	(43,966)	1,943,820
Other assets	11	112,690	(5,619)	107,071
01-Jan-11				
Loans, advances and financing**	8	1,303,504	(56,204)	1,247,300
Other assets	11	34,388	(5,121)	29,267

*** Including the previous year adjustment on collective allowance as per Note 42.*

42 EFFECT OF FULL ADOPTION OF MFRS 139

(i) Change in the assessment of collective allowance

The Group and the Bank restated the opening balances of retained profit of the prior and current year to recognise the effect of the adjustment of collective allowance. In deriving the collective impairment estimates, the Bank make 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 were then adjusted for by the management where deemed necessary.

(ii) Effects in prior year

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 January as previously stated	**49,727**	**(126,608)**	52,046	(124,294)
Prior year adjustment	**(37,189)**	**(61,325)**	(37,189)	(61,325)
At 1 January, restated	**12,538**	**(187,933)**	14,857	(185,619)

42 **EFFECT OF FULL ADOPTION OF MFRS 139** (CONT'D)

(iii) Restatement of comparative in prior year

31-Dec-11	**Note**	**As previously stated RM'000**	**Prior year Adjustment RM'000**	**As restated RM'000**
Group				
Loans, advances and financing		1,987,786	(43,966)	1,943,820
Deferred tax asset		44,088	12,396	56,484
Retained profits		49,727	(37,189)	12,538
Bank				
Loans, advances and financing		1,987,786	(43,966)	1,943,820
Deferred tax asset		46,400	12,396	58,796
Retained profits		52,046	(37,189)	14,857
01-Jan-11				
Group				
Loans, advances and financing	8	1,303,504	(56,204)	1,247,300
Deffered tax asset	12	8,075	–	8,075
Retained profits		(126,608)	(61,325)	(187,933)
Bank				
Loans, advances and financing	8	1,303,504	(56,204)	1,247,300
Deffered tax asset	12	10,385	–	10,385
Retained profits		(124,294)	(61,325)	(185,619)

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